



## CONSOLIDATED FINANCIAL STATEMENTS

For the period ended  
December 31, 2017

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

In Thousands of United States Dollars

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This document includes:

- Report of Independent Register Public Accounting Firms
- Consolidated Classified Statements of Financial Position
- Consolidated Statements of Income by Function
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Consolidated Statements of Changes in Equity
- Notes to the Consolidated Financial Statements



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

### Consolidated Classified Statements of Financial Position

| Assets   | Note      | As of<br>December<br>31, 2017<br>ThUS\$ | As of<br>December<br>31, 2016<br>ThUS\$ |
|--|-----------|---|---|
| <b>Current assets</b>  |           |   |   |
| Cash and cash equivalents  | 7.1       | 630,438                                 | 514,669                                 |
| Other current financial assets   | 10.1      | 366,979                                 | 289,189                                 |
| Other current non-financial assets   | 24        | 26,883                                  | 30,273                                  |
| Trade and other receivables, current   | 10.2      | 446,875                                 | 368,761                                 |
| Trade receivables due from related parties, current                            | 9.5       | 59,132                                  | 82,259                                  |
| Current inventories  | 8         | 902,074                                 | 993,072                                 |
| Current tax assets   | 27.1      | 32,291                                  | 51,632                                  |
| <b>Current assets other than those classified as held for sale or disposal</b> |           | <b>2,464,672</b>                        | <b>2,329,855</b>                        |
| Non-current assets or groups of assets classified as held for sale             |           | 1,589                                   | 2,056                                   |
| <b>Total current assets</b>  |           | <b>2,466,261</b>                        | <b>2,331,911</b>                        |
| <b>Non-current assets</b>  |           |   |   |
| Other non-current financial assets   | 10.1      | 62,879                                  | 34,099                                  |
| Other non-current non-financial assets   | 24        | 19,262                                  | 24,690                                  |
| Trade receivables, non-current   | 10.2      | 1,912                                   | 1,840                                   |
| Investments classified using the equity method of accounting                   | 11.1-12.3 | 126,425                                 | 113,140                                 |
| Intangible assets other than goodwill  | 13.1      | 105,948                                 | 109,439                                 |
| Goodwill   | 13.1      | 44,177                                  | 37,972                                  |
| Property, plant and equipment  | 14.1      | 1,437,193                               | 1,532,710                               |
| Tax assets, non-current  | 27.1      | 32,179                                  | 32,179                                  |
| <b>Total non-current assets</b>  |           | <b>1,829,975</b>                        | <b>1,886,069</b>                        |
| <b>Total assets</b>  |           | <b>4,296,236</b>                        | <b>4,217,980</b>                        |

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





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

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

| Liabilities and Equity                             | Note | As of December<br>31, 2017<br>ThUS\$ | As of December<br>31, 2016<br>ThUS\$ |
|--|------|--------------------------------------|--------------------------------------|
| <b>Current liabilities</b>                         |      |                                      |                                      |
| Other current financial liabilities                | 10.4 | 220,328                              | 179,144                              |
| Trade and other payables, current                  | 10.5 | 196,280                              | 200,496                              |
| Trade payables due to related parties, current     | 9.6  | 1,365                                | 7                                    |
| Other current provisions                           | 18.1 | 63,445                               | 41,912                               |
| Current tax liabilities                            | 27.2 | 75,402                               | 75,872                               |
| Provisions for employee benefits, current          | 15.1 | 22,421                               | 20,998                               |
| Other current liabilities                          | 18.3 | 168,804                              | 61,920                               |
| <b>Total current liabilities</b>                   |      | <b>748,045</b>                       | <b>580,349</b>                       |
| <b>Non-current liabilities</b>                     |      |                                      |                                      |
| Other non-current financial liabilities            | 10.4 | 1,031,507                            | 1,093,438                            |
| Other non-current provisions                       | 18.1 | 30,001                               | 8,934                                |
| Deferred tax liabilities                           | 27.3 | 205,283                              | 205,455                              |
| Provisions for employee benefits, non-current      | 15.1 | 33,932                               | 22,532                               |
| <b>Total non-current liabilities</b>               |      | <b>1,300,723</b>                     | <b>1,330,359</b>                     |
| <b>Total liabilities</b>                           |      | <b>2,048,768</b>                     | <b>1,910,708</b>                     |
| <b>Equity</b>                                      |      |                                      |                                      |
| Equity   | 17   |                                      |                                      |
| Share capital                                      |      | 477,386                              | 477,386                              |
| Retained earnings                                  |      | 1,724,784                            | 1,781,576                            |
| Other reserves                                     |      | (14,349)                             | (12,888)                             |
| <b>Equity attributable to owners of the Parent</b> |      | <b>2,187,821</b>                     | <b>2,246,074</b>                     |
| Non-controlling interests                          |      | 59,647                               | 61,198                               |
| <b>Total equity</b>                                |      | <b>2,247,468</b>                     | <b>2,307,272</b>                     |
| <b>Total liabilities and equity</b>                |      | <b>4,296,236</b>                     | <b>4,217,980</b>                     |

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







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

### Consolidated Statements of Income by Function

|  | Note    | January to December |                |
|--|---------|---------------------|----------------|
|  |         | 2017<br>ThUS\$      | 2016<br>ThUS\$ |
| Revenue  | 26.1    | 2,157,323           | 1,939,322      |
| Cost of sales  | 26.2    | (1,394,822)         | (1,328,285)    |
| <b>Gross profit</b>  |         | <b>762,501</b>      | <b>611,037</b> |
| Other income   | 26.3    | 17,827              | 15,202         |
| Administrative expenses  | 26.4    | (101,171)           | (88,436)       |
| Other expenses by function   | 26.5    | (61,638)            | (89,731)       |
| Other gains (losses)   | 26.6    | 543                 | 679            |
| <b>Profit (loss) from operating activities</b>   |         | <b>618,062</b>      | <b>448,751</b> |
| Finance income   |         | 13,499              | 10,129         |
| Finance costs  | 21-26.8 | (50,124)            | (57,498)       |
| Share of profit of associates and joint ventures accounted for using the equity method | 11-12   | 14,452              | 13,047         |
| Foreign currency translation differences   | 22      | (1,299)             | 460            |
| <b>Profit (loss) before taxes</b>  |         | <b>594,590</b>      | <b>414,889</b> |
| Income tax expense, continuing operations  | 27.3    | (166,173)           | (132,965)      |
| <b>Profit for the year</b>   |         | <b>428,417</b>      | <b>281,924</b> |
| <b>Profit attributable to</b>  |         |                     |                |
| Owners of the Parent   |         | 427,697             | 278,290        |
| Non-controlling interests  |         | 720                 | 3,634          |
| <b>Profit for the year</b>   |         | <b>428,417</b>      | <b>281,924</b> |

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





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

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

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|   | Note | January to December |              |
|---|------|---------------------|--------------|
|   |      | 2017<br>US\$        | 2016<br>US\$ |
| <b>Earnings per share</b>                   |      |                     |              |
| <b>Common shares</b>                        |      |                     |              |
| Basic earnings per share (US\$ per share)   | 20   | 1.6250              | 1.0573       |
| <b>Diluted common shares</b>                |      |                     |              |
| Diluted earnings per share (US\$ per share) | 20   | 1.6250              | 1.0573       |

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

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

### Consolidated Statements of Comprehensive Income

| Statement of comprehensive income   | January to December |                |
|---|---------------------|----------------|
|   | 2017<br>ThUS\$      | 2016<br>ThUS\$ |
| Profit (loss) for the year  | 428,417             | 281,924        |
| <b>Other comprehensive income</b>   |                     |                |
| <b>Items of other comprehensive income that will not be reclassified to profit for the year, before taxes</b>                       |                     |                |
| Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans                             | (1,392)             | (3,397)        |
| <b>Total other comprehensive income that will not be reclassified to profit for the year, before taxes</b>                          | <b>(1,392)</b>      | <b>(3,397)</b> |
| <b>Items of other comprehensive income that will be reclassified to profit for the year, before taxes</b>                           |                     |                |
| <b>Foreign currency exchange difference</b>   |                     |                |
| Foreign currency exchange gains l(losses) before taxes  | (5,446)             | (2,252)        |
| <b>Other comprehensive income before taxes</b>  | <b>(5,446)</b>      | <b>(2,252)</b> |
| <b>Cash flow hedges on defined benefit plans</b>  |                     |                |
| Gains (losses) from cash flow hedges  | 2,184               | 2,233          |
| <b>Other comprehensive income before taxes</b>  | <b>2,184</b>        | <b>2,233</b>   |
| <b>Financial assets measured at fair value with changes in other comprehensive income</b>   |                     |                |
| Gains (losses) in financial assets measured at fair value through other comprehensive income  | (26)                | 4,813          |
| <b>Other comprehensive income, before taxes, financial assets measured at fair value</b>  | <b>(26)</b>         | <b>4,813</b>   |
| <b>Total other comprehensive income that will be reclassified to profit for the year</b>  | <b>(3,288)</b>      | <b>4,794</b>   |
| <b>Other items of other comprehensive income before taxes</b>   | <b>(4,680)</b>      | <b>1,397</b>   |
| <b>Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year</b>             |                     |                |
| Income tax related to investments in equity instruments of other comprehensive income   | (550)               | (1,300)        |
| Income taxes related to new measurements of defined benefit plans in other comprehensive income                                     | 282                 | 921            |
| <b>Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year</b> | <b>(268)</b>        | <b>(379)</b>   |
| <b>Income taxes related to items of other comprehensive income that will be reclassified to profit for the year</b>                 |                     |                |
| Income taxes related to cash flow hedges in other comprehensive income  | -                   | (470)          |
| <b>Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year</b>     | <b>-</b>            | <b>(470)</b>   |
| <b>Total other comprehensive income</b>   | <b>(4,948)</b>      | <b>548</b>     |
| <b>Total comprehensive income</b>   | <b>423,469</b>      | <b>282,472</b> |
| <b>Comprehensive income attributable to</b>   |                     |                |
| Owners of the Parent  | 422,736             | 278,831        |
| Non-controlling interests   | 733                 | 3,641          |
| <b>Total comprehensive income</b>   | <b>423,469</b>      | <b>282,472</b> |

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





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

### Consolidated Statements of Cash Flows

| Consolidated Statements of cash flows  | Note | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |      |                      |                      |
| Cash receipts from sales of goods and rendering of services                                  |      | 2,082,366            | 1,874,202            |
| Cash receipts from premiums and benefits, annuities and other benefits from policies entered |      | 2,967                | 5,071                |
| Cash payments to suppliers for the provision of goods and services (1)                       |      | (959,213)            | (851,972)            |
| Cash payments to and on behalf of employees  |      | (227,103)            | (204,609)            |
| Other payments related to operating activities   |      | (34,956)             | (32,185)             |
| <b>Net cash generated from (used in) operating activities</b>                                |      | <b>864,061</b>       | <b>790,507</b>       |
| Dividends received   |      | 2,091                | 4,345                |
| Interest paid  |      | (18,964)             | (55,217)             |
| Interest received  |      | 13,499               | 10,550               |
| Income taxes paid  |      | (148,568)            | (113,991)            |
| Other incomes (outflows) of cash (2)   |      | (8,122)              | (2,532)              |
| <b>Net cash generated from (used in) operating activities</b>                                |      | <b>703,997</b>       | <b>633,662</b>       |
| <b>Cash flows from (used in) investing activities</b>  |      |                      |                      |
| Payments made to acquire interest in joint ventures  |      | (38,088)             | (45,000)             |
| Proceeds from the sale of property, plant and equipment                                      |      | 229                  | 4,347                |
| Acquisition of property, plant and equipment   |      | (142,144)            | (131,251)            |
| Proceeds from sales of intangible assets   |      | 8,640                | 3,435                |
| Purchases of intangible assets   |      | -                    | (2,090)              |
| Cash advances and loans granted to third parties   |      | 78                   | (163)                |
| Proceeds from the repayment of advances and loans granted to third parties                   |      | -                    | -                    |
| Other inflows (outflows) of cash (3)   |      | (76,782)             | 333,108              |
| <b>Net cash generated from (used in) investing activities</b>                                |      | <b>(248,067)</b>     | <b>162,386</b>       |

(1) Includes a payment of ThUS\$30,000 made to the SEC and the DOJ, which was provisioned in 2016.

(2) Other inflows (outflows) of cash from operating activities include increases (decreases) net of Value Added Tax.

(3) Other inflows (outflows) of cash include investments and redemptions of time deposits and other financial instruments that do not qualify as cash and cash equivalent in accordance with IAS 7, paragraph 7, since they mature in more than 90 days from the original investment date.

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





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

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

|   | Note | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|------|----------------------|----------------------|
| <b>Cash flows used in financing activities</b>  |      |                      |                      |
| Proceeds from short-term borrowings   |      | 143,000              | 100,000              |
| Repayment of borrowings   |      | (126,712)            | (517,000)            |
| Dividends paid  |      | (373,933)            | (399,410)            |
| <b>Net cash generated used in financing activities</b>  |      | <b>(357,645)</b>     | <b>(816,410)</b>     |
| <b>Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate</b> |      | <b>98,285</b>        | <b>(20,362)</b>      |
| Effects of exchange rate fluctuations on cash held  |      | 17,484               | 7,772                |
| Net (decrease) increase in cash and cash equivalents  |      | 115,769              | (12,590)             |
| <b>Cash and cash equivalents at beginning of period</b>   |      | <b>514,669</b>       | <b>527,259</b>       |
| <b>Cash and cash equivalents at end of period</b>   |      | <b>630,438</b>       | <b>514,669</b>       |

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





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

### Consolidated Statements of Changes in Equity

| 2017   | 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\$           |
| Equity at beginning of the year                        | 477,386        | (19,463)   | 64                       | 3,513  | (4,834)   | 7,832                        | (12,888)        | 1,781,576         | 2,246,074                                   | 61,198                    | 2,307,272        |
| Profit for the year                                    | -              | -  | -                        | -  | -   | -                            | -               | 427,697           | 427,697                                     | 720                       | 428,417          |
| Other comprehensive income                             | -              | (5,450)  | 2,184                    | (576)  | (1,119)   | -                            | (4,961)         | -                 | (4,961)                                     | 13                        | (4,948)          |
| <b>Comprehensive income</b>                            | -              | <b>(5,450)</b>                                   | <b>2,184</b>             | <b>(576)</b>   | <b>(1,119)</b>                                      | -                            | <b>(4,961)</b>  | <b>427,697</b>    | <b>422,736</b>                              | <b>733</b>                | <b>423,469</b>   |
| Dividends  | -              | -  | -                        | -  | -   | -                            | -               | (480,989)         | (480,989)                                   | (2,284)                   | (483,273)        |
| Increase (decrease) due to transfers and other changes | -              | -  | -                        | -  | -   | 3,500                        | 3,500           | (3,500)           | -   | -                         | -                |
| <b>Increase (decrease) in equity</b>                   | -              | <b>(5,450)</b>                                   | <b>2,184</b>             | <b>(576)</b>   | <b>(1,119)</b>                                      | <b>3,500</b>                 | <b>(1,461)</b>  | <b>(56,792)</b>   | <b>(58,253)</b>                             | <b>(1,551)</b>            | <b>(59,804)</b>  |
| <b>Equity as of December 31, 2017</b>                  | <b>477,386</b> | <b>(24,913)</b>                                  | <b>2,248</b>             | <b>2,937</b>   | <b>(5,953)</b>                                      | <b>11,332</b>                | <b>(14,349)</b> | <b>1,724,784</b>  | <b>2,187,821</b>                            | <b>59,647</b>             | <b>2,247,468</b> |

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

**SQM S.A.**  
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 Las Condes, Santiago, Chile  
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## Sociedad Química y Minera de Chile S.A. and Subsidiaries

### 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              |
| <b>Comprehensive income</b>                            | -              | <b>(2,287)</b>                                   | <b>1,763</b>             | <b>3,513</b>   | <b>(2,448)</b>                                      | -                            | <b>541</b>      | <b>278,290</b>    | <b>278,831</b>                              | <b>3,641</b>              | <b>282,472</b>   |
| 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            |
| <b>Increase (decrease) in equity</b>                   | -              | <b>(5,428)</b>                                   | <b>1,763</b>             | <b>3,513</b>   | <b>(2,448)</b>                                      | <b>9,509</b>                 | <b>6,909</b>    | <b>(100,620)</b>  | <b>(93,711)</b>                             | <b>627</b>                | <b>(93,084)</b>  |
| <b>Equity as of December 31, 2016</b>                  | <b>477,386</b> | <b>(19,463)</b>                                  | <b>64</b>                | <b>3,513</b>   | <b>(4,834)</b>                                      | <b>7,832</b>                 | <b>(12,888)</b> | <b>1,781,576</b>  | <b>2,246,074</b>                            | <b>61,198</b>             | <b>2,307,272</b> |

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 and its Tax Identification Number is 93.007.000-9.

The Company was incorporated through a public deed dated June 17, 1968 by the notary public of Santiago MR. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1,164 of June 22, 1968 of the Ministry of Finance, and it was registered on June 29, 1968 in the Registry of Commerce of Santiago, on page 4,537 No. 1,992. SQM's headquarters are located at El Trovador 4285, Fl. 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 2425-2000.

The Company is registered with the Securities Registry of the Financial Markets Commission (CMF), which was formerly 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; Administration Building w/n - María Elena; Administration Building w/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 Ruta 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - María 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 Financial Markets Commission (CMF), which was formerly the Chilean Superintendence of Securities and Insurance are as follows:

- 1700 (Mining)
- 2200 (Chemical products)
- 1300 (Investment)

### **1.4 Description of the nature of operations and main activities**

Our products are mainly derived from mineral deposits found in northern Chile. We mine and process caliche ore and brine deposits. The ore deposit in northern Chile contains nitrate and iodine deposits. The brine deposits of the Salar de Atacama, in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate.



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

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

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

We sell our products in over 100 countries worldwide through our global distribution network and generate our revenue mainly from abroad.

Our products are divided into six categories: specialty plant nutrition, iodine and its derivatives, lithium and its derivatives, industrial chemicals, potassium and other products and services, described as follows:

**Specialty plant nutrition:** SQM produces and sells four types of specialty plant nutrition in this line of business: potassium nitrate, sodium nitrate, sodium potassium nitrate, and specialty mixes. This business is characterized by being closely related to its customers for which it has specialized staff who provide expert advisory in best practices for fertilization according to each type of crop, soil and climate. Within this type of business, potassium derivative products and especially potassium nitrate have had a leading role because of the contribution they make to developing crops, ensuring an improvement in post-crop life, in addition to improving quality, flavor and fruit color. The potassium nitrate, which is sold in multiple formats and as a part of other specialty mixtures, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 fertilizing mixtures.

**Iodine:** The Company is a major global producer of iodine. 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. By manufacturing lithium-based products, SQM provides significant materials for addressing great challenges, such as the efficient use of energy and raw materials. Lithium is not only used for rechargeable batteries for small electrical appliances such as mobile phones, tablets and laptops, but is also used in industrial applications, such as the manufacturing of glass, ceramics and lubricating greases. Other uses include the pharmaceutical and chemical industries.

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

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

**Industrial chemicals:** Industrial chemicals are products used as supplies for a number of production processes. SQM participates in this line of business producing sodium nitrate, potassium nitrate and potassium chloride. Industrial nitrates have increased their importance over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used in countries such as Spain and the United States in their quest to decrease CO<sub>2</sub> emissions.

**Potassium:** Potassium is a primary essential macro-nutrient, and even though does not form part of the plant's structure, it has a significant role for the development of its basic functions, ensuring the quality of a crop, increasing post-crop life, improving crop flavor, the amount of vitamins it contains and its physical appearance. Within this business line, SQM also has 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, 2017, and December 31, 2016, the workforce was as follows:

|                           | 12/31/2017 |                    |              | 12/31/2016 |                    |              |
|---------------------------|------------|--------------------|--------------|------------|--------------------|--------------|
|                           | SQM S.A.   | Other subsidiaries | Total        | SQM S.A.   | Other subsidiaries | Total        |
| Executives                | 43         | 77                 | 120          | 31         | 72                 | 103          |
| Professionals             | 143        | 942                | 1,085        | 119        | 919                | 1,038        |
| Technicians and operators | 248        | 3,177              | 3,425        | 262        | 3,076              | 3,338        |
| Foreign employees         | 19         | 272                | 291          | 8          | 264                | 272          |
| <b>Overall total</b>      | <b>453</b> | <b>4,468</b>       | <b>4,921</b> | <b>420</b> | <b>4,331</b>       | <b>4,751</b> |

## Note 1 Identification and Activities of the Company and subsidiaries (continued)

### 1.5 Other background, continued

#### Main shareholders

The table below establishes certain information about the beneficial property of Series A and Series B shares of SQM as of December 31, 2017 and December 31, 2016 with respect to each shareholder with an interest in excess of 5% of outstanding Series A or B shares.

The information below is taken from our records and reports controlled in the Central Securities Depository and reported to the Financial Markets Commission (CMF), which was formerly the Superintendence of Securities and Insurance (SVS) and the Chilean Stock Exchange, whose main shareholders are as follows:

| Shareholder as of December 31, 2017                      | 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                        | -                              | -                    | 54,599,961                     | 45.36%               | 20.74%            |
| 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%             |
| Inversiones Global Mining (Chile) Limitada (*)           | 8,798,539                      | 6.16%                | -                              | -                    | 3.34%             |
| Banco de Chile por Cuenta de Terceros no Residentes      | -                              | -                    | 8,394,289                      | 6.97%                | 3.19%             |
| Banco Itau por Cuenta de Inversionistas                  | 19,125                         | 0.01%                | 7,017,504                      | 5.63%                | 2.67%             |
| Banco Santander por cuenta de inversionistas extranjeros | -                              | -                    | 4,593,336                      | 3.82                 | 1.75%             |

(\*) Total Pampa Group 29.97%

| 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%

On December 31, 2017 the total number of shareholders had risen to 1,240.

## **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, 2017 and, 2016.
- Consolidated Statements of Changes in Equity as of December 31, 2017 and 2016
- Consolidated Statements of Comprehensive Income as of December 31, 2017 and 2016
- Consolidated Statements of Direct-Method Cash Flows as of December 31, 2017 and 2016.

### **2.2 Consolidated financial statements**

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

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

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

The accounting policies used in the preparation of these consolidated annual accounts comply with each IFRS in force at their date of presentation.

For the closing date of these consolidated financial statements certain reclassifications have been made for the captions current tax assets, other non-current financial assets, equity accounted investees, current tax assets, non-current as of December 31, 2016, for consistent presentation and comparability to the figures as of December 31, 2017.

### **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 an offsetting entry in other comprehensive income.
- Other current and non-current assets and financial liabilities at amortized cost

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

### 2.4 Accounting pronouncements

#### New accounting pronouncements

a) The following standards, interpretations and amendments are mandatory for the first time for annual periods beginning on January 1, 2017:

| <i>Amendments and improvements</i>  | Mandatory for annual periods beginning on |
|---|---|
| Amendment to IAS 7 "Statement of Cash Flows". Published in February 2016. The amendment introduces an additional disclosure initiative that enables users of financial statements to evaluate changes in liabilities arising from financing activities. | 01/01/2017                                |
| Amendment to IAS 12 "Income Taxes". Published in February 2016. The amendment clarifies how to account for a deferred tax asset that is related to a debt instrument measured at fair value.  | 01/01/2017                                |
| Amendment to IFRS 12 "Disclosure of Interests in Other Entities". Published in December 2016. The amendment clarifies the scope of this standard. These amendments must be applied retroactively to annual periods as of January 1, 2017.               | 01/01/2017                                |

The adoption of the standards, amendments and interpretations indicated above has no significant impact on the Company's consolidated financial statements.



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

### 2.4 Accounting pronouncements, continued

b) Standards, interpretations and amendments issued that had not become effective for financial statements beginning on January 1, 2017 and which the Company has not adopted early are as follows:

| <i>Standards and interpretations</i>  | Mandatory for annual periods<br>beginning on |
|---|--|
| <p><i>The International Financial Reporting Standard No. 9 (IFRS 9) Financial Instruments - Published in July 2014. The IASB has published a complete new version of IFRS 9, which replaces the guidance in IAS 39. This final version includes requirements regarding the classification and measurement of financial assets and liabilities and a new model for the recognition of expected credit losses that replaces the incurred loss impairment model used today. The part relating to hedge accounting that forms part of this final version of IFRS 9 was published in November 2013.</i></p> <p><i>The Company's trade receivables are maintained to obtain contractual cash flows (charge and collect) and do not contain a significant financing component, being recognized at the transaction price defined in IFRS 15. Meanwhile, the Company is using the simplified approach for recognizing expected credit losses if there is no significant increase in the credit risk since initial recognition and the terms of sale are less than 12 months. Similarly, the Company is using an impairment model for trade receivables based on expected credit losses that considers the credit risk separately from its hedges, generating an effect equal to that established in the previous accounting standard IAS 39. The Company has established the procedures and controls for beginning to apply IFRS 9 as of January 1, 2018.</i></p> | <p>01/01/2018</p>                            |



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

### 2.4 Accounting pronouncements, continued

#### *Standards and interpretations*

Mandatory for annual periods beginning on

*The International Financial Reporting Standard No. 15 (IFRS 15) Revenue from Contracts with Customers - Published in May 2014 by the IASB. This established the principles that an entity must apply for presenting useful information to users of financial statements with regard to the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer, as of January 1, 2018. 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 new standard establishes a framework of five steps to determine when to recognize revenue and at what amount. The standard is focused on recognizing the revenue as the different obligations of performance, transfer of control, risks and benefits are fulfilled. This standard replaces the following standards and interpretations: IAS 18 Revenue; IAS 11 Construction contracts; 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.*

01/01/2018

*In April 2016, the IASB published an amendment to introduce clarifications with regard to identifying performance obligations in contracts with customers, to account for licensing involving intellectual property and for assessing principal versus agent considerations (i.e. Recording revenue on a gross basis versus the net amount it retains), among other aspects. These amendments are also effective as of January 1, 2018.*

01/01/2018

*The Company's revenue is mainly derived from its principal performance obligation to transfer its products under agreements in which the transfer of the control, risks and benefits of the property and the fulfillment of the Company's performance obligations happen at the same time. The Company has carried out a detailed evaluation and executed a plan for the implementation of IFRS 15. As part of this process, the Company has analyzed the performance obligations underlying revenue recognition, such as the performance obligation to transport products to customers, in line with the terms and conditions previously established in contracts and there is no significant impact - the performance obligation has been satisfied. With regard to products invoiced with a deferred shipment date, the transfer of control has been assessed over and above the transfer of risks and benefits established in the previous standard and a prepayment is estimated in revenue recognition, without a significant impact. Other considerations were also assessed, such as rebates, discounts, guarantees, financing components and product personalization. Based on this analysis, the Company has concluded that these last items will not generate an impact nor are significant changes expected in the recording of revenue as a result of applying this new standard, except for the impact on disclosures. The Company has established the procedures and controls for beginning to apply IFRS 15 as of January 1, 2018. It intends to recognize the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as of that date, without making adjustments to the comparative information for prior periods.*

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

### 2.4 Accounting pronouncements, continued

| <i>Standards and interpretations</i>   | Mandatory for annual periods beginning on |
|--|---|
| <i>IFRS 16 "Leases" – Published in January 2016 establishes the principle for recognizing, measuring, presenting and disclosing leases. IFRS 16 replaces IAS 17 and introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with a lease term of more than 12 months unless the underlying asset has a low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 before the initial application date of IFRS 16.</i>  | 01/01/2019                                |
| <i>IFRS 17 "Insurance Contracts". Published in May 2017, this replaces IFRS 4. IFRS 17 will mainly change the accounting for those entities that issue insurance contracts and investment contracts with discretionary participation features. IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.</i>  | 01/01/2021                                |
| <i>IFRIC 22 "Foreign Currency Transactions and Advance Consideration". Published in December 2016. This Interpretation applies to a foreign currency transaction (or part of one) if an entity recognizes a non-financial asset or non-financial liability arising from the payment or receipt of an advance consideration prior to the entity recognizing the related asset, expense or income (or the applicable portion thereof). The interpretation provides a guideline for the transaction date to be used for both single payments/receipts and situations when there are multiple payments/receipts. Its objective is to reduce diversity in practice.</i> | 01/01/2018                                |



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

### 2.4 Accounting pronouncements, continued

| <i>Amendments and improvements</i>   | <i>Mandatory for annual periods beginning on</i> |
|--|--|
| IFRIC 23 "Uncertainty over Income Tax Treatments". Published in June 2016. This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, when there is uncertainty over income tax treatments.  | 01/01/2019                                       |
| Amendment to IFRS 15 "Revenue from Contracts with Customers". Published in April 2016. The amendment provides clarifications with regard to identifying performance obligations in contracts with customers, , accounting for licensing involving intellectual property and assessing principal versus agent considerations (i.e. recording revenue on a gross basis versus the net amount it retains). It includes new and modified illustrative examples as a guide, along with practical examples related to the transition to the new standard on revenue.               | 01/01/2018                                       |
| Amendment to IAS 28 "Investments in Associates and Joint Ventures" in regard to measuring an associate or joint venture at fair value. Published in December 2016.   | 01/01/2018                                       |
| Amendment to IFRS 9 "Financial Instruments". Published in October 2017. The amendment permits more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit and loss (FVTPL). For them to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". | 01/01/2019                                       |
| Amendment to IAS 28 "Investments in Associates and Joint Ventures" Published in October 2017. This amendment clarifies that companies should apply IFRS 9 to account for long-term interests in an associate or joint venture to which the equity method is not applied. The Board has published an example that illustrates how companies should apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.   | 01/01/2019                                       |
| Amendment to IFRS 3 "Business Combinations" Published in December 2017. The amendment clarifies that gaining control of a company that is a joint venture is a business combination that is achieved in stages. The acquirer must remeasure previously held interests in that business at fair value at the date of acquisition.   | 01/01/2019                                       |
| Amendment to IFRS 11 "Joint Arrangements" Published in December 2017. The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.   | 01/01/2019                                       |



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

### 2.4 Accounting pronouncements, continued

| <i>Amendments and improvements</i>   | Mandatory for annual periods beginning on or after |
|--|--|
| Amendment to IAS 12 "Income Taxes". Published in December 2017. This amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognized when the past transactions or events that generated distributable profits were originally recognized.  | 01/01/2019   |
| Amendment to IAS 23 "Borrowing Costs". Published in December 2017. This amendment clarifies that the borrowing costs of specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale will be considered as part of the general borrowing costs of the entity.  | 01/01/2019   |
| <p>The following amendment was issued by the IASB and was originally scheduled to take effect in 2016. However, the organization has changed its position and the mandatory effective date is now to be determined.</p>  |  |
| Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Published in September 2014. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | Undetermined                                       |
| <p>Management believes the adoption of the standards, interpretations and amendments applicable as of January 1, 2018, will have no significant impact on the Company's financial statements. For those standards to be applied as of 2019, the corresponding studies and analysis will be carried out during 2018.</p>  |  |



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

### 2.5 Basis of consolidation

#### (a) Subsidiaries

These are all those entities where Sociedad Química y Minera de Chile S.A. has control over directing their financial and operational policies. This is generally accompanied by a share of more than half of the voting rights. 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. For more information, please see Note 6.4

#### Companies included in consolidation:

| TAX ID No. | Foreign subsidiaries                             | Country of origin | Functional currency | Ownership interest |          |                  |                  |
|------------|--|-------------------|---------------------|--------------------|----------|------------------|------------------|
|            |  |                   |                     | Direct             | Indirect | 12/31/2017 Total | 12/31/2016 Total |
| Foreign    | Nitratos Naturais Do Chile Ltda.                 | Brazil            | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | Nitrate Corporation Of Chile Ltd.                | United Kingdom    | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | SQM North America Corp.                          | USA               | US\$                | 40.0000            | 60.0000  | 100.0000         | 100.0000         |
| Foreign    | SQM Europe N.V.                                  | Belgium           | US\$                | 0.5800             | 99.4200  | 100.0000         | 100.0000         |
| Foreign    | Soquimich S.R.L. Argentina                       | Argentina         | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | Soquimich European Holding B.V.                  | Netherlands       | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | SQM Corporation N.V.                             | Netherlands       | US\$                | 0.0002             | 99.9998  | 100.0000         | 100.0000         |
| Foreign    | SQI Corporation N.V.                             | Netherlands       | US\$                | 0.0159             | 99.9841  | 100.0000         | 100.0000         |
| Foreign    | SQM Comercial De México S.A. de C.V.             | Mexico            | US\$                | 0.0100             | 99.9900  | 100.0000         | 100.0000         |
| Foreign    | North American Trading Company                   | USA               | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | Administración y Servicios Santiago S.A. de C.V. | Mexico            | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| 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\$                | 0.1597             | 99.8403  | 100.0000         | 100.0000         |
| Foreign    | Royal Seed Trading Corporation A.V.V.            | Aruba             | US\$                | 1.6700             | 98.3300  | 100.0000         | 100.0000         |
| Foreign    | SQM Oceania Pty Limited                          | Australia         | US\$                | 0.0000             | 100.0000 | 100.0000         | 100.0000         |
| Foreign    | Rs Agro-Chemical Trading Corporation A.V.V.      | Aruba             | US\$                | 98.3333            | 1.6667   | 100.0000         | 100.0000         |
| Foreign    | SQM Colombia SAS                                 | Colombia          | US\$                | 0.0000             | 100.0000 | 100.0000         | -                |
| Foreign    | SQM Australia PTY                                | Australia         | Dolar Australiano   | 0.0000             | 100.0000 | 100.0000         | -                |
| Foreign    | SACAL S.A.                                       | Argentina         | Peso Argentino      | 0.0000             | 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 |          |              |              |
|------------|-------------------------------------|-------------------|---------------------|--------------------|----------|--------------|--------------|
|            |                                     |                   |                     | Direct             | Indirect | 12/31/2017   | 12/31/2016   |
|            |                                     |                   |                     |                    |          | <b>Total</b> | <b>Total</b> |
| 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       |

| TAX ID No.   | Domestic subsidiaries   | Country of origin | Functional currency | Ownership interest |          |              |              |
|--------------|---|-------------------|---------------------|--------------------|----------|--------------|--------------|
|              |   |                   |                     | Direct             | Indirect | 12/31/2017   | 12/31/2016   |
|              |   |                   |                     |                    |          | <b>Total</b> | <b>Total</b> |
| 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            | 0.0000   | 51.0000      | 51.0000      |
| 76.360.575-2 | Orcoma SPA  | Chile             | US\$                | 100.0000           | 0.0000   | 100.0000     | 100.0000     |
| 76.686.311-9 | SQM MaG SpA.  | Chile             | US\$                | 100.0000           | 0.0000   | 100.0000     | 100,0000     |

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

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

### **2.5 Basis of consolidation, continued**

Subsidiaries are consolidated using the line-by-line method, adding the items that represent assets, liabilities, revenues, and expenses of similar content, and eliminating those related to intragroup transactions.

Profit or loss of subsidiaries acquired or divested 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 recovery (maturity) dates; i.e., those maturing within a period equal to or less than 12 months are classified as current counted from the closing date of the consolidated financial statements 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 and the adjustment unit 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:

|                    | 12/31/2017 | 12/31/2016 |
|--------------------|------------|------------|
|                    | US\$       | US\$       |
| Brazilian real     | 3.02       | 3.25       |
| New Peruvian sol   | 3.08       | 3.35       |
| Argentine peso     | 18.40      | 15.84      |
| Japanese yen       | 113.00     | 116.83     |
| Euro               | 0.83       | 0.95       |
| Mexican peso       | 19.65      | 20.63      |
| Australian dollar  | 0.78       | 0.72       |
| Pound Sterling     | 0.74       | 0.81       |
| South African rand | 12.35      | 13.70      |
| Ecuadorian dollar  | 1.00       | 1.00       |
| Chilean peso       | 614.75     | 669.47     |
| Chinese yuan       | 6.51       | 6.67       |
| Indian rupee       | 63.84      | 66.60      |
| Thai baht          | 32.85      | 34.59      |
| UF (*)             | 43.59      | 39.36      |

(\*) The Unidad de Fomento (UF) is an indexed monetary unit used in Chile, calculated based on the variation in the Consumer Price Index (CPI).

#### (b) Transactions and balances

Non-monetary transactions in currencies other than the functional currency (U.S. dollar) are translated to the respective functional currencies of Group entities at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are recorded in the statement of income except for all monetary items that provide an effective hedge for a net investment in a foreign operation. These items are recognized in other comprehensive income on the divestment, when they are recognized in the statement of income. Charges and credits attributable to foreign currency translation differences on those hedge monetary items are also recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured 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. uses the level of control it has in subsidiaries as a basis to determine their share in the consolidated financial statements. This 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 into 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 the 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. Financial liabilities that have been initially recognized at fair value through profit or loss 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 the 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 such time when the Company changes its business model for managing financial assets, it will reclassify those financial assets affected by the new business model.

Financial liabilities 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, they are subsequently 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 that exists 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 the 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 more than 12 months, and as a current asset or liability if the remaining expiration period of the entry is less 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 that hedge fixed rate borrowings is recognized 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 recognized 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 amortized to profit or loss over the period to maturity using a recalculated effective interest rate.

*b) Cash flow hedges*

The portion of the derivative instruments used to mitigate cash flow fluctuations related to sales revenue or expenses is recognized in gross margin as a cost or undistributed revenue. The accrued portion of these instruments is recognized in other income or expenditure.

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

#### **3.12 Available for sale financial assets**

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

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

#### **3.13 Derecognition of financial instruments**

In accordance with IAS 39, the Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; and the control of the financial assets has not been retained.

The Company derecognizes a financial liability when its contractual obligations or a part of these are discharged, paid to the creditor or legally extinguished.

#### **3.14 Derivative financial instruments**

The Company maintains derivative financial instruments to hedge its exposure to foreign currencies. Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized when incurred. Subsequent to initial recognition, any changes in the 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, 2017, and December 31, 2016, there were 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 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.

#### **3.17 Trade and other receivables**

The Company's trade receivables are maintained to obtain contractual cash flows (charge and collect) and do not contain a significant financing component, being recognized at the transaction price defined in IFRS 15. Meanwhile, the Company is using the simplified approach for recognizing expected credit losses if there is no significant increase in the credit risk since initial recognition and the terms of sale are less than 12 months. Similarly, the Company is using an impairment model for trade receivables based on expected credit losses that considers the credit risk separately from its hedges, generating an effect equal to that established in the previous accounting standard IAS 39. The Company has established the procedures and controls for beginning to apply IFRS 9 as of January 1, 2018.

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

#### **3.18 Inventory measurement**

The Company measures inventories at the lower of production cost and net realizable value. The cost price of finished products and work in progress includes the direct cost of materials and, when applicable, labor costs, the depreciation of goods that are involved in the production process, the indirect costs incurred in transforming 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 the weighted average monthly cost and the average cost of warehouse storage.

Commercial discounts, rebates obtained, and other similar entries are deducted when determining the acquisition price.

The net realizable value represents the estimate of the sales price, less all the estimated costs involved in making the finished product and the costs that will be incurred in the 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 profit or loss when the inventory costs exceed the realizable value. This estimate is made for all the finished and intermediate products in the Company's inventory. The valuation of obsolete, impaired or slow-moving products relates to their estimated net realizable value.

The provisions for uncertainties in the technical specifications for the Company's stocks of finished goods and work in progress have been made based on a technical study which covers the different variables that affect products in stock (such as density and humidity). This study is updated periodically to include new measurement technologies and the results from previous financial periods.

Inventories of raw materials, supplies, materials and parts are recorded at the lower of acquisition cost or market value. The acquisition cost is calculated according to the average acquisition price method. Nonetheless, an estimate is made for each financial period of the potential lower value of that proportion of the inventory that consists of obsolete, defective or slow-moving materials. This provision reduces the value of the Company's raw materials, supplies, materials and parts.

#### **3.19 Investments in associates and joint ventures**

Interests in companies over which joint control is exercised (joint venture) or where an entity has a 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.

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

#### **3.19 Investments in associates and joint ventures, continued**

Unrealized gains for transactions with affiliates or associates are eliminated according to the Company's interest percentage in 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 on a proportional basis with a charge or credit to "Other reserves" and classified according to 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 the 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 as zero 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 according to the equity share 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".

#### **3.20 Transactions with non-controlling interests**

Non-controlling interests are recorded in the consolidated statement of financial position within equity, but separate from equity attributable to the owners of the Parent.

#### **3.21 Related party transactions**

Transactions between the Company and its subsidiaries are part of the Company's normal operations within its scope of business activities. Conditions for such transactions are those normally effective for those types of operations with regard to terms and market prices. These transactions have been eliminated in consolidation. The expiration conditions vary according to the originating transaction.

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

#### **3.22 Property, plant and equipment**

The assets 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 that 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 they are 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 the daily maintenance of property, plant and equipment are recognized when incurred.

### Note 3 Significant accounting policies (continued)

#### 3.23 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated through the straight-line distribution of cost over the estimated technical useful life of the asset, which is the period in which the Company expects to use the asset. When components of one item of property, plant and equipment have different useful lives, they are recorded as separate assets. Useful lives are reviewed on an annual basis.

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.

| Classes of property, plant and equipment | Minimum life or rate (years) | Maximum life or rate (years) |
|--|------------------------------|------------------------------|
| Mining assets                            | 3                            | 10                           |
| Energy generating assets                 | 3                            | 16                           |
| Buildings                                | 3                            | 30                           |
| Supplies and accessories                 | 2                            | 15                           |
| Office equipment                         | 3                            | 20                           |
| Transport equipment                      | 3                            | 20                           |
| Network and communication equipment      | 2                            | 15                           |
| IT equipment                             | 2                            | 15                           |
| Machinery, plant and equipment           | 2                            | 20                           |
| Other property, plant and equipment      | 1                            | 26                           |

#### 3.24 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)**

#### **3.25 Intangible assets other than goodwill**

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

##### *(a) Water rights*

Water rights acquired by the Company relate to water from natural sources and are recorded at acquisition cost. Given that these assets represent legal rights granted in perpetuity to the Company, they are not amortized, but are subject to annual impairment tests.

##### *(b) Rights 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 on 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 their acquisition and customization costs. 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 its costs during more than a year, are recognized as intangible assets. Direct costs include the expenses of employees who 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 at no initial cost (other than the payment of mining patents and minor recording expenses) and once the rights on these concessions have been obtained, they 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, 2017 and December 31, 2016.

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

#### **3.26 Research and development expenses**

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

#### **3.27 Prospecting expenses**

The Company has mining property and concession rights from the Chilean Government and others that it has acquired from third parties other than the Chilean Government, destined to the exploitation of caliche ore and saltpeter deposits and also the exploration of these types 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 that are unlikely to bring profit to the Company in the future (i.e., when the ore grade at the site is low 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 reserves that have proved to be financially feasible and used as a principal 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)**

#### **3.28 Impairment of non-financial assets**

Assets subject to depreciation and amortization are also 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 pre-tax discount rate that reflects current market assessment, the value of money over time and the 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 carried out to determine whether any previously recognized impairment losses have already decreased or ceased to exist. If this should be the case, the recoverable amount is estimated. A previously recognized impairment loss is only reversed if there have been changes in the estimates used to determine the asset's recoverable amount since the last time an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined, net of depreciation, if an asset impairment loss had not been recognized in prior years. This reversal is recognized with a credit to profit or loss.

#### **3.29 Minimum dividend**

As required by the Shareholders' Corporations Act, unless decided otherwise by a 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. This must entail a minimum of 30% of its profits, except when the Company records unabsorbed losses from prior years. However, the Company has set a policy to distribute 50% of its profits for the year, unless decided otherwise by a unanimous vote by the shareholders at the General Shareholders' meeting held each year.

At an extraordinary meeting held on April 11, 2017, the Company's Board of Directors made a recommendation for discussion at the Ordinary Shareholders' Meeting (the Meeting), which was held on April 28, 2017, that the Company should distribute and pay dividends based on 100% of the Company's net profit for distribution for the financial year 2016. This recommendation was accepted by the Meeting.

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

#### **3.29 Minimum dividend, continued**

For 2017, the Company has defined the following dividend policy: (a) To distribute and pay a dividend to the respective shareholders, a percentage of the profits to be determined as follows:

(i) 100% of the profit for 2017 if all the following financial parameters are met: (a) that the total of cash and cash equivalents and other current financial assets ("Cash") divided by the addition of other current financial liabilities (the "Short-term Financial Liabilities") is equal to or more than 2.5 times, and (b) the total of current liabilities and non-current liabilities ("Total Liabilities") divided by total equity ("Equity") is equal to or less than 1.1 times.

(ii) 80% of profit for 2017 if all the following financial parameters are met: (a) that Cash divided by Short-term Financial Liabilities is equal to or more than 2.0 times, and (b) Total Liabilities divided by Total Equity is equal to or less than 1.2 times.

(iii) 60% of profit for 2017 if all the following financial parameters are met: (a) that Cash divided by Short-term Financial Liabilities is equal to or more than 1.5 times, and (b) Total Liabilities divided by Total Equity is equal to or less than 1.3 times. Should none of these parameters be met, the Company will distribute and pay as dividend 50% of the profit for 2017 to the respective shareholders.

#### **3.30 Earnings per share**

The basic earnings per share amounts are calculated by dividing the profit for the year attributable to the 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 would entail the disclosure of diluted earnings per share.

#### **3.31 Trade and other payables**

Trade and other payables are measured at fair value plus all costs associated with the transaction. Subsequently, these are carried out at amortized cost using the effective interest rate method.

#### **3.32 Interest-bearing borrowings**

At initial recognition, interest-bearing borrowings are measured at fair value 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 it is accrued following a financial criterion.

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

#### **3.33 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 value of money over time be significant, provisions are discounted using a discount rate before tax that reflects the liability's specific risks. When a discount rate is used, the increase in the provision over time is recognized as a finance cost.

The Company's policy is to maintain provisions to cover risks and expenses based on a better estimate to deal with possible or certain and quantifiable responsibilities from current litigation, compensations or obligations, pending expenses for which the amount has not yet been determined, collaterals and other similar guarantees for which the Company is responsible. These are recorded at the time the responsibility or the obligation that determines the compensation or payment is generated.

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

#### **3.34 Obligations related to employee termination benefits and pension commitments**

Obligations towards the Company's employees comply with the provisions of the collective bargaining agreements in force, which are formalized through collective employment agreements and individual employment contracts, except for the United States, which 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. The criteria in force contained in the revised IAS 19 are also taken into account.

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 5.111% and 4.522% for the periods ended December 31, 2017 and December 31, 2016, 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 3.75% interest rate for 2017 and 4.5% for 2016. The net balance of this obligation is presented under the non-current provisions for employee benefits (refer to Note 15.4).

#### **3.35 Compensation plans**

Compensation plans implemented through benefits provided in share-based payments settled in cash 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)**

#### **3.36 Revenue recognition**

Revenue includes the fair value of considerations received or receivable for the sale of goods and services during the 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 probable that the future economic rewards will flow to the entity and it meets the specific conditions for each type of activity-related revenue, 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 the customer, and the related risks of obsolescence and loss have been transferred to the customer and the customer has accepted the 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.

#### **3.37 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)**

#### **3.37 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 exists, the average financing rate of the subsidiary making 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.

#### **3.38 Income tax and deferred taxes**

Corporate income tax for the year is determined as the sum of current taxes from the different consolidated companies.

Current taxes are based on the application of the various types of taxes attributable to taxable income for the year.

Differences between the book value of assets and liabilities and their tax basis generate 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 the 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 where there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized were evaluated and not recognized as it was more likely than not that future taxable income will allow for recovery of the deferred tax asset.

With respect to deductible temporary differences associated with investments in subsidiaries, associated companies and interest in joint ventures, deferred tax assets are recognized solely provided that it is more likely than not that the temporary differences will be reversed in the near future and that there will be taxable income with which they may be used.

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

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



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

#### **3.39 Segment reporting**

IFRS 8 requires that companies adopt a “management approach” to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and 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 that are 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 that are different from those of other segments operating 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)**

#### **3.40 Responsibility for Information and Estimates Made**

The 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 IFRS, 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 3.22, 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 the 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 a 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, the 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 notes 18 and 19.
- Provisions on the basis of technical studies that cover the different variables affecting products in stock (density and moisture, among others), and related allowance.
- Obsolescence to ensure that the carrying value of inventory is not in excess of the net realizable. Inventory valuation requires judgment to determine obsolescence and estimates of provisions for 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 3 Significant accounting policies (continued)**

#### **3.41 Environment**

In general, the Company follows the criteria of considering amounts used in environmental protection and improvement as environmental expenses. However, the cost of facilities, machinery and equipment used for the same purpose are considered property, plant and equipment, as the case may be.

### **Note 4 Financial risk management**

#### **4.1 Financial risk management policy**

The Company's financial risk management policy is focused on safeguarding the stability and sustainability of Sociedad Química y Minera de Chile S.A. and its subsidiaries with regard to all such relevant financial uncertainty components.

The Company's operations are subject to certain financial risk factors that may affect its financial position or results. The most significant risk exposures are market risk, liquidity risk, currency risk, doubtful accounts risk, and interest rate risk, among others.

There could also be additional risks, which are either unknown or known but not currently deemed to be significant, which could also affect the Company's business operations, its business, financial position, or profit or loss.

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

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

### **4.2 Risk factors**

#### **4.2.1 Market risk**

Market risk refers to the uncertainty associated with fluctuations in market variables affecting the Company's assets and liabilities, including:

- a) Price risk: The Company's product prices are affected by the fluctuations in international prices of fertilizers and chemicals, as well as changes in production 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.

At present, the SQM Group incurs an annual expenditure of approximately US\$117 million associated with fuel, gas, energy and equivalents, of which US\$77 million is related to direct electricity consumption. A change of 10% in the prices of energy required for the Company's operations may involve costs of approximately US\$12 million in short-term movements.

The markets in which the Company operates are unpredictable, exposed to significant fluctuations in supply and demand, and high price volatility. Additionally, the supply of certain fertilizers or chemicals, including certain products in 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 assets         | Rating Institution |      |       | 12/31/2017     |
|--|--------------------------|--------------------|------|-------|----------------|
|  |                          | Moody's            | S&P  | Fitch | ThUS\$         |
| Banco BBVA Chile                                       | Time deposits            | P-2                | A-2  | -     | 41,860         |
| Banco Crédito e Inversiones                            | Time deposits            | P-1                | A-1- | F-1+  | 120,616        |
| Banco Santander - Santiago                             | Time deposits            | P-1                | A-1  | F-1   | 35,558         |
| BBVA Banco Francés                                     | Time deposits            | -                  | -    | -     | 163            |
| Itau-Corpbanca   | Time deposits            | P-2                | A-2  | -     | 75,072         |
| JP Morgan US dollar Liquidity Fund Institutional       | Investment fund deposits | -                  | -    | -     | 143,333        |
| Legg Mason - Western Asset Institutional Cash Reserves | Investment fund deposits | -                  | -    | -     | 144,464        |
| Scotiabank Sud Americano                               | Time deposits            | -                  | -    | -     | 12,520         |
| Nedbank  | Time deposits            | P-3                | B    | -     | 3,686          |
| ABN Armo Bank  | Time deposits            | -                  | -    | -     | 1,439          |
| <b>Total</b>   |                          |                    |      |       | <b>578,711</b> |

| Financial institution       | Financial assets  | Rating Institution |     |       | 12/31/2017     |
|-----------------------------|-------------------|--------------------|-----|-------|----------------|
|                             |                   | Moody's            | S&P | Fitch | ThUS\$         |
| Banco BBVA Chile            | 90 days to 1 year | -                  | -   | -     | 1,207          |
| Banco Crédito e Inversiones | 90 days to 1 year | P-1                | A-1 | F-1   | 71,748         |
| Banco de Chile              | 90 days to 1 year | -                  | -   | -     | 4,834          |
| Itau-Corpbanca              | 90 days to 1 year | P-1                | A-2 | -     | 77,526         |
| Banco Santander - Santiago  | 90 days to 1 year | P-1                | A-1 | F-1   | 163,269        |
| Morgan Stanley              | 90 days to 1 year | P-2                | A-2 | F-1   | 4,191          |
| Banco Security              | 90 days to 1 year | -                  | -   | -     | 28,592         |
| Scotiabank Sud Americano    | 90 days to 1 year | -                  | -   | -     | 13,765         |
| <b>Total</b>                |                   |                    |     |       | <b>365,132</b> |

## **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 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\$370 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, 2017, 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\$5 million against SQM. As of December 31, 2016, this amounts to US\$41 million against SQM.

As of December 31, 2017, the Chilean peso to U.S. dollar exchange rate was Ch\$614.75 per US\$1.00 (Ch\$ 669.47 per US\$ 1.00 as of December 31, 2016).

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

### **4.2.4 Interest rate risk**

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

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

As of December 31, 2017, the Company has no financial liabilities linked to variations in the LIBOR rate and, therefore, significant increases in that rate would not impact its financial position.

In addition, as of December 31, 2017, the Company's financial liabilities are mainly concentrated in the long-term and approximately 7% have maturities of less than 12 months, decreasing in the process the exposure to changes in interest rates.

### **4.2.5 Liquidity risk**

Liquidity risk relates to the funds needed to comply with payment obligations. The Company's objective is to maintain financial flexibility through a comfortable balance between fund requirements and cash flows from regular business operations, bank borrowings, bonds, short term investments, and marketable securities, among others.

The Company has an important capital expense program which is subject to change over time.

On the other hand, world financial markets go through periods of contraction and expansion that are unforeseeable in the long-term and may affect SQM's access to financial resources. Such factors may have a material adverse impact on the Company's business, financial position and results of operations.

SQM constantly monitors the matching of its obligations with its investments, taking due care of maturities of both, from a conservative perspective, as part of this financial risk management strategy. As of December 31, 2017, the Company had unused, available revolving credit facilities with banks, for a total of approximately US\$248 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, 2017                    | Nature of undiscounted cash flows |                  |               |               | Total           |
|--|-----------------------------------|------------------|---------------|---------------|-----------------|
|  | Carrying amount                   | Less than 1 year | 1 to 5 years  | Over 5 years  |                 |
| <b>(in millions of US\$)</b>               |                                   |                  |               |               |                 |
| Other non-derivative financial liabilities |                                   |                  |               |               |                 |
| Bank borrowings                            | 163.57                            | 164.78           | -             | -             | 164.78          |
| Unsecured obligations                      | 1,054.89                          | 47.45            | 522.52        | 751.67        | 1,321.64        |
| Subtotal                                   | 1,218.46                          | 212.23           | 522.52        | 751.67        | 1,486.42        |
| Other derivative financial liabilities     |                                   |                  |               |               |                 |
| Hedging liabilities                        | 28.38                             | 37.01            | (9.51)        | (18.36)       | 9.14            |
| Derivative financial instruments           | 0.80                              | 0.80             | -             | -             | 0.80            |
| Subtotal                                   | 29.18                             | 37.81            | (9.51)        | (18.36)       | 9.94            |
| <b>Total</b>                               | <b>1,247.63</b>                   | <b>250.04</b>    | <b>513.01</b> | <b>733.31</b> | <b>1,496.37</b> |

| As of December 31, 2016                    | Nature of undiscounted cash flows |                  |               |               | Total           |
|--|-----------------------------------|------------------|---------------|---------------|-----------------|
|  | Carrying amount                   | Less than 1 year | 1 to 5 years  | Over 5 years  |                 |
| <b>(in millions of US\$)</b>               |                                   |                  |               |               |                 |
| Other non-derivative financial liabilities |                                   |                  |               |               |                 |
| Bank borrowings                            | 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 derivative financial liabilities     |                                   |                  |               |               |                 |
| Hedging liabilities                        | 42.62                             | 17.20            | 40.33         | (23.58)       | 33.95           |
| Derivative financial instruments           | (2.175)                           | (2.18)           | -             | -             | (2.18)          |
| Subtotal                                   | 40.445                            | 15.02            | 40.33         | (23.58)       | 31.77           |
| <b>Total</b>                               | <b>1,271.94</b>                   | <b>211.86</b>    | <b>519.87</b> | <b>850.33</b> | <b>1,582.06</b> |

### 4.3 Risk measurement

The Company has methods to measure the effectiveness and efficiency of financial risk hedging strategies, both prospectively and retrospectively. These methods are consistent with the risk management profile of the Group.



## **Note 5 Changes in accounting estimates and policies (consistent presentation)**

### **5.1 Changes in accounting estimates**

The Company had no changes in the determination of accounting estimates at the closing date of the consolidated financial statements. (For more information, see Note 3.40).

### **5.2 Changes in accounting policies**

As of December 31, 2017, the Company's consolidated financial statements present no changes in accounting policies or estimates compared to the prior period (for further details refer to Note 3.40).

The consolidated statements of financial position as of December 31, 2017 and December 31, 2016 and the statements of comprehensive income, changes in equity and cash flows for the periods ended December 31, 2017 and 2016, have been prepared in accordance with the Standards issued by the Financial Markets Commission, which was formerly the Chilean Superintendence of Securities and Insurance (SVS), which consider the International Financial Reporting Standards (IFRS).

The accounting principles and criteria were applied consistently.

## Note 6 Background of companies included in consolidation

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

|               | 12/31/2017<br>ThUS\$    | 12/31/2016<br>ThUS\$    |
|---------------|-------------------------|-------------------------|
| Assets        | 3,658,528               | 3,824,137               |
| Liabilities   | <u>(1,470,707)</u>      | <u>(1,578,063)</u>      |
| <b>Equity</b> | <b><u>2,187,821</u></b> | <b><u>2,246,074</u></b> |

### 6.2 Parent entity

As provided in the Company's by-laws, no shareholder can concentrate more than 32% of the Company's voting right shares and therefore there is no controlling entity.

### 6.3 Joint arrangements of controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Inversiones Global Mining (Chile) Ltda., collectively the Pampa Group, are the owners of a number of shares that as of December 31, 2017 are equivalent to 29.97% of the current total amount of issued, subscribed and fully-paid shares in 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 Financial Markets Commission (formerly the Chilean SVS), and the relevant stock exchanges in Chile and abroad that they are not and have never been mutually related parties. This is independent of the fact that on December 21, 2006 the two Groups entered into a Joint Action Agreement (JAA) related to those shares. Consequently, neither the Pampa Group nor the Kowa Group individually owns more than 32% of the voting right capital of SQM S.A.

This Joint Action Agreement has not transformed the Pampa and Kowa Groups into mutually related parties. 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<br>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   | <u>3.34</u>             |
| <b>Total Pampa Group</b> |  | <b><u>29.97</u></b>     |
| 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            | <u>0.09</u>             |
| <b>Total Kowa Group</b>  |  | <b><u>2.12</u></b>      |

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

### 6.4 General information on consolidated subsidiaries

As of December 31, 2017 and December 31, 2016, 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                    | US\$                | -                  | 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 MaG SpA.  | 76,686,311-9 | Los Militares 4290, 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 Orrantía 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 is the Parent of Soquimich Comercial and the latter is the Parent of Comercial Agrorama Ltda. SQM controls the management of Comercial Agrorama Ltda.

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

### 6.4 General information on consolidated subsidiaries, continued

| Subsidiary                                       | Tax ID  | Address   | Country of incorporation | Functional currency | Ownership interest |          | Total    |
|--|---------|---|--------------------------|---------------------|--------------------|----------|----------|
|  |         |   |                          |                     | Direct             | Indirect |          |
| SQI Corporation N.V.                             | Foreign | Pietermaai 123, P.O. Box 897, Willemstad, Curacao   | Netherlands              | US\$                | 0.0159             | 99.9841  | 100.0000 |
| SQMC Holding Corporation L.L.P.                  | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta  | United States            | US\$                | 0.1000             | 99.9000  | 100.0000 |
| SQM Japan Co. Ltd.                               | Foreign | From 1 <sup>st</sup> Bldg 207, 5-3-10 Minami- Aoyama, Minato-ku, Tokyo                            | Japan                    | US\$                | 0.1597             | 99.8403  | 100.0000 |
| SQM Europe N.V.                                  | Foreign | Houtdok-Noordkaai 25a B-2030 Antwerp, Belgium   | Belgium                  | US\$                | 0.5800             | 99.4200  | 100.0000 |
| SQM Italia SRL                                   | Foreign | Via A. Meucci, 5 500 15 Grassina Firenze  | Italy                    | US\$                | -                  | 100.0000 | 100.0000 |
| SQM Indonesia S.A.                               | Foreign | Perumahan Bumi Dirgantara Permai, Jl Suryadarma Blok Aw No 15 Rt 01/09 17436 Jatisari Pondok Gede | Indonesia                | US\$                | -                  | 80.0000  | 80.0000  |
| North American Trading Company                   | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA                                      | United States            | US\$                | -                  | 100.0000 | 100.0000 |
| SQM Virginia LLC                                 | Foreign | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA                                      | United States            | US\$                | -                  | 100.0000 | 100.0000 |
| SQM Comercial de México S.A. de C.V.             | Foreign | Av. Moctezuma 144-4 Ciudad del Sol. CP 45050, Zapopan, Jalisco México                             | Mexico                   | US\$                | 0.0010             | 99.9900  | 100.0000 |
| SQM Investment Corporation N.V.                  | Foreign | Pietermaai 123, P.O. Box 897, Willemstad, Curacao   | Netherlands              | US\$                | 1.0000             | 99.0000  | 100.0000 |
| Royal Seed Trading Corporation A.V.V.            | Foreign | Caya Ernesto O. Petronia 17, Oranjestad   | Aruba                    | US\$                | 1.6700             | 98.3300  | 100.0000 |
| 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 |
| SQM Australia PTY                                | Foreign | Level 16, 201 Elizabeth Street Sydney   | Australia                | Australian dollar   | -                  | 100.0000 | 100.0000 |
| SACAL S.A.                                       | Foreign | Av. Leandro N. Alem 882, piso 13 Buenos Aires   | Argentina                | Argentine peso      | -                  | 100.0000 | 100.0000 |

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

### 6.4 General information on consolidated subsidiaries, continued

| Subsidiary                      | Tax ID  | Address   | Country of incorporation | Functional currency | Ownership interest |          | Total    |
|---------------------------------|---------|---|--------------------------|---------------------|--------------------|----------|----------|
|                                 |         |   |                          |                     | Direct             | Indirect |          |
| 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 Colombia SAS                | Foreign | Cra 7 No 32 – 33 piso 29 Pbx: (571) 3384904 Fax: (571) 3384905 Bogotá D.C. – Colombia         | Colombia                 | US\$                | -                  | 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 |              |
|--------------------------|--|---|--------------|-----------------------------------|---------------|---|--------------|
|                          |  | 12/31/2017  | 12/31/2016   | 12/31/2017                        | 12/31/2016    | 12/31/2017                                  | 12/31/2016   |
|                          |  | ThUS\$  | ThUS\$       | ThUS\$                            | ThUS\$        | ThUS\$                                      | ThUS\$       |
| Proinsa Ltda.            | 0.1%   | -   | -            | -                                 | -             | -   | -            |
| SQM Potasio S.A.         | 0.0000001%   | -   | -            | -                                 | -             | -   | -            |
| Ajay SQM Chile S.A.      | 49%  | (1,023)   | 1,360        | 8,307                             | 8,303         | 989   | 1,163        |
| SQM Indonesia S.A.       | 20%  | -   | -            | 1                                 | 1             | -   | -            |
| Soquimich Comercial S.A. | 39.3616784%  | (100)   | 2,378        | 49,247                            | 50,416        | 1,264                                       | 1,851        |
| Comercial Agrorama Ltda. | 30%  | 403   | (106)        | (184)                             | 201           | -   | -            |
| Agrorama S.A.            | 0.001%   | -   | -            | -                                 | -             | -   | -            |
| Orcoma Estudios SPA      | 49%  | -   | 2            | 2,277                             | 2,277         | -   | -            |
| SQM (Thailand) Limited.  | 0.004%   | -   | -            | -                                 | -             | -   | -            |
| <b>Total</b>             |  | <b>(720)</b>  | <b>3,634</b> | <b>59,648</b>                     | <b>61,198</b> | <b>2,253</b>                                | <b>3,014</b> |

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

### 6.6 Information on consolidated subsidiaries

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue<br>ThUS\$ | Profit (loss)<br>ThUS\$ | Comprehensive income<br>(loss)<br>ThUS\$ |
|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|-------------------------|--|
|   | 12/31/2017        |                       |                   |                       |                   |                         |  |
|   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |                   |                         |  |
| SQM Nitratos S.A.   | 353,821           | 39,144                | 324,738           | 4,489                 | 100,626           | 5,569                   | 5,607                                    |
| Proinsa Ltda.   | 59                | 1                     | -                 | -                     | -                 | (3)                     | (3)                                      |
| SQMC Internacional Ltda.                                      | 219               | -                     | -                 | -                     | -                 | (3)                     | (3)                                      |
| SQM Potasio S.A.  | 243,513           | 951,448               | 85,279            | 23,092                | 4,129             | 282,442                 | 282,874                                  |
| Serv. Integrales de Tránsito y Transf. S.A.                   | 27,822            | 36,606                | 57,208            | 1,596                 | 35,210            | 1,727                   | 1,712                                    |
| Isapre Norte Grande Ltda.                                     | 561               | 834                   | 590               | 147                   | 1,952             | 44                      | 65                                       |
| Ajay SQM Chile S.A.   | 17,048            | 1,143                 | 779               | 459                   | 23,732            | 2,088                   | 2,088                                    |
| Almacenes y Depósitos Ltda.                                   | 301               | 50                    | 1                 | -                     | -                 | (7)                     | 83                                       |
| SQM Salar S.A.  | 760,900           | 785,082               | 449,049           | 186,451               | 985,654           | 347,790                 | 348,313                                  |
| SQM Industrial S.A.   | 982,835           | 666,097               | 618,289           | 94,135                | 685,294           | 48,988                  | 49,011                                   |
| Exploraciones Mineras S.A.                                    | 540               | 31,691                | 6,206             | -                     | -                 | (55)                    | (55)                                     |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | 372               | 624                   | 551               | 353                   | 887               | 43                      | 27                                       |
| Soquimich Comercial S.A.                                      | 159,943           | 14,395                | 46,180            | 4,632                 | 117,745           | 254                     | 277                                      |
| Comercial Agrorama Ltda.                                      | 9,977             | 1,852                 | 12,388            | 54                    | 13,061            | (1,342)                 | (1,341)                                  |
| Comercial Hydro S.A.  | 4,944             | 41                    | 63                | 11                    | 30                | 140                     | 140                                      |
| Agrorama S.A.   | 11,343            | 625                   | 14,956            | 78                    | 14,275            | (2,041)                 | (2,059)                                  |
| Orcoma SpA  | -                 | 2,360                 | 14                | -                     | -                 | -                       | -  |
| Orcoma Estudio SpA  | 341               | 4,356                 | 50                | -                     | -                 | -                       | -  |
| Compañía Minera Arfwedon SPA                                  | 10                | -                     | -                 | -                     | -                 | -                       | -  |
| SQM North America Corp.                                       | 131,452           | 15,442                | 162,180           | 782                   | 250,522           | (1,384)                 | (1,652)                                  |
| RS Agro Chemical Trading Corporation A.V.V.                   | 5,164             | -                     | 23                | -                     | -                 | (30)                    | (30)                                     |
| Nitratos Naturais do Chile Ltda.                              | -                 | 141                   | 3,451             | -                     | -                 | (111)                   | (111)                                    |
| Nitrate Corporation of Chile Ltd.                             | 5,076             | -                     | -                 | -                     | -                 | -                       | -  |
| SQM Corporation N.V.  | 668               | 133,876               | 3,575             | -                     | -                 | 21,089                  | 21,065                                   |
| SQM Perú S.A.   | 270               | -                     | 1,166             | -                     | -                 | 24                      | 24                                       |
| SQM Ecuador S.A.  | 21,642            | 116                   | 19,651            | 80                    | 26,025            | 622                     | 622                                      |
| SQM Brasil Ltda.  | 187               | -                     | 663               | 2,345                 | 336               | (42)                    | (42)                                     |
| SQI Corporation N.V.  | 16                | 26                    | 61                | -                     | -                 | (1)                     | (1)                                      |
| SQMC Holding Corporation L.L.P.                               | 24,600            | 15,193                | 1,000             | -                     | -                 | 2,263                   | 2,263                                    |
| SQM Japan Co. Ltd.  | 43,656            | 302                   | 40,992            | 626                   | 114,006           | (2,168)                 | (2,168)                                  |

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## 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.                                  | 399,601          | 2,599            | 339,910          | -              | 923,087          | 11,097         | 11,097                      |
| SQM Italia SRL                                   | 1,216            | -                | 16               | -              | -                | (3)            | (3)                         |
| SQM Indonesia S.A.                               | 4                | -                | 1                | -              | -                | -              | -                           |
| North American Trading Company                   | 158              | 145              | 39               | -              | -                | -              | -                           |
| SQM Virginia LLC                                 | 14,807           | 14,348           | 14,807           | -              | -                | (8)            | (8)                         |
| SQM Comercial de México S.A. de C.V.             | 92,961           | 2,288            | 64,318           | -              | 193,523          | 4,381          | 4,381                       |
| SQM Investment Corporation N.V.                  | 52,639           | 86               | 12,955           | 866            | -                | (7,198)        | (7,198)                     |
| Royal Seed Trading Corporation A.V.V.            | 31,040           | -                | 49,818           | -              | -                | 2,348          | 2,348                       |
| SQM Lithium Specialties LLP                      | 15,755           | 3                | 1,264            | -              | -                | (8)            | (8)                         |
| Soquimich SRL Argentina                          | 168              | -                | 173              | -              | -                | (37)           | (37)                        |
| Comercial Caimán Internacional S.A.              | 262              | -                | 1,122            | -              | -                | 3              | 3                           |
| SQM France S.A.                                  | 345              | 6                | 114              | -              | -                | -              | -                           |
| Administración y Servicios Santiago S.A. de C.V. | 162              | 86               | 531              | 58             | 2,813            | 47             | 47                          |
| SQM Nitratos México S.A. de C.V.                 | 49               | 8                | 30               | 7              | 301              | 6              | 6                           |
| Soquimich European Holding B.V.                  | 53,664           | 137,393          | 71,761           | 1,493          | -                | 18,476         | 18,452                      |
| SQM Iberian S.A.                                 | 57,241           | 1,720            | 48,891           | -              | 175,936          | 119            | 119                         |
| SQM Africa Pty Ltd.                              | 76,888           | 1,514            | 70,561           | -              | 101,152          | 1,135          | 1,135                       |
| SQM Oceania Pty Ltd.                             | 4,151            | -                | 2,033            | -              | 2,045            | 301            | 301                         |
| SQM Agro India Pvt. Ltd.                         | -                | -                | -                | -              | -                | -              | -                           |
| SQM Beijing Commercial Co. Ltd.                  | 8,804            | 16               | 6,518            | -              | 3,691            | 151            | 151                         |
| SQM Thailand Limited                             | 12,113           | 5                | 9,128            | -              | 5,694            | 43             | 43                          |
| SQM Colombia SAS                                 | 278              | 131              | 33               | -              | -                | (271)          | (271)                       |
| SQM Australia Pty                                | 854              | 24,800           | -                | -              | -                | -              | -                           |
| Sacal S.A.                                       | 6                | -                | -                | -              | -                | -              | -                           |
| <b>Total</b>                                     | <b>3,630,466</b> | <b>2,886,593</b> | <b>2,543,126</b> | <b>321,754</b> | <b>3,781,726</b> | <b>736,478</b> | <b>737,264</b>              |

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

### 6.6 Information on consolidated subsidiaries, continued

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue<br>ThUS\$ | Profit (loss)<br>ThUS\$ | Comprehensive income<br>(loss)<br>ThUS\$ |
|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|-------------------------|--|
|   | 12/31/2016        |                       | 12/31/2016        |                       |                   |                         |  |
|   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |                   |                         |  |
| SQM Nitratos S.A.   | 656,221           | 54,180                | 644,610           | 5,990                 | 96,235            | 12,178                  | 12,164                                   |
| Proinsa Ltda.   | 56                | 1                     | -                 | -                     | -                 | (4)                     | (4)                                      |
| SQMC Internacional Ltda.                                      | 204               | -                     | -                 | -                     | -                 | (3)                     | (3)                                      |
| SQM Potasio S.A.  | 176,976           | 722,965               | 37,167            | 26,933                | 5,902             | 253,322                 | 252,435                                  |
| Serv. Integrales de Tránsito y Transf. S.A.                   | 75,296            | 36,407                | 107,567           | 224                   | 30,315            | (18,192)                | (18,362)                                 |
| Isapre Norte Grande Ltda.                                     | 664               | 746                   | 714               | 131                   | 3,053             | 23                      | 23                                       |
| Ajay SQM Chile S.A.   | 17,240            | 1,069                 | 975               | 388                   | 28,035            | 2,776                   | 2,776                                    |
| Almacenes y Depósitos Ltda.                                   | 278               | 45                    | 1                 | -                     | -                 | (10)                    | 105                                      |
| SQM Salar S.A.  | 785,127           | 828,606               | 751,857           | 195,369               | 975,326           | 316,182                 | 316,024                                  |
| SQM Industrial S.A.   | 1,212,960         | 658,277               | 882,593           | 97,714                | 600,075           | 17,262                  | 21,790                                   |
| Exploraciones Mineras S.A.                                    | 510               | 31,598                | 6,027             | -                     | -                 | (286)                   | (284)                                    |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | 337               | 632                   | 614               | 291                   | 2,265             | 85                      | -  |
| Soquimich Comercial S.A.                                      | 153,068           | 14,663                | 38,533            | 1,115                 | 134,501           | 6,041                   | 6,020                                    |
| Comercial Agrorama Ltda.                                      | 10,759            | 1,589                 | 11,644            | 35                    | 15,185            | (356)                   | (341)                                    |
| Comercial Hydro S.A.  | 5,242             | 56                    | 115               | 15                    | 47                | 350                     | 350                                      |
| Agrorama S.A.   | 12,348            | 842                   | 14,078            | 37                    | 16,462            | (582)                   | (584)                                    |
| Orcoma SpA  | -                 | 2,360                 | 14                | -                     | -                 | (1)                     | (1)                                      |
| Orcoma Estudio SpA  | 671               | 4,135                 | 159               | -                     | -                 | 4                       | 4  |
| SQM North America Corp.                                       | 175,834           | 15,621                | 204,201           | 485                   | 228,229           | (27,821)                | (29,082)                                 |
| RS Agro Chemical Trading Corporation A.V.V.                   | 5,179             | -                     | 8                 | -                     | -                 | (23)                    | (23)                                     |
| Nitratos Naturais do Chile Ltda.                              | 6                 | 251                   | 3,456             | -                     | -                 | (175)                   | (175)                                    |
| Nitrate Corporation of Chile Ltd.                             | 5,076             | -                     | -                 | -                     | -                 | -                       | -  |
| SQM Corporation N.V.  | 668               | 116,267               | 3,568             | -                     | -                 | 2,479                   | 5,819                                    |
| SQM Perú S.A.   | 249               | 1                     | 1,170             | -                     | 8                 | (165)                   | (165)                                    |
| SQM Ecuador S.A.  | 18,870            | 121                   | 17,538            | 41                    | 24,161            | 471                     | 471                                      |
| SQM Brasil Ltda.  | 200               | 1                     | 714               | 2,266                 | 296               | (173)                   | (173)                                    |
| SQI Corporation N.V.  | -                 | 23                    | 55                | -                     | -                 | (17)                    | (17)                                     |
| SQMC Holding Corporation L.L.P.                               | 23,135            | 13,936                | 1,000             | -                     | -                 | 1,977                   | 1,977                                    |
| SQM Japan Co. Ltd.  | 2,868             | 276                   | 6,708             | 561                   | 3,013             | (7,615)                 | (7,615)                                  |

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

### 6.6 Information on consolidated subsidiaries, continued

| 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                         |
| <b>Total</b>                                     | <b>4,137,292</b> | <b>2,643,621</b> | <b>3,407,438</b> | <b>335,661</b> | <b>3,341,562</b> | <b>553,218</b> | <b>571,387</b>              |



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

### **6.7 Detail of transactions between consolidated companies**

#### **a) Transactions conducted in 2017**

On January 1, 2017, the subsidiary SQM Iberian S.A. absorbed the joint venture SQM Vitas Spain.

On January 10, 2017, SQM Japan Co. Ltd. carried out a capital increase of ThUS\$8,676. Only Soquimich European Holding B.V. subscribed shares, thereby increasing its interest from 46.24% to 84.03% and reducing the interest held by SQM S.A. from 0.54% to 0.16% and by SQM Potasio S.A. from 53.22% to 15.81%. This had no impact on the consolidated results of SQM S.A., which continues to hold 100% of SQM Japan Co. Ltd. in its consolidated statement of financial position.

On February 10, 2017, the subsidiary Compañía Minera Arfwedson SAP was created in Chile with a capital contribution from SQM S.A. equivalent to ThUS\$10 for a 100% interest. On August 29, 2017, the company's name was changed to "SQM MAG SpA". The transaction had no impact on the Company's consolidated results.

On April 19, 2017, the subsidiary SACAL S.A. was incorporated with capital of ThUS\$7. The company is owned by SQM Potasio S.A. (95%) and SQM Industrial S.A. (5%). The transaction had no impact on the Company's consolidated results.

On May 4, 2017 SQI Corporation NV carried out a capital increase of ThUS\$15.7, which belongs to SQM S.A. (with a share of 0.01587%) and SQM Potasio S.A. (with a share of 99.98413%).

On July 31, 2017, the company SQM Trading was legally formed. No capital contributions have been recorded as of December 31, 2017. The subsidiary is owned by SQM S.A. (0.58%) and Soquimich European Holding (99.42%). The transaction had no impact on the Company's consolidated results.

SQM International NV (previously SQM Trading NV) was incorporated on July 31, 2017, born from the partial separation of SQM Europe NV into SQM Europe NV and SQM International NV, both of which retained the same ownership structure as before. For the purposes of tax in Belgium, this separation was made effective retroactively as of January 1, 2017. In the annual accounts for 2017 to be presented in 2018 to the local authorities in Belgium, the statement of financial position and transactions are separated as of the effective date. There are no effects on the consolidated financial statements as of December 31, 2017.

During July 2017, the subsidiary SQM Agro India Private Limited was closed. The transaction had no impact on the Company's consolidated results.

On August 14, 2017, SQM Colombia SAS agreed to carry out a capital increase of ThUS\$1,814.64, which was subscribed by its owner SQM Industrial S.A.. To date, it has paid ThUS\$641. The transaction had no impact on the Company's consolidated results.

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

### **6.7 Detail of transactions between consolidated companies, continued**

#### **a) Transactions conducted in 2017, continued**

On August 29, 2017, Compañía Minera Arfwedson SpA, changed its name to SQM MaG SpA.

On August 31, 2017, the subsidiary SQM Australia Pty Ltd. was created with initial capital of ThUS\$7,000 (ThAUD8,729). This subsidiary is fully owned (100%) by SQM Potasio S.A. The functional currency of SQM Australia Pty Ltd, is the Australian dollar (AUD). Later, on December 14 of the same year, additional capital of ThUS\$18,500 (AUD 24,105.5) was invested. These transactions had no impact on the Company's consolidated results.

On December 26, 2017, the company SQM (Shanghai) Chemicals Co. was legally formed. No capital contributions had been recorded as of December 31, 2017.

#### **b) Transactions conducted in 2016**

On May 12, 2016, the subsidiary SQM Iberian S.A. purchased 100% of SQM Vitas Spain for ThUS\$1,710, generating a loss of ThUS\$104.

On October 3, 2016, SQM Colombia SAS was incorporated with capital of ThUS\$10.6. The company is fully (100%) owned by SQM Industrial S.A. The transaction had no impact on the Company's consolidated results.

On December 5, 2016, Soquimich European Holding B.V. contributed capital of ThUS\$1,721 to SQM Japan Co. Ltd, as part of a capital increase. Following the contribution, the ownership structure of SQM Japan Co Ltd. is as follows:

1. SQM S.A. with 0.54%,
2. SQM Potasio S.A. with 53.22%,
3. Soquimich European Holding B.V. with 46.24%.

This transaction had no impact on results.

## Note 7 Cash and cash equivalents

### 7.1 Types of cash and cash equivalents

As of December 31, 2017 and December 31, 2016, cash and cash equivalents are detailed as follows:

| a) Cash               | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|-----------------------|----------------------|----------------------|
| Cash on hand          | 60                   | 53                   |
| Cash in banks         | 50,137               | 80,287               |
| Other demand deposits | 1,530                | 1,260                |
| <b>Total cash</b>     | <b>51,727</b>        | <b>81,600</b>        |

  

| b) Cash equivalents                                    | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Short-term deposits, classified as cash equivalents    | 290,914              | 95,673               |
| Short-term investments, classified as cash equivalents | 287,797              | 337,396              |
| <b>Total cash equivalents</b>                          | <b>578,711</b>       | <b>433,069</b>       |

  

|  |                |                |
|--|----------------|----------------|
| <b>Total cash and cash equivalents</b> | <b>630,438</b> | <b>514,669</b> |
|--|----------------|----------------|

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

As of December 31, 2017 and December 31, 2016, the short-term investments classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

| Institution  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Legg Mason - Western Asset Institutional Cash Reserves | 144,464              | 178,446              |
| JP Morgan US dollar Liquidity Fund Institutional       | 143,333              | 158,950              |
| <b>Total</b>   | <b>287,797</b>       | <b>337,396</b>       |

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

## Note 7 Cash and cash equivalents (continued)

### 7.3 Information on cash and cash equivalents by currency

As of December 31, 2017 and December 31, 2016, information on cash and cash equivalents by currency is detailed as follows:

| Original currency  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------------|----------------------|----------------------|
| Chilean Peso (*)   | 579                  | 6,044                |
| US Dollar          | 612,727              | 490,978              |
| Euro               | 9,782                | 11,386               |
| Mexican Peso       | 258                  | 309                  |
| South African Rand | 4,074                | 3,250                |
| Japanese Yen       | 1,773                | 2,149                |
| Peruvian Sol       | 8                    | 3                    |
| Brazilian Real     | 38                   | 59                   |
| Chinese Yuan       | 1,143                | 400                  |
| Indian Rupee       | -                    | 8                    |
| Thai Baht          | -                    | 8                    |
| Argentine Peso     | 1                    | 4                    |
| Pound Sterling     | 55                   | 71                   |
| <b>Total</b>       | <b>630,438</b>       | <b>514,669</b>       |

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

### 7.4 Amount restricted (unavailable) cash balances

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

As of December 31, 2017 and December 31, 2016, 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:

| 2017<br>Receiver of the deposit | Type of deposit | Original Currency | Interest rate | Placement date | Expiration date | Principal<br>ThUS\$ | Interest accrued<br>to-date<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---------------------------------|-----------------|-------------------|---------------|----------------|-----------------|---------------------|---------------------------------------|----------------------|
| Scotiabank Sud Americano        | Fixed term      |                   | 0.24          | 11-21-2017     | 1-2-2018        | 8,943               | 30                                    | 8,973                |
| Banco Itau Chile                | Fixed term      | Ch\$              | 0.24          | 11-28-2017     | 1-2-2018        | 15,652              | 41                                    | 15,693               |
| Banco Itau Chile                | Fixed term      | Ch\$              | 0.24          | 11-28-2017     | 1-2-2018        | 15,652              | 41                                    | 15,693               |
| Banco BBVA Chile                | Fixed term      | Ch\$              | 0.23          | 11-28-2017     | 1-2-2018        | 15,652              | 40                                    | 15,692               |
| Banco BBVA Chile                | Fixed term      | Ch\$              | 0.23          | 11-28-2017     | 1-2-2018        | 15,652              | 40                                    | 15,692               |
| Banco Itau Chile                | Fixed term      | Ch\$              | 0.25          | 11-29-2017     | 2-27-2018       | 18,857              | 50                                    | 18,907               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-12-2017     | 1-11-2018       | 15,982              | 26                                    | 16,008               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-12-2017     | 1-11-2018       | 8,524               | 14                                    | 8,538                |
| Banco Itau Chile                | Fixed term      | Ch\$              | 0.24          | 12-12-2017     | 1-11-2018       | 15,982              | 24                                    | 16,006               |
| Banco Itau Chile                | Fixed term      | Ch\$              | 0.24          | 12-12-2017     | 1-11-2018       | 7,458               | 11                                    | 7,469                |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-14-2017     | 1-16-2018       | 19,780              | 29                                    | 19,809               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-14-2017     | 1-16-2018       | 15,665              | 23                                    | 15,688               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-14-2017     | 1-16-2018       | 11,488              | 17                                    | 11,505               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-15-2017     | 1-16-2018       | 15,568              | 22                                    | 15,590               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-15-2017     | 1-16-2018       | 15,568              | 22                                    | 15,590               |
| Banco Crédito e Inversiones     | Fixed term      | Ch\$              | 0.26          | 12-15-2017     | 1-16-2018       | 15,568              | 22                                    | 15,590               |
| Banco BBVA Chile                | Fixed term      | Ch\$              | 0.24          | 12-29-2017     | 1-10-2018       | 4,107               | 1                                     | 4,108                |
| Banco BBVA Chile                | Fixed term      | Ch\$              | 0.24          | 12-29-2017     | 1-10-2018       | 2,765               | -                                     | 2,765                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 0.28          | 12-27-2017     | 1-18-2018       | 700                 | -                                     | 700                  |
| Banco Santander - Santiago      | Fixed term      | US\$              | 0.4           | 12-15-2017     | 2-13-2018       | 15,000              | 27                                    | 15,027               |
| Banco Santander - Santiago      | Fixed term      | US\$              | 0.4           | 12-15-2017     | 2-13-2018       | 14,000              | 25                                    | 14,025               |
| Corpbanca                       | Fixed term      | Ch\$              | 0.22          | 12-28-2017     | 1-4-2018        | 1,301               | -                                     | 1,301                |
| Scotiabank Sud Americano        | Fixed term      | Ch\$              | 0.21          | 12-29-2017     | 1-5-2018        | 976                 | -                                     | 976                  |
| Scotiabank Sud Americano        | Fixed term      | Ch\$              | 0.21          | 12-29-2017     | 1-5-2018        | 569                 | -                                     | 569                  |
| Banco Santander - Santiago      | Fixed term      | US\$              | 2.45          | 12-6-2017      | 1-5-2018        | 3,500               | 6                                     | 3,506                |
| Scotiabank Sud Americano        | Fixed term      | US\$              | 3.40          | 12-15-2017     | 1-16-2018       | 2,000               | 3                                     | 2,003                |
| Banco BBVA Chile                | Fixed term      | US\$              | 2.80          | 12-26-2017     | 1-26-2018       | 2,200               | 1                                     | 2,201                |
| Banco Crédito e Inversiones     | Fixed term      | US\$              | 2.3           | 12-27-2017     | 1-4-2018        | 2,300               | 1                                     | 2,301                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 2.88          | 12-27-2017     | 1-4-2018        | 2,300               | 1                                     | 2,301                |
| Banco BBVA Chile                | Fixed term      | US\$              | 2.80          | 12-27-2017     | 1-4-2018        | 1,400               | -                                     | 1,400                |
| BBVA Banco Francés              | Fixed term      | US\$              | 0.19          | 12-11-2017     | 1/31/2017       | 163                 | -                                     | 163                  |
| Nedbank                         | On demand       | US\$              | -             | 12-1-2017      | 1/31/2017       | 3,686               | -                                     | 3,686                |
| ABN Amro Bank                   | Fixed term      | US\$              | -             | 12-31-2017     | 1/2/2018        | 1,439               | -                                     | 1,439                |
| <b>Total</b>                    |                 |                   |               |                |                 | <b>290,397</b>      | <b>517</b>                            | <b>290,914</b>       |



## Note 7 Cash and cash equivalents (continued)

### 7.5 Short-term deposits, classified as cash equivalents, continued

| 2016<br>Receiver of the deposit | Type of deposit | Original Currency | Interest rate | Placement date | Expiration date | Principal<br>ThUS\$ | Interest accrued<br>to-date<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---------------------------------|-----------------|-------------------|---------------|----------------|-----------------|---------------------|---------------------------------------|----------------------|
| Scotiabank Sud Americano        | Fixed term      | US\$              | 1.28          | 12/29/2016     | 1/31/2017       | 9,900               | 1                                     | 9,901                |
| Banco de Chile                  | Fixed term      | US\$              | 0.90          | 12/30/2016     | 1/9/2017        | 15,000              | 1                                     | 15,001               |
| Banco Crédito e Inversiones     | Fixed term      | US\$              | 0.90          | 12/30/2016     | 1/10/2017       | 10,000              | -                                     | 10,000               |
| Banco Crédito e Inversiones     | Fixed term      | US\$              | 0.93          | 10/11/2016     | 1/30/2017       | 13,000              | 27                                    | 13,027               |
| Banco BBVA Chile                | Fixed term      | US\$              | 0.75          | 10/11/2016     | 1/30/2017       | 2,000               | 3                                     | 2,003                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 1.21          | 12/1/2016      | 1/3/2017        | 3,500               | 4                                     | 3,504                |
| Banco de Chile                  | Fixed term      | US\$              | 0.76          | 12/7/2016      | 1/6/2017        | 3,900               | 2                                     | 3,902                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 0.90          | 12/12/2016     | 1/12/2017       | 5,000               | 2                                     | 5,002                |
| Banco de Chile                  | 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                |
| Corpbanca                       | Fixed term      | US\$              | 1.28          | 12/20/2016     | 2/21/2017       | 800                 | -                                     | 800                  |
| Scotiabank Sud Americano        | Fixed term      | US\$              | 1.28          | 12/20/2016     | 2/21/2017       | 5,000               | 2                                     | 5,002                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 0.75          | 12/22/2016     | 1/23/2017       | 3,500               | 1                                     | 3,501                |
| Banco Santander - Santiago      | Fixed term      | US\$              | 1.25          | 12/28/2016     | 2/9/2017        | 3,900               | 1                                     | 3,901                |
| Banco Security                  | Fixed term      | US\$              | 1.31          | 12/28/2016     | 2/9/2017        | 3,300               | -                                     | 3,300                |
| Banco Security                  | Fixed term      | US\$              | 1.00          | 12/29/2016     | 1/30/2017       | 3,800               | -                                     | 3,800                |
| Banco Santander - Santiago      | Fixed term      | Ch\$              | 0.31          | 12/16/2016     | 1/2/2017        | 1,942               | 3                                     | 1,945                |
| Corpbanca                       | 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                |
| <b>Total</b>                    |                 |                   |               |                |                 | <b>95,623</b>       | <b>50</b>                             | <b>95,673</b>        |





## Note 8 Inventories

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

| Type of inventory                | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|----------------------------------|----------------------|----------------------|
| Raw material reserves            | 9,364                | 7,536                |
| Supplies for production reserves | 22,257               | 23,610               |
| Products-in-progress reserves    | 456,333              | 482,261              |
| Finished product reserves        | 414,120              | 479,665              |
| <b>Total</b>                     | <b>902,074</b>       | <b>993,072</b>       |

As of December 31, 2017, the Company has inventory of caliche ore (in piles or undergoing leaching process) available for processing valued at ThUS\$62,476 (ThUS\$ 43,400 as of December 31, 2016), (included in work in progress).

Inventory reserves recognized as of December 31, 2017 amount to ThUS\$96,284, and ThUS\$81,295 as of December 31, 2016. Inventory reserves have been made based on a technical study that covers the different variables affecting products in stock (density and humidity, among others).

In the case of inventories of raw materials, supplies, materials and parts, provisions have been made at the lower value associated with the proportion of obsolete, defective or slow-moving materials.

The breakdown of inventory reserves is detailed as follows:

| Type of inventory              | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------------------------|----------------------|----------------------|
| Raw material reserves          | 93                   | 93                   |
| Suministros para la producción | -                    | 920                  |
| Products-in-progress reserves  | 80,249               | 50,925               |
| Finished product reserves      | 15,942               | 29,357               |
| <b>Total</b>                   | <b>96,284</b>        | <b>81,295</b>        |

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

## Note 8 Inventories, continued

As of December 31, 2017 and 2016, movements in provisions are detailed as follows:

| <b>Reconciliation</b>                      | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| <b>Opening balance</b>                     | <u>81,295</u>     | <u>80,369</u>     |
| Changes                                    |                   |                   |
| Additional provisions                      | 21,953            | 9,831             |
| Increase (decrease) in existing provisions | <u>(6,964)</u>    | <u>(8,905)</u>    |
| <b>Total changes</b>                       | <u>14,989</u>     | <u>926</u>        |
| <b>Final Balance</b>                       | <u>96,284</u>     | <u>81,295</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.

### 9.2 Relationships between the parent and the entity

According to the Company's by-laws the indicated in the Note 6.3, 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 as of December 31, 2017 are equivalent to 29.97% of the current total amount of issued, subscribed and fully-paid shares in 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 Financial Markets Commission (formerly the Chilean SVS) and the relevant stock exchanges in Chile and abroad that they are not and have never been mutually related parties. This is independent of the fact that on December 21, 2006 the two Groups entered into a Joint Action Agreement (JAA) related to those shares. Consequently, neither the Pampa Group nor the Kowa Group individually owns more than 32% of the voting right capital of SQM S.A.

This Joint Action Agreement has not transformed the Pampa and Kowa Groups into mutually related parties. The Joint Action Agreement has only transformed the current controller of SQM S.A., composed of the Pampa Group, and the Kowa Group, into related parties of SQM S.A.

## Note 9 Related party disclosures (continued)

### 9.2 Relationships between the parent and the entity, continued

#### Detail of effective concentration

| Tax ID No.               | Name   | 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                 |
| <b>Total Pampa Group</b> |  | <b>29.97</b>         |
| 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                 |
| <b>Total Kowa Group</b>  |  | <b>2.12</b>          |

## Note 9 Related party disclosures (continued)

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

As of December 31, 2017 and December 31, 2016, 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 Colombia SAS                                 | Colombia          | 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 Australia PTY                                | Australia         | Australian dollar   | Subsidiary |
| Foreign      | SACAL S.A.                                       | Argentina         | Argentine peso      | Subsidiary |
| 96,801,610-5 | Comercial Hydro S.A.                             | Chile             | US\$                | 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)

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

As of December 31, 2017 and December 31, 2016, 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                |
|--------------|---|--------------------|----------------------|-----------------------|
| 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            |
| 76,686,311-9 | SQM MaG SpA   | Chile              | US\$                 | Subsidiary            |
| 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      | Kore Potash Ltd.  | Australia          | US\$                 | Associate             |
| Foreign      | Sichuan SQM Migao Chemical Fertilizers Co Ltda.               | China              | US\$                 | Joint venture         |
| Foreign      | Coromandel SQM India  | India              | Indian rupee         | Joint venture         |
| Foreign      | SQM Vitas Fzco.   | Arab Emirates      | Arab Emirates dirham | Joint venture         |
| Foreign      | SQM Star Qingdao Corp Nutrition Co., Ltd.                     | China              | US\$                 | Joint venture         |
| Foreign      | SQM Vitas Holland B.V.  | Dutch Antilles     | Euro                 | Joint venture         |
| Foreign      | Kowa Company Ltd.   | Japan              | US\$                 | Joint control         |
| Foreign      | Minera Exar S.A.  | Argentina          | US\$                 | Joint control         |
| 96,511,530-7 | Sociedad de Inversiones Pampa Calichera                       | Chile              | US\$                 | Joint control         |
| 96,529,340-k | Norte Grande S.A.   | Chile              | Chilean peso         | Other related parties |
| 79,049,778-9 | Callegari Agricola S.A.                                       | Chile              | Chilean peso         | Other related parties |
| 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\$                 | Other related parties |
| Foreign      | SQM Vitas Peru S.A.C.   | Peru               | US\$                 | Other related parties |
| Foreign      | SQM Vitas Plantacote B.V                                      | Dutch Antilles     | Euro                 | Other related parties |
| Foreign      | Terra Tarsa B.V..   | Holland            | Euro                 | Other related parties |
| Foreign      | Plantacote N.V  | Belgium            | Euro                 | Other related parties |
| Foreign      | Doktolab Tarim Arastima San. Tic As                           | Turkey             | Turkish Lira         | Other related parties |
| Foreign      | Terra Tarsa Ukraine LLC                                       | Ukraine            | Ukrainian Grivna     | Other related parties |
| Foreign      | Terra Tarsa Don LLC   | Russian Federation | Russian ruble        | Other related parties |



## Note 9 Related party disclosures (continued)

### 9.4 Detail of related parties and related party transactions

Transactions between the Parent and its subsidiaries, associated businesses, 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 by virtue of the transaction giving rise to them.

As of December 31, 2017 and December 31, 2016, the detail of significant transactions with related parties is as follows:

| Tax ID No.   | Company   | Nature                                 | Country of origin    | Transaction       | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------|---|--|----------------------|-------------------|----------------------|----------------------|
| Foreign      | Doktor Tarsa Tarim Sanayi As                    | Associate                              | Turkey               | Sale of products  | 17,538               | 11,619               |
| Foreign      | Ajay Europe S.A.R.L.                            | Associate                              | France               | Sale of products  | 15,706               | 17,977               |
| Foreign      | Ajay Europe S.A.R.L.                            | Associate                              | France               | Dividends         | 969                  | 1,338                |
| Foreign      | Ajay North America LLC.                         | Associate                              | United States        | Sale of products  | 13,206               | 12,865               |
| Foreign      | Ajay North America LLC.                         | Associate                              | United States        | Dividends         | 1,123                | 2,605                |
|              | Abu Dhabi Fertilizer Industries                 |  | United Arab          |                   |                      |                      |
| Foreign      | WWL   | Associate                              | Emirates             | Sale of products  | 4,351                | 8,312                |
| Foreign      | Charlee SQM Thailand Co. Ltd.                   | Associate                              | Thailand             | Sale of products  | 5,102                | 3,798                |
| Foreign      | Charlee SQM Thailand Co. Ltd.                   | Associate                              | Thailand             | Dividends         | -                    | -                    |
| 77,557,430-5 | Sales de Magnesio Ltda.                         | Associate                              | Chile                | Sale of products  | 45                   | -                    |
| Foreign      | Kowa Company Ltd.                               | Other related parties                  | Japan                | Sale of products  | 132,495              | 91,678               |
| Foreign      | Kowa Company Ltd.                               | Other related parties                  | Japan                | Services received | -                    | -                    |
| Foreign      | SQM Vitas Brasil Agroindustria                  | Joint control or significant influence | Brazil               | Sale of products  | 31,137               | 17,686               |
| Foreign      | SQM Vitas Peru S.A.C.                           | Joint control or significant influence | Peru                 | Sale of products  | 23,058               | 22,090               |
| Foreign      | SQM Vitas Fzco.                                 | Joint venture                          | United Arab Emirates | Sale of products  | 85                   | 965                  |
| Foreign      | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture                          | China                | Sale of products  | -                    | 9,950                |
| Foreign      | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture                          | China                | Sale of services  | 252                  | 257                  |
| Foreign      | Coromandel SQM India                            | Joint venture                          | India                | Sale of products  | 8,011                | 4,630                |
| Foreign      | SQM Vitas Spain                                 | Joint venture                          | Spain                | Sale of products  | -                    | 5,528                |
| Foreign      | SQM Vitas Plantacote B.V.                       | Joint venture                          | Netherlands          | Sale of products  | -                    | 49                   |
| Foreign      | SQM Star Qingdao Corp Nutrition Co., Ltd.       | Joint venture                          | China                | Sale of products  | 200                  | 166                  |
| Foreign      | SQM Vitas Holland B.V.                          | Joint venture                          | Holland              | Sale of products  | -                    | 634                  |
| 79,049,778-9 | Callegari Agrícola S.A.                         | Other related parties                  | Chile                | Sale of products  | 210                  | 44                   |
| Foreign      | Minera Exar S.A.                                | Joint venture                          | Argentina            | Loans             | 11,000               | -                    |
| Foreign      | Terra Tarsa Ukraine LLC                         | Associate                              | Turkey               | Sale of services  | 1,218                | -                    |
| Foreign      | Terra Tarsa Don LLC                             | Joint venture                          | Russian Federation   | Sale of products  | 423                  | -                    |
| Foreign      | Plantacote N.V.                                 | Associate                              | Belgium              | Sale of products  | 2,108                | -                    |

## Note 9 Related party disclosures (continued)

### 9.5 Trade receivables due from related parties, current:

| Tax ID N°    | Company   | Nature                    | Country of origin    | Currency             | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------|---|---------------------------|----------------------|----------------------|----------------------|----------------------|
| Foreign      | Charlee SQM Thailand Co. Ltd.                   | Associate                 | Thailand             | US\$                 | 1,204                | 1,315                |
| Foreign      | Ajay Europe S.A.R.L.                            | Associate                 | France               | Euro                 | 4,689                | 3,801                |
| Foreign      | Ajay North America LLC.                         | Associate                 | United States        | US\$                 | 2,005                | 3,095                |
| Foreign      | Abu Dhabi Fertilizer Industries WWL             | Associate                 | United Arab Emirates | Arab Emirates dirham | 73                   | 764                  |
| Foreign      | Kowa Company Ltd.                               | Jointly controlled entity | Japan                | US\$                 | 5,008                | 34,377               |
| 96.511.530-7 | Soc.de Inversiones Pampa Calichera              | Jointly controlled entity | Chile                | US\$                 | 6                    | 6                    |
| Foreign      | SQM Vitas Brasil                                | Joint venture             | Brazil               | US\$                 | 17,293               | 9,580                |
| Foreign      | Agroindustria SQM Vitas Peru S.A.C.             | Joint venture             | Peru                 | US\$                 | 13,766               | 13,318               |
| Foreign      | Coromandel SQM India                            | Joint venture             | India                | Indian rupee         | 3,804                | 1,177                |
| Foreign      | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture             | China                | US\$                 | -                    | 14,547               |
| 79.049.778-9 | Callegari Agrícola S.A.                         | Other related parties     | Chile                | Ch\$                 | -                    | 41                   |
| Foreign      | SQM Vitas Fzco.                                 | Joint venture             | United Arab Emirates | Arab Emirates dirham | -                    | 97                   |
| Foreign      | SQM Vitas Plantacote B.V.                       | Joint venture             | Holland              | Euro                 | -                    | 91                   |
| Foreign      | SQM Star Qingdao Corp Nutrition Co., Ltd.       | Joint venture             | China                | US\$                 | 50                   | 48                   |
| Foreign      | Plantacote N.V.                                 | Associate                 | Belgium              | Euro                 | 190                  | 2                    |
| Foreign      | Terra Tarsa Don LLC                             | Associate                 | Russian Federation   | Russian ruble        | 44                   | -                    |
| Foreign      | Minera Exar S.A.                                | Joint venture             | Argentina            | US\$                 | 11,000               | -                    |
| <b>Total</b> |   |                           |                      |                      | <b>59,132</b>        | <b>82,259</b>        |

### 9.6 Trade payables due to related parties, current:

| Tax ID No.           | Company.  | Nature                | Country of origin    | Currency             | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|----------------------|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Foreign              | Doktor Tarsa Tarim Sanayi AS                    | Associate             | Turkey               | YTL                  | 11                   | 7                    |
| Foreign              | Terra Tarsa Ukraine LLC                         | Other related parties | Ukraine              | Ukrainian Grivna     | 7                    | -                    |
| Foreign              | SQM Star Qingdao Corp Nutrition Co., Ltd.       | Joint venture         | China                | US\$                 | 725                  | -                    |
| Foreign              | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture         | China                | US\$                 | 584                  | -                    |
| Foreign              | SQM Vitas Fzco.                                 | Joint venture         | United Arab Emirates | Arab Emirates dirham | 38                   | -                    |
| <b>Current Total</b> |   |                       |                      |                      | <b>1,365</b>         | <b>7</b>             |

## **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 whom 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 28, 2017.

As of December 31, 2017, the Company has the following Committees:

- Directors' Committee: composed of Juan Gerardo Jofré Miranda, Fernando Massú Taré and Joanne L. Boyes. Such Committee performs the duties contained in Article 50 bis of Law No. 18.046, the Chilean "Securities Act".
- Health, Safety and Environmental Matters Committee: composed of Arnfinn F. Prugger, Gonzalo Guerrero Y. and Hernán Büchi Buc.
- Corporate Governance Committee: composed of Robert A. Kirkpatrick, Hernán Büchi Buc and Juan Gerardo Jofré Miranda.

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



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

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

#### **2) Directors' Compensation**

Directors' compensation is detailed as follows:

- a) The payment of a fixed, gross and monthly amount of four hundred UF in favor of the Chairman of the Board of Directors of SQM S.A. and of two hundred UF in favor of the remaining seven Directors of SQM S.A. and regardless of the number of Board of Directors' Meetings held or not held during the related month.
- b) A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.15% of profit for the period effectively earned by the Company during the 2017 fiscal year.
- c) A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.06% of profit for the period effectively earned by the Company during the 2017 fiscal year.
- d) The fixed and variable amounts indicated above cannot be altered 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, 2017.
- 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 in force when the dividend for the 2017 fiscal year is paid.
- f) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2017 amount to ThUS\$3,231 (ThUS\$ 2,292 as of December 31, 2016).

#### **3) Directors' Committee**

The remuneration of the Directors Committee comprises:

- a) The payment of a fixed, gross and monthly amount of UF 75 in favor of each of the 3 directors that are members of the Directors' Committee, regardless of the number of meetings of the Directors' Committee that have or have not been held during the month concerned.
- b) The payment in domestic currency and in favor of each of the 3 directors of a variable and gross amount equivalent to 0.02% of total net profit that the Company effectively obtains during the 2017 fiscal year.

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

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

- c) The fixed and variable amounts indicated above cannot be altered 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, 2017.
  - 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 in force when the dividend for the 2017 fiscal year is paid.
- 4) **Health, Safety and Environmental Matters Committee:**

The remuneration for this committee is composed of the payment of a fixed, gross and monthly amount of UF 50 for each of the 3 Directors on the committee, regardless of the number of meetings it has held.
  - 5) **Corporate Governance Committee**

The remuneration for this committee is composed of the payment of a fixed, gross and monthly amount of UF 50 for each of the 3 Directors on the committee regardless of the number of meetings it has held.
  - 6) No guarantees have been constituted in favor of the directors.
  - 7) **Senior management compensation:**
    - a) As of December 31, 2017, the global compensation paid to the 115 main executives amounts to ThUS\$27,367 and the global compensation paid to the 105 main executives as of December 31, 2016 amounted to ThUS\$20,439. This includes monthly fixed salary and variable performance bonuses.
    - b) SQM S.A. has an annual bonus plan based on goal achievement and individual contribution to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and are paid once a year.
    - c) The Company also has retention bonuses for its executives. The value of these bonuses is linked to the Company's stock price and is payable in cash during the first quarter of 2021 (see Note 16).

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

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

- 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, 2017 and the year ended December 31, 2016 or compensation for the concept of pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding points.

**9.8 Key management personnel compensation**

As of December 31, 2017, there are 115 people occupying key management personnel posts (there were 105 as of December 31, 2016).

|   | <b>12/31/2017</b> | <b>12/31/2016</b> |
|---|-------------------|-------------------|
|   | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Key management personnel compensation (1) | 27,367            | 20,439            |

(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           | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| Other current financial assets (1)              | 360,941              | 284,160              |
| Derivatives (2)                                 | 6,038                | 4,095                |
| Hedging assets                                  | -                    | 934                  |
| <b>Total other current financial assets</b>     | <b>366,979</b>       | <b>289,189</b>       |
| Other non-current financial assets (3)          | 62,879               | 34,099               |
| <b>Total other non-current financial assets</b> | <b>62,879</b>        | <b>34,099</b>        |

- (1) Relates to term deposits with maturities exceeding 90 days and less than 360 days from the investment date.  
 (2) Relates 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:

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Non-current investments not accounted for using the equity accounting method, classified as available for sale | 9,179                | 6,899                |
| Share purchase option (1)  | 20,000               | 20,000               |
| Hedging assets   | 8,910                | 7,156                |
| Contribution for constitution of Joint Venture (2)   | 24,745               | -                    |
| Other financial assets, non-current  | 45                   | 44                   |
| <b>Total other financial assets, non-current</b>   | <b>62,879</b>        | <b>34,099</b>        |

- (1) SQM S.A. signed a contract with Kore Potash Limited and, as part of the deal, SQM acquired 20 million share options valued at ThUS\$20,000.  
 (2) SQM Potasio S.A. contributed ThUS\$24,745 to set up Western Australia Lithium (WAL). This has still not been legally constituted as a company, so the funds remain in trust waiting to be transferred to WAL.

### Detail of other current financial assets

| Institution                    | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------------------------|----------------------|----------------------|
| Banco Santander                | 163,269              | 54,364               |
| Banco de Crédito e Inversiones | 71,748               | 40,627               |
| Banco Itaú - Corpbanca         | 77,527               | 63,969               |
| Banco Security                 | 28,592               | 15,007               |
| Morgan Stanley                 | -                    | 3,150                |
| Scotiabank Sud Americano       | 13,764               | 107,043              |
| Banco Chile                    | 4,834                | -                    |
| Banco BBVA Chile               | 1,207                | -                    |
| <b>Total</b>                   | <b>360,941</b>       | <b>284,160</b>       |



## Note 10 Financial instruments, (continued)

### 10.2 Trade and other receivables

|  | 12/31/2017        |                       |                 | 12/31/2016        |                       |                 |
|--|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
|  | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ |
| Trade receivables                        | 412,321           | -                     | 412,321         | 344,839           | -                     | 344,839         |
| Prepayments                              | 16,177            | -                     | 16,177          | 6,621             | -                     | 6,621           |
| Other receivables                        | 18,377            | 1,912                 | 20,289          | 17,301            | 1,840                 | 19,141          |
| <b>Total trade and other receivables</b> | <b>446,875</b>    | <b>1,912</b>          | <b>448,787</b>  | <b>368,761</b>    | <b>1,840</b>          | <b>370,601</b>  |

|   | 12/31/2017                            |  |  | 12/31/2016                            |  |  |
|---|---------------------------------------|--|--|---------------------------------------|--|--|
|   | Assets before<br>allowances<br>ThUS\$ | Allowance for<br>doubtful trade<br>receivables<br>ThUS\$ | Assets for trade<br>receivables, net<br>ThUS\$ | Assets before<br>allowances<br>ThUS\$ | Allowance for<br>doubtful trade<br>receivables<br>ThUS\$ | Assets for trade<br>receivables, net<br>ThUS\$ |
| Receivables related to credit operations, current | 427,400                               | (15,079)   | 412,321  | 361,656                               | (16,817)   | 344,839  |
| <b>Trade receivables, current</b>                 | <b>427,400</b>                        | <b>(15,079)</b>  | <b>412,321</b>                                 | <b>361,656</b>                        | <b>(16,817)</b>  | <b>344,839</b>                                 |
| Prepayments, current                              | 16,877                                | (700)  | 16,177   | 9,421                                 | (2,800)  | 6,621  |
| Other receivables, current                        | 23,409                                | (5,032)  | 18,377   | 19,300                                | (1,999)  | 17,301   |
| <b>Current trade and other receivables</b>        | <b>40,286</b>                         | <b>(5,732)</b>   | <b>34,554</b>                                  | <b>28,721</b>                         | <b>(4,799)</b>   | <b>23,922</b>                                  |
| Other receivables, non-current                    | 1,912                                 | -  | 1,912  | 1,840                                 | -  | 1,840  |
| <b>Non-current receivables</b>                    | <b>1,912</b>                          | <b>-</b>   | <b>1,912</b>                                   | <b>1,840</b>                          | <b>-</b>   | <b>1,840</b>                                   |
| <b>Total trade and other receivables</b>          | <b>469,598</b>                        | <b>(20,811)</b>  | <b>448,787</b>                                 | <b>392,217</b>                        | <b>(21,616)</b>  | <b>370,601</b>                                 |



## 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, 2017 the detail of the unsecuritized portfolio is as follows:

|  | Current<br>MUS\$ | Between 1<br>and 30<br>days<br>MUS\$ | Between 31<br>and 60<br>days<br>MUS\$ | Between 61<br>and 90<br>days<br>MUS\$ | More than<br>91 days<br>MUS\$ | Total<br>MUS\$ |
|--|------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|----------------|
| Number of customers, portfolio under no renegotiated terms | 1,630            | 28                                   | 10                                    | 5                                     | 6                             | 1,679          |
| Portfolio under no renegotiated terms                      | 46,601           | 3,124                                | 5,095                                 | 91                                    | 7,120                         | 62,031         |
| Number of customers under renegotiated terms portfolio     | -                | -                                    | -                                     | -                                     | -                             | -              |
| Portfolio under renegotiated terms, gross                  | -                | -                                    | -                                     | -                                     | -                             | -              |
| <b>Total gross portfolio</b>                               | <b>46,601</b>    | <b>3,124</b>                         | <b>5,095</b>                          | <b>91</b>                             | <b>7,120</b>                  | <b>62,031</b>  |

#### Securitized portfolio

As of December 31, 2017 the detail of the securitized portfolio is as follows:

|  | Current<br>MUS\$ | Between 1<br>and 30<br>days<br>MUS\$ | Between 31<br>and 60<br>days<br>MUS\$ | Between 61<br>and 90<br>days<br>MUS\$ | More than<br>91 days<br>MUS\$ | Total<br>MUS\$ |
|--|------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|----------------|
| Number of customers, portfolio under no renegotiated terms | 652              | 166                                  | 58                                    | 16                                    | 15                            | 907            |
| Portfolio under no renegotiated terms                      | 341,915          | 16,898                               | 4,814                                 | 760                                   | 982                           | 365,369        |
| Number of customers under renegotiated terms portfolio     | -                | -                                    | -                                     | -                                     | -                             | -              |
| Portfolio under renegotiated terms, gross                  | -                | -                                    | -                                     | -                                     | -                             | -              |
| <b>Total gross portfolio</b>                               | <b>341,915</b>   | <b>16,898</b>                        | <b>4,814</b>                          | <b>760</b>                            | <b>982</b>                    | <b>365,369</b> |

#### SQM S.A.

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## Note 10 Financial instruments, (continued)

### 10.2 Trade and other receivables, continued

#### Unsecuritized portfolio

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

|  | Current<br>MUS\$ | Between 1<br>and 30<br>days<br>MUS\$ | Between 31<br>and 60<br>days<br>MUS\$ | Between 61<br>and 90<br>days<br>MUS\$ | More than<br>91 days<br>MUS\$ | Total<br>MUS\$ |
|--|------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|----------------|
| Number of customers, portfolio under no renegotiated terms | 48               | 55                                   | 7                                     | -                                     | 26                            | 136            |
| Portfolio under no renegotiated terms                      | 32,233           | 26,696                               | 2,411                                 | -                                     | 5,210                         | 66,549         |
| Number of customers under renegotiated terms portfolio     | -                | -                                    | -                                     | -                                     | -                             | -              |
| Portfolio under renegotiated terms, gross                  | -                | -                                    | -                                     | -                                     | -                             | -              |
| <b>Total gross portfolio</b>                               | <b>32,233</b>    | <b>26,696</b>                        | <b>2,411</b>                          | <b>-</b>                              | <b>5,210</b>                  | <b>66,549</b>  |

#### Securitized portfolio

As of December 31, 2016 the detail of the securitized portfolio is as follows:

|  | Current<br>MUS\$ | Between 1<br>and 30<br>days<br>MUS\$ | Between 31<br>and 60<br>days<br>MUS\$ | Between 61<br>and 90<br>days<br>MUS\$ | More than<br>91 days<br>MUS\$ | Total<br>MUS\$ |
|--|------------------|--------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|----------------|
| Number of customers, portfolio under no renegotiated terms | 455              | 118                                  | 52                                    | 19                                    | 14                            | 658            |
| Portfolio under no renegotiated terms                      | 271,839          | 16,036                               | 4,807                                 | 1,182                                 | 1,243                         | 295,107        |
| Number of customers under renegotiated terms portfolio     | -                | -                                    | -                                     | -                                     | -                             | -              |
| Portfolio under renegotiated terms, gross                  | -                | -                                    | -                                     | -                                     | -                             | -              |
| <b>Total gross portfolio</b>                               | <b>271,839</b>   | <b>16,036</b>                        | <b>4,807</b>                          | <b>1,182</b>                          | <b>1,243</b>                  | <b>295,107</b> |

As of December 31, 2017 and 2016, movements in provisions are as follows:

| Reconciliation                    | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|-----------------------------------|----------------------|----------------------|
| Opening balance                   | <u>21,616</u>        | <u>19,731</u>        |
| Additional provisions             | 7,172                | 10,632               |
| Increase (decrease in provisions) | <u>(7,977)</u>       | <u>(8,747)</u>       |
| Closing balance                   | <b>20,811</b>        | <b>21,616</b>        |

#### Credit risk concentration

Credit risk concentration with respect to trade receivables is reduced due to the great number of entities in the Company's client base 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 in Chilean pesos and UF . As of December 31, 2017, the notional amount of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS\$266,335 and as of December 31, 2016 such contracts amounted to ThUS\$320,155.

| 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 |
|---|-------------------------------|---|---------------------------------|--|---------------------------|
|   |                               | Derivative instruments                  |                                 | ThUS\$                                 |                           |
|   | ThUS\$                        | ThUS\$                                  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2017                               | 8,910                         | 5,641                                   | 2,170                           | -                                      | 2,170                     |
| 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 |
|   |                               | Derivative instruments                  |                                 | ThUS\$                                 |                           |
|   | ThUS\$                        | ThUS\$                                  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2017                               | 17,128                        | 33,696                                  | 41                              | -                                      | 41                        |
| 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 |
|   |                               | Derivative instruments                  |                                 | ThUS\$                                 |                           |
|   | ThUS\$                        | ThUS\$                                  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2017                               | (20,159)                      | (20,256)                                | 97                              | -                                      | 97                        |
| 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 |
|   |                               | Derivative instruments                  |                                 | ThUS\$                                 |                           |
|   | ThUS\$                        | 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 |
|   |                               | Derivative instruments                  |                                 | ThUS\$                                 |                           |
|   | ThUS\$                        | 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 | Effect on profit or loss for the period | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|---|------------------------|---|---------------------------------|--|---------------------------|
|   | (CCS)                  | Derivative instruments                  |                                 |  |                           |
|   | ThUS\$                 | ThUS\$                                  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2016                               | 218                    | (294)                                   | 76                              | (19)                                   | 57                        |

The balances in the “effect on profit or loss” column consider the interim effects of the contracts in force As of December 31, 2017 and 2016.

Derivative contract maturities are detailed as follows:

| Series | Contract amount<br>ThUS\$ | Currency | Maturity date |
|--------|---------------------------|----------|---------------|
| H      | 191,638                   | UF       | 01/05/2018    |
| O      | 58,748                    | UF       | 02/01/2022    |

The Company uses cross currency swap derivative instruments to hedge the possible financial risk associated with the volatility of the exchange rate associated with Chilean pesos and UF. The objective is to hedge the exchange rate financial risks associated with bonds payable. Hedges are documented and tested to measure their effectiveness.

Based on a comparison of critical terms, hedging is highly effective, given that the hedged amount is consistent with obligations maintained for bonds denominated in Chilean pesos and UF. Likewise, hedging contracts are denominated in the same currencies and have the same expiration dates of bond principal and interest payments.

#### Hedge Accounting

The Company classifies derivative instruments as hedging that may include derivative or embedded derivatives either as fair value hedge derivative instruments, cash flow hedge derivative instruments, or hedge derivative instruments for net investment in a business abroad.

##### a) Fair value hedge

Changes in fair values of derivative instruments classified as fair value hedge derivative instruments are accounted for in gains and losses immediately along with any change in the fair value of the hedged item that is attributable to the risk being hedged.

The Company documents the relationship between hedge instruments and the hedged item along with the objectives of its risk management and strategy to carry out different hedging transactions. In addition, upon commencement of the period hedged and then on a quarterly basis, the Company documents whether hedge instruments have been efficient and met the objective of hedging market fluctuations. For this purpose, we use the effectiveness test. A hedge instrument is deemed effective if the effectiveness test result is between 80% and 125%.

## Note 10 Financial instruments (continued)

### 10.3 Hedging assets and liabilities, continued

The hedge instruments are classified as effective or not effective on the basis of the effectiveness test results. At present, 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, which 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, 2017 and December 31, 2016, the detail is as follows:

|  | 12/31/2017        |                       |                  | 12/31/2016        |                       |                  |
|--|-------------------|-----------------------|------------------|-------------------|-----------------------|------------------|
|  | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$  | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$  |
| Bank borrowings                        | 163,568           | -                     | 163,568          | 101,270           | -                     | 101,270          |
| Obligations with the public<br>(bonds) | 13,494            | 1,031,507             | 1,045,001        | 58,973            | 1,059,706             | 1,118,679        |
| Derivatives                            | 5,979             | -                     | 5,979            | 1,920             | -                     | 1,920            |
| Hedging liabilities                    | 37,287            | -                     | 37,287           | 16,981            | 33,732                | 50,713           |
| <b>Total</b>                           | <b>220,328</b>    | <b>1,031,507</b>      | <b>1,251,835</b> | <b>179,144</b>    | <b>1,093,438</b>      | <b>1,272,582</b> |

## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

#### Current and non-current bank borrowings

As of December 31, 2017 and December 31, 2016, the detail is as follows:

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Long-term bank borrowings  | -                    | -                    |
| Short-term bank borrowings   | 163,568              | 101.270              |
| <b>Short-term borrowings and current portion of long-term borrowings</b> | <b>163,568</b>       | <b>101.270</b>       |
| <b>Total bank borrowings</b>   | <b>163,568</b>       | <b>101.270</b>       |

## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

#### a) Bank borrowings, current:

As of December 31, 2017 and December 31, 2016, 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 1.63% | 1.63% |
| 93,007,000-9 | SQM S.A.            | Chile    | 97,018,000-1 | Scotiabank Sud Americano     | Chile     | US\$           | Upon maturity 1.73% | 1.73% |
| 93,007,000-9 | SQM S.A.            | Chile    | 97,018,000-1 | Scotiabank Sud Americano     | Chile     | US\$           | Upon maturity 1.73% | 1.73% |
| 93,007,000-9 | SQM S.A.            | Chile    | 97,018,000-1 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.64% | 1.64% |
| 93,007,000-9 | SQM S.A.            | Chile    | 97,018,000-1 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.67% | 1.67% |
| 93,007,000-9 | SQM S.A.            | Chile    | 97,018,000-1 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.67% | 1.67% |
| 79,626,800-K | SQM Salar S.A.      | Chile    | 97,018,000-1 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.91% | 1.91% |
| 79,626,800-K | SQM Salar S.A.      | Chile    | 97,018,000-1 | Scotiabank Sud Americano     | Chile     | US\$           | Upon maturity 1.94% | 1.94% |
| 79,947,100-0 | SQM Industrial S.A. | Chile    | 97,030,000-7 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.74% | 1.74% |
| 79,947,100-0 | SQM Industrial S.A. | Chile    | 97,030,000-7 | Banco Estado                 | Chile     | US\$           | Upon maturity 1.65% | 1.65% |

| Debtor              | Creditor                 | 12/31/2017<br>Nominal amounts |                             |                 | 12/31/2017<br>Current amounts |                             |                    | Borrowing costs<br>ThUS\$ | Total ThUS\$   |
|---------------------|--------------------------|-------------------------------|-----------------------------|-----------------|-------------------------------|-----------------------------|--------------------|---------------------------|----------------|
|                     |                          | Up to 90 days<br>ThUS\$       | 90 days to 1 year<br>ThUS\$ | Total<br>ThUS\$ | Up to 90 days<br>ThUS\$       | 90 days to 1 year<br>ThUS\$ | Subtotal<br>ThUS\$ |                           |                |
| Company             | Financial institution    |                               |                             |                 |                               |                             |                    |                           |                |
| SQM,S,A,            | Scotiabank Sud Americano | -                             | 20,000                      | 20,000          | -                             | 20,137                      | 20,137             | -                         | 20,137         |
| SQM,S,A,            | Scotiabank Sud Americano | -                             | 17,000                      | 17,000          | -                             | 17,140                      | 17,140             | -                         | 17,140         |
| SQM,S,A,            | Scotiabank Sud Americano | -                             | 3,000                       | 3,000           | -                             | 3,025                       | 3,025              | -                         | 3,025          |
| SQM,S,A,            | Banco Estado             | 15,000                        | -                           | 15,000          | 15,011                        | -                           | 15,011             | -                         | 15,011         |
| SQM,S,A,            | Banco Estado             | 15,000                        | -                           | 15,000          | 15,011                        | -                           | 15,011             | -                         | 15,011         |
| SQM,S,A,            | Banco Estado             | 15,000                        | -                           | 15,000          | 15,011                        | -                           | 15,011             | -                         | 15,011         |
| SQM Salar S,A,      | Banco Estado             | -                             | 20,000                      | 20,000          | -                             | 20,071                      | 20,071             | -                         | 20,071         |
| SQM Salar S,A,      | Scotiabank Sud Americano | -                             | 20,000                      | 20,000          | -                             | 20,072                      | 20,072             | -                         | 20,072         |
| SQM Industrial S,A, | Banco Estado             | -                             | 20,000                      | 20,000          | -                             | 20,064                      | 20,064             | -                         | 20,064         |
| SQM Industrial S,A, | Banco Estado             | 18,000                        | -                           | 18,000          | 18,026                        | -                           | 18,026             | -                         | 18,026         |
| <b>Total</b>        |                          | <b>63,000</b>                 | <b>100,000</b>              | <b>163,000</b>  | <b>63,059</b>                 | <b>100,509</b>              | <b>163,568</b>     | <b>-</b>                  | <b>163,568</b> |



## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

| Tax ID No    | Debtor Company      | Country | Tax ID No.   | Creditor Financial institution | Country | Currency or adjustment index | Repayment     | Effective rate | Nominal rate |
|--------------|---------------------|---------|--------------|--------------------------------|---------|------------------------------|---------------|----------------|--------------|
| 93,007,000-9 | SQM.S.A.            | Chile   | 97,018,000-1 | Scotiabank Sud Americano       | Chile   | US\$                         | Upon maturity | 1.00%          | 1.00%        |
| 93,007,000-9 | SQM.S.A.            | Chile   | 97,030,000-7 | Banco Estado                   | Chile   | US\$                         | Upon maturity | 4.3%           | 4.3%         |
| 93,007,000-9 | SQM.S.A.            | Chile   | 97,018,000-1 | Scotiabank Sud Americano       | Chile   | US\$                         | Upon maturity | 0.74%          | 0.85%        |
| 93,007,000-9 | SQM.S.A.            | Chile   | 97,018,000-1 | Scotiabank Sud Americano       | Chile   | US\$                         | Upon maturity | 0.74%          | 0.84%        |
| 79,626,800-K | SQM Salar S.A.      | Chile   | 97,018,000-1 | Scotiabank Sud Americano       | Chile   | US\$                         | Upon maturity | 1.34%          | 0.84%        |
| 79,947,100-0 | SQM Industrial S.A. | Chile   | 97,030,000-7 | Banco Estado                   | Chile   | US\$                         | Upon maturity | 1.20%          | 1.20%        |

| Debtor Company      | Creditor Financial institution | 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\$ |                        |                |
| 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         |
| <b>Total</b>        |                                | <b>20,000</b>              | <b>80,412</b>            | <b>100,412</b> | <b>20,242</b>              | <b>81,028</b>            | <b>101,270</b>  | <b>-</b>               | <b>101,270</b> |

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## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

#### b) Unsecured obligations, current:

As of December 31, 2017 and December 31, 2016, 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                | 04/21/2018          | US\$           | Semiannual   | Upon maturity | 1.47% | 5.50% |
| 93,007,000-9 | SQM S.A.                                       | Chile  | -             | ThUS\$250,000                | 01/28/2018          | US\$           | Semiannual   | Upon maturity | 3.17% | 4.38% |
| 93,007,000-9 | SQM S.A.                                       | Chile  | -             | ThUS\$300,000                | 04/03/2018          | US\$           | Semiannual   | Upon maturity | 2.12% | 3.63% |
| 93,007,000-9 | SQM S.A.                                       | Chile  | 564           | H                            | 01/05/2018          | UF             | Semiannual   | Semiannual    | 2.18% | 4.90% |
| 93,007,000-9 | SQM S.A.                                       | Chile  | 699           | O                            | 02/01/2018          | UF             | Semiannual   | Upon maturity | 2.80% | 3.80% |

| Company      | Country | Series        | 12/31/2017<br>Nominal maturities |                   |        | 12/31/2017<br>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         | (385)               | 2,289         |
| 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         | (615)               | 2,043         |
| SQM S.A.     | Chile   | H             | -                                | -                 | -      | 4,127                            | -                 | 4,127         | (139)               | 3,988         |
| SQM S.A.     | Chile   | O             | -                                | -                 | -      | 1,026                            | -                 | 1,026         | (67)                | 959           |
| <b>Total</b> |         |               | -                                | -                 | -      | <b>9,801</b>                     | <b>5,332</b>      | <b>15,133</b> | <b>(1,639)</b>      | <b>13,494</b> |

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.

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## 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  | 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 | 01/28/2017                   | US\$                | Semiannual     | Upon maturity | 3.61% | 4.38% |
| 93,007,000-9 | SQM S.A. | Chile  | -      | ThUS\$300,000 | 10/03/2016                   | US\$                | Semiannual     | Upon maturity | 2.48% | 3.63% |
| 93,007,000-9 | SQM S.A. | Chile  | 446    | C             | 12/01/2016                   | UF                  | Semiannual     | Semiannual    | 1.34% | 4.00% |
| 93,007,000-9 | SQM S.A. | Chile  | 564    | H             | 01/05/2017                   | UF                  | Semiannual     | Semiannual    | 2.47% | 4.90% |
| 93,007,000-9 | SQM S.A. | Chile  | 700    | M             | 02/01/2017                   | UF                  | Semiannual     | Upon maturity | 0.69% | 3.30% |
| 93,007,000-9 | SQM S.A. | Chile  | 699    | O             | 02/01/2017                   | UF                  | Semiannual     | Upon maturity | 3.00% | 3.80% |

| Company      | Country | Series        | 12/31/2016<br>Nominal maturities |                   |               | 12/31/2016<br>Current maturities |                   |               |                     |               |
|--------------|---------|---------------|----------------------------------|-------------------|---------------|----------------------------------|-------------------|---------------|---------------------|---------------|
|              |         |               | Up to 90 days                    | 91 days to 1 year | Total         | Up to 90 days                    | 91 days to 1 year | Subtotal      | Bond issuance costs | Total         |
|              |         |               | ThUS\$                           | 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           |
| <b>Total</b> |         |               | <b>39,356</b>                    | <b>5,903</b>      | <b>45,259</b> | <b>49,194</b>                    | <b>11,430</b>     | <b>60,624</b> | <b>(1,651)</b>      | <b>58,973</b> |

Effective rates of bonds in Chilean pesos and UF are expressed and calculated in U.S. dollars based on the flows agreed in Cross Currency Swap Agreements.

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## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

#### c) Non-current unsecured interest-bearing bonds

The breakdown of non-current unsecured interest-bearing bonds as of December 31, 2017 and December 31, 2016 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 | 5.50%          | 5.50%        |
| 93,007,000-9 | SQM S.A. | Chile   | -  | ThUS\$250,000 | 01/28/2025    | US\$                         | Semiannual          | Upon maturity | 4.38%          | 4.38%        |
| 93,007,000-9 | SQM S.A. | Chile   | -  | ThUS\$300,000 | 04/03/2023    | US\$                         | Semiannual          | Upon maturity | 3.63%          | 3.63%        |
| 93,007,000-9 | SQM S.A. | Chile   | 564  | H             | 01/05/2030    | UF                           | Semiannual          | Semiannual    | 4.90%          | 6.01%        |
| 93,007,000-9 | SQM S.A. | Chile   | 699  | O             | 02/01/2033    | UF                           | Semiannual          | Upon maturity | 3.80%          | 3.80%        |

  

| Series       | Nominal non-current maturities 12/31/2017 |                   |                   |                   |                |                  | Non-current maturities 12/31/2017 |                   |                   |                   |                | 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   | Total            | Over 1 year to 2                  | Over 2 years to 3 | Over 3 Years to 4 | Over 4 Years to 5 | Over 5 years   |                  |                     |                  |         |
|              | ThUS\$                                    | ThUS\$            | ThUS\$            | ThUS\$            | ThUS\$         | ThUS\$           | ThUS\$                            | ThUS\$            | ThUS\$            | ThUS\$            | ThUS\$         |                  |                     |                  | ThUS\$  |
| MUS\$250     | 250,000                                   | -                 | -                 | -                 | -              | 250,000          | 250,000                           | -                 | -                 | -                 | -              | 250,000          | 250,000             | (517)            | 249,483 |
| MUS\$250     | -   | -                 | -                 | -                 | 250,000        | 250,000          | -                                 | -                 | -                 | -                 | 250,000        | 250,000          | (2,636)             | 247,364          |         |
| MUS\$300     | -   | -                 | -                 | -                 | 300,000        | 300,000          | -                                 | -                 | -                 | -                 | 300,000        | 300,000          | (2,618)             | 297,382          |         |
| H            | -   | -                 | -                 | -                 | 174,367        | 174,367          | -                                 | -                 | -                 | -                 | 174,367        | 174,367          | (1,532)             | 172,835          |         |
| O            | -   | -                 | -                 | -                 | 65,388         | 65,388           | -                                 | -                 | -                 | -                 | 65,388         | 65,388           | (945)               | 64,443           |         |
| <b>Total</b> | <b>250,000</b>                            | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>789,755</b> | <b>1,039,755</b> | <b>250,000</b>                    | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>789,755</b> | <b>1,039,755</b> | <b>(8,248)</b>      | <b>1,031,507</b> |         |



## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

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

As of December 31, 2017 and December 31, 2016, 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\$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<br>12/31/2016 |                      |                      |                      |                 |                  | Non-current maturities<br>12/31/2016 |                      |                      |                      |                 | Subtotal         | Bond<br>issuance<br>costs | Total            |         |
|--------------|--|----------------------|----------------------|----------------------|-----------------|------------------|--------------------------------------|----------------------|----------------------|----------------------|-----------------|------------------|---------------------------|------------------|---------|
|              | Over 1<br>year to 2                          | Over 2<br>years to 3 | Over 3<br>Years to 4 | Over 4<br>Years to 5 | Over 5<br>years | Total            | Over 1<br>year to 2                  | Over 2<br>years to 3 | Over 3<br>Years to 4 | Over 4<br>Years to 5 | Over 5<br>years |                  |                           |                  |         |
|              | ThUS\$                                       | ThUS\$               | ThUS\$               | ThUS\$               | ThUS\$          | ThUS\$           | ThUS\$                               | ThUS\$               | ThUS\$               | ThUS\$               | ThUS\$          |                  |                           |                  | ThUS\$  |
| MUS\$250     | -  | 250,000              | -                    | -                    | -               | 250,000          | -                                    | 250,000              | -                    | -                    | -               | 250,000          | 250,000                   | (904)            | 249,096 |
| MUS\$250     | -  | -                    | -                    | -                    | 250,000         | 250,000          | -                                    | -                    | -                    | -                    | 250,000         | 250,000          | 250,000                   | (3,069)          | 246,931 |
| MUS\$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                    | -                | 53,131  |
| H            | -  | -                    | -                    | -                    | 157,426         | 157,426          | -                                    | -                    | -                    | -                    | 157,426         | 157,426          | 157,426                   | (1,671)          | 155,755 |
| O            | -  | -                    | -                    | -                    | 59,035          | 59,035           | -                                    | -                    | -                    | -                    | 59,035          | 59,035           | 59,035                    | (1,012)          | 58,023  |
| <b>Total</b> | <b>5,903</b>                                 | <b>255,903</b>       | <b>5,903</b>         | <b>5,903</b>         | <b>795,980</b>  | <b>1,069,592</b> | <b>5,903</b>                         | <b>255,903</b>       | <b>5,903</b>         | <b>5,903</b>         | <b>795,980</b>  | <b>1,069,592</b> | <b>(9,886)</b>            | <b>1,059,706</b> |         |





## Note 10 Financial instruments (continued)

### 10.4 Financial liabilities, continued

#### e) Additional information

On December 15, 2017, the Company filed a request with the Financial Markets Commission (FMC, formerly the Chilean Superintendence of Securities and Insurance) to modify the bond line registered in the FMC Securities Registry on December 31, 2008, under number 563. The main objective of this change is to adapt the obligations and grounds for early payment and default to the Company's current circumstances. If the modified line is approved by the Financial Markets Commission, a series of bonds denominated Series P will be issued for a nominal value of up to UF 3 million, with a maturity date of January 15, 2028.

Once these bonds have been approved by the Financial Markets Commission, they are expected to be placed through direct sale to investors.

#### Bonds

On December 31, 2017 and December 31, 2016, short term bonds of ThUS\$13,494 and ThUS\$58,973 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\$1,031,507 on December 31, 2017 and ThUS\$1,059,706 on December 31, 2016, corresponding to the issuance 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, 2017 and December 31, 2016, 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%.

On July 5, 2017, the Series C bond was prepaid.

As of December 31, 2017, December 31 and 2016, the Company has made the following payments with a charge to the Series C bonds:

| Payments made     | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|-------------------|----------------------|----------------------|
| Principal payment | 57,290               | 5,729                |
| Interest payment  | 1,515                | 3,275                |



**Note 10 Financial instruments (continued)****10.4 Financial liabilities, continued****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, 2017, December 31 and 2016, the Company has made the following payments with a charge to the Single series bonds:

| <b>Payments made</b>       | <b>12/31/2017</b> | <b>12/31/2016</b> |
|----------------------------|-------------------|-------------------|
|                            | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payments of principal owed | -                 | 200,000           |
| Payments of interest       | -                 | 6,125             |

**Series "G" and "H" bonds**

On January 13, 2009, the Company placed two bond series in the domestic market. The first was Series H for UF 4,000,000 (ThUS\$139,216) at an annual interest rate of 4.9%, with a term of 21 years and payment of the principal beginning in 2019. The second was 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, 2017, December 31 and 2016, the Company has made the following payments with a charge to the Series H bonds:

| <b>Payments made</b>                 | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payments of interest, Series H bonds | 7,691             | 7,289             |



## 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 Financial Markets Commission (formerly 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, 2017, December 31 and 2016, the detail of payments charged to the line of single series bonds, second issue is as follows:

| <b>Payments made</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|----------------------|-------------------|-------------------|
|                      | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Interest payment     | 13,750            | 13,750            |

#### Series "M" and "O" bonds

On April 4, 2012, the Company placed two bond series in the domestic market. Series M for UF 1,000,000 (ThUS\$46,601) was placed at a term of 5 years with a single payment at the maturity of the term and an annual interest rate of 3.3%. 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, 2017, December 31 and 2016 the Company has made the following payments with a charge to the Series M and O bonds:

| <b>Payments made</b>                | <b>12/31/2017</b> | <b>12/31/2016</b> |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payment of interest, Series M bonds | 667               | 1,242             |
| Payment of interest, Series O bonds | 2,301             | 2,142             |

#### Single series bonds, third issue ThUS\$300,000

On April 3, 2013, the Company issued a non-guaranteed bond in the United States 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, 2017, December 31 and 2016, the following payments have been made with a debit to the line of single-series bonds, third issue:

| <b>Payments made</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|----------------------|-------------------|-------------------|
|                      | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payment of interest  | 10,875            | 10,875            |

**Note 10 Financial instruments (continued)**

**10.4 Financial liabilities, continued**

**Single series bonds, fourth issuance ThUS\$250**

On October 23, 2014, the Company informed the Financial Markets Commission (formerly the Chilean Superintendence of Securities and Insurance) that Sociedad Química y Minera de Chile S.A. had agreed to issue and place unsecured bonds of ThUS\$250,000 in international markets. These mature in 2025 and have annual interest rate of 4.375%, equivalent to a spread of 215 basis points on comparable US Treasury bonds, which were offered to 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, 2017, December 31 and 2016, the following payments have been made.

| Payments made       | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---------------------|----------------------|----------------------|
| Payment of interest | 10,938               | 10,938               |

**10.5 Trade and other payables**

|                        | 12/31/2017        |                           |                 | 12/31/2016        |                           |                 |
|------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                        | Current<br>ThUS\$ | Non-<br>current<br>ThUS\$ | Total<br>ThUS\$ | Current<br>ThUS\$ | Non-<br>current<br>ThUS\$ | Total<br>ThUS\$ |
| Accounts payable       | 195.858           | -                         | 195,858         | 200,215           | -                         | 200,215         |
| Other accounts payable | 422               | -                         | 422             | 281               | -                         | 281             |
| <b>Total</b>           | <b>196.280</b>    | <b>-</b>                  | <b>196,280</b>  | <b>200,496</b>    | <b>-</b>                  | <b>200,496</b>  |

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company. As of December 31, 2017, the Company has purchase orders amounting to ThUS\$41,601 (ThUS\$19,959 as of December 31, 2016).





**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 | 12/31/2017<br>ThUS\$ | Effect on profit or loss as of 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ | Effect on profit or loss as of 12/31/2016<br>ThUS\$ |
|--|----------------------|---|----------------------|---|
| <b>Current</b>   |                      |   |                      |   |
| Derivative instruments (IRS)                               | -                    | -   | -                    | (229)   |
|  | <u>-</u>             | <u>-</u>  | <u>-</u>             | <u>(229)</u>  |

Balances in the “effect on profit or loss” column consider the effects of agreements which were in force as of December 31, 2017, 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       | 12/31/2017               |                              |                        | 12/31/2016               |                              |                        |
|--|-----------------------------|--------------------------|------------------------------|------------------------|--------------------------|------------------------------|------------------------|
|  |                             | Current Amount<br>ThUS\$ | Non-current Amount<br>ThUS\$ | Total Amount<br>ThUS\$ | Current Amount<br>ThUS\$ | Non-current Amount<br>ThUS\$ | Total Amount<br>ThUS\$ |
| Cash and cash equivalent   |                             | 630,438                  | -                            | 630,438                | 514,669                  | -                            | 514,669                |
| Trade receivables due from related parties                                     |                             | 74,089                   | -                            | 74,089                 | 82,259                   | -                            | 82,259                 |
| Financial assets measured at amortized cost                                    | Term deposits               | 360,941                  | 45                           | 360,986                | 284,160                  | 44                           | 284,204                |
| Loans and receivables measured at amortized cost                               | Trade and other receivables | 423,047                  | 1,912                        | 424,959                | 368,761                  | 1,840                        | 370,601                |
| <b>Total financial assets measured at amortized cost</b>                       |                             | <b>1,488,515</b>         | <b>1,957</b>                 | <b>1,490,472</b>       | <b>1,249,849</b>         | <b>1,884</b>                 | <b>1,251,733</b>       |
| Financial assets at fair value through profit or loss                          | Derivative instruments      | 6,038                    | 8,910                        | 14,948                 | 5,029                    | 7,156                        | 12,185                 |
| Financial assets classified as available for sale at fair value through equity | Other investments           | -                        | 53,924                       | 53,924                 | -                        | 26,899                       | 26,899                 |
| <b>Total financial assets at fair value</b>                                    |                             | <b>6,038</b>             | <b>62,834</b>                | <b>68,872</b>          | <b>5,029</b>             | <b>34,055</b>                | <b>39,084</b>          |
| <b>Total financial assets</b>  |                             | <b>1,494,553</b>         | <b>64,791</b>                | <b>1,559,344</b>       | <b>1,254,878</b>         | <b>35,939</b>                | <b>1,290,817</b>       |



**Note 10 Financial instruments (continued)**

**10.7 Financial asset and liability categories (continued)**

b) Financial liabilities

| Description of financial liabilities                       | Financial instruments       | 12/31/2017            |                           |                     | 12/31/2016            |                           |                     |
|--|-----------------------------|-----------------------|---------------------------|---------------------|-----------------------|---------------------------|---------------------|
|  |                             | 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                      |                             | 1,365                 | -                         | 1,365               | 7                     | -                         | 7                   |
| Financial liabilities at fair value through profit or loss | Derivative instruments      | 43,266                | -                         | 43,266              | 18,901                | 33,732                    | 52,633              |
| Financial liabilities at fair value through profit or loss |                             | <b>44,631</b>         | <b>-</b>                  | <b>44,631</b>       | <b>18,908</b>         | <b>33,732</b>             | <b>52,640</b>       |
| Financial liabilities measured at amortized cost           | Bank borrowings             | 163,568               | -                         | 163,568             | 101,270               | -                         | 101,270             |
| Financial liabilities measured at amortized cost           | Obligations with the public | 13,494                | 1,031,507                 | 1,045,001           | 58,973                | 1,059,706                 | 1,118,679           |
| Financial liabilities measured at amortized cost           | Trade and other payables    | 196,280               | -                         | 196,280             | 200,496               | -                         | 200,496             |
| Total financial liabilities measured at amortized cost     |                             | <b>373,342</b>        | <b>1,031,507</b>          | <b>1,404,849</b>    | <b>360,739</b>        | <b>1,059,706</b>          | <b>1,420,445</b>    |
| Total financial liabilities                                |                             | <b>417,973</b>        | <b>1,031,507</b>          | <b>1,449,480</b>    | <b>379,647</b>        | <b>1,093,438</b>          | <b>1,473,085</b>    |



## **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, USD and basis swap rates. In the case of fair value calculations for IRS, the FRA (Forward Rate Agreement) rate and ICVS 23 Curve (Bloomberg: cash/deposits rates, futures, swaps). In the case of forwards, the forwards curve for the currency in question is used. Finally, with options, the spot price, risk-free rate and volatility of exchange rate are used, all in accordance with the currencies used in each valuation. The financial information used as entry data for the Company's valuation models is obtained from Bloomberg, the well-known financial software company. Conversely, the fair value provided by the counterparties of derivatives contracts is used only as a control and not for valuation.

The effects on profit or loss of movements in these amounts may be recognized in the caption Finance costs, foreign currency translation gain (loss) or cash flow hedges in the statement of comprehensive income, depending on each particular case.

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

The value of the Company's reported liabilities is calculated as the present value of discounted cash flows at market rates at the time of valuation, taking into account the maturity date and exchange rate. The entry data used for the model includes the UF and peso rates, which are obtained using Bloomberg, the well-known financial software company and the 'Asociación de Bancos e Instituciones Financieras' (ABIF) (Association of Banks and Financial Institutions').



## Note 10 Financial instruments (continued)

### 10.8 Fair value measurement of assets and liabilities, continued

#### Fair value hierarchy

The fair value hierarchy is detailed as follows:

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

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

|                              | Fair value<br>12/31/2017<br>ThUS\$ | Measurement methodology |                   |                   |
|------------------------------|------------------------------------|-------------------------|-------------------|-------------------|
|                              |                                    | Level 1<br>ThUS\$       | Level 2<br>ThUS\$ | Level 3<br>ThUS\$ |
| <b>Financial assets</b>      |                                    |                         |                   |                   |
| Investment                   |                                    |                         |                   |                   |
| Investment SQM Australia     | 24,746                             | -                       | 24,746            | -                 |
| Shares                       | 9,159                              | 9,159                   | -                 | -                 |
| Non-hedging derivatives      |                                    |                         |                   |                   |
| Forwards                     | 2,744                              | -                       | 2,744             | -                 |
| Options                      | 110                                | -                       | 110               | -                 |
| Swaps                        | 3,184                              | -                       | 3,184             | -                 |
| Hedging derivatives          |                                    |                         |                   |                   |
| Swaps                        | 8,726                              | -                       | 8,726             | -                 |
| Deposits, more than 90 days  | 360,941                            | -                       | 360,941           | -                 |
| Shares purchase option       | 20,000                             | -                       | 20,000            | -                 |
| Other                        | 249                                | -                       | 249               | -                 |
| <b>Financial liabilities</b> |                                    |                         |                   |                   |
| Non-hedging derivatives      |                                    |                         |                   |                   |
| Forwards                     | 5,534                              | -                       | 5,534             | -                 |
| Options                      | 445                                | -                       | 445               | -                 |
| Hedging derivatives          |                                    |                         |                   |                   |
| Swaps                        | 37,287                             | -                       | 37,287            | -                 |
| Bank loans                   | 163,568                            | -                       | 163,568           | -                 |
| Non-guaranteed bonds         | 1,039,956                          | -                       | 1,039,956         | -                 |
| Other                        | 5,945                              | -                       | 5,945             | -                 |

## Note 10 Financial instruments (continued)

### 10.8 Fair value measurement of assets and liabilities, continued

|                              | Fair value<br>12/31/2016<br>ThUS\$ | Measurement methodology |                   |                   |
|------------------------------|------------------------------------|-------------------------|-------------------|-------------------|
|                              |                                    | Level 1<br>ThUS\$       | Level 2<br>ThUS\$ | Level 3<br>ThUS\$ |
| <b>Financial assets</b>      |                                    |                         |                   |                   |
| 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             | -                 |
| Deposits, more than 90 days  | 284,159                            | -                       | 284,159           | -                 |
| Shares purchase option       | 20,000                             | -                       | 20,000            | -                 |
| Other                        | 2,809                              | -                       | 2,809             | -                 |
| <b>Financial liabilities</b> |                                    |                         |                   |                   |
| Non-hedging derivatives      |                                    |                         |                   |                   |
| Forwards                     | 871                                | -                       | 871               | -                 |
| Options                      | 363                                | -                       | 363               | -                 |
| Hedging derivatives          |                                    |                         |                   |                   |
| Swaps                        | 50,713                             | -                       | 50,713            | -                 |
| Bank loans                   | 101,270                            | -                       | 101,270           | -                 |
| Non-guaranteed bonds         | 1,103,324                          | -                       | 1,103,324         | -                 |
| Other                        | 16,041                             | -                       | 16,041            | -                 |

### 10.9 Financial assets pledged as a 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, 2017 and December 31, 2016, assets pledged as guarantees are as follows:

| Restricted cash           | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---------------------------|----------------------|----------------------|
| Isapre Norte Grande Ltda. | 771                  | 685                  |
| <b>Total</b>              | <b>771</b>           | <b>685</b>           |

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## **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.
- For interest-bearing liabilities with original maturity of more than a year, fair values are calculated by discounting contractual cash flows at their original current market rates 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:

|  | 12/31/2017               |                      | 12/31/2016               |                      |
|--|--------------------------|----------------------|--------------------------|----------------------|
|  | Carrying value<br>ThUS\$ | Fair value<br>ThUS\$ | Carrying value<br>ThUS\$ | Fair value<br>ThUS\$ |
| Cash and cash equivalents                        | 630,438                  | 630,438              | 514,669                  | 514,669              |
| Current trade and other receivables              | 446,875                  | 446,875              | 368,761                  | 368,761              |
| Receivables due from related parties, current    | 59,132                   | 59,132               | 82,259                   | 82,259               |
| Other financial assets, current:                 |                          |                      |                          |                      |
| - Time deposits                                  | 360,941                  | 360,941              | 284,160                  | 284,160              |
| - Derivative instruments                         | 6,038                    | 6,038                | 4,095                    | 4,095                |
| - Hedging assets                                 | -                        | -                    | 934                      | 934                  |
| <b>Total other current financial assets</b>      | <b>366,979</b>           | <b>366,979</b>       | <b>289,189</b>           | <b>289,189</b>       |
| Non-Current Trade Receivables                    | 1,912                    | 1,912                | 1,840                    | 1,840                |
| Other non-current financial assets:              | 62,879                   | 62,879               | 34,099                   | 34,099               |
| <b>Total other non-current financial assets:</b> | <b>62,879</b>            | <b>62,879</b>        | <b>34,099</b>            | <b>34,099</b>        |
| Other financial liabilities, current:            |                          |                      |                          |                      |
| - Bank loans                                     | 163,568                  | 163,568              | 101,270                  | 101,270              |
| - Derivative instruments                         | 5,979                    | 5,979                | 1,920                    | 1,920                |
| - Hedging liabilities                            | 37,287                   | 37,287               | 16,981                   | 16,981               |
| - Unsecured obligations                          | 13,494                   | 13,494               | 58,973                   | 58,973               |
| <b>Other financial liabilities, current</b>      | <b>220,328</b>           | <b>220,328</b>       | <b>179,144</b>           | <b>179,144</b>       |
| Current and non-current accounts payable         | 196,280                  | 196,280              | 200,496                  | 200,496              |
| Payables due to related parties, non-current     | 1,365                    | 1,365                | 7                        | 7                    |
| Other non-current financial liabilities:         |                          |                      |                          |                      |
| - Bank loans                                     | -                        | -                    | -                        | -                    |
| - Unsecured obligations                          | 1,031,507                | 1,131,639            | 1,059,706                | 1,195,512            |
| - Non-current hedging liabilities                | -                        | -                    | 33,732                   | 33,732               |
| <b>Other non-current financial liabilities:</b>  | <b>1,031,507</b>         | <b>1,131,639</b>     | <b>1,093,438</b>         | <b>1,229,244</b>     |

All the fair value estimates are included in levels 1 and 2.

## Note 10 Financial instruments (continued)

### 10.11 Nature and scope of risks arising from financing instruments

As indicated in paragraphs 33 to 42 of IFRS 7 the disclosure of information associated with the nature and scope of risks arising from financial instruments is presented in Note 4 - Financial Risk Management.

## Note 11 Equity-accounted investees

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

As of December 31, 2017 and December 31, 2016, 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 in profit (loss) of associates and joint ventures accounted for using the equity method |              | Share in other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax |            | Share in total other comprehensive income of associates and joint ventures accounted for using the equity method |               |
|-------------------------------------|----------------------------|---------------|---|--------------|--|------------|--|---------------|
|                                     | 12/31/2017                 | 12/31/2016    | 12/31/2017  | 12/31/2016   | 12/31/2017   | 12/31/2016 | 12/31/2017   | 12/31/2016    |
|                                     | ThUS\$                     | ThUS\$        | ThUS\$  | ThUS\$       | ThUS\$   | ThUS\$     | ThUS\$   | ThUS\$        |
| Abu Dhabi Fertilizer Industries WWL | 15,936                     | 13,343        | 1,483   | 1,482        | -  | -          | 1,483  | 1,482         |
| Doktor Tarsa Tarim Sanayi AS        | 21,788                     | 16,712        | 6,427   | 4,026        | -  | 590        | 6,427  | 4,616         |
| Ajay North America                  | 14,432                     | 13,457        | 3,677   | 2,794        | -  | -          | 3,677  | 2,794         |
| Ajay Europe SARL                    | 8,144                      | 7,373         | 1,049   | 1,132        | 26   | (7)        | 1,075  | 1,126         |
| Charlee SQM Thailand Co. Ltd,       | 2,301                      | 1,763         | 393   | 244          | -  | -          | 393  | 244           |
| SQM Eastmed Turkey.                 | (47)                       | -             | (25)  | -            | -  | -          | (25)   | -             |
| <b>Total</b>                        | <b>62,601</b>              | <b>52,648</b> | <b>13,004</b>   | <b>9,678</b> | <b>26</b>  | <b>583</b> | <b>13,030</b>  | <b>10,262</b> |



## Note 11 Equity-accounted investees (continued)

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

| Associate                           | Description of the nature of the relationship                                       | Domicile  | Country of incorporation | Share of ownership in associates | Dividends received   |                      |
|-------------------------------------|---|---|--------------------------|----------------------------------|----------------------|----------------------|
|                                     |   |   |                          |                                  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
| 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%                              | 1,123                | 2,605                |
| Ajay Europe SARL                    | Production and commercialization of iodine derivatives.                             | Z.I. du Grand Verger BP 227 53602 Evron Cedex                   | France                   | 50%                              | 968                  | 1,338                |
| 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, Bangkokpi, 10240 Bangkok        | Thailand                 | 40%                              | -                    | -                    |

The companies described in the table below are related parties of the following associates:

- (1) Doktor Tarsa Tarim Sanayi AS
- (2) Terra Tarsa B.V.

|   | Description of the nature of the relationship          | Domicile   | Country of incorporation | Share of ownership in associates | Dividends received |   |
|---|--|--|--------------------------|----------------------------------|--------------------|---|
|   |  |  |                          |                                  |                    |   |
| Terra Tarsa B.V. (1)                    | Distribution and trading of specialty plant nutrients. | Herikerbergweg 238, Luna Arena, 1101CM Amsterdam PO Box 23393, 1100DW Amsterdam Zuidoost | Holland                  | 50%                              | -                  | - |
| Plantacote N.V. (1)                     | Sale of CRF and production and sales of WSNPK          | Houtdok-Noordkaai 25a, 2030 Antwerpen, Belgium   | Belgium                  | 100%                             | -                  | - |
| Doktolab Tarim Arastima San. Tic As (1) | Laboratory services                                    | 27. Cd. No:2, 07190 Aosb 2. Kısım/Döşemealti, Antalya, Turkey                            | Turkey                   | 100%                             | -                  | - |
| Terra Tarsa Ukraine LLC (2)             | Distribution and trading of specialty plant nutrients. | 74800 Ukraine, Kakhovka, 4 Yuzhnaya Str. Zorge Street, house 17, 344090, Rostov-on-Don   | Ukraine                  | 100%                             | -                  | - |
| Terra Tarsa Don LLC (2)                 | Distribution and sale of specialty fertilizers         |  | Russian Federation       | 100%                             | -                  | - |

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## Note 11 Equity-accounted investees (continued)

### 11.2 Assets, liabilities, revenue and expenses of associates

|                                     | 12/31/2017     |               |               |               | Revenue        | Gain (loss) from continuing operations | Other comprehensive income | Comprehensive income |
|-------------------------------------|----------------|---------------|---------------|---------------|----------------|--|----------------------------|----------------------|
|                                     | Assets         |               | Liabilities   |               |                |  |                            |                      |
|                                     | Current        | Non-current   | Current       | Non-current   |                |  |                            |                      |
|                                     | ThUS\$         | ThUS\$        | ThUS\$        | ThUS\$        | ThUS\$         | ThUS\$                                 | ThUS\$                     |                      |
| Abu Dhabi Fertilizer Industries WWL | 44,801         | 2,032         | 3,764         | -             | 35,131         | 4,008                                  | -                          | 4,008                |
| Doktor Tarsa Tarim Sanayi AS        | 81,057         | 10,731        | 36,960        | 11,251        | 75,269         | 12,854                                 | -                          | 12,854               |
| Ajay North America                  | 19,426         | 12,498        | 2,470         | -             | 36,185         | 7,505                                  | -                          | 7,505                |
| Ajay Europe SARL                    | 23,555         | 1,266         | 8,534         | -             | 32,310         | 2,098                                  | 52                         | 2,150                |
| Charlee SQM Thailand Co. Ltd.       | 8,585          | 712           | 3,292         | 255           | 13,618         | 981                                    | -                          | 981                  |
| SQM Eastmed Turkey                  | 3,981          | 2,671         | 4,487         | 2,260         | 2,389          | (49)                                   | -                          | (49)                 |
| <b>Total</b>                        | <b>181,405</b> | <b>29,910</b> | <b>59,507</b> | <b>13,766</b> | <b>194,902</b> | <b>27,397</b>                          | <b>52</b>                  | <b>27,449</b>        |

  

|                                     | 12/31/2016     |               |               |              | Revenue        | Gain (loss) from continuing operations | Other comprehensive income | Comprehensive income |
|-------------------------------------|----------------|---------------|---------------|--------------|----------------|--|----------------------------|----------------------|
|                                     | Assets         |               | Liabilities   |              |                |  |                            |                      |
|                                     | Current        | Non-current   | Current       | Non-current  |                |  |                            |                      |
|                                     | ThUS\$         | ThUS\$        | ThUS\$        | ThUS\$       | ThUS\$         | ThUS\$                                 | ThUS\$                     |                      |
| 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                |
| Charlee SQM Thailand Co. Ltd.       | 6,264          | 591           | 2,448         | -            | 12,065         | 609                                    | -                          | 609                  |
| SQM Eastmed Turkey                  | 727            | 2,265         | 719           | 2,362        | 833            | (200)                                  | -                          | (200)                |
| <b>Total</b>                        | <b>152,760</b> | <b>23,938</b> | <b>57,044</b> | <b>3,643</b> | <b>207,279</b> | <b>20,433</b>                          | <b>1,167</b>               | <b>21,600</b>        |



## **Note 11 Investment in Associates (continued)**

### **11.3 Other information**

The Company has no participation in unrecognized losses in investments in associates.

The Company has no investments that are unaccounted for according to the equity method of accounting.

The equity method was applied to the Statement of Financial Position as of December 31, 2017 and December 31, 2016.

The basis of preparation of the financial information of associates corresponds to the amounts included in the financial statements in conformity with the entity's IFRS.

### **11.4 Disclosures on interest in associates**

#### **a) Transactions conducted in 2017:**

As of December 31, 2017, a capital increase was registered for Plantacote N.V. in a sum of ThUS\$4,208 (equivalent to Th€3,500), which is 100% owned by the associate company Doktor Tarsa Tarim. The functional currency of Plantacote N.V. is the Euro. The contribution was made under the heading "Subordinated loan from Dr. Tarsa". This contribution had no impact on the Company's consolidated results.

#### **b) Transactions conducted in 2016:**

During December 2016, SQM Salar S.A. sold the interest it had in Sales de Magnesio Ltda. to Rockwood Lito Ltda. generating a gain of ThUS\$7,635.



## **Note 12 Joint Ventures**

### **12.1 Policy for the accounting of equity accounted investment in joint ventures**

The method for recognizing 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 that correspond to the investor. Profit or loss for the period will include the portion of the entity's entire profit or loss that correspond to the investor. For these joint ventures there is no quoted market price to measure these investments.

There are no significant restrictions on these joint ventures for the transfer of funds as payment of dividends or others.

At the date of issuance of these financial statements, SQM is not aware of the existence of any significant contingent liabilities associated with the partnerships in joint ventures.

### **12.2 Disclosures of interest in joint ventures**

#### **a) Operations conducted in 2017**

On June 30, 2017, SQM Potasio S.A. recognized the lower value generated by the acquisition of 50% of the joint venture Minera Exar S.A. in the amount ThUS\$6,205.

On October 6, 2017, a capital contribution of ThUS\$13,300 (ThARS230,422.5) was made in mining company EXAR S.A., which is 50% owned by the subsidiary SQM Potasio S.A. The functional currency of EXAR S.A. is the Argentine peso (ARS). This contribution had no impact on the Company's consolidated results.

#### **b) Operations conducted in 2016**

On March 28, 2016, Sociedad Química y Minera de Chile S.A. agreed to enter into a joint venture with Lithium Americas Corp to develop the Cauchari-Olaroz lithium project in Argentina.

SQM Potasio 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. This resulted in the latter entity gaining 100% interest in this transaction, generating a loss of ThUS\$104.



## 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   |                      |
|--|--|---|--------------------------|--------------------------------|----------------------|----------------------|
|  |  |   |                          |                                | 12/31/2017<br>ThUS\$ | 12/31/2016<br>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 Holland B.V (1)                        | Without information  | Herikerbergweg 238, 1101 CM Amsterdam Zuidoost  | Holland                  | 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%                            | -                    | -                    |

(1) 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.

The companies described in the following table are related to the following joint ventures:

- (1) SQM Vitas Fzco.
- (2) SQM Vitas Holland B.V.

| Joint venture                      | Description of the nature of the relationship  | Domicile   | Country of incorporation | Share of interest in ownership | Dividends received   |                      |
|------------------------------------|--|--|--------------------------|--------------------------------|----------------------|----------------------|
|                                    |  |  |                          |                                | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
| SQM Vitas Brazil Agroindustria (1) | Production and commercialization of specialty plant and animal nutrition and industrial hygiene. | Via Cndeias, Km. 01 Sem Numero, Lote 4, Bairro Cia Norte, Candeias, Bahia. | Brazil                   | 49.99%                         | -                    | -                    |
| SQM Vitas Peru S.A.C (1).          | 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 Plantacote B.V.(2)       | Production and commercialization of controlled-released fertilizers                              | Herikerbergweg 238, 1101 CM Amsterdam Zuidoost                             | Holland                  | 50%                            | -                    | -                    |

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**Note 12 Joint Ventures (continued)**

**12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:**

| Joint Venture                                   | Final reporting period date |                   | Accounting method |               |
|---|-----------------------------|-------------------|-------------------|---------------|
|   | 12/31/2017                  | 12/31/2016        | 12/31/2017        | 12/31/2016    |
| Sichuan SQM Migao Chemical Fertilizers Co Ltda. | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| Coromandel SQM India                            | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Fzco.                                 | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Star Qingdao Corp Nutrition Co., Ltd.       | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Brazil Agroindustria                  | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Southern Africa Pty.                  | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Perú S.A.C.                           | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Holland B.V.                          | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| SQM Vitas Plantacote B.V.                       | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |
| Minera Exar S.A.                                | December 31, 2017           | December 31, 2017 | Equity method     | Equity method |

  

| Joint Venture                                   | Equity-accounted investees |                      | Share in profit (loss) of associates and joint ventures accounted for using the equity method |                      |
|---|----------------------------|----------------------|---|----------------------|
|   | 12/31/2017<br>ThUS\$       | 12/31/2016<br>ThUS\$ | 12/31/2017<br>ThUS\$  | 12/31/2016<br>ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | 11,444                     | 12,150               | (535)   | (1,372)              |
| Coromandel SQM India                            | 1,633                      | 1,499                | 165   | 435                  |
| SQM Vitas Fzco,                                 | 19,478                     | 17,956               | 1,502   | 3,458                |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.       | 2,980                      | 2,618                | 361   | 163                  |
| SQM Vitas Holland                               | 1,429                      | 1,269                | (18)  | 171                  |
| Minera Exar S.A.                                | 26,860                     | 25,000               | (27)  | -                    |
| <b>Total</b>                                    | <b>63,824</b>              | <b>60,492</b>        | <b>1,448</b>  | <b>2,855</b>         |



## Note 12 Joint Ventures (continued)

### 12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:

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

| 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 |                      |
|---|--|----------------------|--|----------------------|
|   | 12/31/2017<br>ThUS\$   | 12/31/2016<br>ThUS\$ | 12/31/2017<br>ThUS\$   | 12/31/2016<br>ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | -  | -                    | (535)  | (1,372)              |
| Coromandel SQM India                            | -  | -                    | 165  | 435                  |
| SQM Vitas Fzco,                                 | (5)  | 449                  | 1,497  | 3,907                |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.       | -  | -                    | 361  | 163                  |
| SQM Vitas Holland                               | -  | -                    | (18)   | 171                  |
| Minera Exar S.A.                                | -  | -                    | (27)   | -                    |
| <b>Total</b>                                    | <b>(5)</b>   | <b>449</b>           | <b>1,443</b>   | <b>3,304</b>         |

| Joint Venture                     | Equity-accounted investees |                      | Share in profit (loss) of associates and joint ventures accounted for using the equity method |                      |
|-----------------------------------|----------------------------|----------------------|---|----------------------|
|                                   | 12/31/2017<br>ThUS\$       | 12/31/2016<br>ThUS\$ | 12/31/2017<br>ThUS\$  | 12/31/2016<br>ThUS\$ |
| SQM Vitas Brazil Agroindustria(1) | 11,003                     | 9,343                | 1,753   | 4,570                |
| SQM Vitas Peru S.A.C (1)          | 5,961                      | 5,964                | (216)   | 815                  |
| SQM Vitas Plantacote B.V. (2)     | 669                        | 588                  | (1)   | 187                  |
| SQM Vitas Spain (2)               | -                          | -                    | -   | -                    |
| <b>Total</b>                      | <b>17,633</b>              | <b>15,895</b>        | <b>1,536</b>  | <b>5,572</b>         |



## Note 12 Joint Ventures (continued)

### 12.3 Investment in joint ventures accounted for under the equity method of accounting, continued:

| Joint Venture                     | Share in other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax |                      | Share in total other comprehensive income of associates and joint ventures accounted for using the equity method |                      |
|-----------------------------------|--|----------------------|--|----------------------|
|                                   | 12/31/2017<br>ThUS\$   | 12/31/2016<br>ThUS\$ | 12/31/2017<br>ThUS\$   | 12/31/2016<br>ThUS\$ |
| SQM Vitas Brazil Agroindustria(1) | (51)   | 2,845                | 826  | 5,130                |
| SQM Vitas Peru S.A.C (1)          | -  | -                    | (108)  | 408                  |
| SQM Vitas Plantacote B.V. (2)     | -  | -                    | (1)  | (80)                 |
| SQM Vitas Spain (2)               | -  | -                    | -  | -                    |
| <b>Total</b>                      | <b>(51)</b>  | <b>2,845</b>         | <b>717</b>   | <b>5,458</b>         |

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                                    | 12/31/2017     |                |                |              |                |  |                            |                      |
|--|----------------|----------------|----------------|--------------|----------------|--|----------------------------|----------------------|
|  | 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. | 31,461         | 6,656          | 15,228         | -            | 13,326         | (1,070)                                | -                          | (1,070)              |
| Coromandel SQM India                             | 6,659          | 862            | 4,205          | 53           | 10,381         | 332                                    | -                          | 332                  |
| SQM Vitas Fzco,                                  | 23,699         | 17,479         | 2,221          | -            | 15,518         | 3,003                                  | (9)                        | 2,994                |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.        | 6,941          | 171            | 1,152          | -            | 12,631         | 721                                    | -                          | 721                  |
| SQM Vitas Brazil Agroindustria                   | 30,303         | 8,453          | 27,752         | -            | 60,131         | 1,753                                  | (101)                      | 1,652                |
| SQM Vitas Peru S.A.C                             | 20,933         | 8,534          | 17,380         | 6,126        | 35,299         | (216)                                  | -                          | (216)                |
| SQM Vitas Holland B.V                            | 2,190          | 669            | -              | -            | -              | (36)                                   | -                          | (36)                 |
| SQM Vitas Plantacote B.V.                        | 679            | -              | 10             | -            | -              | (1)                                    | -                          | (1)                  |
| Minera Exar S.A.                                 | 19,277         | 73,114         | 38,670         | -            | -              | (53)                                   | -                          | (53)                 |
| <b>Total</b>                                     | <b>142,142</b> | <b>115,938</b> | <b>106,618</b> | <b>6,179</b> | <b>147,286</b> | <b>4,433</b>                           | <b>(110)</b>               | <b>4,323</b>         |

  

| 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)                |
| <b>Total</b>                                     | <b>122,442</b> | <b>43,280</b> | <b>72,609</b> | <b>6,231</b> | <b>147,829</b> | <b>10,935</b>                          | <b>6,587</b>               | <b>17,522</b>        |



## Note 12 Joint Ventures (continued)

### 12.5 Other Joint Venture disclosures:

|  | Cash and cash equivalents |               | Other current financial liabilities |               | Other non-current financial liabilities |              |
|--|---------------------------|---------------|-------------------------------------|---------------|---|--------------|
|  | 12/31/2017                | 12/31/2016    | 12/31/2017                          | 12/31/2016    | 12/31/2017                              | 12/31/2016   |
|  | ThUS\$                    | ThUS\$        | ThUS\$                              | ThUS\$        | ThUS\$                                  | ThUS\$       |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | 6,198                     | 4,097         | -                                   | -             | -                                       | -            |
| Coromandel SQM India                             | 1,118                     | 15            | -                                   | 478           | -                                       | -            |
| SQM Vitas Fzco,                                  | 15,307                    | 11,514        | -                                   | -             | -                                       | -            |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.        | 3,675                     | 3,756         | -                                   | -             | -                                       | -            |
| SQM Vitas Brazil Agroindustria                   | 5,139                     | 2,168         | 7,342                               | 8,718         | -                                       | -            |
| SQM Vitas Peru S.A.C.                            | 687                       | 958           | 2,215                               | 3,834         | 1,372                                   | 1,781        |
| SQM Vitas Holland B.V                            | 2,190                     | 1,961         | -                                   | -             | -                                       | -            |
| SQM Vitas Plantacote B.V                         | 679                       | 615           | -                                   | -             | -                                       | -            |
| Minera Exar S.A.                                 | 9,189                     | -             | -                                   | -             | -                                       | -            |
| <b>Total</b>                                     | <b>44,182</b>             | <b>25,084</b> | <b>9,557</b>                        | <b>13,030</b> | <b>1,372</b>                            | <b>1,781</b> |

|  | Depreciation and amortization expense |                | Interest expense |                | Income tax expense, continuing operations |              |
|--|---------------------------------------|----------------|------------------|----------------|---|--------------|
|  | 12/31/2017                            | 12/31/2016     | 12/31/2017       | 12/31/2016     | 12/31/2017                                | 12/31/2016   |
|  | ThUS\$                                | ThUS\$         | ThUS\$           | ThUS\$         | ThUS\$                                    | ThUS\$       |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. | (696)                                 | (691)          | (25)             | (433)          | 303                                       | 200          |
| Coromandel SQM India                             | -                                     | -              | (16)             | (49)           | (485)                                     | (44)         |
| SQM Vitas Fzco.                                  | (553)                                 | (717)          | (19)             | (16)           | -   | -            |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.        | (68)                                  | (64)           | -                | (1)            | (174)                                     | (195)        |
| SQM Vitas Brazil Agroindustria                   | (453)                                 | (438)          | (1,253)          | (2,127)        | (283)                                     | (337)        |
| SQM Vitas Peru S.A.C.                            | (375)                                 | (82)           | (432)            | (323)          | (214)                                     | (362)        |
| SQM Vitas Holland B.V                            | -                                     | -              | -                | -              | -   | -            |
| SQM Vitas Plantacote B.V                         | -                                     | -              | (1)              | (1)            | -   | -            |
| Minera Exar S.A.                                 | (523)                                 | -              | (32)             | -              | (620)                                     | -            |
| SQM Vitas Spain                                  | -                                     | -              | -                | -              | -   | -            |
| <b>Total</b>                                     | <b>(2,668)</b>                        | <b>(1,992)</b> | <b>(1,778)</b>   | <b>(2,950)</b> | <b>(1,473)</b>                            | <b>(738)</b> |

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

|                                       | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---------------------------------------|----------------------|----------------------|
| Intangible assets other than goodwill | 105,948              | 109,439              |
| Goodwill (1)                          | 44,177               | 37,972               |
| <b>Total</b>                          | <b>150,125</b>       | <b>147,411</b>       |

- (1) 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, trademarks, industrial patents, rights of way, software, and mining claims which correspond to exploitation rights acquired from third-parties.

Balances and movements in the main classes of intangible assets as of December 31, 2017 and December 31, 2016 are detailed as follows:

| Intangible assets and goodwill  | Useful<br>life | Gross amount<br>ThUS\$ | 12/31/2017<br>Accumulated<br>Amortization<br>ThUS\$ | Net Value<br>ThUS\$ |
|---|----------------|------------------------|---|---------------------|
| Software  | Finite         | 25,060                 | (19,769)  | 5,291               |
| Intellectual property rights, patents and other industrial property rights, service | Finite         | 1,250                  | (1,061)   | 189                 |
| Intellectual property rights, patents and other industrial property rights, service | Indefinite     | 98,518                 | -   | 98,518              |
| Other intangible assets   | Indefinite     | 1,950                  | -   | 1,950               |
| <b>Intangible assets other than goodwill</b>  |                | <b>126,778</b>         | <b>(20,830)</b>                                     | <b>105,948</b>      |
| Goodwill  | Indefinite     | 44,177                 | -   | 44,177              |
| <b>Total intangible assets and goodwill</b>   |                | <b>170,955</b>         | <b>(20,830)</b>                                     | <b>150,125</b>      |





**Note 13 Intangible assets and goodwill (continued)**

**13.2 Disclosures on intangible assets and goodwill, continued**

| Intangible assets and goodwill  | Useful life | Gross amount<br>ThUS\$ | 12/31/2016<br>Accumulated<br>Amortization<br>ThUS\$ | Net Value<br>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               |
| <b>Intangible assets other than goodwill</b>  |             | <b>126,696</b>         | <b>(17,257)</b>                                     | <b>109,439</b>      |
| Goodwill  | Indefinite  | 37,972                 | -   | 37,972              |
| <b>Total intangible assets and goodwill</b>   |             | <b>164,668</b>         | <b>(17,257)</b>                                     | <b>147,411</b>      |

**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 the rights which generate them.

Intellectual property rights, patents and other industrial property rights, service and exploitation rights, mainly relate to water rights and have a finite useful life to the extent to which they are subject to a fixed-term contract or otherwise they are considered to be 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             |
| Trademarks  | 1 year               | 5 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 be disclosed on intangible assets**

SQM has property rights and mining concessions from the Chilean Government that are intended for the exploration and exploitation of saltpeter and brine. Such rights incur no initial cost other than registration costs, which are insignificant.

Also, SQM has acquired mining concessions from third-parties other than the Chilean Government, which have been recognized at acquisition cost and 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.

As of December 31, 2017, the subsidiary Soquimich Comercial S.A. presented an impairment for the acquisition of the commercial agent of Sociedad Agrocom Ltda.

## 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, 2017:

| Movements in identifiable intangible assets, gross | Trademarks | 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\$        | ThUS\$                         |
| <b>Opening balance</b>                             | -          | <b>23,280</b> | <b>1,483</b>   | <b>98,596</b>  | <b>3,337</b>            | <b>37,972</b> | <b>164,668</b>                 |
| Additions  | -          | 939           | 8  | -  | 204                     | 6,205         | 7,356                          |
| Impairment   | -          | -             | -  | (205)  | -                       | -             | (205)                          |
| Increases (decreases) for transfers                | -          | -             | -  | -  | (1,164)                 | -             | (1,164)                        |
| Other increases (decreases)                        | -          | 841           | (241)  | 127  | (427)                   | -             | 300                            |
| <b>Final balance</b>                               | -          | <b>25,060</b> | <b>1,250</b>   | <b>98,518</b>  | <b>1,950</b>            | <b>44,177</b> | <b>170,955</b>                 |

| Movements in identifiable intangible assets, accumulated amortization | Trademarks | 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\$   | ThUS\$                         |
| <b>Opening balance</b>  | -          | <b>(16,234)</b> | <b>(1,023)</b>   | -  | -                       | -        | <b>(17,257)</b>                |
| Additions   | -          | -               | -  | -  | -                       | -        | -                              |
| Amortization  | -          | (2,653)         | (38)   | -  | -                       | -        | (2,691)                        |
| Other increases (decreases)   | -          | (882)           | -  | -  | -                       | -        | (882)                          |
| <b>Final balance</b>  | -          | <b>(19,769)</b> | <b>(1,061)</b>   | -  | -                       | -        | <b>(20,830)</b>                |

## 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, 2017, continued

| Movements in identifiable intangible assets, net | Trademarks | 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\$        | ThUS\$                         |
| <b>Opening balance</b>                           | -          | <b>7,046</b> | <b>460</b>   | <b>98,596</b>  | <b>3,337</b>            | <b>37,972</b> | <b>147,411</b>                 |
| Additions  | -          | 939          | 8  | -  | 204                     | 6,205         | 7,356                          |
| Amortization                                     | -          | -            | -  | (205)  | -                       | -             | (205)                          |
| Impairment                                       | -          | (2,653)      | (38)   | -  | -                       | -             | (2,691)                        |
| Increases (decreases) for transfers              | -          | -            | -  | -  | (1,164)                 | -             | (1,164)                        |
| Other increases (decreases)                      | -          | (41)         | (241)  | 127  | (427)                   | -             | (582)                          |
| <b>Final balance</b>                             | -          | <b>5,291</b> | <b>189</b>   | <b>98,518</b>  | <b>1,950</b>            | <b>44,177</b> | <b>150,125</b>                 |

#### g) Movements in identifiable intangible assets as of December 31, 2016:

| Movements in identifiable intangible assets, gross | Trademarks   | 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\$        | ThUS\$                         |
| <b>Opening balance</b>                             | <b>3,821</b> | <b>23,251</b> | <b>1,448</b>   | <b>96,500</b>  | <b>3,651</b>            | <b>38,388</b> | <b>167,059</b>                 |
| Additions  | -            | 160           | 25   | 2,100  | -                       | -             | 2,285                          |
| Other increases (decreases)                        | (3,821)      | (131)         | 10   | (4)  | (314)                   | (416)         | (4,676)                        |
| <b>Final balance</b>                               | -            | <b>23,280</b> | <b>1,483</b>   | <b>98,596</b>  | <b>3,337</b>            | <b>37,972</b> | <b>164,668</b>                 |



## 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, 2016:

| Movements in identifiable intangible assets, accumulated amortization | Trademarks     | 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\$   | ThUS\$                         |
| <b>Opening balance</b>  | <b>(3,821)</b> | <b>(13,438)</b> | <b>(984)</b>   | -  | -                       | -        | <b>(18,243)</b>                |
| Additions   | -              | -               | -  | -  | -                       | -        | -                              |
| Amortization  | -              | (2,796)         | (38)   | -  | -                       | -        | (2,834)                        |
| Other increases (decreases)   | 3,821          | -               | (1)  | -  | -                       | -        | 3,820                          |
| <b>Final balance</b>  | <b>-</b>       | <b>(16,234)</b> | <b>(1,023)</b>   | <b>-</b>   | <b>-</b>                | <b>-</b> | <b>(17,257)</b>                |

| Movements in identifiable intangible assets, net | Trademarks | 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\$        | ThUS\$                         |
| <b>Opening balance</b>                           | <b>-</b>   | <b>9,813</b> | <b>464</b>  | <b>96,500</b>   | <b>3,651</b>            | <b>38,388</b> | <b>148,816</b>                 |
| Additions  | -          | 160          | 25  | 2,100   | -                       | -             | 2,285                          |
| Amortization                                     | -          | (2,796)      | (38)  | -   | -                       | -             | (2,834)                        |
| Other increases (decreases)                      | -          | (131)        | 9   | (4)   | (314)                   | (416)         | (856)                          |
| <b>Final balance</b>                             | <b>-</b>   | <b>7,046</b> | <b>460</b>  | <b>98,596</b>   | <b>3,337</b>            | <b>37,972</b> | <b>147,411</b>                 |

## Note 14 Property, plant and equipment

As of December 31, 2017 and December 31, 2016, 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  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| <b>Property, plant and equipment, net</b>  |                      |                      |
| Land   | 32,739               | 32,702               |
| Buildings  | 230,319              | 237,585              |
| Other property, plant and equipment  | 24,862               | 26,417               |
| Transport equipment  | 3,257                | 3,355                |
| Supplies and accessories   | 1,872                | 1,773                |
| Office equipment   | 487                  | 3,642                |
| Network and communication equipment  | 1,050                | 1,686                |
| Mining assets  | 16,237               | 24,643               |
| IT equipment   | 3,401                | 366                  |
| Energy generating assets   | 7,861                | 8,191                |
| Constructions in progress  | 165,054              | 170,710              |
| Machinery, plant and equipment (1)   | 950,054              | 1,021,640            |
| <b>Total</b>   | <b>1,437,193</b>     | <b>1,532,710</b>     |
| <b>Property, plant and equipment, gross</b>  |                      |                      |
| Land   | 32,739               | 32,702               |
| Buildings  | 610,264              | 582,082              |
| Other property, plant and equipment  | 244,831              | 253,555              |
| Transport equipment  | 11,195               | 10,819               |
| Supplies and accessories   | 19,498               | 18,259               |
| Office equipment   | 11,105               | 17,731               |
| Network and communication equipment  | 7,356                | 7,522                |
| Mining assets  | 129,028              | 158,514              |
| IT equipment   | 27,038               | 20,316               |
| Energy generating assets   | 36,643               | 34,812               |
| Constructions in progress  | 165,054              | 170,710              |
| Machinery, plant and equipment   | 2,938,287            | 2,833,819            |
| <b>Total</b>   | <b>4,233,038</b>     | <b>4,140,841</b>     |
| <b>Accumulated depreciation and value impairment of property, plant and equipment, total</b> |                      |                      |
| Accumulated depreciation and impairment of buildings   | 379,945              | 344,497              |
| Accumulated depreciation and impairment of other property, plant and equipment               | 219,969              | 227,138              |
| Accumulated depreciation and impairment of transport equipment                               | 7,938                | 7,464                |
| Accumulated depreciation and impairment of supplies and accessories                          | 17,626               | 16,486               |
| Accumulated depreciation and impairment of office equipment                                  | 10,618               | 14,089               |
| Accumulated depreciation and impairment of network and communication equipment               | 6,306                | 5,836                |
| Accumulated depreciation and impairment of mining assets                                     | 112,791              | 133,871              |
| Accumulated depreciation and impairment of IT equipment                                      | 23,637               | 19,950               |
| Accumulated depreciation and impairment of energy generating assets                          | 28,782               | 26,621               |
| Accumulated depreciation and impairment of machinery, plant and equipment                    | 1,988,233            | 1,812,179            |
| <b>Total</b>   | <b>2,795,845</b>     | <b>2,608,131</b>     |

**Note 14 Property, plant and equipment, (continued)**

**14.1 Types of property, plant and equipment, continued**

(1) The detail of machinery, plant and equipment is as follows:

| Description of classes of property, plant and equipment | 12/31/2017<br>ThUS\$ | 31/12/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| <b>Property, plant and equipment, net</b>               |                      |                      |
| Pumps   | 33,614               | 40,306               |
| Conveyor belt   | 24,832               | 28,307               |
| Crystallizer  | 15,519               | 17,585               |
| Plant equipment   | 186,885              | 208,137              |
| Water tanks   | 11,296               | 10,614               |
| Filter  | 18,572               | 21,484               |
| Facilities/electrical equipment                         | 105,600              | 111,876              |
| Other machinery, plant and equipment                    | 72,812               | 57,298               |
| Piping  | 113,641              | 124,699              |
| Pond  | 275,731              | 299,956              |
| Well  | 46,802               | 50,647               |
| Parts   | 44,750               | 50,731               |
| <b>Total</b>  | <b>950,054</b>       | <b>1,021,640</b>     |

## Note 14 Property, plant and equipment (continued)

### 14.2 Reconciliation of changes in property, plant and equipment by type:

Reconciliation of changes in property, plant and equipment by class as of December 31, 2017 and December 31, 2016:

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2017, gross amount | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communication<br>equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|---|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>32,702</b>  | <b>582,082</b>      | <b>253,555</b>   | <b>10,819</b>                    | <b>18,259</b>                         | <b>17,731</b>                 | <b>7,522</b>  | <b>158,514</b>          | <b>20,316</b>          | <b>34,812</b>                            | <b>170,710</b>                         | <b>2,833,819</b>                               | <b>4,140,841</b>                           |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |   |                         |                        |  |  |  |  |
| Additions   | -              | 189                 | 541  | -                                | 115                                   | 42                            | 12  | -                       | 899                    | 122                                      | 158,797                                | 26,067   | 186,784                                    |
| Disposals   | -              | (59)                | (11,623)   | (321)                            | -                                     | (23)                          | -   | (30,082)                | (57)                   | -  | (16,761)                               | (3,374)  | (62,300)                                   |
| Increase (decrease) in foreign currency translation difference  | 45             | 103                 | 3  | 1                                | -                                     | -                             | -   | -                       | (2)                    | -  | 1                                      | 118  | 269  |
| Reclassifications   | -              | 23,336              | 8,255  | 696                              | 1,044                                 | 172                           | 123   | 596                     | 122                    | 1,709                                    | (120,668)                              | 84,424   | (191)                                      |
| Other increases (decreases) (*)   | 403            | 4,669               | (5,900)  | -                                | 80                                    | (6,817)                       | (301)   | -                       | 5,760                  | -  | (27,025)                               | (2,767)  | (31,898)                                   |
| Decreases for classification as held for sale (1)   | (411)          | (56)                | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | (467)                                      |
| <b>Total changes</b>  | <b>37</b>      | <b>28,182</b>       | <b>(8,724)</b>   | <b>376</b>                       | <b>1,239</b>                          | <b>(6,626)</b>                | <b>(166)</b>  | <b>(29,486)</b>         | <b>6,722</b>           | <b>1,831</b>                             | <b>(5,656)</b>                         | <b>104,468</b>                                 | <b>92,197</b>                              |
| <b>Closing balance</b>  | <b>32,739</b>  | <b>610,264</b>      | <b>244,831</b>   | <b>11,195</b>                    | <b>19,498</b>                         | <b>11,105</b>                 | <b>7,356</b>  | <b>129,028</b>          | <b>27,038</b>          | <b>36,643</b>                            | <b>165,054</b>                         | <b>2,938,287</b>                               | <b>4,233,038</b>                           |

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2017, accumulated depreciation | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communication<br>equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|---|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>-</b>       | <b>(344,497)</b>    | <b>(227,138)</b>                                       | <b>(7,464)</b>                   | <b>(16,486)</b>                       | <b>(14,089)</b>               | <b>(5,836)</b>                                      | <b>(133,871)</b>        | <b>(19,950)</b>        | <b>(26,621)</b>                          | <b>-</b>                               | <b>(1,812,179)</b>                             | <b>(2,608,131)</b>                         |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |   |                         |                        |  |  |  |  |
| Disposals   | -              | 58                  | 11,622   | 312                              | -                                     | 3                             | -   | 30,083                  | 25                     | -  | -                                      | 3,210  | 45,313                                     |
| Depreciation expense  | -              | (33,306)            | (6,759)  | (730)                            | (1,047)                               | (357)                         | (665)   | (10,638)                | (909)                  | (2,184)                                  | -                                      | (175,770)                                      | (232,365)                                  |
| Impairment  | -              | -                   | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | -  |
| Increase (decrease) in foreign currency translation difference  | -              | (35)                | (3)  | (2)                              | -                                     | -                             | -   | -                       | (11)                   | -  | -                                      | (58)   | (109)                                      |
| Reclassifications   | -              | (62)                | 38   | (32)                             | (110)                                 | (69)                          | (25)  | -                       | (46)                   | 26                                       | -                                      | 344  | 64   |
| Other increases (decreases) (*)   | -              | (2,102)             | 2,271  | (22)                             | 17                                    | 3,894                         | 220   | 1,635                   | (2,746)                | (3)                                      | -                                      | (3,780)  | (616)                                      |
| Decreases for classification as held for sale (1)   | -              | (1)                 | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | (1)  |
| <b>Total changes</b>  | <b>-</b>       | <b>(35,448)</b>     | <b>7,169</b>   | <b>(474)</b>                     | <b>(1,140)</b>                        | <b>3,471</b>                  | <b>(470)</b>  | <b>21,080</b>           | <b>(3,687)</b>         | <b>(2,161)</b>                           | <b>-</b>                               | <b>(176,054)</b>                               | <b>(187,714)</b>                           |
| <b>Closing balance</b>  | <b>-</b>       | <b>(379,945)</b>    | <b>(219,969)</b>                                       | <b>(7,938)</b>                   | <b>(17,626)</b>                       | <b>(10,618)</b>               | <b>(6,306)</b>                                      | <b>(112,791)</b>        | <b>(23,637)</b>        | <b>(28,782)</b>                          | <b>-</b>                               | <b>(1,988,233)</b>                             | <b>(2,795,845)</b>                         |





## Note 14 Property, plant and equipment (continued)

### 14.2 Reconciliation of changes in property, plant and equipment by type, continued:

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2017, net amount | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communication<br>equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|---|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>32,702</b>  | <b>237,585</b>      | <b>26,417</b>  | <b>3,355</b>                     | <b>1,773</b>                          | <b>3,642</b>                  | <b>1,686</b>  | <b>24,643</b>           | <b>366</b>             | <b>8,191</b>                             | <b>170,710</b>                         | <b>1,021,640</b>                               | <b>1,532,710</b>                           |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |   |                         |                        |  |  |  |  |
| Additions   | -              | 189                 | 541  | -                                | 115                                   | 42                            | 12  | -                       | 899                    | 122                                      | 158,797                                | 26,067   | 186,784                                    |
| Disposals   | -              | (1)                 | (1)  | (9)                              | -                                     | (20)                          | -   | 1                       | (32)                   | -  | (16,761)                               | (164)  | (16,987)                                   |
| Depreciation expense  | -              | (33,306)            | (6,759)  | (730)                            | (1,047)                               | (357)                         | (665)   | (10,638)                | (909)                  | (2,184)                                  | -                                      | (175,770)                                      | (232,365)                                  |
| Impairment  | -              | -                   | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | -  |
| Increase (decrease) in foreign currency translation difference  | 45             | 68                  | -  | (1)                              | -                                     | -                             | -   | -                       | (13)                   | -  | 1                                      | 60   | 160  |
| Reclassifications   | -              | 23,274              | 8,293  | 664                              | 934                                   | 103                           | 98  | 596                     | 76                     | 1,735                                    | (120,668)                              | 84,768   | (127)                                      |
| Other increases (decreases) (*)   | 403            | 2,566               | (3,629)  | (22)                             | 97                                    | (2,923)                       | (81)  | 1,635                   | 3,014                  | (3)                                      | (27,025)                               | (6,547)  | (32,515)                                   |
| Decreases for classification as held for sale (1)   | (411)          | (56)                | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | (467)                                      |
| <b>Total changes</b>  | <b>37</b>      | <b>(7,266)</b>      | <b>(1,555)</b>   | <b>(98)</b>                      | <b>99</b>                             | <b>(3,155)</b>                | <b>(636)</b>  | <b>(8,406)</b>          | <b>3,035</b>           | <b>(330)</b>                             | <b>(5,656)</b>                         | <b>(71,586)</b>                                | <b>(95,517)</b>                            |
| <b>Closing balance</b>  | <b>32,739</b>  | <b>230,319</b>      | <b>24,862</b>  | <b>3,257</b>                     | <b>1,872</b>                          | <b>487</b>                    | <b>1,050</b>  | <b>16,237</b>           | <b>3,401</b>           | <b>7,861</b>                             | <b>165,054</b>                         | <b>950,054</b>                                 | <b>1,437,193</b>                           |

(\*) The net balance of other increases (decreases) corresponds to all those items that are reclassified to or from property, plant and equipment. They can have the following origin: 1) work in progress which is expensed to profit or loss, forming part of operating costs or 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 ground studies that are reclassified to the item other non-current financial assets, 4) Software that is reclassified to Intangibles.

((1) Any property, plant and equipment (disposal group) that, at the closing date of the financial statements, is subject to a commitment for sale or where the sales process has been initiated and where the sale is expected to occur within twelve months of that date, is classified by the Company as non-current assets held for sale.

These assets or disposal groups are valued at the lower of carrying amount or the estimated sales value less the costs to sell and stop being amortized from the moment they are classified as non-current assets held for sale.

**Note 14 Property, plant and equipment (continued)**

**14.2 Reconciliation of changes in property, plant and equipment by type, continued:**

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2016, gross amount | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communication<br>equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|---|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>34,589</b>  | <b>564,708</b>      | <b>248,493</b>   | <b>16,170</b>                    | <b>17,877</b>                         | <b>18,858</b>                 | <b>7,323</b>  | <b>157,481</b>          | <b>19,732</b>          | <b>34,579</b>                            | <b>151,831</b>                         | <b>2,751,631</b>                               | <b>4,023,272</b>                           |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |   |                         |                        |  |  |  |  |
| Additions   | -              | -                   | 545  | 49                               | -                                     | 753                           | -   | -                       | -                      | -  | 145,605                                | 2,146  | 149,098                                    |
| Disposals   | -              | -                   | (753)  | (5,540)                          | (28)                                  | (1)                           | -   | -                       | -                      | -  | (3,370)                                | (1,165)  | (10,857)                                   |
| Increase (decrease) in foreign currency translation difference  | 28             | 1                   | 65   | 8                                | -                                     | 52                            | -   | -                       | -                      | -  | -                                      | 19   | 173  |
| Reclassifications   | -              | 17,373              | 5,809  | 277                              | 410                                   | 51                            | 199   | 1,033                   | 584                    | 233                                      | (101,104)                              | 80,987   | 5,852                                      |
| Other increases (decreases) (*)   | (24)           | -                   | (410)  | (145)                            | -                                     | (1,982)                       | -   | -                       | -                      | -  | (22,252)                               | 201  | (24,612)                                   |
| Decreases for classification as held for sale (1)   | (1,891)        | -                   | (194)  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | (2,085)                                    |
| <b>Total changes</b>  | <b>(1,887)</b> | <b>17,374</b>       | <b>5,062</b>   | <b>(5,351)</b>                   | <b>382</b>                            | <b>(1,127)</b>                | <b>199</b>  | <b>1,033</b>            | <b>584</b>             | <b>233</b>                               | <b>18,879</b>                          | <b>82,188</b>                                  | <b>117,569</b>                             |
| <b>Closing balance</b>  | <b>32,702</b>  | <b>582,082</b>      | <b>253,555</b>   | <b>10,819</b>                    | <b>18,259</b>                         | <b>17,731</b>                 | <b>7,522</b>  | <b>158,514</b>          | <b>20,316</b>          | <b>34,812</b>                            | <b>170,710</b>                         | <b>2,833,819</b>                               | <b>4,140,841</b>                           |

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2016, accumulated depreciation | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communication<br>equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|---|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>-</b>       | <b>(310,676)</b>    | <b>(196,262)</b>                                       | <b>(12,355)</b>                  | <b>(13,870)</b>                       | <b>(15,393)</b>               | <b>(5,041)</b>                                      | <b>(122,034)</b>        | <b>(18,770)</b>        | <b>(23,332)</b>                          | <b>-</b>                               | <b>(1,621,963)</b>                             | <b>(2,339,696)</b>                         |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |   |                         |                        |  |  |  |  |
| Disposals   | -              | -                   | -  | 5,540                            | 28                                    | -                             | -   | -                       | -                      | -  | -                                      | 759  | 6,327                                      |
| Depreciation expense  | -              | (33,470)            | (7,288)  | (683)                            | (2,265)                               | (845)                         | (774)   | (11,837)                | (1,179)                | (2,374)                                  | -                                      | (178,942)                                      | (239,657)                                  |
| Impairment  | -              | (338)               | (23,861)   | (81)                             | (379)                                 | (1)                           | (21)  | -                       | (1)                    | (915)                                    | -                                      | (5,985)  | (31,582)                                   |
| Increase (decrease) in foreign currency translation difference  | -              | (13)                | (14)   | (14)                             | -                                     | (28)                          | -   | -                       | -                      | -  | -                                      | -  | (69)                                       |
| Reclassifications   | -              | -                   | -  | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | (5,852)  | (5,852)                                    |
| Other increases (decreases) (*)   | -              | -                   | 258  | 129                              | -                                     | 2,178                         | -   | -                       | -                      | -  | -                                      | (196)  | 2,369                                      |
| Decreases for classification as held for sale (1)   | -              | -                   | 29   | -                                | -                                     | -                             | -   | -                       | -                      | -  | -                                      | -  | 29   |
| <b>Total changes</b>  | <b>-</b>       | <b>(33,821)</b>     | <b>(30,876)</b>  | <b>4,891</b>                     | <b>(2,616)</b>                        | <b>1,304</b>                  | <b>(795)</b>  | <b>(11,837)</b>         | <b>(1,180)</b>         | <b>(3,289)</b>                           | <b>-</b>                               | <b>(190,216)</b>                               | <b>(268,435)</b>                           |
| <b>Closing balance</b>  | <b>-</b>       | <b>(344,497)</b>    | <b>(227,138)</b>                                       | <b>(7,464)</b>                   | <b>(16,486)</b>                       | <b>(14,089)</b>               | <b>(5,836)</b>                                      | <b>(133,871)</b>        | <b>(19,950)</b>        | <b>(26,621)</b>                          | <b>-</b>                               | <b>(1,812,179)</b>                             | <b>(2,608,131)</b>                         |



## Note 14 Property, plant and equipment (continued)

### 14.2 Reconciliation of changes in property, plant and equipment by type, continued:

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2016, net amount | Land<br>ThUS\$ | Buildings<br>ThUS\$ | Other<br>property,<br>plant and<br>equipment<br>ThUS\$ | Transport<br>equipment<br>ThUS\$ | Supplies and<br>accessories<br>ThUS\$ | Equipment<br>office<br>ThUS\$ | Network and<br>communicati<br>on equipment<br>ThUS\$ | Mining assets<br>ThUS\$ | IT equipment<br>ThUS\$ | Energy<br>generating<br>assets<br>ThUS\$ | Assets under<br>construction<br>ThUS\$ | Machinery,<br>plant and<br>equipment<br>ThUS\$ | Property, plant<br>and equipment<br>ThUS\$ |
|---|----------------|---------------------|--|----------------------------------|---------------------------------------|-------------------------------|--|-------------------------|------------------------|--|--|--|--|
| <b>Opening balance</b>  | <b>34,589</b>  | <b>254,032</b>      | <b>52,231</b>  | <b>3,815</b>                     | <b>4,007</b>                          | <b>3,465</b>                  | <b>2,282</b>   | <b>35,447</b>           | <b>962</b>             | <b>11,247</b>                            | <b>151,831</b>                         | <b>1,129,668</b>                               | <b>1,683,576</b>                           |
| <b>Changes</b>  |                |                     |  |                                  |                                       |                               |  |                         |                        |  |  |  |  |
| Additions   | -              | -                   | 545  | 49                               | -                                     | 753                           | -  | -                       | -                      | -  | 145,605                                | 2,146  | 149,098                                    |
| Disposals   | -              | -                   | (753)  | -                                | -                                     | (1)                           | -  | -                       | -                      | -  | (3,370)                                | (406)  | (4,530)                                    |
| Depreciation expense  | -              | (33,470)            | (7,288)  | (683)                            | (2,265)                               | (845)                         | (774)  | (11,837)                | (1,179)                | (2,374)                                  | -                                      | (178,942)                                      | (239,657)                                  |
| Impairment  | -              | (338)               | (23,861)   | (81)                             | (379)                                 | (1)                           | (21)   | -                       | (1)                    | (915)                                    | -                                      | (5,985)  | (31,582)                                   |
| Increase (decrease) in foreign currency translation difference  | 28             | (12)                | 51   | (6)                              | -                                     | 24                            | -  | -                       | -                      | -  | -                                      | 19   | 104  |
| Reclassifications   | -              | 17,373              | 5,809  | 277                              | 410                                   | 51                            | 199  | 1,033                   | 584                    | 233                                      | (101,104)                              | 75,135   | -  |
| Other increases (decreases) (*)   | (24)           | -                   | (152)  | (16)                             | -                                     | 196                           | -  | -                       | -                      | -  | (22,252)                               | 5  | (22,243)                                   |
| Disminuciones por clasificar como mantenidos para la venta (1)  | (1,891)        | -                   | (165)  | -                                | -                                     | -                             | -  | -                       | -                      | -  | -                                      | -  | (2,056)                                    |
| <b>Total changes</b>  | <b>(1,887)</b> | <b>(16,447)</b>     | <b>(25,814)</b>  | <b>(460)</b>                     | <b>(2,234)</b>                        | <b>177</b>                    | <b>(596)</b>   | <b>(10,804)</b>         | <b>(596)</b>           | <b>(3,056)</b>                           | <b>18,879</b>                          | <b>(108,028)</b>                               | <b>(150,866)</b>                           |
| <b>Closing balance</b>  | <b>32,702</b>  | <b>237,585</b>      | <b>26,417</b>  | <b>3,355</b>                     | <b>1,773</b>                          | <b>3,642</b>                  | <b>1,686</b>   | <b>24,643</b>           | <b>366</b>             | <b>8,191</b>                             | <b>170,710</b>                         | <b>1,021,640</b>                               | <b>1,532,710</b>                           |

(\*) The net balance of other increases (decreases) corresponds to all those items that are reclassified to or from property, plant and equipment. They can have the following origin: 1) work in progress which are expensed to profit or loss, forming part of operating costs or 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 ground studies that are reclassified to the item other non-current financial assets, 4) Software that is reclassified to Intangibles.



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## **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 compliance with obligations that affect property, plant and equipment.

### **14.4 Impairment of assets**

As indicated in Note 3.28 to the financial statements, the recoverable amount of property, plant and equipment is measured provided that there is an indication that the asset could be impaired. As of December 31, 2017, there were no impairment adjustments and as of December 31, 2016 there were impairment adjustments associated with the closure of railway facilities for the transportation of products.

#### **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 damages to several sections of the railway between the Coya Sur and Tocopilla sites. As of that date, the Company has used trucks to replace rail transportation. SQM has carried out several internal and external studies with the purpose of determining what would be necessary to repair the damage to the railway.

These reports revealed that repairing the damage would entail high long-term costs, and it is therefore not convenient to repair the railway in the short- to medium-term. This 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 stock), which has translated into a charge of approximately US\$32 million, which is reflected in the line other expenses by function in the consolidated statement of income for the period. This amount represents around 0,8% of SQM's total assets and 11% of revenue 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\$4,382 as of December 31, 2017 and ThUS\$ 5,406 as of December 31, 2016.

Financing costs are not capitalized for periods which exceed the normal term of acquisition, construction or installation of the asset, such as occur with delays, interruptions or a temporary suspension of the project due to technical, financial or other issues, which prevent the asset from being maintained in good condition for its use.



## Note 14 Property, plant and equipment (continued)

### 14.5 Additional information (continued)

#### Assets held for sale

The non-current assets held for sale and the components of the disposal groups classified as held for sale are presented in the Consolidated Statement of Financial Position as a line for the following concept: "Non-current assets or groups of assets classified as held for sale".

The following table shows the main classes of non-current assets held for sale:

| Assets held for sale    | 12/31/2017   | 12/31/2016   |
|-------------------------|--------------|--------------|
|                         | ThUS\$       | ThUS\$       |
| Land                    | 1,480        | 1,891        |
| Facilities and fixtures | 109          | 165          |
| <b>Total</b>            | <b>1,589</b> | <b>2,056</b> |





## Note 15 Employee benefits

### 15.1 Provisions for employee benefits

| Classes of benefits and expenses by employee | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| <b>Current</b>                               |                      |                      |
| Profit sharing and bonuses                   | 22,421               | 20,998               |
| <b>Total</b>                                 | <b>22,421</b>        | <b>20,998</b>        |
| <b>Non-current</b>                           |                      |                      |
| Profit sharing and bonuses                   | 6,487                | -                    |
| Severance indemnity payments                 | 27,445               | 22,532               |
| <b>Total</b>                                 | <b>33,932</b>        | <b>22,532</b>        |



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## **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 and other types of leave, 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 their personal performance, the Company's performance and other short-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 each employee's appraisal process.

Employee benefits include retention bonuses for the Company's executives, which are linked to the Company's share price and are paid in cash. The short-term portion is presented as a provision for current employee benefits and the long-term portion as non-current.

Staff severance indemnities are agreed and payable based on the final salary, calculated in accordance with each year of service to the Company, with certain maximum limits in respect of either the number of years or in monetary terms. In general, this benefit is payable when the employee or worker ceases to provide his/her services to the Company and there are a number of different circumstances through which a person can be eligible for it, 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 dependent employees regulated by the Chilean Labor Code. Article 5 of this law established that this insurance is paid 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, and an executive compensation plan (see Note 16).

| <b>Staff severance indemnities at actuarial value</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|---|-------------------|-------------------|
|   | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Staff severance indemnities, Chile                    | 25,893            | 21,384            |
| Plan compensación ejecutivos                          | 6,487             | -                 |
| Other obligations in companies elsewhere              | 1,552             | 1,148             |
| <b>Total other non-current liabilities</b>            | <b>33,932</b>     | <b>22,532</b>     |

The actuarial assessment method has been used to calculate the Company's obligations with respect to staff severance indemnities, which relate to defined benefit plans consisting 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 to pay staff severance indemnities related to retirement, 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 4.89%.

#### *Benefit payment conditions*

The staff severance indemnity benefit relates to remuneration days for years worked for the Company without a limit being imposed in regard of amount of salary or years of service. It applies when employees cease to work for the Company because they are made redundant or in the event of their death. This benefit is applicable up to a maximum age of 65 for men and 60 for women, which are the usual retirement ages according to the Chilean pensions system as established in Decree Law 3,500 of 1.980.

#### *Methodology*

The Company's benefits obligation under IAS 19 Projected Benefit Obligation (PBO) is determined as follows:

To determine the Company's total liability, we used computer software to develop a mathematical simulation model using the data for each individual employee.



**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 his/her employment contract or when he/she started earning benefits up to the month in which he/she reaches 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 a retirement indemnity.

The methodology followed to determine the accrual for all the employees covered by agreements took account of the turnover rates and the mortality rate RV-2009 established by the Financial Markets Commission (formerly 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, together with its employees established a pension plan until 2002 called the "SQM North America Retirement Income Plan". This obligation is calculated measuring the expected future forecast 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 employees benefits related to pension plans based on the 401-K system, which do not generate obligations for the Company.

| <b>Reconciliation</b>                            | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
| <b>Changes in the benefit obligation</b>         | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Benefit obligation at the beginning of the year  | 8,185             | 7,949             |
| Service cost                                     | 2                 | 2                 |
| Interest cost                                    | 359               | 387               |
| Actuarial loss                                   | 556               | 200               |
| Benefits paid                                    | (347)             | (353)             |
| <b>Benefit obligation at the end of the year</b> | <b>8,755</b>      | <b>8,185</b>      |



## Note 15 Employee benefits (continued)

### 15.4 Post-employment benefit obligations, continued

|   | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| Changes in the plan assets:                                       |                      |                      |
| Fair value of plan assets at the beginning of the year            | 7,404                | 7,464                |
| Actual return (loss) in plan assets                               | 1,694                | 293                  |
| Benefits paid   | (347)                | (353)                |
| Fair value of plan assets at the end of the year                  | <u>8,751</u>         | <u>7,404</u>         |
| Financing status  | <u>(4)</u>           | <u>(781)</u>         |
| Items not yet recognized as net periodic pension cost components: |                      |                      |
| Net actuarial loss at the beginning of the year                   | (3,432)              | (3,165)              |
| Amortization during the year                                      | 219                  | 184                  |
| Net estimated gain or loss occurred during the year               | 599                  | (451)                |
| Adjustment to recognize the minimum pension obligation            | <u>(2,614)</u>       | <u>(3,432)</u>       |

The net periodic pension expense was composed of the following components for the years ended December 31, 2017, 2016 and 2015:

| Reconciliation                                    | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| Service cost or benefits received during the year | 2                    | 2                    |
| Interest cost in benefit obligation               | 359                  | 387                  |
| Actual return in plan assets                      | 1,694                | 293                  |
| Amortization of prior year losses                 | 219                  | 184                  |
| Net gain during the year                          | 599                  | 610                  |
| Net periodic pension expense                      | 41                   | 29                   |

### 15.5 Staff severance indemnities

As of December 31, 2017 and 2016, severance indemnities calculated at the actuarial value are as follows:

|                               | 12/31/2017<br>ThUS\$   | 12/31/2016<br>ThUS\$   |
|-------------------------------|------------------------|------------------------|
| Opening balance               | (22,532)               | (21,995)               |
| Current cost of service       | (934)                  | (1,333)                |
| Interest cost                 | (1,488)                | (1,407)                |
| Actuarial gain/loss           | (1,144)                | (2,253)                |
| Exchange rate difference      | (2,284)                | (1,215)                |
| Benefits paid during the year | 937                    | 5,671                  |
| <b>Balance</b>                | <u><b>(27,445)</b></u> | <u><b>(22,532)</b></u> |

## 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:

|                             | 12/31/2017 | 12/31/2016 |        |
|-----------------------------|------------|------------|--------|
| Mortality rate              | RV - 2014  | RV - 2009  |        |
| Actual annual interest rate | 5.114%     | 4.522%     |        |
| Voluntary retirement rate:  |            |            |        |
| Men                         | 6.49%      | 7.16%      | annual |
| Women                       | 6.49%      | 7.16%      | annual |
| Salary increase             | 3.00%      | 3.60%      | annual |
| Retirement age:             |            |            |        |
| Men                         | 65         | 65         | years  |
| Women                       | 60         | 60         | years  |

#### b) Sensitivity analysis of assumptions

As of December 31, 2017 and December 31, 2016, the Company has conducted a sensitivity analysis of the main assumptions of the actuarial calculation, determining the following:

| Sensitivity analysis 12/31/2017        | Effect + 100 basis points | Effect - 100 basis points |
|--|---------------------------|---------------------------|
|  | ThUS\$                    | ThUS\$                    |
| Discount rate                          | (1,991)                   | 2,436                     |
| Employee turnover rate                 | (252)                     | 281                       |
| <b>Sensitivity analysis 12/31/2016</b> |                           |                           |
| 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 relates to an increase/decrease of 100 basis points.



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## **Note 16 Executive compensation plan**

The Company currently has a compensation plan with the purpose of motivating the Company's executives and encouraging them to remain with the Company, by granting payments based on the change in the price of SQM's shares.

### **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**

A total of 39 Company executives are entitled to this plan, provided that they continue to work for the Company through to the end of 2020. The payment dates, if applicable, will be during the first quarter of 2021.

#### **Compensation**

The compensation payable to each executive is calculated by multiplying a) by b):

- a) The average price of Series B shares on the Santiago Stock Exchange during the fourth quarter of 2020, at its equivalent amount in United States dollars (with a maximum amount or limit amount of US\$54 per share),
- b) By a number equal to the quantity of shares that have been individually assigned to each executive included in the plan.

This compensation plan was approved by the Company's Board of Directors and its application started on January 1, 2017.

The plan's effect on the profit and loss as of December 31, 2017 totaled ThUS\$6,487.



## 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 the Shareholders' Meeting, which establish a maximum consolidated indebtedness level of 1.5 times the debt to equity ratio. This limit can be exceeded only if the Company's management has first obtained express approval at an Extraordinary Shareholders' Meeting.

In addition, capital management must comply with the external capital requirements (or covenants) imposed in its financial obligations, which regulate the indebtedness level to 1.2 times, its strictest 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        | 12/31/2017 | 12/31/2016 | Description (1)  | Calculation (1)   |
|---------------------------|------------|------------|--|---|
| Net Financial Debt ThUS\$ | 245,508    | 461,569    | 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                 | 3.29       | 4.02       | Current Asset divided by Current Liability   | Total Current Assets / Total Current Liabilities  |
| Net Debt / Capitalization | 0.10       | 0.17       | Net Financial Debt divided by Total Equity   | Net financial debt / ( Net financial debt + Total Equity)   |
| ROE                       | 19.1%      | 12.25%     | Income divided by Total Equity   | Total Income / Equity (UH 12 months)  |
| EBITDA (MUS\$)            | 894,588    | 796,134    | EBITDA   | Gross Profit-Administrative Expenses + Adjustments for depreciation and amortization expenses.  |
| ROA                       | 21.4%      | 16.0%      | 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              | 0.91       | 0.83       | Total Liability on Equity  | Total Liabilities / Total Equity  |

(1) Assumes the absolute value of the accounting records

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## **Note 17 Disclosures on equity (continued)**

### **17.1 Capital management, continued**

The Company's capital requirements change according to variables such as working capital needs, 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, 2017 and December 31, 2016, the Group does not maintain shares in the parent either directly or through those 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<br>Description of type of capital in preferred shares                   | 12/31/2017         |                    | 12/31/2016         |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Series A           | Series B           | Series A           | Series B           |
| Number of authorized shares   | 142,819,552        | 120,376,972        | 142,819,552        | 120,376,972        |
| Number of fully subscribed and paid shares  | 142,819,552        | 120,376,972        | 142,819,552        | 120,376,972        |
| Number of subscribed, partially paid shares   | -                  | -                  | -                  | -                  |
| Par value of shares in ThUS\$   | 0.9435             | 2.8464             | 0.9435             | 2.8464             |
| Increase (decrease) in the number of current shares   | -                  | -                  | -                  | -                  |
| Number of current shares  | 142,819,552        | 120,376,972        | 142,819,552        | 120,376,972        |
| Number of shares owned by the entity or its subsidiaries or associates                                      | -                  | -                  | -                  | -                  |
| Number of shares whose issuance is reserved due to the existence of options or agreements to dispose shares | -                  | -                  | -                  | -                  |
| Capital amount in shares ThUS\$   | 134,750            | 342,636            | 134,750            | 342,636            |
| Amount of premium issuance ThUS\$   | -                  | -                  | -                  | -                  |
| Amount of reserves ThUS\$   | -                  | -                  | -                  | -                  |
| <b>Total number of subscribed shares, total</b>   | <b>142,819,552</b> | <b>120,376,972</b> | <b>142,819,552</b> | <b>120,376,972</b> |

As of December 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, this caption comprises the following:

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Reserve for currency exchange conversion   | (24,913)             | (19,463)             |
| Reserve for cash flow hedges   | 2,248                | 64                   |
| Reserve for gains and losses from financial assets measured at fair value through other comprehensive income | 2,937                | 3,513                |
| Reserve for actuarial gains or losses in defined benefit plans   | (5,953)              | (4,834)              |
| Other reserves   | 11,332               | 7,832                |
| <b>Total other reserves</b>  | <b>(14,349)</b>      | <b>(12,888)</b>      |

#### Reserves for foreign currency translation differences

This balance reflects retained earnings for changes in the exchange rate when converting the financial statements of subsidiaries whose functional currency is that of 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 these have accordingly 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 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 staff severance indemnities 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 2017 and 2016.



## Note 17 Disclosures on equity (continued)

### 17.3 Disclosures on reserves in equity, continued

Movements in other reserves and changes in interest were as follows:

| Movements                            | Foreign currency translation difference | Reserve for cash flow hedges |             | Reserve for actuarial gains and losses from defined benefit plans |                | Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income |                | Other reserves | Total reserves  |                |                 |
|--------------------------------------|---|------------------------------|-------------|---|----------------|--|----------------|----------------|-----------------|----------------|-----------------|
|                                      | Before taxes                            | Before taxes                 | Tax         | 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\$          |
| Opening balance as of 1/1/2016       | <b>(14,035)</b>                         | <b>(2,144)</b>               | <b>445</b>  | <b>(2,077)</b>  | <b>(309)</b>   | -  | -              | <b>(1,677)</b> | <b>(19,933)</b> | <b>136</b>     | <b>(19,797)</b> |
| Increase (decrease) in reserves      | (5,428)                                 | 3,626                        | -           | (3,397)   | -              | 4,813  | -              | 9,509          | 9,123           | -              | 9,123           |
| Deferred taxes                       | -                                       | -                            | (470)       | -   | 921            | -  | (1,300)        | -              | -               | (849)          | (849)           |
| Reclassification of loss in reserves | -                                       | (1,393)                      | -           | 28  | -              | -  | -              | -              | (1,365)         | -              | (1,365)         |
| Closing balance as of 12/31/2016     | <b>(19,463)</b>                         | <b>89</b>                    | <b>(25)</b> | <b>(5,446)</b>  | <b>612</b>     | <b>4,813</b>   | <b>(1,300)</b> | <b>7,832</b>   | <b>(12,175)</b> | <b>(713)</b>   | <b>(12,888)</b> |
| Increase (decrease) in reserves      | (5,450)                                 | 2,159                        | -           | (1,401)   | -              | (26)   | -              | 3,500          | (1,218)         | -              | (1,218)         |
| Deferred taxes                       | -                                       | -                            | 25          | -   | 282            | -  | (550)          | -              | -               | (243)          | (243)           |
| Reclassification of loss in reserves | -                                       | -                            | -           | -   | -              | -  | -              | -              | -               | -              | -               |
| Closing balance as of 12/31/2017     | <b>(24,913)</b>                         | <b>2,248</b>                 | <b>-</b>    | <b>(6,847)</b>  | <b>894</b>     | <b>4,787</b>   | <b>(1,850)</b> | <b>11,332</b>  | <b>(13,393)</b> | <b>(956)</b>   | <b>(14,349)</b> |



## Note 17 Disclosures on equity (continued)

### 17.3 Disclosures on reserves in equity, continued

#### Other reserves

This caption corresponds to the legal reserves reported in the individual financial statements of the subsidiaries that are mentioned below and that have been recognized in SQM's equity through the application of the equity method.

In the case of SQM Iberian S.A., the variation between the two periods corresponds to the results obtained in the previous financial year which are presented as forming part of other reserves because of local regulations.

|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| <b>Subsidiary - Associate</b>  |                   |                   |
| SQM Iberian S.A,   | 9,464             | 5,964             |
| SQM Europe NV  | 1,957             | 1,957             |
| Soquimich European holding B.V.  | 828               | 828               |
| Abu Dhabi Fertilizer Industries WWL  | 455               | 455               |
| Doktor Tarsa Tarim Sanayi AS   | 305               | 305               |
| <b>Total</b>   | <b>13,009</b>     | <b>9,509</b>      |
| Corresponds to the acquisition of the subsidiary SQM Iberian S.A., which was already under Company ownership at the acquisition date (IAS 27 R). | (1,677)           | (1,677)           |
| <b>Total Other reserves</b>  | <b>11,332</b>     | <b>7,832</b>      |

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## **Note 17 - Disclosures on equity (continued)**

### **17.4 Dividend policies**

As required by Article 79 of the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued and subscribed shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated profit for the 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).

At an extraordinary meeting held on April 11, 2017, the Company's Board of Directors made a recommendation for discussion at the Ordinary Shareholders' Meeting (the Meeting), which was held on April 28, 2017, that the Company should distribute and pay dividends based on 100% of the Company's net profit for distribution for the financial year 2016. This recommendation was accepted by the Meeting.

For 2017, the Company has defined the following dividend policy: (a) To distribute and pay a dividend to the respective shareholders a percentage of the profits to be determined as follows:

(i) 100% of the profit for 2017 if all the following financial parameters are met: (a) that the total of cash and cash equivalents and other current financial assets ("Cash") divided by the addition of other current financial liabilities (the "Short-term Financial Liabilities") is equal to or more than 2.5 times, and (b) the total of current liabilities and non-current liabilities ("Total Liabilities") divided by total equity ("Equity") is equal to or less than 1.1 times.

(ii) 80% of profit for 2017 if all the following financial parameters are met: (a) that Cash divided by Short-term Financial Liabilities is equal to or more than 2.0 times, and (b) Total Liabilities divided by Total Equity is equal to or less than 1.2 times.

(iii) 60% of profit for 2017 if all the following financial parameters are met: (a) that Cash divided by Short-term Financial Liabilities is equal to or more than 1.5 times, and (b) Total Liabilities divided by Total Equity is equal to or less than 1.3 times. Should none of these parameters be met, the Company will distribute and pay as dividend 50% of the profit for 2017 to the respective shareholders.

## **Note 17 Disclosures on equity (continued)**

### **17.5 Interim and provisional dividends**

On November 22, 2017, the Company's Board of Directors agreed to pay a provisional dividend equivalent to US\$0.42879 per share with a charge to profit for 2017. Such amount will be paid in its equivalent in Chilean pesos, the domestic currency, according to the observed U.S. dollar exchange rate published in the Official Gazette on November 30, 2017.

This dividend will be paid to shareholders, in person or through their duly authorized representatives, starting at 9:00 a.m. on December 14, 2017. The shareholders who are registered in the Shareholders' Registry five business days prior to the date of payment will be entitled to the dividend.

On August 23, 2017, the Company's Board of Directors agreed to pay a provisional dividend equivalent to US\$0.38432 per share with a charge to profit for 2017. Such amount will be paid in its equivalent in Chilean pesos, the domestic currency, according to the observed U.S. dollar exchange rate published in the Official Gazette on August 31, 2017.

On May 17, 2017, the Board of Directors unanimously agreed to pay a provisional dividend equivalent to US\$0.39222 per share with a debit to the profit for 2017. Such amount will be paid in its equivalent in Chilean pesos, the domestic currency, according to observed U.S. dollar exchange rate published in the Official Gazette on May 31, 2017.

At the General Ordinary Shareholders' Meeting of April 28, 2017, the shareholders agreed to the payment of a dividend of US\$1.05735 per share from the net profit for distribution obtained during the 2016 fiscal year, from which must be discounted the sum of US\$0.85487 per share, which was already paid as a provisional dividend, resulting in a remaining balance of US\$0.20248 per share.

On November 23, 2016, the Board of Directors of Sociedad Química y Minera de Chile S.A approved the payment of a provisional dividend of US\$225 million, equivalent to US\$0.85487 per share with a charge to profit for 2016. This 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 dividend payment 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 who are registered with the Shareholders' Registry five business days prior to December 20, 2016 will be entitled to the dividend.

**Note 17 - Disclosures on equity (continued)**

**17.5 Interim and provisional dividends, continued**

**Change in 2016 Dividend Policy**

On November 23, 2016, the provisional dividend described above and the Dividend Policy for the 2016 fiscal year were approved as communicated at the Ordinary Shareholders' Meeting of April 26, 2016 (the "Dividend Policy"), was amended as follows:

- (i) Not to distribute more provisional dividends during 2016 except for the dividend approved on that date, to be paid during the last quarter of 2016.
- (ii) The remaining amount of net profit for 2016, if any, to be retained and used for the financing of own operations or activities associated with one or more of the Company's investment projects, without prejudice, however, to the possible future capitalization of all or a portion of this or its distribution as a dividend as determined by the shareholders at the Company's Ordinary Shareholders' Meeting.
- (iii) The Dividend Policy described above relates to the intent or expectation of the Board of Directors with respect to such matter. Consequently, compliance with this Dividend Policy is necessarily dependent on the net profits that are finally obtained and the profit or loss indicated by the Company's regular forecasts.

If the Dividend Policy is subject to substantive change, the Board of Directors will communicate and inform its shareholders about any such change in a timely manner in the form of an essential event. On March 22, 2016, the Company communicated that the Directors of Sociedad Química y Minera de Chile S.A. (SQM), at the Ordinary Meeting had unanimously agreed the following:

To partially amend "SQM S.A.'s Dividend Policy for the 2015 fiscal year 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, to be paid with a charge to retained earnings of SQM S.A. ". This was reported to the Ordinary Shareholders' Meeting of April 24, 2015.

The dividends presented as deducted from equity are as follows:

|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Dividends attributable to owners of the parent | 55,501            | 3,014             |
| Provisional dividend                           | 317,243           | 225,000           |
| Interim dividend                               |                   | 150,000           |
| Dividend payable                               | 110,529           | -                 |
| <b>Total</b>                                   | <b>483,273</b>    | <b>378,014</b>    |

## Note 18 Provisions and other non-financial liabilities

### 18.1 Types of provisions

|  | 12/31/2017    |               |               | 12/31/2016    |              |               |
|--|---------------|---------------|---------------|---------------|--------------|---------------|
|  | Current       | Non-current   | Total         | Current       | Non-current  | Total         |
|  | ThUS\$        | ThUS\$        | ThUS\$        | ThUS\$        | ThUS\$       | ThUS\$        |
| Provision for legal complaints (*)                             | 16,419        | 3,000         | 19,419        | 20,867        | 3,000        | 23,867        |
| Provision for dismantling, restoration and rehabilitation cost | -             | 26,954        | 26,954        | -             | 5,890        | 5,890         |
| Other provisions(**)   | 47,026        | 47            | 47,073        | 21,045        | 44           | 21,089        |
| <b>Total</b>   | <b>63,445</b> | <b>30,001</b> | <b>93,446</b> | <b>41,912</b> | <b>8,934</b> | <b>50,846</b> |

(\*) These provisions correspond to legal processes that are pending resolution or that have not yet been disbursed. These provisions are mainly related to litigation involving the subsidiaries located in Chile, Brazil and the United States (see note 19.1).

(\*\*)See Note 18.2



**Note 18 Provisions and other non-financial liabilities (continued)**

**18.2 Description of other provisions**

| <b>Current provisions, other short-term provisions</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Provision for tax loss in fiscal litigation            | 739               | 750               |
| Rent under Lease contract with CORFO(*)                | 32,331            | 11,452            |
| Provision for additional tax related to foreign loans  | 416               | 450               |
| End of agreement bonus                                 | 4,522             | 5,365             |
| Directors' per diem allowance                          | 2,630             | 1,918             |
| Provision for subsidiary restructuring                 | 6,000             | -                 |
| Miscellaneous provisions                               | 388               | 1,110             |
| <b>Total</b>   | <b>47,026</b>     | <b>21,045</b>     |
| <b>Other long-term provisions</b>                      |                   |                   |
| Investments with negative equity                       | 47                | 44                |
| <b>Total</b>   | <b>47</b>         | <b>44</b>         |

**(\*)Rent for the lease contract with CORFO:** This relates to the lease of mining properties that SQM Salar S.A. pays on a quarterly basis to the state entity "Corporación de Fomento" (CORFO). The amount payable is calculated based on the sales of products extracted from the Atacama Saltpeter Deposit. It includes US\$20.4 million corresponding to the payment that forms part of the agreement reached with CORFO (see note 33.2).

These amounts are paid on a quarterly basis.

Other liabilities non-financial current

| <b>Description of other liabilities</b>          | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Tax withholdings                                 | 7,404             | 14,340            |
| VAT payable                                      | 3,344             | 3,949             |
| Guarantees received                              | 2,638             | 2,638             |
| Accrual for dividend                             | 110,529           | 1,189             |
| Monthly tax provisional payments                 | 11,684            | 9,545             |
| Deferred income                                  | 5,301             | 6,507             |
| Withholdings from employees and salaries payable | 6,725             | 5,552             |
| Accrued vacations (*)                            | 19,042            | 15,841            |
| Other current liabilities                        | 2,137             | 2,359             |
| <b>Total</b>                                     | <b>168,804</b>    | <b>61,920</b>     |

(\*) Vacation benefit (short-term benefits to employees, current) is in line with the provisions established in Chile's Labor Code, which indicates that employees with more than a year of service will be entitled to annual vacation for a period of at least fifteen paid business days. The Company provides the benefit of two additional vacation days

## Note 18 Provisions and other non-financial liabilities (continued)

### 18.3 Changes in provisions

| Description of items that gave rise to variations as of 12/31/2017 | Legal complaints | Provision for dismantling, restoration and rehabilitation cost | Other provisions | Total         |
|--|------------------|--|------------------|---------------|
|  | ThUS\$           | ThUS\$   | ThUS\$           | ThUS\$        |
| <b>Total provisions, initial balance</b>                           | <b>23,867</b>    | <b>5,890</b>   | <b>21,089</b>    | <b>50,846</b> |
| <b>Changes in provisions:</b>                                      |                  |  |                  |               |
| Additional provisions  | 6,352            | 21,064   | 33,507           | 60,923        |
| Provision used   | (10,800)         | -  | (7,538)          | (18,338)      |
| Increase(decrease) in foreign currency exchange                    | -                | -  | 9                | 9             |
| others   | -                | -  | 6                | 6             |
| <b>Total provisions, final balance</b>                             | <b>19,419</b>    | <b>21,954</b>  | <b>47,073</b>    | <b>93,446</b> |

| Description of items that gave rise to variations as of 12/31/2016 | Legal complaints | Provision for dismantling, restoration and rehabilitation cost | Other provisions | Total         |
|--|------------------|--|------------------|---------------|
|  | ThUS\$           | ThUS\$   | ThUS\$           | ThUS\$        |
| <b>Total provisions, initial balance</b>                           | <b>21,067</b>    | <b>5,890</b>   | <b>13,445</b>    | <b>40,402</b> |
| <b>Changes in provisions:</b>                                      |                  |  |                  |               |
| Additional provisions  | 2,800            | -  | 54,310           | 57,110        |
| Provision used   | -                | -  | (47,261)         | (47,261)      |
| Increase(decrease) in foreign currency exchange                    | -                | -  | 128              | 128           |
| Others   | -                | -  | 467              | 467           |
| <b>Total provisions, final balance</b>                             | <b>23,867</b>    | <b>5,890</b>   | <b>21,089</b>    | <b>50,846</b> |





## Note 19 Contingencies and restrictions

In accordance with note 18.1, the Company has only registered a provision for those lawsuits in which there is a probability that the judgments will be unfavorable to the Company. The Company is party to the following lawsuits and other relevant legal actions:

### 19.1 Lawsuits and other relevant events

1. Plaintiff : Nancy Erika Urrea Muñoz.  
Defendants : Fresia Flores Zamorano, Duratec-Vinilit S.A. and the Company and their Insurers.  
Date : December 2008.  
Court : 1st Civil Court of Santiago.  
Reason : Labor Accident.  
Status : Judgment favorable for the Company. Appeal filed by the plaintiff.  
Nominal value : ThUS\$550.
2. Plaintiff : City of Pomona, California USA.  
Defendant : SQM North America Corporation.  
Date : December 2010.  
Court : United States District Court Central District of California.  
Reason : Payment of expenses and other amounts related to the treatment of groundwater to allow for its consumption by removing the existing perchlorate in such groundwater that allegedly comes from Chilean fertilizers.  
Status : On August 7, 2017, the United States Court of Appeals for the Ninth Circuit ordered the beginning of a new trial.  
Nominal value : ThUS\$32,000.
3. Plaintiff : City of Lindsay, California USA.  
Defendant : SQM North America Corporation and the Company (still not noticed)  
Date : December 2010.  
Court : United States District Court Eastern District of California.  
Reason : Payment of expenses and other amounts related to the treatment of groundwater to allow for its consumption by removing the existing perchlorate in such groundwater that allegedly comes from Chilean fertilizers.  
Status : Filing of the case. Processing suspended.  
Nominal value : Not possible to determine.

## Note 19 Contingencies and restrictions (continued)

### 19.1 Lawsuits and other relevant events, continued

4. Plaintiff : H&V Van Mele N.V.  
Defendant : SQM Europe N.V. and its insurance companies.  
Date : July 2013.  
Court : Commercial Court of Dendermonde.  
Reason : Alleged indirect responsibility for the absence of adequate specifications for the SOP-WS by the Belgian distributor.  
Status : Judgment stage.  
Nominal value : ThUS\$430.
  
5. Plaintiff : Carlos Aravena Carrizo et al.  
Defendant : SQM Nitratos S.A. and its insurers.  
Date : May 2014.  
Court : 18th Civil Court of Santiago.  
Reason : Lawsuit seeking compensation for damages for alleged civil liability under tort as a result of an explosion that occurred during 2010 near Baquedano, causing the death of 6 employees.  
Status : Evidence.  
Nominal value : ThUS\$1,235.
  
6. Plaintiff : Evt Consulting SpA.  
Defendant : 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 : On November 13, 2017, the Santiago Appeals Court sentenced SQM Nitratos S.A. to pay US\$304,620. The filing of appeals is pending.

## Note 19 Contingencies and restrictions (continued)

### 19.1 Lawsuits and other relevant events, continued

7. Plaintiff : SQM Salar and the Company.  
Defendant : Seguros Generales Suramericana S.A. (formerly - RSA Seguros Chile S.A.)  
Date : August 29, 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 : Evidence stage  
Nominal value : MUS\$20,658.
8. Plaintiff : Tyne and Wear Pension Fund as represented by the Council of the Borough of South Tyneside acting as Lead Plaintiff.  
Defendant : The Company  
Date : January 2016.  
Court : United States District Court – Southern District of New York.  
Reason : Alleged damage to ADS holders of the Company resulting from alleged noncompliance with the securities regulations in the United States by the Company.  
Status : Initial stage of disclosure of background information.  
Nominal value : Not determined.
9. Plaintiff : Ernesto Saldaña González et al.  
Defendant : SQM Salar S.A., SQM Industrial S.A. (“SQM Industrial”) and their insurance companies  
Date : May 2016.  
Court : 13<sup>th</sup> Civil Court of Santiago.  
Reason : Lawsuit seeking compensation for damages for alleged civil liability under tort law arising from the accident that occurred in July 2014 in the María Elena location.  
Status : Evidence stage  
Nominal value : ThUS\$515.

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## Note 19 Contingencies and restrictions (continued)

### 19.1 Lawsuits and other relevant events, continued

10. Plaintiff : María Yolanda Achiardi Tapia et al.  
Defendant : SQM Salar and its insurance companies and other 5 defendants  
Date : February 2015.  
Court : 1<sup>st</sup> Civil Court of Antofagasta.  
Reason : Lawsuit seeking compensation for damages for alleged civil liability under tort law arising from a traffic accident that occurred in April 2011 in the city of Antofagasta.  
Status : Lawsuit pending notice to one of the defendants.  
Nominal value : ThUS\$1,265.
11. Plaintiff : The Company  
Defendants : AES Gener S.A. and Empresa Eléctrica Cochrane SpA.  
Date : May 11, 2017  
Court : Arbitration award in accordance with the arbitration rules established by the Center for Arbitration and Mediation of the Santiago Chamber of Commerce.  
Reason : Request for the interpretation of an electricity supply agreement alleging the right by the plaintiff to receive a collection in conformity with such agreement.  
Instance : Conciliation stage  
Nominal value : Not determined
12. Plaintiff : AES Gener S.A. and Empresa Eléctrica Cochrane SpA.  
Defendant : The Company  
Date : May 2017  
Court : Arbitration award in accordance with the Arbitration Rules established by the Center for Arbitration and Mediation of the Santiago Chamber of Commerce  
Reason : Discrepancy with respect to the amount of an alleged right by the plaintiff to receive a collection in conformity with the agreement entered into by the parties.  
Instance : Deliberation stage  
Nominal value : Not determined

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## Note 19 Contingencies and restrictions (continued)

### 19.1 Lawsuits and other relevant events, continued

13. Plaintiffs : Araya Oses, Antonio et al.  
Defendants : Transportes Buen Destino S.A. and SQM Salar.  
Date : February 17, 2017  
Court : 1<sup>st</sup> Civil Court of Santiago  
Reason : Lawsuit for several or subsidiary liability for unfair dismissal, seeking the avoidance of the dismissal and collection of labor benefits.  
Instance : An appeal seeking avoidance of the first instance judgment is pending.  
Nominal value : ThUS\$235.
14. Plaintiffs : Employee Union No. 2 of SQN Nitratos Nueva Victoria.  
Defendant : SQM Nitratos S.A.  
Date : November 23, 2016.  
Court : Labor Court of Iquique.  
Reason : Lawsuit alleging differences in the calculation of the bonus payable under the Collective Bargaining Agreement.  
Instance : At the evidence stage  
Nominal value : ThUS\$385
- 15 Plaintiff : TBD  
Reason : Voluntary Winding up Statement (Law No. 20.720)  
Court : Civil Court of Colina  
Instance : On January 4, 2017 the voluntary winding up process began. On March 8, 2017, SQM Industrial verified credits in ordinary period associated with the sale of fuel of Ch\$217,193,666 with express reserve as to the legal compensation applicable.  
Nominal value : Ch\$217,193,666

## **Note 19 Contingencies and restrictions (continued)**

### **19.1 Lawsuits and other relevant events, continued**

16. Plaintiffs : TBD  
Defendant : SQM Salar.  
Date : None  
Court : Arbitration Court Arbitrator Mr. Jaime Martínez Tejada.  
Reason : Discrepancies generated in the performance of the (i) lithium brine transportation agreement; and (ii) salt transportation agreement entered into between TBD and SQM Salar.  
Instance : The case has not been presented yet.  
Nominal value : Not determined
17. Plaintiffs : Castillo, Hernán et al.  
Defendants : Servicios Integrales de Tránsitos y Transferencias S.A. and SQM Industrial S.A.  
Date : September 15, 2017.  
Court : 1st Labor Court of Santiago.  
Reason : Lawsuit to assert labor rights, seeking collection of wages owed and other amounts.  
Instance : Preparatory hearing pending.  
Nominal value : ThUS\$1,940

## Note 19 Contingencies and restrictions (continued)

### 19.1 Lawsuits and other relevant events, continued

- 18 Plaintiffs : Vargas Guerra, Vicente Ignacio.  
Defendants : SQM Nitratos S.A.  
Date : January 17, 2018.  
Court : 1st Labor Court of Santiago.  
Reason : Lawsuit for damages related to pain and suffering and lost earnings resulting from occupational illness.  
Instance : Preparatory hearing pending.  
Nominal value : ThUS\$256.
- 19 Plaintiffs : Acosta Tapia, Eloisa del Tránsito and others as successors and assigns of Araya Castillo, Raimundo del Rosario.  
Defendants : SQM Salar S.A.  
Date : January 19, 2018.  
Court : 2nd Labor Court of Santiago.  
Reason : Lawsuit for damages for pain and suffering as a result of occupational illness.  
Instance : Preparatory hearing pending.  
Nominal value : ThUS\$472
- 20 Plaintiffs : Roa Maluenda, Rosa del Carmen as successor and assign of Sánchez Gamboa, Gerónimo Iván.  
Defendants : SQM S.A., SQM Nitratos S.A. and SQM Industrial S.A.  
Date : January 23, 2018.  
Court : 1st Labor Court of Santiago.  
Reason : Lawsuit for damages for pain and suffering as a result of occupational illness.  
Instance : Preparatory hearing pending.  
Nominal value : ThUS\$472

## **Note 19 Contingencies and restrictions (continued)**

### **19.1 Lawsuits and other relevant events, continued**

The Company and its subsidiaries have been involved and will probably continue to be involved either as plaintiffs or defendants in certain judicial proceedings that have been and will be heard by the 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 US\$1.2 million.

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 US\$0,2 million.



## Note 19 Contingencies and restrictions (continued)

### 19.2 Restrictions to management or financial limits

contracts subscribed the issuance of bonuses in the local and international market require the Company to comply with the following level of consolidated financial indicators, calculated for a moving period that considers the last twelve months:

- To maintain a Total Indebtedness Ratio not higher than 1.2 times at its strictest level. The total Indebtedness level is defined as the Total Liabilities divided by Total Equity.

As of December 31, 2017, the aforementioned financial indicators are as follows:

| Indicator  | 12/31/2017 | 12/31/2016 |
|--|------------|------------|
| Equity ThUS\$                                      | 2,247,468  | 2,307,272  |
| Net Financial Debt/ EBITDA                         | 0.27       | 0.58       |
| Indebtedness                                       | 0.91       | 0.83       |
| SQM Industrial and SQM Salar debt / Current assets | 0.03       | 0.02       |

Bond issue agreements issued abroad require the Company to neither merge or dispose of the whole or a substantial part of its assets, unless all the following conditions are met: (i) the legal successor company is an entity subject to either Chilean or United States law, and assumes SQM S.A.'s obligations under a complimentary contract, (ii) the Issuer does not fail to comply immediately after the merger or disposal, and (iii) the Issuer delivers a legal opinion stating that the merger or disposal and the complimentary contract meet the requirements described in the original contract.

In addition, SQM S.A. is committed to disclosing financial information on quarterly basis.

The Company and its subsidiaries have complied and are fully complying with all the aforementioned limitations, restrictions and obligations.

## **Note 19 Contingencies and restrictions (continued)**

### **Note 19 Contingencies and restrictions (continued)**

#### **19.3 Environmental contingencies**

On June 6, 2016, the Superintendence of the Environment (the “SMA”) filed charges against the Company with respect to the Pampa Hermosa project for possible noncompliance with RCA 890/2010.

This relates to charges regarding certain variables in the follow-up plan and through the implementation of a mitigation measure contemplated in the related environmental impact assessment. The Company submitted a Compliance Program to the SMA for its approval. This program details the actions and commitments that the Company will perform to overcome the objections filed by the environmental authority. On June 29, 2017, the SMA rejected the Compliance Program submitted by the Company. On July 10, the Company presented the defense against the charges filed by the SMA. On December 13, 2017, the First Environmental Court of Antofagasta ordered the temporary and partial closure of the water extraction wells located in the Salar de Llamara. These wells allow the Company to extract around 124 liters/second of water, which is approximately 15% of the water used in Chile’s First Region.

Through a ruling dated November 28, 2016, which was modified by a ruling dated December 23, 2016, the SMA filed charges against SQM Salar for extracting brine in excess of authorized amounts, progressively impacting the vitality of algarrobo trees, delivering incomplete information, modifying variables and other matters.

SQM Salar has presented a compliance program detailing the actions and commitments it will carry out to address the SMA’s objections. The SMA is reviewing the compliance program.



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## Note 19 Contingencies and restrictions (continued)

### 19.4 Tax contingency

During 2015, the Company, SQM Salar and SQM Industrial submitted to the Chilean IRS four tax amendments (two by the Company, one by SQM Salar and one by SQM Industrial).

The first two (one for SQM and one for SQM Salar), after being approved by the SII, generated payments for taxes, interests and other charges for US\$8.1 million. A provision for such amount was made in the profit or loss for the first quarter of 2015.

Additionally, during August 2015, the Chilean IRS was provided, for its review and approval, with the documentation necessary for amending the annual tax returns of the Company and SQM Industrial. As a result of such amendments, the Company paid an approximate sum of US\$1.4 million for taxes, interests and other charges. This amount was recorded in a provision in the profit or loss for the second quarter of 2015.

Finally, during 2016, the last 12 invoices were amended with a payment of approximately US\$50,000.

Accordingly, the SQM Group understands the internal analysis they have been performing has ended, the purpose of which was the identification of the expenses incurred by them during the fiscal years 2008 to 2014 and which could be a matter of tax amendment.

Because of the aforementioned amendments, the Company, SQM Salar and SQM Industrial might be affected by additional penalties established in the first subparagraph, No. 4 of Article 97 of the Tax Code, for an amount ranging between 50% and 300% of the taxes paid. The Company has not considered it necessary to make any provisions related to this possible additional penalty.

On August 26, 2016, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region a tax claim against tax assessments Nos. 169, 170, 171 and 172, which seek to expand the application of the specific tax on mining activities for the exploitation of lithium. The amount involved is approximately ThUS\$17,809. This claim is at the deliberation stage.

On March 24, 2017, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region a tax claim against tax assessment No. 207 of 2016 and ruling No. 156 of 2016, both issued by the Chilean IRS, which seek to expand application of the specific tax on mining activities to include lithium exploitation for tax years 2015 and 2016. The amount involved is approximately US\$14.4 million. This claim is at the deliberation stage.

The aforementioned amounts are classified as current tax assets, non-current as of December 31, 2017.

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**Note 19 Contingencies and restrictions (continued)**

**19.4 Tax contingency, continued**

Of the US\$32.2 million under dispute, approximately US\$25,2 million correspond to the potential specific tax on mining activities related to lithium and US\$7.0 million correspond to an excess charge levied by the Chilean IRS.

The Chilean IRS has not issued an assessment claiming differences in the specific tax on mining activities filed for the years 2016 and 2017. As of the date of these financial statements, SQM has not made any provisions for these possible differences.

If the Chilean IRS uses criteria similar to that used in previous years, it may issue an assessment in the future for the 2016 and 2017 financial years. It is reasonable to expect that should these assessments (for the years 2016 and 2017) be issued, the value would be approximately US\$30 million (without considering potential interest and fines).

**19.5 Restricted or pledged cash**

The subsidiary Isapre Norte Grande Ltda., in compliance with the provisions 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, 2017, the guarantee amounts to ThUS\$771.



**Note 19 Contingencies and restrictions (continued)****19.6 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\$12,103 and ThUS\$7,386 on December 31, 2017 and December 31, 2016 respectively; which is detailed as follows:

| <b>Grantor</b>                 | <b>Relationship</b>   | <b>12/31/2017<br/>ThUS\$</b> | <b>12/31/2016<br/>ThUS\$</b> |
|--------------------------------|-----------------------|------------------------------|------------------------------|
| Ferosor Agrícola S.A.          | Unrelated third party | 4,067                        | -                            |
| Tattersall Agroinsumos S.A.    | Unrelated third party | 2,000                        | 2,000                        |
| Contador Frutos S.A.           | Unrelated third party | 1,743                        | 1,574                        |
| Agrícola Lobert Ltda.          | Unrelated third party | 1,264                        | 1,141                        |
| Covepa SPA                     | Unrelated third party | 813                          | 747                          |
| Johannes Epple Davanzo         | Unrelated third party | 363                          | 333                          |
| Hortofrutícola La Serena       | Unrelated third party | 323                          | 291                          |
| Juan Luis Gaete Chesta         | Unrelated third party | 262                          | 241                          |
| Arena Fertilizantes y Semillas | Unrelated third party | 244                          | 224                          |
| Vicente Oyarce Castro          | Unrelated third party | 244                          | 220                          |
| Soc. Agrocom. Julio Polanco    | Unrelated third party | 163                          | 149                          |
| Bernardo Guzmán Schmidt        | Unrelated third party | 138                          | 125                          |
| Gilberto Rivas Y Cia. Ltda.    | Unrelated third party | 138                          | 125                          |
| Lemp Martin Julian             | Unrelated third party | 124                          | 111                          |
| Comercial Agrosal Ltda.        | Unrelated third party | 116                          | 105                          |
| Soc. Comercial el Mimbral      | Unrelated third party | 101                          | -                            |
| <b>Total</b>                   |                       | <b>12,103</b>                | <b>7,386</b>                 |

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## Note 19 Contingencies and restrictions (continued)

### 19.7 Indirect guarantees

Guarantees in which there is no pending balance indirectly reflect that the respective guarantees are in force, have been 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, 2017 and December 31, 2016 are detailed below:

| Creditor of the guarantee             | Debtor                           |              | Type of guarantee | Balances as of the closing date of the financial statements |                      |
|---------------------------------------|----------------------------------|--------------|-------------------|---|----------------------|
|                                       | Name                             | Relationship |                   | 12/31/2017<br>ThUS\$  | 12/31/2016<br>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              | -   | -                    |
| Export Development Canada             | Royal Seed Trading A.V.V.        | Subsidiary   | Bond              | -   | -                    |
| The Bank of Tokyo-Mitsubishi UFJ Ltd. | Royal Seed Trading A.V.V.        | Subsidiary   | Bond              | -   | -                    |
| 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 |                   | 12/31/2017<br>ThUS\$  | 12/31/2016<br>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 Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average of the number of shares in circulation during that period.

As expressed, earnings per share are detailed as follows:

| <b>Basic earnings per share</b>                        | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Earnings (losses) attributable to owners of the parent | 427,697           | 278,290           |
|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|  | <b>Units</b>      | <b>Units</b>      |
| Number of common shares in circulation                 | 263,196,524       | 263,196,524       |
|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
| Basic earnings per share (US\$ per share)              | 1.6250            | 1.05732           |

The Company has not made any operations with a potential dilutive effect that assumes diluted earnings per share are different from the basic earnings per share.

## Note 21 Borrowing costs

The cost of interest is recognized as an expense 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, 2017, total interest expenses incurred amount to ThUS\$50,124 (ThUS\$57.498 as of December 31, 2016).

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.



**Note 21 Borrowing costs (continued)****21.1 Costs of capitalized interest, property, plant and equipment**

The cost of capitalized interest is determined by applying the average or weighted average of all financing costs incurred by the Company to the monthly end balances of works-in-progress meeting the requirements of IAS 23.

The rates and costs for capitalized interest of property, plant and equipment are detailed as follows:

|  | 12/31/2017 | 12/31/2016 |
|--|------------|------------|
| Capitalization rate of costs for capitalized interest, property, plant and equipment | 4%         | 4%         |
| Amount of costs for interest capitalized in ThUS\$                                   | 4,382      | 5,406      |

**Note 22 Effect of fluctuations in foreign currency exchange rates****a) Foreign currency exchange differences recognized in profit or loss except for financial instruments measured at fair value through profit or loss:**

|   | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| Conversion foreign exchange gains (losses) recognized in the result of the year.          | (1,299)              | 460                  |
| Conversion foreign exchange reserves attributable to the owners of the controlling entity | (5,450)              | (5,428)              |
| Conversion foreign exchange reserves attributable to the non-controlling entity           | 4                    | 35                   |



**Note 22 Effect of fluctuations in foreign currency exchange rates (continued)****b) Reserves for foreign currency exchange differences:**

As of December 31, 2017 and 2016, foreign currency exchange differences are detailed as follows:

| Detail  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| Changes in equity generated by conversion of equity value:    |                      |                      |
| Comercial Hydro S.A.  | 1,004                | 1,004                |
| SQMC Internacional Ltda.                                      | (2)                  | (13)                 |
| Proinsa Ltda.   | (7)                  | (10)                 |
| Comercial Agrorama Ltda.                                      | (44)                 | (69)                 |
| Isapre Norte Grande Ltda.                                     | (74)                 | (124)                |
| Almacenes y Depósitos Ltda.                                   | 97                   | 47                   |
| Sales de Magnesio Ltda.                                       | -                    | (29)                 |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | -                    | (6)                  |
| Agrorama S.A.   | (98)                 | (49)                 |
| Doktor Tarsa  | (14,447)             | (12,264)             |
| SQM Vitas Fzco  | (1,779)              | (1,801)              |
| Ajay Europe   | (831)                | (1,935)              |
| SQM Eastmed Turkey  | (92)                 | (95)                 |
| Charlee SQM (Thailand) Co. Ltd.                               | (285)                | (460)                |
| Coromandel SQM India  | (234)                | (282)                |
| SQM Italia SRL  | (154)                | (287)                |
| SQM Oceania Pty Ltd.  | (634)                | (634)                |
| SQM Indonesia S.A.  | (124)                | (124)                |
| Abu Dhabi Fertilizers Industries WWL.                         | (435)                | (434)                |
| SQM Vitas Holland   | (101)                | (280)                |
| SQM Thailand Limited  | (68)                 | (68)                 |
| SQM Europe N.V.   | (1,550)              | (1,550)              |
| Minera Exar S.A.  | (5,209)              | -                    |
| SQM Australia Pty Ltd.  | 154                  | -                    |
| <b>Total</b>  | <b>(24,913)</b>      | <b>(19,463)</b>      |

**Note 22 Effect of fluctuations in foreign currency exchange rates (continued)****c) Functional and presentation currency**

The functional currency of 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).

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## Note 23 Environment

### 23.1 Disclosures of disbursements related to the environment

The Company is continuously concerned with protecting the environment both in its production processes and with respect to products manufactured. This commitment is supported by the principles indicated in the Company's Sustainable Development Policy. The Company is currently operating under an Environmental Management System (EMS) that has allowed it to strengthen its environmental performance through the effective application of the Company's Sustainable Development Policy.

Operations that use caliche as a raw material are carried out in desert areas with climatic conditions that are favorable for drying solids and evaporating liquids using solar energy. Operations involving the open-pit extraction of minerals, due to their low waste-to-mineral ratio, generate remaining deposits that slightly alter the environment. A portion of the ore extracted is crushed, a process in which particle emissions occur. Currently this operation is conducted only at the Pedro de Valdivia worksite and no ore crushing process is conducted in the María Elena sector.

Many of the Company's products are shipped in bulk at the Port of Tocopilla. In 2007, the city of Tocopilla was declared a zone saturated with MP10 Particles mainly due to the emissions from the electric power plants that operate in that city. In October 2010, the Decontamination Plan for Tocopilla was put in place. Accordingly, the Company has committed to taking several measures to mitigate the effects derived from bulk product movements in the port. These measures have been successfully implemented since 2007.

The Company carries out environmental follow-up and monitoring plans based on specialized scientific studies. Within this context, the Company entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Salar de Atacama (Atacama Saltpeter Deposit) lagoons. Such research includes a population count of the birds, as well as breeding research. Environmental monitoring activities carried out by the Company at the Salar de Atacama and other systems in which it operates are supported by a number of studies that have integrated diverse scientific efforts from prestigious research centers, including Dictuc from the Pontificia Universidad Católica in Santiago and the School of Agricultural Science of the Universidad de Chile.

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## **Note 23 Environment (continued)**

### **23.1 Disclosures of disbursements related to the environment, continued**

Furthermore, within the framework of the environmental studies which the Company is conducting, the Company performs significant activities in relation to the recording of Pre-Columbian and historical cultural heritage, as well as the protection of heritage sites, in accordance with current Chilean laws. These activities have been especially performed in the areas surrounding Maria Elena and the Nueva Victoria plants. This effort is being accompanied by cultural initiatives within the community and the organization of exhibits in local and regional museums.

As emphasized in its Sustainable Development Policy, the Company strives to maintain positive relationships with the communities surrounding the locations in which it carries out its operations, as well as to participate in communities' development by supporting joint projects and activities which help to improve the quality of life for residents. For this purpose, the Company has focused its efforts on activities involving the rescue of historical heritage, education and culture, as well as development.

In order to do so, it acts both individually and in conjunction with private and public entities.

### **23.2 Detail of information on disbursements related to the environment**

The cumulative disbursements which the Company had incurred as of December 31, 2017 for the concept of investments in production processes, verification and control of compliance with ordinances and laws relative to industrial processes and facilities, including prior year disbursements related to these projects amounted to ThUS\$14,787 and are detailed as follows:

## Note 23 Environment (continued)

### 23.2 Detail of information on disbursements related to the environment, continued

#### Accumulated expenses as of 12/31/2017

| Identification of the Parent or subsidiary | Name of the project with which expenditure is associated   | Concept for which the expenditure was made or will be made | Asset / Expense | Description of the asset or expense item | Amount of expenditure ThUS\$ | Actual or estimated date on which expenditure was or will be made |
|--|--|--|-----------------|--|------------------------------|---|
| Miscellaneous                              | Environment - Operating Area   | Not classified   | Expense         | Not classified                           | 9.552                        | 12/31/2017  |
| SQM Industrial S.A.                        | 04-IQWZ00 - Normalization TK NV liquid fuels   | Environmental processing                                   | Assets          | Not classified                           | 37                           | 4/1/2014  |
| SQM Industrial S.A.                        | 04-PPZU00 - Standardize and Certify Plant Fuel Tanks   | Environmental processing                                   | Assets          | Not classified                           | 48                           | 7/1/2018  |
| SQM Industrial S.A.                        | 04-J007000 - Environmental Impact Statement  | Environmental processing                                   | Expense         | Not classified                           | 151                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-P003600 - Opening of NPT IV Project (NK engineering studies)  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 181                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-I012400 - Acquisition of Power Generator to Back up the Injection System at Puquios in Salar de Llamara | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 34                           | 12/31/2016  |
| SQM Industrial S.A.                        | 04-J004300 - Energy efficiency study   | Sustainability: Environment and Risk Prevention            | Expense         | Not classified                           | 56                           | 12/31/2017  |
| SQM Industrial S.A.                        | 04-J010200 - NK CS (KNO3-NaNO3 salt production at NPT2 plant)  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 1                            | 4/30/2019   |
| SQM Industrial S.A.                        | 04-I015600 - Recovery of Reject Water from Osmosis Plant, NV Iodine Plant                                  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 12                           | 12/31/2018  |
| SQM S.A.                                   | 01-I005500 - Standardization of SO2 plants   | Environmental processing                                   | Assets          | Not classified                           | 81                           | 12/31/2018  |
| SQM S.A.                                   | 01-I007100 - Environmental Follow-up Plan for Pampa del Tamarugal for 2015-2016                            | Environmental processing                                   | Expense         | Not classified                           | 2                            | 1/31/2018   |
| SQM S.A.                                   | 01-I007200 - Environmental Follow-up Plan for Salar de Llamara for 2015-2016                               | Sustainability: Environment and Risk Prevention            | Expense         | Not classified                           | 2                            | 1/31/2018   |
| SQM S.A.                                   | 01-I013800 - Increase height of Absorber Tower   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 62                           | 12/31/2018  |
| SQM S.A.                                   | 01-I007300 - Compliance with Iodine Gas Exposure Standard  | Environmental processing                                   | Assets          | Not classified                           | 961                          | 12/31/2017  |
| SQM S.A.                                   | 01-I012200 - Repair or replacement of well   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 41                           | 12/31/2018  |
| SQM Salar S.A.                             | 19-L008100 - EIS Salar 2015  | Environmental processing                                   | Expense         | Not classified                           | 488                          | 12/31/2017  |
| SQM Salar S.A.                             | 19-L012200 - Installation of flow meters per environmental standard  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 240                          | 6/1/2018  |
| SQM Salar S.A.                             | 19-C002300 - Extension of LIOH 7,000 TPA Plant   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 230                          | 12/31/2018  |
| SQM Salar S.A.                             | 19-L012100 - Renovation of equipment which must be certified in order to gain environmental approval (RCA) | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 13                           | 6/1/2018  |
| SIT S.A.                                   | 03-T003400 - 2016 Port maintenance Capex   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 42                           | 3/31/2018   |
| SIT S.A.                                   | 03-T001900 - Storage Warehouse Cover   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 37                           | 3/31/2018   |
| SIT S.A.                                   | 03-T001800 - Mechanization of Shipment from Ca   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 982                          | 5/31/2018   |
| SIT S.A.                                   | 03-T003200 - Mechanization of Shipment from Ca   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 1,296                        | 5/31/2018   |
| SIT S.A.                                   | 03-T004200 - Encapsulado y captadores cancha 8 y 9   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 58                           | 8/30/2018   |
| SIT S.A.                                   | 03-T004500 - Extensión y Overhaul Correa 5   | Environmental processing                                   | Assets          | Not classified                           | 180                          | 8/30/2018   |
| <b>Total</b>                               |  |  |                 |  | <b>14,787</b>                |   |

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**Note 23 Environment (continued)**

**23.2 Detail of information on disbursements related to the environment, continued**

**Future expenses as of 12/31/2017**

| Identification of the Parent or subsidiary | Name of the project with which expenditure is associated   | Concept for which the expenditure was made or will be made | Asset / Expense | Description of the asset or expense item | Amount of expenditure ThUS\$ | Actual or estimated date on which expenditure was or will be made |
|--|--|--|-----------------|--|------------------------------|---|
| Varias                                     | Environment - Operating Area   | Not classified   | Expense         | Not classified                           | 10,450                       | 12/31/2018  |
| SQM Industrial S.A.                        | 04-J010200 - NK CS (KNO3-NaNO3 salt production at NPT2 plant)  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 140                          | 4/30/2019   |
| SQM Industrial S.A.                        | 04-I015600 - Recovery of Reject Water from Osmosis Plant, NV Iodine Plant                                  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 130                          | 12/31/2018  |
| SQM S.A.                                   | 01-I005500 - Standardization of SO2 plants   | Environmental processing                                   | Assets          | Not classified                           | 37                           | 12/31/2018  |
| SQM S.A.                                   | 01-I012200 - Repair or replacement of well   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 76                           | 12/31/2018  |
| SQM S.A.                                   | 01-I013800 - Increase height of Absorber Tower   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 111                          | 12/31/2018  |
| SQM S.A.                                   | 01-I017200 - CEDAM at Puquios (ponds) at Llamara   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 260                          | 12/31/2018  |
| SQM S.A.                                   | 01-I017400 - Development of Pintados and surrounding area  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 124                          | 12/31/2018  |
| SIT S.A.                                   | 03-T001900 - Storage Warehouse Cover   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 10                           | 3/31/2018   |
| SIT S.A.                                   | 03-T001800 - Mechanization of Shipment from Ca   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 103                          | 5/31/2018   |
| SIT S.A.                                   | 03-T003200 - Mechanization of Shipment from Ca   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 254                          | 5/31/2018   |
| SIT S.A.                                   | 03-T004200 - Encapsulation and Collectors Yards 8 and 9  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 854                          | 8/30/2018   |
| SIT S.A.                                   | 03-T004500 - Belt 5 Extension and Overhaul   | Environmental processing                                   | Assets          | Not classified                           | 336                          | 8/30/2018   |
| SIT S.A.                                   | 03-T005000 - Ground leveling and paving of warehouse   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 210                          | 9/30/2018   |
| SQM Salar S.A.                             | 19-L012100 - Renovation of equipment which must be certified in order to gain environmental approval (RCA) | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 52                           | 6/1/2018  |
| SQM Salar S.A.                             | 19-L012200 - Installation of flow meters per environmental standard  | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 10                           | 6/1/2018  |
| SQM Salar S.A.                             | 19-C002300 - Extension of LIOH 7,000 TPA Plant   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 28                           | 12/31/2018  |
| SQM Nitratos S.A                           | 12-I012700 - Mine Site Workshop Water Recovery Plant   | Sustainability: Environment and Risk Prevention            | Assets          | Not classified                           | 160                          | 12/31/2018  |
| <b>Total</b>                               |  |  |                 |  | <b>13,345</b>                |   |





**Note 23 Environment (continued)**

**23.2 Detail of information on disbursements related to the environment, continued**

**Accumulated expenses as of 12/31/2016**

| Identification of the Parent or subsidiary | Name of the project with which expenditure is associated                    | Concept for which the expenditure was made      | Asset / Expense | Description of the asset or expense item | Amount of expenditure ThUS\$ | Actual or estimated date on which expenditure was or will be made |
|--|---|---|-----------------|--|------------------------------|---|
| Miscellaneous                              | Environmental - Operating Area  | Not classified                                  | Expense         | Not classified                           | 2,331                        | 12/31/2016  |
| SQM S.A.                                   | 01-I003200 – Standardization of hazardous materials                         | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 79                           | 12/31/2016  |
| SQM S.A.                                   | 01-I005500 – Standardization of SO2 plants                                  | Sustainability                                  | Assets          | Not classified                           | 188                          | 12/31/2016  |
| SQM S.A.                                   | 01-I007300 – Compliance with Iodine Gas Exposure Standard                   | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 721                          | 12/31/2016  |
| SQM S.A.                                   | 01-I006700 – Enablement of CPC wells  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | -                            | 12/31/2016  |
| SQM S.A.                                   | 01-I007100 – 2015-2016 Environmental Follow-up Plan for Pampa del Tamarugal | Sustainability                                  | Expense         | Not classified                           | 290                          | 03/31/2017  |
| SQM S.A.                                   | 01-I007200– 2015-2016 Salar de Llamara Environmental Follow-up Plan         | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 54                           | 12/31/2016  |
| SQM S.A.                                   | 01-P003500 – Tur Development Master Plan                                    | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 20                           | 12/31/2016  |
| SQM S.A.                                   | 01-P003000 – Plant 1 Scrubber and Plant 3 Scrubber                          | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 355                          | 12/31/2016  |
| SQM Industrial S.A.                        | 04-I007600– NV evaporation ponds  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 78                           | 12/31/2016  |
| SQM Industrial S.A.                        | 04-J004100 – Coya Sur Field Disposal DIA                                    | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 31                           | 12/31/2016  |
| SQM Industrial S.A.                        | 04-J004300 - Energy efficiency study  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 31                           | 12/31/2016  |
| SQM Industrial S.A.                        | 04-J007000 – Environmental Impact Statement                                 | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 40                           | 04/30/2017  |
| SQM Industrial S.A.                        | 04-J003300 – Improvements to water distribution                             | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 376                          | 12/31/2016  |
| SQM Industrial S.A.                        | 04-P003600 - NK PV Project  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 214                          | 12/31/2017  |
| SIT S.A.                                   | 03-T003000 – Archeological salvage for northern access, Port of Tocopilla   | Sustainability                                  | Expense         | Not classified                           | 51                           | 12/31/2016  |
| SQM Salar S.A.                             | 19-L008100 - EIS Salar 2015   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 35                           | 12/31/2016  |
| SQM Salar S.A.                             | 19-C001500 - 2016 Waste ponds   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 92                           | 12/31/2017  |
| <b>Total</b>                               |   |   |                 |  | <b>4,986</b>                 |   |





## Note 23 Environment (continued)

### 23.2 Detail of information on disbursements related to the environment, continued

#### Future expenses as of 12/31/2016

| Identification of the Parent or subsidiary | Name of the project with which expenditure is associated  | Concept for which the expenditure was made      | Asset / Expense | Description of the asset or expense item | Amount of expenditure MUS\$ | Actual or estimated date on which expenditure was or will be made |
|--|---|---|-----------------|--|-----------------------------|---|
| SQM S.A.                                   | 01-I003200 – Standardization of hazardous materials   | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 25                          | 12/31/2017  |
| SQM S.A.                                   | 01-I005500 – Standardization of SO2 plants  | Sustainability                                  | Assets          | Not classified                           | 15                          | 12/31/2017  |
| SQM S.A.                                   | 01-I006700 – Enablement of CPC wells  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 133                         | 12/31/2017  |
| SQM S.A.                                   | 01-I007100 – 2015-2016 Environmental Follow-up Plan for Pampa del Tamarugal   | Sustainability                                  | Expense         | Not classified                           | 2                           | 03/31/2017  |
| SQM S.A.                                   | 01-I007200– 2015-2016 Salar de Llamara Environmental Follow-up Plan   | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 1                           | 12/31/2017  |
| SQM S.A.                                   | 01-P003000 – Plant 1 Scrubber and Plant 3 Scrubber  | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 3                           | 12/31/2017  |
| SQM S.A.                                   | 01-P003500 – Tur Development Master Plan  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 18                          | 12/31/2017  |
| SQM S.A.                                   | 01-I007300 – Compliance with Iodine Gas Exposure Standard   | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 90                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-I007600– NV evaporation ponds  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | -                           | 12/31/2017  |
| SQM Industrial S.A.                        | 04-J003300 – Improvements to water distribution   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 55                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-J004300 - Energy efficiency study  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 54                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-J007000 – Environmental Impact Statement   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 229                         | 04/30/2017  |
| SQM Industrial S.A.                        | 04-I012400 - Acquisition of Power Generator to Back up the Injection System at Puquios in Salar of Salar de Llamara | Sustainability: Environment and Risk Prevention | Assets          | Not classified                           | 33                          | 12/31/2017  |
| SQM Industrial S.A.                        | 04-P003600 - NK PV Project  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 86                          | 01/02/2018  |
| SQM Salar S.A.                             | 19-L012100 – Regularization of weather station  | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 65                          | 12/31/2017  |
| SQM Salar S.A.                             | 19-C001500 - 2016 Waste ponds   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                           | 27                          | 01/01/2018  |
| SIT S.A.                                   | 03-T003000 – Archeological salvage for northern access, Port of Tocopilla   | Sustainability                                  | Expense         | Not classified                           | 6                           | 12/31/2017  |
| <b>Total</b>                               |   |   |                 |  | <b>842</b>                  |   |







## **Note 23 Environment (continued)**

### **23.3 Description of each project, indicating whether these are in process or have been finished**

#### **SQM Industrial S.A.**

**IQWZ:** The plant fuel tanks are being brought up to standard. This implies repairing, amending, replacing or eliminating tanks according to their current condition. This project is in progress.

**PPZU:** The plant fuel tanks are being brought up to standard. This implies repairing, amending, replacing or eliminating tanks according to their current condition. This project is in progress.

**I0124:** The project consists of the acquisition of a power generator to ensure that when there is a power outage, water will continue to be injected, by operating an extraction pond to directly feed the injection pipe.

**I0156:** The reject water from the osmosis plant is currently discarded into the plant's AFA pond, diluting the AFA brine and increasing the area needed for evaporation in the Sur Viejo ponds.

**J0043:** To form a strategic partnership with a company linked to new technologies and energy efficiency. Search for new and alternative technologies. Carry out engineering studies for alternatives.

**J0070:** This project relates to the preparation and processing of an Environmental Impact Statement (EIS), with the purpose of obtaining the environmental authorization (RCA) for the yards. The information to be presented includes the air quality baseline, so a PM 2.5 and gas monitoring station has been installed to complement the existing stations at ME. This project is in progress.

**J0102:** It is proposed to build a new PTS plant that is integrated into the NPT 2 crystallization process. The engineering design of this plant considers the reuse of the equipment already acquired for the NK PV plant. The plant includes a new raw materials yard, a grinder stage (sizer), a wet mill, a dissolution stage with reactors and thickener and a filtration and centrifuge unit for discarded salt. The crystallization from the NPT1 and NPT2 plants will be reused, as well as the refining plant at the NPT2 plant.

**P0036:** The objective of this project is for the Company to build on the basic engineering that was completed in December 2015 and develop the detailed engineering to allow the acquisition of equipment that is critical (long-term or key for the project). This project is in progress.



## Note 23 Environment (continued)

### 23.3 Description of each project, indicating whether these are in process or have been finished, continued

#### **SQM S.A.**

**I0055:** En the SO<sub>2</sub> plant, the gas/liquid ratio is deficient, impeding the absorption of SO<sub>2</sub>; producing losses of free iodine through inadequate stripping of the kerosene and the prilling air. This is also causing the ducts and furnaces to be blocked (unprogramed shutdowns), a very polluted environment for people (deviation in health and hygiene), excessive acid rain (corrosion of the facilities) and a high factor of sulfur and sodium metabisulfite consumption. By changing the gas extractors to increase air flows and the SO<sub>2</sub> absorption towers for prilling, the diameter of the ducts will be increased. This will ensure that the gas/liquid ratio is increased and sustained. In order to decrease SO<sub>2</sub> emissions, a scrubber unit (tower, pump, gas extractor and piping) needs to be installed following the same concept as was developed at the ME Iodine SO<sub>2</sub> plant.

**I0071:** This project consists of implementing mitigation and compensation measures in line with the commitments in the Environmental Assessment of the Pampa Hermosa Environmental Impact Assessment (EIA). The measures to be implemented are those included in the Salar de Llamara Environmental Management Plan for the native trees known as tamarugos (Environmental Education Program, planting tamarugos, ex situ conservation of tamarugos, tamarugo production, and support for the phytosanitary control of tamarugos). This project is in progress.

**I0072:** This project consists of implementing mitigation and compensation measures in line with the commitments in the Environmental Assessment of the Pampa Hermosa Environmental Impact Assessment (EIA). The measures to be implemented are those included in the Salar de Llamara Environmental Management Plan for the native trees known as tamarugos (Environmental Education Program, planting tamarugos, ex situ conservation of tamarugos, tamarugo production, and support for the phytosanitary control of tamarugos).

**I0073:** Change to the system for capturing iodine gas for operations, in line with Article 61 of Supreme Decree No. 594/1999, approving Basic Sanitary and Environmental Conditions in Workplaces. This project is in progress.

**I0122:** The project consists of repairing and/or replacing the environmental follow-up wells that need to be deepened. It also includes implementing improvements in mine shaft type wells to avoid risk conditions. The priority wells are Nos. 8 and 10-S-1 in Pampa del Tamarugal and PO-5 in Salar de Llamara. This project is in progress.

**I0138:** This project is to increase the height of each SO<sub>2</sub> absorber tower (regular and stand-by towers) by 2.5 meters. The towers' additional height will allow the height of the packing to be increased by 2.5, thereby improving the efficiency of the SO<sub>2</sub> absorption. The main activities are: Basic and detailed engineering; supply of the bodies of the absorber towers (frp), liquid distributors, tower brine pump pad, tri-pack packing type, polyethylene pipes and fitting; gas measurement service; metallic structure manufacturing and installation services; and project start-up.

## **Note 23 Environment (continued)**

### **23.3 Description of each project, indicating whether these are in process or have been finished, continued**

**I0174:** One of the commitments of the Pampa Hermosa project involves developing the former Pintados station. The development proposal was presented to the authorities and once approved, it needs to be implemented (parking, footpath, shade and information panels). One of the commitments for the Nueva Victoria and Pampa Hermosa mining area projects is to prepare a storage place in Humberstone for storing the archaeological materials that are recovered. This is part of the archaeological compensation measures involved in these projects. A proposal needs to be developed and subsequently developed for the Humberstone deposit, which is subject to approval by the authorities so its duration and costs are subject to the approval of third parties.

#### **SIT S.A.**

**T0018:** The project consists of the installation of an underground conveyor belt running outside of the storage boxes in yards Nos. 8 and 9, connected to belt 5 and subsequently to the shipment system. While this is an operating improvement, the project has an environmental component in the form of an emissions mitigation measure, because it involves the implementation and acquisition of belt covers (to control internal emissions), in order to improve compliance with the Tocopilla EDP. This project is in progress.

**T0019:** This project consists of the installation of covers (ceiling and side cover) in the 4 new storage boxes, which will be built in the zone of current yards Nos. 8 and 9. While this is an operating improvement, the project has an environmental component as the project involves

the building of a warehouse as an emissions control measure to improve compliance with the Tocopilla EDP and reduce dust emissions. This project has been completed.

**T0032:** The project consists of the installation of an underground conveyor belt running outside of the storage boxes in Yard No. 6, with feeding points of access directly connected to belt 6 and subsequently to the shipment system. While this is an operating improvement, the project has an environmental component as it includes the implementation of conveyor belt No. 6 from Yard No. 6, which is an action to control emissions as per the commitments within the Tocopilla EDP. This project is at the start-up stage.

**T0034:** The project seeks to make all the investments associated with maintaining the port's operating capacity, guaranteeing high equipment availability for shipment purposes. While this is an operating improvement, the project also has an environmental component. The project consists of the replenishment and/or replacement of the impaired wind barrier membranes in Yard No. 3, which is an action to control emissions, as committed to in the Tocopilla EDP. This project has been completed.

**T0042:** In order to comply with Article 13 of Supreme Decree No. 70/2010 Tocopilla EDP must incorporate dust collectors on the TV-1 and TV-2 hoppers in yard Nos.8 and 9.



## **Note 23 Environment (continued)**

### **23.3 Description of each project, indicating whether these are in process or have been finished, continued**

**T0045:** The conveyor belts in yard numbers 8 and 9 will be completed by being connected to conveyor belt no. 5 and thus forming part of the shipment system. This involves the extension, connection and overhaul of conveyor belt no. 5, together with the connection to pan feeder 3 and the corresponding improvements to become an integral part of the shipment system. This will be done in compliance with the environmental regulations established in the Tocopilla Decontamination Plan. Atmospheric Decontamination Plan for the City of Tocopilla and surrounding area Supreme Decree No. 70/2010, Art.13 II.3.

**T0050:** The loose earth soil around the storage warehouse in yard 17 is uneven which creates operational difficulties and poses a risk both for the warehouse and operationally. The area of land to be paved measures 2100 m<sup>2</sup>. A hazardous waste patio is also to be built.

#### **SQM Nitratos S.A.**

**I0127:** By installing a reverse osmosis system or a process that enables the recovery of industrial water and that reduces the hardness of the water for cleaning the equipment, we can reuse this water to wash equipment again, thereby reducing the damage to the electrical systems of the equipment as a result of corrosion.

#### **SQM Salar.**

**C0023:** A new plant extension is to be built with the capacity for 7,000 TPA of product. This project is in progress.

**L0081:** The authorities require several different environmental impact studies to be carried out, for the exploration or the construction of new wells and also to support current production. This project is in progress.

**L0121:** The weather station in the KCL sector does not have the certification to comply with the environmental standard RCA 226/2006. Buy and change the weather station equipment.

**L0122:** The project considers the change in flow meters to the new standard in addition to adding standby flow meters. This project is in progress.

**Note 24 Other current and non-current non-financial assets**

As of December 31, 2017, and December 31, 2016, the detail of other current and non-current assets is as follows:

| <b>Other non-financial assets, current</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Domestic Value Added Tax                   | 7,488             | 13,999            |
| Foreign Value Added Tax                    | 5,122             | 2,537             |
| Prepaid mining licenses                    | 1,205             | 1,136             |
| Prepaid insurance                          | 2,446             | 6,323             |
| Other prepayments                          | 1,443             | 408               |
| Refund of Value Added Tax to exporters     | 4,937             | 855               |
| Other taxes                                | 4,027             | 4,660             |
| Other assets                               | 215               | 355               |
| <b>Total</b>                               | <b>26,883</b>     | <b>30,273</b>     |

  

| <b>Other non-financial assets, non-current</b>          | <b>12/31/2017</b> | <b>12/31/2016</b> |
|---|-------------------|-------------------|
|   | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Stain development expenses and prospecting expenses (1) | 17,721            | 23,008            |
| Guarantee deposits                                      | 771               | 685               |
| Other assets  | 770               | 997               |
| <b>Total</b>  | <b>19,262</b>     | <b>24,690</b>     |

1) Reconciliation of changes in assets for exploration and mineral resource evaluation, by type

Movements in assets for the exploration and evaluation of mineral resources as of December 31, 2017, and December 31, 2016:

| <b>Reconciliation</b>                                  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| <b>Opening balance</b>                                 | <b>23,008</b>     | <b>31,911</b>     |
| <b>Changes</b>   |                   |                   |
| Additions, other than business combinations            | -                 | -                 |
| Depreciation and amortization                          | (5,440)           | (9,498)           |
| Increase (decrease) due to transfers and other charges | 153               | 595               |
| <b>Total changes</b>                                   | <b>(5,287)</b>    | <b>(8,903)</b>    |
| <b>Total</b>   | <b>17,721</b>     | <b>23,008</b>     |

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 the Company. These segments reflect separate operating results that are regularly reviewed by the person responsible for operational decisions in order to make decisions about the resources to be allocated to the segment and assess its performance (See Note 25.2).

The performance of each segment 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:**

The segments covered in the report 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 from which each reportable segment obtains its income from ordinary activities**

The operating segments, which obtain income from ordinary activities, 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 regarding assets, liabilities, profits and expenses that cannot be assigned to the segments indicated above, due to the nature of production processes, is included under the "Unassigned amounts" category of the disclosed information.

#### **Basis of accounting for transactions between reportable segments**

Sales between segments are made under the same conditions as those made to third parties, and how they are presented in the income statement is constantly monitored.



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## **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 there is no need 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 decision-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   | 12/31/2017                          |                                      |                                       |                                |                     |                                       |                               |                              |   |                               |                            |
|---|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|-------------------------------|------------------------------|---|-------------------------------|----------------------------|
|   | Specialty plant nutrients<br>ThUS\$ | Iodine and its derivatives<br>ThUS\$ | Lithium and its derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products and services<br>ThUS\$ | Reportable segments<br>ThUS\$ | Operating segments<br>ThUS\$ | Elimination of inter-segments amounts<br>ThUS\$ | Unallocated amounts<br>ThUS\$ | Total 12/31/2017<br>ThUS\$ |
| Revenue   | 697,251                             | 252,123                              | 644,573                               | 135,578                        | 379,326             | 48,472                                | 2,157,323                     | 2,157,323                    | -   | -                             | 2,157,323                  |
| Revenues from transactions with other operating segments of the same entity                                     | 392,693                             | 287,469                              | 551,382                               | 157,158                        | 269,298             | 201,250                               | 1,859,250                     | 1,859,250                    | (1,859,250)                                     | -                             | 2,157,323                  |
| <b>Revenues from external customers and transactions with other operating segments of the same entity</b>       | <b>1,089,944</b>                    | <b>539,592</b>                       | <b>1,195,955</b>                      | <b>292,736</b>                 | <b>648,624</b>      | <b>249,722</b>                        | <b>4,016,573</b>              | <b>4,016,573</b>             | <b>(1,859,250)</b>                              | <b>-</b>                      | <b>-</b>                   |
| Costs of sales  | (555,356)                           | (199,808)                            | (189,242)                             | (91,753)                       | (313,690)           | (44,973)                              | (1,394,822)                   | (1,394,822)                  | -   | -                             | (1,394,822)                |
| Administrative expenses   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | 5,686   | (106,857)                     | (101,171)                  |
| Interest expense  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | 83,689  | (133,813)                     | (50,124)                   |
| Depreciation and amortization expense   | (91,201)                            | (35,711)                             | (34,138)                              | (14,867)                       | (54,779)            | (7,730)                               | (238,426)                     | (238,426)                    | -   | (89)                          | (238,515)                  |
| The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | 27  | 14,425                        | 14,452                     |
| Income tax expense, continuing operations   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | (1,072)   | (165,101)                     | (166,173)                  |
| Other items other than significant cash   | 141,895                             | 52,315                               | 455,331                               | 43,825                         | 65,636              | 3,499                                 | 762,501                       | 762,501                      | (802,288)                                       | 634,377                       | 594,590                    |
| Income (loss) before taxes  | 141,895                             | 52,315                               | 455,331                               | 43,825                         | 65,636              | 3,499                                 | 762,501                       | 762,501                      | <b>(803,360)</b>                                | <b>469,276</b>                | <b>428,417</b>             |
| Net income (loss) from continuing operations  | 141,895                             | 52,315                               | 455,331                               | 43,825                         | 65,636              | 3,499                                 | 762,501                       | 762,501                      | <b>(803,360)</b>                                | <b>469,276</b>                | <b>428,417</b>             |
| Net income (loss) from discontinued operations  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | -                             | -                          |
| <b>Net income (loss)</b>  | <b>-</b>                            | <b>-</b>                             | <b>-</b>                              | <b>-</b>                       | <b>-</b>            | <b>-</b>                              | <b>-</b>                      | <b>-</b>                     | <b>(5,880,934)</b>                              | <b>10,177,170</b>             | <b>4,296,236</b>           |
| Assets  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | (3,376,995)                                     | 3,503,420                     | 126,425                    |
| Equity-accounted investees  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | 117,159                       | 117,159                    |
| Increase of non-current assets  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | -                             | -                          |
| Liabilities   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | (2,286,817)                                     | 4,335,585                     | 2,048,768                  |
| Impairment loss recognized in profit or loss  | (15,025)                            | 335                                  | 1,112                                 | (3,546)                        | (240)               | (219)                                 | (17,583)                      | (17,583)                     | -   | (14,316)                      | (31,889)                   |
| Reversal of impairment losses recognized in profit or loss for the period                                       | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | -                             | -                          |
| Cash flows from (used in) operating activities  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | 703,997                       | 703,997                    |
| Cash flows from (used in) investing activities  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | (248,067)                     | (248,067)                  |
| Cash flows from (used in) financing activities  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                             | -                            | -   | (357,645)                     | (357,645)                  |





## Note 25 Reportable segments (continued)

### 25.2 Reportable segment disclosures, continued

| Operating segment items   | 12/31/2016                |                            |                             |                      |           |                             |                     |                    |                     |                                       |                  |
|---|---------------------------|----------------------------|-----------------------------|----------------------|-----------|-----------------------------|---------------------|--------------------|---------------------|---------------------------------------|------------------|
|   | Specialty plant nutrients | Iodine and its derivatives | Lithium and its derivatives | Industrial chemicals | Potassium | Other products and services | Reportable segments | Operating segments | Unallocated amounts | Elimination of inter-segments amounts | Total 12/31/2016 |
|   | ThUS\$                    | ThUS\$                     | ThUS\$                      | ThUS\$               | ThUS\$    | ThUS\$                      | ThUS\$              | ThUS\$             | ThUS\$              | ThUS\$                                | 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          | (6,387,076)                           | 4,217,980        |
| Equity-accounted investees  | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | 2,783,001           | (2,669,861)                           | 133,140          |
| Increase of non-current assets  | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | (107,268)           | -                                     | (107,268)        |
| Liabilities   | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | 5,321,161           | (3,410,453)                           | 1,910,708        |
| Impairment loss recognized in profit or loss  | -                         | -                          | (251)                       | -                    | -         | (698)                       | (949)               | (949)              | (39,595)            | -                                     | (40,544)         |
| Reversal of impairment losses recognized in profit or loss for the period                                       | 133                       | 325                        | -                           | 233                  | 2,216     | -                           | 2,907               | 2,907              | -                   | -                                     | 2,907            |
| Cash flows from (used in) operating activities  | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | 633,662             | -                                     | 633,662          |
| Cash flows from (used in) investing activities  | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | 162,386             | -                                     | 162,386          |
| Cash flows from (used in) financing activities  | -                         | -                          | -                           | -                    | -         | -                           | -                   | -                  | (816,410)           | -                                     | (816,410)        |



**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   | 12/31/2017                       |                                   |                                    |                             |                  |                                    |                       | 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  | 697,251                          | 252,123                           | 644,573                            | 135,578                     | 379,326          | 48,472                             | -                     | 2,157,323                                |
| Cost of sales  | (555,356)                        | (199,808)                         | (189,242)                          | (91,753)                    | (313,690)        | (44,973)                           | -                     | (1,394,822)                              |
| <b>Gross profit</b>  | <b>141,895</b>                   | <b>52,315</b>                     | <b>455,331</b>                     | <b>43,825</b>               | <b>65,636</b>    | <b>3,499</b>                       | <b>-</b>              | <b>762,501</b>                           |
| Other incomes by function  | -                                | -                                 | -                                  | -                           | -                | -                                  | 17,827                | 17,827                                   |
| Administrative expenses  | -                                | -                                 | -                                  | -                           | -                | -                                  | (101,171)             | (101,171)                                |
| Other expenses by function   | -                                | -                                 | -                                  | -                           | -                | -                                  | (61,638)              | (61,638)                                 |
| Other gains (losses)   | -                                | -                                 | -                                  | -                           | -                | -                                  | 543                   | 543                                      |
| Financial income   | -                                | -                                 | -                                  | -                           | -                | -                                  | 13,499                | 13,499                                   |
| Financial costs  | -                                | -                                 | -                                  | -                           | -                | -                                  | (50,124)              | (50,124)                                 |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method | -                                | -                                 | -                                  | -                           | -                | -                                  | 14,452                | 14,452                                   |
| Exchange differences   | -                                | -                                 | -                                  | -                           | -                | -                                  | (1,299)               | (1,299)                                  |
| <b>Profit (loss) before taxes</b>  | <b>141,895</b>                   | <b>52,315</b>                     | <b>455,331</b>                     | <b>43,825</b>               | <b>65,636</b>    | <b>3,499</b>                       | <b>(167,911)</b>      | <b>594,590</b>                           |
| Income tax expense   | -                                | -                                 | -                                  | -                           | -                | -                                  | (166,173)             | (166,173)                                |
| <b>Profit (loss) from continuing operations</b>  | <b>141,895</b>                   | <b>52,315</b>                     | <b>455,331</b>                     | <b>43,825</b>               | <b>65,636</b>    | <b>3,499</b>                       | <b>(334,084)</b>      | <b>429,257</b>                           |
| Profit (loss) from discontinued operations   | -                                | -                                 | -                                  | -                           | -                | -                                  | -                     | -  |
| <b>Profit (loss)</b>   | <b>141,895</b>                   | <b>52,315</b>                     | <b>455,331</b>                     | <b>43,825</b>               | <b>65,636</b>    | <b>3,499</b>                       | <b>(334,084)</b>      | <b>428,417</b>                           |
| <b>Profit (loss), attributable to</b>  |                                  |                                   |                                    |                             |                  |                                    |                       |  |
| Profit (loss) attributable to the controller's owners  | -                                | -                                 | -                                  | -                           | -                | -                                  | -                     | 427,697                                  |
| Profit (loss) attributable to the non-controllers  | -                                | -                                 | -                                  | -                           | -                | -                                  | -                     | 720                                      |
| <b>Profit (loss)</b>   | <b>-</b>                         | <b>-</b>                          | <b>-</b>                           | <b>-</b>                    | <b>-</b>         | <b>-</b>                           | <b>-</b>              | <b>428,417</b>                           |



**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   | 12/31/2016                          |                                      |                                       |                                |                     |                                       |                          |   |
|--|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------|---------------------|---------------------------------------|--------------------------|---|
|  | Specialty plant nutrients<br>ThUS\$ | Iodine and its derivatives<br>ThUS\$ | Lithium and its derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products and services<br>ThUS\$ | Corporate Unit<br>ThUS\$ | Total segments and Corporate unit<br>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)                                 |
| <b>Gross profit</b>  | <b>145,779</b>                      | <b>39,846</b>                        | <b>339,011</b>                        | <b>36,759</b>                  | <b>43,846</b>       | <b>5,796</b>                          | <b>-</b>                 | <b>611,037</b>                              |
| Other incomes by function  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | 15,202                   | 15,202                                      |
| Administrative expenses  | -                                   | -                                    | -                                     | -                              | -                   | -                                     | (88,436)                 | (88,436)                                    |
| Other expenses by function   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | (89,731)                 | (89,731)                                    |
| Other gains (losses)   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | 679                      | 679   |
| Financial income   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | 10,129                   | 10,129                                      |
| 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   |
| <b>Profit (loss) before taxes</b>  | <b>145,779</b>                      | <b>39,846</b>                        | <b>339,011</b>                        | <b>36,759</b>                  | <b>43,846</b>       | <b>5,796</b>                          | <b>(196,148)</b>         | <b>414,889</b>                              |
| Income tax expense   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | (132,965)                | (132,965)                                   |
| <b>Profit (loss) from continuing operations</b>  | <b>145,779</b>                      | <b>39,846</b>                        | <b>339,011</b>                        | <b>36,759</b>                  | <b>43,846</b>       | <b>5,796</b>                          | <b>(329,113)</b>         | <b>281,924</b>                              |
| Profit (loss) from discontinued operations   | -                                   | -                                    | -                                     | -                              | -                   | -                                     | -                        | -   |
| <b>Profit (loss)</b>   | <b>145,779</b>                      | <b>39,846</b>                        | <b>339,011</b>                        | <b>36,759</b>                  | <b>43,846</b>       | <b>5,796</b>                          | <b>(329,113)</b>         | <b>281,924</b>                              |
| 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)

### 25.4 Revenue from transactions with other Company's operating segments

| Items in the statement of comprehensive income | 12/31/2017                       |                                   |                                    |                             |                  |                                    | 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\$ |  |
| Revenue  | 697,251                          | 252,123                           | 644,573                            | 135,578                     | 379,326          | 48,472                             | 2,157,323                                |

  

| Items in the statement of comprehensive income | 12/31/2016                       |                                   |                                    |                             |                  |                                    | 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\$ |  |
| Revenue  | 623,853                          | 231,144                           | 514,627                            | 104,137                     | 403,323          | 62,238                             | 1,939,322                                |

### 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, 2017, 2016 and 2015

| Items  | 12/31/2017       |  |                  |                         |                           | Total<br>ThUS\$  |
|--|------------------|--|------------------|-------------------------|---------------------------|------------------|
|  | Chile<br>ThUS\$  | Latin America and<br>the Caribbean<br>ThUS\$ | Europe<br>ThUS\$ | North America<br>ThUS\$ | Asia and others<br>ThUS\$ |                  |
| <b>Revenue</b>   | <b>140,764</b>   | <b>228,759</b>                               | <b>1,048,556</b> | <b>441,377</b>          | <b>297,867</b>            | <b>2,157,323</b> |
| Investment accounted for under the equity method             | (5,513)          | 26,860                                       | 33,318           | 15,193                  | 56,567                    | 126,425          |
| Intangible assets other than goodwill                        | 105,313          | -  | 453              | 182                     | -                         | 105,948          |
| Goodwill   | 23,731           | 6,290  | 11,374           | 724                     | 2,058                     | 44,177           |
| Property, plant and equipment, net                           | 1,430,569        | 313  | 3,857            | 2,469                   | 1,574                     | 1,438,782        |
| Investment property  | -                | -  | -                | -                       | -                         | -                |
| Other non-current assets                                     | 19,234           | 28   | -                | -                       | -                         | 19,262           |
| <b>Non-current assets that are not financial instruments</b> | <b>1,573,334</b> | <b>33,491</b>                                | <b>49,002</b>    | <b>18,568</b>           | <b>60,199</b>             | <b>1,734,594</b> |

| Items  | 12/31/2016       |  |                  |                         |                           | Total<br>ThUS\$  |
|--|------------------|--|------------------|-------------------------|---------------------------|------------------|
|  | Chile<br>ThUS\$  | Latin America and<br>the Caribbean<br>ThUS\$ | Europe<br>ThUS\$ | North America<br>ThUS\$ | Asia and others<br>ThUS\$ |                  |
| <b>Revenue</b>   | <b>162,477</b>   | <b>240,607</b>                               | <b>411,807</b>   | <b>416,380</b>          | <b>708,051</b>            | <b>1,939,323</b> |
| Investment accounted for under the equity method             | -                | 5,000  | 25,009           | 13,456                  | 69,675                    | 113,140          |
| 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                           | 1,526,992        | 234  | 3,521            | 2,536                   | 1,483                     | 1,534,766        |
| Investment property  | -                | -  | -                | -                       | -                         | -                |
| Other non-current assets                                     | 24,551           | 139  | -                | -                       | -                         | 24,690           |
| <b>Non-current assets that are not financial instruments</b> | <b>1,684,501</b> | <b>5,459</b>                                 | <b>39,903</b>    | <b>16,927</b>           | <b>73,217</b>             | <b>1,820,007</b> |

## **Note 25 Reportable segments (continued)**

### **25.8 Property, plant and equipment classified by geographical areas**

The company's main production facilities are located near their mines and extraction facilities in northern Chile, The following table presents the main production facilities as of December 31, 2017 and December 31, 2016:

| <b>Location</b>     | <b>Products</b>  |
|---------------------|--|
| - Pedro de Valdivia | : Production of iodine and nitrate salts                                 |
| - María Elena       | : Production of iodine and nitrate salts                                 |
| - Coya Sur          | : Production of nitrate salts  |
| - Nueva Victoria    | : Production of iodine and nitrate salts                                 |
| - Salar de Atacama  | : Potassium chloride, lithium chloride, boric acid 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 Revenue**

|              | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--------------|----------------------|----------------------|
| Products     | 2,151,715            | 1,933,828            |
| Services     | 5,608                | 5,494                |
| <b>Total</b> | <b>2,157,323</b>     | <b>1,939,322</b>     |

**26.2 Cost of sales**

|   | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| <b>Raw material and supplies</b>  | <b>(413,283)</b>     | <b>(335,192)</b>     |
| <b>Types of employee benefits expenses</b>  |                      |                      |
| Personnel expenses  | (172,159)            | (162,335)            |
| Depreciation expense  | (232,365)            | (271,239)            |
| Amortization expense  | (2,921)              | (3,210)              |
| Small deposit amortization expense  | (5,440)              | (9,498)              |
| <b>Impairment losses (reversals of impairment losses) recognized in profit or loss for the period</b> |                      |                      |
| Operating leases  | (17,583)             | 1,956                |
| Investment plan expenses  | (96,094)             | (90,325)             |
| Maintenance and repair  | (13,956)             | (16,624)             |
| Contractors,  | (5,306)              | (6,051)              |
| Mining concessions  | (67,337)             | (62,300)             |
| Operations transport  | (7,802)              | (7,313)              |
| Freight and product transport costs   | (54,057)             | (45,864)             |
| Packaging costs   | (131,729)            | (132,260)            |
| Purchases from third parties  | (2,402)              | (1,712)              |
| Insurance policies  | (113,898)            | (125,456)            |
| CORFO right   | (11,199)             | (12,110)             |
| Other expenses, by nature   | (46,274)             | (41,962)             |
| <b>Total</b>  | <b>(1,394,822)</b>   | <b>(1,328,285)</b>   |



**Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature, (continued)**

**26.3 Other income**

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Discounts obtained from suppliers                      | 346                  | 771                  |
| Indemnities received                                   | 2,813                | 205                  |
| Fines charged to suppliers                             | 199                  | 358                  |
| Taxes recovered  | 47                   | 26                   |
| Amounts recovered from insurance                       | 154                  | 5,636                |
| Overestimate of provisions for third-party obligations | 587                  | 573                  |
| Overestimate of doubtful accounts                      | 3                    | 56                   |
| Sale of property, plant and equipment                  | 1,278                | 657                  |
| Sale of materials, spare parts and supplies            | -                    | 30                   |
| Sale of scrap materials                                | -                    | 1                    |
| Options on mining claims                               | 2,607                | 2,577                |
| Interest charged to direct customers                   | 317                  | -                    |
| Easements, pipelines and roads                         | 4,656                | 219                  |
| Non-conventional renewable energy                      | -                    | 639                  |
| Reimbursement mining licenses and notary expenses      | 1,197                | 1,300                |
| Miscellaneous services                                 | 4                    | -                    |
| Shares obtained in junior mining companies             | 2,263                | 421                  |
| Reversal of allowance for inventories                  | -                    | 815                  |
| Reimbursements from creditors                          | -                    | -                    |
| Other operating income                                 | 1,356                | 918                  |
| <b>Total</b>   | <b>17,827</b>        | <b>15,202</b>        |

**26.4 Administrative expenses**

|   | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|---|----------------------|----------------------|
| <b>Employee benefit expenses by nature</b>  |                      |                      |
| Remuneraciones y beneficios a los empleados | (50,684)             | (47,217)             |
| Gastos por amortización                     | (8)                  | (6)                  |
| Serv de asesorías                           | (804)                | (1,322)              |
| Honorarios auditoría                        | (1,823)              | (1,768)              |
| Costos de mercadotecnia                     | (1,581)              | (1,338)              |
| Arriendo edificios e instalaciones          | (878)                | (494)                |
| Gastos de publicidad                        | (54)                 | (173)                |
| Other expenses, by nature                   | (45,339)             | (36,118)             |
| <b>Total</b>                                | <b>(101,171)</b>     | <b>(88,436)</b>      |





**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 expenses by function**

|  | 12/31//2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|-----------------------|----------------------|
| <b>Classes of Employee Benefit Expenses</b>  |                       |                      |
| <b>Depreciation and amortization expense</b>   |                       |                      |
| Depreciation of assets not in use  | (90)                  | (111)                |
| <b>Sub total</b>   | <b>(90)</b>           | <b>(111)</b>         |
| <b>Impairment losses (reversals of impairment losses) recognized in profit (loss) for the year</b> |                       |                      |
| Impairment of doubtful accounts  | (8,038)               | (7,198)              |
| <b>Sub total</b>   | <b>(8,038)</b>        | <b>(7,198)</b>       |
| <b>Other expenses, by nature</b>   |                       |                      |
| Legal expenses   | (4,780)               | (5,737)              |
| CORFO right  | (20,396)              | -                    |
| Plant suspension expenses  | -                     | (32,061)             |
| VAT and other unrecoverable taxes  | (1,295)               | (1,015)              |
| Fines, interest and VAT  | (1,112)               | (1,379)              |
| SEC and Department of Justice fines (*)  | -                     | (30,488)             |
| Advisory services  | (75)                  | (59)                 |
| Investment plan expenses   | (10,006)              | (6,657)              |
| Donations not accepted as tax credit   | (5,527)               | (1,692)              |
| Provision for inventory of materials, spare parts and supplies                                     | -                     | (815)                |
| Indemnities paid   | (421)                 |                      |
| Restructuring of joint ventures  | (6,000)               | -                    |
| Other operating expenses   | (3,898)               | (2,519)              |
| <b>Sub total</b>   | <b>(53,510)</b>       | <b>(82,422)</b>      |
| <b>Total</b>   | <b>(61,638)</b>       | <b>(89,731)</b>      |

**26.6 Other income (expenses)**

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Adjust previous year application method of participation | 501                  | (826)                |
| Sale of investments in associates                        | -                    | 7,636                |
| Provision for staff severance indemnities                | 192                  | (6,300)              |
| Other gains (losses)                                     | (150)                | 169                  |
| <b>Total</b>   | <b>543</b>           | <b>679</b>           |



**Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

This table corresponds to the summary required by the Financial Markets Commission (formerly the Chilean Superintendence of Securities and Insurance (SVS)) and considers notes 26.2, 26.4 and 26.5.

**26.7 Summary of expenses by nature**

|  | January to December<br>2017<br>ThUS\$ | 2016<br>ThUS\$     |
|--|---------------------------------------|--------------------|
| <b>Raw materials and consumables</b>   | <b>(413,283)</b>                      | <b>(335,192)</b>   |
| <b>Classes of Employee Benefit Expenses</b>  |                                       |                    |
| Personnel expenses   | (222,843)                             | (209,552)          |
| <b>Depreciation and amortization expense</b>   |                                       |                    |
| Depreciation expense   | (232,455)                             | (271,350)          |
| Amortization expense   | (2,929)                               | (3,217)            |
| Ground study amortization expense  | (5,440)                               | (9,498)            |
| <b>Impairment losses (reversals of impairment losses) recognized in profit (loss) for the year</b> | <b>(25,621)</b>                       | <b>(6,057)</b>     |
| Operating leases   | (96,094)                              | (90,325)           |
| Fines paid   | (1,112)                               | (1,379)            |
| Fines from SEC and the Justice department  | -                                     | (30,488)           |
| Investment plan expenses   | (23,962)                              | (23,281)           |
| Maintenance and repair   | (5,306)                               | (6,051)            |
| Plant suspension expenses  | -                                     | (32,061)           |
| Contractors  | (67,337)                              | (62,300)           |
| Mining concessions   | (7,802)                               | (7,313)            |
| Operations transport   | (54,057)                              | (45,864)           |
| Freight and product transport costs  | (131,729)                             | (132,260)          |
| Packaging costs  | (2,402)                               | (1,712)            |
| Sales cost of imported goods   | (113,898)                             | (125,456)          |
| Insurance  | (11,199)                              | (12,110)           |
| CORFO rights   | (66,670)                              | (41,962)           |
| Advisory services  | (804)                                 | (1,322)            |
| Auditors' fees   | (1,823)                               | (1,768)            |
| Marketing costs  | (1,581)                               | (1,338)            |
| Lease of offices and facilities  | (878)                                 | (494)              |
| Advertising costs  | (54)                                  | (173)              |
| Other expenses, by nature  | (68,352)                              | (53,929)           |
| <b>Other expenses by nature</b>  | <b>(1,557,631)</b>                    | <b>(1,506,452)</b> |



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**Note 26 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

**26.8 Finance expenses**

|  | <b>January to December</b> |                 |
|--|----------------------------|-----------------|
|  | <b>2017</b>                | <b>2016</b>     |
|  | <b>THUS\$</b>              | <b>THUS\$</b>   |
| Interest expense from bank borrowings and overdrafts | (1,308)                    | (854)           |
| Interest expense from bonds                          | (49,373)                   | (57.409)        |
| Interest expense from loans                          | (2,002)                    | (4.581)         |
| Capitalized interest expenses                        | 4,382                      | 5.406           |
| Other finance costs                                  | (1,823)                    | (60)            |
| <b>Total</b>   | <b>(50,124)</b>            | <b>(57.498)</b> |

**Note 27 Income tax and deferred taxes**

Accounts receivable from taxes as of December 31, 2017 and December 31, 2016, are as follows:

**27.1 Current and non-current tax assets**

## a) Current tax assets

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Monthly provisional income tax payments, Chilean companies | 17,613               | 45,955               |
| Monthly provisional payment Royalty                        | 588                  | 3,542                |
| Monthly provisional income tax payments, foreign companies | 1,644                | 1,323                |
| Corporate tax credits (1)                                  | 944                  | 748                  |
| Corporate tax absorbed by tax losses                       | -                    | 64                   |
| Taxes in recovery process                                  | 11,502               | -                    |
| <b>Total</b>   | <b>32,291</b>        | <b>51,632</b>        |

## b) Non-current tax assets

|  | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------------------|----------------------|
| Monthly provisional income tax payments, Chilean companies | 6,398                | 6,398                |
| Specific tax on mining activities paid (on consignment)    | 25,781               | 25,781               |
| <b>Total</b>   | <b>32,179</b>        | <b>32,179</b>        |

- (1) These credits are available to companies and relate to the corporate tax payment in April of the following year. These credits include, amongst other items, 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 2017 and 2016.

**Note 27 Income tax and deferred taxes (continued)****27.1 Current and non-current tax assets, continued****27.2 Current tax liabilities**

| <b>Current tax liabilities</b> | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--------------------------------|-------------------|-------------------|
|                                | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| 1st Category income tax        | 45,479            | 50,174            |
| Foreign company income tax     | 28,996            | 25,276            |
| Article 21 single tax          | 927               | 422               |
| <b>Total</b>                   | <b>75,402</b>     | <b>75,872</b>     |

Income tax is calculated based on the profit or loss for tax purposes that is applied to the effective tax rate applicable in Chile. As established by Law No.20,780, an income tax rate of 21% was set starting from 2014, a rate of 22.5% for 2015, 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.



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## **Note 27 Income tax and deferred taxes (continued)**

### **27.3 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 of 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.

Recognized deferred income tax assets are the income taxes that are to be recovered in future periods, related to:

- a) deductible temporary differences.
- b) the offsetting of losses obtained in prior periods and not yet subject to tax deduction; and
- c) the offsetting 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 these losses or unused fiscal credits.

Recognized deferred tax liabilities refer to the amounts of income taxes payable in future periods related to taxable temporary differences.

**Note 27 Income tax and deferred taxes (continued)****27.3 Income tax and deferred taxes, continued**

d.1) Income tax assets and liabilities as of December 31, 2017 are detailed as follows:

| Description of deferred tax assets and liabilities     | Net liability position |                  |
|--|------------------------|------------------|
|  | Assets                 | Liabilities      |
|  | ThUS\$                 | ThUS\$           |
| Unrealized loss  | -                      | (68,544)         |
| Property, plant and equipment and capitalized interest | 211,435                | -                |
| Facility closure provision                             | -                      | (3,469)          |
| Manufacturing expenses                                 | 102,748                | -                |
| Staff severance indemnities ,unemployment insurance    | 6,792                  | -                |
| Vacation accrual                                       | -                      | (4,887)          |
| Inventory provision                                    | -                      | (25,098)         |
| Materials provision                                    | -                      | (7,107)          |
| Forwards   | -                      | (624)            |
| Employee benefits                                      | -                      | (2,317)          |
| Research and development expenses                      | 3,501                  | -                |
| Accounts receivable                                    | -                      | (4,222)          |
| Provision for legal complaints and expenses            | -                      | (10,750)         |
| Loan approval expenses                                 | 2,670                  | -                |
| Junior mining companies (valued based on stock price)  | 2,474                  | -                |
| Royalty  | 4,084                  | -                |
| Tax loss benefit                                       | -                      | (1,437)          |
| Other  | 544                    | -                |
| Foreign items (other)                                  | -                      | (510)            |
| <b>Balances to date</b>                                | <b>334,248</b>         | <b>(128,965)</b> |
| <b>Net balance</b>                                     | <b>205,283</b>         | <b>-</b>         |

**Note 27 Income tax and deferred taxes (continued)****27.3 Income tax and deferred taxes, continued**

d.2) Income tax assets and liabilities as of December 31, 2016 are detailed as follows

| Description of deferred tax assets and liabilities     | Net liability position |                  |
|--|------------------------|------------------|
|  | Assets                 | Liabilities      |
|  | ThUS\$                 | ThUS\$           |
| Unrealized loss  | -                      | (86,156)         |
| Property, plant and equipment and capitalized interest | 225,124                | -                |
| Facility closure provision                             | -                      | (1,590)          |
| Manufacturing expenses                                 | 110,630                | -                |
| Staff severance indemnities ,unemployment              | 5,214                  | -                |
| Vacation accrual                                       | -                      | (4,061)          |
| Inventory provision                                    | -                      | (20,608)         |
| Materials provision                                    | -                      | (7,776)          |
| Forwards   | -                      | (10,206)         |
| Employee benefits                                      | -                      | (6,783)          |
| Research and development expenses                      | 4,641                  | -                |
| Accounts receivable                                    | -                      | (4,273)          |
| Provision for legal complaints and expenses            | -                      | (7,686)          |
| Loan approval expenses                                 | 3,115                  | -                |
| Junior mining companies (valued based on stock price)  | 1,300                  | -                |
| Royalty  | 6,457                  | -                |
| Tax loss benefit                                       | -                      | (1,302)          |
| Other  | 79                     | -                |
| Foreign items (other)                                  | -                      | (664)            |
| <b>Balances to date</b>                                | <b>356,560</b>         | <b>(151,105)</b> |
| <b>Net balance</b>                                     | <b>205,455</b>         | <b>-</b>         |





**Note 27 Income tax and deferred taxes (continued)**

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

d.3) Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2017

|  | Deferred tax liability (asset) at beginning of period | Deferred tax expense (benefit) recognized in profit (loss) for the year | Deferred taxes related to items credited (charged) directly to equity | Total increases (decreases) in deferred tax liabilities (assets) | Deferred tax liability (asset) at end of period |
|--|---|---|---|--|---|
|  | ThUS\$  | ThUS\$  | ThUS\$  | ThUS\$   | ThUS\$  |
| Unrealized loss  | (86,156)  | 17,612  | -   | 17,612   | (68,544)  |
| Property, plant and equipment and capitalized interest                   | 225,124   | (13,689)  | -   | (13,689)   | 211,435   |
| Facility closure provision   | (1,590)   | (1,879)   | -   | (1,879)  | (3,469)   |
| Manufacturing expenses   | 110,630   | (7,882)   | -   | (7,882)  | 102,748   |
| Individual savings plans, unemployment insurance                         | 5,214   | 1,876   | (298)   | 1,578  | 6,792   |
| Vacation accrual   | (4,061)   | (826)   | -   | (826)  | (4,887)   |
| Inventory provision  | (20,608)  | (4,490)   | -   | (4,490)  | (25,098)  |
| Materials provision  | (7,776)   | 669   | -   | 669  | (7,107)   |
| Forwards   | (10,206)  | 9,582   | -   | 9,582  | (624)   |
| Employee benefits  | (6,783)   | 4,466   | -   | 4,466  | (2,317)   |
| Research and development expenses  | 4,641   | (1,140)   | -   | (1,140)  | 3,501   |
| Accounts receivable  | (4,273)   | 51  | -   | 51   | (4,222)   |
| Provision for legal complaints and expenses                              | (7,686)   | (3,064)   | -   | (3,064)  | (10,750)  |
| Loan approval expenses   | 3,115   | (445)   | -   | (445)  | 2,670   |
| Junior mining companies (valued based on stock price)                    | 1,300   | 624   | 550   | 1,174  | 2,474   |
| Royalty  | 6,457   | (2,389)   | 16  | (2,373)  | 4,084   |
| Tax loss benefit   | (1,302)   | (135)   | -   | (135)  | (1,437)   |
| Other  | 79  | 465   | -   | 465  | 544   |
| Foreign items (other)  | (664)   | 154   | -   | 154  | (510)   |
| <b>Total temporary differences, unused losses and unused tax credits</b> | <b>205,455</b>  | <b>(440)</b>  | <b>268</b>  | <b>(172)</b>   | <b>205,283</b>                                  |



**Note 27 Income tax and deferred taxes (continued)**

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

d.4) Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2016

|  | Deferred tax liability (asset) at beginning of period | Deferred tax expense (benefit) recognized in profit (loss) for the year | Deferred taxes related to items credited (charged) directly to equity | Total increases (decreases) in deferred tax liabilities (assets) | Deferred tax liability (asset) at end of period |
|--|---|---|---|--|---|
|  | ThUS\$  | ThUS\$  | ThUS\$  | ThUS\$   | ThUS\$  |
| Unrealized loss  | (87,440)  | 1,284   | -   | 1,284  | (86,156)  |
| Property, plant and equipment and capitalized interest                   | 236,094   | (10,970)  | -   | (10,970)   | 225,124   |
| Facility closure provision   | -   | (1,590)   | -   | (1,590)  | (1,590)   |
| Manufacturing expenses   | 109,134   | 1,496   | -   | 1,496  | 110,630   |
| Individual savings plans, unemployment insurance                         | 4,155   | 1,980   | (921)   | 1,059  | 5,214   |
| Vacation accrual   | (3,372)   | (689)   | -   | (689)  | (4,061)   |
| Inventory provision  | (29,428)  | 8,820   | -   | 8,820  | (20,608)  |
| Materials provision  | -   | (7,776)   | -   | (7,776)  | (7,776)   |
| Forwards   | (12,322)  | 1,646   | 470   | 2,116  | (10,206)  |
| Employee benefits  | (1,956)   | (4,827)   | -   | (4,827)  | (6,783)   |
| Research and development expenses  | 8,247   | (3,606)   | -   | (3,606)  | 4,641   |
| Accounts receivable  | (5,076)   | 803   | -   | 803  | (4,273)   |
| Provision for legal complaints and expenses                              | (7,357)   | (329)   | -   | (329)  | (7,686)   |
| Loan approval expenses   | 3,651   | (536)   | -   | (536)  | 3,115   |
| Junior mining companies (valued based on stock price)                    | -   | -   | 1,300   | 1,300  | 1,300   |
| Royalty  | 6,410   | 47  | -   | 47   | 6,457   |
| Tax loss benefit   | (1,525)   | 223   | -   | 223  | (1,302)   |
| Other  | 97  | (18)  | -   | (18)   | 79  |
| Foreign items (other)  | (82)  | (582)   | -   | (582)  | (664)   |
| <b>Total temporary differences, unused losses and unused tax credits</b> | <b>219,230</b>  | <b>(14,624)</b>   | <b>849</b>  | <b>(13,775)</b>  | <b>205,455</b>                                  |

During the period ended December 31, 2017 and December 31, 2016, 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)****27.3 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, 2017 and December 31, 2016, tax loss carryforwards (NOL carryforwards) are detailed as follows:

|              | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--------------|-------------------|-------------------|
|              | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Chile        | 1,437             | 1,302             |
| <b>Total</b> | <b>1,437</b>      | <b>1,302</b>      |

Tax losses as of December 31, 2017 correspond mainly to SQM S.A., Exploraciones Mineras S.A. and Agrorama S.A.

## d.6) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred tax assets and liabilities as of December 31, 2017 and December 31, 2016 are as follows:

|                              | <b>12/31/2017</b>    | <b>12/31/2016</b>    |
|------------------------------|----------------------|----------------------|
|                              | <b>ThUS\$</b>        | <b>ThUS\$</b>        |
|                              | Assets (liabilities) | Assets (liabilities) |
| Tax losses (NOL's)           | 37                   | 56                   |
| Doubtful accounts impairment | 48                   | 79                   |
| Inventory impairment         | 1,347                | 2,871                |
| Pensions plan                | 1                    | 297                  |
| Accrued vacations            | 19                   | 29                   |
| Depreciation                 | (139)                | (245)                |
| Other                        | (36)                 | (45)                 |
| <b>Balances to date</b>      | <b>1,277</b>         | <b>3,042</b>         |



**Note 27 Income tax and deferred taxes (continued)**

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

d.7) Movements in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities as of December 31, 2017 and December 31, 2016 are detailed as follows:

|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
|  | Liabilities       | Liabilities       |
|  | (assets)          | (assets)          |
| Deferred tax assets and liabilities, net opening balance | 205,455           | 219,230           |
| Increase (decrease) in deferred taxes in profit or loss  | (440)             | (14,624)          |
| Increase (decrease) in deferred taxes in equity          | 268               | 849               |
| <b>Balances to date</b>                                  | <b>205,283</b>    | <b>205,455</b>    |

d.8) Disclosures on income tax expense (income)

The Company recognizes current and deferred taxes as income or expenses, and they are included in profit or loss, unless they arise from:

- (a) a transaction or event recognized in the same period or in a different period, outside profit or loss either in other comprehensive income or directly in equity; or
- (b) a business combination

Current and deferred tax expenses (income) are detailed as follows:

|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
|  | Income            | Income            |
|  | (expenses)        | (expenses)        |
| <b>Current income tax expense</b>  |                   |                   |
| Current income tax expense   | (182,122)         | (149,669)         |
| Adjustments to prior year current income tax   | 15,509            | 2,080             |
| <b>Current income tax expense, net, total</b>  | <b>(166,613)</b>  | <b>(147,589)</b>  |
| <b>Deferred tax expense</b>  |                   |                   |
| Deferred tax expense (income) relating to the creation and reversal of temporary differences | 440               | 14,624            |
| <b>Deferred tax expense, net, total</b>  | <b>440</b>        | <b>14,624</b>     |
| <b>Tax expense (income)</b>  | <b>(166,173)</b>  | <b>(132,965)</b>  |

**Note 27 Income tax and deferred taxes (continued)****27.3 Income tax and deferred taxes, continued**

Tax expenses (income) for foreign and domestic parties are detailed as follows:

|  | <b>12/31/2017</b> | <b>12/31/2016</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
|  | Income (expenses) | Income (expenses) |
| <b>Current income tax expense by foreign and domestic parties, net</b> |                   |                   |
| Current income tax expense, foreign parties, net                       | (14,396)          | (10,844)          |
| Current income tax expense, domestic, net                              | (152,217)         | (136,745)         |
| <b>Current income tax expense, net, total</b>                          | <b>(166,613)</b>  | <b>(147,589)</b>  |
| <b>Deferred tax expense by foreign and domestic parties, net</b>       |                   |                   |
| Deferred tax expense, foreign parties, net                             | (154)             | 626               |
| Deferred tax expense, domestic, net                                    | 594               | 13,998            |
| <b>Deferred tax expense, net, total</b>                                | <b>440</b>        | <b>14,624</b>     |
| <b>Income tax expense</b>  | <b>(166,173)</b>  | <b>(132,965)</b>  |

**d.9) Equity interest in taxation attributable to equity-accounted investees**

The Company does not recognize any deferred tax liability in all cases of taxable temporary differences associated with investments in subsidiaries, branches and associated companies or interest in joint ventures, because as indicated in the standard, the following two conditions are jointly met:

- (a) the parent, investor or interest holder is able to control the time for reversal of the temporary difference; and
- (b) It is more likely than not that the temporary difference will not be 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 unlikely that they will meet 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)**

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

d.10) Disclosures on the tax effects of other comprehensive income components:

| Income tax related to other income and expense components with a charge or credit to net equity            | <b>Amount before taxes (expense) gain</b><br><b>12/31/2017</b><br><b>ThUS\$</b> | <b>(Expense) income for income taxes</b><br><b>12/31/2017</b><br><b>ThUS\$</b> | <b>Amount after taxes</b><br><b>12/31/2017</b><br><b>ThUS\$</b> |
|--|---|--|---|
| Gain (loss) from defined benefit plans   | (1,392)   | 282  | (1,110)   |
| Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income | (26)  | (550)  | (576)   |
| <b>Total</b>   | <b>(1,418)</b>  | <b>(268)</b>   | <b>(1,686)</b>  |

| Income tax related to other income and expense components with a charge or credit to net equity            | <b>Amount before taxes (expense) gain</b><br><b>12/31/2016</b><br><b>ThUS\$</b> | <b>(Expense) income for income taxes</b><br><b>12/31/2016</b><br><b>ThUS\$</b> | <b>Amount after taxes</b><br><b>12/31/2016</b><br><b>ThUS\$</b> |
|--|---|--|---|
| Gain (loss) from defined benefit plans   | (3,397)   | 921  | (2,476)   |
| 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   | (1,300)  | 3,513   |
| <b>Total</b>   | <b>3,649</b>  | <b>(849)</b>   | <b>2,800</b>  |

d.11) Explanation of the relationship between expense (income) for tax purposes and accounting income.

In accordance with paragraph No 81, letter c) of IAS 12, the Company considers that the method that discloses most 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 the amounts contributed by 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)****27.3 Income tax and deferred taxes, continued**

Reconciliation of numbers in income tax expenses (income) and the result of multiplying financial gain by the rate prevailing in Chile,

|   | Income (expense) |                  |
|---|------------------|------------------|
|   | 12/31/2017       | 12/31/2016       |
|   | ThUS\$           | ThUS\$           |
| Consolidated income before taxes  | 595,639          | 414,889          |
| Income tax rate in force in Chile   | 25.5%            | 24%              |
| <b>Tax expense using the legal rate</b>   | <b>(151,888)</b> | <b>(99,573)</b>  |
| Effect of royalty tax expense and passive income  | (3,529)          | (6,311)          |
| Tax effect of non-taxable revenue   | 1,746            | 2,461            |
| Effect of taxable rate of non-deductible expenses for determination of taxable income (loss)                          | (4,594)          | (10,202)         |
| Tax effect of tax rates supported abroad  | (6,409)          | (15,933)         |
| Other tax effects from the reconciliation between the accounting income and tax expense Effect of changes in tax rate | (1,499)          | (3,407)          |
| <b>Tax expense using the effective rate</b>   | <b>(166,173)</b> | <b>(132,965)</b> |

d.12) Tax periods potentially subject to verification:

The Group's Companies are potentially subject to income tax audits by tax authorities in each country, These audits are limited to a number of interim tax periods, which, in general, when they elapse, give rise to the expiration of these inspections,

Tax audits, due to their nature, are often complex and may require several years, Below, we provide a summary of tax periods that are potentially subject to verification, in accordance with the tax regulations in force in the country of origin:

**Chile**

According to article 200 of Decree Law No 830, the taxes will be reviewed for any deficiencies in terms of payment and to generate any taxes that might arise. There is a 3-year prescriptive period for such review, dating from the expiration of the legal deadline when payment should have been made, This prescriptive period can be extended to 6 years for the revision of taxes subject to declaration, when such declaration has not been filed or has been presented with maliciously false information.



## **Note 27 Income tax and deferred taxes (continued)**

### **27.3 Income tax and deferred taxes, continued**

#### **United States**

In the United States, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return. In the event that an omission or error is detected in the tax return of sales or cost of sales, the review can be extended for a period of up to 6 years.

SQM North America Corp., a subsidiary of the Company, is being reviewed by the United States' tax authorities. This review could lead to adjustments to the tax declarations made by the subsidiary in the United States.

#### **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 that 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 | 12/31/2017<br>ThUS | 12/31/2016<br>ThUS\$ |
|--|----------|--------------------|----------------------|
| <b>Current assets:</b>                             |          |                    |                      |
| Cash and cash equivalents                          | ARS      | 1                  | 4                    |
| Cash and cash equivalents                          | BRL      | 38                 | 60                   |
| Cash and cash equivalents                          | CLP      | 579                | 6,044                |
| Cash and cash equivalents                          | CNY      | 1,143              | 400                  |
| Cash and cash equivalents                          | EUR      | 9,782              | 11,386               |
| Cash and cash equivalents                          | GBP      | 55                 | 71                   |
| Cash and cash equivalents                          | AUD      | -                  | -                    |
| Cash and cash equivalents                          | INR      | -                  | 12                   |
| Cash and cash equivalents                          | MXN      | 258                | 310                  |
| Cash and cash equivalents                          | PEN      | 8                  | 3                    |
| Cash and cash equivalents                          | THB      | -                  | -                    |
| Cash and cash equivalents                          | YEN      | 1,773              | 2,150                |
| Cash and cash equivalents                          | ZAR      | 4,074              | 3,250                |
| <b>Subtotal cash and cash equivalents</b>          |          | <b>17,711</b>      | <b>23,690</b>        |
| Other current financial assets                     | CLF      | -                  | -                    |
| Other current financial assets                     | CLP      | 39,126             | 50,740               |
| <b>Subtotal other current financial assets</b>     |          | <b>39,126</b>      | <b>50,740</b>        |
| Other current non-financial assets                 | ARS      | -                  | 5                    |
| Other current non-financial assets                 | AUD      | -                  | 45                   |
| Other current non-financial assets                 | BRL      | 1                  | -                    |
| Other current non-financial assets                 | COP      | 30                 | -                    |
| Other current non-financial assets                 | CLF      | 46                 | 47                   |
| Other current non-financial assets                 | CLP      | 12,172             | 14,554               |
| Other current non-financial assets                 | CNY      | 12                 | 10                   |
| Other current non-financial assets                 | EUR      | 235                | 822                  |
| Other current non-financial assets                 | MXN      | 1,429              | 1,734                |
| Other current non-financial assets                 | THB      | 279                | 21                   |
| Other current non-financial assets                 | PEN      | 20                 | -                    |
| Other current non-financial assets                 | YEN      | 18                 | 53                   |
| Other current non-financial assets                 | ZAR      | 2,941              | 18                   |
| <b>Subtotal other current non-financial assets</b> |          | <b>17,183</b>      | <b>17,309</b>        |
| Trade and other receivables                        | ARS      | 6                  | -                    |
| Trade and other receivables                        | BRL      | 23                 | 23                   |
| Trade and other receivables                        | CLF      | 427                | 545                  |
| Trade and other receivables                        | CLP      | 85,837             | 71,908               |
| Trade and other receivables                        | CNY      | 10,426             | 48                   |
| Trade and other receivables                        | EUR      | 49,627             | 30,941               |
| Trade and other receivables                        | GBP      | 90                 | 152                  |
| Trade and other receivables                        | MXN      | 195                | 423                  |
| Trade and other receivables                        | AED      | 546                | -                    |
| Trade and other receivables                        | THB      | 791                | 2,777                |
| Trade and other receivables                        | YEN      | 41,582             | 209                  |
| Trade and other receivables                        | ZAR      | 23,825             | 25,835               |
| <b>Subtotal trade and other receivables</b>        |          | <b>213,375</b>     | <b>132,861</b>       |
| Receivables from related parties                   | PEN      | -                  | 40                   |
| Receivables from related parties                   | CLP      | -                  | 41                   |
| Receivables from related parties                   | EUR      | 58                 | 476                  |
| Receivables from related parties                   | THB      | 74                 | 705                  |
| Receivables from related parties                   | CNY      | -                  | 48                   |
| Receivables from related parties                   | YEN      | -                  | -                    |
| Receivables from related parties                   | ZAR      | -                  | -                    |
| <b>Subtotal receivables from related parties</b>   |          | <b>132</b>         | <b>1,310</b>         |



**Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates  
(continued)**

| Class of assets  | Currency | 12/31/2017<br>ThUS\$ | 12/31/2016<br>ThUS\$ |
|--|----------|----------------------|----------------------|
| Current tax assets                                     | ARS      | 4                    | 5                    |
| Current tax assets                                     | CLP      | 1,413                | 1,640                |
| Current tax assets                                     | EUR      | 183                  | 118                  |
| Current tax assets                                     | BRL      | -                    | 3                    |
| Current tax assets                                     | ZAR      | 431                  | 386                  |
| Current tax assets                                     | MXN      | -                    | 202                  |
| Current tax assets                                     | PEN      | 201                  | 203                  |
| <b>Subtotal current tax assets</b>                     |          | <b>2,232</b>         | <b>2,557</b>         |
| <b>Subtotal current assets</b>                         |          | <b>289,759</b>       | <b>228,467</b>       |
| <b>Non-current assets</b>                              |          |                      |                      |
| Other non-current financial assets                     | CLP      | 20                   | 20                   |
| Other non-current financial assets                     | YEN      | 42                   | 41                   |
| <b>Subtotal other non-current financial assets</b>     |          | <b>62</b>            | <b>61</b>            |
| Other non-current non-financial assets                 | BRL      | 27                   | 139                  |
| Other non-current non-financial assets                 | CLP      | 822                  | 729                  |
| <b>Subtotal other non-current non-financial assets</b> |          | <b>849</b>           | <b>868</b>           |
| Non-current right receivable                           | CLF      | 209                  | 344                  |
| Non-current right receivable                           | COP      | 47                   | -                    |
| Non-current right receivable                           | CLP      | 1,256                | 1,382                |
| <b>Subtotal non-current rights receivable</b>          |          | <b>1,512</b>         | <b>1,726</b>         |
| Equity-accounted investees                             | AED      | 35,414               | 31,297               |
| Equity-accounted investees                             | EUR      | -                    | -                    |
| Equity-accounted investees                             | IDR      | -                    | -                    |
| Equity-accounted investees                             | EUR      | 8,144                | 7,373                |
| Equity-accounted investees                             | INR      | 1,632                | 1,499                |
| Equity-accounted investees                             | THB      | 2,491                | 1,932                |
| Equity-accounted investees                             | TRY      | 21,741               | 16,712               |
| <b>Subtotal equity-accounted investees</b>             |          | <b>69,422</b>        | <b>58,813</b>        |
| Intangible assets other than goodwill                  | CLP      | 48                   | 294                  |
| Intangible assets other than goodwill                  | CNY      | -                    | 1                    |
| <b>Subtotal intangible assets other than goodwill</b>  |          | <b>48</b>            | <b>295</b>           |
| Property, plant and equipment                          | CLP      | 3,574                | 3,810                |
| <b>Subtotal property, plant and equipment</b>          |          | <b>3,574</b>         | <b>3,810</b>         |
| <b>Total non-current assets</b>                        |          | <b>75,467</b>        | <b>65,573</b>        |
| <b>Total assets</b>                                    |          | <b>365,226</b>       | <b>294,040</b>       |

## 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<br>ThUS\$ | 12/31/2017<br>91 days to 1 year<br>ThUS\$ | Total<br>ThUS\$ | Up to 90 days<br>ThUS\$ | 12/31/2016<br>91 days to 1 year<br>ThUS\$ | Total<br>ThUS\$ |
|---|----------|-----------------------------|---|-----------------|-------------------------|---|-----------------|
| <b>Current liabilities</b>                          |          |                             |   |                 |                         |   |                 |
| Other current financial liabilities                 | CLF      | 4,947                       | -   | 4,947           | 44,327                  | 6,098                                     | 50,425          |
| Other current financial liabilities                 | CLP      | -                           | -   | -               | -                       | 20,919                                    | 20,919          |
| <b>Subtotal other current financial liabilities</b> |          | <b>4,947</b>                | <b>-</b>                                  | <b>4,947</b>    | <b>44,327</b>           | <b>27,017</b>                             | <b>71,344</b>   |
| Trade and other payables                            | BRL      | 37                          | -   | 37              | 38                      | -   | 38              |
| Trade and other payables                            | THB      | 91                          | -   | 91              | 131                     | -   | 131             |
| Trade and other payables                            | CLP      | 61,310                      | 4,361                                     | 65,671          | 40,604                  | 2,808                                     | 43,412          |
| Trade and other payables                            | CNY      | -                           | -   | -               | -                       | -   | -               |
| Trade and other payables                            | EUR      | 32,896                      | -   | 32,896          | 30,545                  | -   | 30,545          |
| Trade and other payables                            | GBP      | 11                          | -   | 11              | 6                       | -   | 6               |
| Trade and other payables                            | INR      | 1                           | -   | 1               | 1                       | -   | 1               |
| Trade and other payables                            | MXN      | 13                          | -   | 13              | 67                      | -   | 67              |
| Trade and other payables                            | PEN      | 3                           | -   | 3               | 4                       | -   | 4               |
| Trade and other payables                            | ZAR      | 2,541                       | -   | 2,541           | 3,054                   | -   | 3,054           |
| <b>Subtotal trade and other payables</b>            |          | <b>96,903</b>               | <b>4,361</b>                              | <b>101,264</b>  | <b>74,450</b>           | <b>2,808</b>                              | <b>77,258</b>   |
| Other current provisions                            | ARS      | -                           | 12  | 12              | -                       | -   | -               |
| Other current provisions                            | CLF      | -                           | -   | -               | -                       | -   | -               |
| Other current provisions                            | BRL      | 739                         | -   | 739             | -                       | -   | -               |
| Other current provisions                            | CLP      | -                           | 80  | 80              | -                       | 70  | 70              |
| Other current provisions                            | EUR      | 243                         | -   | 243             | 5                       | -   | 5               |
| Other current provisions                            | INR      | -                           | -   | -               | -                       | -   | -               |
| <b>Subtotal other current provisions</b>            |          | <b>982</b>                  | <b>92</b>                                 | <b>1,074</b>    | <b>5</b>                | <b>70</b>                                 | <b>75</b>       |
| Current tax liabilities                             | CLP      | -                           | 326                                       | 326             | -                       | -   | -               |
| Current tax liabilities                             | BRL      | -                           | 6   | 6               | -                       | 131                                       | 131             |
| Current tax liabilities                             | CNY      | 3                           | -   | 3               | -                       | 36  | 36              |
| Current tax liabilities                             | EUR      | -                           | 644                                       | 644             | -                       | 3,987                                     | 3,987           |
| Current tax liabilities                             | ZAR      | 264                         | -   | 264             | 27                      | -   | 27              |
| Current tax liabilities                             | MXN      | 3                           | 3,071                                     | 3,074           | -                       | 56  | 56              |
| <b>Subtotal current tax liabilities</b>             |          | <b>270</b>                  | <b>4,047</b>                              | <b>4,317</b>    | <b>27</b>               | <b>4,210</b>                              | <b>4,237</b>    |

**Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

| Class of liability                                      | Currency | Up to 90<br>days<br>ThUS\$ | 12/31/2017<br>over 90<br>days to 1<br>year<br>ThUS\$ | Total<br>ThUS\$ | Up to 90<br>days<br>ThUS\$ | 12/31/2016<br>Over 90<br>days to 1<br>year<br>ThUS\$ | Total<br>ThUS\$ |
|---|----------|----------------------------|--|-----------------|----------------------------|--|-----------------|
| Other current non-financial liabilities                 | BRL      | 15                         | -  | 15              | 4                          | -  | 4               |
| Other current non-financial liabilities                 | CLP      | 8,708                      | 1,824  | 10,532          | 7,481                      | 2,820  | 10,301          |
| Other current non-financial liabilities                 | CNY      | 7                          | -  | 7               | 78                         | -  | 78              |
| Other current non-financial liabilities                 | EUR      | 2,955                      | -  | 2,955           | 958                        | -  | 958             |
| Other current non-financial liabilities                 | MXN      | 346                        | 34   | 380             | 1,284                      | 35   | 1,319           |
| Other current non-financial liabilities                 | YEN      | -                          | -  | -               | -                          | -  | -               |
| Other current non-financial liabilities                 | PEN      | 70                         | -  | 70              | 70                         | -  | 70              |
| Other current non-financial liabilities                 | GBP      | -                          | -  | -               | -                          | -  | -               |
| Other current non-financial liabilities                 | ZAR      | 12                         | -  | 12              | 866                        | -  | 866             |
| <b>Subtotal other current non-financial liabilities</b> |          | <b>12,113</b>              | <b>1,858</b>   | <b>13,971</b>   | <b>10,741</b>              | <b>2,855</b>   | <b>13,596</b>   |
| <b>Total current liabilities</b>                        |          | <b>115,215</b>             | <b>10,358</b>  | <b>125,573</b>  | <b>129,550</b>             | <b>36,960</b>  | <b>166,510</b>  |

**Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

| Class of liability   | Currency | 12/31/2017                |                           |                           |                           |                           | Total<br>ThUS\$ |
|--|----------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
|  |          | 1 to 2<br>years<br>ThUS\$ | 2 to 3<br>years<br>ThUS\$ | 3 to 4<br>years<br>ThUS\$ | 4 to 5<br>years<br>ThUS\$ | Over 5<br>years<br>ThUS\$ |                 |
| <b>Non-current liabilities</b>                               |          |                           |                           |                           |                           |                           |                 |
| Other non-current financial liabilities                      | CLF      | -                         | -                         | -                         | -                         | 237,279                   | 237,279         |
| <b>Subtotal other non-current financial liabilities</b>      |          | -                         | -                         | -                         | -                         | <b>237,279</b>            | <b>237,279</b>  |
| Non-current provisions for employee benefits                 | CLP      | -                         | -                         | -                         | -                         | 601                       | 601             |
| Non-current provisions for employee benefits                 | MXN      | -                         | -                         | -                         | -                         | 65                        | 65              |
| Non-current provisions for employee benefits                 | YEN      | -                         | -                         | -                         | -                         | 626                       | 626             |
| <b>Subtotal non-current provisions for employee benefits</b> |          | -                         | -                         | -                         | -                         | <b>1,292</b>              | <b>1,292</b>    |
| <b>Total non-current liabilities</b>                         |          | -                         | -                         | -                         | -                         | <b>238,571</b>            | <b>238,571</b>  |
| <br>   |          |                           |                           |                           |                           |                           |                 |
| Class of liability   | Currency | 12/31/2016                |                           |                           |                           |                           | Total<br>ThUS\$ |
|  |          | 1 to 2<br>years<br>ThUS\$ | 2 to 3<br>years<br>ThUS\$ | 3 to 4<br>years<br>ThUS\$ | 4 to 5<br>years<br>ThUS\$ | Over 5<br>years<br>ThUS\$ |                 |
| <b>Non-current liabilities</b>                               |          |                           |                           |                           |                           |                           |                 |
| Other non-current financial liabilities                      | CLF      | 5,903                     | 5,903                     | 5,903                     | 5,903                     | 243,297                   | 266,909         |
| <b>Subtotal other non-current financial liabilities</b>      |          | <b>5,903</b>              | <b>5,903</b>              | <b>5,903</b>              | <b>5,903</b>              | <b>243,297</b>            | <b>266,909</b>  |
| 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             |
| <b>Subtotal non-current provisions for employee benefits</b> |          | -                         | -                         | -                         | -                         | <b>1,116</b>              | <b>1,116</b>    |
| <b>Total non-current liabilities</b>                         |          | <b>5,903</b>              | <b>5,903</b>              | <b>5,903</b>              | <b>5,903</b>              | <b>244,413</b>            | <b>268,025</b>  |



## 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 from other mining businesses, where the exploration process takes a significant amount of time), the exploration process and the definition of economic feasibility normally occur within the year. Accordingly, although expenditure is initially capitalized, it could be recognized in profit or loss for the same year should it not be technically and commercially feasible. This means that there is no significant expenditure that lacks a 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 expenditures that are under execution and where the economic feasibility is not yet known are classified in the caption property, plant and equipment. As of December 31, 2017 and December 31, 2016, the balance amounted to ThUS\$21,013 and ThUS\$ 12,163, respectively,
2. Economically feasible: prospecting expenditure, which upon completion, has been determined to be economically feasible is classified in the caption non-current assets in other non-current non-financial assets. As of December 31, 2017 and December 31, 2016, this totaled ThUS\$17,721 and ThUS\$ 23,008 respectively,
3. Not economically feasible: Prospecting expenditure, which upon completion, has been determined to not be economically feasible is recorded in profit or loss. As of December 31, 2017 and December 31, 2016 there is no expenditure for such concept.
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, 2017 and December 31, 2016, the balance amounted to ThUS\$521 and ThUS\$ 674 respectively.

For the amount of capitalized expenditure, the total amount disbursed in exploration and evaluation of mineral resources as of December 31, 2017 was ThUS\$6,024, and corresponded to non-metallic projects, Such expenditure mainly corresponds to research, including topographical, geological, exploratory drilling and sampling studies.

With respect to this expenditure, the Company classifies it in accordance with paragraph 9 IFRS 6.

Exploration expenditure where the mineral has low ore grade that is not economically exploitable 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 ground studies and prospecting expenses. At the time of making the decision to exploit the zone, it is classified in the caption inventories as part of the cost of raw materials required for production purposes.



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## **Note 30 Lawsuits and complaints**

### **Lawsuits and complaints**

During 2015, the Chilean IRS has filed several lawsuits and complaints against a number of individuals related to the so-called “SQM Case”, which are associated with the irregular financing of politicians. Amongst those affected by these legal claims are the legal representatives of the Company: the CEO, Patricio de Sominihac T. and the Vice President of Corporate Services, Ricardo Ramos R. Basically, those lawsuits and complaints relate to alleged tax crimes associated with a possible undue decrease in the 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. In December 2017, the Public Prosecutor confirmed that no charges will be brought against the CEO or Vice President of Corporate Services.

### **Actions performed by the Authority**

The Public Ministry and the 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.

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**Note 30 Lawsuits and complaints, (continued)**

**Shearman & Sterling and Ad-Hoc Committee**

On February 26, 2015, the Board of Directors of SQM established an ad-hoc committee comprised of three directors (the “Ad-hoc Committee”), which was authorized to conduct an investigation on the matters described in the preceding paragraph and to request any external advisory services it deemed necessary. 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 hired its own legal counsel in Chile and the United States as well as forensic accountants in the United States to support its internal investigation. The U.S. attorneys hired by the Ad-hoc Committee were mainly charged with reviewing the important facts and analyzing them in the context of the United States Foreign Corrupt Practices Act (“FCPA”). However, the Ad-hoc Committee’s factual conclusions were shared with both Chilean authorities and U.S. authorities.

On December 15, 2015, the Ad-hoc Committee presented the conclusions of its investigation to the Board of Directors of SQM. In addition to discussing the facts related to the referenced payments, the Ad-hoc Committee concluded that, for the purposes of the FCPA:

- a. payments were identified that had been authorized by the former CEO of SQM for which the Company did not find sufficient supporting documentation;
- b. no evidence was identified that demonstrated that such payments were made in order to prompt a public official to act or abstain from acting in order to help SQM obtain economic benefits;
- c. in relation to the cost centers managed by the former CEO of SQM, it was concluded that the Company's books did not accurately reflect the transactions in question but that these transactions were determined to be quantitatively immaterial in comparison to SQM's equity, sales, expenses and profits during that period; and that
- d. SQM's internal controls were insufficient to supervise the expenses within the cost center managed by the former CEO of SQM and relied on the proper use of resources by Patricio Contesse G. himself.

After the Ad-hoc Committee presented its conclusions to the Board of Directors, the Company voluntarily shared these conclusions with the Chilean and U.S. Authorities (including the SEC and the U.S. Department of Justice (“DOJ”)) and has since collaborated by handing over documents and additional information requested by these authorities regarding this investigation.”



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**Note 30 Lawsuits and complaints, (continued)**

**Investigation by the Department of Justice and the Securities Exchange Commission**

SQM informed the US regulating entities (Department of Justice and Securities and Exchange Commission) about the investigation being performed by Shearman & Sterling, in conformity with the standards effective in the United States of America. The outcome of the 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.

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 those agencies had 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 U.S. legislation. The Company has voluntarily provided the results of its internal investigation and supporting documentation 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, 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 US\$15,487,500 ("U.S. dollars") and the acceptance of an external monitor for a term of 24 months (the "Monitor") who will evaluate the Company's compliance program and 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 US\$15 million and (ii) maintain 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.

### **Note 31 Sanction proceedings**

On April 1, 2015, the SVS started an administrative proceeding against five Directors of the Company for allegedly 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, Sociedad Química y Minera de Chile S.A. informed the Financial Markets Commission (formerly the Superintendency of Securities and Insurance) that it had decided to penalize Patricio Contesse Fica, Julio Ponce Lerou, Juan Antonio Guzmán Molinari and Wolf von Appen Berhmann, all former directors of the Company, and Hernan Büchi Buc – a current director – for not having informed the market in a timely manner in March 2015 in the form of an essential event as directors of the Company at that time regarding the expenses SQM incurred during certain years for which the Company did not have sufficient supporting documentation or that could be considered expenses not necessary for producing income. This penalty, consisting of a fine of UF 1,000 for each person, can be appealed by the affected parties before the Financial Markets Commission (formerly the Superintendency of Securities and Insurance) or the courts of law.

### **Note 32 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 damages to several sections of the railway between the Coya Sur and Tocopilla sites. As of that date, the Company has used trucks to replace rail transportation. SQM has carried out several internal and external studies with the purpose of determining what would be necessary to repair the damage to the railway.

These reports revealed that repairing the damage would entail high long-term costs, and it is therefore not convenient to repair the railway in the short- to medium-term. This 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 stock), which has translated into a charge of approximately US\$32 million, which is reflected in the line other expenses by function in the consolidated statement of income for the period. This amount represents around 0.7% of SQM's total assets reported at the end of September 2016.

## Note 33 Events occurred after the reporting date

### 33.1 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, 2017, were approved and authorized for issuance by the Board of Directors at their meeting held on February 28, 2018.

### 33.2 Disclosures on events occurring after the reporting date

On January 17, 2018 SQM and CORFO (*Corporación de Formento de la Producción*) have reached an agreement to end the arbitration process directed by the arbitrator, Mr. Héctor Humeres Noguera, in the case 1954-2014 of the Arbitration and Mediation Center of Santiago Chamber of Commerce (*Centro de Arbitrajes y Mediación de la Cámara de Comercio de Santiago*) and other cases accumulated to it (the "Agreement"). The Agreement has been reached within the conciliation process of the arbitration and on the basis presented by the arbitrator to the parties. Both SQM's Board of Directors and the Board of CORFO have approved the Agreement.

The Agreement includes a total payment of US\$17.5 million plus agreed interest which a subsidiary of SQM, SQM Salar S.A. ("SQM Salar"), shall pay CORFO. This payment does not imply the recognition of having owed any amount to CORFO, and has been agreed to with the sole purpose of ending the disputes between the parties.

Additionally, the Agreement includes important amendments to the lease agreement and project agreement signed between CORFO and SQM in 1993, which are the contracts that currently permit the mining operations of SQM Salar in the Salar de Atacama (the "Contracts"). The main modifications are detailed below, and will become effective once the following resolutions have been issued: (i) the approval resolution of the Contracts by the CORFO Council, and (ii) the resolution that executes the respective approval agreement by the Chilean Nuclear Energy Commission (CCHEN):

- a. An increase in lease payments by increasing the lease rates associated with the sale of the different products produced in the Salar de Atacama:
  - In regard to lithium carbonate, the current rate of 6.8% on FOB sales shall be changed to the following structure of progressive rates based on the final sale price:

| Price US\$/MT Li <sub>2</sub> CO <sub>3</sub> | Lease payment rate |
|---|--------------------|
| \$0 - \$4,000                                 | 6.8%               |
| \$4,000 - \$5,000                             | 8.0%               |
| \$5,000 - \$6,000                             | 10.0%              |
| \$6,000 - \$7,000                             | 17.0%              |
| \$7,000 - \$10,000                            | 25.0%              |
| > \$10,000                                    | 40.0%              |

As an example and considering a price of US\$12,600 per metric ton (similar to the average price seen in the third quarter of 2017), the lease rate would have been equal to 19.14%.

**Note 33 Events occurred after the reporting date (continued)****33.2 Disclosures on events occurring after the reporting date, continued**

- In regard to potassium chloride, the current rate of 1.8% on FOB sales shall be changed to the following structure of progressive rates based on the final sale price.

| Price US\$/MT KCL | Lease payment rate |
|-------------------|--------------------|
| \$0 - \$300       | 3.0%               |
| \$300 - \$400     | 7.0%               |
| \$400 - \$500     | 10.0%              |
| \$500 - \$600     | 15.0%              |
| > \$600           | 20.0%              |

- Similarly, the lease rates associated with the other products (lithium hydroxide, potassium sulfate and others) shall have similar changes to those described in the previous products.
- b. SQM Salar commits to contribute (i) between US\$10.8 and US\$18.9 million per year to research and development efforts, (ii) between US\$10 to US\$15 million per year to the communities in close proximity to the Salar de Atacama, and (iii) 1.7% of total annual sales of SQM Salar to the regional development. As an example and considering annualized SQM Salar's revenues reported in the first nine months of 2017 (approximately US\$1 billion), 1.7% of sales would have been approximately US\$17 million.
- c. The authorization by CORFO to increase the production and sales of lithium products produced in the Salar de Atacama. Subject to prior authorization by CCHEN, the Agreement considers that SQM Salar will have the right to exploit, subject to compliance with other agreed conditions, process and sell during the term of the Agreement (until the end of 2030) up to 349,553 metric tons of lithium metallic equivalent in the addition to the approximately remaining 64,816 metric tons of lithium metallic equivalent from the originally authorized amount. The sum of the above amounts is equal to approximately 2.2 million metric tons of lithium carbonate equivalent.
- d. SQM Salar shall offer part of its lithium production (up to a maximum of 25%) at preferential price to value-added producers that will potentially develop in Chile, a price based on the lowest export market price equal in each case to the weighted average FOB price calculated on the 20% lower price of the volume exported by SQM Salar during the last 6 months available.
- e. SQM Salar shall strengthen its corporate governance, incorporating various audit, environmental control and coordination mechanisms with CORFO. For these purposes it will be necessary to modify the bylaws of SQM Salar, including among others: (i) to incorporate specific rules for the management of the company, in the form that two of the directors of SQM Salar are independent and meet the requirements established for independent directors of a public company and (ii) for the board of SQM Salar to designate a committee to monitor compliance with the Contracts and to establish the regulations that will govern this committee and its functions.

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**Note 33 Events occurred after the reporting date (continued)**

**33.2 Disclosures on events occurring after the reporting date, continued**

- f. Extensive regulation regarding the return of assets upon termination of the Contracts and granting purchase options, including: (i) the restitution of the assets that Corfo made available to SQM Salar under the Contracts, (ii) a purchase option for all or part of the water rights that SQM Salar or its related parties currently own or will obtain in the future, that benefit or are necessary for the exploitation, either currently or in the future of the mining concessions included in the Contracts (the "Mining Concessions"), (iii) a free transfer to CORFO of the easements, that benefit the Mining Concessions or the project, developed by SQM Salar, excluding the mining easements constituted in the Salar del Carmen, (iv) a purchase option on the assets that SQM Salar uses as productive facilities within the Mining Concessions and assets that benefit the project and that are located within the area of the Mining Concessions and within the area of 10 kilometers from the limit of the Mining concessions, (v) a purchase option on the mining concessions that SQM Salar or its related companies currently constitute or will constitute in the future within the area of 2 kilometers from the limit of the Mining Concessions.
- g. An option for SQM Salar to sell to CORFO the facilities that are necessary to increase the additional production and operation capacity related to the increased lithium quota. The exercise price of this option is the replacement value of the facilities including its economic depreciation.
- h. An option for CORFO to request from SQM the evaluation of a joint project with a state company for the joint exploitation of mining property in the Salar de Maricunga. SQM commits to participate in good faith in this process, and if there is no agreement for the project after 4 years, SQM will not be obligated to continue such negotiations.
- i. SQM, SQM Salar and SQM Potasio S.A. are prohibited to (i) sell lithium brine extracted within the Mining Concessions, (ii) alienate and obstruct in any way, and enter into any act or contract that affects the restitution of the assets indicated in letter (f) above, (iii) extract brine from its mining rights area within 10 kilometers from the limit of the Mining Concessions, (iv) extract brine from its mining rights area within 2 kilometers from the limit of Mining Concessions for a period of 15 years from the termination of the Contracts, and (v) agree with other operators of the OMA mining rights of the Salar de Atacama on the ways of operating resulting in a joint or integrated management of both production sites, therefore ensuring that SQM's operations will always be independent without facilitating operational information, commercial strategies, information systems or common applications and/or personnel, conventions or price and other agreements that by their nature may negatively affect the lease income of CORFO.



## Note 33 Events occurred after the reporting date (continued)

### 33.2 Disclosures on events occurring after the reporting date, continued

On February 15, 2018 the Asociación Indígena Consejo de Pueblos Atacameños and other indigenous Atacameño communities lodged an appeal for legal protection against Corfo, the Company, SQM Salar and SQM Potasio S.A. to rescind the Contracts on the grounds that their provisions will deprive, disturb and threaten in an illegal and arbitrary way the constitutional rights of the appellants: the right to being equal before the law, the right to live in a pollution-free environment, the right to develop any economic activity that is not immoral, against public order or national security and the right to ownership in its different forms, by authorizing the amount of lithium metallic equivalent that can be extracted, processed and sold to be increased to 349,553 metric tonnes, such extraction being from land the appellants consider to be their ancestral property. On February 16, 2018, a number of persons belonging to the Atacameño people also lodged an appeal to rescind the contracts for alleged threats to their rights to life and physical and psychic integrity, equality before the law and the right to live in a pollution-free environment. These lawsuits are pending the consideration and subsequent resolution by the Court of Appeals in Santiago.

In a board meeting on January 24, 2018, Mrs. Joanne L. Boyes and Mr. Robert A. Kirkpatrick presented their resignation from their positions as directors of the Company. In the same session, the Board of Directors of the Company agreed to designate Mrs. Boyes as replacement, Mr. Darryl Stann who will also become a board member of the Company and a member of the Corporate Governance Committee.

On January 26, 2018, SQM and its subsidiaries SQM Salar S.A. and SQM Nitrates S.A. (the "Companies"), have reached an agreement with the Public Prosecutor to put an end to the investigation of the alleged responsibility of the Companies' for the lack of supervision with respect to the payments to suppliers and entities that may have had links with the politically exposed persons between 2008 and 2015. This deferred prosecution agreement (*suspensión condicional*) has been proposed by the Public Prosecutor, accepted by the Companies and approved by the 8th Court of Santiago.

Under the deferred prosecution agreement, the Companies have not admitted responsibility in the matter subject to the investigation.

The agreement, approved by the Court, implies that the Companies must pay an aggregate amount of (i) MUS\$1,464 to the Chilean State, and (ii) MUS\$2.684 to various charitable organizations. In addition, the Companies must provide the Public Prosecutor with a report on the enhancements to their compliance program, implemented in recent years, with special emphasis on the incorporation of best practices in various jurisdictions.

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## **Note 33 Events occurred after the reporting date (continued)**

### **33.2 Disclosures on events occurring after the reporting date, continued**

In extraordinary board session of February 19, 2018, SQM informs that, as communicated earlier, in its ordinary board meeting on January 24, 2018, Joanne L. Boyes and Robert A. Kirkpatrick presented their resignation from the positions as directors of SQM. In the same session, the board of directors agreed to appoint Darryl Stann as the replacement of Joanne L. Boyes.

In the extraordinary board meeting today, Mark F. Fracchia was appointed as the replacement of Robert A. Kirkpatrick.

As of the date of this report preparation, the modification of the bond line registered under number 563 and referred to in Note 10.4 e) is in the revision process by the Commission for the Financial Market, which has required certain rectifications to the documents originally presented by the Company. The final approval is expected to occur within the first quarter of the year, and the placement of bonds will take place within the first half of 2018.

Likewise, between the end of 2017 and the preparation of this report, the company has been preparing the documentation to request the modification of the bond line registered in the Securities Registry maintained by the Commission for the Financial Market dated February 14, 2012 under number 700. The purpose of this amendment is the same as that of line 563, with the idea of placing bonds for up to UF 3 million with a maturity of 20 years. It is expected that the request for amendment will be reviewed by the Commission for the Financial Market within the first quarter of the year.

Once approved by the Commission for the Financial Market, the bonds will be issued under the modified line and placed through direct private placement.

Management is not aware of any significant events that occurred between December 31, 2017 and the date of issuance of these consolidated financial statements that may significantly affect them.

### **33.3 Detail of dividends declared after the reporting date**

At the closing date of the financial statements, there are no dividends declared after the reporting date.