

CHEMICAL & MINING CO OF CHILE INC  
Form 6-K  
April 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of April, 2019.

Commission File Number 33-65728

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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**Santiago, Chile. April 5, 2019.- Sociedad Química y Minera de Chile S.A. (SQM) (NYSE: SQM; Santiago Stock Exchange: SQM-B, SQM-A) reports the translation of its 2018 Annual report, which Spanish version was filed with the Chilean Commission for the Financial Market (*Comisión para el Mercado Financiero* or “CMF”) today.**

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

**Annual Report 2018**

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2) IDENTIFICATION OF THE ENTITY

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2) a) Identification of the Entity: Basic Identification

Company Name: Sociedad Química y Minera de Chile S.A.

Abbreviated Company Name: SQM

Legal Address: El Trovador 4285, Las Condes, Santiago, Chile

Chilean Taxpayer ID: 93.007.000-9

Type of Entity: Open stock corporation

2) b) Identification of the Entity: Legal Constitution

SQM was founded under the laws of the Republic of Chile. The Company was constituted by public deed issued on June 17, 1968 by Mr. Sergio Rodríguez Garcés, Public Notary of Santiago. Its existence was approved by Decree No. 1,164 of June 22, 1968, of the Ministry of Finance, and it was registered on June 29, 1968, in the Business Registry of Santiago, on page 4,537 No. 1,992.

2) c) Identification of the Entity: Contact Information

Corporate Headquarters:

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### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

##### 3) a) Description of Business Environment: Historical Information

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

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

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

From 2000 through 2004, we principally consolidated the investments carried out in the preceding five years. We focused on reducing costs and improving efficiencies throughout the organization. In addition, in 2001, we signed a

commercial distribution agreement with the Norwegian company Yara International ASA, in order to take advantage of cost synergies in the Specialty Plant Nutrition business line.

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

In 2014, we invested in the development of new extraction sectors and production increases in both nitrates and iodine at Nueva Victoria, reaching an approximate production capacity (including the Iris facility) of 8,500 metric tons per year of iodine at the facility. We also issued a bond in the international capital markets for US\$250 million, primarily to refinance existing indebtedness.

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

In 2015, we focused on increasing the efficiency of our operations. Within this context, we announced a plan to restructure our iodine and nitrate operations. In an effort to take advantage of our highly efficient production facilities at our Nueva Victoria site, we decided to suspend the mining and nitrate operations and reduce iodine production at our Pedro de Valdivia site. During 2017, we increased our iodine production capacity at Nueva Victoria to approximately 10,000 metric tons per year. We continued expanding in 2018, and today, including Pedro de Valdivia and Nueva Victoria, our current effective iodine capacity is approximately 14,000 metric tons per year.

In 2016, we entered into a 50/50 joint venture with Lithium Americas to develop the Minera Exar lithium project in Caucharí-Olaroz in the Jujuy province of Argentina. We also made a capital contribution of US\$20 million to Elemental Minerals Limited (“Elemental Minerals”), an Australian based company whose main assets are various potassium deposits in the Republic of Congo. We invested approximately US\$20 million in exchange for 18% of the

company, and a right of first refusal for approximately 20% of the total potash production of Elemental Minerals. Following this transaction at the end of 2016, Elemental Minerals changed its name to Kore Potash Limited. The State General Reserve Fund of Oman contributed US\$20 million. These investments are not included in the capital expenditure program amounts discussed in the section below. These investments were carried out with internal financing. In 2018, SQM Potasio sold to Ganfeng Lithium Netherlands Co., BV (Ganfeng) its entire shareholding and irrevocable contributions in the Minera Exar project joint venture (“Exar”). Exar has paid SQM Potasio all outstanding loans it received from the company; and Exar has paid SQM for the services rendered to Exar during the project's development stage. SQM received cash of US\$87.5 million for its joint venture interest in Exar, and Gangfeng is responsible for a US\$50 million deferred payment to SQM if certain sales goals are met by the project.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

In 2017, we continued to expand our operations outside Chile and, together with our subsidiary SQM Australia Pty, acquired 50% of the assets of the Mount Holland lithium project in Western Australia, Australia. We entered into a 50/50 joint venture with Kidman Resources Limited (“Kidman”) to develop mining operations and construct concentration and refining plants to produce 45,000 metric tons per year of lithium, starting in 2021. Kidman will retain the exclusive right to exploit gold within the project area. According to the agreement, SQM Australia Pty committed to pay a price of US\$35 million, subject to compliance with conditions established in the agreement. SQM Australia is also obligated to make capital contributions to the project of (i) US\$37.5 million on behalf of Kidman of which US\$7.5 million has already been paid, leaving the balance subject to the satisfaction of certain conditions, and (ii) US\$37.5 million on its behalf, of which it has already contributed US\$7.5 million, leaving the balance subject to the satisfaction of certain conditions. In 2018, we paid Kidman the remaining balance, as a result of the conditions being satisfied, and as outlined in the 2017 agreement.

On December 13, 2018, the Minister for Mines and Petroleum in Western Australia granted Kidman the exemption from relevant expenditure requirements in relation to mining tenements of the Mount Holland project that were subject to exemption objections.

#### 3) b) Description of Business Environment: Industrial Sector

##### **i) Products and Services**

SQM is an integrated producer and seller of specialty plant nutrients, iodine, lithium, potassium fertilizers, and industrial chemicals. Our products are based on the development of high quality natural resources that make us a cost leader, supported by an international trading network specialized in sales in over 110 countries. SQM’s development strategy aims to maintain and enhance our global leadership in all of our business lines.

For further information, see section 3) C) Description of Business Environment: Activities and Businesses.

##### **ii) Competition and Market Share**

See section 3) C) Description of Business Environment: Activities and Businesses.

**iii) Legal Framework**

**Government Regulations**

***Regulations in Chile Generally***

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

We also hold water use rights granted by the respective administrative authorities and which enable us to have a supply of water from rivers or wells near our production facilities sufficient to meet our current operating requirements. See section 3) E) Description of Business Environment: Risk Factors. The Water Code and related regulations are subject to changes, which could have a material adverse impact on our business, financial condition and results of operations.

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

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

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

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

The Tax Reform tax increase prompted a US\$52.3 million increase in our deferred tax liabilities as of December 31, 2014. In accordance with IAS 12, the effects generated by the change in the income tax rate approved by the Tax

Reform on income and deferred taxes were applied to the income statement. For purposes of the Company's statutory consolidated financial statements filed with the CMF, in accordance with the instructions issued by the CMF in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity as of December 31, 2014 was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company's 2014 audited consolidated financial statements in its annual report on Form 20-F compared with profit and income tax expense as presented in the Company's 2014 statutory consolidated financial statements filed with the CMF.

The Chilean government may again decide to levy additional taxes on mining companies or other corporations in Chile, and such taxes could have a material adverse impact on our business, financial condition and results of operations.

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



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

Finally, we are governed by the Securities Law and Law No. 18,046 on Corporations (Ley de Sociedades Anónimas or the “Chilean Corporations Act”), which regulates corporate governance. Specifically, the Chilean Corporations Act regulates, among other things, independent director requirements, disclosure obligations to the general public and to the CMF, as well as regulations relating to the use of inside information, the independence of external auditors, and procedures for the analysis of transactions with related parties.

There are currently no material legal or administrative proceedings pending against us except as discussed in Note 22.1 to our Consolidated Financial Statements and below under “Safety, Health and Environmental Regulations in Chile,” and we believe we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business.

#### ***Safety, Health and Environmental Regulations in Chile***

Our operations in Chile are subject to both national and local regulations related to safety, health and environmental protection. In Chile, the main regulations on these matters that are applicable to us are the Mine Health and Safety Act of 1989 (Reglamento de Seguridad Minera or the “Mine Health and Safety Act”), the Health Code (Código Sanitario), the Health and Basic Conditions Act of 1999 (Reglamento sobre Condiciones Sanitarias y Ambientales Básicas en los Lugares de Trabajo or the “Health and Basic Conditions Act”), the Subcontracting Law and the Environmental Law of 1994, amended in 2010 (Ley sobre Bases Generales del Medio Ambiente or the “Environmental Law”).

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

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

We continuously monitor the impact of our operations on the environment and on the health of our employees and other persons who may be affected by such operations. We have made modifications to our facilities in an effort to eliminate any adverse impacts. Also, over time, new environmental standards and regulations have been enacted, which have required minor adjustments or modifications of our operations. We anticipate that additional laws and regulations will be enacted over time with respect to environmental matters. There can be no assurance that future legislative or regulatory developments will not impose new restrictions on our operations. We are committed to continuously improving our environmental performance through our Environmental Management System (“EMS”), voluntary evaluations, such as Ecovadis, and international certifications, such as the Responsible Conduct certification from the Chilean Industrial Chemicals Association, which applies to our operations at Nueva Victoria, and the Protect&Sustain certification from the International Fertilizer Association, which applies to our operations at Coya Sur, the Salar de Atacama, Tocopilla, Antofagasta and Santiago.

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

#### *International Regulations*

We are subject to complex regulatory requirements in the various jurisdictions in which we operate, including the following:

At the end of 2018, the European Parliament, the Council of Member States of the European Union and the European Commission agreed to a new regulation for fertilizers. The new European regulation reduces the maximum content limit of perchlorates in inorganic fertilizer with macronutrients, such as the potassium nitrate sold by us, to 0.005%. In addition to this limit, the regulation incorporates maximum levels of other pollutants, such as heavy metals, and establishes a new procedure – called a conformity assessment – to be undertaken prior to the commercialization of fertilizers in Europe. The fertilizers that we sell contain less than 0.005% of perchlorate; however, the Food Chain Security unit of the General Health and Consumer Affairs Council initiated a revision of the perchlorate limits in food that have been in force and effect since June 2015, following the European Food Safety Authority’s (“EFSA”) evaluation of human exposure to perchlorate in food and in drinkable water. We expect a new definition of the new limits of perchlorates in food in the near term.

Under the requirements of Regulation (EC) No. 1907/2006, the records of potassium nitrate and sodium nitrate were updated according to the latest format IUCLID. In turn, during the year 2018, ten new registrations were made corresponding to the substances sold by our new subsidiary SQM International. The strategy for the implementation of the requirements of the Article 45 of Regulation (EC) No. 1272/2008 was defined, under which the Toxicological Information Centers must be informed about the composition of hazardous mixtures prior to their commercialization. For this implementation, an internal numerical code was developed for the identification of all the fertilizer mixtures sold by SQM Europe and SQM Iberian.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

In August 2017, United States Environmental Protection Agency (“US-EPA”) published the Inventory Notification (Active-Inactive) Requirements regulation under the Toxic Substances Control Act which established that as of February 7, 2018, SQM North America Corp. must provide information with respect to all chemical substances imported into the United States during 2006-2016. In January 2018, this notification was made, and all substances sold are listed as active, which has been reported to customers who have requested it. In the United States, SQM North America re-certified before the Organic Materials Review Institute all products sold by it in this market.

In South Korea, SQM registered sodium nitrate under the K-REACH standard, using an Exclusive Representative to facilitate the regulatory compliance of our customers in this market. At the end of December 2018, an amendment to the K-REACH regulation was passed, pursuant to which all chemical substances are subject to registration. SQM is evaluating the regulatory change, which applies to four SQM products currently sold in South Korea, establishing the necessary alliances to facilitate compliance with this new requirement, which considers as a first stage a pre-notification in June 2019.

On August 8, 2018, Normative Instruction No. 39 became effective in Brazil, establishing definitions, requirements, specifications, guarantees, product registrations, authorizations, packaging, fertilizer product labels, mineral fertilizer tolerances, among others, repealing Normative Instruction No. 46 of 2016 and defining new requirements for exports to Brazil.

During 2018, the Ecuadorian Agricultural Quality Assurance Agency (AGROCALIDAD) made two modifications (resolutions 031 of March 2018 and 0218 of December 2018) to the general regulations for the registration and control of fertilizers. As a result of both modifications, SQM Ecuador had to adapt its fertilizer registration and labeling processes.

The opening of SQM Colombia during 2018 opened a new challenge for the processing of new fertilizer registrations. Currently, eight products are registered and work is being done on the definition of all the new products to be registered.

On October 9, 2018, NOM-018-STPS-2015 on the Harmonized System for the identification and communication of hazards and risks by hazardous chemical substances in the workplace came into effect in Mexico. SQM Mexico has implemented this regulation in all its productive tasks, in the Safety Data Sheets and in the labeling of applicable products.

3) c) Description of Business Environment: Activities and Businesses

**The Company**

We believe that we are the world's largest producer of potassium nitrate and iodine. We also produce specialty plant nutrients, iodine derivatives, lithium and its derivatives, potassium chloride, potassium sulfate and certain industrial chemicals (including industrial nitrates and solar salts). Our products are sold in over 110 countries through our worldwide distribution network, with 92% of our sales in 2018 derived from countries outside Chile.

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

For the year ended December 31, 2018, we had revenues of US\$2,265.8 million, gross profit of US\$782.3 million and profit attributable to controlling interests of US\$439.8 million. Our worldwide market capitalization as of December 31, 2018 was approximately US\$10.1 billion.

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

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

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



## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

The following table shows the percentage breakdown of our revenues for 2018, 2017 and 2016 according to our product lines:

|                           | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| Specialty Plant Nutrition | 35 % | 32 % | 32 % |
| Iodine and Derivatives    | 14 % | 12 % | 12 % |
| Lithium and Derivatives   | 32 % | 30 % | 27 % |
| Potassium                 | 12 % | 18 % | 21 % |

|                      |     |   |     |   |     |   |
|----------------------|-----|---|-----|---|-----|---|
| Industrial Chemicals | 5   | % | 6   | % | 5   | % |
| Other                | 2   | % | 2   | % | 3   | % |
| Total                | 100 | % | 100 | % | 100 | % |

## **Business Strategy**

Our business strategy is to be a global company with people committed to excellence, dedicated to the extraction of minerals and selectively integrated in the production and sale of products for the industries essential for human development (e.g., food, health, technology). This strategy was built on the following five principles:

- ensure availability of key resources required to support current goals and medium and long-term growth of the business;
- consolidate a culture of lean operations (M1 excellence) through the entire organization, including operations, sales and support areas;

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

- significantly increase nitrate sales in all its applications and ensure consistency with iodine commercial strategy;
- maximize the margins of each business line through appropriate pricing strategy;
- successfully develop and implement all lithium expansion projects of the Company, acquire more lithium and potassium assets to generate a competitive portfolio.

These principles are based on the following key concepts:

- strengthen the organizational structure to supports the development of the Company's strategic plan, focusing on the development of critical capabilities and the application of the corporate values of Excellence, Integrity and Safety;
- develop a robust risk control and mitigation process to actively manage business risk;
- improve our stakeholder management to establish links with the community and communicate to Chile and worldwide our contribution to industries essential for human development.

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

#### *Specialty Plant Nutrition*

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

#### *Iodine and its Derivatives*

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

***Lithium and its Derivatives***

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### *Potassium*

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

#### *Industrial Chemicals*

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

#### *New Business Ventures*

We constantly evaluate opportunities that are consistent with our existing and new businesses. We seek to acquire interests in projects both inside and outside of Chile where we believe we have sustainable competitive advantages, and we hope to continue doing so in the future.

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

We have an in-house geological exploration team that explores the area directly, identifying drilling targets and assessing new prospects. In 2018, the team identified eight new targets and confirmed mineralization in four of the targets, using its own truck-mounted drill rigs. The number of perforated meters reached 32,862 meters, and were made with four machines of which three were internal and the other external. We also have a metal business development team that works to engage partners interested in investing in metal exploration within our mining properties. As of December 31, 2018, we had six option agreements in place with five companies, including small junior mining companies, private equity firms and large mining companies. We have entered into an exploration and purchase option agreement with a private Chilean company for an area of interest. We are participating in the formation of two joint ventures as a result of exercising an option agreement a junior company.

### **Main Business Lines**

#### ***Specialty Plant Nutrition***

In 2018, specialty plant nutrients revenues increased to US\$781.8 million, representing 34.5% of our total revenues for that year. We believe that we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 56% of global potassium nitrate sales for all applications by volume in 2018, an increase from 53% in 2017. During 2018, the potassium nitrate market increased by approximately 7%. These estimates do not include potassium nitrate produced and sold locally in China, only Chinese net imports and exports.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

Our specialty plant nutrients advantages are:

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

#### Specialty Plant Nutrition: Market

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

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

Worldwide scarcity of water and arable land drives the development of new agricultural techniques to maximize the use of these resources. Irrigation has grown at an average annual rate of 1% during the last 20 years (a pace similar to population growth). However, microirrigation has grown at 10% per year over the same period. Microirrigation systems, which include drip irrigation and micro-sprinklers, are the most efficient forms of technical irrigation. These applications require fully water-soluble plant nutrients. Our nitrate-based specialty plant nutrients are fully soluble in water and provide nitrogen in nitric form, which helps crops absorb these nutrients faster than they absorb urea- or ammonium-based fertilizers, facilitating a more efficient application of nutrients to the plant and thereby increasing the crop's yield and improving its quality.

The ratio of microirrigation to total irrigated hectares in Asia is approximately 3%, the lowest ratio of any region in the world. This represents a high potential for microirrigation, which is reflected in the high growth rates in Asia in recent years.



## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Potassium nitrate in China is an important market, although currently its demand is largely fulfilled by domestic producers. Demand totals approximately 400,000 to 420,000 metric tons, of which approximately 130,000 is related to the tobacco industry and approximately 120,000 is related to the horticulture business. Of the total, between 20,000 and 30,000 metric tons are imports.

Specialty Plant Nutrition: Our Products

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

The following table shows our sales volumes of and revenues from specialty plant nutrients for 2018, 2017 and 2016:

|  | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|
| <b>Sales volumes (Th. MT)</b>                  |              |              |              |
| Sodium nitrate                                 | 25.0         | 26.7         | 24.4         |
| Potassium nitrate and sodium potassium nitrate | 673.4        | 601.4        | 475.8        |
| Specialty blends <sup>(1)</sup>                | 242.5        | 209.0        | 213.5        |
| Other specialty plant nutrients <sup>(2)</sup> | 141.6        | 129.1        | 127.2        |
| <b>Revenues (in US\$ millions)</b>             | <b>781.8</b> | <b>697.3</b> | <b>623.9</b> |

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

(2) Includes trading of other specialty fertilizers.

In 2018, our specialty plant nutrients revenues increased to US\$781.8 million, representing 35% of our total revenues for that year and a 12.1% increase from US\$697.3 million in specialty plant nutrients revenues in 2017. Prices increased approximately 0.07% in 2018.

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

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

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Foliar feeding with potassium nitrate can have beneficial effects:

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

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

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

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

During 2017, we worked on the restructuring of the Qrop products portfolio: chloride-free line for direct application to the soil with a variety of specialized formulas and unique mixtures, which make these products highly accurate and quickly available for the plant.

In 2018, we launched new products to the market, such as the Ultrasol® K line in the United States. Ultrasol® K will address the need for potassium-free chloride and a nitrate safe for handling in the liquid fertilizer market, opening new opportunities for SQM in the cultivation of almonds and strawberries, in which water quality and efficiency are very important.

Specialty Plant Nutrition: Marketing and Customers

In 2018, we sold our specialty plant nutrients in approximately 100 countries and to more than 760 customers. One customer represented more than 10% of our specialty plant nutrition revenues during 2018, representing approximately 23% of our total specialty plant nutrition revenues, and our ten largest customers accounted in the aggregate for approximately 49% of revenues during that period. No supplier accounted for more than 10% of the costs of sales for this business line.

The table below shows the geographical breakdown of our revenues:

| Revenues Breakdown        | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| North America             | 31 % | 33 % | 33 % |
| Europe                    | 25 % | 25 % | 18 % |
| Central and South America | 10 % | 10 % | 11 % |
| Asia and Others           | 34 % | 31 % | 37 % |

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

As part of our marketing strategy, we provide technical and agronomical assistance and support to our clients. We have specific knowledge resulting from extensive research and numerous studies conducted by our agronomical teams in close contact with producers throughout the world. The solid agronomical knowledge is key for the development of specific formulas and hydroponic and fertirrigation nutritional plans, which allows us to provide expert advice for producing crops that meet high quality standards for the most efficient markets and in the most environmentally challenging conditions.

By working closely with our customers, we are able to identify their needs for new products and a possible existence of higher-value-added markets. Our specialty plant nutrients are used on a wide variety of crops, particularly value-added crops, where the use of our products enables our customers to increase yields and achieve a premium price for their own products.

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

#### *Specialty Plant Nutrition: Joint Ventures and Agreements*

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

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

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

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

Between 2010 and 2012, we continued to expand our production capacity of potassium products in our operations in the Salar de Atacama. In 2011, we completed the construction of a new potassium nitrate facility in Coya Sur, increasing our overall production capacity of potassium nitrate by 300,000 metric tons.

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

In 2013, the operations of SQM Vitas Spain in Spain began with a water soluble NPK fertilizer plant that has a production capacity of 15,000 metric tons per year. In 2016, this operation became fully controlled by SQM.

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

In 2015, SQM Vitas South Africa, was acquired by Roulliers and the production facilities in Durban were transferred to SQM Africa Pty Ltd.

In 2016, we began operating soluble specialty plant nutrient production facilities through our joint ventures in Peru, SQM Vitas Perú S.A.C., and the Netherlands, Plantacote N.V. P.E. Netherlands. In addition, a new logistics terminal was opened in the port of Terneuzen in the Netherlands.

In 2017, three new offices started their operations in Imbituba, Rio Grande and Sao Paulo, Brazil, SQM Vitas Brazil Agroindustria, importação e exportação ltda.

In May 2018, our we began operating a new joint venture, Pavoni & C., Spa, with Pavoni, one of the largest specialty fertilizer companies in Italy. The main objective of this business is to improve the nutritional efficiency of crops, the existing fertigation, the quality of fertilizers and their applications, as well as extend the use of fertigation (from microirrigation).

In 2018, our new office and storage facility in Pamira, managed by SQM Colombia SAS, near the Port of Buenaventura in Colombia became operational. The new office was set up to meet the growing needs of customers in the Colombian market, especially those who grow roses and ornamental plants, coffee, bananas and fruit through a complete portfolio of soluble fertilizers and Qrop mixes.

In 2018, we sold our interest in the Charlee SQM Thailand Co. Ltd. joint venture.

In 2018, the production activities of SQM Vitas FZCO ceased due to changes in the expiry of the lease with the port authorities.

*Specialty Plant Nutrition: Fertilizer Sales in Chile*

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

SQMC is one of the main players in the Chilean market, offering a wide range of products developed specifically for the crops grown in the country which require specialty plant nutrients.

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

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



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

SQMC's total sales reached US\$147 million and US\$133 million in 2018 and 2017, respectively. During 2018, no client represented more than 10% of the sales of the Company. According to the customs information related to fertilizers, the market participation of fertilizers imported directly by SQMC during 2018 was approximately 13%.

#### Specialty Plant Nutrition: Competition

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

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

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 13% of total world sales during 2018 (excluding sales by Chinese producers to the domestic Chinese market). Haifa had production issues during 2017 and is currently operating at its 50% capacity (one plant). Our sales accounted for approximately 56% of global potassium nitrate sales by volume for the period.

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

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

### *Iodine and its Derivatives*

We believe that we are the world's largest producer of iodine. In 2018, our revenues from iodine and iodine derivatives amounted to US\$325.0 million, representing 14.3% of our total revenues in that year. We estimate that our sales accounted for approximately 36% of world iodine sales by volume in 2018.

### *Iodine: Market*

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

X-ray contrast media is the leading application of iodine, accounting for approximately 23% of demand. Iodine's high atomic number and density make it ideally suited for this application, as its presence in the body can help to increase contrast between tissues, organs, and blood vessels with similar X-ray densities. Other applications include pharmaceuticals, which we believe account for 13% of demand; LCD and LED screens, 12%; iodophors and povidone-iodine, 9%; animal nutrition, 8%; fluoride derivatives, 7%; biocides, 6%; nylon, 4%; human nutrition, 3% and other applications, 15%.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

During 2018, iodine demand grew at a similar rate as in 2017, reaching 36,300 metric tons. Although more traditional uses grew at the same rate as during the previous year, new applications such as carbon energy plants emission control industries and demand growth related to the LED and LCD market resulted higher demand for iodine and derivatives.

#### Iodine: Our Products

We produce iodine in our Nueva Victoria plant, near Iquique, and our Pedro de Valdivia plant, close to María Elena. We have a total effective production capacity of approximately 14,000 metric tons per year of iodine, including the Iris plant, which is located close to the Nueva Victoria plant.

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

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

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

The following table shows our total sales volumes and revenues from iodine and iodine derivatives for 2018, 2017 and 2016:

|   | 2018  | 2017  | 2016  |
|---|-------|-------|-------|
| <b>Sales volumes</b> ( <i>Th. MT</i> )      |       |       |       |
| Iodine and derivatives                      | 13.3  | 12.7  | 10.2  |
| <b>Revenues</b> ( <i>in US\$ millions</i> ) | 325.0 | 252.1 | 231.1 |

Our revenues increased to US\$325.0 million in 2018 from US\$252.1 million in 2017. This increase was primarily attributable to the increase in iodine sales volume and average prices during 2018. Average iodine prices were approximately 23% higher in 2018 than in 2017, reaching US\$24/kg. Our sales volumes increased 5% in 2018, outpacing global iodine demand growth.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Iodine: Marketing and Customers

In 2018, we sold our iodine products in approximately 52 countries to approximately 283 customers, and most of our sales were exports. Four customers each accounted for more than 10% of our iodine revenues in 2017. These four customers accounted for approximately 53% of revenues, and our ten largest customers accounted in the aggregate for approximately 77% of revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our revenues:

| Sales Breakdown           | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| North America             | 26 % | 25 % | 25 % |
| Europe                    | 34 % | 31 % | 36 % |
| Central and South America | 2 %  | 0 %  | 0 %  |
| Asia and Others           | 38 % | 43 % | 38 % |

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

Iodine: Competition

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

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

Five Chilean companies accounted for approximately 59% of total global sales of iodine in 2018, including SQM, with approximately 36%, and four other producers, accounting for the remaining 23%. The other Chilean producers are: Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding Inverraz S.A.; ACF Minera S.A. owned by the Chilean family Urruticoechea; Algorta Norte S.A., a joint venture between ACF Minera S.A. and Toyota Tsusho; and Atacama Minerals, recently acquired by Chinese company Tewoo.

We estimate that eight Japanese iodine producers accounted for approximately 29% of global iodine sales in 2018, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Toyota Tsusho and another is owned by Ise Chemicals Ltd., both of which are Japanese companies) accounted for nearly 5% of world iodine sales in 2018.

Iodine recycling is a growing trend worldwide. Several producers have recycling facilities where they recover iodine and iodine derivatives from iodine waste streams.

We estimate the 17% of the iodine supply come from iodine recycling. Through ASG or alone, we are also actively participating in the iodine recycling business using iodinated side-streams from a variety of chemical processes in Europe and the United States.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The prices of iodine and iodine derivative products are determined by market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. Iodine supply varies primarily as a result of the production levels of the iodine producers (including us) and their respective business strategies. Our annual average iodine sales prices increased to approximately US\$24 per kilogram in 2018, higher than the prices observed in 2017.

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

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

#### *Lithium and its Derivatives*

In 2018, our revenues from lithium sales amounted to US\$734.8 million, representing 32.4% of our total revenues. We believe we are one of the world's largest producers of lithium carbonate and lithium hydroxide, and we estimate that our sales volumes accounted for approximately 17% of the global lithium chemicals sales volumes.

#### *Lithium: Market*

The lithium market can be divided into (i) lithium minerals for direct use (in which market SQM does not participate directly), (ii) basic lithium chemicals, which include lithium carbonate and lithium hydroxide (as well as lithium chloride, from which lithium carbonate may be made), and (iii) inorganic and organic lithium derivatives, which include numerous compounds produced from basic lithium chemicals (in which market SQM does not participate directly).

Lithium carbonate and lithium hydroxide are principally used to produce the cathodes for rechargeable batteries, taking advantage of lithium's extreme electrochemical potential and low density. Batteries are the leading application for lithium, accounting for approximately 65% of total lithium demand, including batteries for electric vehicles, which accounted for approximately 36% of total lithium demand.

There are many other applications both for basic lithium chemicals and lithium derivatives, such as lubricating greases (approximately 7% of total lithium demand), heat-resistant glass (ceramic glass) (approximately 5% of total lithium demand), chips for the ceramics and glaze industry (approximately 3% of total lithium demand), chemicals for air conditioning (approximately 2% of total lithium demand), and many others, including air treatment systems, pharmaceutical synthesis and metal alloys.

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

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

During 2018, lithium chemicals demand increased by approximately 27%, reaching approximately 269,000 metric tons. We expect applications related to energy storage to continue driving demand in the coming years.



## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Lithium: Our Products

We produce lithium carbonate at our Salar del Carmen facilities, near Antofagasta, Chile, from highly concentrated lithium chloride produced in the Salar de Atacama, as a by-product of the potassium chloride production. The annual production capacity of our lithium carbonate plant at the Salar del Carmen is 70,000 metric tons per year. In the future, we plan to increase our production capacity to 180,000 metric tons per year. We believe that the technologies we use, together with the high concentrations of lithium and the characteristics of the Salar de Atacama, such as high evaporation rate and concentration of other minerals, allow us to be one of the lowest cost producers worldwide.

We also produce lithium hydroxide at the same plant at the Salar del Carmen, next to the lithium carbonate operation. The lithium hydroxide facility has a production capacity of 13,500 metric tons per year and is one of the largest plants in the world.

The following table shows our total sales volumes and revenues from lithium and its derivatives for 2018, 2017 and 2016:

|                                    | 2018  | 2017  | 2016  |
|------------------------------------|-------|-------|-------|
| <b>Sales volumes (Th. MT)</b>      |       |       |       |
| Lithium and derivatives            | 45.1  | 49.7  | 49.7  |
| <b>Revenues (in US\$ millions)</b> | 734.8 | 644.6 | 514.6 |

Our revenues in 2018 reached US\$734.8 million, a 14.0% increase from US\$644.6 million in 2017, due to significantly higher prices during the year. The average price for 2018 was approximately 25.6% higher than the average price in 2017.

Lithium: Marketing and Customers

In 2018, we sold our lithium products in approximately 42 countries to approximately 160 customers, and most of our sales were to customers outside of Chile. Two customers each accounted for more than 10% of our lithium revenues in 2018, accounting for approximately 30% of our lithium revenues. Our ten largest customers accounted in the

aggregate for approximately 74% of revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our sales for 2018, 2017 and 2016:

| Sales Breakdown           | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| North America             | 9 %  | 7 %  | 8 %  |
| Europe                    | 14 % | 14 % | 19 % |
| Central and South America | 1 %  | 1 %  | 1 %  |
| Asia and Others           | 76 % | 79 % | 73 % |

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### Lithium: Competition

Lithium is produced mainly from two sources: (i) concentrated brines and (ii) minerals. During 2018, the main lithium brines producers were Chile, Argentina and China, while the main lithium mineral producers were Australia and China. With total sales of approximately 45,100 metric tons of lithium carbonate equivalent (LCE), SQM's market share of lithium chemicals was approximately 17% in 2018. One of our main competitors is Albemarle Corporation ("Albemarle"), which produces lithium carbonate and lithium chloride in Chile and the United States, along with lithium derivatives in the United States, Germany, Taiwan and China, with a market share of approximately 28%. Albemarle also owns 49% of Talison Lithium Pty Ltd. ("Talison"), an Australian company, that is the largest producer of concentrated lithium minerals in the world, based in Western Australia. The remaining 51% of Talison is owned by Sichuan Tianqi Lithium Industries ("Tianqi"), a Chinese company producing basic lithium chemicals in China from concentrated lithium minerals. Talison sells a part of its concentrated lithium mineral production to the direct use market, but most of its production, representing approximately 26% of total lithium chemical demand, is converted into basic lithium chemicals in China by Tianqi and Albemarle.

Another important competitor is FMC Corporation ("FMC"), with an estimated market share of approximately 7%. FMC has production facilities in Argentina through Minera del Altiplano S.A., where it produces lithium chloride and lithium carbonate. In addition, FMC produces lithium derivatives in the United States and in the United Kingdom. Orocobre Ltd. is also based in Argentina and produces lithium carbonate, reaching a market share of approximately 4%.

Australia is an important source of concentrated lithium minerals. In 2018, two producers doubled their production of concentrated mineral, which is then converted into lithium chemicals in China. One of these producers is a joint venture between Ganfeng Lithium Co. ("Ganfeng") and Mineral Resources Ltd in the Mt. Marion project. Galaxy Resources Ltd. is another important producer with operations in Mt. Cattlin. Additionally, three new players began shipping concentrated lithium minerals in 2018, Pilbara Minerals and Altura Mining, both producing from the Pilgangoora deposit, and Alliance Mineral Assets Ltd., producing from the Bald Hill deposit. In addition, there were at least ten other companies producing lithium in China from brines or minerals in 2018.

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

***Potassium***

In 2018, our potassium chloride and potassium sulfate revenues amounted to US\$267.5 million, representing 11.8% of our total revenues and a 29.5% decrease compared to 2017, as a result of reduced sales volumes. We estimate that we accounted for less than 2% of global sales of potassium chloride in 2018.

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

#### Potassium: Market

During the last decade, growth in demand for potassium chloride, and for fertilizers in general, has been driven by several key factors, such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors contribute to fertilizer demand growth as a result of efforts to maximize crop yields and use resources more efficiently. For the last ten years, the compound annual growth for the global potassium chloride market was approximately 1-2%. We estimate that demand totaled approximately 66 million metric tons in 2018, an increase from 64 million metric tons in 2017.

According to studies prepared by the International Fertilizer Industry Association, cereals account for approximately 45% of world potassium consumption, including corn (14%), rice (13%) and wheat (3%). Oilseeds, predominantly soybeans and palm oil, represent approximately 16% of total potassium demand. Fruits and vegetables account for approximately 22% of world potassium demand, and sugar crops account for close to 7%.

Potassium: Our Products

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

The following table shows our sales volumes of and revenues from potassium chloride and potassium sulfate for 2018, 2017 and 2016:

|   | 2018  | 2017    | 2016    |
|---|-------|---------|---------|
| <b>Sales volumes</b> ( <i>Th. MT</i> )      |       |         |         |
| Potassium chloride and potassium sulfate    | 831.8 | 1,344.3 | 1,534.7 |
| <b>Revenues</b> ( <i>in US\$ millions</i> ) | 267.5 | 379.3   | 403.3   |

Our revenues in 2018 were US\$267.5 million, a 29.5% decrease from US\$379.3 million in 2017, due to significantly lower sales volumes during the year. Our sales volumes in 2018 were approximately 38.1% lower than sales volumes reported last year as we focused on maximizing our yields of lithium in the Salar de Atacama.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Potassium: Marketing and Customers

In 2018, we sold potassium chloride and potassium sulfate to approximately 475 customers in over 58 countries. There were no individual customers that each accounted for more than 10% of our revenues of potassium chloride and potassium sulfate in 2018. We estimate that our ten largest customers accounted in the aggregate for approximately 47% of such revenues. One supplier accounted for more than 10% of the cost of sales of this business line, accounting for approximately 20% of the cost of sales for the business line.

The following table shows the geographical breakdown of our sales for 2018, 2017 and 2016:

| Sales Breakdown           | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| North America             | 19 % | 18 % | 20 % |
| Europe                    | 17 % | 19 % | 20 % |
| Central and South America | 30 % | 38 % | 38 % |
| Asia and Others           | 34 % | 25 % | 22 % |

Potassium: Competition

We estimate that we accounted for less than 3% of global sales of potassium chloride in 2018. Our main competitors are Nutrien (formerly PCS), Uralkali, Belaruskali and Mosaic. We estimate that in 2018, PCS accounted for approximately 20% of global sales, Uralkali accounted for approximately 18% of global sales, Belaruskali accounted for approximately 18% of global sales and Mosaic accounted for approximately 15% of global sales.

In the potassium sulfate market, we have several competitors, of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We estimate that these three producers account for approximately 30% of the worldwide production of potassium sulfate. SQM is no longer in the potassium sulfate market with its own production.

Industrial Chemicals

In 2018, our revenues from industrial chemicals were US\$108.3 million, representing approximately 4.8% of our total revenues for that year. We estimate that our market share in the industrial potassium nitrate market was approximately 34% for 2018.

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

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

*Industrial Chemicals: Market*

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



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

Experts believe that CSPs play a critical role in electricity grid stabilization and manageability due to their inherent large scale storage capability. Nevertheless, such large installations are capital intensive and are strongly influenced by the generation mix in each country. Therefore, fluctuations in solar salts demand are unavoidable in terms of quantity and timing. In 2017, we supplied CSP projects in South Africa, Morocco, Kuwait and Israel totaling over 88,000 metric tons. In 2018, we further supplied CSP plants, reaching 47,000 metric tons.

We are also experiencing a growing interest in using solar salts in thermal storage solutions not related to CSP technology. Due to their proven performance, solar salts are being tested in industrial heat processes and heat waste solutions. These new applications may open new opportunities to the solar salts uses in the near future.

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

#### Industrial Chemicals: Our Products

The following table shows our sales volumes of industrial chemicals and total revenues for 2018, 2017 and 2016:

|                                    | 2018  | 2017  | 2016  |
|------------------------------------|-------|-------|-------|
| <b>Sales volumes (Th. MT)</b>      |       |       |       |
| Industrial chemicals               | 135.9 | 167.6 | 128.9 |
| <b>Revenues (in US\$ millions)</b> | 108.3 | 135.6 | 104.1 |

Revenues for industrial chemicals decreased from US\$135.6 million in 2017 to US\$108.3 million in 2018, as a result of lower sales volumes of solar salts in this business line. Sales volumes in 2018 decreased 18.9% compared to sales volumes reported last year.

*Industrial Chemicals: Marketing and Customers*

We sold our industrial nitrate products in approximately 54 countries in 2018 to approximately 293 customers. One customer accounted for more than 10% of our revenues of industrial chemicals in 2018, accounting for approximately 28%, and our ten largest customers accounted in the aggregate for approximately 56% of such revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The following table shows the geographical breakdown of our sales for 2018, 2017 and 2016:

| Sales Breakdown           | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|
| North America             | 25 % | 19 % | 24 % |
| Europe                    | 16 % | 21 % | 14 % |
| Central and South America | 11 % | 7 %  | 9 %  |
| Asia and Others           | 48 % | 53 % | 54 % |

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

Industrial Chemicals: Competition

We believe we are one of the leading producers of sodium nitrate and potassium nitrate for industrial uses. In the case of industrial sodium nitrate, we estimate that our sales represented close to 41% of world demand in 2018 (excluding internal demand for China and India, for which we believe reliable estimates are not available). Our competitors are mainly based in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG (“BASF”), a German corporation and several producers in China and Eastern Europe are highly competitive in the European and Asian markets. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrate business is Haifa, which we estimate had a market share of 19%. We estimate that our market share was approximately 34% for 2018.

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

quality products.

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

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

### *Other Products*

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

### **Trend Information**

Our revenues increased 5.0% to US\$2,265.8 million in 2018 from US\$2,157.3 million in 2017. Gross profit increased 2.6% to US\$782.3 million in 2018, which represented 34.5% of revenues, from US\$762.5 million in 2017, which represented 35.3% of revenues. Profit attributable to controlling interests increased 2.8% to US\$439.8 million in 2018 from US\$427.7 million in 2017.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

We saw lower sales volumes in the lithium business line in 2018 compared to 2017, as a result of the delayed completion and ramp up of our plant expansion to 70,000 metric tons. The lithium market continued its strong growth in 2018, with total demand growth surpassing 27% according to our estimates. Average prices in this business line were 25.6% higher in 2018 when compared to average prices seen during 2017. New supply is entering the market, which could impact our ability to maintain this price premium in 2019. However, there are several lithium grades of different qualities available in the lithium market, and not all products are sold at the same price. We do not believe that all lithium supply entering the market is suitable for all customers. We will focus on providing a high-quality grade lithium to our customers in 2019. We will also rebuild some inventories this year, and as a result of this, we believe our sales volumes in 2019 could be slightly higher than sales volumes seen in 2018. Demand growth in 2018 and continuing into 2019 was led by demand related to batteries for electric vehicles. We believe that full electric vehicle penetration rates reached 2% in 2018, and this number is expected to over double in the next five years. Demand in 2019 is expected to be at least 20% greater than total demand in 2018.

Our sales volumes in the specialty plant nutrition business line increased 12.0% in 2018 compared to 2017, while average prices were flat, increasing by a mere 0.07%. As a result of the higher sales volumes, our revenues in this business line increased by 12.1%. Higher sales volumes seen during 2018 were due to demand growth and limited supply from our competitors. We sell various products within this business line, and most of our specialty fertilizers are sold as either field fertilizers or water soluble fertilizers. Our strategy in this business line has been to focus primarily on the water-soluble fertilizer market, which in general yields higher margins and has more growth potential.

Our sales volumes in the iodine business line increased 5.1% in 2018. We also saw prices increase during 2018; we closed the fourth quarter with average prices of almost US\$26/kg, exceeding our original expectations. Average prices in 2018 were 22.6% higher than the average prices seen in 2017. Increased sales volumes and higher prices resulted in an increase of 28.9% in our revenues for this business line. According to our estimates, the global iodine demand grew slightly in 2018 reaching almost 36,300 MT and we increased our market share to over 36%.

Our sales volumes in the potassium business line decreased by 38.1% in 2018 compared to 2017. These lower sales volumes were a result of our production limitations as we focused our production efforts in the Salar de Atacama on increasing lithium yields. Furthermore, as a result of environmental compliance plan that was approved by the Chilean Environmental Authority (SMA) in January 2019, we are temporarily extracting less brine than we had in the past. We had previously announced that potassium chloride and potassium sulfate sales volumes could decrease significantly in 2019 when compared to 2018, we now believe that sales volumes for 2019 will be below 500,000 metric tons. Average prices in the potassium chloride and potassium sulfate business line increased approximately 14.0% during 2018 when compared to 2017, reaching US\$322/MT. The higher prices reflected the stronger global demand for potassium chloride in 2018, reaching almost 66 million metric tons.

Our sales volumes in the industrial chemicals product line decreased 18.9% in 2018 compared to 2017, as a result of lower sales volumes of solar salts. Solar salts sales depend on the ramp up of the concentrated solar power plants (CSP) projects and we expect our sales volumes in 2019 to be approximately 50,000 metric tons, very similar to the 47,000 metric tons sold in 2018.

### **Production Process**

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Caliche Ore Deposits**

Caliche ore deposits are located in northern Chile. During 2018, our mining operations concentrated in the first Region where we mainly worked in the mining sector Tente en el Aire and in the mining sector Nueva Victoria Oeste. Mining operations at the Pampa Blanca site, the El Toco mine (which is part of the María Elena site) and the Pedro de Valdivia site were suspended in March 2010, November 2013 and November 2015, respectively, in an effort to optimize our production facilities with lower production costs.

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

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

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

During 2018, SQM continued running various tests with a continuous mining equipment replacing the drilling and blasting process and obtaining a smaller ore size (under 6 inches) that allows a better metallurgical recovery. The tests will continue into 2019.

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

where they are used to produce potassium nitrate.

During 2018, the Pedro de Valdivia site generated solutions produced by leaching the mine tailings. These solutions are treated at the iodide plant at Pedro de Valdivia. After iodide is obtained, the remaining solutions, which are rich in nitrate and potassium, are sent to the solar evaporation ponds at Coya Sur in order to be used in the production of potassium nitrate.

### ***Caliche Ore-Derived Products***

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

### ***Sodium Nitrate***

During 2018, sodium nitrate for both agricultural and industrial applications was produced by inventory generated at the Pedro de Valdivia facility and subsequently processed at the Coya Sur plants. The production at the Pedro de Valdivia facility, until November 2015, generated approximately 700,000 tons of inventory. As of December 2018, we had approximately 160,000 tons of crystallized sodium nitrate in inventory, which will provide us with enough sodium nitrate to produce finished nitrates for approximately one year. For subsequent production, we are developing the project of adapting the available crystallization plants at Coya Sur to be able to produce sodium nitrate using nitrate salts from our Nueva Victoria facility, which should be completed in 2019.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

#### Potassium Nitrate

Potassium nitrate is produced at our Coya Sur facility using a production process developed in-house. The brines generated by the leaching process at Pedro de Valdivia are pumped to Coya Sur's solar evaporation ponds for a nitrate concentration process. After the nitrate concentration process, the brine is pumped to a conversion plant where potassium salts from the Salar de Atacama and nitrate and potassium salts produced at Nueva Victoria or Coya Sur, are added. A chemical reaction begins, transforming sodium nitrate into potassium nitrate and discarding formed sodium chloride. This brine is pumped to a crystallization plant, which crystallizes the potassium nitrate by cooling it at atmospheric pressure, and separating it from the liquid by centrifuge.

Our current potassium nitrate production capacity at Coya Sur is approximately 1,300,000 metric tons per year. Since the end of 2013, we have been working with external advisors to implement the "lean" method of manufacturing in our potassium nitrate plants. We achieved complete implementation of this method of manufacturing during 2015. The improvements we have achieved have enabled us to reduce costs, improve energy consumption, increase the production of potassium nitrate and decrease our accident rates. This method is based on increasing the involvement of our workers in decision-making, and strengthening the leadership of our production supervisors. The goal is to identify opportunities to improve the production process and reduce waste on an ongoing basis.

During 2018, new operational improvements have been achieved by significantly integrating the production process of the Coya Sur facilities, allowing new increases in production capacity without major investments and improving the use of raw materials from the Salar de Atacama and Nueva Victoria.

#### Sodium Potassium Nitrate

Sodium potassium nitrate is a mixture of approximately two parts sodium nitrate per one part potassium nitrate. We produce sodium potassium nitrate at our Coya Sur prilling facilities using standard, non-patented production methods

we have developed. Crystallized sodium nitrate is supplied together with the crystallized potassium nitrate to the prilling plant where it is mixed producing sodium potassium nitrate, which is then melted and prilled. The prilled sodium potassium nitrate is transported to Tocopilla for bulk shipment to customers.

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### Iodine and Iodine Derivatives

During 2018, we produced iodine at our facilities at Nueva Victoria (including the Iris facility) and Pedro de Valdivia. Iodine is extracted from solutions produced by leaching caliche ore.

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

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

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

Our total iodine production in 2018 was 11,255 metric tons: 8,842 metric tons from Nueva Victoria, 1,368 metric tons from Iris, and 1,046 metric tons from Pedro de Valdivia. Nueva Victoria is also equipped to toll iodine from iodide delivered from our other facilities. We have the flexibility to adjust our production according to market conditions. Following the production facility restructuring at Pedro de Valdivia and Nueva Victoria, along with the ramp-up of our new iodide plant in Nueva Victoria, our total current effective production capacity at our iodine production plants is approximately 14,000 metric tons per year

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

In September 2010, CONAMA, currently known as the Environmental Evaluation Service, approved the environmental study of our Pampa Hermosa project in the Tarapacá Region of Chile. This environmental permit allows for an increase in the production capacity of our Nueva Victoria operations to 11,000 metric tons of iodine per year and to produce up to 1.2 million metric tons of crystallized nitrates, mine up to 37 million metric tons of caliche per year and use new water rights of up to 666.2 liters per second. In Iris, we are approved for 2,000 metric tons of iodine production per year, with an annual extraction of caliche ore up to 6.48 million metric tons per year. In recent years, we have made investments in order to increase the water capacity in the Nueva Victoria operations from two water sources approved by the environmental study of Pampa Hermosa, expand the capacity of solar evaporation ponds, and implement new areas of mining and collection of solutions. Our current production capacity at Nueva Victoria is approximately 12,500 metric tons per year of iodine (including the Iris operations) and 900,000 metric tons per year of nitrates. Additional expansions may be implemented from time to time in the future, depending on market conditions.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Salar de Atacama Brine Deposits**

The Salar de Atacama, located approximately 250 kilometers east of Antofagasta, is a salt-encrusted depression in the Atacama Desert, within which lies an underground deposit of brines contained in porous sodium chloride rock fed by an underground inflow from the Andes mountains. Brines are pumped from depths of 1.5 to 60 meters below surface, through a field of wells that are located in the Salar de Atacama, distributed in areas authorized for exploitation, and which contain relatively high concentrations of potassium, lithium, sulfates, boron and other minerals.

The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. Concentrations vary at different locations throughout the Salar de Atacama. Our mining exploitation rights to the Salar de Atacama are pursuant to the Lease Agreement, which expires in 2030. The Lease Agreement, as amended in January 2019 by the Corfo Arbitration Agreement, permits the CCHEN to establish a total accumulated production and sales limit of up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount.

For the year ended December 31, 2018, revenues related to products originating from the Salar de Atacama represented 44% of our consolidated revenues, consisting of revenues from our potassium business line and our lithium and derivatives business line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement. As of December 31, 2018, only 12 years remain on the term of the Lease Agreement.

#### ***Products Derived from the Salar de Atacama Brines***

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

#### **Potassium Chloride**

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

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the water contained in the brine, results in a crystallized mixture of salts with various content levels of potassium, sodium and magnesium. In the first stage of the precipitation, sodium chloride salts are removed; these salts are not used in the production process of other products. After further evaporation, the sodium and potassium salts are harvested and sent for treatment at one of the wet potassium chloride plants where potassium chloride is separated by a grinding, flotation, and filtering process. In the final evaporation stage, salts containing magnesium are harvested and eventually can be treated at one of the cold leach plants where magnesium is removed. Potassium chloride is transported approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. We sell potassium chloride produced at the Salar de Atacama in excess of our needs to third parties. All of our potassium-related plants in the Salar de Atacama currently have a nominal production capacity in excess of up to 2.6 million metric tons per year. Actual production capacity depends on volume, metallurgical recovery rates and quality of the mining resources pumped from the Salar de Atacama.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

#### Lithium Carbonate and Lithium Chloride

After the production of potassium chloride, a portion of the solutions remaining is sent to additional solar concentration ponds adjacent to the potassium concentration ponds. At this stage, the solution is concentrated and purified by precipitation to remove impurities it may still contain, including calcium, sulfate, potassium, sodium and magnesium. Next is the process of concentration and purification of the remaining concentrated solution of lithium chloride, which is transported by truck to the Salar del Carmen production facility located near Antofagasta, approximately 230 kilometers from the Salar de Atacama. At this plant, the solution is further purified and treated with sodium carbonate to produce lithium carbonate, which is dried and then, if necessary, compacted and finally packaged for shipment. The production capacity of our lithium carbonate facility at the end of 2018, following an expansion project was 70,000 metric tons per year. We are now beginning the preparation for the further expansion to 180,000 metric tons per year in the future.

Future production will depend on the actual volumes and quality of the lithium solutions sent by the Salar de Atacama operations, as well as prevailing market conditions. Our future production will also be subject to the extraction limit described in the Lease Agreement mentioned above.

Our lithium carbonate production quality assurance program has been certified by TÜV-Rheinland under ISO 9001 since 2005 and specifically under ISO 9001:2015 since September 2018.

#### Lithium Hydroxide

Lithium carbonate is sold to customers, and we also use it as a raw material for our lithium hydroxide production, which started operations at the end of 2005. We currently have two lithium hydroxide plants, one of which entered into operations at the end of 2018, and a total production capacity of 13,500 metric tons per year. These plants are

located in the Salar del Carmen, adjacent to our lithium carbonate operations. In the production process, lithium carbonate is reacted with a lime solution to produce lithium hydroxide brine and calcium carbonate salt, which is filtered and piled in reservoirs. The lithium hydroxide solution is evaporated in a multiple effect evaporator and crystallized to produce the lithium hydroxide, which is filtered, dried and packaged for shipment to customers.

Our lithium hydroxide production quality assurance program has been certified by TÜV-Rheiland under ISO 9001 since 2007 and specifically under ISO 9001:2015 since September 2018.

#### Potassium Sulfate and Boric Acid

Approximately 12 kilometers northeast of the potassium chloride facilities at the Salar de Atacama, we use the brines from the Salar de Atacama to produce potassium sulfate, potassium chloride (as a by-product of the potassium sulfate process) and, depending on market conditions, boric acid. The plant is located in an area of the Salar de Atacama where high sulfate and potassium concentrations are found in the brines to produce potassium sulfate. The brine is pumped to solar evaporation ponds, where sodium chloride salts are precipitated, harvested and put into piles. After further evaporation, the sulfate and potassium salts precipitate in different concentrations and are harvested and sent for processing to the potassium sulfate plant. Potassium sulfate is produced using flotation, concentration and reaction processes, after which it is crystallized, filtered, dried, classified and packaged for shipment.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Production capacity for the potassium sulfate plant is approximately 340,000 metric tons per year, of which approximately 95,000 metric tons correspond to potassium chloride obtained as a byproduct of the potassium sulfate process. This capacity is part of the total nominal plant capacity of 2.6 million metric tons per year. In our dual plant complex, we may switch, to some extent, between potassium chloride and potassium sulfate production. Part of the pond system in this area is also used to process potassium chloride brines extracted from the low sulfate concentration areas found in the Salar de Atacama. Depending on the conditions for the optimization of the deposit operation and/or market conditions, potassium sulfate production can be modified to produce potassium chloride.

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

#### **Raw Materials**

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

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities companies, and liquefied natural gas and fuel oil for heat generation. Our raw material costs (excluding caliche ore and salar brines and including energy) represented approximately 14% of our cost of sales in 2018.

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

which could result in a material loss for us.

For the supply of liquefied natural gas, in 2013 and 2014 we had a contract with Solgas. For 2015, 2016 2017 and 2018, we executed supply contracts with Enel Chile S.A. as with Solgas, primarily to serve our operations at the Salar del Carmen and Coya Sur.

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Water Supply**

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

#### **Research and Development, Patents and Licenses, etc.**

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

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

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

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

### **Licenses, Franchises, and Royalties**

We do not have contracts that give rise to an obligation for the Company to make payments for licenses, franchises or royalties in any of our business lines, other than payments provided for in the Royalty Law.

We have subscribed purchase option contracts for mining concessions such that, in the event that third parties exercise the respective option, we have the right to receive royalty payments as a result of the exploitation of such concessions.

See section 3) D) Description of Business Environment: Property and Facilities for information about our concessions.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### 3) d) Description of Business Environment: Property and Facilities

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

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

3) DESCRIPTION OF BUSINESS ENVIRONMENT

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### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Mining Concessions**

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

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

(1) “Mining Exploitation Concessions”: entitle us to use the land in order to exploit the mineral resources contained therein on a perpetual basis, subject to annual payments to the Chilean government.

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

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

As of December 31, 2018, the surface area covered by Mining Exploitation Concessions that have been granted in relation to the caliche resources of our mining sites is approximately 573,599 hectares. In addition, as of December 31, 2018, the surface area covered by Mining Exploration Concessions in relation to the caliche resources of our mining sites is approximately 1,700 hectares. We have not requested additional mining rights.

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

As of December 31, 2018, our subsidiary SQM Salar held exclusive rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is only entitled to exploit the mineral resources in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement. Corfo cannot unilaterally amend the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines, maintaining Corfo's rights over the Mining Exploitation Concessions and making annual payments to the Chilean government for such concession rights. The Lease Agreement was entered into in 1993 and expires on December 31, 2030.

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

SQM Salar holds an additional 236,842 hectares of constituted Mining Exploitation Concessions in areas near the Salar de Atacama, which correspond to mining reserves that have not been exploited. SQM Salar also holds Mining Exploitation Concessions that are in the process of being granted covering 3,900 hectares in areas near the Salar de Atacama.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

In addition, as of December 31, 2018, SQM Salar held Mining Exploration Concessions covering approximately 22,100 hectares and had applied for additional Mining Exploration Concessions of approximately 2,600 hectares. Exploration rights are valid for a period of two years, after which we can (i) request a Mining Exploitation Concession for the land, (ii) request an extension of the Mining Exploration Concession for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area) or (iii) allow the concession to expire.

According to the terms of the Lease Agreement, with respect to lithium production, the CCHEN established a total accumulated extraction limit set as amended by the Corfo Arbitration Agreement in January 2018, up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount in the aggregate for all periods while the Lease Agreement is in force. As of December 31, 2018, only 12 years remain on the term of the Lease Agreement.

#### *Concessions Generally*

As of December 31, 2018, approximately 97% of SQM's mining interests were held pursuant to Mining Exploitation Concessions and 3% pursuant to Mining Exploration Concessions. Of the Mining Exploitation Concessions, approximately 97% already have been granted pursuant to applicable Chilean law, and approximately 3% are in the process of being granted. Of the Mining Exploration Concessions, approximately 87% already have been granted pursuant to applicable Chilean law, and approximately 13% are in the process of being granted.

In 2018, we made payments of approximately US\$8.2 million to the Chilean government for Mining Exploration and Exploitation Concessions, including the concessions we lease from Corfo. These payments do not include the payments we made directly to Corfo pursuant to the Lease Agreement, according to the percentages of the sales price of products produced using brines from the Salar de Atacama.

The following table shows the Mining Exploitation and Exploration Concessions held by SQM, including the mining properties we lease from Corfo, as of December 31, 2018:

| Exploitation<br>Concessions | Exploration<br>Concessions | Total |
|-----------------------------|----------------------------|-------|
|-----------------------------|----------------------------|-------|

| Region of Chile       | Total<br>Number | Hectares  | Total<br>Number | Hectares | Total<br>Number | Hectares  |
|-----------------------|-----------------|-----------|-----------------|----------|-----------------|-----------|
| Region I              | 2,803           | 525,946   | 47              | 16,200   | 2,850           | 542,146   |
| Region II             | 8,807           | 2,320,527 | 125             | 53,100   | 8,932           | 2,373,627 |
| Region III and others | 441             | 99,885    | 40              | 11,400   | 481             | 111,285   |
| Total                 | 12,051          | 2,946,358 | 212             | 80,700   | 12,363          | 3,027,058 |

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Caliche: Facilities and Reserves**

##### *Caliche: Facilities*

During 2018, caliche ore mining operations were focused in the first region of Chile, and our Nueva Victoria mine was exploited at two sites: Tente en el Aire and Oeste. In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria. Operations at the Pampa Blanca site were suspended in 2010, and heap leaching operations at the María Elena site were suspended in October 2013, although iodine processing continued until 2017.

##### *Nueva Victoria*

The Nueva Victoria mine and facilities are located 140 kilometers southeast of Iquique and are accessible by highway. Since 2007, the Nueva Victoria mine includes the mining properties Soronal, Mapocho and Iris. At this site, we use caliche to produce salts rich in nitrates and iodine, through heap leaching and the use of solar evaporation ponds. The main production facilities at this site include the operation centers for the heap leaching process, the iodide and iodine plants at Nueva Victoria and Iris and the evaporation ponds at the Sur Viejo sector of the site. The areas currently being mined are located approximately 4 kilometers northeast of Nueva Victoria. Solar energy and electricity are the primary sources of power for this operation.

##### *Pampa Blanca*

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

##### *Pedro de Valdivia*

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

### María Elena

The María Elena mine and facilities, named El Toco, are located 220 kilometers northeast of Antofagasta and are accessible by highway. Until February 2010, caliche was used at this facility to produce nitrates and iodine through vat leaching. Subsequently, these facilities were equipped to produce nitrates and iodine through the use of heap leaching and solar evaporation ponds. Heap leaching operations at this site were suspended in October 2013. During 2017, we continued to produce solutions rich in iodine and nitrates by leaching the mine tailings, which were treated at the iodide plant at María Elena, and subsequently the prilled iodine is produced at Pedro de Valdivia. This process was discontinued at the end of 2017.

### ***Caliche: Reserves***

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

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

Similarly, the information obtained from detailed geologic work and samples taken from grid pattern drill-holes with spacing equal to or less than 200 meters can be used to determine Indicated Resources. By adjusting such Indicated Resources to account for technical, economic and legal factors, it is possible to calculate Probable Reserves. Probable

Reserves are calculated by using a polygon-based methodology and have an uncertainty or margin of error greater than that of Proven Reserves. However, the degree of certainty of Probable Reserves is high enough to assume continuity between points of observation.

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

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

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The estimates of Proven Reserves of caliche ore at each of our mines as of December 31, 2018 are set forth below. The Company holds 100% of the concession rights for each of these mines.

| Mine              | <b>Proven Reserves (1)</b><br>(millions of metric tons) | <b>Nitrate Average Grade</b><br>(percentage by weight) | <b>Iodine Average Grade</b><br>(parts per million) | Cutoff Grade<br>Average for Mine<br>(2) |
|-------------------|---|--|--|---|
| Pedro de Valdivia | 109.0   | 7.1  | % 377  | Nitrate 6.0 %                           |
| María Elena       | 83.3  | 7.2  | % 436  | Iodine 300 ppm                          |
| Pampa Blanca      | 54.7  | 5.7  | % 538  | Iodine 300 ppm                          |
| Nueva Victoria    | 280.6   | 6.4  | % 423  | Iodine 300 ppm                          |

In addition, the estimates of our Probable Reserves of caliche ore at each of our principal mines as of December 31, 2018, are as follows:

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

Notes on reserves:

(1) The Proven Reserves set forth in the table above are shown before losses related to exploitation and mineral treatment. Proven Reserves are affected by mining exploitation methods, which result in differences between the estimated reserves that are available for exploitation in the mining plan and the recoverable material that is finally transferred to the leaching vats or heaps. The average mining exploitation factor for each of our different mines ranges between 80% and 90%, whereas the average global metallurgical recoveries of processes for nitrate and iodine contained in the recovered material vary between 60% and 70%.

- (2) The cutoff grades for the Proven and Probable Reserves vary according to the objectives of each mine. These amounts correspond to the averages of the different areas.

- (3) Probable Reserves can be expressed as Proven Reserves using a conversion factor, only for purposes of obtaining a projection to be used for long-term planning purposes. On average, this conversion factor is higher than 60%, depending on geological conditions and caliche ore continuity, which vary from mine to mine (Pedro de Valdivia 60%, María Elena 50%, Pampa Blanca 70% and Nueva Victoria 60%).

The complete technical supporting documentation for the information set forth in the table above is contained in the report “Methodology, Procedure, and Classification of SQM’s Nitrate and Iodine Resources and Reserves for the Year 2018,” was prepared for each mine by the geologist Vladimir Tejerina and other engineering professionals employed by SQM and validated by Mr. Sergio Alarcón and Mr. Orlando Rojas.

Mr. Sergio Alarcón is a geologist with more than 30 years of experience in the field. He is currently employed by SQM as a Senior Geologist in the Mining Production area. Mr. Alarcón is a Competent Person (Persona Competente), as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras or “Competent Person Law”). He is registered under No. 164 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a geologist with both metallic and non-metallic deposits, with vast experience in the latter.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of the company EMI-Ingenieros y Consultores S.A., whose offices are located at Los Domínicos No 7772, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 40 years since graduating from university, including more than 34 years working on estimates for reserves and resources.

Copies of the certificates of qualified competency issued by the Chilean Mining Commission are presented below:

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The proven and probable reserves shown above are the result of the evaluation of approximately 23.38% of the total caliche-related mining property of our Company. However, we have explored more intensely the areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 77.62% of this area has not been explored or has had limited reconnaissance, which is not sufficient to determine the potential and hypothetical resources. In 2018, we did not carry out basic reconnaissance of new mining properties. With respect to detailed explorations, in 2018, we carried out recategorizations of indicated resources in Tente en el Aire sectors, totaling 1,658 hectares, which is still in process. Our 2019 exploration program includes the exploration of the Tente en el Air section, which totals 658 hectares, and the basic study of 4,110 hectares of the Hermosa Norte sector. The reserves shown in these tables are calculated based on properties that are not involved in any legal disputes between SQM and other parties.

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

|                           | 2018         |             | 2017         |             | 2016         |             |
|---------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
|                           | Gross Margin | Price       | Gross Margin | Price       | Gross Margin | Price       |
| Iodine and Derivatives    | 33 %         | US\$24/kg   | 21 %         | US\$20/kg   | 17 %         | US\$28/kg   |
| Specialty Plant Nutrition | 22 %         | US\$722/ton | 20 %         | US\$722/ton | 23 %         | US\$784/ton |
| Industrial Chemicals      | 33 %         | US\$797/ton | 32 %         | US\$809/ton | 35 %         | US\$770/ton |

We maintain an ongoing program of exploration and resource evaluation on the land surrounding our production mines, and other sites for which we have the appropriate concessions.

**Brines from the Salar de Atacama: Facilities and Reserves**

*Salar de Atacama: Facilities*

Salar de Atacama

Our facilities at the Salar de Atacama are located 208 kilometers to the east of the city of Antofagasta and 188 kilometers to the southeast of the city of María Elena. At this site we use brines extracted from the salar to produce potassium chloride, potassium sulfate, boric acid, magnesium chloride salts and lithium solutions, which are subsequently sent to our lithium carbonate plant at the Salar del Carmen for processing. The main production plants at this site include the potassium chloride flotation plants (MOP-H I and II), the potassium carnallite plants (PC I and extension), the potassium sulfate flotation plant (SOP-H), the boric acid plant (ABO), the potassium chloride drying plant (Dual Plant or MOP-S), the potassium chloride compacting plant (MOP-G), the potassium sulfate drying plant (SOP-S) and the potassium sulfate compacting plant (SOP-G). Solar energy is the primary energy source used for the Salar de Atacama operations.

***Salar de Atacama: Reserves***

Our in-house staff of hydrogeologists and geologists prepares our estimates of the reserve base of potassium, sulfate, lithium and boron dissolved in brines at the Salar de Atacama. We have exploitation concessions covering an area of 81,920 hectares, in which we have carried out geological exploitation, brine sampling and geostatistical analysis. We estimate that our proven and probable reserves as of December 31, 2018, based on law, geological exploitation, brine sampling and geostatistical analysis up to a depth of 300 meters of our total exploitation concessions, are as follows:

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

|                                  | Proven Reserves (1)<br>(millions of metric tons) | Probable Reserves (1)<br>(millions of metric tons) | Total Reserves<br>(millions of metric tons) |
|----------------------------------|--|--|---|
| Potassium (K+) (2)               | 46.1   | 42.0   | 88.1  |
| Sulfate (SO <sub>4</sub> -2) (3) | 39.0   | 45.2   | 84.2  |
| Lithium (Li+) (4)                | 4.56   | 3.99   | 8.55  |
| Boron (B <sub>3</sub> + ) (5)    | 1.38   | 1.46   | 2.84  |

## Notes on reserves:

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

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

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

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

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

The information set forth in the table above was validated in March 2019 by Messrs. Álvaro Henríquez and Orlando Rojas using information that was prepared by SQM's hydrogeologists, geologists and engineers and external advisors.

Mr. Henríquez is a geologist with more than 15 years of experience in the field of mining hydrogeology. He is currently employed by SQM as Superintendent of Hydrogeology, in the Salar Hydrogeology department. He is a Competent Person and is registered under No. 226 in the Public Registry of Competent Persons in Mining Resources and Reserves, in accordance with the Competent Person Law. As a hydrogeologist in Chile and abroad, he has evaluated multiple brine-based projects and has experience evaluating resources and reserves.

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Mr. Orlando Rojas is a civil mining engineer and independent consultant. He is Partner and Chief Executive Officer of EMI-Ingenieros y Consultores S.A., whose offices are located at Los Domínicos No 7772, Las Condes, Santiago, Chile. He is a member of the Institute of Mining Engineers and is registered under No. 118 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a mining engineer for 40 years since graduating from university, including more than 34 years working on estimates for reserves and resources.

A copies of the certificates of qualified competency issued by the Chilean Mining Commission are provided below:

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

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

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

*Porosity:* obtained from measurements of drainable porosity in core rocks, test pumping data, geophysical records and changes in the level of the brine. The volume of brine is estimated on the basis of the interpolation of the drainable porosity data.

*Grades:* The brine chemistry is subjected to an exploratory data analysis and a variographic analysis, in order to determine the chemical populations in the Salar. Subsequently, the grades are interpolated using the Kriging method.

Based on the chemical characteristics, and the volume of brine, we determine the number of metric tons for each of the chemical ions being evaluated. Reserve classification is finally achieved by using geostatistical criteria and hydrogeological knowledge of the units that have been explored, as an indicator between proven and probable reserves.

Proven reserves are defined as hydrogeological units with proven historical brine yield production, and a quality and piezometric brine monitoring network to control brine evolution over time.

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

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

Complementing the reserves information, SQM has an environmental impact assessment (RCA 226/06) which defines a maximum brine extraction until the end of the Lease Agreement (December 31, 2030). Considering the authorized maximum net brine production rates, we have performed hydrogeological simulations using numeric flow and transport models to estimate changes in the volume and quality of the brine during the life of the project, considering the ponds infrastructure projected and existing on January 1, 2019. According to these simulations, a total of 1.24 million metric tons of lithium and 14.9 million metric tons of potassium will be extracted from the producing wells. On the other hand, the proven and probable base reserve in situ, within the authorized area of environmental extraction (RCA 226/06), corresponds to 4.33 million metric tons of lithium and 30.4 million metric tons of potassium, enough to satisfy the demand of the project until the end of the concession.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

|  | 2018   |                | 2017   |                | 2016   |                |
|--|--------|----------------|--------|----------------|--------|----------------|
|  | Gross  | Price          | Gross  | Price          | Gross  |                |
|  | Margin |                | Margin |                | Margin |                |
| Potassium Chloride and Potassium Sulfate | 19 %   | US\$322/ton    | 17 %   | US\$282/ton    | 11 %   | US\$263/ton    |
| Lithium and Derivatives                  | 57 %   | US\$16,289/ton | 71 %   | US\$12,970/ton | 66 %   | US\$10,362/ton |

**Other Production Facilities****Coya Sur**

The Coya Sur site is located approximately 15 kilometers south of María Elena, and production activities undertaken there are associated with the production of potassium nitrate and finished products. The main production plants at this site include four potassium nitrate plants with a total capacity of 1,300,000 metric tons per year. There are also five production lines for crystallized nitrates, with a total capacity of 1,200,000 metric tons per year, and a prilling plant with a capacity of 360,000 metric tons per year. The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity. Natural gas is the main source of energy for our Coya Sur operation.

**Salar del Carmen**

The Salar del Carmen site is located approximately 14 kilometers to the east of Antofagasta. The production plants at this facility include the lithium carbonate plant, with a production capacity of 70,000 metric tons per year, and the lithium hydroxide plant, with a production capacity of 13,500 metric tons per year. Electricity and natural gas are the main sources of energy for our Salar del Carmen operation.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The following table provides a summary of our production facilities:

| Facility                             | Type of Facility   | Approximate<br>Size<br>(hectares)<br>(1) | Nominal Production<br>Capacity<br>(thousands of metric<br>tons/year)                                     | Weighted<br>Average<br>Age<br>(years)<br>(2) | Gross Book<br>Value<br>(millions of<br>US\$)<br>(2) |
|--------------------------------------|--|--|--|--|---|
| Coya Sur (3) (4)                     | Nitrates production  | 1.518                                    | Potassium nitrate:<br>1,300<br>Crystallized nitrates:<br>1,200<br>Prilled nitrates: 360<br>Nitrates: n/a | 5.0  | 571.7   |
| María Elena (5) (6)                  | Nitrates and iodine production   | 35.830                                   | Iodine: 1.6<br>Prilled nitrates: 300   | 13.8   | 424.0   |
| Nueva Victoria (5)<br>(7)            | Concentrated nitrate salts and<br>iodine production                                      | 47.492                                   | Iodine: 13.0   | 6.6  | 523.7   |
| Pampa Blanca (5)<br>(7) (8)          | Concentrated nitrate salts and<br>iodide production                                      | 10.441                                   | Nitrates: n/a<br>Iodine: n/a   | 10.5   | 7.1   |
| Pedro de Valdivia<br>(3) (9)         | Nitrates and iodine production   | 253.880                                  | Nitrates: n/a<br>Iodine: 3.2   | 13.6   | 226.3   |
| Salar de Atacama<br>(3) (10)         | Potassium chloride, potassium<br>sulfate, lithium chloride, and<br>boric acid production | 35.911                                   | Potassium chloride:<br>2,680<br>Potassium sulfate: 245<br>Boric acid: 15<br>Lithium carbonate: 70        | 10.8   | 1,554.1   |
| Salar del Carmen,<br>Antofagasta (3) | Lithium carbonate and lithium<br>hydroxide production                                    | 126                                      | Lithium hydroxide:<br>13.5   | 8.7  | 304.3   |
| Tocopilla (11)                       | Port facilities  | 22                                       | -  | 12.2   | 172.8   |

Approximate size considers both the production facilities and the mine for María Elena, Nueva Victoria, Pampa (1) Blanca, Pedro de Valdivia and the Salar de Atacama. Mining areas are those authorized for exploitation by the environmental authority and/or Sernageomin.

(2) Weighted average age and gross book value correspond to production facilities, excluding the mine, for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama.

(3) Includes production facilities and solar evaporation ponds.

The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the (4) production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity.

(5)

Includes production facilities, solar evaporation ponds and leaching heaps.

- (6) Operations at the El Toco mine at María Elena were suspended in November 2013.
- (7) The nominal production capacity for iodine considers the capacity of our plants. The effective capacity is 14,000 metric tons per year.
- (8) Operations at Pampa Blanca were suspended in March 2010.  
In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production
- (9) was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria.  
Potassium chloride and potassium sulfate are produced in a dual plant, and the production capacity for each of
- (10) these products depends on the production mix. Therefore, the production capacities for these two products are not independent of one another and cannot be added together to obtain an overall total capacity.
- (11) The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time.

## 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The railway line that runs between our Coya Sur production facilities and our Tocopilla port facilities was damaged in August 2015 as a result of storms in the north of Chile. The train is not currently operating and as a consequence, we have replaced the train with trucks to ship products from Coya Sur. Detailed engineering studies were performed to assess the damage of the railway. During the third quarter of 2016, the report was completed; it concluded that the cost and time needed to repair the railway at this time is not economical in the short and medium term. As a result of this determination, the Company wrote-off the assets related to the train. We do not believe it will materially impact future sales volumes or transportation costs.

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

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

**Extraction Yields**

The following table shows certain operating data relating to each of our mines for 2018, 2017 and 2016:

| <b>(in thousands, unless otherwise stated)</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|-------------|
| <b>Pedro de Valdivia<sup>(1)</sup></b>         |             |             |             |
| Metric tons of ore mined                       | –           | –           | –           |
| Average grade nitrate (% by weight)            | –           | –           | –           |
| Iodine (parts per million (ppm))               | –           | –           | –           |
| Metric tons of crystallized nitrate produced   | –           | –           | –           |
| Metric tons of iodine produced                 | 1.0         | 0.9         | 0.6         |
| <b>Maria Elena<sup>(2)</sup></b>               |             |             |             |
| Metric tons of ore mined                       | –           | –           | –           |
| Average grade nitrate (% by weight)            | –           | –           | –           |
| Iodine (ppm)                                   | –           | –           | –           |
| Metric tons of crystallized nitrate produced   | –           | –           | –           |
| Metric tons of iodine produced                 | –           | –           | 0.2         |

**Coya Sur<sup>(3)</sup>**

|  |     |     |     |
|--|-----|-----|-----|
| Metric tons of crystallized nitrate produced | 699 | 613 | 573 |
|--|-----|-----|-----|

**Pampa Blanca<sup>(2)</sup>**

|                          |   |   |   |
|--------------------------|---|---|---|
| Metric tons of ore mined | – | – | – |
|--------------------------|---|---|---|

|              |   |   |   |
|--------------|---|---|---|
| Iodine (ppm) | – | – | – |
|--------------|---|---|---|

|                                |   |   |   |
|--------------------------------|---|---|---|
| Metric tons of iodine produced | – | – | – |
|--------------------------------|---|---|---|

**Nueva Victoria**

|                          |        |        |        |
|--------------------------|--------|--------|--------|
| Metric tons of ore mined | 42,753 | 36,383 | 29,902 |
|--------------------------|--------|--------|--------|

|              |     |     |     |
|--------------|-----|-----|-----|
| Iodine (ppm) | 461 | 458 | 454 |
|--------------|-----|-----|-----|

|                                |      |     |     |
|--------------------------------|------|-----|-----|
| Metric tons of iodine produced | 10.2 | 8.8 | 7.7 |
|--------------------------------|------|-----|-----|

**Salar de Atacama <sup>(4)</sup>**

|   |      |    |    |
|---|------|----|----|
| Metric tons of lithium carbonate produced | 50.4 | 45 | 44 |
|---|------|----|----|

|  |       |       |       |
|--|-------|-------|-------|
| Metric tons of potassium chloride and potassium sulfate and potassium salts produced | 1,505 | 1,881 | 2,045 |
|--|-------|-------|-------|



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

In November 2015, mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was (1) reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria.

(2) Operations at the El Toco and Pampa Blanca mines were suspended in November 2013 and March 2010, respectively. During 2014 and 2015, María Elena obtained production from caliche ore exploited in prior years.

Includes production at Coya Sur from treatment of nitrates solutions from María Elena and Pedro de Valdivia, (3) nitrate salts from pile treatment at Nueva Victoria, and net production from NPT, or technical grade potassium nitrate, plants.

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

(4) Potassium salts include synthetic sylvinites produced in the plant and other harvested potassium salts (natural sylvinites, carnalites and harvests from plant ponds) that are sent to Coya Sur for the production of crystallized nitrates.

#### **Transportation and Storage Facilities**

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

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

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

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

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

#### **Computer System**

In addition to the above-listed facilities, we operate various computer and information systems linking our principal subsidiaries to our operating and administrative facilities throughout Chile, and other parts of the world, via two networks. The computer and information system is used mainly for accounting, monitoring of supplies and inventories, billing, quality control, research activities and production process and maintenance control. The mainframe computing system is located at our offices in Santiago.

In addition, we have Cloud technologies, which allow us to support new business processes related to IoT (Internet of Things) and Advanced Analytics and enables the business to respond quickly and at low cost to changing conditions of the business and of the market.

An Advanced Analytical pilot was carried out in one of our production plants, which allowed us to collect information to allow us to advance the predictive short-term and medium-term analysis and possible automation in the long term.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

A cyber security review is being carried out to highlight possible risks and mitigate them. Process automation and digitalization projects were initiated at various sites, such as the Port of Tocopilla, with the objective of reducing operational risks, and improving security and operational efficiency, which also includes a modernization of current IT infrastructure and existing communications.

#### 3) e) Description of Business Environment: Risk Factors

##### **Risk Factors**

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

##### **Risks Relating to our Business**

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

In 2015, the Chilean Internal Revenue Service (Servicio de Impuestos Internos or "SII") and the Chilean Public Prosecutor brought a number of criminal and administrative proceedings following investigations related to the payment of invoices by SQM and its subsidiaries SQM Salar S.A. ("SQM Salar") and SQM Industrial S.A., for services that may not have been properly supported or that may not have been necessary to generate corporate income, against (i) Patricio Contesse G., the Company's former CEO whose employment was terminated in May 2015, (ii) Mr. Contesse and the Company's then-current CEO, Patricio de Solminihac, and CFO (now CEO), Ricardo Ramos, in their capacities as the Company's tax representatives and (iii) five then-current and former members of the Company's Board of Directors. All the claims against Messrs. de Solminihac and Ramos were subsequently dismissed. The lawsuits against Mr. Contesse continue and the five Board members are appealing the fines of approximately US\$36,000

imposed on each of them.

On October 14, 2015, two class action complaints then pending against the Company, our former CEO and then-current CEO and CFO, alleging violations of the U.S. securities laws in connection with the subject matter of the investigations described above, were consolidated into a single action in the United States District Court for the Southern District of New York. On November 13, 2015, our former CEO and then-current CEO and CFO were voluntarily dismissed from the case without prejudice. On January 15, 2016, the lead plaintiff filed a consolidated class action complaint exclusively against the Company. On January 10, 2018, the lead plaintiff filed a motion to certify a class consisting of all persons who purchased SQM American Depositary Shares (“ADS”) between June 30, 2010 and March 18, 2015, and such motion remains pending before the court.

During 2015, the ad-hoc committee of the Board of Directors (the “ad-hoc Committee”) established in February 2015 to conduct an internal investigation into the matters that were the subject of the SII and Chilean Public Prosecutor investigation also conducted an investigation into whether the Company faced possible liability under the Foreign Corrupt Practices Act (“FCPA”). The ad-hoc Committee engaged its own separate counsel, Shearman & Sterling LLP, which presented a report to the Board of Directors on December 15, 2015.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

On January 26, 2018, the Eighth Lower Criminal Court of Santiago approved a deferred prosecution agreement proposed by the Chilean Public Prosecutor relating to SQM and its subsidiaries, SQM Salar and SQM Nitratos S.A., to suspend an investigation against these entities related to potential corruption issues and responsibility for the lack of supervision and management. Under the deferred prosecution agreement, SQM, SQM Salar and SQM Nitratos S.A., have not admitted responsibility in the matter subject to the investigation but agreed to pay an aggregate amount of (i) Ch\$900,000,000 to the Chilean government, and (ii) Ch\$1,650,000,000 to various charitable organizations. As of January 26, 2018, these amounts were equivalent to approximately US\$1.5 million and US\$2.8 million, respectively. In addition, the companies have agreed to provide the Chilean 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. On August 17, 2018, the Eighth Lower Criminal Court of Santiago considered the conditions and decided to terminate the legal process.

In the event that the applicable regulatory authorities believe that the terms of the DPA or the deferred prosecution agreement with the Chilean Public Prosecutor are not complied with, it is possible that such regulatory authorities may reinstate the suspended proceedings against us and may bring further action against us, including in the form of additional inquiries or legal proceedings. Responding to our regulators’ inquiries and any future civil, criminal or regulatory inquiries or proceedings diverts our management’s attention from day-to-day operations. Additionally, expenses that may arise from responding to such inquiries or proceedings, our review of responsive materials, any related litigation or other associated activities may continue to be significant. Current and former employees, officers and directors may seek indemnification, advancement or reimbursement of expenses from us, including attorneys’ fees, with respect to the current inquiry or future proceedings related to this matter. The occurrence of any of the foregoing or adverse determination in litigation or other proceedings or similar actions could materially and adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities.





### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

***Legal challenges to the amendments of the Lease Agreement and the Project Agreement relating to the Salar de Atacama concession, if successful, or failure to comply with the requirements of either agreement, could have a material adverse effect on our business, financial condition and results of operations***

Our subsidiary SQM Salar S.A. (“SQM Salar”), as leaseholder, holds exclusive and temporary rights over the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is entitled to exploit the mineral resources in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to (i) a 1993 lease agreement over mining exploitation concessions between SQM Salar and Corfo, a Chilean government entity (the “Lease Agreement”), and (ii) the Salar de Atacama project agreement between Corfo and SQM Salar (the “Project Agreement”). Corfo may not unilaterally amend the Lease Agreement or the Project Agreement. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo, maintaining Corfo’s rights over the mining exploitation concessions, and making annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030.

Furthermore, under the regulations of the Chilean Nuclear Energy Commission (Comisión Chilena de Energía Nuclear or “CCHEN”), we were originally limited to 180,100 tons of total lithium metallic equivalent (958,672 tons of lithium carbonate equivalent) extraction in the aggregate for all periods. On January 17, 2018, Corfo and our subsidiaries SQM Potasio S.A. and SQM Salar reached an agreement (the “Corfo Arbitration Agreement”) to (i) terminate the previously disclosed arbitration proceedings between Corfo and SQM Salar, which, among other things, sought early termination of the Lease Agreement and (ii) amend the Lease Agreement and the Project Agreement. As part of the agreement to amend the Lease Agreement, Corfo authorized an increase of the production and sales of lithium products produced in the Salar de Atacama up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount. The amendments of the Lease Agreement and the Project Agreement required under Chilean law the issuance of the applicable resolutions of the Office of the Controller General of the Republic (Contraloría General de la República) and the CCHEN, which were issued.

Our business is substantially dependent on the exploitation rights under the Lease Agreement and the Project Agreement, since all of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement. For the year ended December 31, 2018, revenues related to products originating from the Salar de Atacama represented 44% of our consolidated revenues, consisting of revenues from our potassium business line and our lithium and derivatives business line for the period. As of December 31, 2018, only 12 years remain on the term of the Lease Agreement and we had extracted approximately 23% of the total permitted accumulated extraction and sales limit of lithium under the increased lithium extraction and sales limits.

These agreements expire in 2030 and establish a series of obligations with which SQM Salar must comply. A serious failure to comply with these obligations may jeopardize the exploitation rights under the agreements and the

continuity of our operations in the Salar de Atacama. While we believe that we have taken the appropriate precautions to ensure compliance with the obligations and conditions in the agreements, there can be no assurance that we will be able to maintain such compliance, which could jeopardize the continued benefits to us of the agreements and could have a material adverse effect on our business, financial condition and results of operations.

On February 15, 2018 and February 16, 2018, the Atacamenos Indigenous Organization (Consejo de Pueblos Atacamenos) initiated legal actions challenging the amendments of the Lease Agreement and the Project Agreement. The legal actions are pending before the Supreme Court of Chile.

In the event the amendments to the Lease Agreement and the Project Agreement under the Corfo Arbitration Agreement are successfully challenged, or the CCHEN authorization for the increased extraction is revoked, there can be no assurance that we will not reach the lithium extraction limit referred to above prior to the expiration of the term of the Lease Agreement. In such event, we would then be unable to continue extraction of lithium under the Lease Agreement, which could have a material adverse effect on our business, financial condition and results of operations.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

On September 10, 2013, the CMF issued a press release disclosing it had instituted certain administrative proceedings (the “Cascading Companies Proceedings”) against (i) Julio Ponce Lerou (who was the Chairman of the Board and a director of the Company until April 24, 2015), (ii) Patricio Contesse Fica, who was a director of the Company until April 24, 2015 and was later elected as director on April 27, 2018, and is the son of Patricio Contesse González (who was the Company’s CEO until March 16, 2015), and (iii) other named defendants. The Company has been informed that Mr. Ponce and persons related to him beneficially owned 32% of SQM’s total shares as of December 31, 2018. See “Section 4) A) i) Situation of Control”. The CMF alleged breaches of Chilean corporate and securities laws in connection with acts performed by entities with direct or indirect share ownership interests in SQM (the “Cascading Companies”). The allegations made in connection with the Cascading Companies Proceedings do not relate to the Company’s operations, nor do they relate to any acts or omissions of the Company or any of its directors, officers or employees in their capacities as such.

In connection with the Cascading Companies Proceedings, the CMF alleged the existence of a scheme involving the named defendants whereby, through a number of transactions occurring between 2008 and 2011, the Cascading Companies allegedly sold securities of various companies, at below-market prices to companies related to Mr. Ponce and other named defendants. These companies allegedly subsequently sold such securities after a lapse of time, in most cases back to the Cascading Companies, at prices higher than the purchase price. The CMF alleged violations by the defendants of a number of Chilean corporate and securities laws in furtherance of the alleged scheme.

On January 31, 2014, the CMF added a number of Chilean financial institutions and asset managers, and certain of their controlling persons, executives or other principals, as named defendants to the Cascading Companies Proceedings. On September 2, 2014, the CMF issued a decision imposing an aggregate fine against all of the defendants of UF 4.0 million (approximately US\$174 million as of December 31, 2018), including a fine against Mr. Ponce of UF 1.7 million (approximately US\$74 million as of December 31, 2018) and a fine against Mr. Contesse Fica of UF 60,000 (approximately US\$2.6 million as of December 31, 2018). The defendants are currently challenging the CMF administrative decision before Chilean courts.

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

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

***Our annual report for the year ended December 31, 2014 on Form 20-F filed with the SEC identified a material weakness in our internal controls over payments directed by the office of the former Chief Executive Officer as of December 31, 2014***

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

World prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) fluctuated as a result of the broader global economic and financial conditions. During the second half of 2013, potassium prices declined as a result of an unexpected announcement made by the Russian company Uralkali (“Uralkali”) that it was terminating its participation in Belarus Potash Corporation (“BPC”). As a result of the termination of Uralkali’s participation in BPC, there was increased price competition in the market. In 2018, the average price for our potassium chloride and potassium sulfate business line was approximately 14% higher than in 2017. Our sales volumes for this business line were approximately 38% lower in 2018 compared to 2017. We cannot assure you that potassium-based fertilizer prices and sales volumes will not decline in the future.

Iodine prices followed an upward trend beginning at the end of 2008 and continuing through 2012, reaching an average price of approximately US\$53 per kilogram in 2012, over 40% higher than average prices in 2011. During the following years, supply growth outpaced demand growth, causing a decline in iodine prices. We obtained an average price for iodine of approximately US\$24 per kilogram in 2018, approximately 23% more than average prices obtained in 2017. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

In 2018, lithium demand continued to grow creating tight market conditions and increasing prices by 26% compared to 2017, driven mostly by an increase in demand related to battery use. During the second half of 2018, lithium supply increased, and prices slightly decreased in the fourth quarter. We cannot assure you that lithium prices and sales volumes will not decline in the future.

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

We sell our products in more than 110 countries around the world. In 2018, approximately 34% of our sales were made in emerging market countries: 8% in Latin America (excluding Chile); 8% in Africa and the Middle East (excluding Israel); 8% in Chile and 11% in Asia and Oceania (excluding Australia, Japan, New Zealand, South Korea and Singapore). We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

***Our inventory levels may increase for economic or operational reasons***

In general, economic conditions or operational factors can affect our inventory levels. Higher inventories carry a financial risk due to increased need for cash to fund working capital and could imply increased risk of loss of product. At the same time, lower levels of inventory can hinder the distribution network and process, thus impacting sales volumes. There can be no assurance that inventory levels will remain stable. These factors could have a material adverse effect on our business, financial condition and results of operations.

***Our measures to minimize our exposure to bad debt may not be effective and a significant increase in our accounts receivable coupled with the financial condition of customers may result in losses that could have a material adverse effect on our business, financial condition and results of operations***

Potentially negative effects of global economic conditions on the financial condition of our customers may include the extension of the payment terms of our accounts receivable and may increase our exposure to bad debt. While we have implemented certain safeguards, such as using credit insurance, letters of credit and prepayment for a portion of sales, to minimize the risk, we cannot assure you that such safeguards will be effective and a significant increase in our

accounts receivable coupled with the financial condition of customers may result in losses that could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our business is capital intensive. Specifically, the exploration and exploitation of reserves, mining and processing costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our exploitation levels and the amount of finished products we produce.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

We rely on certain raw materials and various energy sources (diesel, electricity, liquefied natural gas, fuel oil and others) to manufacture our products. Purchases of energy and raw materials we do not produce constitute an important part of our cost of sales, approximately 14% in 2018. In addition, we may not be able to obtain energy at any price if supplies are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in the prices of energy and raw materials to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

***Our reserves estimates are internally prepared and not subject to review by external geologists or an external auditing firm and could be subject to significant changes, which may have a material adverse effect on our business, financial condition and results of operations***

Our caliche ore mining reserves estimates and our Salar de Atacama brine mining reserve estimates are prepared by our own geologists and hydrogeologists and are not subject to review by external geologists or an external auditing firm. Estimation methods involve numerous uncertainties as to the quantity and quality of the reserves, and reserve estimates could change upwards or downwards. A downward change in the quantity and/or quality of our reserves could affect future volumes and costs of production and therefore have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

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

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

Over 93% of our employees are employed in Chile, of which approximately 65% were represented by 22 labor unions as of December 31, 2018. As in past years, we renegotiated collective bargaining agreements with 14 unions, achieving the anticipated renegotiation of 17 collective bargaining agreements by December 31, 2018, one year before the expiration of the agreements. The 17 collective bargaining agreements were renegotiated for the next three years as of that date. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased

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

Chilean Law No. 20,123, known as the Subcontracting Law, provides that when a serious workplace accident occurs, the company in charge of the workplace must halt work at the site where the accident took place until authorities from either the National Geology and Mining Service (Servicio Nacional de Geología y Minería or “Sernageomin”), the Labor Board (Dirección del Trabajo or “Labor Board”), or the National Health Service (Servicio Nacional de Salud), inspect the site and prescribe the measures such company must take to minimize the risk of similar accidents taking place in the future. Work may not be resumed until the applicable company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On September 8, 2016, Chilean Law No. 20,940 was published and modified the Labor Code by introducing, among other things, changes to the formation of trade unions, the election of inter-company union delegates, the presence of women on union boards, anti-union practices and related sanctions, and collective negotiations. Due to these changes to the labor regulations, we may face an increase in our expenses that may have a significant adverse effect on our business, financial condition, and results of operations.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### ***Lawsuits and arbitrations could adversely impact us***

We are party to a range of lawsuits and arbitrations involving different matters as described in Note 22.1 of our Consolidated Financial Statements. Although we intend to defend our positions vigorously, our defense of these actions may not be successful and responding to such lawsuits and arbitrations diverts our management's attention from day-to-day operations. Adverse judgments or settlements in these lawsuits may have a material adverse effect on our business, financial condition and results of operations. In addition, our strategy of being a world leader includes entering into commercial and production alliances, joint ventures and acquisitions to improve our global competitive position. As these operations increase in complexity and are carried out in different jurisdictions, we may be subject to legal proceedings that, if settled against us, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our operations in Chile are subject to national and local regulations relating to environmental protection. In accordance with such regulations, we are required to conduct environmental impact studies or statements before we conduct any new projects or activities or significant modifications of existing projects that could impact the environment or the health of people in the surrounding areas. We are also required to obtain an environmental license for certain projects and activities. The Environmental Evaluation Service (Servicio de Evaluación Ambiental) evaluates environmental impact studies submitted for its approval. The public, government agencies or local authorities may review and challenge projects that may adversely affect the environment, either before these projects are executed or once they are operating, if they fail to comply with applicable regulations. In order to ensure compliance with environmental regulations, Chilean authorities may impose fines up to approximately US\$9 million per infraction, revoke environmental permits or temporarily or permanently close facilities, among other enforcement

measures.

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

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

The success of our current investments at the Salar de Atacama and Nueva Victoria is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction. For example, on December 13, 2017, the First Environmental Court of Antofagasta ordered the temporary and partial closure of certain water extraction wells located in the Salar de Llamara. These wells allow the Company to extract approximately 124 liters per second of water, almost 15% of the water used in the Company's operations in the First Region of Chile for iodine and nitrate production. In October 2018, the First Environmental Court of Antofagasta, accepted the Company's claim, and dismissed the restrictions without prejudice. It is possible that third parties could seek to reinstate these restrictions in the future.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

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

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

***A significant percentage of our shares are held by two principal shareholder groups who may have an interest that is different from that of other shareholders and of each other. Any change in such principal shareholder groups may result in a change of control of the Company or of its Board of Directors or its management, which may have a material adverse effect on our business, financial condition and results of operations***

As of December 5, 2018, two principal shareholder groups held in the aggregate 55.77% of the total outstanding shares of SQM, including a majority of our Series A common shares, and have the power to elect seven of our eight directors. The interests of the two principal shareholder groups may in some cases differ from those of other shareholders and of each other.

One principal shareholder group is the Pampa Group, as defined in “Section 4) Ownership and Shares”, which currently owns 32% of the total outstanding shares of SQM. Until November 30, 2018, the CMF considered the Pampa Group the controller of SQM. On this date, the CMF determined that in accordance with the distribution of the shares of SQM, “the Pampa Group does not exert decisive power over the management of the Company, and is therefore not considered a controlling shareholder. The CMF could change its decision in the future if circumstances change.

Nutrien (formerly PCS before the merger with Agrium Inc. on January 1, 2018) was one of the principal shareholders of the Company. On December 5, 2018, Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation (“Tianqi”), acquired the shares of SQM held by Nutrien through Inversiones El Bolso Limitada, Inversiones PCS Chile Limitada and Inversiones RAC Chile, representing 23.77% of the total shares of SQM. Tianqi currently owns 23.77% of the total outstanding shares of SQM.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The divestiture by the Pampa Group or Tianqi, or potential changes in the circumstances that have led to the determination of the CMF related to the controller status of the shareholders of the Company, or a combination thereof, may have a material adverse effect on our business, financial condition and results of operations.

***Tianqi is a significant shareholder and a competitor of the Company, which can increase the risks of competition.***

Tianqi is a competitor in the lithium business, and as a result of the number of shares that it owns of the Company, it has the right to choose up to three Board members. On August 27, 2018, Tianqi and the Chilean antitrust regulator (the Chilean National Economic Prosecutor's Office, or FNE for its initials in Spanish), entered into an extrajudicial settlement agreement, under which complemented certain restrictive measures in order to (i) maintain the competitive conditions of the lithium market, (ii) mitigate the risks described in the agreement and (iii) limit Tianqi's access to certain information of the Company and its subsidiaries, which are defined as "sensitive information" under in the agreement.

During the approval process of the extrajudicial agreement before the FNE, the Company expressed its concerns regarding the measures contained in the extrajudicial agreement since (i) it could not effectively resolve the risks that Tianqi and the FNE have sought to mitigate, (ii) they are not correctly oriented to avoid the access to the Company's "sensitive information" that, in the possession of a competitor, could harm the Company and the proper functioning of the market and (iii) it could contradict the Corporation Law in Chile.

The presence of a shareholder which is at the same time a competitor of the Company and the right of this competitor to choose Board members, could generate risks to free competition and/or increase the risks of an investigation of free competition against the Company, whether in Chile or in other countries, all of which could have an adverse material effect in our business.

***Our information technology systems may be vulnerable to disruption which could place our systems at risk from data loss, operational failure, or compromise of confidential information.***

We rely on various computer and information technology systems, and on third party developers and contractors, in connection with our operations, including two networks that link our principal subsidiaries to our operating and administrative facilities in Chile and other parts of the world and ERP software systems, which are used mainly for

accounting, monitoring of supplies and inventories, billing, quality control, research activities, and production process and maintenance control. In addition, we use Cloud technologies to support new business processes related to the Internet of Things (IoT) and Advanced Analytics, which allow us to collect information enabling us to advance the predictive short-term and medium-term analysis of our production process and its possible automation in the long term. Our information technology systems are susceptible to disruption, damage or failure from a variety of sources, including errors by employees or contractors, computer viruses, cyber-attacks, misappropriation of data by outside parties, and various other threats. We have taken certain measures to identify and mitigate these risks, including conducting a cybersecurity review and initiating process automation and digitalization projects at various sites with the object of reducing operational risk and improving security and operational efficiency, which also includes modernization of existing information technology infrastructure and communications systems. However, we cannot guarantee that due to the increasing sophistication of cyber-attacks our systems will not be compromised and because we do not maintain specialized cybersecurity insurance, our insurance coverage for protection against cybersecurity risk may not be sufficient. Cybersecurity breaches could result in losses of assets or production, operational delays, equipment failure, inaccurate recordkeeping, or disclosure of confidential information, any of which could result in business interruption, reputational damage, lost revenue, litigation, penalties or additional expenses and could have a material adverse effect on our business, financial condition and results of operations.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Risks Relating to Financial Markets**

##### *Currency fluctuations may have a negative effect on our financial performance*

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. As of December 31, 2018, the Chilean peso exchange rate was Ch\$694.77 per U.S. dollar, while as of December 31, 2017, the Chilean peso exchange rate was Ch\$614.75 per U.S. dollar. The Chilean peso therefore depreciated against the U.S. dollar by 13% in 2018.

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

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

As of December 31, 2018, we had US\$70 million of outstanding short and long-term debt bearing interest based on LIBOR. A relative increase in the rate could materially impact our business, financial condition and results of operations.

#### **Risks Relating to Chile**

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

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

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

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

***Changes in mining or port concessions could affect our operating costs***

We conduct our mining operations, including brine extraction, under exploitation and exploration concessions granted in accordance with provisions of the Chilean constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right (with the exception of the rights granted to SQM Salar with respect to the Salar de Atacama concessions under the Lease Agreement described above, which expires in 2030) to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

We hold water use rights that are key to our operations. These rights were obtained from the Chilean Water Authority (*Dirección General de Aguas*) for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean Water Rights Code (*Código de Aguas* or the “Water Code”) is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, a series of bills are currently being discussed at the Chilean National Congress that seek to desalinate seawater for use in mining production processes, amend the Mining Code for water use in mining operations, amend the Political Constitution on water and introduce changes to the regulatory framework governing the terms of inspection and sanction of water. As a result, the amount of water that we can actually use under our existing rights may be reduced or the cost of such use could increase. These and potential future changes to the Water Code or other relevant regulations could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends upon payment, but they will only be permitted to credit against such shareholder taxes a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty in force with Chile. In that case, 100% of the Chilean corporate tax paid by us may be credited against the final taxes at the shareholder level.

As a result, foreign shareholders resident in a non-treaty jurisdiction will be subject to a higher effective tax rate than residents of treaty jurisdictions. There is a temporary rule in effect from January 1, 2017 through December 31, 2019 that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2017, whether or not such treaties are in force. This is currently the status of the treaty signed between Chile and United States. After December 31, 2019, if no treaty is in effect, shareholders in those jurisdictions will be subject to a higher effective tax rate.

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

The Tax Reform tax increase prompted a US\$52.3 million increase in our deferred tax liabilities as of December 31, 2014. In accordance with IAS 12, the effects generated by the change in the income tax rate approved by the Tax Reform on income and deferred taxes were applied to the income statement. For purposes of the Company's statutory consolidated financial statements filed with the CMF, in accordance with the instructions issued by the CMF in its circular 856 of October 17, 2014, the effects generated by the change in the income tax rate were accounted for as retained earnings. The amount charged to equity as of December 31, 2014 was US\$52.3 million, thereby giving rise to a difference of US\$52.3 million in profit for the year and income tax expense as presented in the Company's 2014 audited consolidated financial statements in its annual report on Form 20-F compared with profit and income tax expense as presented in the Company's 2014 statutory consolidated financial statements filed with the CMF.

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

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

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

#### ***Chile is located in a seismically active region***

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquakes in Chile, which occurred in April 2017 in the Valparaiso region and in December 2016 in Chiloe Island, had a magnitude of 6.9 and 7.6, respectively, on the Richter scale. There were also earthquakes in 2015, 2014 and 2010 that caused substantial damage to some areas of the country. Chile has also experienced volcanic activity. A major earthquake or a volcanic eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain industry standard insurance policies that include earthquake coverage, we cannot assure you that a future seismic or volcanic event will not have a material adverse effect on our business, financial condition and results of operations.



### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

#### **Risks Relating to our Shares and to our ADSs**

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

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

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

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

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

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

*Our share or ADS price may react negatively to future acquisitions and investments*

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

***ADS holders may be unable to enforce rights under U.S. Securities Laws***

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

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

### 3) DESCRIPTION OF BUSINESS ENVIRONMENT

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

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

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

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

***If we were classified as a Passive Foreign Investment Company by the U.S. Internal Revenue Service, there could be adverse consequences for U.S. investors***

We believe that we were not classified as a Passive Foreign Investment Company ("PFIC") for 2018. Characterization as a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor in our shares or ADSs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time.

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

Currently cash dividends paid by us to foreign shareholders are subject to a 35% Chilean withholding tax. When the Company pays a corporate income tax on the income from which the dividend is paid, known as a “First Category Tax”, a credit for the full amount of the First Category Tax effectively reduces the rate of Withholding Tax. Changes in Chilean tax regulations could have adverse consequences for U.S. investors.

3) DESCRIPTION OF BUSINESS ENVIRONMENT

**3) f) Description of Business Environment: Capital Expenditure Program**

We regularly review different opportunities to improve our production methods, reduce costs, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures in Chile have been mainly related to the organic growth and sustainability of our business, including the construction of new facilities and the renovation of plants and equipment. From 2016, we began to invest in lithium projects outside Chile, starting with the Minera Exar project in Argentina and continuing with Mount Holland project in Australia in 2017. In 2018, we sold our stake in Minera Exar and continued the development of the Mount Holland project. We also expanded our lithium carbonate capacity in Chile, reaching capacity 70,000 metric tons per year.

Our capital expenditures for the years ended December 31, 2018, 2017 and 2016 were as follows:

| (in millions of U.S. dollars) | 2018  | 2017  | 2016  |
|-------------------------------|-------|-------|-------|
| Capital Expenditures          | 244.7 | 142.1 | 131.3 |

During 2018, we had total capital expenditure of US\$244.7 million, primarily related to:

- Capacity expansion projects related to increasing lithium carbonate production to 70,000 metric tons per year and lithium hydroxide production to 13,500 metric tons per year in Chile;
- Investments to increase iodine capacity to 14,000 in the Nueva Victoria mine;
- Capacity expansion project related to potassium nitrate production plants III and IV in Coya Sur; and
- General maintenance of all production units and the Port of Tocopilla in order to ensure the fulfillment of production and sales targets.

During 2017, we had total capital expenditures of US\$142.1 million, primarily related to:

- Capacity expansion projects related to lithium carbonate and lithium hydroxide production in Chile;

Investments in mining workshop and operations centers to relocate operations from Nueva Victoria mine to mining sector Tente en el Aire;

· Capacity expansion project related to potassium nitrate production;

· General maintenance of all production units and Tocopilla port in order to ensure the fulfillment of production and sales targets.

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

· Completion of the project related to the expansion of ponds at Nueva Victoria to increase the production of iodine and nitrates;

· Capacity expansion projects related to our potassium nitrate production;

· Capacity expansion project related to our lithium hydroxide production;

· Improvements in the open storage areas at the Port of Tocopilla;

· General maintenance of all production units in order to ensure the fulfillment of production targets and the safety of all of our employees.

The Board of Directors has approved a capital expenditure framework for 2019 of approximately US\$360 million focused on the maintenance of our production facilities in order to strengthen our ability to meet our production goals and to increase our production capacity, primarily related to lithium carbonate capacity expansion and nitrates capacity in Chile and development of lithium project in Australia. We expect our installed capacity of lithium carbonate in Chile to reach approximately 120,000 metric tons by the end of 2020, an increase of 50,000 metric tons compared to our current capacity of 70,000 metric tons. From that point, we will continue to work to reach an installed capacity of 180,000 metric tons in Chile in the future. The capital expenditure associated with this expansion is expected to be in the range of approximately US\$4,000 per ton. We expect to complete the feasibility study related to the Mount Holland lithium project in Australia in the second half of 2019, at which time we believe we will have a better estimate associated with the capital expenditure and costs of the project.

We do not expect that our 2019 capital investment program will require external financing. However, we always have the option to access capital markets in order to optimize our financial position.

4) OWNERSHIP AND SHARES

4) OWNERSHIP AND SHARES

4) a) Ownership and Shares: Ownership

**i) Ownership Control Situation**

At December 31, 2017, SQM does not have a “controlling group” as such term is defined in Title XV of Chilean Law No. 18,045.

**ii) Identification of Non-Controlling Majority Shareholders**

SQM has been informed that, as of December 31, 2018, Mr. Julio Ponce Lerou (ID No. 4.250.719-9) and related persons control 100% of Inversiones SQYA Ltda. (“SQYA”) and 100% of Inversiones SQ Ltda. These two companies control indirectly 32.00% of all shares of SQM (consisting of 71,871,838 Series A shares and 12,341,049 Series B shares), as follows: (i) Inversiones SQ Ltda. controls 0.0258% of Norte Grande S.A. (“Norte Grande”) and SQYA controls 67.59% of Norte Grande, which controls 76.82% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.64% of Sociedad de Inversiones Pampa Calichera S.A. (“Pampa Calichera”), which controls 21.75% of SQM, as of December 31, 2018; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining Chile Limitada, which controls 3.34% of SQM and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.89% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Thus, Pampa Calichera and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (together, “Pampa Group”), control 32.00% of SQM.

As of December 31, 2018, Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation (“Tianqi”) is the owner of 62,556,568 of SQM’s shares, or 23.77% of SQM’s total shares.

As of December 31, 2018, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and Kowa Holding America Inc. (together, “Kowa Group”) are owners of 2.11% of all shares in SQM.

For the breakdown by series of share of the Pampa Group, Tianqi and Kowa Group ownership of shares in SQM, see Section 4) A) iii) Identification of 12 Largest Shareholders.

### iii) Identification of 12 Largest Shareholders

As of December 31, 2018, the 12 largest shareholders including both Series A and Series B shares were:

| Series A + Series B   | Taxpayer ID  | Number of Shares | % Ownership |   |
|---|--------------|------------------|-------------|---|
| INVERSIONES TLC SPA   | 76.902.021-7 | 62,556,568       | 23.77       | % |
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA                    | 96.511.530-7 | 54,987,306       | 20.89       | % |
| THE BANK OF NEW YORK MELLON ADRS <sup>(1)</sup>               | 59.030.820-K | 35,254,267       | 13.39       | % |
| POTASIOS DE CHILE SA  | 76.165.311-3 | 18,179,147       | 6.91        | % |
| BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES           | 97.004.000-5 | 10,719,499       | 4.07        | % |
| INVERSIONES GLOBAL MINING CHILE LIMITADA                      | 96.863.960-9 | 8,798,539        | 3.34        | % |
| BANCO ITAU CORPBANCA POR CUENTA DE INVERSIONISTAS EXTRANJEROS | 97.023.000-9 | 8,085,730        | 3.07        | % |
| BANCO SANTANDER POR CUENTA DE INVERSIONISTAS EXTRANJEROS      | 97.036.000-K | 7,138,685        | 2.71        | % |
| BANCHILE CORREDORES DE BOLSA SA                               | 96.571.220-8 | 4,556,703        | 1.73        | % |
| INVERSIONES LA ESPERANZA CHILE LIMITADA                       | 79.798.650-K | 3,758,098        | 1.43        | % |
| LARRAIN VIAL S A CORREDORA DE BOLSA                           | 80.537.000-9 | 2,742,246        | 1.04        | % |
| BTG PACTUAL CHILE S A CORREDORES DE BOLSA                     | 84.177.300-4 | 2,680,393        | 1.02        | % |
| Subtotal 12 Largest Shareholders, Series A and B              |              | 219,457,181      | 83.38       | % |
| Total Shares, Series A and B                                  |              | 263,196,524      | 100         | % |

(1) The Bank of New York Mellon is the depositary bank for the Company's ADSs traded on the New York Stock Exchange. Information about ADS holders is provided at the end of this section.

(2) Total Sociedad de Inversiones Pampa Calichera S.A. 57.235.201 Series A and B shares; 2,247.895 Series B shares are in the custody of various brokers.



## 4) OWNERSHIP AND SHARES

As of December 31, 2018, the 12 largest shareholders of Series A shares were:

| Series A   | Taxpayer ID  | Number of Shares | % Ownership |   |
|--|--------------|------------------|-------------|---|
| INVERSIONES TLC SPA  | 76.902.021-7 | 62,556,568       | 43.80       | % |
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA                   | 96.511.530-7 | 44,894,152       | 31.43       | % |
| POTASIOS DE CHILE SA   | 76.165.311-3 | 18,179,147       | 12.73       | % |
| INVERSIONES GLOBAL MINING CHILE LIMITADA                     | 96.863.960-9 | 8,798,539        | 6.16        | % |
| INVERSIONES LA ESPERANZA CHILE LIMITADA                      | 79.798.650-K | 3,711,598        | 2.60        | % |
| KOWA CO LTD  | 59.046.730-8 | 781,429          | 0.55        | % |
| KOCHI S.A.   | 96.518.570-4 | 737,057          | 0.52        | % |
| BANCHILE CORREDORES DE BOLSA SA                              | 96.571.220-8 | 528,092          | 0.37        | % |
| RENTA 4 CORREDORES DE BOLSA SA                               | 76.529.250-6 | 488,294          | 0.34        | % |
| KOWA HOLDINGS AMERICA INC                                    | 59.023.690-K | 227,550          | 0.16        | % |
| TANNER CORREDORES DE BOLSA SA                                | 80.962.600-8 | 217,113          | 0.15        | % |
| Sociedad Administradora de Fondos de Cesantía de Chile II SA | 76.237.243-6 | 194,959          | 0.14        | % |
| Subtotal 12 Largest Shareholders, Series A                   |              | 141,314,498      | 98.95       | % |
| Total Shares, Series A                                       |              | 142,819,552      | 100         | % |

## 4) OWNERSHIP AND SHARES

As of December 31, 2018, the 12 largest shareholders of Series B shares were:

| Series B  | Taxpayer ID  | Number of Shares | % Ownership |   |
|---|--------------|------------------|-------------|---|
| THE BANK OF NEW YORK MELLON ADRS <sup>(1)</sup>           | 59.030.820-K | 35,254,267       | 29.29       | % |
| BANCO DE CHILE POR CUENTA DE TERCEROS NO<br>RESIDENTES    | 97.004.000-5 | 10,703,812       | 8.89        | % |
| SOCIEDAD DE INVERSIONES PAMPA CALICHERA SA <sup>(2)</sup> | 96.511.530-7 | 10,093,154       | 8.38        | % |
| BANCO ITAU POR CUENTA DE INVERSIONISTAS<br>EXTRANJEROS    | 97.023.000-9 | 8,085,730        | 6.72        | % |
| BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS             | 97.036.000-K | 7,138,685        | 5.93        | % |
| BANCHILE CORREDORES DE BOLSA SA                           | 96.571.220-8 | 4,028,611        | 3.35        | % |
| LARRAIN VIAL S.A. CORREDORA DE BOLSA                      | 80.537.000-9 | 2,676,018        | 2.22        | % |
| BTG PACTUAL CHILE S A CORREDORES DE BOLSA                 | 84.177.300-4 | 2,616,515        | 2.17        | % |
| TANNER CORREDORES DE BOLSA SA                             | 80.962.600-8 | 2,217,359        | 1.84        | % |
| BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES            | 90.249.000-0 | 2,212,594        | 1.84        | % |
| EUROAMERICA CORREDORES DE BOLSA SA                        | 96.899.230-9 | 1,600,778        | 1.33        | % |
| BCI CORREDORES DE BOLSA SA                                | 96.519.800-8 | 1,467,591        | 1.22        | % |
| Subtotal 12 Largest Shareholders, Series B                |              | 88,095,114       | 73.18       | % |
| Total Shares, Series B                                    |              | 120,376,972      | 100         | % |

(1) The Bank of New York Mellon is the depositary bank for the Company's ADSs traded on the New York Stock Exchange. Information about ADS holders is provided at the end of this section.

(2) Total Sociedad de Inversiones Pampa Calichera S.A. 12.341.049 Series B shares; 2.247.895 Series B shares are in the custody of various brokers.

## 4) OWNERSHIP AND SHARES

The Bank of New York Mellon is the depository bank for the Company's ADSs traded on the New York Stock Exchange. According to public 13F filings with the U.S. Securities and Exchange Commission, the 12 largest ADS holders as of December 31, 2018 were:

| ADSs (Series B)                        | Taxpayer ID | Number of ADSs | % Ownership Series B | % Ownership Total Shares |         |
|--|-------------|----------------|----------------------|--------------------------|---------|
| EARNEST Partners, LLC                  | N/A         | 1,965,927      | 1.63                 | %                        | 0,75 %  |
| Aberdeen Standard Investments (U.K.)   | N/A         | 1,921,600      | 1.60                 | %                        | 0,73 %  |
| Global X Management Co. LLC            | N/A         | 1,287,532      | 1.07                 | %                        | 0,49 %  |
| The Vanguard Group, Inc.               | N/A         | 1,213,590      | 1.01                 | %                        | 0,46 %  |
| Macquarie Investment Management        | N/A         | 1,171,734      | 0.97                 | %                        | 0,45 %  |
| Fidelity Management & Research Company | N/A         | 1,027,855      | 0.85                 | %                        | 0,39 %  |
| Schroder Investment Management, LTD    | N/A         | 834,708        | 0.69                 | %                        | 0,32 %  |
| William Blair & Company, LLC           | N/A         | 831,897        | 0.69                 | %                        | 0,32 %  |
| State Street Global Advisors           | N/A         | 802,556        | 0.67                 | %                        | 0,30 %  |
| Tide Point Capital Management, LP      | N/A         | 741,713        | 0.62                 | %                        | 0,28 %  |
| SEI Investments Management Corporation | N/A         | 728,316        | 0.61                 | %                        | 0,28 %  |
| ClearBridge Investments, LLC           | N/A         | 686,414        | 0.57                 | %                        | 0,26 %  |
| Subtotal 12 Largest ADS Holders        |             | 13,213,842     | 10,98                | %                        | 5.02 %  |
| Total ADSs as of December 31, 2016     |             | 35,254,267     | 29,29                | %                        | 13.39 % |

iv) **Total Number of Shareholders**

The following table shows the total number of SQM's shareholders as of December 31, 2018:

|  | Shareholders Registry | ADS Holders Registry | Total Holders |
|--|-----------------------|----------------------|---------------|
| Total Number of Shareholders, Series A and B | 1.508                 | 73                   | 1.581         |
| Total Number of Shareholders, Series A       | 376                   | -                    | 376           |
| Total Number of Shareholders, Series B       | 1.421                 | 73                   | 1.494         |



#### 4) OWNERSHIP AND SHARES

##### v) **Significant Changes in SHARE Ownership**

Nutrien Ltd., which was one of the main shareholder groups with 32% of SQM's total shares as of December 31, 2017, divested all its ownership in SQM during 2018. This was through the sale of its Series B shares on the Chilean securities market in May 2018, and a sale of its Series A shares on the Chilean securities market to Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation, in December 2018. As of December 31, 2018, Nutrien Ltd. had 0% of the total shares of SQM, and Inversiones TLC SpA had 23.77% of the total shares issued by SQM.

Until November 30, 2018, the Pampa Group was considered by the CMF as the Company's controller. However, starting from that date, the CMF determined that in accordance with the distribution of the shares of SQM, "the Pampa Group does not exert decisive power over the management of the Company, and is therefore not considered a controlling shareholder". The CMF could change its decision in the future if circumstances change.

##### *Tianqi Settlement Agreement with the Chilean National Economic Prosecutor's Office (the "FNE")*

In August 2018, after an investigation by the FNE in connection with the proposed acquisition by Tianqi of 23.77% of the Company's shares, Tianqi and the FNE entered into an extrajudicial settlement agreement (the "Settlement Agreement") which implemented certain restrictive measures in order to (i) maintain the competitive conditions of the lithium market, (ii) mitigate the risks described in the Settlement Agreement and (iii) limit Tianqi's access to certain information of the Company and its subsidiaries, which are defined as sensitive under the Settlement Agreement ("Sensitive Information") (collectively, the "Purpose"). Pursuant to the Settlement Agreement, Tianqi agreed that, among other things:

- Tianqi will not nominate any of its directors, executives or employees to the SQM Board of Directors; Tianqi and the directors nominated by it will not influence or intervene for the benefit of Tianqi and prejudice the interests of SQM;
- The directors nominated by Tianqi will not participate nor will they be part of any committees, the management or other decision-making bodies related to lithium of SQM or of any companies controlled by SQM, unless nominated by independent directors;
- Tianqi will inform the FNE of any agreement in the lithium market, with Albemarle and/or SQM, prior to its execution;

- Tianqi will notify the FNE of any event from which it acquires control or decisive influence in SQM; Tianqi will disassociate any director, executive or employee appointed by third parties, who assumes a position described above in SQM;
  - Tianqi will not request access to commercially sensitive information from SQM;
- The directors nominated by Tianqi will not disclose commercially sensitive information of SQM; The directors nominated by Tianqi will personally bind themselves to the obligations assumed by Tianqi with the FNE; and
  - Tianqi will report to the FNE the appointments and periodic compliance with its obligations.

The restrictions will remain in place for a period of six years.

#### 4) OWNERSHIP AND SHARES

During the approval process for the Settlement Agreement before the FNE, the Company expressed its concerns to the Chilean Antitrust Court regarding the measures contained in the Settlement Agreement since (i) it could not effectively resolve the risks that Tianqi and the FNE sought to mitigate, (ii) the restrictions are not correctly oriented to avoid the access to Sensitive Information that, in the possession of a competitor, could damage the Company and the proper functioning of the market and (iii) it could contradict the Chilean Corporations Act (Law No. 18,046 on Corporations). The Settlement Agreement was approved in October 2018 by the Chilean Antitrust Court. A copy of the Settlement Agreement, in Spanish, has been made publicly available on the Company's website at <http://ir.sqm.com/English/investor-relation/press-releases/press-release-details/2018/Agreement-between-FNE-and-Tianqi-Litigation> and is also available on the FNE's website at <http://www.fne.gob.cl/wp-content/uploads/2018/09/Acuerdo-Extrajudicial-FNE-Tianqi-con-firma-27.08.18.pdf>.

On January 23, 2019, the Board of Directors of the Company approved a protocol for the presentation and use of sensitive information in the Board of Directors that is described in Note 34.2 of our Consolidated Financial Statements.

#### 4) b) OWNERSHIP STRUCTURE AND SHARES: SHARES AND THEIR CHARACTERISTICS AND RIGHTS

##### **i) Description OF SERIES OF SHARES**

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

Article 5 of the Company's By-laws establishes that Series B shares may in no case exceed fifty percent of the issued, outstanding and paid shares of SQM. Series B shares have a restricted right to vote as they can only elect one Director of the Company, regardless of their capital stock's share. Series B shares have the right to call for an Ordinary or Extraordinary Shareholders' Meeting when the shareholders of at least 5% of the Series B shares request so and to call for an Extraordinary Board of Directors Meeting without the Chairman's authorization when it is requested by the Director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the Director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. Articles 31 and 31 bis of the Company's By-laws establish that in General Shareholders' Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that

no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares with a right to vote. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

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

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

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

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



#### 4) OWNERSHIP AND SHARES

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

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

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

28 of the Company By-laws.

On May 17, 2018, an extraordinary shareholders' meeting approved technical changes to the By-laws of SQM, as well as an amendment providing for a new "second transitory article" as follows:

"Throughout the period running from the date of the extraordinary shareholders' meeting at which this transitory article is incorporated, and December 31, 2030, the restriction against voting on behalf of more than 37.5% of any series of shares in the Company, established in Article 31 hereof, shall be subject to the following exception, applicable only to the election of board members by means of Series A shares in the Company: If two or more persons, regardless of whether or not they are related parties to each other (the incoming shareholders), act prior to December 31, 2030 such as to acquire a sufficient number of Series A shares to allow them to hold voting powers for the selection of directors of the Company amounting to more than 37.5% of that series, then any registered shareholder or group of shareholders holding more than 37.5% of all Series A shares in the Company shall be entitled to vote for the selection of directors of the Company amounting to whichever is less, between a number of the Series A shares that are held (i) by existing shareholders as of that date, and (ii) by the incoming shareholders with voting rights. Similarly, if for any reason a registered shareholder in the Company as of the date hereof who holds more than 37.5% of Series A shares in the company between the date hereof and December 31, 2030, comes to hold more voting shares for the selection of directors of the Company than the votes allocated for holding 37.5% of said Series A shares, either through a joint action agreement with other shareholders, including existing shareholders, or by any other means, then any other shareholder or group of shareholders in the Company that is not a related party to the same and holds more than 37.5% of all voting Series A shares in the Company, including both existing and incoming shareholders, shall be entitled to vote for the selection of directors of the Company in accordance with whichever number of Series A shares in the Company is the lesser, between (i) the number held by this shareholder or group of shareholders, and (ii) the

existing shareholder may have the capacity to vote in excess of the restriction amounting to 37.5% of said shares.”

Total number of shares:

·Series A: 142,819,552

·Series B: 120,376,972

**ii) DIVIDEND POLICY**

SQM’s dividend policy for 2018, which was announced at the General Ordinary Shareholders’ Meeting on April 27, 2018, was to distribute to the SQM’s shareholders as a final dividend a percentage of our net income that is determined as per following financial parameters:

#### 4) OWNERSHIP AND SHARES

100% of the 2018 net income, when the following financial parameters are met: (a) the total sum of cash and cash equivalent, and other current financial assets (“Cash”) divided by the total sum of the current financial liabilities - (“Current Financial Liabilities”) is equal to or greater than 2.5 times, and (b) the total sum of the current liabilities and the non-current liabilities (“Total Liabilities”) divided by the total sum of the equity (“Equity”) is equal to or less than 1.1 times.

80% of the 2018 net income when the following financial parameters are met: (a) Cash divided by Current Financial -Liabilities is equal to or greater than 2.0 times, and (b) the total sum of the Total Liabilities divided by the total Equity is equal to or less than 1.2 times.

60% of the 2018 net income when the following financial parameters are met: (a) Cash divided by Current Financial -Liabilities is equal to or greater than 1.5 times, and (b) Total Liabilities divided by Equity is equal to or less than 1.3 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2018 net income.

According to the dividend policy for 2018, the dividends are distributed and paid during 2018, in the form of three interim dividends (*dividendos provisorios*) that will be charged against the final dividend. At the ordinary shareholders meeting that will be held in 2019, the Board of Directors shall propose a final dividend pursuant to the financial parameters expressed above, discounting the total amount of the interim dividends previously distributed during 2018.

On May 23, 2017, the Board of Directors agreed to pay and distribute on June 15, 2018 a provisional dividend of US\$114 million, equivalent to US\$0.43247 per share, to be charged against the 2018 net income.

On August 22, 2017, the Board of Directors agreed to pay and distribute on September 12, 2018 a provisional dividend of US\$134 million, equivalent to US\$0.50864 per share, to be charged against the 2018 net income.

On November 21, 2017, the Board of Directors agreed to pay and distribute on December 12, 2018 a provisional dividend of US\$84 million, equivalent to US\$0.31726 per share, to be charged against the 2018 net income.

**iii) (1) STATISTICAL INFORMATION: DIVIDENDS**

All series A and series B shares carry equal rights to share in any dividend declared on SQM's shareholder capital in circulation. During the past three years, the Company has paid out the following dividends:

| Payout Year    | US\$ Total<br>(in millions) | US\$/Share |
|----------------|-----------------------------|------------|
| 2016           | 22.6                        | 0.08581    |
| 2016 (Special) | 150.0                       | 0.56992    |
| 2016 (Interim) | 225.0                       | 0.85487    |
| 2017           | 53.3                        | 0.20248    |
| 2017 (Interim) | 103.2                       | 0.39222    |
| 2017 (Interim) | 101.2                       | 0.38432    |
| 2017 (Interim) | 112.9                       | 0.42879    |
| 2018           | 110.5                       | 0.41968    |
| 2018 (Special) | 100.0                       | 0.37994    |
| 2018 (Interim) | 113.8                       | 0.43247    |
| 2018 (Interim) | 133.9                       | 0.50864    |
| 2018 (Interim) | 83.5                        | 0.31726    |

## 4) OWNERSHIP AND SHARES

**iii) (2) STATISTICAL INFORMATION: SHARE TRANSACTIONS**

SQM's Series A and Series B shares are traded on the Santiago Stock Exchange, the Santiago Electronic Stock Exchange and the Valparaíso Stock Exchange. The Company's Series B shares are traded as ADSs on the New York Stock Exchange.

Information on SQM's shares on Chilean stock exchanges:

|             | Average Price<br>(Ch\$/Share) |              | Number of Shares Traded |              | Amount Traded<br>(Millions of Ch\$) |              |
|-------------|-------------------------------|--------------|-------------------------|--------------|-------------------------------------|--------------|
|             | <b>SQM-A</b>                  | <b>SQM-B</b> | <b>SQM-A</b>            | <b>SQM-B</b> | <b>SQM-A</b>                        | <b>SQM-B</b> |
| 2018        | 30,965.03                     | 31,248.26    | 65,768,568              | 132,855,281  | 2,828,948                           | 4,178,788    |
| I Quarter   | 31,834.31                     | 32,513.71    | 9,973                   | 29,389,950   | 317                                 | 949,616      |
| II Quarter  | 32,367.11                     | 32,466.60    | 2,813,325               | 61,522,572   | 88,374                              | 1,986,112    |
| III Quarter | 30,124.20                     | 30,409.01    | 202,545                 | 18,362,455   | 6,091                               | 558,706      |
| IV Quarter  | 29,395.73                     | 29,463.99    | 62,742,725              | 23,580,304   | 2,734,166                           | 684,354      |

Source: Bloomberg, Composite Exchange

Information on SQM's shares on the New York Stock Exchange:

|             | Average Price<br>(US\$/ADS) | Number of Shares Traded | Amount Traded<br>(Millions of US\$) |
|-------------|-----------------------------|-------------------------|-------------------------------------|
|             | <b>SQM-B</b>                | <b>SQM-B</b>            | <b>SQM-B</b>                        |
| 2018        | 48.77                       | 266,799,851             | 13,247                              |
| I Quarter   | 53.69                       | 94,278,150              | 5,058                               |
| II Quarter  | 52.32                       | 64,595,893              | 3,411                               |
| III Quarter | 46.08                       | 56,874,848              | 2,598                               |
| IV Quarter  | 43.08                       | 51,050,960              | 2,180                               |

Source: Bloomberg, Composite Exchange



5) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

5) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

5) a) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT: DIVERSITY WITHIN THE BOARD OF DIRECTORS as of December 31, 2018

**i) NUMBER OF PERSONS BY GENDER**

Number of female directors: 0

Number of male directors: 6

**ii) NUMBER OF PERSONS BY NATIONALITY**

Number of Chilean directors: 4

Number of foreign directors: 2

**iii) NUMBER OF PERSONS BY AGE**

Number of directors whose age is:

Under 30 years: 0

30 to 40 years: 1

41 to 50 years: 1

51 to 60 years: 1

61 to 70 years: 3

Over 70 years: 0

**iv) NUMBER OF PERSONS BY YEARS OF SERVICE**

Number of directors who, as of December 31, 2018, have held the position of director of SQM for:

|                                    |   |
|------------------------------------|---|
| Less than 3 years:                 | 5 |
| Between 3 and 6 years:             | 1 |
| More than 6 and less than 9 years: | 0 |
| Between 9 and 12 years:            | 0 |
| More than 12 years:                | 0 |

**5) B) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT: DIVERSITY WITHIN EXECUTIVE MANAGEMENT as of december 31, 2018**

**i) NUMBER OF PERSONS BY GENDER**

Number of female executive officers: 0  
Number of male executive officers: 11

**ii) NUMBER OF PERSONS BY NATIONALITY**

Number of Chilean executive officers: 10  
Number of foreign executive officers: 1

**iii) NUMBER OF PERSONS BY AGE**

Number of executive officers whose age is:

|                 |   |
|-----------------|---|
| Under 30 years: | 0 |
| 30 to 40 years: | 4 |
| 41 to 50 years: | 3 |
| 51 to 60 years: | 2 |
| 61 to 70 years: | 2 |
| Over 70 years:  | 0 |

**iv) NUMBER OF PERSONS BY YEARS OF SERVICE**



Number of executive officers who, as of December 31, 2018, have worked at SQM for:

|                                    |   |
|------------------------------------|---|
| Less than 3 years:                 | 2 |
| Between 3 and 6 years:             | 1 |
| More than 6 and less than 9 years: | 0 |
| Between 9 and 12 years:            | 3 |
| More than 12 years:                | 5 |

5) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

5) C) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT: DIVERSITY WITHIN THE ORGANIZATION at DECEMBER 31, 2018

**i) NUMBER OF PERSONS BY GENDER**

Total number of female employees: 831  
Total number of male employees: 4,459

**ii) NUMBER OF PERSONS BY NATIONALITY**

Total number of Chilean employees: 4,862  
Total number of foreign employees: 428

**iii) NUMBER OF PERSONS BY AGE**

Total number of employees whose age is:

Under 30 years: 864  
30 to 40 years: 2,041  
41 to 50 years: 1,382  
51 to 60 years: 791  
61 to 70 years: 206  
Over 70 years: 6

**iv) NUMBER OF PERSONS BY YEARS OF SERVICE**

Total number of employees who, as of December 31, 2018, have worked at SQM for:

|                                    |       |
|------------------------------------|-------|
| Less than 3 years:                 | 1,698 |
| Between 3 and 6 years:             | 1,740 |
| More than 6 and less than 9 years: | 657   |
| Between 9 and 12 years:            | 437   |
| More than 12 years:                | 758   |

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## 5) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

5) D) SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT: SALARY GAP BY GENDER

Proportion of the average gross base salary represented by female employees compared to male employees, disclosed according to the type of position:

| Position Type           | Hay<br>Methodology<br>Group Level <sup>(1)</sup> | Female Employees<br>(%) |   |
|-------------------------|--|-------------------------|---|
| Chief Executive Officer | 26   | (3)                     |   |
| Vice President          | 21   | (3)                     |   |
|                         | 22   | (3)                     |   |
|                         | 23   | (3)                     |   |
| Operations Manager      | 19   | (3)                     |   |
|                         | 20   | (3)                     |   |
|                         | 21   | (3)                     |   |
| Sales Manager           | 20   | (3)                     |   |
| Manager                 | 18   | 84                      | % |
|                         | 19   | 124                     | % |
|                         | 20   | 84                      | % |
| Deputy Manager          | 15   | (3)                     |   |
|                         | 16   | 103                     | % |
|                         | 17   | 80                      | % |
|                         | 18   | 90                      | % |
|                         | 19   | (3)                     |   |
| Head of Department      | 15   | 112                     | % |
|                         | 16   | 97                      | % |
|                         | 17   | (3)                     |   |
| Manager                 | 13   | 96                      | % |
|                         | 14   | 107                     | % |
|                         | 15   | 103                     | % |
|                         | 16   | 101                     | % |
| Senior professional     | 14   | 91                      | % |
|                         | 15   | 72                      | % |
|                         | 16   | 76                      | % |
| Professional            | 12   | (2)                     |   |
|                         | 13   | 93                      | % |
|                         | 14   | 95                      | % |
|                         | 15   | 114                     | % |
| Supervisor              | 13   | 82                      | % |

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|                      |    |     |   |
|----------------------|----|-----|---|
| Sales representative | 13 | 59  | % |
| Technical operator   | 12 | 112 | % |
|                      | 13 | 104 | % |
| Administrator        | 12 | 109 | % |
|                      | 13 | (2) |   |
| Operator             | 11 | 91  | % |
|                      | 12 | 88  | % |
|                      | 13 | 100 | % |

The Hay Methodology is a system that is used at companies around the world in order to evaluate positions in such a way that they can be compared among companies of different sizes and industries. Group levels are determined (1) on the basis of multiple variables, including company size and the level of responsibility assigned to the position (defined primarily as a function of knowledge, autonomy and responsibility for results).

(2) All employees at this position/group level are women.

(3) All employees at this position/group level are men.

6) MANAGEMENT AND PERSONNEL

6) MANAGEMENT AND PERSONNEL

6) a) MANAGEMENT AND PERSONNEL: ORGANIZATIONAL CHART

**Organizational Chart**

- (1) On January 7, 2019, Patricio de Solminihać's resignation became effective. On January 8, 2019, Ricardo Ramos became CEO of SQM S.A.
- (2) On October 30, 2018, Pablo Altimiras became Vice President of Lithium and Iodine Business of SQM S.A.
- (3) On October 30, 2018, Frank Biot became Vice President of Nitrates and Potassium Business of SQM S.A.
- (4) On October 30, 2018, Gerardo Illanes became Vice President of Corporate Finance and CFO of SQM S.A.
- (5) On March 22, 2019, Juan Carlos Barrera left the Company, on the same day, Carlos Díaz became Vice President of Operations Potassium – Lithium.
  - (6) On March 22, 2019, Jose Miguel Berguño became Vice President of Operations Nitrates – Iodine.
- (7) On March 31, 2019, Andrés Yaksic's resignation became effective. On April 1, 2019, Francisco Sanchez V. became Risk and Compliance Officer.

6) b) MANAGEMENT AND PERSONNEL: INFORMATION ABOUT THE BOARD OF DIRECTORS

**i) GENERAL INFORMATION ABOUT THE BOARD OF DIRECTORS**

SQM's Board of Directors comprises 8 members, none of which are alternate directors. The entire Board of Directors is regularly elected every three years at our ordinary shareholders' meeting. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If a vacancy occurs, the entire Board must be elected or re-elected at the next regularly scheduled meeting of shareholders. The last election of the Board of Directors took place at the ordinary shareholders' meeting held on April 27, 2018. On January 24, 2018, Joanne L. Boyes and Robert A. Kirkpatrick presented to the Board of Directors their resignations from the position as directors of SQM. On the same day, Darryl Stann was appointed as Company's director, replacing Joanne L. Boyes. On February 19, 2018, Mr. Mark F. Fracchia was appointed as SQM's director replacing Mr. Kirkpatrick. At the Annual

Ordinary Shareholders' Meeting on April 27, 2018, the Board of Directors was elected. In addition to the current directors, Mark Fracchia and Darryl Stann were elected, who resigned from their positions on December 5, 2018. As a result of the resignation of Messrs. Stann and Fracchia, the entire Board of Directors will be elected at the next Annual Ordinary Shareholders' Meeting on April 25, 2019.

## 6) MANAGEMENT AND PERSONNEL

**ii) IDENTIFICATION OF THE BOARD MEMBERS**

Directors as of December 31, 2018:

| Name                      | Title         | Profession                | Chilean Taxpayer ID | Date of Original Election | Date of Last Reelection |
|---------------------------|---------------|---------------------------|---------------------|---------------------------|-------------------------|
| Alberto Salas Muñoz       | Chairman      | Civil Engineer            | 6.616.233-0         | Apr. 2018                 | Apr. 2018               |
| Patricio Contesse Fica    | Vice Chairman | Lawyer                    | 15.315.085-0        | Apr. 2018                 | N/A                     |
| Hernán Büchi Buc          | Director      | Civil Engineer            | 5.718.666-6         | Apr. 2017                 | Apr. 2018               |
| Laurence Golborne Riveros | Director      | Industrial Civil Engineer | 8.170.562-3         | Apr. 2018                 | Apr. 2018               |
| Gonzalo Guerrero Yamamoto | Director      | Lawyer                    | 10.581.580-8        | Apr. 2016                 | Apr. 2017               |
| Arnfinn F. Prugger        | Director      | Geoscientist              | 48.187.981-7        | Apr. 2015                 | Apr. 2018               |

Directors not on the Board as of December 31, 2018 but who were on the Board within the last two years:

| Name                            | Title         | Profession                        | Chilean Taxpayer ID | Date of Original Election | Date of Last Reelection | Date Left Board |
|---------------------------------|---------------|-----------------------------------|---------------------|---------------------------|-------------------------|-----------------|
| Joanne L. Boyes                 | Director      | Chartered Professional Accountant | 48.188.014-9        | Apr. 2015                 | Apr. 2017               | Jan. 2018       |
| Mark F. Fracchia                | Director      | Chemical Engineer                 | N/A                 | Feb.2018                  | Apr. 2018               | Dec.2018        |
| Gerardo Jofré Miranda           | Vice Chairman | Business Administrator            | 5.672.444-3         | Apr. 2017                 | N/A                     | Apr. 2018       |
| Robert A. Kirkpatrick           | Director      | Lawyer                            | 48.187.982-5        | Apr. 2015                 | Apr. 2017               | Jan. 2018       |
| Hans Dieter Linneberg Arancibia | Director      | Economist                         | 8.321.556-9         | Apr. 2015                 | Apr. 2016               | Apr. 2017       |
| Fernando Massu Tare             | Director      | Business Administrator            | 6.783.826-2         | Apr. 2017                 | N/A                     | Apr. 2018       |
| Eugenio Ponce Lerou             | Chairman      | Mechanical Engineer               | 5.370.715-7         | Apr. 2016                 | Apr. 2017               | Apr. 2018       |
| Julio Rebolledo Díaz            | Director      | Academic and consultant           | 12.587.799-0        | Apr. 2016                 | N/A                     | Apr. 2017       |
| Darryl Stann                    | Director      | Chartered Professional Accountant | N/A                 | Jan. 2018                 | Apr. 2018               | Dec. 2018       |
| Edward J. Waitzer               | Vice Chairman | Lawyer                            | 21.376.788-7        | Apr. 2015                 | Apr. 2016               | Apr. 2017       |





## 6) MANAGEMENT AND PERSONNEL

**iii) REMUNERATIONS OF THE DIRECTORS**

Summary of remunerations paid to members of the Board of Directors between January and December 2018 (in Ch\$):

| Directors                 | Board of Directors |             | Directors' Committee |            | Corporate Governance Committee | Safety, Health and Environment Committee | Total       | SQMC S.A. Board Director |
|---------------------------|--------------------|-------------|----------------------|------------|--------------------------------|--|-------------|--------------------------|
|                           | Fixed              | Variable    | Fixed                | Variable   | Fixed                          | Fixed                                    |             | Fixed                    |
| Alberto Salas Muñoz       | 76,419,796         |             | 21,588,591           |            |                                |  | 98,008,387  |                          |
| Patricio Contesse Fica    | 66,867,323         |             |                      |            |                                | 9,552,476                                | 76,419,799  |                          |
| Joanne L. Boyes           | 10,724,616         | 116,115,257 | 4,021,732            | 38,705,088 |                                |  | 169,566,693 |                          |
| Hernán Büchi Buc          | 93,770,985         | 154,820,339 | 21,588,590           |            | 16,278,392                     | 6,725,916                                | 293,184,222 |                          |
| Mark Fracchia             | 83,046,367         | 38,705,088  |                      |            | 9,552,476                      |  | 131,303,931 |                          |
| Laurence Golborne Riveros | 66,867,323         |             | 21,588,591           |            |                                |  | 88,455,914  |                          |
| Gonzalo Guerrero Yamamoto | 88,411,355         | 154,820,206 |                      |            |                                | 14,938,485                               | 258,170,046 |                          |
| Gerardo Jofré Miranda     | 26,903,660         | 154,820,206 | 10,088,874           | 51,606,534 | 6,725,916                      |  | 250,145,190 |                          |
| Robert A. Kirkpatrick     | 10,724,616         | 116,115,257 |                      |            | 2,681,154                      |  | 129,521,027 |                          |
| Fernando Massu Taré       | 21,518,920         | 154,820,206 | 8,069,596            | 51,606,534 |                                |  | 236,015,256 |                          |
| Luis Eugenio Ponce Lerou  | 43,088,064         | 387,051,117 |                      |            |                                |  | 430,139,181 | 9,790,000                |

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|                       |             |               |            |             |            |            |               |           |
|-----------------------|-------------|---------------|------------|-------------|------------|------------|---------------|-----------|
| Arnfinn F.<br>Prugger | 93,770,983  | 154,820,338   |            |             |            | 16,278,392 | 264,869,713   |           |
| Darryl<br>Stann       | 83,046,367  | 38,705,088    | 6,067,142  | 12,901,694  | 13,597,238 |            | 154,317,529   |           |
| TOTAL                 | 765,160,375 | 1,470,793,102 | 93,013,116 | 154,819,850 | 48,835,176 | 47,495,269 | 2,580,116,888 | 9,790,000 |

## 6) MANAGEMENT AND PERSONNEL

Summary of remunerations paid to members of the Board of Directors between January and December 2017 (in Ch\$):

| Directors   | Board of Directors |               | Directors' Committee |             | Corporate Governance Committee | Safety, Health and Environment Committee | Total         | SQMC S.A. Board of Directors |
|---|--------------------|---------------|----------------------|-------------|--------------------------------|--|---------------|------------------------------|
|   | Fixed              | Variable      | Fixed                | Variable    | Fixed                          | Fixed                                    |               | Fixed                        |
| Luis Eugenio Ponce Lerou Hans Dieter Linneberg A. Gonzalo Guerrero Yamamoto Julio Cesar Rebolledo Diaz Edward J. Waitzer Robert A. Kikpatrick Arnfinn F. Prugger Joanne L. Boyes Hernan Büchi Buc Gerardo Jofré Miranda Fernando Massu Taré | 117,050,478        | 249,564,682   |                      |             |                                |  | 366,615,160   | 9,571,                       |
|   | 21,148,732         | 110,917,489   | 7,930,776            | 36,972,496  | 5,287,185                      |  | 182,256,678   |                              |
|   | 63,812,422         | 110,917,489   |                      |             |                                | 15,953,107                               | 190,683,018   |                              |
|   | 26,418,328         | 110,917,488   | 9,906,874            | 36,972,496  |                                |  | 184,215,186   |                              |
|   | 26,418,328         | 110,917,488   | 9,906,874            | 36,972,569  | 6,604,583                      |  | 190,819,842   |                              |
|   | 95,162,822         | 110,917,701   |                      |             | 23,790,710                     |  | 229,871,233   |                              |
|   | 95,162,822         | 110,917,701   |                      |             |                                | 23,790,710                               | 229,871,233   |                              |
|   | 95,162,822         | 110,917,701   | 13,989,025           |             |                                | 14,464,693                               | 234,534,241   |                              |
|   | 37,304,063         |               |                      |             | 9,326,017                      | 9,326,017                                | 55,956,097    |                              |
|   | 37,304,064         |               | 13,989,025           |             | 9,326,017                      |  | 60,619,106    |                              |
|   | 37,304,062         |               | 13,989,025           |             |                                |  | 51,293,087    |                              |
| TOTAL   | 652,248,943        | 1,025,987,739 | 69,711,599           | 110,917,561 | 54,334,511                     | 63,534,526                               | 1,976,734,879 | 9,571,                       |

6) MANAGEMENT AND PERSONNEL

iv) **ADVISORY SERVICES CONTRACTED BY THE BOARD OF DIRECTORS**

During 2018, the Board of Directors contracted the following advisory services:

| Entity                 | Type of Service           | Amount (US\$)           |
|------------------------|---------------------------|-------------------------|
| PriceWaterhouseCoopers | Financial statement audit | US\$1.40 million        |
| Others                 | Legal                     | US\$0.18 million        |
| <b>TOTAL</b>           |                           | <b>US\$1.58 million</b> |

v) **BOARD OF DIRECTORS TRAINING**

During 2018, the Board of Directors received training in the following areas:

- |     |   |
|-----|---|
| (1) | Orientation for new Board members       |
| (2) | Digitalization                          |
| (3) | Foreign Corrupt Practices Act           |
| (4) | Environmental legislation               |
| (5) | Water rights legislation                |
| (6) | Mining and exploration rights (Caliche) |

**6) c) MANAGEMENT AND PERSONNEL: INFORMATION ABOUT THE DIRECTORS' COMMITTEE**

**i) DIRECTORS' COMMITTEE FORMED IN ACCORDANCE WITH ARTICLE 50 PART TWO OF LAW NO. 18,046**

As of December 31, 2018, the Company had a Directors' Committee to carry out the functions established under Article 50, part two, of Law No, 18,046.

**ii) IDENTIFICATION OF MEMBERS OF THE DIRECTORS' COMMITTEE**

As of December 31, 2018, the Company's Directors' Committee was comprised of three Directors: Mr. Hernan Büchi B., Mr. Laurence Golborne R. and Mr. Alberto Salas M. Under the regulations in force as of December 31, 2018, Messrs. Golbourne and Salas held and continue to hold the position of Independent Director. Mr. Büchi held and continues to hold the position of Chairman of the Directors' Committee.

The members of this Directors' Committee were elected on April 27, 2018. On that date, three elected directors became new members of the Directors' Committee, replacing Gerardo Jofré M., Fernando Massu T. and Darryl Stann. The Directors' Committee had previously remained unchanged since January 24, 2018.

**iii) REMUNERATIONS OF THE DIRECTORS' COMMITTEE**

On April 27, 2018, it was agreed at the SQM Ordinary Shareholders' Meeting that each Director sitting on the Directors' Committee would receive monthly remunerations of 113 UF, and annual remunerations equivalent to 0,02% of the Company's liquid net earnings for the 2018 financial year. This compensation package is fixed regardless of the number of sessions held by the Committee during the period, and separate to the remunerations received by the members in their capacity as members of the Company's Board of Directors.

For further information about remunerations paid to the members of the Directors' Committee during 2018 and 2017, see section 5) B) iii) Remunerations of the Directors.

6) MANAGEMENT AND PERSONNEL

iv) **ACTIVITIES OF THE DIRECTORS' COMMITTEE**

During 2018, the Directors' Committee of SQM (the "Committee") analyzed (i) the Company's Unaudited Financial Statements and Reports; (ii) the Company's Audited Financial Statements and Reports; (iii) the Reports and proposals of external auditors, accounts inspectors and independent risk rating agencies for the Company; (iv) the proposal to SQM's Board of Directors about the external auditors and independent rating agencies that the Board could recommend to the respective shareholders' meeting for their subsequent appointment; (v) the tax and other services, other than audit services, provided by the Company's external auditors and its subsidiaries in Chile and abroad; (vi) the remuneration and compensation plans for the Company's main executives; (vii) the information related to the Company's operations as referred to in Title XVI of the Corporations Act; (viii) the report on internal control of the Company and (ix) the various matters referred to in the Chapter titled "Directors' Committee" included in SQM's Financial Statements at December 31, 2018.

Regarding the above, the Committee:

Examined the information regarding the financial statements of SQM for the 2018 business year and the Report (a) issued thereon by the External Auditors of SQM, Similarly, it also examined the Company's Interim Consolidated Financial Statements for the 2018 business year.

(b) Examined the information regarding the transactions with related parties.

(c) Proposed to the Company's Board of Directors the names of the External Auditors and the Independent Credit Rating Agencies for SQM and the Company's Board of Directors, in turn, suggested their appointment to the respective Annual Ordinary Shareholders Meeting of SQM. The Company's Board of Directors approved said suggestions and the Shareholders' Meeting also ratified them.

(b) Examined and approved the remuneration system and the compensation plans for the Company's employees and senior executives.

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

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

On April 27, 2018, the Annual General Shareholders' Meeting of SQM approved an operational budget for the Committee; the operational budget is equivalent to the annual remuneration of the members of the Committee. The activities carried out by the Committee, as well as the expenses incurred by it, are disclosed at the General Shareholders Meeting.

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

v) **ADVISORY SERVICES CONTRACTED BY THE DIRECTORS' COMMITTEE**

During 2018, the Committee incurred expenses of approximately US\$680,000 related to the advisory services of Internal Audit and SOX Audit.



## 6) MANAGEMENT AND PERSONNEL

6) d) MANAGEMENT AND PERSONNEL: MAIN EXECUTIVESi) IDENTIFICATION OF EXECUTIVE OFFICERS

As of December 31, 2018, the following executives served on the Company's executive management team:

| Name                                     | Position  | Profession                | Chilean Taxpayer ID | In Position Since | Years of Service at SQM <sup>(1)</sup> |
|--|---|---------------------------|---------------------|-------------------|--|
| Patricio de Solminihaç T. <sup>(2)</sup> | Chief Executive Officer   | Industrial Civil Engineer | 6.263.302-6         | Mar. 2015         | 31 years                               |
| Ricardo Ramos R. <sup>(2)</sup>          | Deputy Chief Executive Officer                                  | Industrial Civil Engineer | 8.037.690-1         | Oct. 2018         | 30 years                               |
| Gerardo Illanes G.                       | Vice President of Corporate Finance and Chief Financial Officer | Industrial Civil Engineer | 13.904.120-8        | Oct. 2018         | 13 years                               |
| Gonzalo Aguirre T.                       | General Counsel   | Lawyer                    | 13.441.419-7        | Sep. 2016         | 3 years                                |
| Pablo Altimiras C.                       | Vice President of Lithium and Iodine Business                   | Industrial Civil Engineer | 13.657.862-6        | Oct. 2018         | 13 years                               |
| Juan Carlos Barrera P. <sup>(3)</sup>    | Vice President of Operations, Potassium and Lithium             | Industrial Civil Engineer | 10.528.182-K        | Jan. 2007         | 28 years                               |
| Jose Miguel Berguño C. <sup>(4)</sup>    | Vice President of Human Resources and Performance               | Industrial Civil Engineer | 10.903.992-6        | May.2016          | 7 years                                |
| Frank Biot                               | Vice President of Nitrates and Potassium Business               | Economist                 | N/A                 | Oct. 2016         | 34 years                               |
| Carlos Díaz O. <sup>(3)</sup>            | Vice President of Operations, Nitrates and Iodine               | Industrial Civil Engineer | 10.476.287-5        | Oct. 2012         | 23 years                               |
| Raúl Puerto M.                           | Internal Audit Manager  | Industrial Engineer       | 14.757.436-K        | Jan. 2016         | 3 years                                |
| Andrés Yaksic B. <sup>(5)</sup>          | Risk Management and Compliance Officer                          | Industrial Civil Engineer | 15.313.670-K        | Oct. 2015         | 11 years                               |

(1) Years of service at SQM includes SQM S.A. and its subsidiaries.

(2) On January 7, 2019, Patricio de Solminihaç's resignation became effective. On January 8, 2019, Ricardo Ramos became CEO of SQM S.A.

(3) On March 22, 2019, Juan Carlos Barrera left the Company, on the same day, Carlos Díaz became Vice President of Operations Potassium – Lithium.

(4) On March 22, 2019, Jose Miguel Berguño became Vice President of Operations Nitrates – Iodine.

(5) On March 31, 2019, Andrés Yaksic’s resignation became effective. On April 1, 2019, Francisco Sanchez V. became Risk and Compliance Officer.

**ii) REMUNERATIONS OF MAIN EXECUTIVES**

Remunerations for the main executives for 2018 and 2017 were as follows:

| Year | Number of Executives (1) | Fixed Salary (Millions of Ch\$) | Variable Salary (Millions of Ch\$) | Total Salary (Millions of Ch\$) |
|------|--------------------------|---------------------------------|------------------------------------|---------------------------------|
| 2018 | 123                      | 13,635                          | 5,431                              | 19,066                          |
| 2017 | 115                      | 11,798                          | 5,026                              | 16,824                          |

(1) Considers the average number of executives during the period.

6) MANAGEMENT AND PERSONNEL

**iii) COMPENSATION PLANS**

Executive incentive plans: the organization's goal is to create value for its interest groups, and to this end SQM S.A. has developed a variable incentives system that recognizes people's commitment to the organization and its operating results.

Directors: the only remunerations assigned to the Board of Directors are disclosed in section 5) B) iii) Remunerations of the Directors. The Company has not implemented any incentive plans for its Directors.

SQM Executive Officers: the Company provides executives with an annual and a long-term bonus plan. Their incentives are based on target achievement, individual contribution to the Company's operating results, and the Company's performance. SQM also operates a compensation plan designed to retain its executives by providing bonuses linked to the Company's share price.

**6) e) MANAGEMENT AND PERSONNEL: NUMBER OF EMPLOYEES**

As of December 31, 2018, SQM and its subsidiaries had 5,290 employees, detailed as follows:

| Employee Type             | Parent | Subsidiaries | Total |
|---------------------------|--------|--------------|-------|
| Executives                | 33     | 89           | 122   |
| Professionals             | 115    | 1,078        | 1,193 |
| Technicians and operators | 260    | 3,287        | 3,547 |
| Foreigners                | 11     | 417          | 428   |
| Total                     | 419    | 4,871        | 5,290 |

## 6) MANAGEMENT AND PERSONNEL

6) f) MANAGEMENT AND PERSONNEL: SHARE OWNERSHIP OF EXECUTIVE OFFICERS AND BOARD MEMBERS

We have been informed that the following Directors own shares of SQM as of December 31, 2018:

| Name                      | Position | Percentage of Shares in SQM |   |
|---------------------------|----------|-----------------------------|---|
| Alberto Salas Muñoz       | Chairman | 0                           | % |
| Patricio Contesse Fica    | Vice     | 0                           | % |
|                           | Chairman |                             |   |
| Hernán Büchi Buc          | Director | 0                           | % |
| Laurence Golborne Riveros | Director | 0                           | % |
| Gonzalo Guerrero Yamamoto | Director | <1                          | % |
| Arnfinn F. Prugger        | Director | 0                           | % |

We have been informed that the following executive officers own shares of SQM as of December 31, 2018:

| Name                                     | Position  | Percentage of Shares in SQM |   |
|--|---|-----------------------------|---|
| Patricio de Solminihac T. <sup>(1)</sup> | Chief Executive Officer                                 | 0                           | % |
| Ricardo Ramos R. <sup>(1)</sup>          | Deputy Chief Executive Officer                          | 0                           | % |
| Gerardo Illanes G.                       | Vice President of Corporate Finance and Chief Financial | <1                          | % |
|  | Officer   |                             |   |
| Gonzalo Aguirre T.                       | General Counsel   | 0                           | % |
| Pablo Altimiras C.                       | Vice President of Lithium and Iodine Business           | 0                           | % |
| Juan Carlos Barrera P. <sup>(2)</sup>    | Vice President of Operations, Potassium and Lithium     | <1                          | % |
| Jose Miguel Berguño C. <sup>(3)</sup>    | Vice President of Human Resources and Performance       | <1                          | % |
| Frank Biot                               | Vice President of Nitrates and Potassium Business       | 0                           | % |
| Carlos Díaz O. <sup>(2)</sup>            | Vice President of Operations, Nitrates and Iodine       | 0                           | % |
| Raúl Puerto M.                           | Internal Audit Manager                                  | 0                           | % |
| Andrés Yaksic B. <sup>(4)</sup>          | Risk Management and Compliance Officer                  | 0                           | % |

(1) On January 7, 2019, Patricio de Solminihac's resignation became effective. On January 8, 2019, Ricardo Ramos became CEO of SQM S.A.

(2) On March 22, 2019, Juan Carlos Barrera left the Company, on the same day, Carlos Díaz became Vice President of Operations Potassium – Lithium.

(3) On March 22, 2019, Jose Miguel Berguño became Vice President of Operations Nitrates – Iodine.

(4) On March 31, 2019, Andrés Yaksic's resignation became effective. On April 1, 2019, Francisco Sanchez V. became Risk and Compliance Officer.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

7) a) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES: SUBSIDIARIES AND ASSOCIATES

**Subsidiaries in Chile**

**AGRORAMA S.A.:**

|  |   |
|--|---|
| Type of company:                                 | Corporation   |
| Capital:   | US\$143,900   |
| Ownership:                                       | 99.999% SQMC S.A.<br>0.001% minority interest   |
| Investment as % of SQM S.A.'s individual assets: | 0.12524%  |
| Corporate purpose:                               | Sales and distribution of fertilizers, pesticides and agricultural inputs                           |
| Board of Directors:                              | Daniel Pizarro Rosas<br>Rodrigo Millán Riffo<br>Enrique Olivares Carlini<br>Carlos Arredondo Belmar |
| CEO:   | Carlos Arredondo Belmar   |
| Relationship with parent company:                | Distribution  |
| Contracts with parent company:                   | Not applicable  |
| Address:   | El Trovador 4280, office 1106, Las Condes, Santiago, Chile  |
| Telephone:                                       | (56) 2 2425 3883  |
| Fax:   | (56) 2 2425 2068  |

**AJAY-SQM CHILE S.A.:**

|  |  |
|--|--|
| Type of company:                                 | Corporation  |
| Capital:   | US\$5,313,794  |
| Ownership:                                       | 51% SQM S.A.<br>49% Non-related parties                              |
| Investment as % of SQM S.A.'s individual assets: | 0.26684%   |
| Corporate purpose:                               | Iodine derivatives production, sales and marketing                   |
| Board of Directors:                              | Carlos Díaz O.*<br>Felipe Smith de A.<br>Alec Poitevint<br>Matt Webb |
| CEO:   | Marco Orellana L.  |

|                                   |   |
|-----------------------------------|---|
| Relationship with parent company: | Production and distribution                             |
| Contracts with parent company:    | Commercial agreement                                    |
| Address:                          | Avda Pdte. Eduardo Frei N° 4900, Renca, Santiago, Chile |
| Telephone:                        | (56) 2 2443 7110  |
| Fax:                              | (56) 2 2443 7114  |

**ALMACENES Y DEPOSITOS LTDA.:**

|                  |                                     |
|------------------|-------------------------------------|
| Type of company: | Limited liability corporation       |
| Capital:         | US\$1,117,894                       |
| Ownership:       | 99% SQM Potasio S.A.<br>1% SQM S.A. |

\* Director, CEO o Executive Office of SQM S.A.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|  |   |
|--|---|
| Investment as % of SQM S.A.'s individual assets: | 0.00829%                                      |
| Corporate purpose:                               | General deposit activities                    |
| Board of Directors:                              | None  |
| CEO:   | Patricio de Solminihac T.*                    |
| Address:   | El Trovador 4285, Las Condes, Santiago, Chile |
| Relationship with parent company:                | Support                                       |
| Contracts with parent company:                   | Not applicable                                |
| Telephone:                                       | (56) 2 2425 2000                              |
| Fax:   | (56) 2 2425 2268                              |

**COMERCIAL AGRORAMA LTDA**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation   |
| Capital:   | US\$1,151,200   |
| Ownership:                                       | 70% SQMC S.A.<br>30% Non-related parties  |
| Investment as % of SQM S.A.'s individual assets: | 0.06276%  |
| Corporate purpose:                               | Sales and distribution of fertilizers, pesticides and agricultural inputs                                   |
| Board of Directors:                              | Daniel Pizarro R.<br>Rodrigo Millán R.<br>Enrique Olivares C.<br>Tullio Callegari P.<br>Alejandro Bitrán M. |
| CEO:   | Carlos Arredondo B.   |
| Relationship with parent company:                | Distribution  |
| Contracts with parent company:                   | Not applicable  |
| Address:   | El Trovador 4285, office 1106, Las Condes, Santiago, Chile  |
| Telephone:                                       | (56) 2 2425 2000  |
| Fax:   | (56) 2 2425 2068  |

**COMERCIAL HYDRO S.A.:**

|  |   |
|--|---|
| Type of company:                                 | Corporation   |
| Capital:   | US\$4,818,186   |
| Ownership:                                       | 99.9999% SQMC S.A.<br>0.0001% Agrorama S.A.                 |
| Investment as % of SQM S.A.'s individual assets: | 0.07990%  |
| Corporate purpose:                               | Import and marketing of fertilizers                         |
| Board of Directors:                              | Carlos Ríos M.<br>Roberto Campusano B.<br>Daniel Pizarro R. |
| CEO:   | Daniel Pizarro R.   |



Relationship with parent company: Support  
Contracts with parent company: None  
Address: El Trovador 4285, Las Condes, Santiago, Chile  
Telephone: (56) 2 2425 2525  
Fax: (56) 2 2425 2268

**EXPLORACIONES MINERAS S.A.:**

Type of company: Corporation  
Capital: US\$30,100,000  
Ownership: 0.269103% SQM S.A.  
99.730897% SQM Potasio S.A.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Investment as % of SQM

S.A.'s

individual assets: 0.91324%  
 Corporate purpose: Operation of other mines and quarries  
 Board of Directors: Patricio de Solminihac T.\*  
 Ricardo Ramos R.\*  
 Daniel Jimenez S.\*  
 CEO: Patricio de Solminihac T.\*  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: El Trovador 4285, Las Condes, Santiago, Chile  
 Telephone: (56) 2 2425 2000  
 Fax: (56) 2 2425 2434

**INSTITUCION DE SALUD PREVISIONAL NORTE GRANDE LTDA.:**

Type of company: Limited liability corporation  
 Capital: US\$71,950  
 Ownership: 99% SQM Industrial S.A.  
 1% SQM S.A.

Investment as % of SQM

S.A.'s

individual assets: 0.03497%  
 Corporate purpose: Administration of health matters for SQM S.A.  
 Board of Directors: Not applicable  
 CEO: Humberto Riquelme  
 Relationship with parent company: Support  
 Contracts with parent company: Support  
 Address: Aníbal Pinto N° 3228, Antofagasta, Chile  
 Telephone: (56) 5 5241 2621  
 Fax: (56) 5 5241 2632

**ORCOMA ESTUDIOS**

**SPA:**

Type of company: Joint stock company  
 Capital: US\$4,631,507  
 Ownership: 51% SQM S.A.  
 49% Non-related parties

Investment as % of SQM

S.A.'s

0.06429%

individual assets:

Corporate purpose: Exploration, measurement, prospection and research of mineral deposits for extraction, production and mineral processing

Legal representative: Pablo Altimiras C.\*

Relationship with parent company: Not applicable

Contracts with parent company: None

Address: Apoquindo 3721, office 131, Las Condes, Santiago, Chile

Telephone: (56) 2 367 3000

**ORCOMA SPA:**

Type of company: Joint stock company

Capital: US\$2,357,731

Ownership: 100% SQM S.A.

Investment as % of SQM S.A.'s 0.06315%

individual assets:

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Corporate purpose: Exploration, measurement, prospection, research, development and operation of mineral deposits for extraction, production and processing

Legal representative: Ricardo Ramos R.\*  
José Miguel Berguño C.\*

Relationship with parent company: Not applicable

Contracts with parent company: None

Address: Apoquindo 3721, office 131, Las Condes, Santiago, Chile

Telephone: (56) 2 367 3000

**PROINSA LTDA.:**

Type of company: Limited liability corporation

Capital: US\$59,081

Ownership: 99.9% SQMC S.A.  
0.1% Non-related parties

Investment as % of SQM S.A.'s

individual assets: 0.00085%

Corporate purpose: Production and marketing of fertilizers

Board of Directors: None

CEO: Daniel Pizarro R.

Relationship with parent company: Support

Contracts with parent company: Not applicable

Address: El Trovador 4285, Las Condes, Santiago, Chile

Telephone: (56) 2 2425 2525

Fax: (56) 2 2425 2268

**SERVICIOS INTEGRALES DE TRANSITOS Y TRANSFERENCIAS S.A.:**

Type of company: Corporation

Capital: US\$9,873,573

Ownership: 99.99966% SQM Industrial S.A.  
0.00034% SQM S.A.

Investment as % of SQM S.A.'s

individual assets: 2.67395%

Corporate purpose: Transport and storage of merchandise

Board of Directors: Juan Carlos Barrera P.\*

Ricardo Ramos R.\*  
Patricio de Solminihac T.\*  
Daniel Jiménez S.\*  
Carlos Diaz O.\*  
CEO: Patricio de Solminihac T.\*  
Relationship with parent company: Distribution  
Contracts with parent company: Not applicable  
Address: Arturo Prat N° 1060, Tocopilla, Chile  
Telephone: (56) 5 5241 4452  
Fax: (56) 5 5241 4488

**SOCIEDAD PRESTADORA DE SERVICIOS DE SALUD CRUZ DEL NORTE S.A.:**

Type of company: Corporation  
Capital: US\$71,950  
Ownership: 99% SQM Industrial S.A.  
1% SQM Potasio S.A.  
Investment as % of SQM S.A.'s  
individual assets: 0.02248%

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Corporate purpose: Provision of health-related services  
 Board of Directors: Miguel Diaz Peñaloza  
 Mauricio Guerra Oliveros  
 David Zapata F.  
 CEO: David Zapata F.  
 Relationship with parent company: Support  
 Contracts with parent company: Support  
 Address: El Trovador 4285, Las Condes, Santiago, Chile  
 Telephone: (56) 2 2425 2000  
 Fax: (56) 2 2425 2068

**SOQUIMICH COMERCIAL S.A.:**

Type of company: Open stock corporation  
 Capital: US\$61,745,898  
 Ownership: 60.6383212% SQM Industrial S.A.  
 0.0000004% SQM S.A.  
 39.3616784% Non-related parties  
 Investment as % of SQM S.A.'s  
 individual assets: 2.47830%  
 Corporate purpose: Production and marketing of fertilizers  
 Board of Directors: Bogdan Borkowski S.  
 Carlos Diaz O.\*  
 Alfredo Doberti D.  
 Francisco Javier Fontaine S.  
 Gerardo Illanes G. \*  
 Christian Lüders M.  
 Eugenio Ponce L.  
 CEO: Daniel Pizarro R.  
 Relationship with parent company: Distribution  
 Contracts with parent company: Supply  
 Address: El Trovador 4285, Las Condes, Santiago, Chile  
 Telephone: (56) 2 2425 2525  
 Fax: (56) 2 2425 2268

**SQM INDUSTRIAL S.A.:**

Type of company: Corporation  
 Capital: US\$715,066,287  
 Ownership: 99.047043% SQM S.A.  
 0.952957% SQM Potasio S.A.

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Investment as % of SQM S.A.'s individual assets: 43.00308%

Corporate purpose: Operation of extraction plants, holdings and transfer of mineral substances and raw materials

CEO: Patricio de Solminihac T.\*

Board of Directors: Patricio de Solminihac T.\*  
Ricardo Ramos\*  
Carlos Diaz O.\*

Relationship with parent company: Production

Contracts with parent company: Not applicable

Address: El Trovador 4285, Las Condes, Santiago, Chile

Telephone: (56) 2 2425 2525

Fax: (56) 2 2425 2268

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**SQM MAG SPA:**

Type of company: Joint stock company  
 Capital: US\$10,000  
 Ownership: 100% SQM Potasio S.A.  
 Investment as % of SQM S.A.'s individual assets: 0.02997%  
 Corporate purpose: Mining exploration and exploitation  
 Board of Directors: None  
 CEO: Juan Pablo Bellolio R.  
 Relationship with parent company: Production  
 Contracts with parent company: Not applicable  
 Address: Los Militares 4290, 1st floor, Las Condes, Santiago, Chile  
 Telephone: (56) 2 2425 2467

**SQM NITRATOS S.A.:**

Type of company: Corporation  
 Capital: US\$30,349,981  
 Ownership: 99.99999782% SQM S.A.  
 0.00000218% SQM Potasio S.A.  
 Investment as % of SQM S.A.'s individual assets: 10.65326%  
 Corporate purpose: Production and sale of fertilizers  
 Board of Directors: Patricio de Solminihac T.\*  
 Ricardo Ramos R.\*  
 Daniel Jiménez S.\*  
 Carlos Diaz O.\*  
 Juan Carlos Barrera P.\*  
 CEO: Patricio de Solminihac T.\*  
 Relationship with parent company: Production  
 Contracts with parent company: Not applicable  
 Address: El Trovador 4285, Las Condes, Santiago, Chile  
 Telephone: (56) 2 2425 2000  
 Fax: (56) 2 2425 2268

**SQM POTASIO S.A.:**

Type of company: Corporation  
 Capital: US\$257,010,492  
 Ownership: 99.999999% SQM S.A.



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0.000001% Non-related parties

Investment as % of SQM S.A.'s individual assets: 26.03777%

Corporate purpose: Extraction of minerals for fertilizer and chemical production

Board of Directors: Patricio de Solminihac T.\*  
Ricardo Ramos R.\*  
Carlos Diaz O.\*  
Daniel Jiménez S.\*  
Juan Carlos Barrera P.\*

CEO: Patricio de Solminihac T.\*

Relationship with parent company: Production

Contracts with parent company: Not applicable

Address: El Trovador 4285, Las Condes, Santiago, Chile

Telephone: (56) 2 2425 2000

Fax: (56) 2 2425 2268

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**SQM SALAR S.A.:**

|  |  |
|--|--|
| Type of company:                                 | Corporation  |
| Capital:   | US\$38,000,000   |
| Ownership:                                       | 81.82% SQM Potasio S.A.<br>18.18% SQM S.A.   |
| Investment as % of SQM S.A.'s individual assets: | 40.67704%  |
| Corporate purpose:                               | Exploitation and marketing of potassium, lithium and other products                            |
| Board of Directors:                              | Patricio de Solminihac T.*<br>Daniel Jiménez S.<br>Alberto Salas M.*<br>Laurence Golbourne R.* |
| CEO:   | Patricio de Solminihac T.*   |
| Relationship with parent company:                | Production   |
| Contracts with parent company:                   | Not applicable   |
| Address:   | El Trovador 4285, Las Condes, Santiago, Chile  |
| Telephone:                                       | (56) 2 2425 2000   |
| Fax:   | (56) 2 2425 2268   |

**SOQUIMICH COMERCIAL INTERNACIONAL LTDA.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation                 |
| Capital:   | US\$834,712                                   |
| Ownership:                                       | 99.7423% SQMC S.A.<br>0.2577% Proinsa Ltda.   |
| Investment as % of SQM S.A.'s individual assets: | 0.00312%                                      |
| Corporate purpose:                               | Marketing, import and export of fertilizers   |
| Board of Directors:                              | None  |
| CEO:   | Daniel Pizarro R.                             |
| Relationship with parent company:                | Support                                       |
| Contracts with parent company:                   | Not applicable                                |
| Address:   | El Trovador 4285, Las Condes, Santiago, Chile |
| Telephone:                                       | (56) 2 2425 2525                              |
| Fax:   | (56) 2 2425 2268                              |

**International Subsidiaries**

**ADMINISTRACION Y SERVICIOS SANTIAGO S.A. DE C.V.:**

|   |  |
|---|--|
| Type of company:                                    | Variable capital corporation   |
| Capital:  | US\$6,612  |
| Ownership:  | 99.998% SQM Industrial S.A.<br>0.002% SQM North America Corporation  |
| Investment as % of SQM S.A.'s<br>individual assets: | 0.00552%   |
| Corporate purpose:                                  | Services   |
| Board of Directors:                                 | Christian Lüders M.<br>Ricardo Ramos R.*<br>Frank Biot*<br>Gerardo Illanes G.*<br>Gonzalo Aguirre T.*<br>Alvaro Fernandez G. |

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|                                   |   |
|-----------------------------------|---|
|                                   | Patricio de Solminihac T.*  |
|                                   | Domingo Aguirre F.  |
| CEO:                              | Christian Lüders M.   |
| Relationship with parent company: | Support   |
| Contracts with parent company:    | Not applicable  |
| Address:                          | Av. Moctezuma 144-4, Ciudad del Sol, CP 45050, Zapopan, Jalisco, Mexico |
| Telephone:                        | (52 33) 35401100  |
| Fax:                              | (52 33) 35401100  |

**COMERCIAL CAIMÁN INTERNACIONAL S.A.:**

|  |   |
|--|---|
| Type of company:                                 | Corporation   |
| Capital:   | US\$1,000   |
| Ownership:                                       | 100% SQM Investment Corporation N.V.                          |
| Investment as % of SQM S.A.'s individual assets: | 0.00697%  |
| Corporate purpose:                               | Marketing, importing and exporting                            |
| Board of Directors:                              | Christian Lüders M.<br>Andrés Yaksic B.*<br>Matías Murillo G. |
| CEO:   | Christian Lüders M.   |
| Relationship with parent company:                | Support   |
| Contracts with parent company:                   | Not applicable  |
| Address:   | Edificio Plaza Bancomer, Calle 50, Panama, Republic of Panama |
| Telephone:                                       | (52 33) 35101100  |
| Fax:   | (52 33) 35101100  |

**NITRATOS NATURAIS DO CHILE SERVICIOS LTDA.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation   |
| Capital:   | US\$774,294   |
| Ownership:                                       | 29.18% SQM Industrial S.A.<br>70.82% SQM Brasil Ltda.   |
| Investment as % of SQM S.A.'s individual assets: | 0.00444%  |
| Corporate purpose:                               | Marketing advisory services, representation of other foreign and local companies, administrative support in general |
| Board of Directors:                              | None  |
| Legal representative:                            | Martim de Almeida Sampaio<br>Support  |

Relationship with parent  
company:

Contracts with parent  
company: Not applicable

Address: Calçada das Margaridas, nº 163, sala 02, Centro Comercial de Alphaville, Alphaville,  
Barueri, CEP 06453-038, Sao Paulo, Brazil

Telephone: (55 11) 4195 6315

**NORTH AMERICAN TRADING COMPANY:**

Type of company: Corporation  
Capital: US\$338,124  
Ownership: 100% SQM North America Corporation  
Investment as % of SQM S.A.'s  
individual assets: 0.00807%  
Corporate purpose: Investment company

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|                                   |   |
|-----------------------------------|---|
| Board of Directors:               | Ricardo Ramos R.*<br>Daniel Jiménez S.*                               |
| President:                        | Pablo Hernandez   |
| Relationship with parent company: | Support   |
| Contracts with parent company:    | Not applicable  |
| Address:                          | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA<br>30339 |
| Telephone:                        | (1 770) 916 9400  |
| Fax:                              | (1 770) 916 9401  |

**ROYAL SEED TRADING A.V.V.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation                                 |
| Capital:   | US\$6,000   |
| Ownership:                                       | 1.67% SQM S.A.<br>98.33% SQM Potasio S.A.                     |
| Investment as % of SQM S.A.'s individual assets: | 0.00231%  |
| Corporate purpose:                               | Investment and marketing of moveable property and real estate |
| Board of Directors:                              | IMC International Management & Trust Company N.V.             |
| CEO:   | IMC International Management & Trust Company N.V.             |
| Relationship with parent company:                | Support   |
| Contracts with parent company:                   | Not applicable  |
| Address:   | Caya Ernesto Ojeda O. Petronia 17, Oranjestad, Aruba          |
| Telephone:                                       | 297 582 3301  |
| Fax:   | 297 583 6454  |

**RS AGRO CHEMICAL TRADING CORP. A.V.V.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation                                 |
| Capital:   | US\$6,000   |
| Ownership:                                       | 98.3333% SQM S.A.<br>1.6667% SQM Potasio S.A.                 |
| Investment as % of SQM S.A.'s individual assets: | 0,13791%  |
| Corporate purpose:                               | Investment and marketing of moveable property and real estate |
| Board of Directors:                              | IMC International Management & Trust Company N.V.             |
| CEO:   | IMC International Management & Trust Company N.V.             |
| Relationship with parent company:                | Support   |
| Contracts with parent company:                   | Not applicable  |
| Address:   | Caya Ernesto Ojeda O. Petronia 17, Oranjestad, Aruba          |

Telephone: 297 582 3301  
Fax: 297 583 6454

**SACAL S.A.:**

Type of company: Corporation  
Capital: US\$2,649  
Ownership: 95% SQM Potasio S.A.  
5% SQM Industrial S.A.  
Investment as % of SQM S.A.'s  
individual assets: 0,00007%  
Corporate purpose: Mining  
Board of Directors: Fernando Gabriel Gonzalez Torres  
Mario Leonardo Turzi

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Legal representative: Fernando Gabriel Gonzalez Torres  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Av. Leandro N. Alem 882, piso 13, Ciudad de Buenos Aires, Argentina  
 Telephone: (54) 9 11 4310-0100  
 Fax: (54) 9 11 4310-0200

**SOQUIMICH EUROPEAN HOLDINGS B.V.:**

Type of company: Limited liability corporation  
 Capital: US\$15,815,547  
 Ownership: 100% SQM Corporation N.V.  
 Investment as % of SQM S.A.'s individual assets: 4.53419%  
 Corporate purpose: Investment company  
 Board of Directors: Frank Biot\*  
 Patrick Vanbeneden  
 Paul van Duuren  
 Dennis Beets  
 CEO: None  
 Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuid-Oost, Netherlands  
 Telephone: (31 20) 5755600  
 Fax: (31 20) 6730016

**SOQUIMICH S.L.R. ARGENTINA:**

Type of company: Limited liability corporation  
 Capital: US\$1,656,500  
 Ownership: 99.99906% SQM Investment Corporation  
 0.00094% SQM Industrial S.A.  
 Investment as % of SQM S.A.'s individual assets: 0.00232%  
 Corporate purpose: Import, export, sales and marketing of fertilizers, sodium nitrate, iodine, iodine salts, sodium sulfate, potassium nitrate and all classes of agricultural and industrial inputs  
 Board of Directors: None  
 CEO: Dr. Carlos Mario Balter  
 Relationship with parent company: Support



Contracts with parent company: Not applicable  
Legal address: Cecilia Grierson 255 – Floor 6 - Ciudad Autónoma de Buenos Aires – C1107CPE.Bs.As  
Tax address: Espejo 65 – Oficina 6 – 5500 Mendoza, Argentina  
Telephone: (54 261) 429 9237  
Fax: (54 261) 429 9237

**SQI CORPORATION N.V.:**

Type of company: Corporation  
Capital: US\$62,000  
Ownership: 99.98413% SQM Potasio S.A.  
0.01587% SQM S.A.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Investment as % of SQM S.A.'s individual assets: 0.00232%  
 Corporate purpose: Investment in moveable goods and real estate  
 Board of Directors: TMF Group  
 CEO: TMF Group  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Pietermaai 15, Curacao  
 Telephone: (59) (99) 4612544  
 Fax: (59) (99) 4612647

**SQM AFRICA:**

Type of company: Limited liability corporation  
 Capital: US\$70,699  
 Ownership: 100% Soquimich European Holdings B.V.  
 Investment as % of SQM S.A.'s individual assets: 1.64193%  
 Corporate purpose: Marketing of specialty plant nutrients and industrial products  
 Board of Directors: Frank Biot\*  
 Patrick Vanbeneden  
 Emmanuel de Marez  
 Public Officer: Ettienne Strydom  
 Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Building 33 Waterford Office Park, Waterford Drive,  
 2055 Fourways, Johannesburg, South Africa  
 Telephone: (27 11) 6580018  
 Fax: (27 11) 6581101

**SQM AUSTRALIA PTY LTD:**

Type of company: Limited liability corporation  
 Capital: US\$114,538,115  
 Ownership: 100% SQM Potasio S.A.  
 Investment as % of SQM S.A.'s individual assets: 3.16871%  
 Corporate purpose: Mining – Specifically lithium  
 Board of Directors: Jay Leary  
 Pablo Altimiras\*  
 Juan Carlos Barrera\*

CEO: Jay Leary  
Relationship with parent company: Distribution  
Contracts with parent company: Not applicable  
Address: Level 16 201 Elizabeth street, Sydney NSW 2000  
Telephone: (61 412) 558911  
Fax: (61 293) 479221

**SQM (BEIJING) COMMERCIAL CO. LTDA.:**

Type of company: Limited liability corporation  
Capital: US\$1,600,000  
Ownership: 100% SQM Industrial S.A.  
Investment as % of SQM S.A.'s  
individual assets: 0,33053%

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|                                   |   |
|-----------------------------------|---|
| Corporate purpose:                | Commission agent and marketing of chemical products   |
| Board of Directors:               | Patricio de Solminihac T.*<br>Frank Biot*<br>Ricardo Ramos R.*  |
| CEO:                              | Victor Larrondo G.  |
| Relationship with parent company: | Distribution  |
| Contracts with parent company:    | Commercial agency agreement   |
| Address:                          | Room 1502, CBD International Mansion No. 16 Yong An Dong Li, Jian Wai Ave<br>Beijing, 100022, P.R. China, |
| Telephone:                        | (86 10) 6461 8950   |
| Fax:                              | (86 10) 8454 0885   |

**SQM BRASIL SERVICIOS LTDA.:**

|  |  |
|--|--|
| Type of company:                                 | Limited liability corporation  |
| Capital:   | US\$2,190,000  |
| Ownership:                                       | 99.05% SQM Industrial<br>0.95% SQM S.A.  |
| Investment as % of SQM S.A.'s individual assets: | 0.00288%   |
| Corporate purpose:                               | Marketing advisory services, representation of other foreign and domestic companies, administrative support in general         |
| Board of Directors:                              | None   |
| Legal representative:                            | Martim de Almeida Sampaio  |
| Relationship with parent company:                | Support  |
| Contracts with parent company:                   | Not applicable   |
| Address:   | Calçada das Margaridas, nº 163, sala 02, Centro Comercial de Alphaville, Alphaville, Barueri, CEP 06453-038, Sao Paulo, Brazil |
| Telephone:                                       | (55 11) 4195 6315  |

**SQM COLOMBIA LTDA.:**

|                               |                     |
|-------------------------------|---------------------|
| Type of company:              | Join stock company  |
| Capital:                      | US\$1,291,915       |
| Ownership:                    | 100% SQM Industrial |
| Investment as % of SQM S.A.'s |                     |

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individual assets: 0,13032%  
Corporate purpose: Manufacturing, import, sales and export of fertilizers  
Board of Directors: Christian Luders M.  
Matias Murillo G.  
Patricio de Solminihac T.\*  
Gonzalo Aguirre T.\*  
Gerardo Illanes G.\*  
Frank Biot\*  
Sebastian Sanchez  
Legal representative: Christian Luders M.  
Matias Murillo G.  
Relationship with parent company: Support  
Contracts with parent company: Not applicable  
Address: Calle 72 No. 10-07 oficina 401  
Telephone: (+57) 1 746 1000  
Fax: (+57) 1 746 1000

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**SQM COMERCIAL DE MEXICO S.A. de C.V.:**

|  |   |
|--|---|
| Type of company:                                 | Variable capital corporation  |
| Capital:   | US\$22,044,533  |
| Ownership:                                       | 99.94% SQM Industrial S.A.<br>0.05% SQM Potasio S.A.<br>0.0015% SQM S.A.  |
| Investment as % of SQM S.A.'s individual assets: | 3.03910%  |
| Corporate purpose:                               | Import, export and marketing of fertilizers   |
| Board of Directors:                              | Christian Lüders M.<br>Ricardo Ramos R.*<br>Frank Biot*<br>Gerardo Illanes G.*<br>Gonzalo Aguirre T.*<br>Alvaro Fernandez G.<br>Patricio de Solminihac T.*<br>Matías Murillo G. |
| CEO:   | Christian Lüders M.   |
| Relationship with parent company:                | Distribution  |
| Contracts with parent company:                   | Not applicable  |
| Address:   | Av. Moctezuma 144-4, Ciudad del Sol, CP 45050, Zapopan, Jalisco, Mexico   |
| Telephone:                                       | (52 33) 35401100  |
| Fax:   | (52 33) 35401100  |

**SQM CORPORATION N.V.:**

|  |  |
|--|--|
| Type of company:                                 | Corporation  |
| Capital:   | US\$12,939,718   |
| Ownership:                                       | 99.9794% SQM Industrial S.A.<br>0.0204% SQI Corporation N.V.<br>0.0002% SQM S.A. |
| Investment as % of SQM S.A.'s individual assets: | 4.17774%   |
| Corporate purpose:                               | Investment in moveable goods and real estate                                     |
| Board of Directors:                              | TMF Group  |
| CEO:   | TMF Group  |
| Relationship with parent company:                | Support  |
| Contracts with parent company:                   | Not applicable   |
| Address:   | Pietermaai 15, Curacao   |
| Telephone:                                       | (59) (99) 4335119  |
| Fax:   | (59) (99) 4335119  |

**SQM ECUADOR S.A.:**

|   |  |
|---|--|
| Type of company:                                    | Corporation                                    |
| Capital:  | US\$416,900                                    |
| Ownership:  | 99.996% SQM Industrial S.A.<br>0.004% SQM S.A. |
| Investment as % of SQM S.A.'s<br>individual assets: | 0.66006%                                       |
| Corporate purpose:                                  | Wholesale fertilizer sales                     |
| Board of Directors:                                 | None   |
| CEO:  | Christian Luders M.                            |
| Relationship with parent company:                   | Distribution                                   |
| Contracts with parent company:                      | Not applicable                                 |

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Address: Av. Constitución y Av. Juan Tanca Marengo, Edificio Executive Center, Piso 3 Oficina 304-305,  
Guayaquil, Ecuador  
Telephone: (593 4) 2158639  
Fax: (593 4) 2158639 ext 11

**SQM EUROPE N.V.:**

Type of company: Corporation  
Capital: US\$18,656,745  
Ownership: 99.42% Soquimich European Holdings B.V.  
0.58% SQM S.A.  
Investment as % of SQM S.A.'s  
individual assets: 11.08958%  
Corporate purpose: Distribution and marketing of specialty plant nutrients and industrial products in Europe, Northern Africa and the Middle and Far East  
Board of Directors: Ricardo Ramos R.\*  
Patricio de Solminihac T.\*  
Daniel Jiménez S.  
Gerardo Illanes G.\*  
CEO: Frank Biot\*  
Relationship with parent company: Support and Distribution  
Contracts with parent company: Not applicable  
Address: Houtdok-Noordkaai 25a, 2030, Antwerp, Belgium  
Telephone: (32 3) 2039700  
Fax: (32 3) 2312782

**SQM FRANCE S.A.**

Type of company: Corporation  
Capital: US\$204,061  
Ownership: 100% Soquimich European Holdings NV  
Investment as % of SQM S.A.'s  
individual assets: 0.00940%  
Corporate purpose: Distribution  
Board of Directors:  
Legal representative: Oliver Lecaplain  
Relationship with parent company: Support  
Contracts with parent company: Not applicable



Address: Zac Des Pommiers, 27930 Fauville, France  
Telephone: None

**SQM IBERIAN S.A.**

Type of company: Corporation  
Capital: US\$133,127  
Ownership: 100% Soquimich European Holdings B.V.  
Investment as % of SQM S.A.'s individual assets: 1.89915%  
Corporate purpose: Distribution and marketing of specialty plant nutrients and technical products in Spain  
Board of Directors: Frank Biot\*  
Erik Borghys  
Gerardo Illanes G.\*  
Gerencia: José Andrés Cayuela  
Enrique Torras  
Erik Lütken R.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Provenza 251 Principal 1a CP 08008 Barcelona,  
 Spain  
 Telephone: (34 93) 4877806  
 Fax: (34 93) 4872344

**SQM INDONESIA S.A.:**

Type of company: Corporation  
 Capital: US\$31,775  
 Ownership: 80% Soquimich European Holding B.V.  
 20% Non-related parties  
 Investment as % of SQM  
 S.A.'s  
 individual assets: 0.00007%  
 Corporate purpose: Import trading and distribution services  
 Board of Directors: Frank Biot\* (President)  
 Patrick Vanbeneden  
 Rudy Ismanto  
 CEO: Not applicable  
 Relationship with parent  
 company: Not applicable  
 Contracts with parent  
 company: Not applicable  
 Address: Perumahanbumi Dirgantara Permai, Jl. Suryadarma Blok Aw No. 15, Rt. 01/09, 17436  
 Jatisari Pondok Gede, Indonesia  
 Telephone: (62 21) 86607760  
 Fax: (62 21) 86607761

**SQM INTERNATIONAL N.V.:**

Type of company: Corporation  
 Capital: US\$3,079,827  
 Ownership: 99.42% Soquimich European Holdings B.V.  
 0.52% SQM S.A.  
 Investment as % of SQM  
 S.A.'s  
 individual assets: 0,31128%  
 Corporate purpose: Distribution and sales of specialty plant nutrients and industrial products in Europe, North  
 Africa and the Middle and Far East

Board of Directors: Ricardo Ramos R.\*  
Patricio de Solminihac T.\*  
Daniel Jiménez S.\*  
Gerardo Illanes G.\*  
CEO: Frank Biot\*  
Relationship with parent company: Support and distribution  
Contracts with parent company: Not applicable  
Address: Houtdok-Noordkaai 25a, 2030, Antwerp, Bélgica  
Telephone: (32 3) 2039700  
Fax: (32 3) 2312782

**SQM INVESTMENT CORPORATION N.V.:**

Type of company: Corporation  
Capital: US\$50,000  
Ownership: 99.00% SQM Potasio S.A.  
1.00% SQM S.A.

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Investment as % of SQM S.A.'s individual assets: 1.19217%  
 Corporate purpose: Investment and marketing of moveable goods and real estate  
 Board of Directors: TMF Group  
 CEO: TMF Group  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Pietermaai 15, Curacao  
 Telephone: (59) (99) 4335119  
 Fax: (59) (99) 4335119

**SQM ITALIA SRL:**

Type of company: Limited liability corporation  
 Capital: US\$291,695  
 Ownership: 100% Soquimich European Holdings NV  
 Investment as % of SQM S.A.'s individual assets: 0.03147%  
 Corporate purpose: Distribution  
 Board of Directors: None  
 CEO: Silvio Maria Parri  
 Frank Biot\*  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Via A. Meucci, N°5, 50012 – Bagno A Ripoli –Firenze, Italy  
 Telephone: +39 055 644 418  
 Fax: None

**SQM JAPAN CO. LTD.:**

Type of company: Limited liability corporation  
 Capital: US\$87,413  
 Ownership: 15.8147% SQM Potasio S.A.  
 84.0256% Soquimich European Holdings B.V.  
 Investment as % of SQM S.A.'s individual assets: 2.10457%  
 Corporate purpose: Marketing of products in Asia/Oceania and marketing assistance  
 Board of Directors: Patricio de Solminihac\*  
 Daniel Jimenez S.  
 CEO: Andrés Stocker  
 Relationship with parent company: Distribution and marketing

Contracts with parent company: Commercial agency agreement  
Address: From 1st Bldg 207, 5-3-10 Minami- Aoyama, Minatoku, Tokyo, Japan 107-0062  
Telephone: (81 3) 5778 3311  
Fax: (81 3) 5778 3312

**SQM LITHIUM SPECIALTIES LIMITED PARTNERSHIP, L.L.P:**

Type of company: Limited liability partnership  
Capital: US\$33,712,430  
Ownership: 99% SQM Virginia LLC  
1% North American Trading Co.  
Investment as % of SQM S.A.'s  
individual assets: 0,42152%

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Corporate purpose: Production and marketing of lithium derivatives  
 Board of Directors: None  
 President: Pablo Hernandez  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA 30339  
 Telephone: 1 (770) 916 9400  
 Fax: 1 (770) 916 9401

**SQM NITRATOS MEXICO S.A. de C.V.:**

Type of company: Variable capital corporation  
 Capital: US\$5,636  
 Ownership: 99.998% SQM Industrial S.A.  
 0.002% SQM North America Corporation  
 Investment as % of SQM S.A.'s individual assets: 0,00260%  
 Corporate purpose: Services  
 Board of Directors: Christian Lüders M.  
 Ricardo Ramos R.\*  
 Frank Biot\*  
 Gerardo Illanes G.\*  
 Gonzalo Aguirre T.\*  
 Alvaro Fernandez G.  
 Patricio de Solminihac T.\*  
 Domingo Aguirre F.  
 CEO: Christian Lüders M.  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Av. Moctezuma 144-4, Ciudad del Sol, CP 45050, Zapopan, Jalisco, Mexico  
 Telephone: (52 33) 35401100  
 Fax: (52 33) 35401100

**SQM NORTH AMERICA CORPORATION:**

Type of company: Corporation  
 Capital: US\$79,576,550  
 Ownership: 51% SQM Industrial S.A.  
 40% SQM S.A.  
 9% Soquimich European Holdings B.V.  
 Investment as % of SQM S.A.'s

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individual assets: 3.47532%  
Corporate purpose: Marketing of nitrates, fertilizers, iodine and lithium in North America  
Board of Directors: Patricio de Solminihac T.\*  
Frank Biot\*  
Ricardo Ramos R.\*  
Daniel Jiménez S. \*  
Gonzalo Aguirre T.\*  
President: Pablo Hernandez  
Relationship with parent company: Distribution  
Contracts with parent company: Not applicable

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Address: 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA 30339  
 Telephone: (1 770) 916 9400  
 Fax: (1 770) 916 9401

**SQM OCEANIA PTY LIMITED:**

Type of company: Limited liability corporation  
 Capital: US\$1  
 Ownership: 100% SQM Soquimich European Holdings B.V.  
 Investment as % of SQM S.A.'s individual assets: 0.09580%  
 Corporate purpose: Import, export and distribution of fertilizers and industrial products  
 Board of Directors: Frank Biot\*  
 Patrick Vanbeneden  
 Gerardo Illanes G.\*  
 Carlos Díaz O.\*  
 Geoffrey Walker  
 Stefan Debruyne  
 CEO: None  
 Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Level 16 201 Elizabeth street, Sydney NSW 2000  
 Telephone: (61 412) 558911  
 Fax: (61 293) 479221

**SQM PERÚ S.A.:**

Type of company: Corporation  
 Capital: US\$17,427  
 Ownership: 99.02% SQM Industrial S.A.  
 0.98% SQM S.A.  
 Investment as % of SQM S.A.'s individual assets: 0.00437%  
 Corporate purpose: Marketing of agricultural and industrial inputs  
 Board of Directors: Enrique Olivares  
 Gonzalo Aguirre T.\*  
 Andrés Yaksic B.\*  
 CEO: Andrés Yaksic B.\*  
 Relationship with parent company: Support  
 Contracts with parent company: Not applicable  
 Address: Avenida Camino Real N° 390 of 801, San Isidro, Lima, Peru



Telephone: (511) 6112121  
Fax: (511) 6112122

**SQM (THAILAND) LIMITED:**

Type of company: Limited liability corporation  
Capital: US\$3,364,341  
Ownership: 99.996% SQM European Holdings NV  
0.004% Non-related parties  
Investment as % of SQM S.A.'s  
individual assets: 0.22227%  
Corporate purpose: Marketing of fertilizers and industrial chemicals

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Board of Directors: Andrés Yaksic B.\*  
 Patrick Vanbeneden  
 Tim Boeckx  
 Pattamakan Suparp  
 Legal representative: Tim Boeckx  
 Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Unit 2962, Level 29, No, 388, Exchange Tower, Sukhumvit Road, Klongtoey  
 District, Bangkok, Thailand  
 Telephone: (66) 2104 9136

**SQM SHANGHAI CHEMICALS CORPORATION:**

Type of company: Corporation  
 Capital: US\$3,000,000  
 Ownership: 100% SQM Industrial S.A.  
 Investment as % of SQM S.A.'s individual assets: 0,22669%  
 Corporate purpose: Sales, import and export. Sales of chemical products.  
 Board of Directors: Gonzalo Aguirre T.\*  
 Gerardo Illanes G.\*  
 Daniel Jimenez S.  
 President: Daniel Jimenez S.  
 Relationship with parent company: Distribution  
 Contracts with parent company: Not applicable  
 Address: Huaihai Road 300, Room 33, floor 47, Huangpu District, Shanghai, China  
 Telephone: (86) 21 5116 2843  
 Fax: Not applicable

**SQM VIRGINIA L.L.C.:**

Type of company: Limited liability corporation  
 Capital: US\$33,375,305  
 Ownership: 100% SQM North America Corporation  
 Investment as % of SQM S.A.'s individual assets: 0.77989%  
 Corporate purpose: Investment company  
 Board of Directors: Daniel Jimenez S.  
 Gerardo Illanes G.\*  
 President: Pablo Hernandez  
 Relationship with parent company: Support

Contracts with parent company: Not applicable  
Address: 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA 30339  
Telephone: (1 770) 916 9400  
Fax: (1 770) 916 9401

**SQMC HOLDING CORPORATION:**

Type of company: Corporation  
Capital: US\$3,000,000  
Ownership: 99.9% SQM Potasio S.A.  
0.1% SQM S.A.  
Investment as % of SQM S.A.'s  
individual assets: 1.11847%  
Corporate purpose: Investment company

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|                                   |   |
|-----------------------------------|---|
| Board of Directors:               | Daniel Jimenez S.<br>Felipe Smith de A.                               |
| President:                        | Pablo Hernandez   |
| Relationship with parent company: | Support   |
| Contracts with parent company:    | Not applicable  |
| Address:                          | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA<br>30339 |
| Telephone:                        | (1 770) 916 9400  |
| Fax:                              | (1 770) 916 9401  |

**International Associates**

**ABU DHABI FERTILIZER INDUSTRIES CO. W.L.L. (U.A.E.):**

|  |  |
|--|--|
| Type of company:                                 | Limited liability corporation  |
| Capital:   | US\$1,443,047  |
| Ownership:                                       | 37% SQM Corporation N.V.<br>63% Non-related parties  |
| Investment as % of SQM S.A.'s individual assets: | 0.28949%   |
| Corporate purpose:                               | Production, distribution, sales and marketing of specialty plant nutrients                           |
| Board of Directors:                              | Emmanuel De Marez<br>Patrick Vanbeneden<br>Ahmed Almehairy<br>Khalid Almehairy<br>Abdullah Almehairy |
| CEO:   | Patrick Vanbeneden   |
| Relationship with parent company:                | Production and distribution  |
| Contracts with parent company:                   | Commercial agreement   |
| Address:   | PO Box 71871, Abu Dhabi, United Arab Emirates  |
| Telephone:                                       | (971) 25511700   |
| Fax:   | (971) 25511702   |

**ABU DHABI FERTILIZER INDUSTRIES CO. W.L.L. (OMAN):**

|                  |   |
|------------------|---|
| Type of company: | Limited liability corporation   |
| Capital:         | US\$387,228   |
| Ownership:       | 70% Abu Dhabi Fertilizer Industries Co. W.L.L.<br>30% Otros no relacionados |

Investment as % of SQM S.A.'s  
individual assets: 0.07498%  
Corporate purpose: Distribution, sales and marketing of specialty plant nutrients  
Board of Directors: Patrick Vanbeneden (legal representative)  
CEO: Rajab Khalil  
Relationship with parent company: Distribution  
Contracts with parent company: None  
Address: P.O. Box 148, Postal Code 31, Al-Suwaiq  
Sultanate of Oman  
Telephone: (968) 26860477  
Fax: (968) 26860577

**AJAY EUROPE SARL:**

Type of company: Limited liability corporation  
Capital: US\$3,975,721

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Ownership: 50% Soquimich European Holdings B.V.  
50% Non-related parties

Investment as % of SQM S.A.'s individual assets: 0.20988%

Corporate purpose: Production and distribution of iodine derivatives

Board of Directors: Carlos Díaz O.\*  
Felipe Smith de A.  
Alec Poitevint  
Matt Webb

CEO: Michel Pichon

Relationship with parent company: Production and distribution

Contracts with parent company: Commercial agreement

Address: Z.I. du Grand Verger BP 227 53602, Evron Cedex,  
France

Telephone: (33 24) 3013535

Fax: (33 24) 3017618

**AJAY NORTH AMERICA L.L.C.:**

Type of company: Limited liability corporation

Capital: US\$10,383,786

Ownership: 49% SQMC Holding Corporation  
51% Non-related parties

Investment as % of SQM S.A.'s individual assets: 0.39998%

Corporate purpose: Production, sales and marketing of iodine derivatives

Board of Directors: Carlos Díaz O.\*  
Felipe Smith de A.  
Alec Poitevint  
Matt Webb

CEO: Matt Webb

Relationship with parent company: Production and distribution

Contracts with parent company: Commercial agreement

Address: 1400 Industry Road, Power Springs, GA 30129

Telephone: 1 (770) 943 6202

Fax: 1 (770) 439 0369

**COVALENT LITHIUM PTY LTD:**

Type of company: Limited liability corporation

Capital: US\$7

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Ownership: 50% SQM Australia Pty Ltd  
50% Non-related parties

Investment as % of SQM S.A.'s individual assets: 0.00142%

Corporate purpose: Administration, design, execution, construction and operation of projects

Board of Directors: Martin Donohue  
Pablo Altimiras C.\*

CEO: Mark Fones

Relationship with parent company: Administration, design, execution, construction and operation of projects services

Contracts with parent company: Not applicable

Address: L18, 109 St Georges Tce Perth WA 6000, Australia

Telephone: (61) 8 9230 5400

Fax: None

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**DOKTOLAB:**

Type of company: Limited liability corporation  
 Capital: US\$133,124  
 Ownership: 100% Doktor Tarsa Tarim Sanayi A.S.  
 Investment as % of SQM S.A.'s individual assets: 0.28869%  
 Corporate purpose: Physical and chemical analysis of soil, plants and specialty plant nutrients  
 Board of Directors: Ali Çetin Karakaya  
 Kamuran Pabuçcu  
 Elif Uluşahin  
 CEO: Ali B. Özman  
 Relationship with parent company: Laboratory analysis  
 Contracts with parent company: None  
 Address: Organize Sanayi Bolgesi, İkinci Kisim, 22. Cadde No: 10, TR07100 Antalya, Turkey  
 Telephone: (90 2) 422494646  
 Fax: (90 2) 422494600

**DOKTOR TARSA TARIM SANAYI A.S.:**

Type of company: Corporation  
 Capital: US\$32,147,829  
 Ownership: 50% Soquimich European Holdings B.V.  
 50% Non-related parties  
 Investment as % of SQM S.A.'s individual assets: 0.57738%  
 Corporate purpose: Distribution, sales, marketing and production of specialty fertilizers  
 Board of Directors: Frank Biot\*  
 Ali B. Ozman  
 Esther Ozman  
 CEO: Ali B. Ozman  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: Organize Sanayi Bolgesi, İkinci Kisim, 22. Cadde No: 10, TR07100 Antalya, Turkey  
 Telephone: (90 2) 422494646  
 Fax: (90 2) 422494600

**INTERNATIONAL TECHNICAL AND TRADING AGENCIES CO. W.L.L. (JORDAN):**



|   |   |
|---|---|
| Type of company:                                    | Limited liability corporation   |
| Capital:  | US\$141,000   |
| Ownership:  | 50% Abu Dhabi Fertilizer Industries Co. W.L.L.<br>50% Otros no relacionados |
| Investment as % of SQM S.A.'s<br>individual assets: | 0.05356%  |
| Corporate purpose:                                  | Distribution, sales and marketing of specialty fertilizers                  |
| Board of Directors:                                 | Not applicable  |
| CEO:  | Not applicable  |
| Relationship with parent company:                   | Not applicable  |
| Contracts with parent company:                      | Not applicable  |
| Address:  | N/A   |

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Telephone: (962) 796448244  
 Fax: (962) 796448244

**KORE POTASH PLC:**

Type of company: Limited liability corporation  
 Capital: US\$860,852  
 Ownership: 17.516% SQM S.A.  
 82.484% Non-related parties  
 Investment as % of SQM S.A.'s  
 individual assets: 0.54755%  
 Corporate purpose: Exploration of mineral resources and project development  
 Board of Directors: David Hathorn  
 Timothy Keating  
 Leonard Math  
 José Antonio Merino M.  
 David Netherway  
 Bradley Sampson  
 Jonathan Trollip  
 CEO: Bradley Sampson  
 Relationship with parent company: Support  
 Contracts with parent company: None  
 Address: 25 Moorgate, London, United Kingdom EC2R 6AY  
 Telephone: (44) 20 7131 4000  
 Fax: None

**PLANTACOTE NV:**

Type of company: Limited liability corporation  
 Capital: US\$3,005,898  
 Ownership: 100% Doktor Tarsa Tarim Sanayi A.S.  
 Investment as % of SQM S.A.'s  
 individual assets: 0.28869%  
 Corporate purpose: Production, distribution, sales and marketing of specialty fertilizers  
 Board of Directors: Ali B. Özman  
 Patrick Vanbeneden  
 Frank Biot\*  
 CEO: Toon Vanderhallen  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: Houtdok-Noordkaai 25a – 2030 Antwerp - Belgium

Telephone: (32) 3 203 97 17  
Fax: (32) 3 203 97 72

**SQM MED TURKEY:**

Type of company: Corporation  
Capital: US\$186,959  
Ownership: 50% Soquimich European Holdings B.V.  
50% Non-related parties  
Investment as % of SQM S.A.'s  
individual assets: 0,00829%  
Corporate purpose: Production of specialty fertilizers  
Board of Directors: Patrick Vanbeneden  
Ali B. Özman  
Esther Ozman

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

|                                   |  |
|-----------------------------------|--|
| CEO:                              | Ali B. Özman   |
| Relationship with parent company: | Production   |
| Contracts with parent company:    | Commercial agreement   |
| Address:                          | Antalya Serbest Bölgesi Liman Mahallesi, 1. Cadde 4. Sokak No:15, 07130<br>Konyaaltı/Antalya, Turkey |
| Telephone:                        | (90 2) 422494646   |
| Fax:                              | (90 2) 422494600   |

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

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7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

7) b) INFORMATION ABOUT OTHER INVESTEEES

**Joint Ventures or Joint Control**

**ARPA SPECIALI S.R.L.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation   |
| Capital:   | US\$24.022  |
| Ownership:                                       | 50.48% Pavoni & C. SPA<br>49.52% Non-related parties                    |
| Investment as % of SQM S.A.'s individual assets: | 0.00326%  |
| Corporate purpose:                               | Distribution, sales and marketing of specialty fertilizers              |
| Board of directors:                              | Sara Pavoni<br>Riccardo Carbone<br>Giulio Guastalla<br>Giulio Guastalla |
| CEO:   | Giulio Guastalla  |
| Relationship with parent company:                | Distribution  |
| Contracts with parent company:                   | Commercial agreement  |
| Address:   | Via Cremona 27 Int.5 46100 Mantova (MN)                                 |
| Telephone:                                       | (39) 0376 262483  |
| Fax:   | (39) 0376 1994113   |

**COROMANDEL (SQM INDIA) P LTD.:**

|  |   |
|--|---|
| Type of company:                                 | Limited liability corporation   |
| Capital:   | US\$1,566,490   |
| Ownership:                                       | 50% Soquimich European Holdings NV<br>50% Non-related parties               |
| Investment as % of SQM S.A.'s individual assets: | 0.04626%  |
| Corporate purpose:                               | Production, distribution, sales and marketing of specialty fertilizers      |
| Board of directors:                              | Patrick Vanbeneden<br>Emmanuel De Marez<br>Narayanan Vellaya<br>Sameer Goel |
| CEO:   | Mahadev Suvarna   |

Relationship with parent company: Production and distribution  
Contracts with parent company: Commercial agreement  
Address: Coromandel House 1-2-10, Sardar Patel Road, Secunderabad-500 003, Andhra Pradesh, India  
Telephone: 91-40-27842034

**QINGDAO SQM-STAR CROP NUTRITION CO. LTD.:**

Type of company: Limited liability corporation  
Capital: US\$2,000,000  
Ownership: 50% SQM Industrial S.A.  
50% Non-related parties  
Investment as % of SQM S.A.'s individual assets: 0.08475%  
Corporate purpose: Production, sales and marketing of soluble fertilizers  
Board of directors: Li Xiang  
Alfredo Doberti  
Wan Taibin  
Frank Biot\*

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

CEO: Li Xiang  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: No. 36, Road 7 Longquan River, Longquan Town, Jimo City, Qingdao Municipality, Shangdong Province, China  
 Telephone: (86) 532 809 65 366

**SICHUAN SQM-MIGAO CHEMICAL FERTILIZER CO. LTD.:**

Type of company: Limited liability corporation  
 Capital: US\$28,000,000  
 Ownership: 50% SQM Industrial S.A.  
 50% Migao Corporation  
 Investment as % of SQM S.A.'s individual assets: 0.05329%  
 Corporate purpose: Production, distribution, sales and marketing of specialty fertilizers  
 Board of directors: Alfredo Doberti  
 Frank Biot\*  
 Liu Yaqin  
 Sun Pingfu  
 Sun Pingfu  
 CEO: Sun Pingfu  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: Huangjin Road, Dawan Town, Qingbaijiang District, Chengdu Municipality, Sichuan Province, China  
 Telephone: (86) 532 809 65 366

**PAVONI & C. SPA.:**

Type of company: Limited liability corporation  
 Capital: US\$7,140,808  
 Ownership: 50% Soquimich European Holdings B.V.  
 50% Otros no relacionados  
 Investment as % of SQM S.A.'s individual assets: 0.18856%  
 Corporate purpose: Production, distribution, sales and marketing of specialty fertilizers  
 Board of directors: Patrick Vanbeneden



Frank Biot\*  
Giuseppe Casubolo  
Aldo Bonaccorsi  
Giulio Guastalla  
Sara Pavoni  
CEO: Sara Pavoni  
Relationship with parent company: Production and distribution  
Contracts with parent company: Commercial agreement  
Address: Corso Italia, 172, 95129 Catania (Ct)  
Telephone: (39) 095 7931440  
Fax: (39) 095 654512

**SQM VITAS BRASIL:**

Type of company: Limited liability corporation  
Capital: US\$4,300,597  
Ownership: 99.99% SQM Vitas FZCO  
0.01% Non-related parties

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

Investment as % of SQM

S.A.'s

individual assets: 0.33187%  
 Corporate purpose: Production, distribution and marketing of specialty plant nutrients  
 Board of directors: Patrick Vanbeneden  
 Karina Kuzmak-Bourdet  
 Alfredo Doberti  
 CEO: Leandro Ries  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: Via Candeias, Km, 01, Sem Numero, Lote 4, Bairro Cia Norte, Candeias, Bahia – Brazil  
 CEP 43,805 – 190, Caixa Postal 138  
 Telephone: (55) 71 3602 3056  
 Fax: None

**SQM VITAS HOLLAND:**

Type of company: Limited liability corporation  
 Capital: US\$114,390  
 Ownership: 50% Soquimich European Holdings NV  
 50% Non-related parties

Investment as % of SQM S.A.'s

individual assets: 0.03598%  
 Corporate purpose: Investment company  
 Board of directors: Soquimich European Holdings NV  
 Vitas Roullier S.A.S.  
 CEO: Not applicable  
 Relationship with parent company: Support  
 Contracts with parent company: Commercial agreement  
 Address: Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuid-Oost, Netherlands  
 Telephone: (31 20) 5755600  
 Fax: (31 20) 6730016

**SQM VITAS FZCO:**

Type of company: Free zone company  
 Capital: US\$1,415,820  
 Ownership: 49.5% SQM Industrial S.A.  
 0.5% SQM S.A.

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Investment as % of SQM S.A.'s individual assets: 50% Non-related parties  
0.54047%

Corporate purpose: Production, distribution and marketing of specialty plant nutrients

Board of directors: Patrick Vanbeneden  
Karina Kuzmak-Bourdet  
Frank Biot\*

CEO: Patrick Vanbeneden

Relationship with parent company: Production and distribution

Contracts with parent company: Commercial Agreement

Address: Jebel Ali Free Zone, PO Box 18222, Dubai, United Arab Emirates

Telephone: (971 4) 8838506

Fax: (971 4) 8838507

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**SQM VITAS PERÚ S.A.C.:**

Type of company: Corporation  
 Capital: US\$4,063,802  
 Ownership: 99.99999% SQM Vitas FZCO  
 0.00001% SQM Industrial S.A.  
 Investment as % of SQM S.A.'s  
 individual assets: 0.13879%  
 Corporate purpose: Production, distribution, sales and marketing of specialty fertilizers  
 Board of directors: Patrick Vanbeneden  
 Karina Kuzmak-Bourdet  
 Alfredo Doberti  
 CEO: Diego San Martin  
 Relationship with parent company: Production and distribution  
 Contracts with parent company: Commercial agreement  
 Address: Avenida Circunvalación del Club Golf Los Incas N°154, Oficina 1401, Santiago de Surco, Lima, Peru  
 Telephone: (511) 611 2121  
 Fax: (511) 611 2121

**TERRA TARSA BV:**

Type of company: Limited liability corporation  
 Capital: US\$547,560  
 Ownership: 50% Doktor Tarsa Tarim Sanayi A.S.  
 50% Non-related parties  
 Investment as % of SQM S.A.'s  
 individual assets: 0.14435%  
 Corporate purpose: Investment company  
 Board of directors: Ali B. Özman  
 Andrii Gogolev  
 Dennis Beets  
 Paul van Duuren  
 CEO: Not applicable  
 Relationship with parent company: Support  
 Contracts with parent company: Commercial agreement  
 Address: Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuid-Oost, Netherlands  
 Telephone: (31 20) 5755600  
 Fax: (31 20) 6730016

**TERRA TARSA UKRAINE LLC:**

|  |  |
|--|--|
| Type of company:                                 | Limited liability corporation  |
| Capital:   | US\$602,091  |
| Ownership:                                       | 100% Terra Tarsa BV  |
| Investment as % of SQM S.A.'s individual assets: | 0.14435%   |
| Corporate purpose:                               | Production, distribution, sales and marketing of specialty fertilizers |
| Board of directors:                              | Not applicable   |
| CEO:   | Andrii Gogolev   |
| Relationship with parent company:                | Production and distribution  |
| Contracts with parent company:                   | Commercial agreement   |
| Address:   | 74800 Ukraine, Kakhovka, Pivdena str. 4                                |
| Telephone:                                       | (380) 5536-55-109  |

7) INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATES

**TERRA TARSA DON LLC:**

|  |  |
|--|--|
| Type of company:                                 | Limited liability corporation                              |
| Capital:   | US\$29,477   |
| Ownership:                                       | 100% Terra Tarsa BV  |
| Investment as % of SQM S.A.'s individual assets: | 0.14435%   |
| Corporate purpose:                               | Distribution, sales and marketing of specialty fertilizers |
| Board of directors:                              | Not applicable   |
| CEO:   | Olga Kosse   |
| Relationship with parent company:                | Distribution   |
| Contracts with parent company:                   | Commercial agreement                                       |
| Address:   | 344090 Russian Federation, Rostov-on-Don, Zorge str.17     |
| Telephone:                                       | 7 (863) 300-76-27  |

8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

**Relevant or Essential Facts Pertaining to SQM S.A.**

The following events occurred or were reported as essential events or events of interest to the CMF, the Stock Exchanges and included on the Company's website:

On January 17, 2018, it was informed that today SQM and CORFO (*Corporación de Formento de la Producción*) 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:

| <b>Price US\$/MT Li<sub>2</sub>CO<sub>3</sub></b> | <b>Lease payment rate</b> |
|---|---------------------------|
| \$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%.

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:

| <b>Price US\$/MT KCL</b> | <b>Lease payment rate</b> |
|--------------------------|---------------------------|
| \$0 - \$300              | 3.0%                      |
| \$300 - \$400            | 7.0%                      |
| \$400 - \$500            | 10.0%                     |
| \$500 - \$600            | 15.0%                     |
| > \$600                  | 20.0%                     |



8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

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.

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.

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 (c) (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.

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 (d) 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.

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 (e) 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.

(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.

An option for SQM Salar to sell to CORFO the facilities that are necessary to increase the additional production (g) 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.

An option for CORFO to request from SQM the evaluation of a joint project with a state company for the joint (h) 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.

8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

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.

On January 24, 2018, it was informed that in its ordinary board meeting today, 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.

On January 26, 2018, it was informed that SQM and its subsidiaries SQM Salar S.A. and SQM Nitrates S.A. (the "Companies"), 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) CLP\$900,000,000 to the Chilean State, and (ii) CLP\$1,650,000,000 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.

The agreement is subject to appeal proceedings and, in the absence of changes, it will put an end to an investigation that has lasted for about 3 years, in which the various agencies have carried out both administrative and judicial investigations and have widely recognized the cooperation provided by the Companies.

On February 19, 2018, it was informed that in the extraordinary board meeting today, Mark F. Fracchia was appointed as the replacement of Robert A. Kirkpatrick.

On March 28, 2018, it was informed that the Board of Directors of SQM in an Ordinary Board Meeting today unanimously agreed the following:

To recommend to the shareholders at the next Annual Ordinary Shareholders' Meeting ("Shareholders' Meeting") the payment of a final dividend representing 100% of the 2017 net income of the Company. The final dividend amount 1. of US\$1,62501 per share is calculated based on the total amount of the distributable net income of US\$427,697,034 obtained during 2017. Nevertheless, the amount of US\$1.20533 per share must be deducted from the final dividend, as it was already paid in the form of interim dividends, leaving the balance in the amount of US\$0.41968 per share.

## 8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

To change the Dividend Policy for the 2017 business year, which was presented at the Shareholders' Meeting held on April 28, 2017, incorporating the payment of a dividend of US\$100 million (*dividendo eventual*), equivalent to 2. US\$0.37994 per share, which shall be charged against the retained earnings of the Company. Therefore, and subject to the approval at the next Shareholders' Meeting to be held on April 27, 2018, this dividend (*dividendo eventual*) shall be paid together with the final dividend corresponding to the 2017 results of SQM.

Said amounts of US\$0.41968 per share (the balance of the final dividend) and US\$0.37994 per share (*dividendo eventual*) shall be paid in the equivalent in Chilean national currency according to the value of the "Observed Dollar" or "US Dollar" that appears published in the Official Gazette on April 27, 2018. The payment of these dividends shall be made in favor of the Company's shareholders, in person or through their duly authorized representatives, starting at 9:00am on May 10, 2018, who are registered with the respective registry on the fifth business day before the day on which the payment shall be made.

On April 23, 2018, it was informed that SQM signed a market maker contract for the Series A shares of the Company with Banchile Corredores de Bolsa S.A. According to this contract, Banchile Corredores de Bolsa S.A. will act as a market maker in accordance with the provisions of General Regulation No. 327 of the Commission for the Financial Market.

On April 27, 2018, the following was reported:

1. SQM's shareholders met today at the Company's 43rd Annual General Meeting and, among other aspects, agreed to the following:

- (a) To approve the Company's Balance Sheet, the Financial Statements, the Annual Report, the Account Inspectors' Report, and the External Auditors' Report for the year ending on December 31, 2017.
- (b) To appoint PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada as the Company's External Auditors for 2018.
- (c) To approve the distribution of a final dividend and a special dividend as recommended by the Board of Directors ("Board") and communicated as an essential fact (*hecho esencial*) on March 28, 2018.  
Company Board elections, it was decided that the Board would be composed of the following members: Arnfinn F. Prugger, Hernán Büchi Buc, Gonzalo Guerrero Yamamoto, Patricio Contesse Fica, Mark F. Fracchia, Darryl Stann, Laurence Golborne Riveros and Alberto Salas Muñoz, with the last two members being independent, and
- (e) To approve the remuneration structure for the Board members, and the members of the Board committees, and expenses associated with each.

2. In an extraordinary Board meeting on this same date, the Board agreed to the following:

- (i) To nominate Mr. Alberto Salas Muñoz as Chairman of the Board;
- (ii) To nominate Patricio Contesse Fica as Vice Chairman of the Board and
- (iii) That the composition of the Board Committees would be as follows:
  - (a) Directors' Committee: Hernán Büchi Buc, Laurence Golborne Riveros and Alberto Salas Muñoz;
  - (b) Corporate Governance Committee: Mark F. Fracchia, Darryl Stann and Hernán Büchi Buc;
  - (c) Safety, Health and Environment Committee: Arnfinn F. Prugger, Patricio Contesse Fica and Gonzalo Guerrero Yamamoto.

## 8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

On April 30, 2018, it was informed that Sociedad de Inversiones Pampa Calichera S.A. and Kowa Company Ltd. have terminated the Joint Operation Agreement signed between them on December 21, 2006, which was subject to subsequent modifications (the "Agreement").

Until its termination, the Agreement allowed the shareholders of SQM, Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., Inversiones Global Mining (Chile) Limitada and Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and Kowa Holdings America Inc. to have the status of controller group of the Company.

On May 17, 2018, it was informed that Nutrien reported this morning that Tianqi Lithium had agreed to purchase 62,556,568 Series A shares of SQM from Nutrien Ltd. ("Nutrien") for consideration of US\$65 per share in cash. The announced transaction represents the entirety of Nutrien's Series A shares at a gross valuation of approximately US\$4.07 billion. Nutrien maintains ownership of its Series B shares, and expects to divest these shares in due course.

On May 17, 2018, it was informed that SQM's shareholders met today at the Company's 28<sup>th</sup> Extraordinary Shareholder's Meeting and agreed to the following amendments of the Company's By-laws:

To modify the articles 27, 28, 29, and 36, replacing the reference to the "Superintendence of Securities and Insurance" a. (*Superintendencia de Valores y Seguros*) with that of the "Commission for the Financial Market" (*Comisión para el Mercado Financiero*).

To modify the article 41, replacing the reference to the "Superintendent of Securities and Insurance" (*Superintendente* b. *de Valores y Seguros*) with that of the "President of the Commission for the Financial Market."

c. To modify the title of the "Transitory Article", changing it to the "First Transitory Article."

d. To introduce a new "Second Transitory Article" which reads as follows:

**"FOR THE ENTIRE PERIOD BETWEEN THE DATE OF THE EXTRAORDINARY SHAREHOLDERS' MEETING WHICH APPROVED THE INCORPORATION OF THIS TRANSITORY ARTICLE AND DECEMBER 31, 2030, THE RESTRICTION TO NOT VOTE MORE THAN 37.5% OF ANY SERIES OF COMPANY SHARES, AS**

ESTABLISHED BY THE THIRTY-FIRST ARTICLE OF THE BYLAWS, RECOGNIZES THE FOLLOWING EXCEPTION, WHICH WILL ONLY BE APPLICABLE TO THE ELECTION OF THE SERIES A BOARD MEMBERS OF THE COMPANY: If two or more people, related to each other or not, with or without an joint action agreement, acquire between now and December 31, 2030 (the “entering shareholders”), a quantity of the company’s A-series shares which allows them to exercise effective voting rights for more than 37.5% of the series, then any shareholder or group of shareholders listed in the respective registry as of this date, that owns a number of the company’s A-series shares corresponding to more than 37.5% of said series, shall have the right to vote, in the election of the company’s board members, a number of the company’s A-series shares in its power equivalent to the lesser of (i) the number of those series’ shares owned by the existing shareholders at the present date, and (ii) the number of those series’ shares for which the entering shareholders could exercise voting rights. Likewise, if, for any reason, one of the company’s shareholders listed in the respective registry to date and owner of a number of the company’s A-series shares corresponding to more than 37.5% of said series, were to acquire, between the present date and December 31, 2030, the capacity to exercise effective voting rights, in the election of the company’s board members, for more than 37.5% of the company’s A-series shares, whether as a result of a joint action agreement with other shareholders, including existing shareholders, or by any other means, then any other company shareholder or group of shareholders not related to them that owns a number of the company’s A-series shares corresponding to more than 37.5% of said series, including both existing and entering shareholders, shall have the right to vote, in the election of the company’s board members, a number of shares of said series in its power equivalent to the lesser of (i) the number of those series’ shares owned by the latter shareholder or shareholders, and (ii) the number of those series’ shares for which the existing shareholder has the capacity to exercise voting rights in excess of the 37.5% restriction.”



## 8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

On July 25, 2018, it was informed that in a meeting held today SQM's Board of Directors accepted the resignation of CEO, Mr. Patricio de Solminihac Tampier.

The Board acknowledges and greatly appreciates the efforts and contributions of Mr. de Solminihac in his more than 30 years with the Company, working as VP of Business Development, Vice-Chairman of the Board, COO, and finally as CEO for the last three years. The resignation of Mr. de Solminihac will become effective on December 31, 2018.

During the same Board meeting, in accordance with the previously agreed to succession plan, and considering Mr. de Solminihac's recommendation, the current CFO and Vice President of Corporate Services of SQM, Mr. Ricardo Ramos Rodríguez, will be appointed CEO on January 1, 2019. Mr. Ramos has over 29 years working with SQM, and has developed a professional career within the Company.

On August 13, 2018, it was informed that together with its subsidiary SQM Potasio S.A. (SQM Potasio) SQM has signed a contract (the "Contract") with Minera Exar (Exar), Lithium Americas (TSX: LAC; NYSE: LAC) and GFL International Co. Ltd. (Ganfeng).

Pursuant to this Contract, (i) SQM Potasio will sell to Ganfeng its entire stake and irrevocable contributions in Exar, company which owns Caucharí-Olaroz lithium project in the Jujuy province of Argentina (the "Project"), (ii) Exar will prepay the total amount of the loans received from SQM Potasio; and (iii) Exar will pay SQM for the services it provided to Exar during the development of the Project. According to the Contract, SQM and SQM Potasio will receive an approximate amount of US\$87.5 million. The Contract is subject to certain conditions and should close during the fourth quarter of this year.

In addition, SQM Potasio and a subsidiary of Ganfeng will sign an agreement in which a deferred amount of US\$50 million will be paid to SQM Potasio, subject to compliance with certain product sales targets of the Project.

On August 16, 2018, SQM provided the following information in addition to the press release published on Monday, August 13, 2018:

1. On August 13, 2018, SQM Potasio S.A. (SQM Potasio) subscribed with Exar, GFL International Co. Ltd. (Ganfeng), and Lithium Americas Corp. (LAC), a contract called Transaction Agreement (the "Agreement"), pursuant to which (a) SQM Potasio shall sell to Ganfeng its entire shareholding and irrevocable contributions in Exar; (b) Exar shall pay SQM Potasio, in advance, all outstanding loans it received from this company; and (c) Exar shall pay SQM Potasio for the services rendered to Exar during the Project's development stage. Under the Agreement, SQM and SQM Potasio shall receive a total amount of US\$87.5 million.

2. The Agreement is subject to the fact that by the expected date of October 31, 2018, and in any case, no later than December 31, 2018 (the "Closure"), certain conditions are met, which are determined by the parties as necessary for the operations indicated in above letters (a) to (c) to materialize. The aforementioned conditions include that, at Closure: (i) the declarations and guarantees granted by the parties at the signing of the Agreement are certain and true; (ii) Exar may continue to develop its business under its normal course; (iii) the Project continues to be developed under the approved budget; (iv) the applicable laws and conditions established in the Project permits are complied with; (v) SQM supports the Project in the period of transition until the Closure, in order to allow the conclusion of activities that are under its responsibility and will be available to clarify Project information to LAC; (vi) there are no laws, regulations, judicial processes, orders of authority, or any other that prevents, prohibits, or restricts the Closure; and (vii) the necessary approvals for the Closure are obtained, even when the parties declared not to have them.

## 8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

3. SQM has promised, under the Agreement, to allow part of its personnel to be hired temporarily by Exar until December 31, 2018, to carry out field supervision work of the development activities and construction of the Project. In turn, after the Closure, SQM has promised that (i) during the first six months, part of its team of professionals in the areas of hydrogeology and engineering, who know the Project (the "Experts"), be available to hold technical discussions related to the Project on a monthly basis; and (ii) that upon completion of the previous period and up to a period of three years after the Closure, the Experts are available to hold technical discussions related to the Project on a bi-monthly basis.

4. For its part, SQM also informed that SQM Potasio and a subsidiary of Ganfeng will subscribe a contract called Deferred Payment Agreement (the "DPA"), under which a deferred payment of US\$50 million will be made to SQM Potasio, subject to compliance with certain sales goals. Pursuant to the Agreement, the DPA will be signed by the parties at Closure, and the payment to which SQM Potassium shall be entitled, will be due to the extent that Exar reaches cumulative sales of (i) 25,000 tons (measured in lithium carbonate equivalent) of the Project's lithium products, (ii) at a price of at least US\$10,000 per ton.

5. In accordance with the foregoing, SQM estimates, as a financial effect at Closure (i) a cash inflow of US\$87.5 million; and (ii) a post-tax income of approximately US\$5.5 million. The payment to which SQM Potasio is entitled under the DPA, will only be accounted for and recognized in the financial statements of SQM, once said payment has been actually received.

On September 12, 2018, it was informed that as of today, the Company learned that as a result of not having incurred the mining exploration expenses required under the legal framework in 2015, the Warden's Court of the Department of Mines, Industry Regulation and Safety of Western Australia has recommended not to accept exceptions in the process to validate the granting of certain mining licenses to Kidman Resources, SQM's partner in the Mount Holland Project.

These mining properties are a requirement for the development of the project, which are yet to be transferred to the joint venture. Although this recommendation by the Warden's Court is not a final decision on the requested exception, which should be made by the Mining Minister of Western Australia, it could generate uncertainty or delays the project. SQM and Kidman are reviewing the decision made by the Warden's Court, and will define the next steps.

On September 13, 2018, it was informed that a hearing was held with the Antitrust Court, Tribunal de la Libre Competencia (TDLC)) to discuss the out of court agreement that was released on Friday, September 7, between the Chilean Antitrust Regulator, Fiscalía Nacional Económica (FNE) and Tianqi Lithium Corporation (Tianqi). As part of

this process, the TDLC must approve or reject the agreement, not been able to alter the proposal of the parties.

Through the investigation, the FNE pointed out and verified that the intended Tianqi transaction presents several risks to free competition. Accordingly, the FNE has ruled out that this transaction will result in efficiencies. In both cases, SQM agrees with the FNE, although it believes there are additional risks not mentioned by the FNE.

As a publicly traded corporation with shares traded in Chile as well as on the New York Stock exchange, SQM has demonstrated that it does not discriminate nor favor on shareholders or investors based on their political views, nationality or other. As such, and having an interest in the TDLC resolution, SQM expressed today, as unanimously agreed to by its Board of Directors the inadequacy of the proposed measures and explained that the agreement should be denied.

SQM is in a situation where it will have to receive a direct competitor as a shareholder, which although it is not illegal, presents risks and challenges to free competition. The aforementioned becomes more complex because of SQM's open stock corporation status and ownership structure, the political rights that Tianqi will hold once the transaction materializes, and the fact that the proposed measures will have an obvious impact on SQM's corporate activities.

## 8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

In this sense, the Company does not believe that the proposed measures in the agreement effectively resolve the risks that it intends to mitigate and do not correctly prevent the access to sensitive information, which could damage SQM and the market. By having a competitor that is also an important shareholder, SQM could be subject to possible investigations and penalties for reasons that are outside of its control.

Finally, SQM believes that the maximum term contemplated of six years is insufficient. The criteria that has been applied to date is that the risk mitigation measures must last until the risk ceases to exist. If Tianqi believes that no risks will exist in the future, it must prove this to the TDLC and request modification and elimination of said measures. It is not appropriate, as the agreement suggests, for SQM to request to maintain of the measures if the risks persist at the end of the term of the agreement.

On October 24, 2018, it was informed that today SQM's Board of Directors requested that CEO of SQM, Mr. Patricio de Solminihac Tampier's resignation become effective on January 7, 2019 instead of December 31, 2018, as was previously announced. This change is to insure a smooth transition. Consequently, the Board of Directors agreed that the nomination of Mr. Ricardo Ramos as CEO become effective on January 8, 2019.

On October 31, 2018, it was informed that today the conditions outlined below in the Transaction Agreement (the "Agreement") with Minera Exar ("Exar" or the "Project"), Lithium Americas (TSX: LAC; NYSE: LAC) and GFL International Co. Ltd., which was announced to the market on August 13, 2018 have been met. Pursuant to the Agreement, (a) SQM Potasio has sold to Ganfeng Lithium Netherlands Co., BV (Ganfeng) its entire shareholding and irrevocable contributions in Exar; (b) Exar has paid SQM Potasio, all outstanding loans it received from this company; and (c) Exar has paid SQM for the services rendered to Exar during the Project's development stage. SQM has received a cash inflow of US\$87.5 million, which represents a post-tax income of approximately US\$5.5 million. This transaction will be accounted for and recognized in SQM's fourth quarter 2018 financial statements.

SQM also informs that SQM Potasio and Ganfeng have executed a Deferred Payment Agreement, under which a deferred payment of US\$50 million will be made to SQM Potasio, subject to Exar reaching cumulative sales of (i) 25,000 tons (measured in lithium carbonate equivalent) of the Exar project's lithium products, (ii) at a price of at least US\$10,000 per ton.

On December 3, 2018, it was informed that on November 30, 2018, SQM received official letter 32,131 (Oficio 32.131) from the CMF. In this letter, the CMF determined that in accordance with the distribution of the shares of SQM, "there is no shareholder or group of shareholders under the same controlling shareholder, which can decisively influence the management of SQM". Accordingly, SQM does not have a controller as long as no shareholder can appoint more than three directors representing its Series A shares in order to obtain a majority of the board seats, or

until the CMF determines something different in this respect.

On December 5, 2018, it was informed that the Company learned that Inversiones TLC SpA (Chilean tax ID number: 76.902.021-7), a subsidiary of Tianqi Lithium Corporation had acquired the shares of Inversiones El Boldo Limitada, Inversiones PCS Chile Limitada and Inversiones RAC Chile S.A., totaling 62,556,568 shares, representing 23.77% of the total shares of SQM.

On December 5, 2018, it was informed that today the Company received in its offices the resignation letters from Board members Mark Fracchia and Darryl Stann; these resignations are effective today.

On December 13, 2018, it was informed that the Company was informed today that the Minister for Mines and Petroleum in Western Australia has granted Kidman Resources Limited, SQM's partner in the Mount Holland Project, exemption from the relevant expenditure requirements in relation to mining tenements of Mount Holland project that were subject to exemption objections.

8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

**Relevant or Essential Facts Pertaining to Soquimich Comercial S.A. (SQMC)**

On March 27, 2018, the CMF and the stock exchanges were informed as essential fact, that the Board of Directors of Soquimich Comercial S.A. (SQMC), in its meeting held today, agreed, by the majority of the Directors present, the following:

1. To modify the “2017 Dividends Policy” which was submitted to the SQMC Ordinary Annual Shareholders Meeting held on April 28, 2017, in regard to incorporating in said Dividend Policy, the payment of a possible dividend of US\$20,000,000, equivalent to the amount of US\$0.07350 per share, which shall be paid against SQMC’s accumulated net income. Said dividend payment shall be submitted to the consideration of the next Ordinary Annual Shareholders Meeting to be held on April 26, 2018, so that it may decide on the matter and, if applicable, said dividend shall be paid, together with and at the same time as the final dividend corresponding to the business year 2017.
2. To distribute and pay, for concept of dividends, to the respective shareholders, 75% of liquid profits of the 2017 business year, which corresponds to a final dividend of US\$0.00054 per share.
3. In accordance with the above, the Board of Directors agreed to propose to the Ordinary Annual Shareholder meeting to be held next April 2, the payment of a possible dividend of US\$0.07350 per share, to be paid against SQMC’s accumulated profits, and a final dividend of US\$0.00054 per share, corresponding to 75% of SQMC’s net income in the 2017 business year.
4. The aforementioned amounts of US\$0.07350 per share (possible dividend) and US\$0.00054 per share (final dividend for 2017 business year) shall be paid in their equivalent in pesos, Chilean national currency according to the exchange rate observed on the day on which said dividends are approved by the Ordinary Annual Shareholders Meeting, in favor of those SQMC shareholders who are registered in the respective Registry five working days prior to the day on which the dividends shall be paid. Said amounts will be proposed to be paid in favor of the corresponding shareholders personally or through duly authorized agents as of 9 am on Thursday, May 24, 2018.

On May 22, 2018, the CMF and the stock exchanges were informed as essential fact, that the Board of Directors of Soquimich Comercial S.A., in its meeting held today, agreed to modify the General Policy for Habitual-Ordinary Transactions, which allows SQMC to perform operations with related parties without the requirements and procedures

established in numbers 1 to 7 of paragraph 1 of Article 147 of the law 18,046.

This new General Policy for Habitual-Ordinary Transactions is effective as of this date and replaces the previous Policy that was approved by the Board of Directors in its Meeting held on November 16, 2015 and which was in effect until this date.

The new General Policy for Habitual-Ordinary Transactions of Soquimich Comercial S.A. approved by the Board of Directors is as follows:

1. Financial transactions carried out with related parties, including commercial current accounts and/or financial loans that aim to optimize the cash management of companies, are considered habitual.
  
2. Transactions of a financial nature or financial intermediation with related parties, such as financial investments of fixed or variable income, purchase and sale of currencies, financial derivatives, swaps, term deposit agreements, overdraft lines, loans with promissory notes, letters of credit, guarantee letters, "stand by" letters of credit, "forwards" contracts, rate hedges, operations and futures, operations related to the Company's current accounts, or other usual financial operations performed by the treasury, are considered habitual.
  
3. Transactions with related parties referring to info-computer services, infrastructure services, data centers, micro-computing, and hardware and data administration, in general, are considered habitual.



8) INFORMATION ABOUT RELEVANT OR ESSENTIAL FACTS

4. Transactions with related parties referring to financial administration, management services and other similar services, which include, among others, accounting, financial reports, fixed assets, purchase and sales book, treasury and banks, tax consultation services, insurance, provisioning, comptroller and internal audit, are considered habitual.
5. Transactions with related parties related to leasing of offices, parking lots, and others are considered habitual.
6. Transactions with related parties related to telephone services and networks are considered habitual.
7. Transactions with related parties related to marketing services are considered habitual.
8. Transactions with related parties related to warehousing, product storage, sales on account and representation, and other services related to sales of products on account and representation, are considered habitual.
9. Transactions related to the sales and purchase, supply, and consulting services for fertilizers, chemicals, agrochemicals and industrial products, performed by SQMC with its parent companies, affiliates, and subsidiaries, and those performed with Agricola Nacional S.A.C. and I-ANASAC, are considered habitual.

For information on essential or relevant facts taking place prior to the period covered by this report that during the year have had a significant influence or effect on the Company's business development, its financial statements, its securities or the offer of the latter, or may have in future years, see sections 3) a) Historical Information, 3) c) Activities and Businesses and 3) e) Risk Factors.

9) SUMMARY OF COMMENTS AND PROPOSALS BY SHAREHOLDERS AND THE DIRECTORS' COMMITTEE

According to Chilean Law No, 18,046, section 3, article 74, there have been no comments or proposals from SQM's shareholders or Directors' Committee regarding the Company's business.



10) FINANCIAL REPORTS

10) FINANCIAL REPORTS

10) a) FINANCIAL REPORTS OF THE REPORTING ENTITY

**Report of Independent Auditors**

INDEPENDENT AUDITOR'S REPORT

Santiago, February 27, 2019

To the Shareholders and Directors  
Sociedad Química y Minera de Chile S.A.

We have audited the accompanying consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries, which comprise the statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

*Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these financial consolidated statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chilean generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. Consequently, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries as of December 31, 2018 and 2017 and the results of its operations and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

10) FINANCIAL REPORTS

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## 10) FINANCIAL REPORTS

**Consolidated Classified Statements of Financial Position**

| <b>Assets</b>   | <b>Note</b> | <b>As of December<br/>31,<br/>2018<br/>ThUS\$</b> | <b>As of December<br/>31,<br/>2017<br/>ThUS\$</b> |
|---|-------------|---|---|
| Current assets  |             |   |   |
| Cash and cash equivalents   | 11.1        | 556,066   | 630,438   |
| Other current financial assets  | 14.1        | 312,721   | 366,979   |
| Other current non-financial assets                                      | 17          | 49,186  | 26,883  |
| Trade and other receivables, current                                    | 14.2        | 464,855   | 446,875   |
| Trade receivables due from related parties, current                     | 13.5        | 44,554  | 59,132  |
| Current inventories   | 12          | 913,674   | 902,074   |
| Current tax assets  | 32.1        | 57,110  | 32,291  |
| Current assets other than those classified as held for sale or disposal |             | 2,398,166   | 2,464,672   |
| Non-current assets or groups of assets classified as held for sale      | 33          | 1,430   | 1,589   |
| Total current assets  |             | 2,399,596   | 2,466,261   |
| Non-current assets  |             |   |   |
| Other non-current financial assets                                      | 14.1        | 17,131  | 42,879  |
| Other non-current non-financial assets                                  | 17          | 27,540  | 19,262  |
| Trade receivables, non-current  | 14.2        | 2,275   | 1,912   |
| Investments classified using the equity method of accounting            | 9.1-10.3    | 111,549   | 152,630   |
| Intangible assets other than goodwill                                   | 15.1        | 188,283   | 113,787   |
| Goodwill  | 15.1        | 34,718  | 37,972  |
| Property, plant and equipment   | 16.1        | 1,454,823   | 1,429,354   |
| Tax assets, non-current   | 32.1        | 32,179  | 32,179  |
| Total non-current assets  |             | 1,868,498   | 1,829,975   |
| Total assets  |             | 4,268,094   | 4,296,236   |

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



## 10) FINANCIAL REPORTS

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

| <b>Liabilities and Equity</b>                  | <b>Note</b> | <b>As of December 31,</b> | <b>As of December 31,</b> |
|--|-------------|---------------------------|---------------------------|
|  |             | <b>2018</b>               | <b>2017</b>               |
|  |             | <b>ThUS\$</b>             | <b>ThUS\$</b>             |
| Current liabilities                            |             |                           |                           |
| Other current financial liabilities            | 14.4        | 23,585                    | 220,328                   |
| Trade and other payables, current              | 14.5        | 163,751                   | 196,280                   |
| Trade payables due to related parties, current | 13.6        | 9                         | 1,365                     |
| Other current provisions                       | 19.1        | 106,197                   | 63,445                    |
| Current tax liabilities                        | 32.2        | 47,412                    | 75,402                    |
| Provisions for employee benefits, current      | 18.1        | 20,085                    | 22,421                    |
| Other current liabilities                      | 19.3        | 194,624                   | 168,804                   |
| Total current liabilities                      |             | 555,663                   | 748,045                   |
| Non-current liabilities                        |             |                           |                           |
| Other non-current financial liabilities        | 14.4        | 1,330,382                 | 1,031,507                 |
| Other non-current provisions                   | 19.1        | 31,822                    | 30,001                    |
| Deferred tax liabilities                       | 32.3        | 175,361                   | 205,283                   |
| Provisions for employee benefits, non-current  | 18.1        | 37,064                    | 33,932                    |
| Total non-current liabilities                  |             | 1,574,629                 | 1,300,723                 |
| Total liabilities                              |             | 2,130,292                 | 2,048,768                 |
| Equity   | 20          |                           |                           |
| Share capital                                  |             | 477,386                   | 477,386                   |
| Retained earnings                              |             | 1,623,104                 | 1,724,784                 |
| Other reserves                                 |             | (14,999)                  | (14,349)                  |
| Equity attributable to owners of the Parent    |             | 2,085,491                 | 2,187,821                 |
| Non-controlling interests                      |             | 52,311                    | 59,647                    |
| Total equity                                   |             | 2,137,802                 | 2,247,468                 |
| Total liabilities and equity                   |             | 4,268,094                 | 4,296,236                 |

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





## 10) FINANCIAL REPORTS

**Consolidated Statements of Income by Function**

|   | <b>Note</b> | <b>January to December</b> |               |
|---|-------------|----------------------------|---------------|
|   |             | <b>2018</b>                | <b>2017</b>   |
|   |             | <b>ThUS\$</b>              | <b>ThUS\$</b> |
| Revenue   | 27.1        | 2,265,803                  | 2,157,323     |
| Cost of sales   | 27.2        | (1,483,524)                | (1,394,822)   |
| Gross profit  |             | 782,279                    | 762,501       |
| Other income  | 27.3        | 32,048                     | 17,827        |
| Administrative expenses   | 27.4        | (118,126 )                 | (101,171 )    |
| Other expenses by function  | 27.5        | (36,907 )                  | (53,600 )     |
| Impairment of income and reversal of impairment losses (impairment losses) determined in accordance with IFRS 9 |             | 2,967                      | (8,038 )      |
| Other gains (losses)  | 27.7        | 6,404                      | 543           |
| Profit (loss) from operating activities   |             | 668,665                    | 618,062       |
| Finance income  |             | 22,533                     | 13,499        |
| Finance costs   | 27.8-29     | (59,914 )                  | (50,124 )     |
| Share of profit of associates and joint ventures accounted for using the equity method                          | 9-10        | 6,351                      | 14,452        |
| Foreign currency translation differences  | 30          | (16,597 )                  | (1,299 )      |
| Profit (loss) before taxes  |             | 621,038                    | 594,590       |
| Income tax expense, continuing operations   | 32.3        | (178,975 )                 | (166,173 )    |
| Profit (loss) from continuing operations  |             | 442,063                    | 428,417       |
| Profit attributable to  |             |                            |               |
| Owners of the Parent  |             | 439,830                    | 427,697       |
| Non-controlling interests   |             | 2,233                      | 720           |
| Profit for the year   |             | 442,063                    | 428,417       |

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

## 10) FINANCIAL REPORTS

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

|   |      | January to December |        |
|---|------|---------------------|--------|
|   | Note | 2018                | 2017   |
|   |      | US\$                | US\$   |
| Earnings per share                          |      |                     |        |
| Common shares                               |      |                     |        |
| Basic earnings per share (US\$ per share)   | 21   | 1.6711              | 1.6250 |
| Diluted common shares                       |      |                     |        |
| Diluted earnings per share (US\$ per share) | 21   | 1.6711              | 1.6250 |

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

## 10) FINANCIAL REPORTS

**Consolidated Statements of Comprehensive Income**

|  | January to December |          |
|--|---------------------|----------|
|  | 2018                | 2017     |
|  | ThUS\$              | ThUS\$   |
| Statement of comprehensive income  |                     |          |
| Profit (loss) for the year   | 442,063             | 428,417  |
| Other comprehensive income   |                     |          |
| Items of other comprehensive income that will not be reclassified to profit for the year, before taxes                       |                     |          |
| Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans                      | (1,337 )            | (1,392 ) |
| Total other comprehensive income that will not be reclassified to profit for the year, before taxes                          | (1,337 )            | (1,392 ) |
| Items of other comprehensive income that will be reclassified to profit for the year, before taxes                           |                     |          |
| Foreign currency exchange difference   |                     |          |
| Foreign currency exchange gains I(losses) before taxes   | (1,219 )            | (5,446 ) |
| Other comprehensive income before taxes  | (1,219 )            | (5,446 ) |
| Financial assets held for sale   |                     |          |
| Gain (loss) from revaluations of financial assets held for sale, net of tax  | (5,547 )            | (26 )    |
| Other comprehensive income before taxes  | (5,547 )            | (26 )    |
| Financial assets measured at fair value with changes in other comprehensive income   |                     |          |
| Gain (loss) from cash flow hedges  | 5,723               | 2,184    |
| Other comprehensive income, net of tax   | 5,723               | 2,184    |
| Total other comprehensive income that will be reclassified to profit for the year  | (1,043 )            | (3,288 ) |
| Other items of other comprehensive income before taxes   | (2,380 )            | (4,680 ) |
| Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year             |                     |          |
| Income taxes related to new measurements of defined benefit plans in other comprehensive income                              | 396                 | 282      |
| Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year | 396                 | 282      |
| Income tax relating to components of other comprehensive income that will be reclassified to profit (loss) for the year      |                     |          |

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|  |         |          |
|--|---------|----------|
| Income tax related to financial assets measured at fair value through profit and loss  | 1,498   | (550 )   |
| Cumulative income tax relating to components of other comprehensive income that will be reclassified to profit (loss) for the year | 1,498   | (550 )   |
| Total other comprehensive income   | (486 )  | (4,948 ) |
| Total comprehensive income   | 441,577 | 423,469  |
| Comprehensive income attributable to   |         |          |
| Owners of the Parent   | 439,180 | 422,736  |
| Non-controlling interests  | 2,397   | 733      |
| Total comprehensive income   | 441,577 | 423,469  |

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

## 10) FINANCIAL REPORTS

**Consolidated Statements of Cash Flows**

| <b>Consolidated Statements of cash flows</b>   | <b>12/31/2018</b> | <b>12/31/2017</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Cash flows from operating activities   |                   |                   |
| Cash receipts from sales of goods and rendering of services                                  | 2,284,514         | 2,082,366         |
| Cash receipts from premiums and benefits, annuities and other benefits from policies entered | 2,140             | 2,967             |
| Cash payments to suppliers for the provision of goods and services                           | (1,201,674)       | (959,213 )        |
| Cash payments to and on behalf of employees  | (230,007 )        | (227,103 )        |
| Other payments related to operating activities (1)   | (21,240 )         | (34,956 )         |
| Net cash generated from (used in) operating activities                                       | 833,733           | 864,061           |
| Dividends received   | 8,815             | 2,091             |
| Interest paid  | (59,565 )         | (18,964 )         |
| Interest received  | 22,533            | 13,499            |
| Income taxes paid  | (240,115 )        | (148,568 )        |
| Other incomes (outflows) of cash (2)   | (40,562 )         | (8,122 )          |
| Net cash generated from (used in) operating activities                                       | 524,839           | 703,997           |
| Cash flows from (used in) investing activities   |                   |                   |
| Cash flows arising from the loss of control of subsidiaries and other businesses             | 69,988            | -                 |
| Payments made to acquire interest in joint ventures  | (19,989 )         | (38,088 )         |
| Proceeds from the sale of property, plant and equipment                                      | 61                | 229               |
| Acquisition of property, plant and equipment   | (244,693 )        | (142,144 )        |
| Proceeds from sales of intangible assets   | 14,056            | 8,640             |
| Purchases of intangible assets   | (74,374 )         | -                 |
| Proceeds from the repayment of advances and loans granted to third parties                   | (204 )            | 78                |
| Other inflows (outflows) of cash (2)   | 69,151            | (76,782 )         |
| Net cash generated from (used in) investing activities                                       | (187,004 )        | (248,067 )        |

(1) Includes a payment of ThUS\$30,000 made to the SEC and the DOJ, which was provisioned in 2016 and paid in 2017.

(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.

## 10) FINANCIAL REPORTS

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

|  | <b>12/31/2018</b> | <b>12/31/2017</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Cash flows used in financing activities  |                   |                   |
| Proceeds from long-term loans  | 256,039           | -                 |
| Proceeds from short-term borrowings  | 120,000           | 143,000           |
| Repayment of borrowings  | (213,000 )        | (126,712 )        |
| Dividends paid   | (550,352 )        | (373,933 )        |
| Net cash generated used in financing activities  | (387,313 )        | (357,645 )        |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | (49,478 )         | 98,285            |
| Effects of exchange rate fluctuations on cash held   | (24,894 )         | 17,484            |
| Net (decrease) increase in cash and cash equivalents   | (74,372 )         | 115,769           |
| Cash and cash equivalents at beginning of period   | 630,438           | 514,669           |
| Cash and cash equivalents at end of period   | 556,066           | 630,438           |

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



## 10) FINANCIAL REPORTS

## Consolidated Statements of Changes in Equity

| 2018  | 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 | <b>Total Other reserves</b> | 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       | (24,913)   | 2,248                    | 2,937  | (5,953)   | 11,332                       | (14,349)                    | 1,724,784         | 2,187,821                                   | 59,647                    | 2,247,507 |
| Increase (decrease) due to changes in accounting policy | -             | -  | -                        | -  | -   | -                            | -                           | (1,680)           | (1,680)                                     | -                         | (1,680)   |
| Restated opening balance of equity                      | 477,386       | (24,913)   | 2,248                    | 2,937  | (5,953)   | 11,332                       | (14,349)                    | 1,723,104         | 2,186,141                                   | 59,647                    | 2,245,827 |
| Profit for the year                                     | -             | -  | -                        | -  | -   | -                            | -                           | 439,830           | 439,830                                     | 2,233                     | 442,063   |
| Other comprehensive income                              | -             | (1,394)  | 5,723                    | (4,048)  | (931)   | -                            | (650)                       | -                 | (650)                                       | 164                       | (486)     |
| Comprehensive income                                    | -             | (1,394)  | 5,723                    | (4,048)  | (931)   | -                            | (650)                       | 439,830           | 439,180                                     | 2,397                     | 441,579   |
| Dividends   | -             | -  | -                        | -  | -   | -                            | -                           | (539,830)         | (539,830)                                   | (9,733)                   | (549,563) |

|   |         |          |       |         |         |        |          |            |            |          |            |
|---|---------|----------|-------|---------|---------|--------|----------|------------|------------|----------|------------|
| Increase<br>(decrease) due<br>to transfers and<br>other changes | -       | -        | -     | -       | -       | -      | -        | -          | -          | -        | -          |
| Increase<br>(decrease) in<br>equity                             | -       | (1,394 ) | 5,723 | (4,048) | (931 )  | -      | (650 )   | (100,000 ) | (100,650 ) | (7,336 ) | (107,336 ) |
| <b>Equity as of<br/>December 31,<br/>2018</b>                   | 477,386 | (26,307) | 7,971 | (1,111) | (6,884) | 11,332 | (14,999) | 1,623,104  | 2,085,491  | 52,311   | 2,138,802  |

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

## 10) FINANCIAL REPORTS

**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 | <b>Total Other reserves</b> | 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       | (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)   |
| Comprehensive income                                   | -             | (5,450)  | 2,184                    | (576)  | (1,119)   | -                            | (4,961)                     | 427,697           | 422,736                                     | 733                       | 423,466   |
| Dividends  | -             | -  | -                        | -  | -   | -                            | -                           | (480,989)         | (480,989)                                   | (2284)                    | (483,273) |
| Increase (decrease) due to transfers and other changes | -             | -  | -                        | -  | -   | 3,500                        | 3,500                       | (3,500)           | -   | -                         | -         |
| Increase (decrease) in equity                          | -             | (5,450)  | 2,184                    | (576)  | (1,119)   | 3,500                        | (1,461)                     | (56,792)          | (58,253)                                    | (1,551)                   | (59,802)  |
|  | 477,386       | (24,913)   | 2,248                    | 2,937  | (5,953)   | 11,332                       | (14,349)                    | 1,724,784         | 2,187,821                                   | 59,647                    | 2,247,252 |

**Equity as of  
December 31,  
2017**

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

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## 10) FINANCIAL REPORTS

### 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 founded under the laws of the Republic of Chile and its Chilean Tax Identification Number is 93.007.000-9.

The Company was incorporated through a public deed dated June 17, 1968 by the public notary 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, Floor 6, Las Condes, Santiago, Chile. The Company's telephone number is +56 2 2425-2000.

The Company is registered with the Commission for Financial Markets (CMF) (formerly the Chilean Superintendence of Securities and Insurance (SVS)) under number 184 of March 18, 1983 and is therefore subject to oversight by that entity.

#### 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 - Maria 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 - Maria Elena, kilometer 1760 Ruta 5 Norte Highway - Pozo Almonte, Salar de Atacama (Atacama Saltpeter deposit) potassium chloride plant w/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama w/n – San Pedro de Atacama, Minsal Mining Camp w/n CL Plant CL, Potassium– San Pedro de Atacama, formerly the Iris Saltpeter office w/n, Commune of Pozo Almonte, Iquique.

#### 1.3 Codes of main activities

The codes of the main activities as established by the CMF, as follows:

-1700 (Mining)

-2200 (Chemical products)

-1300 (Investment)

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

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

## 10) FINANCIAL REPORTS

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

Our products are sold in over 110 countries through our worldwide distribution network, with the majority of our sales derived from countries outside Chile.

Our products are divided into six categories: specialty plant nutrients; iodine and its derivatives; lithium and its derivatives; potassium chloride and potassium sulfate; industrial chemicals and other commodity fertilizers, described as follows:

**Specialty plant nutrition:** We produce four main types of specialty plant nutrients: potassium nitrate, sodium nitrate, sodium potassium nitrate and specialty blends. We also sell other specialty fertilizers including third party products. All of these specialty plant nutrients are used in either solid or liquid form mainly on high value crops such as vegetables, fruits and flowers. Our nutrients are widely used in crops that employ modern agricultural techniques such as hydroponics, green housing, fertigation (where fertilizer is dissolved in water prior to irrigation) and foliar application. Specialty plant nutrients have certain advantages over commodity fertilizers, such as rapid and effective absorption (without requiring nitrification), superior water solubility, increased soil pH (which reduces soil acidity) and low chloride content. One of the most important products in this business line is potassium nitrate, which is sold in crystalline or prill form, allowing for multiple application methods. Crystalline potassium nitrate products are ideal for application by fertigation and foliar sprays, and potassium nitrate prills are suitable for soil applications.

The new needs of more sophisticated customers demand that the industry provide integrated solutions rather than individual products. Our products, including customized specialty blends that meet specific needs along with the agronomic service provided, allow to create plant nutrition solutions that add value to crops through higher yields and better quality production. Because our products are derived from natural nitrate compounds or natural potassium

brines, they have certain advantages over synthetically produced fertilizers, including the presence of certain beneficial trace elements, which makes them more attractive to customers who prefer products of natural origin. As a result, specialty plant nutrients are sold at a premium price compared to commodity fertilizers.

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



## 10) FINANCIAL REPORTS

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

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

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

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

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

**Other products and services:** We also sell other fertilizers and blends, some of which we do not produce. We are the largest company that produces and distributes the three main potassium sources: potassium nitrate, potassium sulfate and potassium chloride. This business line also includes revenue from commodities, services, interests, royalties and dividends.

#### 1.5 Other background

#### Staff

As of December 31, 2018, and December 31, 2017, the workforce was as follows:

| Employees                 | 12/31/2018 |                    |       | 12/31/2017 |                    |       |
|---------------------------|------------|--------------------|-------|------------|--------------------|-------|
|                           | SQM S.A.   | Other subsidiaries | Total | SQM S.A.   | Other subsidiaries | Total |
| Executives                | 33         | 89                 | 122   | 43         | 77                 | 120   |
| Professionals             | 115        | 1,078              | 1,193 | 143        | 942                | 1,085 |
| Technicians and operators | 260        | 3,287              | 3,547 | 248        | 3,177              | 3,425 |
| Foreign employees         | 11         | 417                | 428   | 19         | 272                | 291   |
| Overall total             | 419        | 4,871              | 5,290 | 453        | 4,468              | 4,921 |

## 10) FINANCIAL REPORTS

**Note 1 Identification and Activities of the Company and subsidiaries (continued)****1.5 Other background, continued****Main shareholders**

The following table shows information about the main shareholders of the Company's Series A or Series B shares in circulation as of December 31, 2018 and December 31, 2017, in line with information provided by the Central Securities Depository:

The following table presents the information about the beneficial ownership of Series A and Series B shares of the Company as of December 31, 2018 and December 31, 2017, with respect to each shareholder that, to our knowledge, owns more than 5% of the outstanding Series A or Series B shares. The following information is derived from our registry and reports managed by the Central Securities Depository and informed to the CMF and the Chilean Stock Exchanges.

| Shareholder as of December 31, 2018                            | No. of Series A<br>with<br>ownership | % of<br>Series A<br>shares |   | No. of Series B<br>with<br>ownership | % of<br>Series B<br>shares | % of<br>total<br>shares |   |
|--|--------------------------------------|----------------------------|---|--------------------------------------|----------------------------|-------------------------|---|
| Inversiones TLC SPA  | 62,556,568                           | 43.80                      | % | -                                    | -                          | 23.77                   | % |
| Sociedad de Inversiones Pampa Calichera S.A.<br>(*)            | 44,894,152                           | 31.43                      | % | 10,093,154                           | 8.38                       | 20.89                   | % |
| The Bank of New York Mellon, ADRs                              | -                                    | -                          |   | 35,254,267                           | 29.29                      | 13.39                   | % |
| Potasios de Chile S.A. (*)                                     | 18,179,147                           | 12.73                      | % | -                                    | -                          | 6.91                    | % |
| Banco de Chile via non-resident third party<br>accounts        | 15,687                               | 0.01                       | % | 10,703,812                           | 8.89                       | 4.07                    | % |
| Inversiones Global Mining (Chile) Limitada<br>(*)              | 8,798,539                            | 6.16                       | % | -                                    | -                          | 3.34                    | % |
| Banco Itaú through Corpbanca on behalf of<br>foreign investors | -                                    | -                          |   | 8,085,730                            | 6.72                       | 3.07                    | % |
| Banco Santander via foreign investor accounts                  | -                                    | -                          |   | 7,138,685                            | 5.93                       | 2.71                    | % |
| Banchile C de B S A  | 528,092                              | 0.37                       | % | 4,028,611                            | 3.35                       | 1.73                    | % |
| Inversiones la Esperanza de Chile Limitada                     | 3,711,598                            | 2.60                       | % | 46,500                               | 0.04                       | 1.43                    | % |

**(\* Total Pampa Group 32% (2,247,895 Series B shares are in the custody of different brokers).**

| Shareholder as of December 31, 2017                  | No, of Series A<br>with<br>ownership | % of<br>Series A<br>shares |   | No, of Series B<br>with<br>ownership | % of<br>Series B<br>shares | % of<br>total<br>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 Bolfo 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 via non-resident third party accounts | -                                    | -                          |   | 8,394,289                            | 6.97                       | %                       | 3.19 %  |
| Banco Itau via Investor Accounts                     | 19,125                               | 0.01                       | % | 7,017,504                            | 5.83                       | %                       | 2.67 %  |
| Banco Santander via foreign investor accounts        | -                                    | -                          |   | 4,593,336                            | 3.82                       | %                       | 1.75 %  |

**(\* Total Pampa Group 29,97%**

On December 31, 2018 the total number of shareholders had risen to 1,508.

## 10) FINANCIAL REPORTS

### 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, 2018 and, 2017.
- Consolidated Statements of Changes in Equity for ended December 31, 2018 and 2017.
- Consolidated Statements of Comprehensive Income for ended December 31, 2018 and 2017.
- Consolidated Statements of Direct-Method Cash Flows for ended December 31, 2018 and 2017.

#### 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 (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 periods ended on December 31, 2018 and, 2017.

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

## 10) FINANCIAL REPORTS

**Note 2 Basis of presentation for the consolidated financial statements (continued)****2.2 Consolidated financial statements, continued**

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 other non-current financial assets, Intangible assets other than goodwill, Goodwill as of December 31, 2017 to correct the prior year presentation. These revisions were not considered material to the previously issued financial statements.

A reconciliation of such differences is presented as follows:

| Prior Caption                         | New Presentation   | Reclassification as<br>of<br>December 31, 2017<br>ThUS\$ |
|---------------------------------------|--|--|
| Other non-current financial assets    | Investments classified using the equity method of accounting | 20,000   |
| Intangible assets other than goodwill | Property, plant and equipment                                | 7,839  |
| Goodwill                              | Investments classified using the equity method of accounting | 6,205  |

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

10) FINANCIAL REPORTS

**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, 2018:

| <i><b>Standards and Interpretations</b></i>   | <i><b>Mandatory for annual periods beginning on or after</b></i> |
|---|--|
| <i>IFRS 9 Financial Instruments - Published in July 2014. The IASB published the complete 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. It also includes the final hedging part of IFRS 9 that was issued in November 2013.</i>  | 01/01/2018   |
| <i>IFRS 15 Revenue from Contracts with Customers – Published in May 2014. This standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It replaces IAS 11 Construction Contracts; IAS 18 Revenue; 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.</i> | 01/01/2018   |
| <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</i>  | 01/01/2018   |



practice.

**Amendments and improvements**

**Mandatory for annual periods beginning on or after**

*Amendment to IFRS 2 Share-based Payments. Published in June 2016. The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment.* 01/01/2018

*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). New and amended illustrative examples have been added for each of those areas of guidance, as well as additional practical expedients related to transition to the new revenue standard.* 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

## 10) FINANCIAL REPORTS

### 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, 2018 and which the Company has not adopted early are as follows:

##### ***Standards and Interpretations***

*On January 13, 2016, the IASB published IFRS 16 Leases. IFRS 16 introduces a comprehensive model to identify lease agreements and accounting treatments for both lessees and lessors. When the application of IFRS 16 goes into effect, it will replace the current lease guidelines including IAS 17 Leases and the related interpretations.*

***Mandatory for annual periods beginning on or after 01/01/2019***

*IFRS 16 makes a distinction between leases and service contracts based on the fact that an identified asset is controlled by an entity. Under IAS 17, the distinction between operating leases (outside the statement of financial position) and financial leases is removed for the accounting of the lessees, and is replaced by a model where a right-of-use asset and the corresponding liability must be recognized by lessees for all leases, except short-term leases and low-value asset leases.*

*The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted by any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that have not been paid as of that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as lease modifications, among others. In addition, the classification of cash flows will also be affected considering that under IAS 17, operating lease payments are presented as operating cash flows; while under the IFRS 16 model, lease payments will be divided between the portion of principal and interest payments, which will be presented as financing and operating cash flows or financing, respectively.*

*In contrast to accounting for lessees, IFRS 16 substantially maintains the accounting requirements of IAS 17 for lessors, and continues to require lessees to classify leases as either operating or financial leases.*

*Additionally, IFRS 16 requires more extensive disclosures.*

*IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted for entities that apply IFRS 15 on or before the initial application of IFRS 16. Entities can apply IFRS 16 using either a retrospective full application approach or a modified retrospective application approach. If the latter approach is chosen, an entity is not required to restate comparative financial information and the cumulative effect of the initial application of IFRS 16 must be presented as an adjustment to the initial balance of retained earnings (or other equity component, when appropriate).*

## 10) FINANCIAL REPORTS

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

| <i>Standards and Interpretations</i>  | <i>Mandatory for annual periods beginning on or after</i> |
|---|---|
| <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.</i>  | 01/01/2019  |
| <br>  |   |
| <i>Amendments and improvements</i>  | <i>Mandatory for annual periods beginning on or after</i> |
| <i>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.”</i> | 01/01/2019  |
| <br>  |   |
| <i>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 IASB 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.</i>  | 01/01/2019  |
| <br>  |   |
| <i>Amendment to IFRS 3 “Business Combinations” Published in December 2017. The amendment clarified that gaining control of a company that is a joint venture deals with 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.</i>   | 01/01/2019  |
| <br>  |   |
| <i>Amendment to IFRS 11 “Joint Arrangements” Published in December 2017. The amendment clarified that when an entity obtains joint control of a business that is a joint</i>  | 01/01/2019  |

*operation, the entity does not remeasure previously held interests in that business.*

*Amendment to IAS 12 Income Taxes - Published in December 2017. This modification clarified 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 IFRS 23 "Loan 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

*Amendment to IAS 19 Employee Benefits - Published in February 2018. The amendment requires entities to use updated assumptions to determine the current service cost and net interest for the remainder of the period after a modification, reduction or settlement of the plan; and to recognize in profit or loss as part of the cost of the past service, or a profit or loss in the settlement, any reduction in a surplus, even if that surplus was not previously recognized because it did not exceed the upper limit of the asset.* 01/01/2019

10) FINANCIAL REPORTS

**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 or after</i> |
|---|---|
| <p><i>Amendment to IFRS 3 “Definition of a business” Published in October 2018. This amendment revises the definition of a business. Based on the feedback received by the IASB, the application of the current guidance is frequently seen as too complex, and results in too many transactions that qualify as business combinations.</i></p> | <p>01/01/2020</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 yet to be determined.*

*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

Management believes the adoption of the standards, interpretations and amendments applicable as of Tuesday, January 1, 2019, will have no significant impact on the Company’s financial statements.

During 2018, the Administration has made an initial assessment of the possible impact of the adoption of IFRS 16 as of the effective term of the new standard, which was determined through the evaluation of lease contracts, assets that, according to their nature and lease terms must be recorded at the date of initial application as right-to-use assets, and this will incur amortization expenses over the term of the contract or the useful life of the asset, whichever is shorter. Based on this evaluation, the Company concludes that the effects of the adoption of IFRS 16 will not significantly affect its Consolidated Financial Statements.

Of the lease contracts signed under IFRS 16, the following right-of-use assets, among others, were identified: trucks, cranes, excavators, structures (buildings, warehouses, shops, land), where SQM has the power (control) to direct their activities and to use them for the contract term, without the supplier changing the operating instructions.

To estimate the initial measurement, the Company built a debt curve based on public debt instruments held by the company at the valuation date. The rates used to deduct the right-of-use asset and the lease liability were estimated based on currency (USD, UF and CLP) and contract terms.

## 10) FINANCIAL REPORTS

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

The initial application method of the aforementioned standard chosen by the Company is the full application of a modified approach of retrospective application version B, where the right to use is equated to the aforementioned liability, with no equity adjustment.

The values corresponding to right-to-use assets and lease liabilities in contracts qualified under IFRS 16 amount to ThUS\$25,033.

For the adoption of IFRS 15 - Revenue from Contracts with Customers, the Company undertook a detailed assessment of its 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 recognizes the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as of that date, without being necessary to make adjustments to the comparative information for periods.

| AREA     | Iodine and<br>Derivatives | Lithium | QI    | Potassium | Others<br>Products | Iodine and<br>Derivatives | Total<br>million US\$ |
|----------|---------------------------|---------|-------|-----------|--------------------|---------------------------|-----------------------|
| Products | 781.8                     | 325.0   | 734.8 | 108.3     | 267.5              | 44.6                      | 2,262.8               |
| Services | -                         | -       | -     | -         | -                  | 4.0                       | 4.0                   |
| Total    | 781.8                     | 325.0   | 734.8 | 108.3     | 267.5              | 48.5                      | 2,266.8               |



## 10) FINANCIAL REPORTS

**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 8.1.

**Companies included in consolidation:**

| TAX ID No. | Foreign subsidiaries                             | Country of origin | Functional currency | Ownership interest 12/31/2018 |          |
|------------|--|-------------------|---------------------|-------------------------------|----------|
|            |  |                   |                     | Direct                        | Indirect |
| Foreign    | Nitratos Naturais Do Chile Ltda.                 | Brazil            | US\$                | 0.0000                        | 100.0000 |
| Foreign    | Nitrate Corporation Of Chile Ltd.                | United Kingdom    | US\$                | 0.0000                        | 100.0000 |
| Foreign    | SQM North America Corp.                          | USA               | US\$                | 40.0000                       | 60.0000  |
| Foreign    | SQM Europe N.V.                                  | Belgium           | US\$                | 0.5800                        | 99.4200  |
| Foreign    | Soquimich S.R.L. Argentina.                      | Argentina         | US\$                | 0.0000                        | 100.0000 |
| Foreign    | Soquimich European Holding B.V.                  | Netherlands       | US\$                | 0.0000                        | 100.0000 |
| Foreign    | SQM Corporation N.V.                             | Netherlands       | US\$                | 0.0002                        | 99.9998  |
| Foreign    | SQI Corporation N.V.                             | Netherlands       | US\$                | 0.0159                        | 99.9841  |
| Foreign    | SQM Comercial De México S.A. de C.V.             | Mexico            | US\$                | 0.0100                        | 99.9900  |
| Foreign    | North American Trading Company                   | USA               | US\$                | 0.0000                        | 100.0000 |
| Foreign    | Administración y Servicios Santiago S.A. de C.V. | Mexico            | US\$                | 0.0000                        | 100.0000 |
| Foreign    | SQM Peru S.A.                                    | Peru              | US\$                | 0.9800                        | 99.0200  |

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|         |   |             |                   |         |          |
|---------|---|-------------|-------------------|---------|----------|
| Foreign | SQM Ecuador S.A.                            | Ecuador     | US\$              | 0.0040  | 99.9960  |
| Foreign | SQM Nitratos Mexico S.A. de C.V.            | Mexico      | US\$              | 0.0000  | 100.0000 |
| Foreign | SQMC Holding Corporation L.L.P.             | USA         | US\$              | 0.1000  | 99.9000  |
| Foreign | SQM Investment Corporation N.V.             | Netherlands | US\$              | 1.0000  | 99.0000  |
| Foreign | SQM Brasil Limitada                         | Brazil      | US\$              | 1.0900  | 98.9100  |
| Foreign | SQM France S.A.                             | France      | US\$              | 0.0000  | 100.0000 |
| Foreign | SQM Japan Co. Ltd.                          | Japan       | US\$              | 0.1597  | 99.8403  |
| Foreign | Royal Seed Trading Corporation A.V.V.       | Aruba       | US\$              | 1.6700  | 98.3300  |
| Foreign | SQM Oceania Pty Limited                     | Australia   | US\$              | 0.0000  | 100.0000 |
| Foreign | Rs Agro-Chemical Trading Corporation A.V.V. | Aruba       | US\$              | 98.3333 | 1.6667   |
| Foreign | SQM Colombia SAS                            | Colombia    | US\$              | 0.0000  | 100.0000 |
| Foreign | SQM Australia PTY                           | Australia   | Australian dollar | 0.0000  | 100.0000 |
| Foreign | SACAL S.A.                                  | Argentina   | Argentine peso    | 0.0000  | 100.0000 |

## 10) FINANCIAL REPORTS

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

| TAX ID No. | Foreign subsidiaries                | Country of origin | Functional currency | Ownership interest   |                        |                     | 12/31/2017<br>Total |
|------------|-------------------------------------|-------------------|---------------------|----------------------|------------------------|---------------------|---------------------|
|            |                                     |                   |                     | 12/31/2018<br>Direct | 12/31/2018<br>Indirect | 12/31/2018<br>Total |                     |
| 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 Beijing Commercial Co. Ltd.     | China             | US\$                | 0.0000               | 100.0000               | 100.0000            | 100.0000            |
| Foreign    | SQM Thailand Limited                | Thailand          | US\$                | 0.0000               | 99.996                 | 99.996              | 99.996              |
| Foreign    | SQM Internacional N.V.              | Belgium           | US\$                | 0.5800               | 99.4200                | 100.0000            | 0.0000              |
| Foreign    | SQM (Shanghai) Chemicals Co. Ltd.   | China             | US\$                | 0.0000               | 100.0000               | 100.0000            | 0.0000              |

  

| TAX ID No.   | Domestic subsidiaries       | Country of origin | Functional currency | Ownership interest   |                        |                     | 12/31/2017<br>Total |
|--------------|-----------------------------|-------------------|---------------------|----------------------|------------------------|---------------------|---------------------|
|              |                             |                   |                     | 12/31/2018<br>Direct | 12/31/2018<br>Indirect | 12/31/2018<br>Total |                     |
| 96.801.610-5 | Comercial Hydro S.A.        | Chile             | US\$                | 0,0000               | 60,6383                | 60,6383             | 60,6383             |
| 96.651.060-9 | SQM Potasio S.A.            | Chile             | US\$                | 99,9999              | 0,0000                 | 99,9999             | 99,9999             |
| 96.592.190-7 | SQM Nitratos S.A.           | Chile             | US\$                | 99,9999              | 0,0001                 | 100,0000            | 100,0000            |
| 96.592.180-K | Ajay SQM Chile S.A.         | Chile             | US\$                | 51,0000              | 0,0000                 | 51,0000             | 51,0000             |
| 86.630.200-6 | SQMC Internacional Ltda.    | Chile             | Ch\$                | 0,0000               | 60,6381                | 60,6381             | 60,6381             |
| 79.947.100-0 | SQM Industrial S.A.         | Chile             | US\$                | 99,0470              | 0,9530                 | 100,0000            | 100,0000            |
| 79.906.120-1 | Isapre Norte Grande Ltda.   | Chile             | Ch\$                | 1,0000               | 99,0000                | 100,0000            | 100,0000            |
| 79.876.080-7 | Almacenes y Depósitos Ltda. | Chile             | Ch\$                | 1,0000               | 99,0000                | 100,0000            | 100,0000            |

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|              |   |       |      |          |          |          |          |
|--------------|---|-------|------|----------|----------|----------|----------|
| 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. Sociedad Prestadora                       | Chile | Ch\$ | 0,0000   | 60,5800  | 60,5800  | 60,5800  |
| 76.534.490-5 | 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\$ | 0,0000   | 100,0000 | 100,0000 | 100,0000 |

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

10) FINANCIAL REPORTS

**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.

## 10) FINANCIAL REPORTS

### 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"), 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.

## 10) FINANCIAL REPORTS

**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:

|                    | 12/31/2018 | 12/31/2017 |
|--------------------|------------|------------|
|                    | US\$       | US\$       |
| Brazilian real     | 3.87       | 3.02       |
| New Peruvian sol   | 3.37       | 3.08       |
| Argentine peso     | 37.74      | 18.40      |
| Japanese yen       | 110.38     | 113.00     |
| Euro               | 0.87       | 0.83       |
| Mexican peso       | 19.68      | 19.65      |
| Australian dollar  | 1.42       | 1.28       |
| Pound Sterling     | 0.79       | 0.74       |
| South African rand | 14.35      | 12.35      |
| Ecuadorian dollar  | 1.00       | 1.00       |
| Chilean peso       | 694.77     | 614.75     |
| Chinese yuan       | 6.88       | 6.51       |
| Indian rupee       | 69.93      | 63.84      |
| Thai baht          | 32.53      | 32.85      |
| Turkish lira       | 5.27       | 3.79       |
| UF (*)             | 39.68      | 43.59      |

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

**(b) Transactions and balances**

Non-monetary transactions in currencies other than the functional currency (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.

## 10) FINANCIAL REPORTS

### **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

Corporate management ("Management") determines the classification of its financial assets at the time of initial recognition, on the basis of the business model for the management of financial assets and the characteristics of

contractual cash flows from the financial assets. In accordance with IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset classified at amortized cost, the incurred transaction costs that are directly attributable to the acquisition of the financial asset.

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.

As of January 1, 2018, the Company classifies its financial assets in the following categories: at fair value (be it through other comprehensive income or through profit or loss), and at amortized cost. The classification depends on the entity's business model for managing financial assets and the contractual terms for cash flows.

## 10) FINANCIAL REPORTS

### **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 IFRS 9, financial liabilities at the time of initial recognition are measured at fair value, less transaction costs that may have been incurred and are directly attributable to the issue of the financial liability. Subsequently, they are measured according to their classification, which can be financial liabilities at fair value with changes in profit or financial liabilities at amortized cost.

#### 3.8 Financial instruments at fair value through profit or loss

Financial liabilities are classified as at fair value through profit and loss when they are held for trading or designated as such upon initial recognition. Gains and losses from liabilities held for trading are recognized in profit and loss. This category includes derivative instruments not designated for hedge accounting.

#### 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.

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).

## 10) FINANCIAL REPORTS

### Note 3 Significant accounting policies (continued)

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

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.

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 14.3 (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*

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, as when the hedged interest income or expense is recognized when a projected sale occurs. When the hedged entry is the cost of a non-financial asset or liability, amounts taken to other reserves are transferred to the initial carrying value of the non-financial asset or liability.

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

## 10) FINANCIAL REPORTS

### **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 IFRS 9, the Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which 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, 2018, and December 31, 2017, there were no embedded derivatives.

## 10) FINANCIAL REPORTS

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

#### 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

#### 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 Classification Leases

##### *(a) Lease - Finance lease*

Leases are classified as finance leases when the Company substantially owns all the risks and rewards inherent in the ownership of the asset. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each finance lease payment is apportioned between the liability and the finance charges so as to obtain the constant rate of interest on the remaining balance of the liability. The respective lease obligations, net of finance charges, are included in other non-current liabilities. The interest part of the finance cost is charged to the consolidated financial statements for the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

##### *(b) Lease - Operating lease*

Leases where the lessor retains a significant part of the risks and benefits derived from the property are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) should be recognized as an expense in the income statement or capitalized (as appropriate) over the lease term on a straight-line basis.

3.18

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.

In turn, the Company applies the simplified approach described in IFRS 9 for expected credit losses from the loans to customers portfolio, as these are short-term financial instruments shorter than 12 months, with no significant financing component and they continue until expiration. This approach enables the use of the estimate of expected credit loss throughout the life of the instrument.

## 10) FINANCIAL REPORTS

### Note 3 Significant accounting policies (continued)

#### 3.18 Trade and other receivables, continued

Receivables with a low probability of recovery are fully provisioned, are to measure the expected credit losses of the rest of the portfolio, it is segmented by grouping the trade receivables based on the characteristics of shared credit risk and late payment. The expected loss rates are obtained from the default rates over the last seven years. To cover historic loss in projected loss, the Company uses the behavior of the implicit default probability indicator in the prices of financial derivatives that cover the risk of non-payment of sovereign bonds in countries where the Company generates income from product sales.

The application of IFRS 9 had an impact as of January 1, 2018, due to the application of the new impairment model described in the Company's Consolidated Financial Statements, resulting in an increased impairment of ThUS\$2,301, which was carried over to equity under IAS 8. (For more information, see Note 14.2)

#### 3.19 Inventory measurement

The method used to determine the cost of inventories is the weighted average monthly cost of warehouse storage.

In determining production costs for own products, the company includes the costs of labor, raw materials, materials and supplies used in production, depreciation and maintenance of the goods that participate in the production process, the costs of product movement necessary to maintain stock on location and in the condition in which they are found, and also includes the indirect costs of each task such as laboratories, process and planning areas, and personnel expenses related to production, among others.

For finished and in-process products, the company has four types of provisions, which are reviewed quarterly:

1. Provision associated with the lower value of stock, which is directly identified with the product that generates it and involves three types: provision of lower realizable value, which corresponds to the difference between the inventory cost of intermediary or finished products, and the sale price minus the necessary costs to bring them to the same

conditions and location as the product with which they are compared; provision for future uncertain use that corresponds to the value of those products in process that are likely not going to be used in sales based on the company's long-term plans; reprocessing costs of products that are unfeasible for sale due to current specifications.

2. Provision associated with physical differences in inventory: a provision is made for differences that exceed the tolerance considered in the respective inventory process (production units in Chile and the port of Tocopilla carry out at least two inventories a year, the business subsidiaries depend on the last zero ground obtained, but in general it is at least once a year), these differences are recognized immediately.

## 10) FINANCIAL REPORTS

### Note 3 Significant accounting policies (continued)

#### 3.19

#### Inventory measurement, continued

Potential errors in the determination of stock: The company has an algorithm that is reviewed at least once a year and corresponds to diverse percentages assigned to each inventory based on the product, location, complexity involved in the associated measurement, rotation and control mechanisms.

Provisions undertaken by business subsidiaries: these are historical percentages that are adjusted as zero ground is attained based on normal inventory management.

Inventories of raw materials, materials and supplies for production are recorded at acquisition cost. Cyclical inventories are performed in warehouses, as well as general inventories every three years. Differences are recognized the moment they are detected. The company has a provision that makes quarterly calculations from percentages associated with each type of material (classification by warehouse and rotation). These percentages use the lower value resulting from deterioration or obsolescence as well as potential losses. This provision is reviewed at least annually, and considers the historical profit and loss obtained in the inventory processes.

#### 3.20 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.

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”.

## 10) FINANCIAL REPORTS

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

#### 3.21 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.

#### 3.22 Related party transactions

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

#### 3.23 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. Having initially recognized provisions for closure and refurbishment, the corresponding cost is capitalized as an



asset in Property, plant and equipment and amortized in line with the amortization criteria for the associated assets.

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.

## 10) FINANCIAL REPORTS

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

## 3.24 Depreciation of property, plant and equipment, continued

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.

Fixed assets associated with the Salar de Atacama consider useful life to be the lesser value between the technical useful life and the years remaining until 2030.

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 | <b>Minimum life or<br/>rate (years)</b> | <b>Maximum life<br/>or rate (years)</b> | <b>life or average<br/>rate in years</b> |
|--|---|---|--|
| Mining assets                            | 3                                       | 8                                       | 7  |
| Energy generating assets                 | 3                                       | 16                                      | 7  |
| Buildings                                | 2                                       | 40                                      | 11                                       |
| Supplies and accessories                 | 2                                       | 16                                      | 6  |
| Office equipment                         | 2                                       | 20                                      | 6  |
| Transport equipment                      | 2                                       | 20                                      | 9  |
| Network and communication equipment      | 3                                       | 15                                      | 5  |
| IT equipment                             | 2                                       | 16                                      | 4  |
| Machinery, plant and equipment           | 1                                       | 28                                      | 9  |
| Other property, plant and equipment      | 1                                       | 26                                      | 6  |

## 3.25 Goodwill

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to the acquisition of subsidiaries is included in goodwill, which is subject to impairment tests annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses. It is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.

10) FINANCIAL REPORTS

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

3.26 Intangible assets other than goodwill

Intangible assets other than goodwill mainly relate to water rights, emission rights, commercial brands, costs for rights of way for electricity lines, license costs and the development of computer software and mining property and concession rights, client portfolio and commercial agent.

*(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 and Australian Governments. 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.

*(e)*

*Client portfolio*

The period for exploiting these portfolios is unlimited so they are considered assets with an indefinite useful life and are therefore not subject to amortization. However, they are subjected to an annual impairment test and the corresponding amounts are recorded in the profit or loss.

## 10) FINANCIAL REPORTS

### Note 3 Significant accounting policies (continued)

#### 3.26 Intangible assets other than goodwill continued

(f)

*Commercial agent*

The rights obtained through the acquisition of the commercial agent of Sociedad Agrocom Ltda. corresponded to the fair value of that company's line of business. The period for exploiting these rights is unlimited so they are considered assets with an indefinite useful life and are therefore not subject to amortization. However the indefinite useful life is subject to review for every reporting period, to see whether indefinite useful life continues to apply.

#### 3.27 Research and development expenses

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

3.28

Prospecting expenses

The Company holds mining concessions for exploration and exploitation of ore. The Company gives the following treatment to expenses associated with exploration and assessment of these resources:

Caliche

Once the rights have been obtained, the Company records the disbursements directly associated with the exploration and assessment of the deposit as an at cost asset. These disbursements include the following items:

Disbursements for geological surveys, drilling, borehole extraction and sampling, activities related to the technical -assessment and commercial viability of the extraction, and in general, any disbursement directly related to specific projects where the objective is to find ore resources.

If the technical studies determine that the ore grade is not economically viable, the asset is directly charged to profit and loss. If determined otherwise, the asset described above is associated with the extractable ore tonnage which is amortized as it is used. These assets are presented in the other non-current assets category, reclassifying the portion related to the area to be extracted that year as stock.

- Expenses related to metal exploration are charged to profit or loss in the period in which they are registered.

Salar de Atacama exploration expenses are presented in non-current assets in the property, plant and equipment category and correspond mainly to wells that can also be used in the extraction of the deposit and/or monitoring. These are amortized over 10 years.

Mt Holland exploration expenses primarily consider exploration boreholes and complementary studies for the lithium ore study of the area. These expenses will begin to be amortized in the development stage.

## 10) FINANCIAL REPORTS

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

#### 3.29 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.

### 3.30 Minimum dividend

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

### 3.31

### 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.

10) FINANCIAL REPORTS

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

3.32 Trade and other payables

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

3.33 Interest-bearing borrowings

At initial recognition, interest-bearing borrowings are measured at fair value net of transaction costs incurred. Subsequently, they are measured at amortized cost using the effective interest rate method. Amortized cost is calculated considering any premium or discount from the acquisition and includes costs of transactions which are an integral part of the effective interest rate.

These are recorded as non-current when their expiration period exceeds twelve months and as current when the term is lower than such term. Interest expense is calculated in the year in which it is accrued following a financial criterion.

3.34 Other provisions

Provisions are recognized when:

- The Company has a present obligation or constructive obligation as the result of a past event.
- It is more likely than not that certain resources must be used, including benefits, to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

Should the effect of the 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.

## 10) FINANCIAL REPORTS

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

#### 3.35 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 18.4).

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 4.642% and 5.114% for the periods ended December 31, 2018 and December 31, 2017, 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 2018 and 4.50% for 2017. The net balance of this obligation is presented under the non-current provisions for employee benefits (refer to Note 18.4).

3.36

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 18.6).

3.37

Revenue recognition

The Company's revenues are predominantly sales of products, where its main performance obligation is to transfer the products under agreements in which the transfer of control, risks, property benefits, and in general, the fulfillment of the Company's performance obligations, occur at the same time.

## 10) FINANCIAL REPORTS

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

3.38

Finance income and finance costs

Finance income is mainly composed of interest income in financial instruments such as term deposits and mutual fund deposits. Interest income is recognized in profit or loss at amortized cost, using the effective interest rate method.

Finance costs are mainly composed of interest on bank borrowing expenses, interest on bonds issued and interest capitalized for borrowing costs for the acquisition, construction or production of qualifying assets.

Borrowing costs and bonds issued are recognized in profit or loss using the effective interest rate method.

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.

### 3.39 Income tax and deferred taxes

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

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

Differences between the book value of assets and liabilities and their tax basis generate the balance of deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

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

Tax on companies and variations in deferred tax assets or liabilities that are not the result of business combinations are recorded in 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.

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.

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

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.

## 10) FINANCIAL REPORTS

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

3.40

Segment reporting

IFRS 8 requires that companies adopt a “management approach” to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and making the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance 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

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## 10) FINANCIAL REPORTS

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

#### 3.41 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:

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, 15 and 16.

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 15 and 16.

Assumptions used in calculating the actuarial amount of pension-related and severance indemnity payment benefit commitments. See Note 18.

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 19 and 22.

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 12.

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.

## 10) FINANCIAL REPORTS

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

#### 3.42 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 Changes in accounting estimates and policies (consistent presentation)

#### 4.1 Changes in accounting estimates

In the preparation of the consolidated financial statements of the Company and subsidiaries, the management has made estimates regarding the useful lives of Properties, Plants and Equipment, assumptions used for the actuarial calculation of employee benefits, contingencies and provisions (for more information, see Note 3.45)

#### 4.2 Changes in accounting policies

As of December 31, 2018, 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).

As of December 31, 2018, the consolidated financial statements of the Company present changes in the accounting policies with respect to the previous period due to application of IFRS 9 and IFRS 15 from January 1, 2018

The consolidated statements of financial position as of December 31, 2018 and, 2017 and the statements of comprehensive income, changes in equity and cash flows for the periods ended December 31, 2018 and 2017, have been prepared in accordance with the IFRS.

The accounting principles and criteria were applied consistently.

## 10) FINANCIAL REPORTS

### Note 5 Financial risk management

#### **5.1 Financial risk management policy**

The Company's financial risk management policy is focused on safeguarding the stability and sustainability of the Company 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.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2

#### Risk Factors

##### 5.2.1 Risks Relating to Our Business

*We could be subject to numerous risks as a result of legal proceedings and deferred prosecution agreements with U.S. and Chilean governmental authorities in relation to certain payments made by SQM between the tax years 2009 and 2015*

Following the investigations, the SII and the Chilean Public Prosecutor brought a number of criminal and administrative proceedings against (i) Patricio Contesse G., the Company's former CEO whose employment was terminated in May 2015, (ii) Mr. Contesse and the Company's then-current CEO, Patricio de Solminihac, and CFO (now CEO), Ricardo Ramos, in their capacities as the Company's tax representatives and (iii) five then-current and former members of the Company's Board of Directors. All the claims against Messrs. de Solminihac and Ramos were subsequently dismissed. The lawsuits against Mr. Contesse and the Board members are continuing.

On October 14, 2015, two class action complaints then pending against the Company, our former CEO and then-current CEO and CFO, alleging violations of the U.S. securities laws in connection with the subject matter of the investigations described above, were consolidated into a single action in the United States District Court for the Southern District of New York. On November 13, 2015, our former CEO and then-current CEO and CFO were voluntarily dismissed from the case without prejudice. On January 15, 2016, the lead plaintiff filed a consolidated class action complaint exclusively against the Company. On January 10, 2018, the lead plaintiff filed a motion to certify a class consisting of all persons who purchased SQM American Depositary Shares ("ADS") between June 30, 2010 and March 18, 2015, and such motion remains pending before the court.

During 2015, the ad-hoc committee of the Board of Directors (the "ad-hoc Committee") established in February 2015 to conduct an internal investigation into the matters that were the subject of the SII and Chilean Public Prosecutor investigation, also conducted an investigation into whether the Company faced possible liability under the Foreign Corrupt Practices Act ("FCPA"). The ad-hoc Committee engaged its own separate counsel, Shearman & Sterling LLP, which presented a report to the Board of Directors on December 15, 2015.

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

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



## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

On January 26, 2018, the Eighth Lower Criminal Court of Santiago approved a deferred prosecution agreement proposed by the Chilean Public Prosecutor relating to SQM and its subsidiaries, SQM Salar and SQM Nitratos S.A., to suspend an investigation against these entities related to potential corruption issues and responsibility for the lack of supervision and management. Under the deferred prosecution agreement, SQM, SQM Salar and SQM Nitratos S.A., have not admitted responsibility in the matter subject to the investigation but agreed to pay an aggregate amount of (i) Ch\$900,000,000 to the Chilean government, and (ii) Ch\$1,650,000,000 to various charitable organizations. As of January 26, 2018, these amounts were equivalent to approximately US\$1.5 million and US\$2.8 million, respectively. In addition, the companies have agreed to provide the Chilean 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. On August 17, 2018, the Eighth Lower Criminal Court of Santiago considered the conditions and decided to terminate the legal process.

In the event that the applicable regulatory authorities believe that the terms of the DPA or the deferred prosecution agreement with the Chilean Public Prosecutor are not complied with, it is possible that such regulatory authorities may reinstate the suspended proceedings against us and may bring further action against us, including in the form of additional inquiries or legal proceedings. Responding to our regulators' inquiries and any future civil, criminal or regulatory inquiries or proceedings diverts our management's attention from day-to-day operations. Additionally, expenses that may arise from responding to such inquiries or proceedings, our review of responsive materials, any related litigation or other associated activities may continue to be significant. Current and former employees, officers and directors may seek indemnification, advancement or reimbursement of expenses from us, including attorneys' fees, with respect to the current inquiry or future proceedings related to this matter. The occurrence of any of the foregoing or adverse determination in litigation or other proceedings or similar actions could materially and adversely affect our business, financial condition, cash flows, results of operations and the prices of our securities.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

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

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

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

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

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

World prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) fluctuated as a result of the broader global economic and financial conditions. During the second half of 2013, potassium prices declined as a result of an unexpected announcement made by the Russian company Uralkali (“Uralkali”) that it was terminating its participation in Belarus Potash Corporation (“BPC”). As a result of the termination of Uralkali’s participation in BPC, there was increased price competition in the market. In 2018, the average price for our potassium chloride and potassium sulfate business line was approximately 14% higher than in 2017. Our sales volumes for this business line were approximately 38% lower in 2018 compared to 2017. We cannot assure you that potassium-based fertilizer prices and sales volumes will not decline in the future.

Iodine prices followed an upward trend beginning at the end of 2008 and continuing through 2012, reaching an average price of approximately US\$53 per kilogram in 2012, over 40% higher than average prices in 2011. During the following years, supply growth outpaced demand growth, causing a decline in iodine prices. We obtained an average price for iodine of approximately US\$24 per kilogram in 2018, approximately 23% more than average prices obtained in 2017. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

In 2018, lithium demand continued to grow creating tight market conditions and increasing prices by 26% compared to 2017, driven mostly by an increase in demand related to battery use. During the second half of 2018, lithium supply increased, and prices slightly decreased in the fourth quarter. We cannot assure you that lithium prices and sales volumes will not decline in the future.

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

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

We sell our products in more than 110 countries around the world. In 2018, approximately 34% of our sales were made in emerging market countries: 8% in Latin America (excluding Chile); 8% in Africa and the Middle East (excluding Israel); 8% in Chile and 11% in Asia and Oceania (excluding Australia, Japan, New Zealand, South Korea and Singapore). We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

*Our inventory levels may vary for economic or operational reasons*

In general, economic conditions or operational factors can affect our inventory levels. Higher inventories carry a financial risk due to increased need for cash to fund working capital and could imply increased risk of loss of product. At the same time, lower levels of inventory can hinder the distribution network and process, thus impacting sales volumes. There can be no assurance that inventory levels will remain stable. These factors could have a material adverse effect on our business, financial condition and results of operations.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

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

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

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

Our business is capital intensive. Specifically, the exploration and exploitation of reserves, mining and processing costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our exploitation levels and the amount of finished products we produce.

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

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

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

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

*Our reserve estimates are internally prepared and not subject to review by external geologists or an external auditing firm and could be subject to significant changes, which may have a material adverse effect on our business, financial condition and results of operations*

Our caliche ore mining reserve estimates and our Salar de Atacama brine mining reserve estimates are prepared by our own geologists and hydrogeologists and are not subject to review by external geologists or an external auditing firm. Estimation methods involve numerous uncertainties as to the quantity and quality of the reserves, and reserve estimates could change upwards or downwards. A downward change in the quantity and/or quality of our reserves could affect future volumes and costs of production and therefore have a material adverse effect on our business, financial condition and results of operations.

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

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

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



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

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

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

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

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

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

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

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

Over 93% of our employees are employed in Chile, of which approximately 65% were represented by 22 labor unions as of December 31, 2018. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

Chilean Law No. 20,123, known as the Subcontracting Law, provides that when a serious workplace accident occurs, the company in charge of the workplace must halt work at the site where the accident took place until authorities from either the National Geology and Mining Service (Servicio Nacional de Geología y Minería or “Sernageomin”), the Labor Board (Dirección del Trabajo or “Labor Board”), or the National Health Service (Servicio Nacional de Salud), inspect the site and prescribe the measures such company must take to minimize the risk of similar accidents taking place in the future. Work may not be resumed until the applicable company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

On September 8, 2016, Chilean Law No. 20,940 was published and modified the Labor Code by introducing, among other things, changes to the formation of trade unions, the election of inter-company union delegates, the presence of women on union boards, anti-union practices and related sanctions, and collective negotiations. Due to these changes to the labor regulations, we may face an increase in our expenses that may have a significant adverse effect on our business, financial condition, and results of operations.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.1 Risks Relating to Our Business (continued)

###### *Lawsuits and arbitrations could adversely impact us*

We are party to a range of lawsuits and arbitrations involving different matters as described in Note 22.1. Although we intend to defend our positions vigorously, our defense of these actions may not be successful and responding to such lawsuits and arbitrations diverts our management's attention from day-to-day operations. Adverse judgments or settlements in these lawsuits may have a material adverse effect on our business, financial condition and results of operations. In addition, our strategy of being a world leader includes entering into commercial and production alliances, joint ventures and acquisitions to improve our global competitive position. As these operations increase in complexity and are carried out in different jurisdictions, we may be subject to legal proceedings that, if settled against us, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our operations in Chile are subject to national and local regulations relating to environmental protection. In accordance with such regulations, we are required to conduct environmental impact studies or statements before we conduct any new projects or activities or significant modifications of existing projects that could impact the environment or the health of people in the surrounding areas. We are also required to obtain an environmental license for certain projects and activities. The Environmental Evaluation Service (Servicio de Evaluación Ambiental) evaluates environmental impact studies submitted for its approval. The public, government agencies or local authorities may review and challenge projects that may adversely affect the environment, either before these projects are executed or once they are operating, if they fail to comply with applicable regulations. In order to ensure compliance with environmental regulations, Chilean authorities may impose fines up to approximately US\$9 million per infraction, revoke environmental permits or temporarily or permanently close facilities, among other enforcement measures.

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

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

## 10) FINANCIAL REPORTS

### **Note 5 Financial Risk Management (continued)**

#### **5.2 Risk Factors (continued)**

##### **5.2.1 Risks Relating to Our Business (continued)**

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

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

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

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

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

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

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

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.2 Risks Relating to Chile

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

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

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

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

*Changes in mining or port concessions could affect our operating costs.*

We conduct our mining operations, including brine extraction, under exploitation and exploration concessions granted in accordance with provisions of the Chilean constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right (with the exception of the rights granted to SQM Salar with respect to the Salar de Atacama concessions under the Lease Agreement described above, which expires in 2030) to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession.



Our subsidiary SQM Salar holds exclusive rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is only entitled to exploit the mineral resources in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement. Corfo cannot unilaterally amend the Lease Agreement and the Project Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines, maintaining Corfo's rights over the Mining Exploitation Concessions and making annual payments to the Chilean government for such concession rights. The Lease Agreement was entered into in 1993 and expires on December 31, 2030.

Our business is substantially dependent on the exploitation rights under the Lease Agreement and the Project Agreement, since all of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement. These agreements expire in 2030 and establish a series of obligations with which SQM Salar must comply. A serious failure to comply with these obligations may jeopardize the exploitation rights under the agreements and the continuity of our operations in the Salar de Atacama. While we believe that we have taken the appropriate precautions to ensure compliance with the obligations and conditions in the agreements, there can be no assurance that we will be able to maintain such compliance, which could jeopardize the continued benefits to us of the agreements and could have a material adverse effect on our business, financial condition and results of operations.

## 10) FINANCIAL REPORTS

### **Note 5 Financial Risk Management (continued)**

#### **5.2 Risk Factors (continued)**

##### **5.2.2 Risks Relating to Chile (continued)**

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

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

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

We hold water use rights that are key to our operations. These rights were obtained from the Chilean Water Authority (Dirección General de Aguas) for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean Water Rights Code (Código de Aguas or the “Water Code”) is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, a series of bills are currently being discussed at the Chilean National Congress that seek to desalinate seawater for use in mining production processes, amend the Mining Code for water use in mining operations, amend the Political Constitution on water and introduce changes to the regulatory framework governing the terms of inspection and sanction of water. As a result, the amount of water that we can actually use under our existing rights may be reduced or the cost of such use could increase. These and potential future changes to the Water Code or other relevant regulations could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Under the partially integrated shareholder taxation regime, shareholders bear the tax on dividends upon payment, but they will only be permitted to credit against such shareholder taxes a portion of the Chilean corporate tax paid by us on our earnings, unless the shareholder is resident in a country with a tax treaty in force with Chile. In that case, 100% of the Chilean corporate tax paid by us may be credited against the final taxes at the shareholder level.

As a result, foreign shareholders resident in a non-treaty jurisdiction will be subject to a higher effective tax rate than residents of treaty jurisdictions. There is a temporary rule in effect from January 1, 2017 through December 31, 2019 that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2017, whether or not such treaties are in force. This is currently the status of the treaty signed between Chile and United States. After December 31, 2019, if no treaty is in effect, shareholders in those jurisdictions will be subject to a higher effective tax rate.

## 10) FINANCIAL REPORTS

### Note 5 Financial Risk Management (continued)

#### 5.2 Risk Factors (continued)

##### 5.2.2 Risks Relating to Chile (continued)

The Tax Reform tax increase prompted a US\$52.3 million increase in our deferred tax liabilities as of December 31, 2014. In accordance with the instructions issued by the CMF, the effects generated by the change in the income tax rate were accounted for as retained earnings.

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

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

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

*Chile is located in a seismically active region*

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquakes in Chile, which occurred in April 2017 in the Valparaiso region and in December 2016 in Chiloe Island, had a magnitude of 6.9 and 7.6, respectively, on the Richter scale. There were also earthquakes in 2015, 2014 and 2010 that caused substantial damage to some areas of the country. Chile has also experienced volcanic activity. A major earthquake or a volcanic eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain industry standard insurance policies that include earthquake coverage, we cannot assure you that a future seismic or volcanic event will not have a material adverse effect on our business, financial condition and results of operations.

10) FINANCIAL REPORTS

**Note 5 Financial Risk Management (continued)**

**5.2 Risk Factors (continued)**

**5.2.3 Risks Relating to our Shares and to our ADSs**

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

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

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

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

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

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

***Our share or ADS price may react negatively to future acquisitions and investments***

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

## 10) FINANCIAL REPORTS

### **Note 5 Financial Risk Management (continued)**

#### **5.2 Risk Factors (continued)**

##### **5.2.3 Risks Relating to our Shares and to our ADSs (continued)**

###### *ADS holders may be unable to enforce rights under U.S. securities laws*

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

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

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

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



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

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

10) FINANCIAL REPORTS

**Note 5 Financial Risk Management (continued)**

**5.2 Risk Factors (continued)**

**5.2.3 Risks Relating to our Shares and to our ADSs (continued)**

*If we were classified as a Passive Foreign Investment Company by the U.S. Internal Revenue Service, there could be adverse consequences for U.S. investors*

We believe that we were not classified as a Passive Foreign Investment Company (“PFIC”) for 2018. Characterization as a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor in our shares or ADSs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time.

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

Currently cash dividends paid by us to foreign shareholders are subject to a 35% Chilean withholding tax. When the Company pays a corporate income tax on the income from which the dividend is paid, known as a “First Category Tax”, a credit for the full amount of the First Category Tax effectively reduces the rate of Withholding Tax. Changes in Chilean tax regulations could have adverse consequences for U.S. investors.

## 10) FINANCIAL REPORTS

**Note 5 Financial risk management, continued****5.2.4 Credit risk**

A global economic downturn - and its potentially negative effects on the financial situation of our customers - could extend the payment terms of the Company's receivables by increasing its exposure to credit risk. Although measures are taken to minimize the risk, this global economic situation could mean losses with adverse material effects on the business, financial position or profit and loss of the Company's operations.

To mitigate these risks, the Company maintains active control of collection and uses measures such as the use of credit insurance, letters of credit and prepayments for a portion of receivables.

Financial investments correspond to time deposits whose maturity date is greater than 90 days and less than 360 days from the date of investment, so they are not exposed to excessive market risks.

The credit quality of financial assets that are not past due or impaired can be evaluated by reference to external credit ratings (if available) or historical information on counterparty late payment rates:

| Financial institution                                  | Financial assets         | Rating Institution |     |       | 12/31/2018 |
|--|--------------------------|--------------------|-----|-------|------------|
|  |                          | Moody              | S&P | Fitch | ThUS\$     |
| Banco de Chile   | Time deposits            | P-1                | A-1 | -     | 7,305      |
| Banco de Crédito e Inversiones                         | Time deposits            | P-1                | A-1 | -     | 27,428     |
| Banco Itau Corpbanca                                   | Time deposits            | P-2                | A-2 | -     | 61,946     |
| Banco Santander  | Time deposits            | -                  | -   | -     | 432        |
| Banco Estado   | Time deposits            | -                  | -   | -     | 3,602      |
| BBVA Banco Francés                                     | Time deposits            | -                  | -   | -     | 84         |
| Nedbank  | Time deposits            | P-3                | B   | -     | 647        |
| JP Morgan US dollar Liquidity Fund Institutional       | Investment fund deposits | -                  | -   | -     | 133,809    |
| Legg Mason - Western Asset Institutional Cash Reserves | Investment fund deposits | -                  | -   | -     | 132,108    |
| Total  |                          |                    |     |       | 367,361    |

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| Financial institution          | Financial assets  | Rating Institution |     |       | 12/31/2018 |
|--------------------------------|-------------------|--------------------|-----|-------|------------|
|                                |                   | Moody              | S&P | Fitch | ThUS\$     |
| Banco Sud Americano            | 90 days to 1 year | -                  | -   | -     | 24,898     |
| Banco de Crédito e Inversiones | 90 days to 1 year | P-1                | A-1 | -     | 145,834    |
| Banco Santander                | 90 days to 1 year | P-1                | A-1 | -     | 23,124     |
| Banco Itaú-Corpbanca           | 90 days to 1 year | P-2                | A-2 | -     | 70,719     |
| Banco Security                 | 90 days to 1 year | -                  | -   | -     | 27,215     |
| Total                          |                   |                    |     |       | 291,790    |

The following table presents comparative information as of December 2017:

| Financial institution                                  | Financial assets         | Rating Institution |     |       | 12/31/2017 |
|--|--------------------------|--------------------|-----|-------|------------|
|  |                          | Moody              | S&P | Fitch | ThUS\$     |
| Banco BBVA Chile                                       | Time deposits            | P-2                | A-2 | -     | 41,860     |
| Banco de Crédito e Inversiones                         | Time deposits            | P-1                | A-1 | F1    | 120,616    |
| Banco Santander - Santiago                             | Time deposits            | P-1                | A-1 | F1    | 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 |                          |                    |     |       |            |
| Reserves   | Investment fund deposits | -                  | -   | -     | 144,464    |
| Scotiabank Sud Americano                               | Time deposit             |                    |     |       | 12,520     |
| Nedank   | Time deposit             | P-3                | B   | -     | 3,686      |
| ABN Amro Bank  | Time deposit             | -                  | -   | -     | 1,439      |
| Total  |                          |                    |     |       | 578,711    |

## 10) FINANCIAL REPORTS

**Note 5 Financial risk management, continued****5.2.4 Credit risk, Continued**

| Financial institution          | Financial assets  | Rating Institution |     |       | 12/31/2017<br>ThUS\$ |
|--------------------------------|-------------------|--------------------|-----|-------|----------------------|
|                                |                   | Moody's            | S&P | Fitch |                      |
| Banco BBVA Chile               | 90 days to 1 year | -                  | -   | -     | 1,207                |
| Banco de Crédito e Inversiones | 90 days to 1 year | P-1                | A-1 | F1    | 71,748               |
| Banco de Chile                 | 90 days to 1 year |                    |     |       | 4,834                |
| Banco Itaú-Corpbanca           | 90 days to 1 year | P-1                | A-2 | -     | 77,526               |
| Banco Santander - Santiago     | 90 days to 1 year | P-1                | A-1 | F1    | 163,269              |
| Morgan Stanley                 | 90 days to 1 year | P-2                | A-2 | F1    | 4,191                |
| Banco Security                 | 90 days to 1 year | -                  | -   | -     | 28,592               |
| Scotiabank Sud Americano       | 90 days to 1 year | -                  | -   | AA    | 13,765               |
| Total                          |                   |                    |     |       | 365,132              |

**5.2.5 Currency risk**

The functional currency of the Company is the US Dollar, due to its influence on the determination of price levels, its relation to the cost of sales and considering that a significant part of the Company's business is conducted in this currency. However, the global nature of the Company's business generates an exposure to exchange rate variations of several currencies with the US Dollar. Therefore, the Company maintains hedge contracts to mitigate the exposure generated by its main mismatches (net between assets and liabilities) in currencies other than the US dollar against the exchange rate variation, updating these contracts periodically depending on the amount of mismatching to be covered in these currencies. Occasionally, subject to the approval of the Company's Board of Directors (the "Board"), the Company ensures short-term cash flows from certain specific line items in currencies other than the US Dollar.

A significant portion of the Company's costs, especially salary payments, is associated with the Chilean peso (the "Peso"). Therefore, an increase or decrease in its exchange rate with the US Dollar would affect the Company's profit and loss. By the fourth quarter, approximately US\$400 million accumulated in expenses are associated with the Peso. A significant part of the effect of these liabilities on the Statement of Financial Position is covered by derivative instrument operations that cover the balance sheet mismatch.

As of December 31, 2018, the Company held derivative instruments classified as hedges of foreign exchange risks associated with all of the bond liabilities denominated in UF, for a fair value of US\$3.9 million against the Company.

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As of September 30, 2018, this value amounted to US\$21.3 million in favor of the Company and as of December 31, 2017, it totaled US\$5 million against the Company.

As of December 31, 2018, the exchange rate value for equivalent Pesos to US Dollars was Ch\$694.77 per US Dollar, as of September 30, 2018, it was Ch\$660.42 per Dollar and as of December 31, 2017, it was Ch\$614.75 per US Dollar.

## 10) FINANCIAL REPORTS

### **Note 5 Financial risk management, continued**

#### **5.2.6 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 maintains current and non-current financial debt valued at the LIBOR rate plus spread.

As of Monday, December 31, 2018, the Company has around 5% of its financial liabilities linked to variations in the LIBOR rate and therefore any significant increases in that rate would impact its financial position. A change of 100 base points over that rate could generate variations in finance costs of around US\$0.06 million.

Additionally, as of December 31, 2018, the Company does not maintain maturities of less than 12 months on all capital of the financial debt, thereby reducing exposure to variations in interest rates.

#### **5.2.7 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, 2018, the Company had unused, available revolving credit facilities with banks, for a total of approximately US\$481 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.



## 10) FINANCIAL REPORTS

**Note 5 Financial risk management, continued****5.2.7 Liquidity risk, continued**

| As of December 31, 2018<br>(in millions of US\$)  | Nature of undiscounted cash flows |                  |              |              | Total    |
|---|-----------------------------------|------------------|--------------|--------------|----------|
|   | Carrying amount                   | Less than 1 year | 1 to 5 years | Over 5 years |          |
| Other non-derivative financial liabilities        |                                   |                  |              |              |          |
| Bank borrowings                                   | 70.25                             | 4.10             | 79.66        | -            | 83.76    |
| Unsecured obligations                             | 1,273.07                          | 61.37            | 823.76       | 713.60       | 1,598.73 |
| Subtotal  | 1,343.32                          | 65.47            | 903.42       | 713.60       | 1,682.49 |
| Other derivative financial liabilities            |                                   |                  |              |              |          |
| Hedging liabilities                               | (14.34 )                          | 5.52             | 15.64        | 29.27        | 50.43    |
| Derivative financial instruments                  | 0.16                              | 0.16             | -            | -            | 0.16     |
| Subtotal  | (14.18 )                          | 5.68             | 15.64        | 29.27        | 50.59    |
| Trade accounts payable and other accounts payable | 163.75                            | 163.17           | 0.58         | -            | -        |
| Total   | 1,492.89                          | 234.32           | 919.64       | 742.87       | 1,733.08 |

| As of December 31, 2017<br>(in millions of US\$)  | Nature of undiscounted cash flows |                  |              |              | Total    |
|---|-----------------------------------|------------------|--------------|--------------|----------|
|   | Carrying amount                   | Less than 1 year | 1 to 5 years | Over 5 years |          |
| 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     |
| Trade accounts payable and other accounts payable | 196,28                            | 196.18           | 0.10         | -            | -        |
| Total   | 1,247.64                          | 446.22           | 513.11       | 733.31       | 1,496.36 |

**5.3 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.

## 10) FINANCIAL REPORTS

## Note 6 Background of companies included in consolidation

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

|             | 12/31/2018  | 12/31/2017  |
|-------------|-------------|-------------|
|             | ThUS\$      | ThUS\$      |
| Assets      | 3,737,892   | 3,658,528   |
| Liabilities | (1,652,401) | (1,470,707) |
| Equity      | 2,085,491   | 2,187,821   |

## 6.2 Parent entity

Pursuant to Article 99 of Law No. 18,045 of the Securities Market (the "Securities Market Law"), the Commission for Financial Market (the "CMF") may determine that a company does not have a controller in accordance with the distribution and dispersion of its ownership. On November 30, 2018, the CMF issued the ordinary letter No. 32.131 whereby it determined that Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Inversiones Global Mining (Chile) Limitada (the "Pampa Group"), do not exert decisive power over the management of the Company since it does not have a predominance in the ownership that allows it to make management decisions. Therefore, the CMF has determined not to consider Grupo Pampa the controller of the Company and that the Company does not have a controller given its current ownership structure.

## 10) FINANCIAL REPORTS

### Note 7 **Board of Directors, Senior Management and Key management personnel**

#### 7.1 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 on April 27, 2018.

On December 5, 2018, directors Darryl Stann and Mark F. Fracchia presented their resignations to the Board of Directors, and to date no replacements have been named.

As of December 31, 2018, the Company has the following Committees:

**Directors' Committee:** This committee comprises Hernán Büchi Buc, Laurence Golbome Riveros and Alberto Salas -Muñoz and fulfills the functions established in Article 50 bis of Chilean Law no. 18.046 on publicly-held corporations.

**The Company's Health, Safety and Environmental Matters Committee:** This committee comprises Arnfinn F. Prugger, Patricio Contesse Fica and Gonzalo Guerrero Yamamoto.

**Corporate Governance Committee:** Comprised of Hernán Büchi Buc. In the session held in December 2018, in consideration of the resignation of directors Darryl Stann and Mark F. Fracchia, the Board of Directors decided move forward on issues pertaining to this committee.

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.

10) FINANCIAL REPORTS

**Note 7 Board of Directors, Senior Management and Key management personnel (continued)**

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

2) Directors' Compensation

Directors' compensation is detailed as follows:

The payment of a fixed, gross and monthly amount of UF 400 in favor of the Chairman of the Board of Directors of a) SQM S.A. and of UF 350 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.

A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a b) variable and gross amount equivalent to 0.12% of profit for the period effectively earned by the Company during the 2018 fiscal year.

A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, c) consisting of a variable and gross amount equivalent to 0.06% of profit for the period effectively earned by the Company during the 2018 fiscal year.

The fixed and variable amounts indicated above cannot be altered and those expressed in percentages will be paid d) 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, 2018.

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 e) 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 2018 fiscal year is paid.

f) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee as of December 31, 2018, amount to ThUS\$3,791, and ThUS\$ 3,231 as of December 31, 2017.

3) Directors' Committee

The remuneration of the Directors Committee comprises:

The payment of a fixed, gross and monthly amount of UF 113 in favor of each of the 3 directors that are members of

- a) 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 2018 fiscal year.

- c) Approval of a budget for operating costs for the Directors' Committee equal to the total of their joint annual remunerations plus ThUS\$825.

## 10) FINANCIAL REPORTS

### **Note 7 Board of Directors, Senior Management and Key management personnel (continued)**

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

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, 2018.

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 2018 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, monthly amount of UF 50 for each of the 3 Directors on the committee regardless of the number of meetings it has held.

10) FINANCIAL REPORTS

**Note 7 Board of Directors, Senior Management and Key management personnel (continued)**

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

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

7) Senior management compensation:

As of December 31, 2018, the global compensation paid to the 123 main executives amounts to ThUS\$27,907, the a) global compensation paid to the 115 main executives as of December 31, 2017 amounted to ThUS\$27,367. This includes monthly fixed salary and variable performance bonuses.

SQM S.A. has an annual bonus plan based on goal achievement and individual contribution to the Company's b) 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 18.6).

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

The Company's Managers and Directors do not receive or have not received any benefit during the period ended 9) December 31, 2018 and the year ended December 31, 2017 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.

**7.2 Key management personnel compensation**

As of December 31, 2018, there are 123 people occupying key management positions and 115 as of December 31, 2017.



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|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |

|   |        |        |
|---|--------|--------|
| Key management personnel compensation (1) | 27,907 | 27,367 |
|---|--------|--------|

(1) Corresponds to a number of executives (see Note 7.1 number 7) a).

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## 10) FINANCIAL REPORTS

## Note 8 Background on companies included in consolidation and non-controlling interests

## 8.1 Background on companies included in consolidation

The following tables detail general information as of December 31, 2018 and December 31, 2017, on the companies in which the group exercises control and significant influence:

| Subsidiaries   | TAX ID No.   | Address                              | Country of Incorporation | Functional Currency | Ownership Interest Direct | Ownership Interest Indirect | Total    |
|--|--------------|--------------------------------------|--------------------------|---------------------|---------------------------|-----------------------------|----------|
| SQM Nitratos S.A.                                    | 96.592.190-7 | El Trovador 4285 Las Condes          | Chile                    | US dollar           | 99.9999                   | 0.0001                      | 100.0000 |
| Proinsa Ltda.  | 78.053.910-0 | El Trovador 4285 Las Condes          | Chile                    | Chilean peso        | -                         | 60.5800                     | 60.5800  |
| SQMC Internacional Ltda.                             | 86.630.200-6 | El Trovador 4285 Las Condes          | Chile                    | Chilean peso        | -                         | 60.6381                     | 60.6381  |
| SQM Potasio S.A.                                     | 96.651.060-9 | El Trovador 4285 Las Condes          | Chile                    | US dollar           | 99.9999                   | -                           | 99.9999  |
| Serv. Integrales de Tránsito y Transf. S.A.          | 79.770.780-5 | Arturo Prat 1060, Tocopilla          | Chile                    | US dollar           | 0.0003                    | 99.9997                     | 100.0000 |
| Isapre Norte Grande Ltda.                            | 79.906.120-1 | Anibal Pinto 3228, Antofagasta       | Chile                    | Chilean peso        | 1.0000                    | 99.0000                     | 100.0000 |
| Ajay SQM Chile S.A.                                  | 96.592.180-K | Av. Pdte. Eduardo Fri 4900, Santiago | Chile                    | US dollar           | 51.0000                   | -                           | 51.0000  |
| Almacenes y Depósitos Ltda.                          | 79.876.080-7 | El Trovador 4285 Las Condes          | Chile                    | Chilean peso        | 1.0000                    | 99.0000                     | 100.0000 |
| SQM Salar S.A.                                       | 79.626.800-K | El Trovador 4285 Las Condes          | Chile                    | US dollar           | 18.1800                   | 81.8200                     | 100.0000 |
| SQM Industrial S.A.                                  | 79.947.100-0 | El Trovador 4285 Las Condes          | Chile                    | US dollar           | 99.0470                   | 0.9530                      | 100.0000 |
| Exploraciones Mineras S.A. Sociedad                  | 76.425.380-9 | El Trovador 4285 Las Condes          | Chile                    | US dollar           | 0.2691                    | 99.7309                     | 100.0000 |
| Prestadora de Servicios de Salud Cruz del Norte S.A. | 76.534.490-5 | Anibal Pinto 3228, Antofagasta       | Chile                    | Chilean peso        | -                         | 100.0000                    | 100.0000 |

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|   |              |   |                          |              |          |          |          |
|---|--------------|---|--------------------------|--------------|----------|----------|----------|
| Soquimich Comercial S.A. Comercial          | 79.768.170-9 | El Trovador 4285 Las Condes   | Chile                    | US dollar    | -        | 60.6383  | 60.6383  |
| Agrorama Ltda. (*)                          | 76.064.419-6 | El Trovador 4285 Las Condes   | Chile                    | Chilean peso | -        | 42.4468  | 42.4468  |
| Comercial Hydro S.A.                        | 96.801.610-5 | El Trovador 4285 Las Condes   | Chile                    | US dollar    | -        | 60.6383  | 60.6383  |
| Agrorama S.A.                               | 76.145.229-0 | El Trovador 4285 Las Condes   | Chile                    | Chilean peso | -        | 60.6377  | 60.6377  |
| Orcoma Estudios SPA                         | 76.359.919-1 | Apoquindo 3721 OF 131 Las Condes  | Chile                    | US dollar    | 51.0000  | -        | 51.0000  |
| Orcoma SPA                                  | 76.360.575-2 | Apoquindo 3721 OF 131 Las Condes  | Chile                    | US dollar    | 100.0000 | -        | 100.0000 |
| SQM MaG SpA                                 | 76.686.311-9 | Los Militares 4290, Las Condes  | Chile                    | US dollar    | -        | 100.0000 | 100.0000 |
| SQM North America Corp.                     | Foreign      | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA  | United States of America | US dollar    | 40.0000  | 60.0000  | 100.0000 |
| RS Agro Chemical Trading Corporation A.V.V. | Foreign      | Caya Ernesto O. Petronia 17, Orangestad   | Aruba                    | US dollar    | 98.3333  | 1.6667   | 100.0000 |
| Nitratos Naturais do Chile Ltda.            | Foreign      | Al. Tocantis 75, 6° Andar, Conunto 608 Edif. West Gate, Alphaville Barureri, CEP 06455-020, Sao Paulo | Brazil                   | US dollar    | -        | 100.0000 | 100.0000 |
| Nitrate Corporation of Chile Ltd.           | Foreign      | 1 More London Place London SE1 2AF  | United Kingdom           | US dollar    | -        | 100.0000 | 100.0000 |
| SQM Corporation N.V.                        | Foreign      | Pietermaai 123, P.O. Box 897, Willemstad, Curacao   | Curacao                  | US dollar    | 0.0002   | 99.9998  | 100.0000 |
| SQM Perú S.A.                               | Foreign      | Avenida Camino Real N° 348 of. 702, San Isidro, Lima  | Peru                     | US dollar    | 0.9800   | 99.0200  | 100.0000 |
| SQM Ecuador S.A.                            | Foreign      | Av. José Orrantia y Av. Juan Tanca Marengo Edificio Executive Center Piso 2 Oficina 211               | Ecuador                  | US dollar    | 0.0040   | 99.9960  | 100.0000 |

(\*) SQM controls Soquimich Comercial, which in turn controls Comercial Agrorama Ltda. SQM has management control over Comercial Agrorama Ltda.



## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)****8.1 Background on companies included in consolidation, continued**

| Subsidiaries                         | TAX ID No. | Address   | Country of Incorporation | Functional Currency | Ownership Interest Direct | Ownership Interest Indirect | Total    |
|--------------------------------------|------------|---|--------------------------|---------------------|---------------------------|-----------------------------|----------|
| SQM Brasil Ltda.                     | Foreign    | Al. Tocantis 75, 6° Andar, Conunto 608 Edif. West Gate, Alphaville Barureri, CEP 06455-020, Sao Paulo | Brazil                   | US dollar           | 1.0900                    | 98.9100                     | 100.0000 |
| SQI Corporation N.V.                 | Foreign    | Pietermaai 123, P.O. Box 897, Willemstad, Curacao   | Curacao                  | US dollar           | 0.0159                    | 99.9841                     | 100.0000 |
| SQMC Holding Corporation.            | Foreign    | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta  | United States of America | US dollar           | 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, Tokio                                | Japan                    | US dollar           | 0.1597                    | 99.8403                     | 100.0000 |
| SQM Europe N.V.                      | Foreign    | Houtdok-Noordkaai 25a B-2030 Amberes  | Belgium                  | US dollar           | 0.5800                    | 99.4200                     | 100.0000 |
| SQM Italia SRL                       | Foreign    | Via A. Meucci, 5 500 15 Grassina Firenze  | Italy                    | US dollar           | -                         | 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 dollar           | -                         | 80.0000                     | 80.0000  |
| North American Trading Company       | Foreign    | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA  | United States of America | US dollar           | -                         | 100.0000                    | 100.0000 |
| SQM Virginia LLC                     | Foreign    | 2727 Paces Ferry Road, Building Two, Suite 1425, Atlanta, GA  | United States of America | US dollar           | -                         | 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 Mexico                                 | Mexico                   | US dollar           | 0.0100                    | 99.9900                     | 100.0000 |
| SQM Investment                       | Foreign    | Pietermaai 123, P.O. Box 897, Willemstad, Curacao   | Curacao                  | US dollar           | 1.0000                    | 99.0000                     | 100.0000 |

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|   |         |   |                             |                      |        |          |          |
|---|---------|---|-----------------------------|----------------------|--------|----------|----------|
| Corporation<br>N.V.<br>Royal Seed<br>Trading<br>Corporation<br>A.V.V.           | Foreign | Caya Ernesto O. Petronia 17,<br>Orangestad                                  | Aruba                       | US dollar            | 1.6700 | 98.3300  | 100.0000 |
| SQM Lithium<br>Specialties<br>Limited<br>Partnership                            | Foreign | 2727 Paces Ferry Road,<br>Building Two, Suite 1425,<br>Atlanta, GA          | United States<br>of America | US dollar            | -      | 100.0000 | 100.0000 |
| Soquimich<br>SRL Argentina<br>Comercial   | Foreign | Espejo 65 Oficina 6 – 5500<br>Mendoza                                       | Argentina                   | US dollar            | -      | 100.0000 | 100.0000 |
| Caimán<br>Internacional<br>S.A.   | Foreign | Edificio Plaza Bancomer<br>Calle 50   | Panama                      | US dollar            | -      | 100.0000 | 100.0000 |
| SQM France<br>S.A.<br>Administración<br>y Servicios<br>Santiago S.A.<br>de C.V. | Foreign | ZAC des<br>Pommiers 27930 FAUVILLE  | France                      | US dollar            | -      | 100.0000 | 100.0000 |
| SQM Nitratos<br>México S.A.<br>de C.V.  | Foreign | Av. Moctezuma 144-4 Ciudad<br>del Sol. CP 45050, Zapopan,<br>Jalisco Mexico | Mexico                      | US dollar            | -      | 100.0000 | 100.0000 |
| SQM Australia<br>PTY  | Foreign | Av. Moctezuma 144-4 Ciudad<br>del Sol. CP 45050, Zapopan,<br>Jalisco Mexico | Mexico                      | US dollar            | -      | 100.0000 | 100.0000 |
| SACAL S.A.  | Foreign | Level 16, 201 Elizabeth Street<br>Sydney                                    | Australia                   | Australian<br>dollar | -      | 100.0000 | 100.0000 |
|   | Foreign | Av. Leandro N. Alem 882, piso<br>13 Buenos Aires                            | Argentina                   | Argentine<br>peso    | -      | 100.0000 | 100.0000 |

## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)****8.1 Background on companies included in consolidation, continued**

| Subsidiaries                      | TAX ID No. | Address   | Country of Incorporation | Functional Currency | Ownership Interest |          | Total    |
|-----------------------------------|------------|---|--------------------------|---------------------|--------------------|----------|----------|
|                                   |            |   |                          |                     | Direct             | Indirect |          |
| Soquimich European Holding B.V.   | Foreign    | Loacalellikade 1<br>Parnassustoren 1076 AZ<br>Amsterdam   | Holland                  | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM Iberian S.A.                  | Foreign    | Provenza 251 Principal 1a<br>CP 08008, Barcelona  | Spain                    | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM Africa Pty Ltd.               | Foreign    | Tramore House, 3<br>Waterford Office Park,<br>Waterford Drive, 2191<br>Fourways, Johannesburg             | South Africa             | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM Oceanía Pty Ltd.              | Foreign    | Level 9, 50 Park Street,<br>Sydney NSW 2000,<br>Sydney  | Australia                | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM Beijing Commercial Co. Ltd.   | Foreign    | Room 1001C, CBD<br>International Mansion N<br>16 Yong An Dong Li, Jian<br>Wai Ave Beijing 100022,<br>P.R. | China                    | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM Thailand Limited              | Foreign    | Unit 2962, Level 29, N°<br>388, Exchange Tower<br>Sukhumvit Road,<br>Klongtoey Bangkok                    | Thailand                 | US dollar           | -                  | 99.996   | 99.996   |
| SQM Colombia SAS                  | Foreign    | Cra 7 No 32 – 33 piso 29<br>Pbx: (571) 3384904 Fax:<br>(571) 3384905 Bogotá<br>D.C. – Colombia.           | Colombia                 | US dollar           | -                  | 100.0000 | 100.0000 |
| SQM International N.V.            | Foreign    | Houtdok-Noordkaai 25a<br>B-2030 Amberes   | Belgium                  | US dollar           | 0.5800             | 99.4200  | 100.0000 |
| SQM (Shanghai) Chemicals Co. Ltd. | Foreign    | Room 4703-33, 47F,<br>No.300 Middle Huaihai<br>Road, Huangpu district,<br>Shanghai                        | China                    | US dollar           | -                  | 100.0000 | 100.0000 |





## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)**

## 8.2 Assets, liabilities, results of consolidated subsidiaries

12/31/2018

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue   | Profit<br>(loss) | Comprehensive<br>income<br>(loss) |
|---|-------------------|-----------------------|-------------------|-----------------------|-----------|------------------|-----------------------------------|
|   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |           |                  |                                   |
| SQM Nitratos S.A.   | 364,492           | 33,716                | 310,062           | 1,621                 | 185,487   | 32,532           | 32,546                            |
| Proinsa Ltda.   | 52                | -                     | -                 | -                     | -         | -                | -                                 |
| SQMC Internacional<br>Ltda.   | 193               | -                     | -                 | -                     | -         | (1 )             | (1 )                              |
| SQM Potasio S.A.  | 38,237            | 935,027               | 123,838           | 23,180                | 3,270     | 271,247          | 270,514                           |
| Serv. Integrales de<br>Tránsito y Transf. S.A.                      | 62,355            | 37,594                | 92,154            | 2,054                 | 33,392    | 134              | 118                               |
| Isapre Norte Grande<br>Ltda.  | 553               | 754                   | 551               | 152                   | 3,444     | 30               | (42 )                             |
| Ajay SQM Chile S.A.   | 18,259            | 1,298                 | 1,497             | 389                   | 32,758    | 2,400            | 2,400                             |
| Almacenes y Depósitos<br>Ltda.                                      | 264               | 46                    | -                 | -                     | -         | (10 )            | (142 )                            |
| SQM Salar S.A.  | 671,086           | 849,377               | 512,964           | 189,267               | 1,035,046 | 326,152          | 325,263                           |
| SQM Industrial S.A.   | 904,802           | 702,606               | 489,063           | 100,914               | 779,692   | 82,638           | 82,267                            |
| Exploraciones Mineras<br>S.A.                                       | 3,137             | 30,999                | 6,039             | -                     | -         | 2,071            | 2,071                             |
| Sociedad Prestadora de<br>Servicios de Salud Cruz<br>del Norte S.A. | 270               | 571                   | 417               | 292                   | 2,341     | 2                | (19 )                             |
| Soquimich Comercial<br>S.A.   | 139,210           | 13,558                | 39,743            | 6,692                 | 136,563   | 3,492            | 3,466                             |
| Comercial Agrorama<br>Ltda.   | 3,966             | 1,560                 | 7,099             | 30                    | 7,639     | (1,061 )         | (1,062 )                          |
| Comercial Hydro S.A.  | 4,897             | 28                    | 40                | 8                     | 25        | 119              | 119                               |
| Agrorama S.A.   | 7,235             | 485                   | 12,086            | 48                    | 9,440     | (1,716 )         | (1,700 )                          |
| Orcoma SpA  | -                 | 2,360                 | 14                | -                     | -         | -                | -                                 |
| Orcoma Estudio SpA  | 296               | 4,416                 | 63                | 1                     | -         | 2                | 2                                 |
| SQM MaG SpA   | 780               | 340                   | 853               | -                     | 979       | 257              | 257                               |
|   | 113,630           | 16,274                | 94,939            | 254                   | 271,869   | (1,342 )         | (993 )                            |

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|   |           |           |           |         |           |         |         |
|---|-----------|-----------|-----------|---------|-----------|---------|---------|
| SQM North America Corp.                     |           |           |           |         |           |         |         |
| RS Agro Chemical Trading Corporation A.V.V. | 5,155     | -         | 39        | -       | -         | (25 )   | (25 )   |
| Nitratos Naturais do Chile Ltda.            | 30        | 136       | 3,349     | -       | -         | 127     | 127     |
| Nitrate Corporation of Chile Ltd.           | 5,076     | -         | -         | -       | -         | -       | -       |
| SQM Corporation N.V.                        | 7,696     | 148,464   | 3,586     | -       | -         | 22,131  | 22,162  |
| SQM Perú S.A.                               | 163       | -         | 1,166     | -       | -         | (107 )  | (107 )  |
| SQM Ecuador S.A.                            | 24,529    | 144       | 21,773    | 72      | 32,181    | 766     | 766     |
| SQM Brasil Ltda.                            | 108       | -         | 706       | 2,254   | 126       | (32 )   | (32 )   |
| SQI Corporation N.V.                        | 56        | 31        | 72        | -       | -         | (6 )    | (6 )    |
| SQMC Holding Corporation L.L.P.             | 25,692    | 16,115    | 1,000     | -       | -         | 3,084   | 3,084   |
| SQM Japan Co. Ltd.                          | 78,457    | 210       | 75,948    | 171     | 204,313   | 208     | 208     |
| subtotal                                    | 2,480,676 | 2,796,109 | 1,799,061 | 327,399 | 2,738,565 | 743,092 | 741,241 |

## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)****8.2 Assets, liabilities, results of consolidated subsidiaries, continued**

12/31/2018

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue | Profit<br>(loss) | Comprehensive<br>income<br>(loss) |
|---|-------------------|-----------------------|-------------------|-----------------------|---------|------------------|-----------------------------------|
|   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |         |                  |                                   |
| SQM Europe N.V.   | 412,691           | 1,825                 | 349,252           | -                     | 985,278 | 17,180           | 17,180                            |
| SQM Italia SRL  | 1,176             | -                     | 15                | -                     | -       | -                | -                                 |
| SQM Indonesia S.A.  | 3                 | -                     | 1                 | -                     | -       | -                | -                                 |
| North American Trading<br>Company   | 157               | 145                   | 39                | -                     | -       | (1 )             | (1 )                              |
| SQM Virginia LLC  | 14,805            | 14,346                | 14,805            | -                     | -       | (2 )             | (2 )                              |
| SQM Comercial de<br>México S.A. de C.V.                                   | 110,558           | 3,040                 | 81,325            | -                     | 198,180 | 1,327            | 1,327                             |
| SQM Investment<br>Corporation N.V.  | 44,476            | 86                    | 5,336             | 946                   | -       | (624 )           | (624 )                            |
| Royal Seed Trading<br>Corporation A.V.V.                                  | 86                | -                     | 18,834            | -                     | -       | 31               | 31                                |
| SQM Lithium Specialties<br>LLP  | 15,753            | 3                     | 1,264             | -                     | -       | (2 )             | (2 )                              |
| Soquimich SRL<br>Argentina  | 87                | -                     | 172               | -                     | -       | (79 )            | (79 )                             |
| Comercial Caimán<br>Internacional S.A.                                    | 261               | -                     | 1,122             | -                     | -       | (1 )             | (1 )                              |
| SQM France S.A.<br>Administración y<br>Servicios Santiago S.A.<br>de C.V. | 345               | 6                     | 114               | -                     | -       | -                | -                                 |
|   | 128               | 78                    | 370               | 164                   | 2,848   | 10               | 10                                |
| SQM Nitratos México<br>S.A. de C.V.                                       | 90                | 7                     | 56                | 10                    | 763     | 12               | 12                                |
| Soquimich European<br>Holding B.V.  | 4,999             | 164,484               | 32,047            | -                     | -       | 25,437           | 25,468                            |
| SQM Iberian S.A.  | 68,754            | 2,235                 | 57,931            | -                     | 138,855 | 2,995            | 2,995                             |
| SQM Africa Pty Ltd.   | 59,925            | 1,448                 | 48,663            | -                     | 106,514 | 4,871            | 4,871                             |
| SQM Oceanía Pty Ltd.  | 3,581             | -                     | 1,990             | -                     | 2,513   | (527 )           | (527 )                            |
|   | 12,346            | 9                     | 10,163            | -                     | 13,779  | (121 )           | (121 )                            |

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|                       |           |           |           |         |           |         |         |
|-----------------------|-----------|-----------|-----------|---------|-----------|---------|---------|
| SQM Beijing           |           |           |           |         |           |         |         |
| Commercial Co. Ltd.   |           |           |           |         |           |         |         |
| SQM Thailand Limited  | 8,302     | 7         | 4,835     | -       | 8,348     | 485     | 485     |
| 298SQM Colombia SAS   | 4,592     | 279       | 4,830     | -       | 3,056     | (887 )  | (887 )  |
| SQM Australia Pty     | 29,856    | 88,587    | 5,005     | 26      | -         | 562     | 562     |
| Sacal S.A.            | 3         | -         | -         | -       | -         | -       | -       |
| SQM Internacional     | 10,854    | 781       | 3,502     | -       | 3,539     | 102     | 102     |
| SQM Shangai Chemicals | 8,437     | 36        | 6,212     | -       | 6,059     | (239 )  | (239 )  |
| Co. Ltd.              |           |           |           |         |           |         |         |
| Subtotal              | 812,265   | 277,402   | 647,883   | 1,146   | 1,469,732 | 50,529  | 50,560  |
| Total                 | 3,292,941 | 3,073,511 | 2,446,944 | 328,545 | 4,208,297 | 793,621 | 791,801 |

## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)****8.2 Assets, liabilities, results of consolidated subsidiaries, continued**

12/31/2017

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue | Profit<br>(loss) | Comprehensive<br>income<br>(loss) |
|---|-------------------|-----------------------|-------------------|-----------------------|---------|------------------|-----------------------------------|
|   | 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<br>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<br>Tránsito y Transf. S.A.                      | 27,822            | 36,606                | 57,208            | 1,596                 | 35,210  | 1,727            | 1,712                             |
| Isapre Norte Grande<br>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<br>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<br>S.A.                                       | 540               | 31,691                | 6,206             | -                     | -       | (55)             | (55)                              |
| Sociedad Prestadora de<br>Servicios de Salud Cruz<br>del Norte S.A. | 372               | 624                   | 551               | 353                   | 887     | 43               | 27                                |
| Soquimich Comercial<br>S.A.   | 159,943           | 14,395                | 46,180            | 4,632                 | 117,745 | 254              | 277                               |
| Comercial Agrorama<br>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                | -                     | -       | -                | -                                 |
| SQM MaG SPA   | 10                | -                     | -                 | -                     | -       | -                | -                                 |
| SQM North America<br>Corp.  | 131,452           | 15,442                | 162,180           | 782                   | 250,522 | (1,384)          | (1,652)                           |

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|   |           |           |           |         |           |         |          |   |
|---|-----------|-----------|-----------|---------|-----------|---------|----------|---|
| RS Agro Chemical<br>Trading Corporation<br>A.V.V. | 5,164     | -         | 23        | -       | -         | (30     | ) (30    | ) |
| Nitratos Naturais do<br>Chile Ltda.               | -         | 141       | 3,451     | -       | -         | (111    | ) (111   | ) |
| Nitrate Corporation of<br>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<br>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 | ) |
| Subtotal  | 2,807,280 | 2,701,445 | 1,849,103 | 319,330 | 2,373,484 | 705,896 | 706,706  |   |

## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)****8.2 Assets, liabilities, results of consolidated subsidiaries, continued**

12/31/2017

| Subsidiary  | Assets            |                       | Liabilities       |                       | Revenue | Profit<br>(loss) | Comprehensive<br>income<br>(loss) |
|---|-------------------|-----------------------|-------------------|-----------------------|---------|------------------|-----------------------------------|
|   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |         |                  |                                   |
| SQM Europe N.V.   | 399,601           | 2,599                 | 339,910           | -                     | 923,087 | 11,097           | 11,097                            |
| SQM Italia SRL  | 1,236             | -                     | 16                | -                     | -       | (3)              | (3)                               |
| SQM Indonesia S.A.  | 4                 | -                     | 1                 | -                     | -       | -                | -                                 |
| North American Trading<br>Company   | 158               | 145                   | 39                | -                     | -       | -                | -                                 |
| SQM Virginia LLC  | 14,807            | 14,348                | 14,807            | -                     | -       | (8)              | (8)                               |
| SQM Comercial de<br>México S.A. de C.V.                                   | 92,961            | 2,288                 | 64,318            | -                     | 193,523 | 4,381            | 4,381                             |
| SQM Investment<br>Corporation N.V.  | 52,639            | 86                    | 12,955            | 866                   | -       | (7,198)          | (7,198)                           |
| Royal Seed Trading<br>Corporation A.V.V.                                  | 31,040            | -                     | 49,818            | -                     | -       | 2,348            | 2,348                             |
| SQM Lithium Specialties<br>LLP  | 15,755            | 3                     | 1,264             | -                     | -       | (8)              | (8)                               |
| Soquimich SRL<br>Argentina  | 168               | -                     | 173               | -                     | -       | (37)             | (37)                              |
| Comercial Caimán<br>Internacional S.A.                                    | 262               | -                     | 1,122             | -                     | -       | 3                | 3                                 |
| SQM France S.A.<br>Administración y<br>Servicios Santiago S.A.<br>de C.V. | 345               | 6                     | 114               | -                     | -       | -                | -                                 |
| SQM Nitratos México<br>S.A. de C.V.                                       | 162               | 86                    | 531               | 58                    | 2,813   | 47               | 47                                |
| SQM Nitratos México<br>S.A. de C.V.                                       | 49                | 8                     | 30                | 7                     | 301     | 6                | 6                                 |
| Soquimich European<br>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 Oceanía Pty Ltd.  | 4,151             | -                     | 2,033             | -                     | 2,045   | 301              | 301                               |
| SQM Agro India Pvt. Ltd.  | -                 | -                     | -                 | -                     | -       | -                | -                                 |

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|                                    |           |           |           |         |           |         |         |
|------------------------------------|-----------|-----------|-----------|---------|-----------|---------|---------|
| SQM Beijing<br>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                  | 25,654    | 24,800    | -         | -       | -         | -       | -       |
| Sacal S.A.                         | 6         | -         | -         | -       | -         | -       | -       |
| Subtotal                           | 847,986   | 185,148   | 694,023   | 2,424   | 1,408,242 | 30,582  | 30,558  |
| Total                              | 3,655,266 | 2,886,593 | 2,543,126 | 321,754 | 3,781,726 | 736,478 | 737,264 |

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## 10) FINANCIAL REPORTS

### **Note 8 Background on companies included in consolidation and non-controlling interests (continued)**

#### 8.3 Detail of transactions between consolidated companies

##### **a) Transactions conducted in 2018**

On January 30, 2018, in SQM North America there was a capital increase of ThUS\$36,251. All partners met this increase, maintaining share percentages.

On February 27, 2018, a capital contribution of ThUS\$2,500 was made to SQM (Shanghai) Chemicals Co. Ltd. This company is a wholly-owned subsidiary of SQM Industrial S.A.

On March 28, 2018, in SQI Corporation N,V, there was a capital increase of ThUS\$40. All partners met this increase, maintaining share percentages.

As of September 30, 2018, a total of ThUS\$1,282 has been paid on the capital increase in SQM Colombia SAS subscribed during 2017 by SQM Industrial S.A. The transaction had no effect on consolidated earnings.

On August 1, 2018, the company Western Australia Lithium Pty changed its corporate name to Covalent Lithium Pty Ltd., maintaining all share percentages.

On November 9, 2018, a capital increase was made in SQM Australia Pty Ltd. for ThUS\$2,670. All partners attended, maintaining all share percentages.

On November 29, 2018, a capital increase was made in SQM Australia Pty Ltd. for ThUS\$5,250. All partners attended, maintaining all share percentages.

On December 14, 2018, a capital increase was made in SQM Australia Pty Ltd. for ThUS\$83,500. All partners attended, maintaining all share percentages.

On December 18, 2018, Proinsa Ltda. sold to SQM Industrial S.A. 1 share in Agrorama S.A, thereby ending its participation in this company.

On December 18, 2018, SQMC Internacional Ltda. sold to Agrorama S.A. 1 share in Agrorama S.A.

**b) 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.

## 10) FINANCIAL REPORTS

### Note 8 Background on companies included in consolidation (continued)

#### 8.3 Detail of transactions between consolidated companies, continued

##### b) Transactions conducted in 2017, continued

On February 10, 2017, the subsidiary Compañía Minera Arfwedson SpA 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, SQM Trading was legally formed. A capital of ThUS\$3,080 was recorded as of June 30, 2018. The subsidiary is owned by the Company (0.58%) and Soquimich European Holding (99.42%). The transaction had no impact on the Company's consolidated results. Subsequent to its creation, this company changed its name to SQM International N.V.

SQM International N.V. (previously SQM Trading N.V.) was incorporated on July 31, 2017, born from the partial separation of SQM Europe N.V. into SQM Europe N.V. and SQM International N.V., both of which retained the same ownership structure as before. For tax purposes 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. The effects of this corporation are considered in the consolidated financial statements as of June 30, 2018.

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.

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.

10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation (continued)**

**8.3 Detail of transactions between consolidated companies, continued**

**c) Transactions conducted in 2017, continued**

On November 27, 2017, the corporation ACN 623 090 139 was created in Australia. It later changed its corporate name to Western Australia Lithium pty with a capital of 10 Australian dollars. The corporation is owned by SQM Australia Pty Ltd (50%) and non-related third parties (50%).

On December 26, 2017, the company SQM (Shanghai) Chemicals Co. Ltd. was legally formed. No capital contributions had been recorded as of December 31, 2018.

## 10) FINANCIAL REPORTS

**Note 8 Background on companies included in consolidation and non-controlling interests (continued)**

## 8.4 Background on 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 |            |       |
|--------------------------|--|---|------------|-----------------------------------|------------|---|------------|-------|
|                          |  | 12/31/2018  | 12/31/2017 | 12/31/2018                        | 12/31/2017 | 12/31/2018                                  | 12/31/2017 |       |
|                          |  | ThUS\$  | ThUS\$     | ThUS\$                            | ThUS\$     | ThUS\$                                      | ThUS\$     |       |
| Proinsa Ltda.            | 0.1  | %   | -          | -                                 | -          | -   | -          | -     |
| SQM Potasio S.A.         | 0.0000001  | %   | -          | -                                 | -          | -   | -          | -     |
| Ajay SQM Chile S.A.      | 49   | %   | 1,176      | 1,023                             | 8,659      | 8,306                                       | 823        | 989   |
| SQM Indonesia S.A.       | 20   | %   | -          | -                                 | 1          | 1   | -          | -     |
| Soquimich Comercial S.A. | 39.3616784   | %   | 1,375      | 100                               | 41,855     | 49,247                                      | 8,910      | 1,264 |
| Comercial Agrorama Ltda. | 30   | %   | (318 )     | (403 )                            | (481 )     | (184 )                                      | -          | -     |
| Agrorama S.A.            | 0.001  | %   | -          | -                                 | -          | -   | -          | -     |
| Orcoma Estudios SPA      | 49   | %   | -          | -                                 | 2,277      | 2,277                                       | -          | -     |
| SQM (Thailand) Limited.  | 0.004  | %   | -          | -                                 | -          | -   | -          | -     |
| Total                    |  |   | 2,233      | 720                               | 52,311     | 59,647                                      | 9,733      | 2,253 |

## 10) FINANCIAL REPORTS

## Note 9 Equity-accounted investees

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

As of December 31, 2018 and December 31, 2017, 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 |                      |
|-------------------------------------|----------------------------|----------------------|---|----------------------|--|----------------------|--|----------------------|
|                                     | 12/31/2018<br>ThUS\$       | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$  | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ |
| Abu Dhabi Fertilizer Industries WWL | 10,821                     | 15,936               | 596   | 1,483                | -  | -                    | 596  | 1,483                |
| Doktor Tarsa Tarim Sanayi AS        | 21,582                     | 21,788               | 241   | 6,427                | 489  | -                    | 730  | 6,427                |
| Ajay North America                  | 14,951                     | 14,432               | 3,728   | 3,677                | -  | -                    | 3,728  | 3,677                |
| Ajay Europe SARL                    | 7,845                      | 8,144                | 1,373   | 1,049                | (439 )   | 26                   | 934  | 1,075                |
| Charlee SQM Thailand Co, Ltd,       | -                          | 2,301                | 316   | 393                  | -  | -                    | 316  | 393                  |
| SQM Eastmed Turkey,                 | 310                        | -                    | 370   | (25 )                | (21 )  | -                    | 349  | (25 )                |
| Kore Potash Ltd,                    | 20,467                     | 20,000               | (1,543 )  | -                    | (1,206 )   | -                    | (2,749 )   | -                    |
| Total                               | 75,976                     | 82,601               | 5,081   | 13,004               | (1,177 )   | 26                   | 3,904  | 13,030               |

## 10) FINANCIAL REPORTS

## Note 9 Equity-accounted investees (continued)

## 9.1 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 |           |
|-------------------------------------|---|---|--------------------------|----------------------------------|--------------------|-----------|
|                                     |   |   |                          |                                  | 12/31/2018         | 3/31/2017 |
|                                     |   |   |                          |                                  | ThUS\$             | 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 %                             | 5,641              | -         |
| Doktor Tarsa Tarim Sanayi AS        | Distribution and commercialization of specialty plant nutrients in Turkey.          | Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya | Turkey                   | 50 %                             | -                  | -         |
| Ajay North America                  | Production and distribution of iodine derivatives.                                  | 1400 Industry RD Power Springs GA 30129                         | United States            | 49 %                             | 2,807              | 1,123     |
| Ajay Europe SARL                    | Production and commercialization of iodine derivatives.                             | Z,I, du Grand Verger BP 227 53602 Evron Cedex                   | France                   | 50 %                             | 811                | 968       |
| SQM Eastmed Turkey                  | Production and commercialization of specialty products.                             | Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya | Turkey                   | 50 %                             | -                  | -         |
| Charlee SQM Thailand                | Distribution and commercialization of specialty plant nutrients.                    | 31 Soi 138 (Meesuk) LLapdrawrd,                                 | Thailand                 | 40 %                             | 362                | -         |



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|                        |   |   |           |         |       |       |
|------------------------|---|---|-----------|---------|-------|-------|
| Co. Ltd.               |   | Bangkapi,<br>10240<br>Bangkok<br>L 3 88 |           |         |       |       |
| Kore<br>Potash<br>Ltd. | Prospecting, exploration and mining<br>development. | William St<br>Perth, was<br>6000        | Australia | 17,52 % | -     | -     |
| Total                  |   |   |           |         | 9,621 | 2,091 |

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## 10) FINANCIAL REPORTS

**Note 9 Equity-accounted investees (continued)****9.1 Investments in associates recognized according to the equity method of accounting, continued**

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
- (3) Abu Dhabi Fertilizer Industries WWL

| Company                                 | 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,<br>Luna Arena,<br>1101CM Amsterdam<br>PO Box 23393,<br>1100DW Amsterdam<br>Zuidoost | Holland                  | 50 %                             | - -                |
| Plantacote N,V, (1)                     | Sale of CRF and production and sales of WSNPK          | Houtdok-Noordkaai<br>25a, 2030<br>Antwerpen, Belgium  | Belgium                  | 100 %                            | - -                |
| Doktolab Tarim Arastima San, Tic As (1) | Laboratory services                                    | 27, Cd, No:2, 07190<br>Aosb 2,<br>Kısım/Döşemealtı,<br>Antalya, Turkey                                  | Turkey                   | 100 %                            | - -                |
| Terra Tarsa Ukraine LLC (2)             | Distribution and trading of specialty plant nutrients, | 74800 Ukraine,<br>Kakhovka, 4<br>Yuzhnaya Str,<br>Zorge Street, house                                   | Ukraine                  | 100 %                            | - -                |
| Terra Tarsa Don LLC (2)                 | Distribution and sale of specialty fertilizers         | 17, 344090,<br>Rostov-on-Don  | Russian Federation       | 100 %                            | - -                |
|   |  |   | Jordania                 | 50 %                             | - -                |

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|               |   |                 |
|---------------|---|-----------------|
| Internacional | Distribution and trading of specialty plant | P.O Box: 950918 |
| Technical     | nutrients, in the Middle East               | Amman 11195     |
| and Trading   |   |                 |
| Agenies Co.   |   |                 |
| WLL (3)       |   |                 |
| Total         |   | - -             |

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## 10) FINANCIAL REPORTS

## Note 9 Equity-accounted investees (continued)

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

12/31/2018

| Associate                              | Assets            |                       | Liabilities       |                       | Revenue<br>ThUS\$ | Gain (loss)<br>from<br>continuing<br>operations<br>ThUS\$ | Other<br>comprehensive<br>income<br>ThUS\$ | Comprehensive<br>income<br>ThUS\$ |
|--|-------------------|-----------------------|-------------------|-----------------------|-------------------|---|--|-----------------------------------|
|  | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |                   |   |  |                                   |
| Abu Dhabi Fertilizer<br>Industries WWL | 32,093            | 2,847                 | 5,695             | -                     | 33,098            | 1,611   | (1 )                                       | 1,610                             |
| Doktor Tarsa Tarim<br>Sanayi AS        | 66,498            | 12,242                | 27,067            | 8,509                 | 74,144            | 481   | 978  | 1,459                             |
| Ajay North America                     | 21,644            | 12,409                | 3,542             | -                     | 40,290            | 7,608   | -  | 7,608                             |
| Ajay Europe SARL                       | 21,219            | 1,214                 | 6,743             | -                     | 36,337            | 2,747   | (878 )                                     | 1,869                             |
| SQM Eastmed Turkey                     | 1,724             | 2,160                 | 1,829             | 1,434                 | 3,192             | 740   | (42 )                                      | 698                               |
| Kore Potash Ltda.                      | 6,659             | 148,426               | 2,180             | -                     | -                 | (8,198 )  | (6,882 )                                   | (15,080 )                         |
| Total                                  | 149,837           | 179,298               | 47,056            | 9,943                 | 187,061           | 4,989   | (6,825 )                                   | (1,836 )                          |

12/31/2017

| Associate                              | Assets            |                       | Liabilities       |                       | Revenue<br>ThUS\$ | Gain (loss)<br>from<br>continuing<br>operations<br>ThUS\$ | Other<br>comprehensive<br>income<br>ThUS\$ | Comprehensive<br>income<br>ThUS\$ |
|--|-------------------|-----------------------|-------------------|-----------------------|-------------------|---|--|-----------------------------------|
|  | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ |                   |   |  |                                   |
| Abu Dhabi Fertilizer<br>Industries WWL | 44,801            | 2,032                 | 3,764             | -                     | 35,131            | 4,008   | (4 )                                       | 4,004                             |
| Doktor Tarsa Tarim<br>Sanayi AS        | 81,057            | 10,731                | 36,960            | 11,251                | 75,269            | 12,854  | (4,367 )                                   | 8,487                             |
| 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   | 2,208                                      | 4,306                             |
| Charlee SQM Thailand<br>Co. Ltd.       | 8,585             | 712                   | 3,292             | 255                   | 13,618            | 981   | 414  | 1,395                             |
| SQM Eastmed Turkey                     | 3,981             | 2,671                 | 4,487             | 2,260                 | 2,389             | (49 )   | (12 )                                      | (61 )                             |
| Total                                  | 181,405           | 29,910                | 59,507            | 13,766                | 194,902           | 27,397  | (1,761 )                                   | 25,636                            |



## 10) FINANCIAL REPORTS

### **Note 9 Investment in Associates (continued)**

9.3

Other information

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

The Company has no investments that are not accounted for according to the equity method.

The equity method was applied to the Statement of Financial Position as of December 31, 2018 and December 31, 2017.

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.

9.4

Disclosures on interest in associates

#### **a) Transactions conducted in 2018:**

During the first quarter, SQM S.A. increased its capital in Kore Potash Ltd, by ThUS\$ 3,000.

In March 2018 the company Abu Dhabi Fertilizer Industries WLL paid dividends of ThUS\$ 10,890. 50% of the distributed dividend was charged to retained earnings subsequent to 2014, in line with the Company's statutes that establish that 37% of the distributed dividend corresponds to SQM. The remaining 50% was charged to retained earnings generated between 2004 and 2014, in line with the Company's statutes that establish that 50% of the distributed dividend corresponds to SQM.

In March 2018 the company Ajay North America paid dividends of ThUS\$ 1,432.

In June 2018, the associate company Doktor Tarsa Tarim, made a capital increase of 86 million Turkish Lira (ThUS\$ 18,753), which was generated by the reclassification of retained earnings.

In June 2018 the company Abu Dhabi Fertilizer Industries WLL paid dividends of ThUS\$ 4,348. 50% of the distributed dividend was charged to retained earnings subsequent to 2014, in line with the Company's statutes that establish that 37% of the distributed dividend corresponds to SQM. The remaining 50% was charged to retained earnings generated between 2004 and 2014, in line with the Company's statutes that establish that 50% of the distributed dividend corresponds to SQM.

In June 2018 the company Ajay North America paid dividends of ThUS\$1,432.

In June 2018 the company Ajay North Europe SARL paid dividends of ThUS\$1,622.

In June 2018 the company Charlee SQM Thailand Co. Ltd. paid dividends of ThUS\$906.

In September 2018, the company Ajay North America paid dividends of ThUS\$1,432.

10) FINANCIAL REPORTS

**Note 9 Investment in Associates (continued)**

**9.4 Disclosures on interest in associates, continued**

**a) Transactions conducted in 2018, continued:**

In September 2018 the company Ajay North America paid total dividends of ThUS\$1,432.

On November 14, 2018, Soquimich European Holdings B.V. sold its share in Charlee SQM Thailand Co. Ltd., generating a loss of ThUS\$759.

In 2018, the company Doktor Tarsa Tarim Sanayi Ve Ticaret A.S., changed its functional currency from Turkish Lira to the United States Dollar.

In December 2018 the company Ajay North America paid total dividends of ThUS\$1.432.

**b) 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.



## 10) FINANCIAL REPORTS

### Note 10 Joint Ventures

#### 10.1 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. (See Note 3.22)

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.

#### 10.2 Disclosures of interest in joint ventures

##### a) Operations conducted in 2018

During the first quarter of 2018, Minera Exar S.A. increased its capital by ThUS\$13,000. The entity is a joint venture and contributions were made on January 25, 2018 (ThUS\$6,000) and February 14, 2018 (ThUS\$7,000) by SQM Potasio S.A. and Lithium Americas Corporation (LAC). Both partners share 50% ownership of the respective company, each contributing the same share in these capital increases.

On March 14, 2018, the company SQM Vitas Plantacote B.V. was closed.

As of the date of the presentation of these financial statements, Minera Exar S.A. has changed its functional currency from the Argentine peso to the United States dollar.

In April 2018, Minera Exar made a new capital increase of ThUS\$7,000, which was contributed in equal parts by its partners.

On May 15, 2018, the subsidiary Soquimich European Holdings BV, signed a joint venture agreement with PAVONI & C., SpA in Italy. EUR5.5 million were paid for a 50% share, generating a lower value of EUR2,602,180. The functional currency of the joint venture is the Euro.

## 10) FINANCIAL REPORTS

### Note 10 Joint Ventures (continued)

#### 10.2 Disclosures of interest in joint ventures, continued

On December 31, 2018, the conditions were met for Covalent Lithium Pty Ltd. to be recognized as a separate joint venture. In previous years, the Financial Statements for this Company were included in those of SQM Australia Pty.

On December 31, 2018, as part of the investment in Pavoni & C., SpA, the goodwill generated in the purchase of this joint venture was classified, a sum of ThUS\$3,206.

In December 2018, SQM S.A. sold the share it held in Minera Exar S.A. generating a pre-tax profit of ThUS\$14,507, which was presented in the Consolidated Statement of Income by Function in Other income (losses) (See Note 27.6)

The subsidiary SQM Industrial S.A., has recorded an impairment loss of ThUS\$8,802, corresponding to its Sichuan SQM-Migao Chemical Fertilizer Co. Ltd. joint venture. The impairment is disclosed by deducting the value of the aforementioned investment, in the caption "Equity method investments".

#### b) Operations conducted in 2017

On December 1, 2017, SQM Potasio S.A. recognized the goodwill 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.

## 10) FINANCIAL REPORTS

**Note 10 Joint Ventures (continued)**

## 10.3 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 | 12/31/2018 | 12/31/2017 |
|--|--|---|--------------------------|--------------------------------|--------------------|------------|------------|
|  |  |   |                          |                                |                    | ThUS\$     | ThUS\$     |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltda. (1) | 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.                               | Without information  | Herikerbergweg 238, 1101 CM Amsterdam   | Holland                  | 50 %                           | -                  | -          | -          |
| Pavoni & C.,Spa                                      | Production of specialized fertilizers and other products for distribution in Italy and other countries | Zuidoost Corso Italia 172, 95129 Catania (CT), Sicily                                     | Italy                    | 50 %                           | -                  | -          | -          |
| Covalent Lithium Pty                                 | development and operation of the Mt Holland Lithium project, which will include the                    | L18, 109 St. Georges Tce  | Australia                | 50 %                           | -                  | -          | -          |

|      |  |  |
|------|--|--|
| Ltd. | construction of a lithium extraction and refining mine | Perth WA 6000<br>PO Box Z5200<br>St Georges Tce<br>Perth WA 6831 |
|------|--|--|

(1) December 31, 2018, these joint ventures are classified as Non-current assets or groups of assets classified as held for sale. See Note 33.

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## 10) FINANCIAL REPORTS

## Note 10 Joint Ventures (continued)

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

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

|   | (1)  | (2) | (3) | SQM Vitas Fzco.<br>Pavoni & C Spa.<br>SQM Vitas Holland B.V. |   |                             |                                      |                       |
|---|--|-----|-----|--|---|-----------------------------|--------------------------------------|-----------------------|
|   |  |     |     |  | Domicile  | Country of<br>incorporation | Share of<br>interest in<br>ownership | Dividends<br>received |
| SQM Vitas<br>Brazil<br>Agroindustria<br>(1) | Production and<br>commercialization of<br>specialty plant and animal<br>nutrition and industrial<br>hygiene,   |     |     |  | Via Cndeias, Km, 01<br>Sem Numero, Lote 4,<br>Bairro Cia Norte,<br>Candeias, Bahia, | Brazil                      | 49.99                                | % - -                 |
| SQM Vitas Peru<br>S.A.C (1),                | Production and<br>commercialization of<br>specialty plant and animal<br>nutrition and industrial<br>hygiene    |     |     |  | Av, Juan de Arona<br>187, Torre B, Oficina<br>301-II, San Isidro,<br>Lima           | Peru                        | 50                                   | % - -                 |
| Arpa Speciali<br>S.R.L. (2)                 | Production of specialty<br>fertilizers and other products<br>for distribution in Italy and<br>other countries. |     |     |  | Mantova (MN) via<br>Cremona 27 Int. 25  | Italy                       | 50.48                                | % - -                 |
| SQM Vitas<br>Plantacote B.V.<br>(3)         | Production and<br>commercialization of<br>controlled-released<br>fertilizers                                   |     |     |  | Herikerbergweg 238,<br>1101 CM Amsterdam<br>Zuidoost                                | Holland                     | 50                                   | % - -                 |

## Joint Venture

## Final reporting period date Accounting method

|                      |                   |               |
|----------------------|-------------------|---------------|
| Coromandel SQM India | December 31, 2018 | Equity method |
| SQM Vitas Fzco.      | December 31, 2018 | Equity method |

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|   |                   |               |
|---|-------------------|---------------|
| SQM Star Qingdao Corp Nutrition Co., Ltd. | December 31, 2018 | Equity method |
| SQM Vitas Brazil Agroindustria            | December 31, 2018 | Equity method |
| SQM Vitas Perú S.A.C.                     | December 31, 2018 | Equity method |
| SQM Vitas Holland B.V.                    | December 31, 2018 | Equity method |
| Pavoni & C. Spa.                          | December 31, 2018 | Equity method |
| Arpa Speciali S.R.L.                      | December 31, 2018 | Equity method |
| Covalent Lithium Pty Ltd.                 | December 31, 2018 | Equity method |

## 10) FINANCIAL REPORTS

## Note 10 Joint Ventures (continued)

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

| Joint Venture                                       | Equity-accounted investees   |                      | Share in profit (loss) of associates and joint ventures accounted for using the equity method                    |                      |
|---|--|----------------------|--|----------------------|
|   | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. (1) | 1,992  | 11,444               | (650 )   | (535 )               |
| Coromandel SQM India                                | 1,729  | 1,633                | 174  | 165                  |
| SQM Vitas Fzco.                                     | 20,202   | 19,478               | 1,781  | 1,502                |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.           | 3,168  | 2,980                | 188  | 361                  |
| SQM Vitas Holland                                   | 1,345  | 1,429                | (14 )  | (18 )                |
| Minera Exar S.A. (1)                                | -  | 33,065               | (206 )   | (27 )                |
| Pavoni & C., Spa                                    | 7,084  | -                    | (39 )  | -                    |
| Covalent Lithium Pty Ltd.                           | 53   | -                    | 36   | -                    |
| Total   | 35,573   | 70,029               | 1,270  | 1,448                |
| 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 |                      |
|   | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. (1) | -  | -                    | (650 )   | (535 )               |
| Coromandel SQM India                                | -  | -                    | 174  | 165                  |
| SQM Vitas Fzco.                                     | -  | (5 )                 | 1,781  | 1,497                |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.           | 1  | -                    | 189  | 361                  |
| SQM Vitas Holland                                   | -  | -                    | (14 )  | (18 )                |
| Minera Exar S.A. (1)                                | (1 )   | -                    | (206 )   | (27 )                |
| Pavoni & C., Spa                                    | -  | -                    | (40 )  | -                    |
| Covalent Lithium Pty Ltd.                           | -  | -                    | 53   | -                    |
| Total   | -  | (5 )                 | 1,287  | 1,443                |



(1) As of December 31, 2018, the table below does not present investments in joint ventures transferred to the item non-current assets or groups of assets classified as held for sale. For more information, see Note 33.

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## 10) FINANCIAL REPORTS

## Note 10 Joint Ventures (continued)

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

| Joint Venture                     | Equity-accounted investees |                      | Share in profit (loss) of associates and joint ventures accounted for using the equity method |                      |
|-----------------------------------|----------------------------|----------------------|---|----------------------|
|                                   | 12/31/2018<br>ThUS\$       | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$  | 12/31/2017<br>ThUS\$ |
| SQM Vitas Brazil Agroindustria(1) | 12,405                     | 11,003               | 2,879   | 1,753                |
| SQM Vitas Peru S.A.C (1)          | 5,188                      | 5,961                | (550 )  | (216 )               |
| SQM Vitas Plantacote B.V. (2)     | -                          | 669                  | -   | (1 )                 |
| Arpa Speciali S.R.L. (3)          | 122                        | -                    | (88 )   | -                    |
| Total                             | 17,715                     | 17,633               | 2,241   | 1,536                |

| 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 |                      |
|-----------------------------------|--|----------------------|--|----------------------|
|                                   | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ | 12/31/2018<br>ThUS\$   | 12/31/2017<br>ThUS\$ |
| SQM Vitas Brazil Agroindustria(1) | (661 )   | (51 )                | 779  | 826                  |
| SQM Vitas Peru S.A.C (1)          | -  | -                    | (275 )   | (108 )               |
| SQM Vitas Plantacote B.V. (2)     | -  | -                    | -  | (1 )                 |
| Arpa Speciali S.R.L. (3)          | -  | -                    | -  | -                    |
| Total                             | (661 )   | (51 )                | 504  | 717                  |

The following companies are subsidiaries of

- |     |                   |
|-----|-------------------|
| (1) | SQM Vitas Fzco.   |
| (2) | SQM Vitas Holland |
| (3) | Pavoni & C. SPA   |



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|   |         |         |         |       |         |        |        |        |
|---|---------|---------|---------|-------|---------|--------|--------|--------|
| 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 )  |
| Total                                     | 142,142 | 115,938 | 106,618 | 6,179 | 147,286 | 4,433  | (110 ) | 4,323  |

## 10) FINANCIAL REPORTS

## Note 10 Joint Ventures (continued)

10.5

Other Joint Venture disclosures:

|   | Cash and cash equivalents |            | Other current financial liabilities |            | Other non-current financial liabilities |            |
|---|---------------------------|------------|-------------------------------------|------------|---|------------|
|   | 12/31/2018                | 12/31/2017 | 12/31/2018                          | 12/31/2017 | 12/31/2018                              | 12/31/2017 |
|   | ThUS\$                    | ThUS\$     | ThUS\$                              | ThUS\$     | ThUS\$                                  | ThUS\$     |
| Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | 106                       | 6,198      | -                                   | -          | -                                       | -          |
| Coromandel SQM India                            | 308                       | 1,118      | -                                   | -          | -                                       | -          |
| SQM Vitas Fzco.                                 | 19,312                    | 15,307     | -                                   | -          | -                                       | -          |
| SQM Star Qingdao Corp. Nutrition Co. Ltd.       | 4,543                     | 3,675      | -                                   | -          | -                                       | -          |
| SQM Vitas Brazil Agroindustria                  | 1,869                     | 5,139      | 13,380                              | 7,342      | -                                       | -          |
| SQM Vitas Peru S.A.C.                           | 371                       | 687        | 3,819                               | 2,215      | 801                                     | 1,372      |
| SQM Vitas Holland B.V                           | 2,692                     | 2,190      | -                                   | -          | -                                       | -          |
| SQM Vitas Plantacote B.V                        | -                         | 679        | -                                   | -          | -                                       | -          |
| Minera Exar S.A.                                | -                         | 9,189      | -                                   | -          | -                                       | -          |
| Pavoni &C., Spa                                 | 407                       | -          | 5,464                               | -          | -                                       | -          |
| Arpa Speciali S.R.L.                            | -                         | -          | -                                   | -          | -                                       | -          |
| Covalent Lithium Pty Ltd.                       | 156                       | -          | -                                   | -          | -                                       | -          |
| Total   | 29,764                    | 44,182     | 22,663                              | 9,557      | 801                                     | 1,372      |

## Interest expense

|   | 12/31/2018                                      |        | 12/31/2017 |          | 12/31/2018 |        | 12/31/2017 |     |
|---|---|--------|------------|----------|------------|--------|------------|-----|
|   | ThUS\$  | ThUS\$ | ThUS\$     | ThUS\$   | ThUS\$     | ThUS\$ | ThUS\$     |     |
|   | Sichuan SQM Migao Chemical Fertilizers Co. Ltd. | (948   | ) (696     | ) (1     | ) (25      | ) 97   |            | 303 |
| Coromandel SQM India                      | 445   | -      | (9         | ) (16    | ) (38      | ) (485 | )          |     |
| SQM Vitas Fzco.                           | (509  | ) (553 | ) (8       | ) (19    | ) -        |        | -          |     |
| SQM Star Qingdao Corp. Nutrition Co. Ltd. | (67   | ) (68  | ) -        | -        | (187       | ) (174 | )          |     |
| SQM Vitas Brazil Agroindustria            | (408  | ) (453 | ) (886     | ) (1,253 | ) (117     | ) (283 | )          |     |
| SQM Vitas Peru S.A.C,                     | (347  | ) (375 | ) (425     | ) (432   | ) (230     | ) (214 | )          |     |
| SQM Vitas Holland B.V                     | -   | -      | -          | -        | -          | -      | -          |     |
| SQM Vitas Plantacote B.V                  | -   | -      | -          | (1       | ) -        |        | -          |     |
| Minera Exar S.A.                          | -   | (523   | ) -        | (32      | ) -        |        | (620       | )   |
| Pavoni & C., Spa                          | (542  | ) -    | (335       | ) -      | -          |        | -          |     |

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|                           |          |          |          |          |        |          |
|---------------------------|----------|----------|----------|----------|--------|----------|
| Arpa Speciali S.R.L.      | -        | -        | -        | -        | -      | -        |
| Covalent Lithium Pty Ltd. | (16 )    | -        | (5 )     | -        | (46 )  | -        |
| Total                     | (2,392 ) | (2,668 ) | (1,669 ) | (1,778 ) | (521 ) | (1,473 ) |

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.

## 10) FINANCIAL REPORTS

## Note 11 Cash and cash equivalents

## 11.1 Types of cash and cash equivalents

As of December 31, 2018 and December 31, 2017, cash and cash equivalents are detailed as follows:

**a) Cash**

|                       | 12/31/2018 | 12/31/2017 |
|-----------------------|------------|------------|
|                       | ThUS\$     | ThUS\$     |
| Cash on hand          | 75         | 60         |
| Cash in banks         | 101,662    | 50,137     |
| Other demand deposits | 746        | 1,530      |
| Total cash            | 102,483    | 51,727     |

**b) Cash equivalents**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Short-term deposits, classified as cash equivalents    | 187,666    | 290,914    |
| Short-term investments, classified as cash equivalents | 265,917    | 287,797    |
| Total cash equivalents                                 | 453,583    | 578,711    |
| Total cash and cash equivalents                        | 556,066    | 630,438    |

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

As of December 31, 2018 and December 31, 2017, the short-term investments classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

| Institution | 12/31/2018 | 12/31/2017 |
|-------------|------------|------------|
|             | ThUS\$     | ThUS\$     |

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|  |         |         |
|--|---------|---------|
| Legg Mason - Western Asset Institutional Cash Reserves | 132,108 | 144,464 |
| JP Morgan US dollar Liquidity Fund Institutional       | 133,809 | 143,333 |
| Total  | 265,917 | 287,797 |

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



## 10) FINANCIAL REPORTS

**Note 11 Cash and cash equivalents (continued)**

## 11.3 Information on cash and cash equivalents by currency

As of December 31, 2018 and December 31, 2017, information on cash and cash equivalents by currency is detailed as follows:

|                              | 12/31/2018 | 12/31/2017 |
|------------------------------|------------|------------|
| Original currency            | ThUS\$     | ThUS\$     |
| Chilean Peso (*)             | 157,500    | 579        |
| US Dollar                    | 353,037    | 612,727    |
| Euro                         | 4,739      | 9,782      |
| Mexican Peso                 | 1,242      | 258        |
| South African Rand           | 5,843      | 4,074      |
| Japanese Yen                 | 1,786      | 1,773      |
| Peruvian Sol                 | 7          | 8          |
| Brazilian Real               | -          | 38         |
| Chinese Yuan                 | 2,305      | 1,143      |
| Dírhham United Arab Emirates | 1          | -          |
| Indian rupee                 | 3          | -          |
| Argentine Peso               | 2          | 1          |
| Pound Sterling               | 3          | 55         |
| Australian dollar            | 29,598     | -          |
| Total                        | 556,066    | 630,438    |

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

## 11.4 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, 2018 and December 31, 2017, restricted cash balances are presented in Note 14.



## 10) FINANCIAL REPORTS

**Note 11 Cash and cash equivalents (continued)**

## 11.5 Short-term deposits, classified as cash equivalents

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

| <b>2018</b>                    |                 |                   |               |                |                 |  | <b>Principal</b> | <b>Interest</b>        |                 |
|--------------------------------|-----------------|-------------------|---------------|----------------|-----------------|--|------------------|------------------------|-----------------|
| <b>Receiver of the deposit</b> | Type of deposit | Original Currency | Interest rate | Placement date | Expiration date |  | <b>ThUS\$</b>    | <b>accrued to-date</b> | <b>12/31/18</b> |
|                                |                 |                   |               |                |                 |  |                  | <b>ThUS\$</b>          | <b>ThUS\$</b>   |
| Scotiabank                     | Fixed term      | Ch\$              | 2.50          | 10/18/2018     | 1/16/2019       |  | 14,606           | 90                     | 14,696          |
| Banco Crédito e Inversiones    | Fixed term      | Ch\$              | 2.55          | 11/6/2018      | 1/9/2019        |  | 19,632           | 92                     | 19,724          |
| Scotiabank                     | Fixed term      | Ch\$              | 2.55          | 11/30/2018     | 1/3/2019        |  | 14,393           | 38                     | 14,431          |
| Scotiabank                     | Fixed term      | Ch\$              | 2.55          | 12/3/2018      | 1/3/2019        |  | 11,515           | 27                     | 11,542          |
| Itau-Corpbanca                 | Fixed term      | Ch\$              | 2.50          | 12/3/2018      | 1/3/2019        |  | 14,393           | 34                     | 14,427          |
| Itau-Corpbanca                 | Fixed term      | Ch\$              | 2.50          | 12/7/2018      | 1/9/2019        |  | 14,393           | 29                     | 14,422          |
| Itau-Corpbanca                 | Fixed term      | Ch\$              | 2.50          | 12/10/2018     | 1/9/2019        |  | 12,954           | 23                     | 12,977          |
| Scotiabank                     | Fixed term      | Ch\$              | 2.35          | 12/10/2018     | 1/9/2019        |  | 12,954           | 21                     | 12,975          |
| Itau-Corpbanca                 | Fixed term      | US\$              | 3.06          | 12/11/2018     | 1/11/2019       |  | 1,300            | 2                      | 1,302           |
| Banco Estado                   | Fixed term      | US\$              | 2.75          | 12/12/2018     | 1/15/2019       |  | 1,000            | 1                      | 1,001           |
| Itau-Corpbanca                 | Fixed term      | Ch\$              | 2.50          | 12/14/2018     | 1/9/2019        |  | 14,392           | 20                     | 14,412          |
| Scotiabank                     | Fixed term      | Ch\$              | 2.65          | 12/17/2018     | 1/17/2019       |  | 14,393           | 18                     | 14,411          |
| Scotiabank                     | Fixed term      | Ch\$              | 2.60          | 12/17/2018     | 1/17/2019       |  | 10,892           | 13                     | 10,905          |
| Banco Crédito e Inversiones    | Fixed term      | US\$              | 2.93          | 12/17/2018     | 1/31/2019       |  | 1,400            | 2                      | 1,402           |
| Itau-Corpbanca                 | Fixed term      | US\$              | 3.30          | 12/17/2018     | 1/31/2019       |  | 1,400            | 2                      | 1,402           |
| Itau-Corpbanca                 | Fixed term      | US\$              | 3.40          | 12/17/2018     | 1/31/2019       |  | 3,000            | 4                      | 3,004           |
| Banco de Chile                 | Fixed term      | US\$              | 3.06          | 12/17/2018     | 1/31/2019       |  | 1,700            | 2                      | 1,702           |
| Scotiabank Sud Americano       | Fixed term      | US\$              | 2.95          | 12/17/2018     | 1/31/2019       |  | 1,500            | 2                      | 1,502           |
| Banco de Chile                 | Fixed term      | US\$              | 3.26          | 12/19/2018     | 1/31/2019       |  | 800              | 1                      | 801             |
| Banco Crédito e Inversiones    | Fixed term      | US\$              | 3.42          | 12/26/2018     | 2/26/2019       |  | 2,800            | 1                      | 2,801           |
| Banco de Chile                 | Fixed term      | US\$              | 3.26          | 12/26/2018     | 2/26/2019       |  | 2,800            | 1                      | 2,801           |
| Scotiabank Sud Americano (*)   | Fixed term      | Ch\$              | 0.26          | 12/27/2018     | 1/7/2019        |  | 1,439            | 1                      | 1,440           |

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|                                 |            |      |      |            |           |         |     |       |
|---------------------------------|------------|------|------|------------|-----------|---------|-----|-------|
| Scotiabank Sud<br>Americano (*) | Fixed term | Ch\$ | 0.26 | 12/27/2018 | 1/14/2019 | 2,879   | 1   | 2,880 |
| Scotiabank Sud<br>Americano (*) | Fixed term | Ch\$ | 0.26 | 12/27/2018 | 1/21/2019 | 1,439   | 1   | 1,440 |
| Banco Estado                    | Fixed term | US\$ | 3.15 | 12/28/2018 | 1/28/2019 | 2,000   | 1   | 2,001 |
| Banco Estado                    | Fixed term | US\$ | 3.15 | 12/28/2018 | 1/28/2019 | 600     | -   | 600   |
| Banco de Chile                  | Fixed term | US\$ | 3.16 | 12/28/2018 | 1/28/2019 | 2,000   | 1   | 2,001 |
| Banco Crédito e<br>Inversiones  | Fixed term | US\$ | 2.53 | 12/28/2018 | 1/8/2019  | 1,000   | -   | 1,000 |
| Banco Crédito e<br>Inversiones  | Fixed term | US\$ | 3.08 | 12/28/2018 | 1/28/2019 | 2,500   | 1   | 2,501 |
| Banco Santander-<br>Santiago    | Fixed term | Ch\$ | 0.20 | 12/28/2018 | 1/4/2019  | 432     | -   | 432   |
| BBVA Banco Francés              | Fixed term | US\$ | -    | 12/31/2018 | 1/21/2019 | 81      | 3   | 84    |
| Nedbank                         | On demand  | US\$ | -    | 12/31/2018 | 1/1/2019  | 647     | -   | 647   |
| Total                           |            |      |      |            |           | 187,234 | 432 | 187,6 |

(\*) Corresponds to monthly rate..

## 10) FINANCIAL REPORTS

## Note 11 Cash and cash equivalents (continued)

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

| 2017                        | Type of deposit | Original Currency | Interest rate | Placement date | Expiration date | Principal ThUS\$ | Interest accrued to-date ThUS\$ | 12/31/17 ThUS\$ |
|-----------------------------|-----------------|-------------------|---------------|----------------|-----------------|------------------|---------------------------------|-----------------|
| Receiver of the deposit     |                 |                   |               |                |                 |                  |                                 |                 |
| Scotiabank Sud Americano    | Fixed term      | Ch\$              | 0.24          | 11/21/2017     | 1/02/2018       | 8,943            | 30                              | 8,973           |
| Banco Itau Chile            | Fixed term      | Ch\$              | 0.24          | 11/28/2017     | 1/02/2018       | 15,652           | 41                              | 15,69           |
| Banco Itau Chile            | Fixed term      | Ch\$              | 0.24          | 11/28/2017     | 1/02/2018       | 15,652           | 41                              | 15,69           |
| Banco BBVA Chile            | Fixed term      | Ch\$              | 0.23          | 11/28/2017     | 1/02/2018       | 15,652           | 40                              | 15,69           |
| Banco BBVA Chile            | Fixed term      | Ch\$              | 0.23          | 11/28/2017     | 1/02/2018       | 15,652           | 40                              | 15,69           |
| Banco Itau Chile            | Fixed term      | Ch\$              | 0.25          | 11/29/2017     | 2/27/2018       | 18,857           | 50                              | 18,90           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/12/2017     | 1/11/2018       | 15,982           | 26                              | 16,00           |
| 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                              | 16,00           |
| 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                              | 19,80           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/14/2017     | 1/16/2018       | 15,665           | 23                              | 15,68           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/14/2017     | 1/16/2018       | 11,488           | 17                              | 11,50           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/15/2017     | 1/16/2018       | 15,568           | 22                              | 15,59           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/15/2017     | 1/16/2018       | 15,568           | 22                              | 15,59           |
| Banco Crédito e Inversiones | Fixed term      | Ch\$              | 0.26          | 12/15/2017     | 1/16/2018       | 15,568           | 22                              | 15,59           |
| 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                              | 15,02           |

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|                             |            |      |      |            |           |         |     |         |
|-----------------------------|------------|------|------|------------|-----------|---------|-----|---------|
| 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 | 1/04/2018 | 1,301   | -   | 1,301   |
| Scotiabank Sud Americano    | Fixed term | Ch\$ | 0.21 | 12/29/2017 | 1/05/2018 | 976     | -   | 976     |
| Scotiabank Sud Americano    | Fixed term | Ch\$ | 0.21 | 12/29/2017 | 1/05/2018 | 569     | -   | 569     |
| Banco Santander - Santiago  | Fixed term | US\$ | 2.45 | 12/06/2017 | 1/05/2018 | 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 | 1/04/2018 | 2,300   | 1   | 2,301   |
| Banco Santander - Santiago  | Fixed term | US\$ | 2.88 | 12/27/2017 | 1/04/2018 | 2,300   | 1   | 2,301   |
| Banco BBVA Chile            | Fixed term | US\$ | 2.80 | 12/27/2017 | 1/04/2018 | 1,400   | -   | 1,400   |
| BBVA Banco Francés          | Fixed term | US\$ | 0.19 | 12/11/2017 | 1/31/2018 | 163     | -   | 163     |
| Nedbank                     | On demand  | US\$ | -    | 12/01/2017 | 1/31/2018 | 3,686   | -   | 3,686   |
| ABN Amro Bank               | Fixed term | US\$ | -    | 12/31/2017 | 1/02/2018 | 1,439   | -   | 1,439   |
| Total                       |            |      |      |            |           | 290,397 | 517 | 290,914 |

## 10) FINANCIAL REPORTS

**Note 11 Cash and cash equivalents (continued)**

## 11.6 Other information

## Net Debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

**Net debt**

|  | 12/31/2018  | 12/31/2017  |
|--|-------------|-------------|
|  | ThUS\$      | ThUS\$      |
| Cash and cash equivalents                                    | 556,066     | 630,438     |
| Other current financial assets                               | 312,721     | 366,979     |
| Other non-current financial hedge assets                     | 13,425      | 8,910       |
| Borrowings - repayable within one year (including overdraft) | (23,585 )   | (220,328 )  |
| Borrowings - repayable after one year                        | (1,330,382) | (1,031,507) |
| Net debt   | (471,755 )  | (245,508 )  |
| <br>   |             |             |
| Cash and liquid investments                                  | 882,212     | 1,006,327   |
| Gross debt - fixed interest rates                            | (1,353,967) | (1,251,835) |
| Net debt   | (471,755 )  | (245,508 )  |

## 10) FINANCIAL REPORTS

## Note 12 Inventories

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

| Type of inventory                | <b>12/31/2018</b> | <b>12/31/2017</b> |
|----------------------------------|-------------------|-------------------|
|                                  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Raw material reserves            | 6,764             | 9,364             |
| Supplies for production reserves | 26,840            | 22,257            |
| Products-in-progress reserves    | 423,621           | 456,333           |
| Finished product reserves        | 456,449           | 414,120           |
| Total                            | 913,674           | 902,074           |

As of December 31, 2018, the Company has inventory of caliche ore (in piles or undergoing leaching process) available for processing valued at ThUS\$347,100 and ThUS\$333,194 as of December 31, 2017, (included in work in progress).

Inventory reserves recognized as of December 31, 2018 amount to ThUS\$105,282, and ThUS\$96,284 as of December 31, 2017. For finished and in-process products, the provisions constituted include the provision associated with the lower value of stock (considers lower realizable value, uncertain future use, reprocessing costs, etc.), inventory differences and potential errors in the determination of inventories (e.g., errors in topography, grade, humidity, etc.), see Note 3.18.

For inventories of raw materials, supplies, materials and parts, lower value provisions have been associated with the proportion of obsolete, defective or slow-moving materials and potential differences.

The breakdown of inventory reserves is detailed as follows:

| Type of inventory | <b>12/31/2018</b> | <b>12/31/2017</b> |
|-------------------|-------------------|-------------------|
|-------------------|-------------------|-------------------|



|                               | <b>ThUS\$</b> | <b>ThUS\$</b> |
|-------------------------------|---------------|---------------|
| Raw material reserves         | 1,838         | 93            |
| Products-in-progress reserves | 82,673        | 80,249        |
| Finished product reserves     | 20,771        | 15,942        |
| Total                         | 105,282       | 96,284        |

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

## 10) FINANCIAL REPORTS

**Note 12 Inventories (continued)**

As of December 31, 2018 and, 2017, movements in provisions are detailed as follows:

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| <b>Conciliation</b>                                     |            |            |
| Beginning balance                                       | 96,284     | 81,295     |
| Increase in Lower Value (1)                             | 7,845      | 19,515     |
| Additional Provision Differences of Inventory. (2)      | 3,176      | 573        |
| Increase / Decrease eventual differences and others (3) | 2,436      | (178 )     |
| Provision Used  | (4,459 )   | (4,921 )   |
| Total changes   | 8,998      | 14,989     |
| Final balance   | 105,282    | 96,284     |

(1) There are three types of Lower Value Provisions: Economic Realizable Lower Value, Potential Inventory with Uncertain Future Use and Reprocessing Costs of Off-Specification Products.

Provisions for Inventory Differences generated when physical differences are detected when taking inventory, (2) which exceed the tolerance levels for this process. At least two annual inventories are taken in the production sites and in the port in Chile (“zero sum” systems have immediate potential adjustments).

This algorithm corresponds to diverse provision percentages based on the complexity in the measurement and (3) rotation of stock, as well as standard differences based on previous profit and loss, as is the case with provisions in Commercial Offices.

## 10) FINANCIAL REPORTS

### Note 13 Related party disclosures

#### 13.1 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.

#### 13.2 Relationships between the parent and the entity

Pursuant to Article 99 of Law No. 18,045 of the Securities Market (the "Securities Market Law"), the Commission for Financial Market (the "CMF") may determine that a company does not have a controller in accordance with the distribution and dispersion of its ownership. On November 30, 2018, the CMF issued the ordinary letter No. 32.131 whereby it determined that Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Inversiones Global Mining (Chile) Limitada (the "Pampa Group"), do not exert decisive power over the management of the Company since it does not have a predominance in the ownership that allows it to make management decisions. Therefore, the CMF has determined not to consider Grupo Pampa the controller of the Company and that the Company does not have a controller given its current ownership structure.

## 10) FINANCIAL REPORTS

**Note 13 Related party disclosures (continued)**

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

As of December 31, 2018 and December 31, 2017, 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.              | Panama            | US\$                | Subsidiary |
| Foreign    | SQM Africa Pty Ltd,                              | South Africa      | US\$                | Subsidiary |
| Foreign    | SQM Colombia SAS                                 | Colombia          | US\$                | Subsidiary |
| Foreign    | SQM Internacional N.V.                           | Belgium           | US\$                | Subsidiary |
| Foreign    | SQM (Shanghai) Chemicals Co. Ltd.                | China             | US\$                | Subsidiary |
| Foreign    | SQM Lithium Specialties LLC                      | United States     | US\$                | Subsidiary |

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|              |   |           |                   |            |
|--------------|---|-----------|-------------------|------------|
| Foreign      | SQM Iberian S.A.  | Spain     | 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 |
| 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 |

## 10) FINANCIAL REPORTS

**Note 13 Related party disclosures (continued)****13.3 Detailed identification of the link between the Parent and subsidiary, continued**

As of December 31, 2018 and December 31, 2017, 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                |
|--------------|---|-------------------|----------------------|-----------------------|
| 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            | US\$                 | 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. (1)                             | 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      | Minera Exar S.A. (2)  | Argentina         | US\$                 | Joint control         |
| Foreign      | Covalent Lithium Pty Ltd.                                     | Australia         | Australian dollar    | Joint venture         |
| Foreign      | Pavoni & C, SPA   | Italy             | Euro                 | Joint venture         |
| 96,511,530-7 | Sociedad de Inversiones Pampa Calichera                       | Chile             | US\$                 | Other related parties |
| 96,529,340-k | Norte Grande S.A.   | Chile             | Chilean peso         | Other related parties |
| 79,049,778-9 | Callegari Agricola S.A.                                       | Chile             | Chilean peso         | Other related parties |

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|         |   |                    |                             |                       |
|---------|---|--------------------|-----------------------------|-----------------------|
| Foreign | SQM Vitas Brazil Agroindustria (3)                      | Brazil             | US\$                        | Other related parties |
| Foreign | SQM Vitas Peru S.A.C. (3)                               | Peru               | US\$                        | Other related parties |
| Foreign | Terra Tarsa B.V. (4)                                    | Holland            | Euro                        | Other related parties |
| Foreign | Plantacote N.V (4)                                      | Belgium            | Euro                        | Other related parties |
| Foreign | Doktolab Tarim Arastima San. Tic As (4)                 | Turkey             | Turkish Lira                | Other related parties |
| Foreign | Terra Tarsa Ukraine LLC (4)                             | Ukraine            | Ukrainian Grivna            | Other related parties |
| Foreign | Terra Tarsa Don LLC (4)                                 | Russian Federation | Russian ruble               | Other related parties |
| Foreign | Abu Dhabi Fertilizer Industries WLL                     | Oman               | United Arab Emirates dirham | Other related parties |
| Foreign | Internacional Technical and Trading Agencies CO WLL (5) | Jordan             | United Arab Emirates dirham | Other related parties |
| Foreign | Arpa Speciali S.R.L (6)                                 | Italy              | Euro                        | Other related parties |

(1) During the month of November 2018, the stake held in Charlee SQM Thailand Co. Ltd. was sold.

(2) During the month of December 2018, the stake held in Minera Exar S.A.

(3) These Companies are subsidiaries of the SQM Vitas Fzco joint venture.

(4) These Companies are subsidiaries of the associate Doktor Tarsa Tarim Sanayi AS.

(5) These Companies are subsidiaries of the joint venture Abu Dhabi Fertilizer Industries WWL

(6) These companies are subsidiaries of the joint venture Pavoni & C, SPA

## 10) FINANCIAL REPORTS

**Note 13 Related party disclosures (continued)****13.3 Detailed identification of the link between the Parent and subsidiary, continued**

| TAX ID No. | Name   | Country of Origin | Functional currency | Relationship          |
|------------|--|-------------------|---------------------|-----------------------|
| N/A        | Ara Dos Primera del Salar de Pampa Blanca, Sierra Gorda (*)        | Chile             | Chilean peso        | Other related parties |
| N/A        | Ara Tres Primera del Salar de Pampa Blanca, Sierra Gorda (*)       | Chile             | Chilean peso        | Other related parties |
| N/A        | Ara Cuatro Primera del Salar de Pampa Blanca, Sierra Gorda (*)     | Chile             | Chilean peso        | Other related parties |
| N/A        | Ara Cinco Primera del Salar de Pampa Blanca, Sierra Gorda (*)      | Chile             | Chilean peso        | Other related parties |
| N/A        | Curicó Dos Primera del Salar de Pampa Alta, Sierra Gorda (*)       | Chile             | Chilean peso        | Other related parties |
| N/A        | Curicó Tres Primera del Sector de Pampa Alta, Sierra Gorda (*)     | Chile             | Chilean peso        | Other related parties |
| N/A        | Evelyn Veinticuatro Primera de Sierra Gorda (*)                    | Chile             | Chilean peso        | Other related parties |
| N/A        | Filomena Tres Primera de Oficina Filomena, Sierra Gorda (*)        | Chile             | Chilean peso        | Other related parties |
| N/A        | Filomena Cuatro Primera de Oficina Filomena, Sierra Gorda (*)      | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Cuatro Primera de Pampa Blanca, Sierra Gorda (*)           | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Cuatro Segunda del Salar de Pampa Blanca, Sierra Gorda (*) | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Cuatro Tercera de Pampa Blanca, Sierra Gorda (*)           | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Cuatro Cuarta de Pampa Blanca, Sierra Gorda(*)             | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Cuatro Quinta de Pampa Blanca, Sierra Gorda (*)            | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Primera del Salar de Pampa Blanca de Sierra Gorda (*)      | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Segunda del Salar de Pampa Blanca de Sierra Gorda (*)      | Chile             | Chilean peso        | Other related parties |
| N/A        | Francis Tercera del Salar de Pampa Blanca de Sierra Gorda (*)      | Chile             | Chilean peso        | Other related parties |
| N/A        | Ivon Primera de Sierra Gorda (*)                                   | Chile             | Chilean peso        | Other related parties |



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|     |  |       |              |                       |
|-----|--|-------|--------------|-----------------------|
| N/A | Ivon Décima Segunda de Sierra Gorda (*)                            | Chile | Chilean peso | Other related parties |
| N/A | Ivon Sexta de Sierra Gorda (*)                                     | Chile | Chilean peso | Other related parties |
| N/A | Julia Primera de Sierra Gorda (*)                                  | Chile | Chilean peso | Other related parties |
| N/A | Lorena Trigésimo Quinta de Sierra Gorda(*)                         | Chile | Chilean peso | Other related parties |
| N/A | Perseverancia Primera de Sierra Gorda (*)                          | Chile | Chilean peso | Other related parties |
| N/A | Tamara 40 Primera del Sector S.E. OF. Concepción, Sierra Gorda (*) | Chile | Chilean peso | Other related parties |
| N/A | Tamara Tercera de Oficina Concepción, Sierra Gorda (*)             | Chile | Chilean peso | Other related parties |
| N/A | Tamara 40 Segunda del Sector S.E. OF Concepción, Sierra Gorda(*)   | Chile | Chilean peso | Other related parties |

(\*) Correspond to Mining Contractual Societies

## 10) FINANCIAL REPORTS

**Note 13 Related party disclosures (continued)**

## 13.4 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, 2018 and 2017, the detail of significant transactions with related parties is as follows:

| Tax ID No,   | Company                             | Nature    | Country of origin    | Transaction      | 12/31/2018 | 12/31/2017 |
|--------------|-------------------------------------|-----------|----------------------|------------------|------------|------------|
|              |                                     |           |                      |                  | ThUS\$     | ThUS\$     |
| Foreign      | Doktor Tarsa Tarim Sanayi As        | Associate | Turkey               | Sale of products | 16,726     | 17,538     |
| Foreign      | Ajay Europe S.A.R.L.                | Associate | France               | Sale of products | 19,470     | 15,706     |
| Foreign      | Ajay Europe S.A.R.L.                | Associate | France               | Dividends        | 811        | 969        |
| Foreign      | Ajay North America LLC.             | Associate | United States        | Sale of products | 16,810     | 13,206     |
| Foreign      | Ajay North America LLC.             | Associate | United States        | Dividends        | 2,807      | 1,123      |
| Foreign      | Abu Dhabi Fertilizer Industries WWL | Associate | United Arab Emirates | Sale of products | 5,811      | 4,351      |
| Foreign      | Abu Dhabi Fertilizer Industries WWL | Associate | United Arab Emirates | Dividends        | 5,641      | -          |
| Foreign      | Charlee SQM Thailand Co. Ltd. (1)   | Associate | Thailand             | Sale of products | 4,960      | 5,102      |
| Foreign      | Charlee SQM Thailand Co. Ltd. (1)   | Associate | Thailand             | Dividends        | 362        | -          |
| 77.557.430-5 | Sales de Magnesio Ltda.             | Associate | Chile                | Sale of products | -          | 45         |

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|              |   |  |                      |                  |         |         |
|--------------|---|--|----------------------|------------------|---------|---------|
| Foreign      | Kowa Company Ltd. (3)                           | Other related parties                  | Japan                | Sale of products | -       | 132,495 |
| Foreign      | SQM Vitas Brasil Agroindustria                  | Joint control or significant influence | Brazil               | Sale of products | 44,827  | 31,137  |
| Foreign      | SQM Vitas Peru S.A.C.                           | Joint control or significant influence | Peru                 | Sale of products | 17,204  | 23,058  |
| Foreign      | SQM Vitas Fzco.                                 | Joint venture                          | United Arab Emirates | Sale of products | -       | 85      |
| Foreign      | Sichuan SQM Migao Chemical Fertilizers Co Ltda. | Joint venture                          | China                | Sale of services | -       | 252     |
| Foreign      | Coromandel SQM India                            | Joint venture                          | India                | Sale of products | 7,696   | 8,011   |
| Foreign      | SQM Star Qingdao Corp Nutrition Co., Ltd.       | Joint venture                          | China                | Sale of products | -       | 200     |
| 79.049.778-9 | Callegari Agrícola S.A.                         | Other related parties                  | Chile                | Sale of products | -       | 210     |
| Foreign      | Minera Exar S.A. (2)                            | Joint venture                          | Argentina            | Loans            | -       | 11,000  |
| Foreign      | Terra Tarsa Ukraine LLC                         | Associate                              | Turkey               | Sale of services | 1,674   | 1,218   |
| Foreign      | Terra Tarsa Don LLC                             | Associate                              | Russian Federation   | Sale of products | 187     | 423     |
| Foreing      | Plantacote N.V.                                 | Associate                              | Belgium              | Sale of products | 4,554   | 2,108   |
| Foreing      | SQM eastmed Turkey                              | Associate                              | Turkey               | Sale of products | 30      | -       |
| Foreing      | Pavoni & C., Spa                                | Joint venture                          | Italy                | Sale of products | 201     | -       |
| Foreing      | Arpa Speciali S.R.L                             | Other related parties                  | Italy                | Sale of products | 207     | -       |
| Total        |   |  |                      |                  | 149,978 | 268,237 |

(1) As of November 2018, the ownership interest in Charlee SQM Thailand Co. Ltd. sold.

(2) (2) During the month of December 2018, the stake held in Minera Exar S.A..

(3) As of December 31, 2018, Kowa Company Ltd. is not considered a related party.

## 10) FINANCIAL REPORTS

**Note 13 Related party disclosures (continued)**

13.5

Trade receivables due from related parties, current:

Transactions between the Company, its subsidiaries, joint ventures and other related parties are considered customary transactions. These transactions are carried out under arm's length conditions, or those that are normally in effect for this type of transaction in terms of time frames and market prices. In addition, they have been eliminated upon consolidation and are not disclosed in this note.

| Tax ID N°    | Company                                   | Nature                    | Country of origin    | Currency             | 12/31/2018 | 12/31/2017 |
|--------------|---|---------------------------|----------------------|----------------------|------------|------------|
|              |   |                           |                      |                      | ThUS\$     | ThUS\$     |
| Foreign      | Charlee SQM Thailand Co. Ltd.(1)          | Associate                 | Thailand             | US\$                 | -          | 1,204      |
| Foreign      | Ajay Europe S.A.R.L.                      | Associate                 | France               | Euro                 | 3,756      | 4,689      |
| Foreign      | Ajay North America LLC.                   | Associate                 | United States        | US\$                 | 2,079      | 2,005      |
| Foreign      | Abu Dhabi Fertilizer Industries WWL       | Associate                 | United Arab Emirates | Arab Emirates dirham | 857        | 73         |
| Foreign      | Kowa Company Ltd.(1)                      | Jointly controlled entity | Japan                | US\$                 | -          | 5,008      |
| 96.511.530-7 | Soc.de Inversiones Pampa Calichera        | Jointly controlled entity | Chile                | US\$                 | 6          | 6          |
| Foreign      | SQM Vitas Brasil Agroindustria            | Joint venture             | Brazil               | US\$                 | 15,818     | 17,293     |
| Foreign      | SQM Vitas Peru S.A.C.                     | Joint venture             | Peru                 | US\$                 | 12,768     | 13,766     |
| Foreign      | Coromandel SQM India                      | Joint venture             | India                | Indian rupee         | 2,025      | 3,804      |
| Foreign      | SQM Vitas Fzco.                           | Joint venture             | United Arab Emirates | Emirates dirham      | 105        | -          |
| Foreign      | SQM Star Qingdao Corp Nutrition Co., Ltd. | Joint venture             | China                | US\$                 | 248        | 50         |
| Foreign      | Plantacote N.V.                           | Associate                 | Belgium              | Euro                 | 312        | 190        |
| Foreign      | Terra Tarsa Don LLC                       | Associate                 | Russian Federation   | Russian ruble        | 41         | 44         |
| Foreign      | Minera Exar S.A. (2)                      | Joint venture             | Argentina            | US\$                 | -          | 11,000     |
| Foreign      | SQM Eastmed Turkey                        | Associate                 | Turkey               | Euro                 | 30         | -          |
| Foreign      | SQM Pavoni & C. SPA                       | Joint venture             | Italy                | Euro                 | 12         | -          |
| Foreign      | Doktor Tarsa Tarim Sanayi As              | Joint venture             | Turkey               | US\$                 | 6,497      | -          |

Total 44,554 59,132

(1) As of November 2018, the ownership interest in Charlee SQM Thailand Co. Ltd. sold.

(2) During the month of December 2018, the stake held in Minera Exar S.A..

The accounts receivable presented are net of provision (provision for 2018 ThUS\$ 10,966 and 2017 for ThUS \$ 14,125, see Note 14.2)

13.6 Trade payables due to related parties, current:

| Tax ID No.    | Company   | Nature                | Country of origin    | Currency             | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---------------|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Foreign       | Doktor Tarsa Tarim Sanayi AS                    | Associate             | Turkey               | YTL                  | -                    | 11                   |
| 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                   |
| Foreign       | Covalent Lithium Pty Ltd                        | Associate             | Australia            | Australian dollar    | 9                    | -                    |
| Current Total |   |                       |                      |                      | 9                    | 1,365                |

## 10) FINANCIAL REPORTS

## Note 14 Financial instruments

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

## 14.1 Types of other financial assets

| Description of other financial assets   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Financial assets at amortized cost (1)  | 291,790    | 360,941    |
| Derivative financial instruments  |            |            |
| - For hedging   | 18,238     | -          |
| - Held for trading at fair value through profit or loss (2)                       | 2,693      | 6,038      |
| Total other current financial assets  | 312,721    | 366,979    |
| Investments classified as available for sale at fair value through profit or loss | -          | 9,179      |
| Financial assets at fair value through other comprehensive income                 | 3,631      | -          |
| Derivative financial instruments  |            |            |
| - For hedging   | 13,425     | 8,910      |
| Financial assets at amortized cost (3)  | 75         | 24,790     |
| Total other non-current financial assets  | 17,131     | 42,879     |

(1) Corresponds to term deposits whose maturity date is greater than 90 days and less than 360 days from the investment date constituted in the following financial institutions::

(2) Correspond to forwards and options that were not classified as hedging instruments (See detail in Note 14.3).

(3) SQM Potassium S.A., contributed ThUS\$24,745 to Western Australia Lithium (WAL). As of December 31, 2017, this had not been legally incorporated as a Company and the funds remained in trust pending transfer to WAL.

| Institution     | 12/31/2018 | 12/31/2017 |
|-----------------|------------|------------|
|                 | ThUS\$     | ThUS\$     |
| Banco Santander | 23,124     | 163,269    |

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|                                |         |         |
|--------------------------------|---------|---------|
| Banco de Crédito e Inversiones | 145,834 | 71,748  |
| Banco Itaú-Corpbanca           | 70,719  | 77,527  |
| Banco Security                 | 27,215  | 28,592  |
| Scotiabank Sud Americano       | 24,898  | 13,764  |
| Banco Chile                    | -       | 4,834   |
| Banco BBVA Chile               | -       | 1,207   |
| Total                          | 291,790 | 360,941 |

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## 10) FINANCIAL REPORTS

**Note 14 Financial instruments, (continued)**

## 14.2 Trade and other receivables

|                                   | 12/31/2018        |                       |                 | 12/31/2017        |                       |                 |
|-----------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
|                                   | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ |
| Trade receivables                 | 429,150           | -                     | 429,150         | 412,321           | -                     | 412,321         |
| Prepayments                       | 16,147            | -                     | 16,147          | 16,177            | -                     | 16,177          |
| Other receivables                 | 19,558            | 2,275                 | 21,833          | 18,377            | 1,912                 | 20,289          |
| Total trade and other receivables | 464,855           | 2,275                 | 467,130         | 446,875           | 1,912                 | 448,787         |

|   | 12/31/2018                    |  |  | 12/31/2017                     |   |  |
|---|-------------------------------|--|--|--------------------------------|---|--|
|   | Assets<br>before<br>allowance | Allowance<br>for<br>doubtful<br>trade<br>receivables | Assets for<br>trade<br>receivables,<br>net | Assets<br>before<br>allowances | <b>Allowance<br/>for<br/>doubtful<br/>trade<br/>receivables</b> | Assets for<br>trade<br>receivables,<br>net |
|   | ThUS\$                        | ThUS\$   | ThUS\$                                     | ThUS\$                         | ThUS\$  | ThUS\$                                     |
| Receivables related to credit operations, current | 445,670                       | (16,520)   | ) 429,150                                  | 427,400                        | (15,079)  | ) 412,321                                  |
| Trade receivables, current                        | 445,670                       | (16,520)   | ) 429,150                                  | 427,400                        | (15,079)  | ) 412,321                                  |
| Prepayments, current                              | 16,990                        | (843)  | ) 16,147                                   | 16,877                         | (700)   | ) 16,177                                   |
| Other receivables, current                        | 23,863                        | (4,305)  | ) 19,558                                   | 23,409                         | (5,032)   | ) 18,377                                   |
| Current trade and other receivables               | 40,853                        | (5,148)  | ) 35,705                                   | 40,286                         | (5,732)   | ) 34,554                                   |
| Other receivables, non-current                    | 2,275                         | -  | ) 2,275                                    | 1,912                          | -   | ) 1,912                                    |
| Non-current receivables                           | 2,275                         | -  | ) 2,275                                    | 1,912                          | -   | ) 1,912                                    |
| Total trade and other receivables                 | 488,798                       | (21,668)   | ) 467,130                                  | 469,598                        | (20,811)  | ) 448,787                                  |



## 10) FINANCIAL REPORTS

**Note 14 Financial instruments, (continued)****14.2 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.

**Uncollateralized portfolio**

As of December 31, 2018 the detail of the uncollateralized portfolio is as follows:

| 2018<br>Past due<br>segments | Total uncollateralized portfolio                               |   |   |  |
|------------------------------|--|---|---|--|
|                              | Number<br>of<br>customers<br>non-<br>renegotiated<br>portfolio | Gross non-<br>renegotiated<br>portfolio<br>ThUS\$ | Number of<br>customers<br>renegotiated<br>portfolio | Gross<br>renegotiated<br>portfolio<br>ThUS\$ |
| Current                      | 1,429  | 403,805   | 136   | 668  |
| 1-30 days                    | 1,284  | 17,899  | 390   | 596  |
| 31-60 days                   | 940  | 8,063   | 154   | 118  |
| 61-90 days                   | 661  | 2,147   | 41  | 75   |
| 91-120 days                  | 498  | 1,210   | 27  | 47   |
| 121-150 days                 | 85   | 385   | 16  | 29   |
| 151-180 days                 | 49   | 177   | 21  | 176  |
| 181-210 days                 | 14   | 1,289   | 41  | 231  |
| 211-250 days                 | 12   | 107   | 101   | 242  |
| >250 days                    | 1,756  | 7,258   | 305   | 1,148  |
| Total                        | 6,728  | 442,340   | 1,232   | 3,330  |

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

| 2017              |  |   |  |                                     |
|-------------------|--|---|--|-------------------------------------|
| Past due segments | Total uncollateralized portfolio               |   |  |                                     |
|                   | Number of customers non-renegotiated portfolio | Gross non-renegotiated portfolio ThUS\$ | Number of customers renegotiated portfolio | Gross renegotiated portfolio ThUS\$ |
| Current           | 3,039  | 344,802                                 | 23   | 706                                 |
| 1-30 days         | 1,598  | 41,510                                  | 376  | 924                                 |
| 31-60 days        | 824  | 8,813                                   | 130  | 272                                 |
| 61-90 days        | 756  | 3,740                                   | 50   | 119                                 |
| 91-120 days       | 548  | 7,367                                   | 22   | 54                                  |
| 121-150 days      | 182  | 2,914                                   | 22   | 56                                  |
| 151-180 days      | 443  | 5,602                                   | 45   | 75                                  |
| 181-210 days      | 365  | 4,470                                   | 27   | 45                                  |
| 211-250 days      | 682  | 112                                     | 29   | 138                                 |
| >250 days         | 1,837  | 3,050                                   | 350  | 2,631                               |
| Total             | 10,274   | 422,380                                 | 1,074                                      | 5,020                               |

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments, (continued)****14.2 Trade and other receivables, continued**

As of December 31, 2018 and December 31, 2017, movements in provisions are as follows:

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Provision Impairment Accounts receivable at the beginning of the Period                   | 34,936     | 31,616     |
| Adjustment to Starting Balance through New Model Calculations (IFRS 9)                    | 2,301      | -          |
| Increase / (decrease) impairment of accounts receivable for the period to profit and loss | (2,967 )   | 8,037      |
| Use of Provision Applied to Accounts Receivable   | (1,636 )   | (4,717 )   |
| Impairment of Accounts Receivable Provision at the Star of the Period (1)+(2)             | 32,634     | 34,936     |
| (1) Trade and Other Receivables Provision   | 21,668     | 20,811     |
| (2) Current Related Party Receivables Provision   | 10,966     | 14,125     |
| Recovery of Insurance   | 827        | 126        |
| <br>  |            |            |
| Impairment of Accounts Receivable Provision   | 32,634     | 34,936     |
| Renegotiated Provision  | 2,056      | 2,580      |
| Non-renegotiated Provision  | 30,578     | 32,356     |

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.

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)**

## 14.3 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 in Chilean pesos. As of December 31, 2017, the notional amount of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS\$ 461,659, and as of December 31, 2017 such contracts amounted to ThUS\$ 266,335.

| Hedging assets with underlying debt        | Derivative instruments (Fwds) | Effect on profit or loss for the period<br>Derivative instruments | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|--|-------------------------------|---|---------------------------------|--|---------------------------|
|  | ThUS\$                        | ThUS\$  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2018                          | 13,516                        | (3,004 )  | 8,256                           | -                                      | 8,256                     |
| Hedging liabilities with underlying debt   | Derivative instruments (CCS)  | Effect on profit or loss for the period<br>Derivative instruments | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|  | ThUS\$                        | ThUS\$  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2018                          | (17,318                       | ) 16,636  | 1,541                           | -                                      | 1,541                     |
| Hedging assets with underlying investments | Derivative instruments (CCS)  | Effect on profit or loss for the period<br>Derivative instruments | Hedging reserve in gross equity | Deferred tax hedging reserve in equity | Hedging reserve in equity |
|  | ThUS\$                        | ThUS\$  | ThUS\$                          | ThUS\$                                 | ThUS\$                    |
| December 31, 2018                          | 18,146                        | 19,911  | (1,765 )                        | -                                      | (1,765 )                  |
| 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           | Hedging reserve in        |

|                   |        | <b>Derivative instruments</b> |        | in equity | equity |
|-------------------|--------|-------------------------------|--------|-----------|--------|
|                   | ThUS\$ | ThUS\$                        | ThUS\$ | ThUS\$    | ThUS\$ |
| December 31, 2017 | 8,910  | 5,641                         | 2,170  | -         | 2,170  |

  

|  |                              | <b>Effect on profit or loss for the period</b> |                                 | Deferred tax              | <b>Hedging reserve in</b> |
|--|------------------------------|--|---------------------------------|---------------------------|---------------------------|
|  | ThUS\$                       | <b>Derivative instruments</b>                  | Hedging reserve in gross equity | hedging reserve in equity | <b>equity</b>             |
|  | ThUS\$                       | ThUS\$   | ThUS\$                          | ThUS\$                    | ThUS\$                    |
| Hedging liabilities with underlying debt | Derivative instruments (CCS) |  |                                 |                           |                           |
| December 31, 2017                        | 17,128                       | 33,696   | 41                              | -                         | 41                        |

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)****14.3 Hedging assets and liabilities, continued**

| Hedging liabilities with<br>underlying investments | <b>Derivative<br/>instruments (CCS)</b> | Effect on profit or<br>loss for the period<br>Derivative<br>instruments | Hedging reserve<br>in<br>gross equity | Deferred tax<br>hedging reserve<br>in equity | Hedging<br>reserve in<br>equity |
|--|---|---|---------------------------------------|--|---------------------------------|
|  | ThUS\$                                  | ThUS\$  | ThUS\$                                | ThUS\$                                       | ThUS\$                          |
| December 31, 2017                                  | (20,159                                 | ) (20,256   | ) 97                                  | -  | 97                              |

The balances in the “effect on profit or loss” column consider the interim effects of the contracts in force As of December 31, 2018 and December 31, 2017.

Derivative contract maturities are detailed as follows:

| Series | <b>Contract amount</b> |          |               |
|--------|------------------------|----------|---------------|
|        | ThUS\$                 | Currency | Maturity date |
| H      | 155,214                | UF       | 01/05/2023    |
| O      | 58,748                 | UF       | 02/01/2022    |
| P      | 134,228                | UF       | 01/15/2028    |

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.

10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)**

**14.3 Hedging assets and liabilities, continued**

b) Cash flow hedges

Cash flow hedges cover exposure to the cash flow variations attributable to a risk associated with a specific transaction that is very likely to be executed, which may have material effects on the results of the Company.

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.

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.

14.4 Financial liabilities

**Other current and non-current financial liabilities**

As of December 31, 2018 and December 31, 2017, the detail is as follows:

|                               | 31/12/2018 |             |        | 31/12/2017 |             |        |
|-------------------------------|------------|-------------|--------|------------|-------------|--------|
|                               | Current    | Non-current | Total  | Current    | Non-current | Total  |
|                               | ThUS\$     | ThUS\$      | ThUS\$ | ThUS\$     | ThUS\$      | ThUS\$ |
| Liabilities at amortized cost |            |             |        |            |             |        |



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|   |        |           |           |         |           |           |
|---|--------|-----------|-----------|---------|-----------|-----------|
| - Bank borrowings                                       | 300    | 68,870    | 69,170    | 163,568 | -         | 163,568   |
| - Obligations with the public (bonds)                   | 15,145 | 1,249,479 | 1,264,624 | 13,494  | 1,031,507 | 1,045,001 |
| Derivative financial instruments                        |        |           |           |         |           |           |
| - - For hedging   | 5,285  | 12,033    | 17,318    | 37,287  | -         | 37,287    |
| - Held for trading at fair value through profit or loss |        |           |           |         |           |           |
| Hedging liabilities                                     | 2,855  | -         | 2,855     | 5,979   | -         | 5,979     |
| Total   | 23,585 | 1,330,382 | 1,353,967 | 220,328 | 1,031,507 | 1,251,835 |

10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)**

**14.4 Financial liabilities, continued**

**Current and non-current bank borrowings**

As of December 31, 2018 and December 31, 2017, the detail is as follows:

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Long-term bank borrowings   | 68,870     | -          |
| Short-term bank borrowings  | -          | 163,568    |
| Current portion of long-term loans                                | 300        | -          |
| Short-term borrowings and current portion of long-term borrowings | 69,170     | 163,568    |
| Total bank borrowings   | 69,170     | 163,568    |

## 10) FINANCIAL REPORTS

## Note 14 Financial instruments (continued)

## 14.4 Financial liabilities, continued

## a) Bank borrowings, current:

As of December 31, 2018 and December 31, 2017, the detail of this caption is as follows:

| Debtor       | Creditor                       |         | Currency or adjustment |                       | Repayment | Vencimiento | Effective |
|--------------|--------------------------------|---------|------------------------|-----------------------|-----------|-------------|-----------|
| Tax ID No    | Company                        | Country | Tax ID No,             | Financial institution | Country   | index       | rate      |
| 93,007,000-9 | SQM.S.A.                       | Chile   | 0-E                    | Scotiabank Cayman     | USA       | US\$        | 3.60%     |
| Foreign      | Nitratos Naturais do Chile Lim | Brazil  | 0-E                    | Banco ITAU Brasil     | Brasil    | BRL         | 5.17%     |
| Foreign      | SQM Brasil Limitada            | Brazil  | 0-E                    | Banco ITAU Brasil     | Brasil    | BRL         | 5.5 %     |

| Debtor                         | Creditor              | 12/31/2018      |                   |                 | 12/31/2018    |          |                   | Borrowing costs | Total  |
|--------------------------------|-----------------------|-----------------|-------------------|-----------------|---------------|----------|-------------------|-----------------|--------|
|                                |                       | Nominal amounts |                   | Current amounts |               | Subtotal |                   |                 |        |
| Company                        | Financial institution | Up to 90 days   | 90 days to 1 year | Total           | Up to 90 days |          | 90 days to 1 year | ThUS\$          | ThUS\$ |
|                                |                       | ThUS\$          | ThUS\$            | ThUS\$          | ThUS\$        | ThUS\$   | ThUS\$            | ThUS\$          |        |
| SQM S.A.                       | Scotiabank Cayman     | -               | -                 | -               | -             | 248      | 248               | -               | 248    |
| Nitratos Naturais do Chile Lim | Banco ITAU Brasil     | -               | -                 | -               | 11            | -        | 11                | -               | 11     |
| SQM Brasil Limitada            | Banco ITAU Brasil     | -               | -                 | -               | 41            | -        | 41                | -               | 41     |
| Total                          |                       | -               | -                 | -               | 52            | 248      | 300               | -               | 300    |

10) FINANCIAL REPORTS

Note 14 Financial instruments (continued)

14.4 Financial liabilities, continued

| Debtor       |                     | Creditor |              |                          | Currency or adjustment | Repayment | Effective     | Nominal     |
|--------------|---------------------|----------|--------------|--------------------------|------------------------|-----------|---------------|-------------|
| Tax ID No    | Company             | Country  | Tax ID No,   | Financial institution    | Country                | index     | rate          | rate        |
| 93,007,000-9 | SQM.S.A.            | CHILE    | 97,018,000-1 | Scotiabank Sud Americano | CHILE                  | US\$      | Upon maturity | 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 |                   |        | Subtotal | Borrowing costs | Total |
|----------|--------------------------|-------------------------------|-------------------|--------|-------------------------------|-------------------|--------|----------|-----------------|-------|
|          |                          | Up to 90 days                 | 90 days to 1 year | Total  | Up to 90 days                 | 90 days to 1 year | Total  |          |                 |       |
| Company  | Financial institution    | ThUS\$                        | ThUS\$            | ThUS\$ | ThUS\$                        | ThUS\$            | ThUS\$ | ThUS\$   | ThUS\$          |       |
| SQM,S.A. | Scotiabank Sud Americano | -                             | 20,000            | 20,000 | -                             | 20,137            | 20,137 | -        | 20,137          |       |

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|                           |                             |        |         |         |        |         |         |   |         |
|---------------------------|-----------------------------|--------|---------|---------|--------|---------|---------|---|---------|
| SQM,S.A.                  | Scotiabank Sud<br>Americano | -      | 17,000  | 17,000  | -      | 17,140  | 17,140  | - | 17,140  |
| SQM,S.A.                  | Scotiabank Sud<br>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<br>S.A.         | Banco Estado                | -      | 20,000  | 20,000  | -      | 20,071  | 20,071  | - | 20,071  |
| SQM Salar<br>S.A.         | Scotiabank Sud<br>Americano | -      | 20,000  | 20,000  | -      | 20,072  | 20,072  | - | 20,072  |
| SQM<br>Industrial<br>S.A. | Banco Estado                | -      | 20,000  | 20,000  | -      | 20,064  | 20,064  | - | 20,064  |
| SQM<br>Industrial<br>S.A. | Banco Estado                | 18,000 | -       | 18,000  | 18,026 | -       | 18,026  | - | 18,026  |
| Total                     |                             | 63,000 | 100,000 | 163,000 | 63,059 | 100,509 | 163,568 | - | 163,568 |

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)****14.4 Financial liabilities, continued**

## b) Unsecured obligations, current:

As of December 31, 2018 and December 31, 2017, the detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds, as follows:

**Bonds**

| Tax ID No.   | Company  | Country | Number of registration or ID of the instrument | Series    | Maturity date | Currency or adjustment index | Payment of interest | Repayment     | Effective rate | Nominal rate |
|--------------|----------|---------|--|-----------|---------------|------------------------------|---------------------|---------------|----------------|--------------|
| 93,007,000-9 | SQM S.A. | CHILE   | -  | MMUS\$250 | 4/21/2019     | US\$                         | Semiannual          | Upon maturity | 0,95 %         | 5,50 %       |
| 93,007,000-9 | SQM S.A. | CHILE   | -  | MMUS\$250 | 1/28/2019     | US\$                         | Semiannual          | Upon maturity | 2,75 %         | 4,38 %       |
| 93,007,000-9 | SQM S.A. | CHILE   | -  | MMUS\$300 | 4/03/2019     | US\$                         | Semiannual          | Upon maturity | 1,77 %         | 3,63 %       |
| 93,007,000-9 | SQM S.A. | CHILE   | 564  | H         | 1/05/2019     | UF                           | Semiannual          | Semiannual    | 1,90 %         | 4,90 %       |
| 93,007,000-9 | SQM S.A. | CHILE   | 699  | O         | 2/01/2019     | UF                           | Semiannual          | Upon maturity | 2,60 %         | 3,80 %       |
| 93,007,000-9 | SQM S.A. | CHILE   | 563  | P         | 1/15/2019     | UF                           | Semiannual          | Upon maturity | 3,07 %         | 3,25 %       |
| 93.007.000-9 | SQM S.A. | Chile   | 700  | Q         | 6/01/2019     | UF                           | Semiannual          | Upon maturity | 3,34 %         | 3,45 %       |

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| Company  | Country | Series        | Nominal maturities |                   |        | Current maturities |                   |          | Bond issuance costs | Total  |
|----------|---------|---------------|--------------------|-------------------|--------|--------------------|-------------------|----------|---------------------|--------|
|          |         |               | Up to 90 days      | 91 days to 1 year | Total  | Up to 90 days      | 91 days to 1 year | Subtotal |                     |        |
|          |         |               | ThUS\$             | ThUS\$            | ThUS\$ | ThUS\$             | ThUS\$            | ThUS\$   | ThUS\$              |        |
| SQM S.A. | CHILE   | ThUS\$250,000 | 2,674              | -                 | 2,674  | 2,674              | -                 | 2,674    | (386 )              | 2,288  |
| SQM S.A. | CHILE   | ThUS\$250,000 | -                  | 4,648             | 4,648  | -                  | 4,648             | 4,648    | (433 )              | 4,215  |
| SQM S.A. | CHILE   | ThUS\$300,000 | 2,658              | -                 | 2,658  | 2,658              | -                 | 2,658    | (614 )              | 2,044  |
| SQM S.A. | CHILE   | H             | -                  | 3,756             | 3,756  | -                  | 3,756             | 3,756    | (139 )              | 3,617  |
| SQM S.A. | CHILE   | O             | -                  | 934               | 934    | -                  | 934               | 934      | (67 )               | 867    |
| SQM S.A. | CHILE   | P             | -                  | 1,784             | 1,784  | -                  | 1,784             | 1,784    | (12 )               | 1,772  |
| SQM S.A. | CHILE   | Q             | 342                | -                 | 342    | 342                | -                 | 342      | -                   | 342    |
| Total    |         |               | 5,674              | 11,122            | 16,796 | 5,674              | 11,122            | 16,796   | (1,651 )            | 15,145 |

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.

## 10) FINANCIAL REPORTS

## Note 14 Financial instruments (continued)

## 14.4 Financial liabilities, continued

| Tax ID No.   | Company  | Country | Number of registration or ID of the instrument | Series        | Maturity date | Currency or adjustment index | Payment of interest | Repayment     | Effective rate | Nominal rate |
|--------------|----------|---------|--|---------------|---------------|------------------------------|---------------------|---------------|----------------|--------------|
| 93,007,000-9 | SQM S.A. | CHILE   | -  | ThUS\$250,000 | 04/21/2018    | US\$                         | Semiannual          | Upon maturity | 1.47%          | 5.5%         |
| 93,007,000-9 | SQM S.A. | CHILE   | -  | ThUS\$250,000 | 01/28/2018    | US\$                         | Semiannual          | Upon maturity | 3.17%          | 4.3%         |
| 93,007,000-9 | SQM S.A. | CHILE   | -  | ThUS\$300,000 | 04/03/2018    | US\$                         | Semiannual          | Upon maturity | 2.12%          | 3.6%         |
| 93,007,000-9 | SQM S.A. | CHILE   | 564  | H             | 01/05/2018    | UF                           | Semiannual          | Semiannual    | 2.18%          | 4.9%         |
| 93,007,000-9 | SQM S.A. | CHILE   | 699  | O             | 02/01/2018    | UF                           | Semiannual          | Upon maturity | 2.80%          | 3.8%         |

| Company  | Country | Series        | 12/31/2017<br>Nominal maturities |                   |        | 12/31/2017<br>Current maturities |                   |          | Bond issuance costs | Total  |
|----------|---------|---------------|----------------------------------|-------------------|--------|----------------------------------|-------------------|----------|---------------------|--------|
|          |         |               | Up to 90 days                    | 91 days to 1 year | Total  | Up to 90 days                    | 91 days to 1 year | Subtotal |                     |        |
|          |         |               | ThUS\$                           | ThUS\$            | ThUS\$ | ThUS\$                           | ThUS\$            | ThUS\$   | ThUS\$              |        |
| 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    |
| Total    |         |               | -                                | -                 | -      | 9,801                            | 5,332             | 15,133   | (1,639 )            | 13,494 |

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.





10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)**

**14.4 Financial liabilities, continued**

c) Classes of interest-bearing loans, non-current

The following table shows the details of bank loans that accrue non-current interest as of December 31, 2018. As of December 31, there were no loans:

| Debtor         |          |         | Creditor       |                       |         | Currency            |                      |                |              |  |
|----------------|----------|---------|----------------|-----------------------|---------|---------------------|----------------------|----------------|--------------|--|
| Chilean Tax ID | Company  | Country | Chilean Tax ID | Financial institution | Country | or adjustment index | Type of amortization | Effective rate | Nominal rate |  |
| 93,007,000-9   | SQM.S.A. | Chile   | 0-E            | Scotiabank Cayman     | USA     | USD                 | Maturity             | 3.98 %         | 3.98 %       |  |

| Creditor | Creditor              | 12/31/2018 |                 |                 | 12/31/2018             |                 |                 | Subtotal | Costs of obtaining loans | Total           |
|----------|-----------------------|------------|-----------------|-----------------|------------------------|-----------------|-----------------|----------|--------------------------|-----------------|
|          |                       | Nominal    | Between 2 and 3 | Between 3 and 4 | Non-current maturities | Between 1 and 2 | Between 2 and 3 |          |                          |                 |
| Company  | Financial institution | ThUS\$     | ThUS\$          | ThUS\$          | ThUS\$                 | ThUS\$          | ThUS\$          | ThUS\$   | ThUS\$                   | ThUS\$          |
| SQM S.A. | Scotiabank Cayman     | -          | 70,000          | 70,000          | -                      | -               | 70,000          | 70,000   | (1,130 )                 | 68,870          |
| Total    |                       | -          | -               | 70,000          | 70,000                 | -               | -               | 70,000   | 70,000                   | (1,130 ) 68,870 |

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)****14.4 Financial liabilities, continued**

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

The breakdown of non-current unsecured interest-bearing bonds as of December 31, 2018 and December 31, 2017 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<br>Payment of interest | Repayment  | Effective rate | Nominal rate |        |
|--------------|----------|---------|--|--------|---------------|------------------------------|------------------------------------|------------|----------------|--------------|--------|
| 93.007.000-9 | SQM S.A. | CHILE   | -  | Th     | US\$250,000   | 04/21/2020                   | US\$                               | Semiannual | Upon maturity  | 5.50 %       | 5.50 % |
| 93.007.000-9 | SQM S.A. | CHILE   | -  | Th     | US\$250,000   | 01/28/2025                   | US\$                               | Semiannual | Upon maturity  | 4.38 %       | 4.38 % |
| 93.007.000-9 | SQM S.A. | CHILE   | -  | Th     | US\$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 %       | 4.90 % |
| 93.007.000-9 | SQM S.A. | CHILE   | 699  | O      |               | 02/01/2033                   | UF                                 | Semiannual | Upon maturity  | 3.80 %       | 5.50 % |
| 93.007.000-9 | SQM S.A. | CHILE   | 563  | P      |               | 01/15/2028                   | UF                                 | Semiannual | Upon maturity  | 3.25 %       | 3.25 % |
| 93.007.000-9 | SQM S.A. | CHILE   | 700  | Q      |               | 06/01/2038                   | UF                                 | Semiannual | Upon maturity  | 3.45 %       | 3.45 % |

**Nominal non-current maturities****Non-current maturities****12/31/2018****12/31/2018**

Series

Total

Subtotal

483

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|          | <b>Over 1<br/>year to<br/>2</b> | <b>Over 2<br/>years to<br/>3</b> | <b>Over 3<br/>Years to<br/>4</b> | <b>Over 4<br/>years<br/>to<br/>5<br/>Years</b> |         | <b>Over 1<br/>year to<br/>2</b> | <b>Over 2<br/>years to<br/>3</b> | <b>Over 3<br/>Years to<br/>4</b> | <b>Over 4<br/>years<br/>to<br/>5<br/>Years</b> |         | <b>Bond<br/>issuance<br/>costs</b> |
|----------|---------------------------------|----------------------------------|----------------------------------|--|---------|---------------------------------|----------------------------------|----------------------------------|--|---------|------------------------------------|
|          | ThUS\$                          | ThUS\$                           | ThUS\$                           | ThUS\$   | ThUS\$  | ThUS\$                          | ThUS\$                           | ThUS\$                           | ThUS\$   | ThUS\$  | ThUS\$                             |
| MUS\$250 | 250,000                         | -                                | -                                | -  | 250,000 | 250,000                         | -                                | -                                | -  | 250,000 | (131)                              |
| MUS\$250 | -                               | -                                | -                                | -  | 250,000 | -                               | -                                | -                                | -  | 250,000 | (2,20)                             |
| MUS\$300 | -                               | -                                | 300,000                          | -  | 300,000 | -                               | -                                | 300,000                          | -  | 300,000 | (2,00)                             |
| H        | -                               | -                                | -                                | -  | 158,704 | -                               | -                                | -                                | -  | 158,704 | (1,39)                             |
| O        | -                               | -                                | -                                | -  | 59,514  | -                               | -                                | -                                | -  | 59,514  | (878)                              |
| P        | -                               | -                                | -                                | -  | 119,028 | -                               | -                                | -                                | -  | 119,028 | (101)                              |
| Q        | -                               | -                                | -                                | -  | 119,028 | -                               | -                                | -                                | -  | 119,028 | (85)                               |
| Total    | 250,000                         | -                                | 300,000                          | -  | 706,274 | 250,000                         | -                                | 300,000                          | -  | 706,274 | (6,79)                             |

10) FINANCIAL REPORTS

Note 14 Financial instruments (continued)

14.4 Financial liabilities, continued

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

As of December 31, 2018 and December 31, 2017, the breakdown of unsecured interest-bearing liabilities, non-current is as follows:

| Tax ID No.   | Company  | Country | Number of registration or ID of the instrument | Series    | Maturity date | Currency or adjustment index | Periodicity | Payment of interest | Repayment | Effective rate | Nominal rate |
|--------------|----------|---------|--|-----------|---------------|------------------------------|-------------|---------------------|-----------|----------------|--------------|
| 93.007.000-9 | SQM S.A. | CHILE   | -  | MMUS\$250 | 04/21/2020    | US\$                         | Semiannual  | Upon maturity       |           | 5.50%          | 5.50%        |
| 93.007.000-9 | SQM S.A. | CHILE   | -  | MMUS\$250 | 01/28/2025    | US\$                         | Semiannual  | Upon maturity       |           | 4.38%          | 4.38%        |
| 93.007.000-9 | SQM S.A. | CHILE   | -  | MMUS\$300 | 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         | 01/02/2033    | UF                           | Semiannual  | Upon maturity       |           | 3.80%          | 3.80%        |

Nominal non-current maturities

12/31/2017

| Series | Over 1 year to 2 | Over 2 years to 3 | Over 3 years to 4 | Over 4 years to 5 | Over 5 years | Total |
|--------|------------------|-------------------|-------------------|-------------------|--------------|-------|
|        |                  |                   |                   |                   |              |       |

Non-current maturities

12/31/2017

| Series | Over 1 year to 2 | Over 2 years to 3 | Over 3 years to 4 | Over 4 years to 5 | Over 5 years | Subtotal | Bond issuance costs | Total |
|--------|------------------|-------------------|-------------------|-------------------|--------------|----------|---------------------|-------|
|        |                  |                   |                   |                   |              |          |                     |       |

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|          | ThUS\$  | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  | ThUS\$    | ThUS\$  | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  | ThUS\$    | ThUS\$  |       |
|----------|---------|--------|--------|--------|---------|-----------|---------|--------|--------|--------|---------|-----------|---------|-------|
| MUS\$250 | 250,000 | -      | -      | -      | -       | 250,000   | 250,000 | -      | -      | -      | -       | 250,000   | (517 )  | 249,4 |
| MUS\$250 | -       | -      | -      | -      | 250,000 | 250,000   | -       | -      | -      | -      | 250,000 | 250,000   | (2,636) | 247,3 |
| MUS\$300 | -       | -      | -      | -      | 300,000 | 300,000   | -       | -      | -      | -      | 300,000 | 300,000   | (2,618) | 297,3 |
| H        | -       | -      | -      | -      | 174,367 | 174,367   | -       | -      | -      | -      | 174,367 | 174,367   | (1,532) | 172,8 |
| O        | -       | -      | -      | -      | 65,388  | 65,388    | -       | -      | -      | -      | 65,388  | 65,388    | (945 )  | 64,44 |
| Total    | 250,000 | -      | -      | -      | 789,755 | 1,039,755 | 250,000 | -      | -      | -      | 789,755 | 1,039,755 | (8,248) | 1,031 |

10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)**

**14.4 Financial liabilities, continued**

e) Additional information

**Bonds**

On December 31, 2018 and December 31, 2017, short term bonds of ThUS\$15,145 and ThUS\$13,494 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\$1,249,479 on December 31, 2018 and ThUS\$1,031,507 on December 31, 2017, 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) , series P bonds and series Q bonds , net of bond issuance costs

As of December 31, 2018 and, 2017, 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, 2018, and December 31 2017, the Company has made the following payments with a charge to the Series C bonds:

|                   |            |
|-------------------|------------|
| Payments made     | 12/31/2017 |
|                   | ThUS\$     |
| Principal payment | 57,290     |
| Interest payment  | 1,515      |



## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)****14.4 Financial liabilities, continued****Serie “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.

As of December 31, 2018, and December 31, 2017, the Company has made the following payments with a charge to the Series H bonds:

|                                      | <b>12/31/2018</b> | <b>12/31/2017</b> |
|--------------------------------------|-------------------|-------------------|
| Payments made                        |                   |                   |
|                                      | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payments of interest, Series H bonds | 8,325             | 7,691             |

**Single series bonds, second issue ThUS\$250,000**

On April 21, 2010, the Company informed the CMF 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, 2018, and December 31, 2017, the detail of payments charged to the line of single series bonds, second issue is as follows:

|                  | <b>12/31/2018</b> | <b>12/31/2017</b> |
|------------------|-------------------|-------------------|
| Payments made    |                   |                   |
|                  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Interest payment | 13,750            | 13,750            |

## 10) FINANCIAL REPORTS

**Note 14****Financial instruments (continued)****14.4 Financial liabilities, continued****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%. On February 1, 2017, the M bond was canceled.

|                                     | <b>12/31/2017</b> |
|-------------------------------------|-------------------|
| Payments made                       |                   |
|                                     | <b>ThUS\$</b>     |
| Principal payment Series M bonds    | 40,726            |
| Payment of interest, Series M bonds | 667               |

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, 2018, and December 31, 2017 the Company has made the following payments with a charge to the Series O bonds:

|                                     | <b>12/31/2018</b> | <b>12/31/2017</b> |
|-------------------------------------|-------------------|-------------------|
| Payments made                       |                   |                   |
|                                     | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payment of interest, Series O bonds | 2,457             | 2,301             |

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

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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, 2018, and December 31, 2017, the following payments have been made with a debit to the line of single-series bonds, third issue:

|                     | <b>12/31/2018</b> | <b>12/31/2017</b> |
|---------------------|-------------------|-------------------|
| Payments made       |                   |                   |
|                     | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payment of interest | 10,875            | 10,875            |

## 10) FINANCIAL REPORTS

**Note 14****Financial instruments (continued)****14.4 Financial liabilities, continued****Single series bonds, fourth issuance ThUS\$250,000**

On October 23, 2014, the Company informed the CMF 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, 2018, and December 31, 2017, the following payments have been made.

|                     | <b>12/31/2018</b> | <b>12/31/2017</b> |
|---------------------|-------------------|-------------------|
| Payments made       |                   |                   |
|                     | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Payment of interest | 10,938            | 10,938            |

**Series “P” bonds**

On April 5, 2018, the Company informed the Financial Markets Commission that it had authorized the placement on the stock market of the Series “P” bond with a value of UF 3 million, with a charge to the 10 year Bonds Line registered in the FMC Securities Registry dated December 31, 2008 under number 563.

The Bonds (i) mature on January 15, 2028; (ii) will accrue on the unpaid principal, expressed in UF, at an annual interest rate of 3.25% from January 15, 2018; and (iii) can be called early by the Company as of the date of placement, that is, as of April 5, 2018.

|                     | <b>12/31/2018</b> |
|---------------------|-------------------|
| Payments made       |                   |
|                     | <b>ThUS\$</b>     |
| Payment of interest | 2,027             |

10) FINANCIAL REPORTS

**Note 14**

**Financial instruments (continued)**

**14.4 Financial liabilities, continued**

**Series Q Bonds**

On October 31, 2018, the issuance of Series Q bonds (the "Bonds") was authorized in the general stock market for the sum of UF 3,000,000, which were issued with a charge to the 30-year Bonds Line registered in the Securities Registry of your Commission on February 14, 2012 under number 700.

The Bonds (i) mature on the first day of June 2038; (ii) will earn an interest rate of 3.45% per annum on the outstanding capital, expressed in Unidades de Fomento, as of June 1, 2018; and (iii) may be redeemed early by the Company as of the placement date, that is, as of November 8, 2018.

On November 8, 2018, all the Series Q Bonds have been placed and sold to Euroamerica S.A. for a total amount of \$83,567,623,842, which was paid in full and in cash by Euroamerica S.A. to the Company.

The funds obtained from the aforementioned placement will be used approximately 90% to finance the expansion program of lithium, potassium nitrate and iodine plants in Chile; the remainder will be used for the investment plan of the Company and its subsidiaries, and to finance working capital.

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|                     | <b>12/31/2018</b> |
|---------------------|-------------------|
| Payments made       |                   |
|                     | <b>ThUS\$</b>     |
| Payment of interest | 319               |



## 10) FINANCIAL REPORTS

**Note 14****Financial instruments (continued)**

## 14.5 Trade and other payables

|                        | 12/31/2018        |                       |                 | 12/31/2017        |                       |                 |
|------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
|                        | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ |
| Accounts payable       | 163,373           | -                     | 163,373         | 195,858           | -                     | 195,858         |
| Other accounts payable | 378               | -                     | 378             | 422               | -                     | 422             |
| Total                  | 163,751           | -                     | 163,751         | 196,280           | -                     | 196,280         |

As of December 31, 2018 and December 31, 2017, the balance of current and past due suppliers is as follows:

## Suppliers current on all payments

## Amounts according to payment periods as of 12/31/2018

| Type of Supplier | Up to 30 | 31 - 60 | 61 - 90 | 91 - 120 | 121 - 365 | <b>366 and<br/>more</b> | Total   |
|------------------|----------|---------|---------|----------|-----------|-------------------------|---------|
|                  | Days     | days    | Days    | days     | days      | days                    | ThUS\$  |
| Goods            | 48,969   | 1,919   | 912     | 25       | 278       | 2                       | 52,105  |
| Services         | 37,376   | 314     | 157     | 107      | 19        | 35                      | 38,008  |
| Others           | 54,978   | 161     | 20      | -        | -         | 3                       | 55,162  |
| Total            | 141,323  | 2,394   | 1,089   | 132      | 297       | 40                      | 145,275 |

## Amounts according to payment periods as of 12/31/2017

| Type of Supplier | Up to 30 | 31 - 60 | 61 - 90 | 91 - 120 | 121 - 365 | <b>366 and<br/>more</b> | Total   |
|------------------|----------|---------|---------|----------|-----------|-------------------------|---------|
|                  | days     | days    | days    | days     | days      | days                    | ThUS\$  |
| Goods            | 72,567   | -       | -       | -        | -         | -                       | 72,567  |
| Services         | 36,855   | -       | -       | -        | -         | 3                       | 36,858  |
| Others           | 45,104   | -       | -       | -        | -         | -                       | 45,104  |
| Total            | 154,526  | -       | -       | -        | -         | 3                       | 154,529 |



Suppliers past due on payments

Amounts according to payment periods as of 12/31/2018

| Type of Supplier | Up to 30 | 31 - 60 | 61 - 90 | 91 - 120 | 121 - 365 | <b>366 and<br/>more</b> | Total  |
|------------------|----------|---------|---------|----------|-----------|-------------------------|--------|
|                  | days     | days    | days    | days     | days      | days                    | ThUS\$ |
| Goods            | 1,533    | 209     | 210     | 255      | 175       | 287                     | 2,669  |
| Services         | 12,229   | 838     | 109     | 111      | 309       | 141                     | 13,737 |
| Others           | 1,039    | 385     | 92      | 6        | 60        | 110                     | 1,692  |
| Total            | 14,801   | 1,432   | 411     | 372      | 544       | 538                     | 18,098 |

Amounts according to payment periods as of 12/31/2017

| Type of Supplier | Up to 30 | 31 - 60 | 61 - 90 | 91 - 120 | 121 - 365 | <b>366 and<br/>more</b> | Total  |
|------------------|----------|---------|---------|----------|-----------|-------------------------|--------|
|                  | days     | days    | days    | days     | days      | days                    | ThUS\$ |
| Goods            | 16,693   | 448     | 3,965   | 1,784    | 1,602     | 42                      | 24,534 |
| Services         | 11,704   | 1,913   | 547     | 681      | 1,325     | 17                      | 16,187 |
| Others           | 479      | 9       | 13      | 20       | 46        | 41                      | 608    |
| Total            | 28,876   | 2,370   | 4,525   | 2,485    | 2,973     | 100                     | 41,329 |

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company, As of December 31, 2018, the Company has purchase orders amounting to ThUS\$59,919 (ThUS\$41,601 as of December 31, 2017).

10) FINANCIAL REPORTS

**Note 14**

**Financial instruments (continued)**

14.6 Financial liabilities at fair value through profit or loss

This balance relates to derivative instruments measured at their fair value, which have generated balances against the Company. The detail of this type of instrument is as follows:

| <b>Financial liabilities at fair value with<br/>an impact on profit or loss</b> | <b>12/31/2018</b> | <b>Effect on<br/>profit or loss<br/>as of<br/>12/31/2018</b> | <b>12/31/2017</b> | <b>Effect on profit<br/>or loss as of<br/>12/31/2017</b> |
|---|-------------------|--|-------------------|--|
|   | ThUS\$            | ThUS\$   | ThUS\$            | ThUS\$   |
| Current   |                   |  |                   |  |
| Derivative instruments (IRS)  | 91                | -  | -                 | -  |
| Total   | 91                | -  | -                 | -  |

## 10) FINANCIAL REPORTS

**Note 14****Financial instruments (continued)**

## 14.7 Financial asset and liability categories

As of December 31, 2018 and December 31, 2017 there are no balances corresponding to derivative instruments measured at their fair value,

## a) Financial Assets

| Description of financial assets  | 12/31/2018        |                       |                 | 12/31/2017        |                       |                 |
|--|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
|  | Current<br>Amount | Non-current<br>Amount | Total<br>Amount | Current<br>Amount | Non-current<br>Amount | Total<br>Amount |
|  | ThUS\$            | ThUS\$                | ThUS\$          | ThUS\$            | ThUS\$                | ThUS\$          |
| Cash and cash equivalent   | 556,066           | -                     | 556,066         | 630,438           | -                     | 630,438         |
| Trade receivables due from related parties                                     | 44,554            | -                     | 44,554          | 59,132            | -                     | 59,132          |
| Financial assets measured at amortized cost                                    | 291,790           | 75                    | 291,865         | 360,941           | 45                    | 360,986         |
| Loans and receivables measured at amortized cost                               | 464,855           | 2,275                 | 467,130         | 446,875           | 1,912                 | 448,787         |
| Total financial assets measured at amortized cost                              | 1,357,265         | 2,350                 | 1,359,615       | 1,497,386         | 1,957                 | 1,499,343       |
| Derivative financial instruments   |                   |                       |                 |                   |                       |                 |
| For hedging purposes   | 18,238            | 13,425                | 31,663          | -                 | 8,910                 | 8,910           |
| Held for trading at fair value through profit or loss                          | 2,693             | -                     | 2,693           | 6,038             | -                     | 6,038           |
| Financial assets classified as available for sale at fair value through equity | -                 | 3,631                 | 3,631           | -                 | 33,924                | 33,924          |
| Total financial assets at fair value   | 20,931            | 17,056                | 37,987          | 6,038             | 42,834                | 48,872          |
| Total financial assets   | 1,378,196         | 19,406                | 1,397,602       | 1,503,424         | 44,791                | 1,548,215       |

## 10) FINANCIAL REPORTS

**Note 14 Financial instruments (continued)****14.7 Financial asset and liability categories (continued)**

## b) Financial liabilities

| Description of financial liabilities                                  | 12/31/2018        |                           |                 | 12/31/2017        |                           |                 |
|---|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|   | Current<br>ThUS\$ | Non-<br>Current<br>ThUS\$ | Total<br>ThUS\$ | Current<br>ThUS\$ | Non-<br>Current<br>ThUS\$ | Total<br>ThUS\$ |
| Accounts payable to related entities                                  | 9                 | -                         | 9               | 1,365             | -                         | 1,365           |
| Derivative financial instruments<br>For hedging purposes              | 5,285             | 12,033                    | 17,318          | 37,287            | -                         | 37,287          |
| Held for trading at fair value through<br>profit or loss              | 2,855             | -                         | 2,855           | 5,979             | -                         | 5,979           |
| Financial liabilities at fair value through<br>profit or loss         | 8,149             | 12,033                    | 20,182          | 44,631            | -                         | 44,631          |
| Liabilities at amortized cost   |                   |                           |                 |                   |                           |                 |
| Bank loans  | 300               | 68,870                    | 69,170          | 163,568           | -                         | 163,568         |
| Obligations to the public   | 15,145            | 1,249,479                 | 1,264,624       | 13,494            | 1,031,507                 | 1,045,001       |
| Financial liabilities at amortized cost<br>(trade and other payables) | 163,751           | -                         | 163,751         | 196,280           | -                         | 196,280         |
| Total financial liabilities at amortized<br>cost                      | 179,196           | 1,318,349                 | 1,497,545       | 373,342           | 1,031,507                 | 1,404,849       |
| Total financial liabilities   | 187,345           | 1,330,382                 | 1,517,727       | 417,973           | 1,031,507                 | 1,449,480       |

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**Note 14**

**Financial instruments (continued)**

14.8 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').

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**Note 14 Financial instruments (continued)**

**14.8 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.

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## Note 14 Financial instruments (continued)

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

|   | Carrying   |               | Fair value | Measurement Methodology |         |         |
|---|------------|---------------|------------|-------------------------|---------|---------|
|   | Amount at  | Fair value    |            | Level 1                 | Level 2 | Level 3 |
|   | Amortized  | (informative) |            |                         |         |         |
| Cost  | 12/31/2018 | 12/31/2018    | 12/31/2018 | ThUS\$                  | ThUS\$  | ThUS\$  |
| Financial Assets                                    |            |               |            |                         |         |         |
| Cash and cash equivalents                           | 556,066    | 556,066       | -          | -                       | 556,066 | -       |
| Trade and other receivables, current                | 464,855    | 464,855       | -          | -                       | 464,855 | -       |
| Trade receivables due from related parties, current | 44,554     | 44,554        | -          | -                       | 44,554  | -       |
| Other current financial assets:                     | -          | -             | -          | -                       | -       | -       |
| - Time deposits                                     | 291,790    | 291,790       | -          | -                       | 291,790 | -       |
| - Derivative instruments                            | -          | -             | -          | -                       | -       | -       |
| - Forwards  | -          | -             | 2,637      | -                       | 2,637   | -       |
| - Options   | -          | -             | 56         | -                       | 56      | -       |
| - Hedging assets                                    | -          | -             | -          | -                       | -       | -       |
| - Investment hedge swaps                            | -          | -             | 18,238     | -                       | 18,238  | -       |
| Non-current accounts receivable                     | 424        | 424           | -          | -                       | -       | -       |
| Other non-current financial assets:                 | -          | -             | -          | -                       | -       | -       |
| - Other   | 95         | 95            | -          | -                       | 95      | -       |
| - Actions   | -          | -             | 3,611      | -                       | -       | -       |
| - Hedging assets - Swaps                            | -          | -             | 13,425     | -                       | 13,425  | -       |
| Other current financial liabilities                 | -          | -             | -          | -                       | -       | -       |
| - Bank loans  | 300        | 300           | -          | -                       | 300     | -       |
| - Derivative instruments                            | -          | -             | -          | -                       | -       | -       |
| - Forwards  | -          | -             | 2,723      | -                       | 2,723   | -       |
| - Options   | -          | -             | 132        | -                       | 132     | -       |
| - Hedging liabilities - Swaps                       | -          | -             | 5,285      | -                       | 5,285   | -       |
| - Unsecured obligations                             | 15,145     | 15,145        | -          | -                       | 15,145  | -       |
| Trade and other payables, current and non current   | 163,751    | 163,751       | -          | -                       | 163,751 | -       |
|   | 9          | 9             | -          | -                       | 9       | -       |



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Trade payables due to related parties,  
current

|  |           |           |        |   |           |   |
|--|-----------|-----------|--------|---|-----------|---|
| Other non-current financial liabilities: | -         | -         | -      | - | -         | - |
| - Bank loans                             | 68,870    | 71,826    | -      | - | 71,826    | - |
| - Unsecured obligations                  | 1,249,479 | 1,357,640 | -      | - | 1,357,640 | - |
| - Non-current hedging liabilities        | -         | -         | 12,033 | - | 12,033    | - |

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## Note 14 Financial instruments (continued)

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

|   | Carrying   |               | Fair value | Measurement Methodology |         |         |
|---|------------|---------------|------------|-------------------------|---------|---------|
|   | Amount at  | Fair value    |            | Fair value              | Level 1 | Level 2 |
|   | Amortized  | (informative) |            |                         |         |         |
|   | Cost       |               |            |                         |         |         |
|   | 12/31/2017 | 12/31/2017    | 12/31/2017 | ThUS\$                  | ThUS\$  | ThUS\$  |
|   | ThUS\$     | ThUS\$        | ThUS\$     | ThUS\$                  | ThUS\$  | ThUS\$  |
| Financial Assets                                    |            |               |            |                         |         |         |
| Cash and cash equivalents                           | 630,438    | 630,438       | -          | -                       | 630,438 | -       |
| Trade and other receivables, current                | 446,875    | 446,875       | -          | -                       | 446,875 | -       |
| Trade receivables due from related parties, current | 59,132     | 59,132        | -          | -                       | 59,132  | -       |
| Other current financial assets:                     | -          | -             | -          | -                       | -       | -       |
| - Time deposits                                     | 360,941    | 360,941       | -          | -                       | 360,941 | -       |
| - Derivative instruments                            | -          | -             | -          | -                       | -       | -       |
| - Forwards  | -          | -             | 2,744      | -                       | 2,744   | -       |
| - Options   | -          | -             | 110        | -                       | 110     | -       |
| - Hedging assets                                    | -          | -             | 3,184      | -                       | 3,184   | -       |
| - Investment hedge swaps                            | -          | -             | -          | -                       | -       | -       |
| Non-current accounts receivable                     | 1,912      | 1,912         | -          | -                       | 1,912   | -       |
| Other non-current financial assets:                 | -          | -             | -          | -                       | -       | -       |
| - Other   | 24,811     | 24,811        | -          | -                       | 24,811  | -       |
| - Actions   | -          | -             | 9,159      | 9,159                   | -       | -       |
| - Hedging assets - Swaps                            | -          | -             | 8,909      | -                       | 8,909   | -       |
| Other current financial liabilities                 | -          | -             | -          | -                       | -       | -       |
| - Bank loans  | 163,568    | 163,568       | -          | -                       | 163,568 | -       |
| - Derivative instruments                            | -          | -             | -          | -                       | -       | -       |
| - Forwards  | -          | -             | 5,534      | -                       | 5,534   | -       |
| - Options   | -          | -             | 445        | -                       | 445     | -       |
| - Hedging liabilities - Swaps                       | -          | -             | 37,287     | -                       | 37,287  | -       |
| - Unsecured obligations                             | 13,494     | 13,494        | -          | -                       | 13,494  | -       |
| Trade and other payables, current and non current   | 196,280    | 196,280       | -          | -                       | 196,280 | -       |
|   | 1,365      | 1,365         | -          | -                       | 1,365   | -       |

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Trade payables due to related parties,  
current

|  |           |           |   |   |           |   |
|--|-----------|-----------|---|---|-----------|---|
| Other non-current financial liabilities: | -         | -         | - | - | -         | - |
| - Bank loans                             | -         | -         | - | - | -         | - |
| - Unsecured obligations                  | 1,031,507 | 1,131,639 | - | - | 1,131,639 | - |
| - Non-current hedging liabilities        | -         | -         | - | - | -         | - |

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14.9 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, 2018 and December 31, 2017, assets pledged as guarantees are as follows:

|                           | <b>12/31/2018</b> | <b>12/31/2017</b> |
|---------------------------|-------------------|-------------------|
|                           | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Restricted cash           |                   |                   |
| Isapre Norte Grande Ltda, | 712               | 771               |
| Total                     | 712               | 771               |

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### **Note 14 Financial instruments (continued)**

#### 14.10 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.

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**Note 14 Financial instruments (continued)****14.10 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:

|   | <b>12/31/2018</b> |            | <b>12/31/2017</b> |            |
|---|-------------------|------------|-------------------|------------|
|   | Carrying value    | Fair value | Carrying value    | Fair value |
|   | ThUS\$            | ThUS\$     | ThUS\$            | ThUS\$     |
| Cash and cash equivalents                     | 556,066           | 556,066    | 630,438           | 630,438    |
| Current trade and other receivables           | 464,855           | 464,855    | 446,875           | 446,875    |
| Receivables due from related parties, current | 44,554            | 44,554     | 59,132            | 59,132     |
| Other financial assets, current:              |                   |            |                   |            |
| - Time deposits                               | 291,790           | 291,790    | 360,941           | 360,941    |
| - Derivative instruments                      | 2,693             | 2,693      | 6,038             | 6,038      |
| - Hedging assets                              | 18,238            | 18,238     | -                 | -          |
| Total other current financial assets          | 312,721           | 312,721    | 366,979           | 366,979    |
| Non-Current Trade Receivables                 | 424               | 424        | 1,912             | 1,912      |
| Other non-current financial assets:           | 17,131            | 17,131     | 42,879            | 42,879     |
| Total other non-current financial assets:     | 17,131            | 17,131     | 42,879            | 42,879     |
| Other financial liabilities, current:         |                   |            |                   |            |
| - Bank loans                                  | 300               | 300        | 163,568           | 163,568    |
| - Derivative instruments                      | 2,855             | 2,855      | 5,979             | 5,979      |
| - Hedging liabilities                         | 5,285             | 5,285      | 37,287            | 37,287     |
| - Unsecured obligations                       | 15,145            | 15,145     | 13,494            | 13,494     |
| Other financial liabilities, current          | 23,585            | 23,585     | 220,328           | 220,328    |
| Current and non-current accounts payable      | 163,751           | 163,751    | 196,280           | 196,280    |
| Payables due to related parties, non-current  | 9                 | 9          | 1,365             | 1,365      |
| Other non-current financial liabilities:      |                   |            |                   |            |
| - Bank loans                                  | 68,870            | 71,826     | -                 | -          |
| - Unsecured obligations                       | 1,249,479         | 1,404,614  | 1,031,507         | 1,131,639  |
| - Non-current hedging liabilities             | 12,033            | 2,657      | -                 | -          |
| Other non-current financial liabilities:      | 1,330,382         | 1,479,097  | 1,031,507         | 1,131,639  |

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

**Note 14 Financial instruments (continued)**

14.11 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 5 - Financial Risk Management.

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## Note 15 Intangible assets and goodwill

## 15.1 Balances

|                                       | 12/31/2018 | 12/31/2017 |
|---------------------------------------|------------|------------|
|                                       | ThUS\$     | ThUS\$     |
| Intangible assets other than goodwill | 188,283    | 113,787    |
| Goodwill (1)                          | 34,718     | 37,972     |
| Total                                 | 223,001    | 151,759    |

## 15.2 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, 2018 and December 31, 2017 are detailed as follows:

| Intangible assets and goodwill  | Useful life | 12/31/2018             |                                    |   |                     |
|---|-------------|------------------------|------------------------------------|---|---------------------|
|   |             | Gross amount<br>ThUS\$ | Accumulated Amortization<br>ThUS\$ | Accumulated Impairment losses<br>ThUS\$ | Net Value<br>ThUS\$ |
| Software  | Finite      | 28,833                 | (25,455 )                          | -                                       | 3,378               |
| Intellectual property rights, patents and other industrial property rights, service | Finite      | 1,254                  | (1,096 )                           | (7 )                                    | 151                 |
| Mining property, water rights and rights of way.                                    | Indefinite  | 184,849                | (88 )                              | (1,729 )                                | 183,032             |
| Customer-related intangible assets  | Indefinite  | 1,778                  | -                                  | (205 )                                  | 1,573               |
| Other intangible assets   | Indefinite  | 149                    | -                                  | -                                       | 149                 |
| Intangible assets other than goodwill   |             | 216,863                | (26,639 )                          | (1,941 )                                | 188,283             |
| Goodwill  | Indefinite  | 37,972                 | -                                  | (3,254 )                                | 34,718              |



|                                      |         |           |          |         |
|--------------------------------------|---------|-----------|----------|---------|
| Total intangible assets and goodwill | 254,835 | (26,639 ) | (5,195 ) | 223,001 |
|--------------------------------------|---------|-----------|----------|---------|

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**Note 15 Intangible assets and goodwill (continued)****15.2 Disclosures on intangible assets and goodwill, continued**

|   | Useful life | 12/31/2017                |                                       | Net Value<br>ThUS\$ |
|---|-------------|---------------------------|---------------------------------------|---------------------|
|   |             | Gross<br>amount<br>ThUS\$ | Accumulated<br>Amortization<br>ThUS\$ |                     |
| Intangible assets and goodwill  |             |                           |                                       |                     |
| Software  | Finite      | 25,060                    | (19,769 )                             | 5,291               |
| Intellectual property rights, patents and other industrial property rights, service | Finite      | 1,250                     | (1,061 )                              | 189                 |
| Mining property, water rights and rights of way                                     | Indefinite  | 106,358                   | -                                     | 106,358             |
| Customer-related intangible assets  | Indefinite  | 1,778                     | -                                     | 1,778               |
| Other intangible assets   | Indefinite  | 171                       | -                                     | 171                 |
| Intangible assets other than goodwill   |             | 134,617                   | (20,830 )                             | 113,787             |
| Goodwill  | Indefinite  | 37,972                    | -                                     | 37,972              |
| Total intangible assets and goodwill  |             | 172,589                   | (20,830 )                             | 151,759             |

**a) Estimated useful lives or amortization rates used for finite identifiable intangible assets**

Finite useful life measures the length of, or number of production or similar units constituting that useful life.

The estimated useful life for software is 2-6 years, for other assets with a finite useful life, the useful life over which they are amortized corresponds to the periods defined by the contracts or rights from which they originate.

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.

The company owns mining claims granted by Corfo, which correspond to assets subject to restitution. For this reason they are considered assets with a finite useful life and their useful life is assigned until the year 2030 when the contract ends.

**b) Method used to assess identifiable intangible assets with indefinite useful life**

The recoverable value of the cash-generating unit has been determined based on a calculation of value-in-use using cash flow projections for a period of 5 years, plus perpetuity. The present value of future cash flows generated by these assets was calculated given a variation in sales volumes, market prices and costs, discounted at a WACC rate of 8.04%.

This group of intangible assets includes water rights acquired in Chile, and mining concessions held by the company in Chile and Australia, and these rights are recorded at acquisition cost.

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**Note 15 Intangible assets and goodwill (continued)****15.2 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 |
|---|----------------------|----------------------|
| Mining property, water rights and rights of way   | 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              |

The following table shows the movements in goodwill as of December 31, 2018:

| Company                    | Goodwill<br>01/01/2018<br>ThUS\$ | Additional<br>recognition<br>ThUS\$ | Impairment<br>losses<br>ThUS\$ | Transferred to<br>available for sale<br>ThUS\$ | Goodwill<br>12/31/2018<br>ThUS\$ |
|----------------------------|----------------------------------|-------------------------------------|--------------------------------|--|----------------------------------|
| SQM Industrial S.A.        | 3,214                            | -                                   | (3,214 )                       | -  | -                                |
| SQM S.A.                   | 22,255                           | -                                   | -                              | -  | 22,255                           |
| SQM Investment Corporation | 86                               | -                                   | -                              | -  | 86                               |
| Soquimich Comercial S.A.   | 320                              | -                                   | (40 )                          | -  | 280                              |
| Soquimich European Holding | 11,373                           | -                                   | -                              | -  | 11,373                           |
| SQM Potasio S.A.           | 724                              | -                                   | -                              | -  | 724                              |
| Total                      | 37,972                           | -                                   | (3,254 )                       | -  | 34,718                           |

**d) Information to be disclosed on assets generated internally**

The Company has no intangible assets generated internally.



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## Note 15 Intangible assets and goodwill (continued)

## 15.2 Disclosures on intangible assets and goodwill, continued

## e) Movements in identifiable intangible assets as of December 31, 2018:

| 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\$                         |
| Opening Balance   | 25,060     | 1,250    | 106,358  | 1,778  | 171                     | 37,972   | 172,589                        |
| Additions   | 1,159      | 5        | 77,201   | -  | 11                      | -        | 78,376                         |
| Other increases / decreases for foreign currency exchange rates | (5 )       | (1 )     | (4 )   | -  | -                       | -        | (10 )                          |
| Other increases (decreases)                                     | 2,619      | -        | 1,294  | -  | (33 )                   | -        | 3,880                          |
| Total increases (decreases)                                     | 3,773      | 4        | 78,491   | 1,778  | (22 )                   | -        | 82,246                         |
| Final balance   | 28,833     | 1,254    | 184,849  | 1,778  | 149                     | 37,972   | 254,835                        |

| Accumulated amortization | IT programs | Intellectual property rights, patents and other industrial property rights, service. Finite | Mining property, water rights and rights of way Indefinite | Customer-related intangible assets | Other intangible assets | Goodwill | Identifiable intangible assets |
|--------------------------|-------------|---|--|------------------------------------|-------------------------|----------|--------------------------------|
|                          | ThUS\$      | ThUS\$  | ThUS\$   | ThUS\$                             | ThUS\$                  | ThUS\$   | ThUS\$                         |
| Opening Balance          | (19,769 )   | (1,061 )  | -  | -                                  | -                       | -        | (20,830 )                      |

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|   |         |    |        |        |        |      |                           |
|---|---------|----|--------|--------|--------|------|---------------------------|
| Other increases / decreases for foreign currency exchange rates | 4       | -  | -      | -      | -      | -    | 4                         |
| (-) Impairment losses recognized in profit or loss for the year | -       | (7 | )      | (1,729 | )      | (205 | ) (3,254) (5,195 )        |
| Amortization  | (2,880  | )  | (35    | )      | (88    | )    | - - - (3,003 )            |
| Other increases (decreases)                                     | (2,810  | )  | -      | -      | -      | -    | (2,810 )                  |
| Total increases (decreases)                                     | (5,686  | )  | (42    | )      | (1,817 | )    | (205 ) - (3,254) (11,004) |
| Final balance   | (25,455 | )  | (1,103 | )      | (1,817 | )    | (205 ) - (3,254) (31,834) |

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## Note 15 Intangible assets and goodwill (continued)

## 15.2 Disclosures on intangible assets and goodwill, continued

## f) Movements in identifiable intangible assets as of December 31, 2018, continued

|   | IT<br>programs | Intellectual<br>property<br>rights,<br>patents<br>and<br>other<br>industrial<br>property<br>rights,<br>service.<br>Finite | Mining<br>property,<br>water<br>rights<br>and rights<br>of way<br>Indefinite | Customer-<br>related<br>intangible<br>assets | Other<br>intangible<br>assets | Goodwill | Identifiable<br>intangible<br>assets |
|---|----------------|---|--|--|-------------------------------|----------|--------------------------------------|
|   | ThUS\$         | ThUS\$  | ThUS\$   | ThUS\$                                       | ThUS\$                        | ThUS\$   | ThUS\$                               |
| Opening Balance   | 5,291          | 189   | 106,358  | 1,778  | 171                           | 37,972   | 151,759                              |
| Additions   | 1,159          | 5   | 77,201   | -  | 11                            | -        | 78,376                               |
| Amortization  | (2,880)        | (35)  | (88)   | -  | -                             | -        | (3,003)                              |
| Impairment losses recognized in profit or loss for the year     | -              | (7)   | (1,729)  | (205)  | -                             | (3,254)  | (5,195)                              |
| Other increases / decreases for foreign currency exchange rates | (1)            | (1)   | (4)  | -  | -                             | -        | (6)                                  |
| Other increases (decreases)                                     | (191)          | -   | 1,294  | -  | (33)                          | -        | 1,070                                |
| Total increases (decreases)                                     | (1,913)        | (38)  | 76,674   | (205)  | (22)                          | (3,254)  | 71,242                               |
| Final balance   | 3,378          | 151   | 183,032  | 1,573  | 149                           | 34,718   | 223,001                              |

## g) Movements in identifiable intangible assets as of December 31, 2017:

|   | IT<br>programs | Intellectual<br>property<br>rights,<br>patents<br>and<br>other<br>industrial | Mining<br>property,<br>water<br>rights<br>and rights<br>of way<br>Indefinite | Customer-<br>related<br>intangible<br>assets | Other<br>intangible<br>assets | Goodwill | Identifiable<br>intangible<br>assets |
|---|----------------|--|--|--|-------------------------------|----------|--------------------------------------|
| Gross value                                 |                |  |  |  |                               |          |                                      |
| Movements in Identifiable intangible assets |                |  |  |  |                               |          |                                      |



|                                     |        | property<br>rights,<br>service.<br>Finite |         |          |        |        |         |
|-------------------------------------|--------|---|---------|----------|--------|--------|---------|
|                                     | ThUS\$ | ThUS\$                                    | ThUS\$  | ThUS\$   | ThUS\$ | ThUS\$ | ThUS\$  |
| Opening Balance                     | 23,280 | 1,483                                     | 106,436 | 2,942    | -      | 37,972 | 172,113 |
| Additions                           | 939    | 8   | -       | -        | 171    | -      | 1,118   |
| Increases (decreases) for transfers | -      | -   | (205 )  | -        | -      | -      | (205 )  |
| Other increases (decreases)         | 841    | (241 )                                    | 127     | (1,164 ) | -      | -      | (437 )  |
| Total increases (decreases)         | 1,780  | (233 )                                    | (78 )   | (1,164 ) | 171    | -      | 476     |
| Final balance                       | 25,060 | 1,250                                     | 106,358 | 1,778    | 171    | 37,972 | 172,589 |

## 10) FINANCIAL REPORTS

## Note 15 Intangible assets and goodwill (continued)

## 15.2 Disclosures on intangible assets and goodwill, continued

## g) Movements in identifiable intangible assets as of December 31, 2017:

| Movements in identifiable intangible assets,<br>accumulated amortization | Software  | Intellectual<br>property<br>rights,<br>patents and<br>other<br>industrial<br>property<br>rights,<br>service,<br>rights of way | Mining<br>property,<br>water<br>rights<br>and rights<br>of way.<br>Indefinite. | Customer-<br>related<br>intangible<br>assets | Other<br>intangible<br>assets | Goodwill | Identifiable<br>intangible<br>assets |
|--|-----------|---|--|--|-------------------------------|----------|--------------------------------------|
|  |           | ThUS\$  | ThUS\$   | ThUS\$                                       | ThUS\$                        | ThUS\$   | ThUS\$                               |
| Opening balance  | (16,234 ) | (1,023 )  | -  | -  | -                             | -        | (17,257 )                            |
| Additions  | -         | -   | -  | -  | -                             | -        | -                                    |
| Amortization   | (2,653 )  | (38 )   | -  | -  | -                             | -        | (2,691 )                             |
| Other increases (decreases)  | (882 )    | -   | -  | -  | -                             | -        | (882 )                               |
| Total Increases (decreases)  | (3,535 )  | (38 )   | -  | -  | -                             | -        | (3,573 )                             |
| Final balance  | (19,769 ) | (1,061 )  | -  | -  | -                             | -        | (20,830 )                            |

| Movements in identifiable intangible assets,<br>net | Software | Intellectual<br>property<br>rights,<br>patents<br>and<br>other<br>industrial<br>property<br>rights,<br>service,<br>rights<br>of way | Mining<br>property,<br>water<br>rights<br>and rights<br>of way.<br>Indefinite. | Customer-<br>related<br>intangible<br>assets | Other<br>intangible<br>assets | Goodwill | Identifiable<br>intangible<br>assets |
|---|----------|---|--|--|-------------------------------|----------|--------------------------------------|
|   |          | ThUS\$  | ThUS\$   | ThUS\$                                       | ThUS\$                        | ThUS\$   | ThUS\$                               |
| Opening balance                                     | 7,046    | 460   | 106,436  | 2,942  | -                             | 37,972   | 154,856                              |
| Additions   | 939      | 8   | -  | -  | 171                           | -        | 1,118                                |

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|                                     |          |        |         |          |     |        |          |
|-------------------------------------|----------|--------|---------|----------|-----|--------|----------|
| Increases (decreases) for transfers | -        | -      | (205 )  | -        | -   | -      | (205 )   |
| Amortization                        | (2,653 ) | (38 )  | -       | -        | -   | -      | (2,691 ) |
| Impairment                          | -        | -      | -       | -        | -   | -      | -        |
| Increases (decreases) for transfers | -        | -      | -       | -        | -   | -      | -        |
| Other increases (decreases)         | (41 )    | (241 ) | 127     | (1,164 ) | -   | -      | (1,319 ) |
| Total Increases (decreases)         | (1,755 ) | (271 ) | (78 )   | (1,164 ) | 171 | -      | (3,097 ) |
| Final balance                       | 5,291    | 189    | 106,358 | 1,778    | 171 | 37,972 | 151,759  |

## 10) FINANCIAL REPORTS

## Note 16 Property, plant and equipment

As of December 31, 2018 and December 31, 2017, the detail of property, plant and equipment is as follows:

## 16.1 Types of property, plant and equipment

| Description of types of property, plant and equipment                                 | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Property, plant and equipment, net  |            |            |
| Land  | 24,695     | 24,900     |
| Buildings   | 238,808    | 230,319    |
| Other property, plant and equipment   | 28,175     | 24,862     |
| Transport equipment   | 2,892      | 3,257      |
| Supplies and accessories  | 4,722      | 1,872      |
| Office equipment  | 513        | 487        |
| Network and communication equipment   | 692        | 1,050      |
| Mining assets   | 11,501     | 16,237     |
| IT equipment  | 4,980      | 3,401      |
| Energy generating assets  | 6,117      | 7,861      |
| Constructions in progress   | 207,830    | 165,054    |
| Machinery, plant and equipment (1)  | 923,898    | 950,054    |
| Total   | 1,454,823  | 1,429,354  |
| Property, plant and equipment, gross  |            |            |
| Land  | 24,695     | 24,900     |
| Buildings   | 648,719    | 610,264    |
| Other property, plant and equipment   | 245,731    | 244,831    |
| Transport equipment   | 11,668     | 11,195     |
| Supplies and accessories  | 24,456     | 19,498     |
| Office equipment  | 11,377     | 11,105     |
| Network and communication equipment   | 7,505      | 7,356      |
| Mining assets   | 132,309    | 129,028    |
| IT equipment  | 29,955     | 27,038     |
| Energy generating assets  | 36,930     | 36,643     |
| Constructions in progress   | 207,830    | 165,054    |
| Machinery, plant and equipment  | 3,068,862  | 2,938,287  |
| Total   | 4,450,037  | 4,225,199  |
| Accumulated depreciation and value impairment of property, plant and equipment, total |            |            |
| Accumulated depreciation and impairment of buildings                                  | (409,911 ) | (379,945 ) |

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|  |             |             |
|--|-------------|-------------|
| Accumulated depreciation and impairment of other property, plant and equipment | (217,556 )  | (219,969 )  |
| Accumulated depreciation and impairment of transport equipment                 | (8,776 )    | (7,938 )    |
| Accumulated depreciation and impairment of supplies and accessories            | (19,734 )   | (17,626 )   |
| Accumulated depreciation and impairment of office equipment                    | (10,864 )   | (10,618 )   |
| Accumulated depreciation and impairment of network and communication equipment | (6,813 )    | (6,306 )    |
| Accumulated depreciation and impairment of mining assets                       | (120,808 )  | (112,791 )  |
| Accumulated depreciation and impairment of IT equipment                        | (24,975 )   | (23,637 )   |
| Accumulated depreciation and impairment of energy generating assets            | (30,813 )   | (28,782 )   |
| Accumulated depreciation and impairment of machinery, plant and equipment      | (2,144,964) | (1,988,233) |
| Total  | (2,995,214) | (2,795,845) |

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## 10) FINANCIAL REPORTS

**Note 16 Property, plant and equipment, (continued)****16.1 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 | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Property, plant and equipment, net                      |            |            |
| Pumps   | 34,145     | 33,614     |
| Conveyor belt   | 22,082     | 24,832     |
| Crystallizer  | 27,112     | 15,519     |
| Plant equipment   | 188,934    | 186,885    |
| Water tanks   | 14,876     | 11,296     |
| Filter  | 29,300     | 18,572     |
| Facilities/electrical equipment                         | 96,179     | 105,600    |
| Other machinery, plant and equipment                    | 71,964     | 72,812     |
| Piping  | 98,498     | 113,641    |
| Pond  | 250,045    | 275,731    |
| Well  | 42,903     | 46,802     |
| Parts   | 47,860     | 44,750     |
| Total   | 923,898    | 950,054    |

\* The net balance of other machinery, plant and equipment includes capitalized site closure expenses of ThUS\$12,967 as of December 31 , 2018 and ThUS\$14,104 as of December 31, 2017.

## 10) FINANCIAL REPORTS

**Note 16 Property, plant and equipment (continued)**

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

Reconciliation of changes in property, plant and equipment by class as of December 31, 2018 and December 31, 2017:

| Reconciliation of changes in property, plant and equipment by class as of December 31, 2018, gross amount             | Land   | Buildings | Other property, plant and equipment | Transport equipment | Supplies and accessories | Equipment office | Network and communication equipment | Mining assets | IT equipment |
|---|--------|-----------|-------------------------------------|---------------------|--------------------------|------------------|-------------------------------------|---------------|--------------|
|   | ThUS\$ | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$           | ThUS\$                              | ThUS\$        | ThUS\$       |
| Opening balance   | 24,900 | 610,264   | 244,831                             | 11,195              | 19,498                   | 11,105           | 7,356                               | 129,028       | 27,000       |
| Changes   |        |           |                                     |                     |                          |                  |                                     |               |              |
| Additions   | -      | 28        | 833                                 | -                   | 41                       | 15               | -                                   | -             | 489          |
| Disposals   | -      | (38)      | (7,811)                             | (51)                | -                        | -                | -                                   | -             | (10)         |
| Increase (decrease) in foreign currency translation difference  | (64)   | (134)     | (8)                                 | (3)                 | (19)                     | (6)              | -                                   | -             | (11)         |
| Reclassifications   | -      | 38,746    | 10,330                              | 529                 | 4,889                    | 268              | 150                                 | 3,281         | 2,100        |
| Other increases (decreases) (*)   | -      | (147)     | (2,444)                             | (2)                 | 47                       | (5)              | (1)                                 | -             | 349          |
| Decreases for classification as held for sale (1)   | (141)  | -         | -                                   | -                   | -                        | -                | -                                   | -             | -            |
| Total changes   | (205)  | 38,455    | 900                                 | 473                 | 4,958                    | 272              | 149                                 | 3,281         | 2,919        |
| Closing balance   | 24,695 | 648,719   | 245,731                             | 11,668              | 24,456                   | 11,377           | 7,505                               | 132,309       | 29,919       |
| Reconciliation of changes in property, plant and equipment by class as of December 31, 2018, accumulated depreciation |        |           |                                     |                     |                          |                  |                                     |               |              |
|   | ThUS\$ | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$           | ThUS\$                              | ThUS\$        | ThUS\$       |
| Opening balance   | -      | (379,945) | (219,969)                           | (7,938)             | (17,626)                 | (10,618)         | (6,306)                             | (112,791)     | (23,630)     |
| Changes   |        |           |                                     |                     |                          |                  |                                     |               |              |
| Disposals   | -      | 38        | 7,737                               | 8                   | -                        | -                | -                                   | -             | 10           |
| Depreciation expense  | -      | (29,829)  | (7,415)                             | (880)               | (2,056)                  | (271)            | (483)                               | (8,017)       | (1,374)      |
| Impairment  | -      | (437)     | -                                   | -                   | -                        | -                | -                                   | -             | -            |
|   | -      | 41        | 4                                   | 1                   | 12                       | 3                | -                                   | -             | (1)          |

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Increase (decrease) in foreign currency translation difference

|   |   |           |           |         |          |          |         |           |        |
|---|---|-----------|-----------|---------|----------|----------|---------|-----------|--------|
| Reclassifications                                 | - | 106       | (483 )    | -       | (87 )    | (17 )    | (28 )   | -         | 90     |
| Other increases (decreases) (*)                   | - | 115       | 2,570     | 33      | 23       | 39       | 4       | -         | (63    |
| Decreases for classification as held for sale (1) | - | -         | -         | -       | -        | -        | -       | -         | -      |
| Total changes                                     | - | (29,966 ) | 2,413     | (838 )  | (2,108 ) | (246 )   | (507 )  | (8,017 )  | (1,338 |
| Closing balance                                   | - | (409,911) | (217,556) | (8,776) | (19,734) | (10,864) | (6,813) | (120,808) | (24,97 |

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## 10) FINANCIAL REPORTS

## Note 16 Property, plant and equipment (continued)

## 16.2 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, 2018, net amount | Land   | Buildings | Other property, plant and equipment | Transport equipment | Supplies and accessories | Equipment and office | Network and communication equipment | Mining assets | IT equipment | Energy assets |
|---|--------|-----------|-------------------------------------|---------------------|--------------------------|----------------------|-------------------------------------|---------------|--------------|---------------|
|   | ThUS\$ | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$               | ThUS\$                              | ThUS\$        | ThUS\$       | ThUS\$        |
| Opening balance   | 24,900 | 230,319   | 24,862                              | 3,257               | 1,872                    | 487                  | 1,050                               | 16,237        | 3,401        | 7,000         |
| Changes   |        |           |                                     |                     |                          |                      |                                     |               |              |               |
| Additions   | -      | 28        | 833                                 | -                   | 41                       | 15                   | -                                   | -             | 489          | -             |
| Disposals   | -      | -         | (74 )                               | (43 )               | -                        | -                    | -                                   | -             | -            | -             |
| Depreciation expense  | -      | (29,829 ) | (7,415 )                            | (880 )              | (2,056 )                 | (271 )               | (483 )                              | (8,017 )      | (1,374 )     | (2,000 )      |
| Impairment  | -      | (437 )    | -                                   | -                   | -                        | -                    | -                                   | -             | -            | (1,000 )      |
| Increase (decrease) in foreign currency translation difference  | (64 )  | (93 )     | (4 )                                | (2 )                | (7 )                     | (3 )                 | -                                   | -             | (12 )        | -             |
| Reclassifications   | -      | 38,852    | 9,847                               | 529                 | 4,802                    | 251                  | 122                                 | 3,281         | 2,190        | 7,000         |
| Other increases (decreases) (*)   | -      | (32 )     | 126                                 | 31                  | 70                       | 34                   | 3                                   | -             | 286          | 2,000         |
| Decreases for classification as held for sale (1)   | (141 ) | -         | -                                   | -                   | -                        | -                    | -                                   | -             | -            | -             |
| Total changes   | (205 ) | 8,489     | 3,313                               | (365 )              | 2,850                    | 26                   | (358 )                              | (4,736 )      | 1,579        | (1,000 )      |
| Closing balance   | 24,695 | 238,808   | 28,175                              | 2,892               | 4,722                    | 513                  | 692                                 | 11,501        | 4,980        | 6,000         |

(\*) 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.

## 10) FINANCIAL REPORTS

**Note 16 Property, plant and equipment (continued)****16.2 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, gross amount             | Land     | Buildings | Other property, plant and equipment | Transport equipment | Supplies and accessories | Equipment and office | Network and communication equipment | Mining assets | IT equipment |
|---|----------|-----------|-------------------------------------|---------------------|--------------------------|----------------------|-------------------------------------|---------------|--------------|
|   | ThUS\$   | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$               | ThUS\$                              | ThUS\$        | ThUS\$       |
| Opening balance   | 32,702   | 582,082   | 253,555                             | 10,819              | 18,259                   | 17,731               | 7,522                               | 158,514       | 20,3         |
| Changes   |          |           |                                     |                     |                          |                      |                                     |               |              |
| Additions   | -        | 189       | 541                                 | -                   | 115                      | 42                   | 12                                  | -             | 899          |
| Disposals   | -        | (59 )     | (11,623 )                           | (321 )              | -                        | (23 )                | -                                   | (30,082 )     | (57          |
| Increase (decrease) in foreign currency translation difference  | 45       | 103       | 3                                   | 1                   | -                        | -                    | -                                   | -             | (2           |
| Reclassifications   | -        | 23,336    | 8,255                               | 696                 | 1,044                    | 172                  | 123                                 | 596           | 122          |
| Other increases (decreases) (*)   | (7,436 ) | 4,669     | (5,900 )                            | -                   | 80                       | (6,817 )             | (301 )                              | -             | 5,76         |
| Decreases for classification as held for sale (1)   | (411 )   | (56 )     | -                                   | -                   | -                        | -                    | -                                   | -             | -            |
| Total changes   | (7,802 ) | 28,182    | (8,724 )                            | 376                 | 1,239                    | (6,626 )             | (166 )                              | (29,486 )     | 6,72         |
| Closing balance   | 24,900   | 610,264   | 244,831                             | 11,195              | 19,498                   | 11,105               | 7,356                               | 129,028       | 27,0         |
| Reconciliation of changes in property, plant and equipment by class as of December 31, 2017, accumulated depreciation |          |           |                                     |                     |                          |                      |                                     |               |              |
|   | Land     | Buildings | Other property, plant and equipment | Transport equipment | Supplies and accessories | Equipment and office | Network and communication equipment | Mining assets | IT equipment |
|   | ThUS\$   | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$               | ThUS\$                              | ThUS\$        | ThUS\$       |
| Opening balance   | -        | (344,497) | (227,138)                           | (7,464)             | (16,486)                 | (14,089)             | (5,836)                             | (133,871)     | (19,9        |
| Changes   |          |           |                                     |                     |                          |                      |                                     |               |              |
| Disposals   | -        | 58        | 11,622                              | 312                 | -                        | 3                    | -                                   | 30,083        | 25           |
| Depreciation expense  | -        | (33,306 ) | (6,759 )                            | (730 )              | (1,047 )                 | (357 )               | (665 )                              | (10,638 )     | (909         |
| Impairment  | -        | -         | -                                   | -                   | -                        | -                    | -                                   | -             | -            |
| Increase (decrease) in foreign currency translation difference  | -        | (35 )     | (3 )                                | (2 )                | -                        | -                    | -                                   | -             | (11          |
| Reclassifications   | -        | (62 )     | 38                                  | (32 )               | (110 )                   | (69 )                | (25 )                               | -             | (46          |
| Other increases (decreases) (*)   | -        | (2,102 )  | 2,271                               | (22 )               | 17                       | 3,894                | 220                                 | 1,635         | (2,74        |

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|   |   |           |           |         |          |          |         |           |       |
|---|---|-----------|-----------|---------|----------|----------|---------|-----------|-------|
| Decreases for classification as held for sale (1) | - | (1 )      | -         | -       | -        | -        | -       | -         | -     |
| Total changes                                     | - | (35,448 ) | 7,169     | (474 )  | (1,140 ) | 3,471    | (470 )  | 21,080    | (3,68 |
| Closing balance                                   | - | (379,945) | (219,969) | (7,938) | (17,626) | (10,618) | (6,306) | (112,791) | (23,6 |

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## 10) FINANCIAL REPORTS

## Note 16 Property, plant and equipment (continued)

## 16.2 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     | Buildings | Other property, plant and equipment | Transport equipment | Supplies and accessories | Equipment and office | Network and communication equipment | Mining assets | IT equipment |
|---|----------|-----------|-------------------------------------|---------------------|--------------------------|----------------------|-------------------------------------|---------------|--------------|
|   | ThUS\$   | ThUS\$    | ThUS\$                              | ThUS\$              | ThUS\$                   | ThUS\$               | ThUS\$                              | ThUS\$        | ThUS\$       |
| Opening balance   | 32,702   | 237,585   | 26,417                              | 3,355               | 1,773                    | 3,642                | 1,686                               | 24,643        | 366          |
| Changes   |          |           |                                     |                     |                          |                      |                                     |               |              |
| Additions   | -        | 189       | 541                                 | -                   | 115                      | 42                   | 12                                  | -             | 899          |
| Disposals   | -        | (1 )      | (1 )                                | (9 )                | -                        | (20 )                | -                                   | 1             | (32 )        |
| Depreciation expense  | -        | (33,306 ) | (6,759 )                            | (730 )              | (1,047 )                 | (357 )               | (665 )                              | (10,638 )     | (909 )       |
| Impairment  | -        | -         | -                                   | -                   | -                        | -                    | -                                   | -             | -            |
| Increase (decrease) in foreign currency translation difference  | 45       | 68        | -                                   | (1 )                | -                        | -                    | -                                   | -             | (13 )        |
| Reclassifications   | -        | 23,274    | 8,293                               | 664                 | 934                      | 103                  | 98                                  | 596           | 76           |
| Other increases (decreases) (*)   | (7,436 ) | 2,567     | (3,629 )                            | (22 )               | 97                       | (2,923 )             | (81 )                               | 1,635         | 3,014        |
| Decreases for classification as held for sale (1)   | (411 )   | (57 )     | -                                   | -                   | -                        | -                    | -                                   | -             | -            |
| Total changes   | (7,802 ) | (7,266 )  | (1,555 )                            | (98 )               | 99                       | (3,155 )             | (636 )                              | (8,406 )      | 3,035        |
| Closing balance   | 24,900   | 230,319   | 24,862                              | 3,257               | 1,872                    | 487                  | 1,050                               | 16,237        | 3,401        |

(\*) 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) assets for retirement obligations and 5) 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.

## 10) FINANCIAL REPORTS

### **Note 16 Property, plant and equipment (continued)**

#### **16.3 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.

#### **16.4 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, 2018, impairment of ThUS\$1,390 was recorded, while impairment of ThUS\$5,205 was recorded as of December 31, 2017.

#### **16.5 Additional Information**

##### Capitalized interest

As of December 31, 2018, capitalized interest totaled ThUS\$5,021, while for the period January to December 2017, this item totaled ThUS\$4,382.

No borrowing costs are capitalized for periods beyond the normal period for acquiring, constructing or installing an asset such as delays, interruptions or temporary suspension of projects due to technical, financial or other problems that render the asset unusable.

## 10) FINANCIAL REPORTS

## Note 17 Other current and non-current non-financial assets

As of December 31, 2018, and December 31, 2017, the detail of other current and non-current assets is as follows:

| Other non-financial assets, current    | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Domestic Value Added Tax               | 20,209     | 11,484     |
| Foreign Value Added Tax                | 7,211      | 5,122      |
| Prepaid mining licenses                | 1,329      | 1,205      |
| Prepaid insurance                      | 1,763      | 2,446      |
| Other prepayments                      | 2,988      | 1,443      |
| Refund of Value Added Tax to exporters | 12,545     | 941        |
| Other taxes                            | 2,800      | 4,027      |
| Other assets                           | 341        | 215        |
| Total                                  | 49,186     | 26,883     |

  

| Other non-financial assets, non-current                 | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Stain development expenses and prospecting expenses (1) | 26,189     | 17,721     |
| Guarantee deposits                                      | 712        | 771        |
| Other assets  | 639        | 770        |
| Total   | 27,540     | 19,262     |

## 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, 2018, and December 31, 2017:

| Reconciliation                              | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Opening balance                             | 17,721     | 23,008     |
| Changes                                     |            |            |
| Additions, other than business combinations | 11,298     | -          |
| Reclassifications                           | 1,987      | 595        |



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|  |          |          |
|--|----------|----------|
| Increase (decrease) due to transfers and other charges | (4,817 ) | (5,882 ) |
| Total changes  | 8,468    | (5,287 ) |
| Total  | 26,189   | 17,721   |

As of the presentation date, no reevaluations of assets for exploration and assessment of mineral resources have been conducted.

## 10) FINANCIAL REPORTS

Note 18 Employee benefits

**18.1 Provisions for employee benefits**

| Classes of benefits and expenses by employee | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--|----------------------|----------------------|
| Current                                      |                      |                      |
| Profit sharing and bonuses                   | 20,085               | 22,421               |
| Total  | 20,085               | 22,421               |
| Non-current                                  |                      |                      |
| Profit sharing and bonuses                   | 8,831                | 6,487                |
| Severance indemnity payments                 | 28,233               | 27,445               |
| Total  | 37,064               | 33,932               |

**18.2 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 18.4 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.

## 10) FINANCIAL REPORTS

**Note 18 Employee benefits (continued)**

## 18.3 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 18.6).

| Staff severance indemnities at actuarial value | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Staff severance indemnities, Chile             | 27,562     | 25,893     |
| Executive severance plan                       | 8,831      | 6,487      |
| Severance for foreigners                       | 671        | 1,552      |
| Total other non-current liabilities            | 37,064     | 33,932     |

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 1980.

*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.

## 10) FINANCIAL REPORTS

**Note 18 Employee benefits (continued)****18.3 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. This 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 CMF 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.

**18.4 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.

| Reconciliation                                  | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Changes in the benefit obligation               |            |            |
| Benefit obligation at the beginning of the year | 8,755      | 8,185      |
| Service cost                                    | -          | 2          |

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|   |       |   |       |   |
|---|-------|---|-------|---|
| Interest cost                             | 319   |   | 359   |   |
| Actuarial loss                            | 63    |   | 556   |   |
| Benefits paid                             | (480  | ) | (347  | ) |
| Benefit obligation at the end of the year | 8,657 |   | 8,755 |   |

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## 10) FINANCIAL REPORTS

**Note 18 Employee benefits (continued)****18.4 Post-employment benefit obligations, continued**

|   | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---|----------------------|----------------------|
| Changes in the plan assets:                                       |                      |                      |
| Fair value of plan assets at the beginning of the year            | 8,751                | 7,404                |
| Actual return (loss) in plan assets                               | 133                  | 1,694                |
| Benefits paid   | (480)                | (347)                |
| Fair value of plan assets at the end of the year                  | 8,404                | 8,751                |
| Financing status  | (253)                | (4)                  |
| Items not yet recognized as net periodic pension cost components: |                      |                      |
| Net actuarial loss at the beginning of the year                   | (2,614)              | (3,432)              |
| Amortization during the year                                      | 160                  | 219                  |
| Net estimated gain or loss occurred during the year               | (568)                | 599                  |
| Adjustment to recognize the minimum pension obligation            | (3,022)              | (2,614)              |

The net periodic pension expense was composed of the following components for the years ended December 31, 2018 and 2017:

| Reconciliation                                    | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---|----------------------|----------------------|
| Service cost or benefits received during the year | -                    | 2                    |
| Interest cost in benefit obligation               | 319                  | 359                  |
| Actual return in plan assets                      | 133                  | 1,694                |
| Amortization of prior year losses                 | 160                  | 219                  |
| Net gain during the year                          | (568)                | 599                  |
| Net periodic pension expense                      | (159)                | 41                   |

**18.5 Staff severance indemnities**

As of December 31, 2018 and 2017, severance indemnities calculated at the actuarial value are as follows:



**12/31/2018 12/31/2017**

|                               | <b>ThUS\$</b> | <b>ThUS\$</b> |
|-------------------------------|---------------|---------------|
| Opening balance               | (27,445 )     | (22,532 )     |
| Current cost of service       | (1,529 )      | (934 )        |
| Interest cost                 | (1,658 )      | (1,488 )      |
| Actuarial gain/loss           | (1,617 )      | (1,144 )      |
| Exchange rate difference      | 2,710         | (2,284 )      |
| Benefits paid during the year | 1,306         | 937           |
| Balance                       | (28,233 )     | (27,445 )     |

## 10) FINANCIAL REPORTS

**Note 18 Employee benefits (continued)****18.5 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:

|                             | 12/31/2018 |   | 12/31/2017 |          |
|-----------------------------|------------|---|------------|----------|
| Mortality rate              | RV - 2014  |   | RV - 2014  |          |
| Actual annual interest rate | 4.642      | % | 5.114      | %        |
| Voluntary retirement rate:  |            |   |            |          |
| Men                         | 6.49       | % | 6.49       | % annual |
| Women                       | 6.49       | % | 6.49       | % annual |
| Salary increase             | 3.00       | % | 3.00       | % annual |
| Retirement age:             |            |   |            |          |
| Men                         | 65         |   | 65         | years    |
| Women                       | 60         |   | 60         | years    |

*b) Sensitivity analysis of assumptions*

As of December 31, 2018 and December 31, 2017, the Company has conducted a sensitivity analysis of the main assumptions of the actuarial calculation, determining the following:

|  | Effect + 100 basis points |   | Effect - 100 basis points |
|--|---------------------------|---|---------------------------|
| <b>Sensitivity analysis 12/31/2018</b> | ThUS\$                    |   | ThUS\$                    |
| Discount rate                          | (1,807                    | ) | 2,033                     |
| Employee turnover rate                 | (237                      | ) | 265                       |
|  |                           |   |                           |
| <b>Sensitivity analysis 12/31/2017</b> | Effect + 100 basis points |   | Effect - 100 basis points |
|  | ThUS\$                    |   | ThUS\$                    |
| Discount rate                          | (1,991                    | ) | 2,436                     |

Employee turnover rate (252 ) 281

Sensitivity relates to an increase/decrease of 100 basis points.

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## 10) FINANCIAL REPORTS

### **Note 18 Employee benefits (continued)**

#### 18.6 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. There is a partial payment of the share benefit program in the event of termination of the contract for causes other than the resignation and application of Article 160.

#### **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 37 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 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 effect of the plan considers 476,302 shares reflected as a cost of ThUS\$3,754 in the results for the period ending December 31, 2018. As of December 31, 2017, the effect of the plan was 533,476 shares, equal to ThUS\$6,487 in costs in the profit or loss for 2017.

## 10) FINANCIAL REPORTS

## Note 19 Provisions and other non-financial liabilities

## 19.1 Types of provisions

|   | 12/31/2018 |             |         | 12/31/2017 |             |        |
|---|------------|-------------|---------|------------|-------------|--------|
|   | Current    | Non-current | Total   | Current    | Non-current | Total  |
|   | ThUS\$     | ThUS\$      | ThUS\$  | ThUS\$     | ThUS\$      | ThUS\$ |
| Provision for legal complaints (*)                                  | 11,862     | 3,000       | 14,862  | 16,419     | 3,000       | 19,419 |
| Provision for dismantling, restoration and rehabilitation cost (**) | -          | 28,822      | 28,822  | -          | 26,954      | 26,954 |
| Other provisions(***)   | 94,335     | -           | 94,335  | 47,026     | 47          | 47,073 |
| Total   | 106,197    | 31,822      | 138,019 | 63,445     | 30,001      | 93,446 |

(\*) 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 22.1).

(\*\*) The commitments related to Sernageomin have been incorporated through the issuance of the guarantee for the restoration of the place where the production sites are located.

(\*\*\*) See Note 19.2

## 10) FINANCIAL REPORTS

**Note 19 Provisions and other non-financial liabilities (continued)**

## 19.2 Description of other provisions

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Current provisions, other short-term provisions       |            |            |
| Rent under Lease contract with Corfo(*)               | 84,826     | 32,331     |
| Provision for additional tax related to foreign loans | 471        | 416        |
| End of agreement bonus                                | 5,129      | 4,522      |
| Directors' per diem allowance                         | 2,881      | 2,630      |
| Provision for subsidiary restructuring                | -          | 6,000      |
| Miscellaneous provisions                              | 1,028      | 1,127      |
| Total   | 94,335     | 47,026     |
| Other long-term provisions                            |            |            |
| Investments with negative equity                      | -          | 47         |
| Total   | -          | 47         |

**(\*) Payment Obligations for the lease contract with CORFO:** These correspond to obligations assumed in the modification of the Lease Agreement for extraction of mining claims owned by the Chilean Economic Development Agency (CORFO). Part of the obligations include quarterly lease payments to CORFO, based on SQM Salar's sales for the period of products obtained from the claims leased; another part corresponds to annual contributions that SQM Salar must make, since 2018, to Research and Development and to Communities and Regional Development. 2017 includes US\$20.4 million corresponding to the payment that formed part of the agreement reached between SQM Salar and CORFO due to the end of Arbitration. (See Note 22.1)

## 10) FINANCIAL REPORTS

**Note 19 Provisions and other non-financial liabilities (continued)**

## 19.3 Other current liabilities

## Other liabilities non-financial current

| Description of other liabilities                 | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Tax withholdings                                 | 4,782      | 7,404      |
| VAT payable                                      | 7,345      | 3,344      |
| Guarantees received                              | 2,641      | 2,638      |
| Accrual for dividend                             | 109,670    | 110,529    |
| Monthly tax provisional payments                 | 21,001     | 11,684     |
| Deferred income                                  | 18,574     | 5,301      |
| Withholdings from employees and salaries payable | 6,052      | 6,725      |
| Accrued vacations (*)                            | 20,070     | 19,042     |
| Other current liabilities                        | 4,489      | 2,137      |
| Total  | 194,624    | 168,804    |

(\*) 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.



## 10) FINANCIAL REPORTS

**Note 19 Provisions and other non-financial liabilities (continued)**

## 19.4 Changes in provisions

| Description of items that gave rise to variations as of<br>12/31/2018 | Legal<br>complaints<br><br>ThUS\$ | Provision for<br>dismantling,<br>restoration and<br>rehabilitation cost<br><br>ThUS\$ | Other<br>provisions<br><br>ThUS\$ | Total<br><br>ThUS\$ |
|---|-----------------------------------|---|-----------------------------------|---------------------|
| Total provisions, initial balance                                     | 19,419                            | 26,954  | 47,073                            | 93,446              |
| Changes in provisions:  |                                   |   |                                   |                     |
| Additional provisions   | 1,000                             | 1,820   | 96,516                            | 99,336              |
| Provision used  | (5,557 )                          | -   | (49,221 )                         | (54,778 )           |
| Increase(decrease) in foreign currency exchange<br>others             | -                                 | -   | -                                 | -                   |
|   | -                                 | 48  | (33 )                             | 15                  |
| Total Increase (decreases)  | (4,557 )                          | 1,868   | 47,262                            | 44,573              |
| Total provisions, final balance                                       | 14,862                            | 28,822  | 94,335                            | 138,019             |

| Description of items that gave rise to variations as of<br>12/31/2017 | Legal<br>complaints<br><br>ThUS\$ | Provision for<br>dismantling,<br>restoration and<br>rehabilitation cost<br><br>ThUS\$ | Other<br>provisions<br><br>ThUS\$ | Total<br><br>ThUS\$ |
|---|-----------------------------------|---|-----------------------------------|---------------------|
| Total provisions, initial balance                                     | 23,867                            | 5,890   | 21,089                            | 50,846              |
| Changes in provisions:  |                                   |   |                                   |                     |
| Additional provisions   | 6,352                             | 21,064  | 33,507                            | 60,923              |
| Provision used  | (10,800 )                         | -   | (7,538 )                          | (18,338 )           |
| Increase(decrease) in foreign currency exchange<br>Others             | -                                 | -   | 9                                 | 9                   |
|   | -                                 | -   | 6                                 | 6                   |
| Total Increase (decreases)  | (4,448 )                          | 21,064  | 25,984                            | 42,600              |
| Total provisions, final balance                                       | 19,419                            | 26,954  | 47,073                            | 93,446              |

## 10) FINANCIAL REPORTS

### Note 20 Disclosures on equity

The detail and movements in the funds of equity accounts are shown in the consolidated statement of changes in equity.

#### 20.1 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<br>MANAGEMENT | 12/31/2018 | 12/31/2017 | Description (1) | Calculation (1) |
|-----------------------|------------|------------|-----------------|-----------------|
|-----------------------|------------|------------|-----------------|-----------------|

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|                              |         |         |   |   |
|------------------------------|---------|---------|---|---|
| Net Financial Debt<br>ThUS\$ | 471,755 | 245,508 | Financial Debt – Financial<br>Resources   | Other current Financial Liabilities +<br>Other Non-Current Financial Liabilities –<br>Cash and Cash Equivalents – Other<br>Current Financial Assets – Hedging<br>Assets, non-current  |
| Liquidity                    | 4.32    | 3.29    | Current Assets divided by<br>Current Liabilities  | Total Current Assets / Total Current<br>Liabilities   |
| Net Debt /<br>Capitalization | 0.18    | 0.10    | Net Financial Debt<br>divided by Total Equity   | Net financial debt / Total Equity   |
| ROE                          | 20.7    | % 19.1  | % Profit for the year divided<br>by Total Equity  | LTM <sup>(2)</sup> Profit for the year / Equity   |
| Adjusted EBITDA<br>(ThUS\$)  | 885,652 | 901,856 | Adjusted EBITDA   | Profit for the year + Depreciation and<br>Amortization Expenses + Finance Costs<br>+ Income Tax – Other income and Share<br>of profit of associates and joint ventures<br>+ Other expenses – Finance income –<br>Currency differences |
| EBITDA (ThUS\$)              | 902,450 | 885,240 | EBITDA  | Profit for the year + Depreciation and<br>Amortization Expenses + Finance Costs<br>+ Income Tax   |
| ROA                          | 20.31   | % 21.3  | % Adjusted EBITDA –<br>Depreciation divided<br>by Total Assets net of<br>financial resources less<br>related parties' investments | (LTM Gross Profit – Administrative<br>Expenses) / (Total Assets – Cash and Cash<br>Equivalents – Other Current Financial<br>Assets – Other Non-Current Financial<br>Assets – Equity-accounted Investments)                            |
| Indebtedness                 | 1.00    | 0.91    | Total Liabilities on Equity   | Total Liabilities / Total Equity  |

(1) Assumes the absolute value of the accounting records

(2) Last 12 months

## 10) FINANCIAL REPORTS

### Note 20 Disclosures on equity (continued)

#### 20.1

#### 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.

#### 20.2 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. All such shares are nominative, have no par value and are fully issued, subscribed and paid.

Series B shares may not exceed 50% of the total issued, subscribed and paid-in shares of the Company and have a limited voting right, in that all of them can only elect one director of the Company, regardless of their equity interest and preferences:

(a) require the calling of an Ordinary or Extraordinary Shareholders' Meeting when so requested by Series B shareholders representing at least 5% of the issued shares thereof; and

(b) the need for such a request, when so requested by the director who has been elected by the shareholders of said Series B.

The limitation and preferences of Series B shares have a duration of 50 consecutive and continuous years as of June 3, 1993.

The Series A shares have the preference of being able to exclude the director elected by the Series B shareholders in the voting process in which the president of the board of directors and of the Company must be elected and which follows the one in which the tie that allows such exclusion resulted.

The preference of the Series A shares will have a term of 50 consecutive and continuous years as of June 3, 1993. The form of the titles of the shares, their issuance, exchange, disablement, loss, replacement, assignment and other circumstances thereof shall be governed by the provisions of Law No. 18,046 and its regulations.

At December 31, 2018 and December 31, 2017, the Group does not hold shares of the Parent Company either directly or through its investees.

## 10) FINANCIAL REPORTS

**Note 20 Disclosures on equity (continued)****20.2 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                   | 12/31/2018  |             | 12/31/2017  |             |
|---|-------------|-------------|-------------|-------------|
|   | 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\$   | -           | -           | -           | -           |
| Total number of subscribed shares, total  | 142,819,552 | 120,376,972 | 142,819,552 | 120,376,972 |

As of December 31, 2018 and December 31, 2017, the Company has not placed any new issuances of shares on the market.

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**Note 20 Disclosures on equity (continued)**

## 20.3 Disclosures on reserves in equity

As of December 31, 2018 and December 31, 2017, this caption comprises the following:

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Reserve for currency exchange conversion   | (26,307 )  | (24,913 )  |
| Reserve for cash flow hedges   | 7,971      | 2,248      |
| Reserve for gains and losses from financial assets measured at fair value through other comprehensive income | (1,111 )   | 2,937      |
| Reserve for actuarial gains or losses in defined benefit plans   | (6,884 )   | (5,953 )   |
| Other reserves   | 11,332     | 11,332     |
| Total other reserves   | (14,999 )  | (14,349 )  |

**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.



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## Note 20 Disclosures on equity (continued)

## 20.3 Disclosures on reserves in equity, continued

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

| Movements                                  | Foreign<br>currency<br>translation<br>difference | Reserve for<br>cash flow<br>hedges | Tax                       | Reserve for<br>actuarial<br>gains and losses<br>from<br>defined benefit<br>plans | Reserve for<br>gains (losses)<br>from financial<br>assets<br>measured at fair<br>value<br>through other<br>comprehensive<br>income | Other<br>reserves         | Total reserves              |                           |                    |                             |                             |
|--|--|------------------------------------|---------------------------|--|--|---------------------------|-----------------------------|---------------------------|--------------------|-----------------------------|-----------------------------|
|  | Before<br>taxes<br>ThUS\$                        | Before<br>taxes<br>ThUS\$          | Before<br>taxes<br>ThUS\$ | Before<br>taxes<br>ThUS\$  | Deferred<br>taxes<br>ThUS\$  | Before<br>taxes<br>ThUS\$ | Deferred<br>taxes<br>ThUS\$ | Before<br>taxes<br>ThUS\$ | Reserves<br>ThUS\$ | Deferred<br>taxes<br>ThUS\$ | Total<br>reserves<br>ThUS\$ |
| Opening<br>balance as of<br>1/1/2017       | (19,463)   | 89                                 | (25)                      | (5,446)  | 612  | 4,813                     | (1,300)                     | 7,832                     | (12,175)           | (713 )                      | (12,888)                    |
| Increase<br>(decrease) in<br>reserves      | (5,450 )   | 2,159                              | -                         | (1,401)  | -  | (26 )                     | -                           | 3,500                     | (1,218 )           | -                           | (1,218 )                    |
| Deferred taxes                             | -  | -                                  | 25                        | -  | 282  | -                         | (550 )                      | -                         | -                  | (243 )                      | (243 )                      |
| Reclassification<br>of loss in<br>reserves | -  | -                                  | -                         | -  | -  | -                         | -                           | -                         | -                  | -                           | -                           |
| Closing<br>balance as of<br>12/31/2017     | (24,913)   | 2,248                              | -                         | (6,847)  | 894  | 4,787                     | (1,850)                     | 11,332                    | (13,393)           | (956 )                      | (14,349)                    |
| Increase<br>(decrease) in<br>reserves      | (1,394 )   | 5,723                              | -                         | (1,329)  | -  | (5,546)                   | -                           | -                         | (2,546 )           | -                           | (2,546 )                    |
| Deferred taxes                             | -  | -                                  | -                         | -  | 398  | -                         | 1,498                       | -                         | -                  | 1,896                       | 1,896                       |
|  | -  | -                                  | -                         | -  | -  | -                         | -                           | -                         | -                  | -                           | -                           |

Reclassification  
of loss in  
reserves

|  |          |       |   |         |       |        |        |        |          |     |          |
|--|----------|-------|---|---------|-------|--------|--------|--------|----------|-----|----------|
| Closing<br>balance as of<br>12/31/2018 | (26,307) | 7,971 | - | (8,176) | 1,292 | (759 ) | (352 ) | 11,332 | (15,939) | 940 | (14,999) |
|--|----------|-------|---|---------|-------|--------|--------|--------|----------|-----|----------|

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**Note 20 Disclosures on equity (continued)****20.3 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 balance corresponds to the results obtained in the previous financial year which are presented as forming part of other reserves because of local regulations.

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Subsidiary - Associate   |            |            |
| SQM Iberian S.A. (*)   | 9,464      | 9,464      |
| 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        |
| Total  | 13,009     | 13,009     |
| 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 )   |
| Total Other reserves   | 11,332     | 11,332     |

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### Note 20 Disclosures on equity (continued)

#### 20.4 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).

#### **Dividend policy for commercial year 2018.**

The Company has defined the following dividend policy:

a) Distribute and pay, as a final dividend (*dividendo definitivo*) and in favor of the respective shareholders, a percentage of the net income that shall be determined per the following financial parameters:

100% of the 2018 net income, when the following financial parameters are met: (a) that the total sum of cash and cash equivalent, and other current financial assets ("Cash") divided by the total sum of the current financial liabilities (i) ("Current Financial Liabilities") is equal to or greater than 2.5 times, and (b) the total sum of the current liabilities and the non-current liabilities ("Total Liabilities") divided by the total sum of the equity ("Equity") is equal to or less than 1.1 times.

80% of the 2018 net income when the following financial parameters are met: (a) that Cash divided by Current (ii) Financial Liabilities is equal to or greater than 2.0 times, and (b) the total sum of the Total Liabilities divided by the total Equity is equal to or less than 1.2 times.

60% of the 2018 net income when the following financial parameters are met: (a) that Cash divided by Current (iii) Financial Liabilities is equal to or greater than 1.5 times, and (b) Total Liabilities divided by Equity is equal to or less than 1.3 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2018 net income.

Distribute and pay, if possible and during 2018, three interim dividends (*dividendos provisorios*) that will be charged against the aforementioned final dividend. These interim dividends shall likely be paid during the month following the approval of the March, June, and September 2018 interim financial statements, respectively. Its amounts shall be calculated as follows:

For the interim dividends that will be charged to the accumulated net income reflected in the March 2018 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above.

For the interim dividends that will be charged to the accumulated net income reflected in the June 2018 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2017.

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**Note 20 Disclosures on equity (continued)**

**20.4**

**Dividend policies, continued**

For the interim dividends that will be charged to the accumulated net income reflected in the September 2018 (iii) interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2018.

The amount of the interim dividends mentioned above may vary, pursuant to the information available to the Board of Directors on the date on which it agrees to the distribution of said dividends given that the dividend will not materially or negatively affect SQM's capacity to impact its investments, fulfill its liabilities, or in general, comply with the investment and finance policy approved at the ordinary shareholders' meeting.

At the ordinary shareholders meeting that will be held in 2019, the Board of Directors shall propose a final dividend pursuant to the financial parameters expressed in letter a) above, discounting the total amount of the interim dividends previously distributed during 2018.

If there is an excess of net income in 2018, this may be retained and assigned or allocated for financing its own operations, to one or more investment projects of the Company, notwithstanding a future distribution of special dividends (*dividendos eventuales*) charged to the accumulated net income previously approved at the shareholders' meeting, or the possible and future capitalization of all or part of the latter.

f) The payment of additional dividends (*dividendos adicionales*) is not considered.

The dividend policy described above corresponds to the intention of the Board of Directors, and the compliance of it shall depend on the net income that the Company ultimately obtains, as well as the results of periodic projections that could impact the Company, or to the existence of determined conditions that may affect it, as applicable. If the dividend policy exposed by the Board of Directors suffers a substantial change, the Company must communicate it as an essential fact.

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### **Note 20 Disclosures on equity (continued)**

#### **20.5 Interim and provisional dividends**

At the General Ordinary Shareholders' Meeting of April 27, 2018, the shareholders agreed to the payment of a final dividend of US\$1.62501 per share from the net profit obtained during the 2017 fiscal year, the amount of US\$1.20533 per share must be discounted from the final dividend as it had been already paid in a form of interim dividends. The remaining balance of US\$0.41968 per share was paid to shareholders on May 10, 2018.

The Ordinary Shareholders' Meeting held on April 27, 2018 agreed to change the Company's Dividend Policy for 2017 which was presented to the Ordinary Shareholders' Meeting held on April 28, 2017, by incorporating a special dividend of US\$100,000,000, equivalent to US\$0.37994 per share which would be paid with a charge to the Company's retained earnings. This dividend was paid to shareholders on May 10, 2018.

On May 23, 2018, the Company's Board of Directors approved the payment of an interim dividend equivalent to US\$ 0.43247 per share, charged to 2018 net income. On August 22, 2018, the Board of Directors approved the payment of an interim dividend equivalent to US\$ 0.50864 per share, charged to net income for 2018. This amount was paid in its equivalent in national currency according to the value of the Observed Dollar published in the Official Gazette on August 31, 2018.

On November 21, 2018, the Board of Directors approved the payment of an interim dividend equivalent to US\$0.31726 per share, charged to net income for 2018. This amount was paid in its equivalent in national currency according to the value of the Dollar Observed in the Official Journal of November 30, 2018.

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**Note 20 Disclosures on equity (continued)**

**20.5 Interim and provisional dividends, continued**

The dividends presented as deducted from equity are as follows:

|  | <b>12/31/2018</b> | <b>12/31/2017</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Dividends attributable to owners of the parent | 823               | 55,501            |
| Provisional dividend                           | 331,199           | 317,243           |
| Additional dividend                            | 107,872           | -                 |
| Dividend payable                               | 109,669           | 110,529           |
| Total  | 549,563           | 483,273           |



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**Note 21 Earnings per share**

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

As expressed, earnings per share are detailed as follows:

|  | <b>12/31/2018</b> | <b>12/31/2017</b> |
|--|-------------------|-------------------|
|  | <b>ThUS\$</b>     | <b>ThUS\$</b>     |
| Basic earnings per share                               |                   |                   |
| Earnings (losses) attributable to owners of the parent | 439,830           | 427,697           |

|   | <b>12/31/2018</b> | <b>12/31/2017</b> |
|---|-------------------|-------------------|
|   | <b>Units</b>      | <b>Units</b>      |
| Number of common shares in circulation    | 263,196,524       | 263,196,524       |
|   | <b>12/31/2018</b> | <b>12/31/2017</b> |
| Basic earnings per share (US\$ per share) | 1.6711            | 1.6250            |

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.

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**Note 22 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:

**22.1 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. Dated March 11, 2016. Appeal filed by the plaintiff which has not been pronounced on. Awaiting notification of the sentence, case filed on December 28, 2016  
 Nominal value : ThUS\$550.
  
2. Plaintiff : City of Pomona, California USA.  
 Defendant : SQM North America Corporation (“SQM NA”).  
 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 May 17, 2018 , district judge Gary Klausner sentenced in favor of SQM NA following the verdict of the jury. On September 14, 2018, the plaintiff filed a motion to appeal, which is pending resolution.  
 Nominal value : ThUS\$32,000.
  
3. Plaintiff : City of Lindsay, California USA.  
 Defendant : SQM NA 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.  
 : Not possible to determine.

Nominal  
value

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**Note 22 Contingencies and restrictions  
(continued)**

**22.1 Lawsuits and other relevant events, continued**

4. Plaintiff : H&V Van Mele N.V.  
 Defendant : NV Euroports, 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 : Sentencing against NV Euroports and subsidiary SQM Europe N.V., for EUR 206,675.91. Appeal presented in November 2017.  
 Nominal value : ThUS\$430.
5. Plaintiff : Carlos Aravena Carrizo et al.  
 Defendant : SQM Nitratos S.A. (“SQM Nitratos”) 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 : Summons to hear sentence  
 Nominal value : ThUS\$1,235.
6. Plaintiff : Evt Consulting SpA.  
 Defendant : SQM Nitratos.  
 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. Cassation in form and substance presented before the Supreme Court in December 2017.  
 Nominal value : ThUS\$835.

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**Note 22 Contingencies and restrictions  
(continued)**

**22.1 Lawsuits and other relevant events, continued**

7. Plaintiff : SQM Salar S.A. (“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 : ThUS\$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 : Summons to hear sentence  
 Nominal value : ThUS\$515.

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**Note 22 Contingencies and restrictions  
(continued)**

**22.1 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 : Summons to hear sentence.  
 Nominal value : ThUS\$1,265.
11. Plaintiff : The Company  
 Defendants : AES Gener S.A. (“Gener”) and Empresa Eléctrica Cochrane SpA (“Cochrane”).  
 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 (“CAM”).  
 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 : Probationary stage.  
 Nominal value : Not determined.
12. Plaintiff : Gener and Cochrane.  
 Defendant : The Company.  
 Date : May 2017.  
 Court : Arbitration in accordance with the rules established by the Center for Arbitration and Mediation (CAM).  
 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 : Probationary stage  
 Nominal value : Not determined.

10) FINANCIAL REPORTS

**Note 22 Contingencies and restrictions  
(continued)**

**22.1 Lawsuits and other relevant events, continued**

13. Plaintiffs : Transportes Buen Destino  
 Defendant : SQM Salar.  
 Date : None.  
 Court : Arbitration in accordance with the rules established by the Center for Arbitration and Mediation (CAM).  
 Reason : Discrepancies generated in the implementation of the following contracts entered into between TBD and SQM Salar: (i) lithium brine transportation; and (ii) salt transportation.  
 Instance : Prior stage. The audience for setting procedure rules is pending.  
 Nominal value : Undetermined.
14. 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 : On August 24, 2018, a judgment is issued rejecting the application in its entirety. On September 6, 2018, plaintiffs deduct an appeal for nullity before the Santiago Court of Appeals, which is still in branch.  
 Nominal value : ThUS\$1,940.
15. Plaintiffs : Acosta Tapia, Eloisa del Tránsito and others as successors and assigns of Araya Castillo, Raimundo del Rosario.  
 Defendants : SQM Salar.  
 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 : On October 22, the final ruling was issued, wherein the claim was denied. The plaintiff filed an appeal for annulment, which is pending with the Court of Appeals of Santiago  
 Nominal value : ThUS\$472.

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**Note 22 Contingencies and restrictions  
(continued)**

**22.1 Lawsuits and other relevant events, continued**

16. Appellants : Asociación Indígena Consejo Pueblos Atacameños and others.  
 Appellees : Corfo, the Company, SQM Salar and SQM Potasio S.A.  
 Date of appeal : February 15, 2018.  
 Court : Santiago Court of Appeals  
 Reason : Appeal requesting annulment of modifications to contracts signed by the defendants on January 17, 2018.  
 Instance : On September 25, the Court of Appeals of Santiago rejected the appeal for protection. On October 12, the Supreme Court ordered the revision of the appeal filed by the appellants.  
 Nominal value : Undetermined.
17. Claimant : The Society.  
 Defendant : Office of the Superintendent of the Environment (“SMA”)  
 Date : 20 July 2017  
 Court : Second Environmental Court of Santiago  
 Reason : Motion for review filed by the Company against ruling rejecting the compliance program for the Pampa Hermosa project.  
 Instance : On August 21, 2018, the Second Environmental Court of Santiago accepted the Company’s claim and ordered the SMA to take the procedure back to the stage prior to their sentencing that rejected the compliance program. This ruling was appealed with the Supreme Court on August 8, 2018.  
 Nominal value : Amount involved: Undetermined.
18. Claimant : Congresspersons Claudia Nathalie Mix Jiménez, Gael Fernanda Yeomans Araya, Camila Ruslay Rojas Valderrama et al.  
 Defendant : CORFO. The entity has intervened as an independent third party.  
 Date : September 6, 2018.  
 Court : Special Magistrate, Mr. Alejandro Madrid Crohare.  
 Reason : To render null and void the contract for the Salar de Atacama Project signed between CORFO and SQM Salar.  
 Instance : Pending ruling on dilatory pleas and independent third-party status of companies and subsidiaries.  
 Nominal value : Undetermined.





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**Note 22**      **Contingencies and restrictions  
(continued)**

**22.1 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 to the Company due to its 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.

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**Note 22 Contingencies and restrictions  
(continued)**

**22.2 Restrictions to management or financial limits**

Contracts that 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 the last 12 month period:

To maintain Leverage Ratio not higher than 1.2 times at its strictest level. The Leverage ratio is defined as the Total Liabilities divided by Total Equity.

As of December 31, 2018, the above mentioned financial indicator has the following values:

| Indicator | 12/31/2018 | 12/31/2017 |
|-----------|------------|------------|
| Leverage  | 1.00       | 0.91       |

Bond issue agreements issued abroad require the Company to neither merge nor 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.



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### **Note 22      Contingencies and restrictions (continued)**

#### **22.3 Environmental contingencies**

On June 6, 2016, 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 related to certain variables of the follow-up plan and the implementation of a mitigation measure included in the respective environmental impact assessment. The Company has presented for the approval of SMA a compliance program detailing the actions and commitments it will carry out to address the SMA's objections.

On June 29, 2017, the SMA rejected the compliance program presented by the Company. On July 10, 2017, the Company presented its rebuttals to the charges made by the SMA. On August 21, 2018, the Second Environmental Court accepted the Company’s claim, ordering the SMA to take the procedure back to the stage prior to their resolution rejecting the compliance program presented by the Company.

On December 13, 2017, the First Environmental Court of Antofagasta authorized the SMA to apply 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. In October 2018, the First Environmental Court of Antofagasta accepted the Company’s claim, leaving the indicated closure without effect, maintaining only the requirement to prepare reports to increase knowledge of ecosystems. In mid-October, the Court denied authorization to SMA to renew the closure measure. In December 2018, the First Environmental Court accepted the Company’s second claim, ratifying the previous decision.

On January 10, 2019, the SMA carried out the sentence of the Second Environmental Court, taking the procedure back to the stage prior to their resolution rejecting the compliance program presented by the Company. On January 14, 2019, the SMA made new observations to the compliance program formulated by the Company. The term granted for the Company to address these observations is currently underway, after which the SMA will issue a new ruling on the proposal.

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.

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**Note 22**      **Contingencies and restrictions  
(continued)**

**22.3 Environmental contingencies, continued**

SQM Salar presented a compliance program that details the actions and commitments that will be undertaken to overcome the objections formulated by the SMA. This program was accepted by SMA ruling dated January 7, 2019, thus suspending the process initiated against SQM Salar. The Atacameño Indigenous Community of Peine, the Indigenous Association Council of Atacameño Peoples and the Atacameño Indigenous Community of Camar have filed against this ruling with the First Environmental Court. In keeping with the monitoring plans established in the current environmental qualification resolution for the operation at the Salar de Atacama, SQM Salar periodically monitors the flora, fauna, hydrogeological and meteorological variables, including 225 monitoring points and 48 continuous measuring points for the brine and water levels in different parts of the salar basin, which it periodically reports to the corresponding authorities. If any of the monitoring points fall below predefined levels, various actions are considered, which are part of the environmental monitoring plan.

On May 20, 2018, 2 of the 225 points were 1 cm below the predefined level for those points. These points are on the route of an outlet sector for a lagoon located on the eastern edge of the Salar de Atacama. Historically flows from the lagoons of the deposit have varied in location and route. That has happened in this case and the flow has moved with regard to the location of the monitoring well in question. Both the levels and the flows from the lagoons have behaved normally and no changes in the ecosystem that is being monitored in the area have been observed.

Following the protocols established for these cases, SQM Salar's total extraction volume in the Salar de Atacama, has been reduced from a maximum average of 1,500 liters per second per year to 1,250 liters per second per year for a period of six months.

The Company estimates that an average annual decrease of brine extraction of 250 liters per second would have no impact on current and estimated production volumes of lithium carbonate and hydroxide. In the case of potassium chloride, it is estimated that the reduction in brine extraction could imply a reduction in production and sales volumes of approximately 170.000 metric tons on an annual basis.

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**Note 22      Contingencies and restrictions  
(continued)**

**22.4 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 of 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 amount 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 considers terminated the the internal analysis which has been performed. The purpose of the analysis was to identify the expenses incurred by the SQM Group during the fiscal years 2008 to 2014 and which could be a matter of tax rectification.



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**Note 22**      **Contingencies and restrictions**  
**(continued)**

**22.4 Tax contingency, continued**

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 Friday, August 26, 2016, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region a tax claim against tax assessments No. 169, 170, 171 and 172, which seek to expand application of the specific tax on mining activities to include lithium exploitation. The amount involved is approximately US\$17.8 million. On November 28, 2018, the Third Tax and Customs Court rejected the claim, and the case is in the Santiago Court of Appeals, based on the appeal filed by SQM Salar.

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. On November 28, 2018, the Third Tax and Customs Court accepted SQM Salar's claim for US\$7.0 million corresponding to the overcharge made by the SII and rejected the remainder of the claim. The case is in the Santiago Court of Appeals, based on the appeal filed by SQM Salar.

These amounts are classified as taxes for current assets, non-current, as of December 31, 2017 and the same as of December 31, 2018.

The amount involved is approximately US\$32.2 million. The Chilean IRS has not issued an assessment claiming differences in the specific tax on mining activities filed for business years 2016, 2017 and 2018. As of the date of these financial statements, the Company 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, 2017 and 2018 financial years. It is reasonable to expect that should these assessments for the period 2016 to the quarter half of 2018 be issued, the value would be approximately US\$57 million (without considering potential interest and fines).

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**Note 22**      **Contingencies and restrictions**  
**(continued)**

**22.5 Contingencies regarding the Changes to the Contracts with Corfo. Appeal No. 10301-2018, Santiago Court of Appeals:**

In January 2018, indigenous communities and various parties presented an appeal for legal protection against Corfo, the Company, SQM Salar and SQM Potasio (the “Companies”), with regard to the amendments to the contract for the project in the Salar de Atacama and the OMA mining property lease contract dated January 17, 2018, both granted as a result of a conciliation process proposed by the arbitration court which took place at the end of arbitration between the parties (the “Amendments”). According to the appellants, the Amendments will deprive, disturb and threaten in an illegal and arbitrary way the constitutional rights of the appellants established in article 19, numbers 8, 21 and 24 of the Political Constitution. The appellants have therefore requested the following: (i) that the acts subject to appeal be declared invalid, vacated or without effect, (ii) that the Amendments be reviewed according to the provisions of Convention 169 (iii) that the counterparts be expressly made liable for the costs, given the clearly illegal and arbitrary nature of what has occurred.

Once informed of the appeal, the Companies requested that it be rejected for the following reasons. Firstly because it is extemporaneous. Secondly, as the matter is one that requires the interpretation and verification of the application or effects of contractual clauses, it goes beyond the scope of this cautionary action. Thirdly it should be challenged on the principle of specialty, because there is a special procedure which would better apply. In terms of substance, the Companies have indicated to the Court that an increase in the lithium quota, authorized through contractual changes adopted through a conciliation process proposed by the Arbitration Judge does not constitute an arbitrary or illegal act and that no indigenous consultation took place as per article 6 of Convention 169 because the Amendments were not legislative or administrative measures likely to directly affect the indigenous peoples. The Companies have sustained that the Amendments are the implementation of a conciliation agreement, that is the jurisdictional equivalent of res judicata, which was proposed by the arbitration judge and does not correspond to the exercise of public powers, as required in article 6 of Convention 169.

On September 25, 2018, the Santiago Court of Appeals rejected the appeal for protection. The appeal for protection is currently pending before the Supreme Court.

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**Note 22      Contingencies and restrictions  
(continued)**

**22.5 Contingencies regarding the Changes to the Contracts with Corfo. Appeal No. 10301-2018, Santiago Court of Appeals (continued)**

In the event that a ruling is made to leave without effect the Amendments and if there are no appeals by the parties, the contracts prior to the Amendments will once again be valid, although this resolution should not affect the efficiency and validity of the conciliation reached regarding the matters debated in arbitration.

The court has the faculties to adopt the decisions it considers necessary to reestablish the rule of law and ensure the protection of the affected party.

(b) On September 6, 2018, a public law annulment lawsuit was filed by the congresspersons Mss. Claudia Nathalie Mix Jiménez, Gael Fernanda Yeomans Araya and Camila Ruslay Rojas Valderrama and the Citizen Power Party (Partido Poder Ciudadano) to render null and void the contract for the Salar de Atacama Project signed between Corfo and the Companies. The Companies have joined the suit as interested third parties.

In the suit, the plaintiffs request a pretrial measure against Corfo for the signing of agreements and contracts related to the exploitation of lithium. On October 31, 2018, the special magistrate rejected the measure, which was appealed by the plaintiffs.

In the event that the contract for the Salar de Atacama Project is rendered null and void, SQM Salar could be unable to exploit the mining claims in the Salar de Atacama that it has leased from Corfo.

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**Note 22**      **Contingencies and restrictions**  
**(continued)**

**22.6 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 amount 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, 2018, the guarantee amounts to ThUS\$712.

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**Note 22      Contingencies and restrictions  
(continued)****22.7 Securities obtained from third parties**

The main security received (exceeding ThUS\$100) from third parties to guarantee Soquimich Comercial S.A. their compliance with obligations in contracts of commercial mandates for the distribution and sale of fertilizers amounted to ThUS\$9,423 and ThUS\$12,103 on December 31, 2018 and December 31, 2017 respectively; which is detailed as follows:

| Grantor                        | Relationship          | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------------------------|-----------------------|----------------------|----------------------|
| Ferosor Agrícola S.A.          | Unrelated third party | 3,598                | 4,067                |
| Tattersall Agroinsumos S.A.    | Unrelated third party | 2,000                | 2,000                |
| Contador Frutos S.A.           | Unrelated third party | 1,587                | 1,743                |
| Agrícola Lobert Ltda.          | Unrelated third party | -                    | 1,264                |
| Covepa SPA                     | Unrelated third party | 720                  | 813                  |
| Johannes Epple Davanzo         | Unrelated third party | 321                  | 363                  |
| Hortofrutícola La Serena       | Unrelated third party | 294                  | 323                  |
| Juan Luis Gaete Chesta         | Unrelated third party | 195                  | 262                  |
| Arena Fertilizantes y Semillas | Unrelated third party | 216                  | 244                  |
| Vicente Oyarce Castro          | Unrelated third party | 222                  | 244                  |
| Soc. Agrocom. Julio Polanco    | Unrelated third party | 144                  | 163                  |
| Bernardo Guzmán Schmidt        | Unrelated third party | 126                  | 138                  |
| Gilberto Rivas Y Cia. Ltda.    | Unrelated third party | -                    | 138                  |
| Lemp Martin Julian             | Unrelated third party | -                    | 124                  |
| Comercial Agrosal Ltda.        | Unrelated third party | -                    | 116                  |
| Soc.Comercial el Mimbral       | Unrelated third party | -                    | 101                  |
| Total                          |                       | 9,423                | 12,103               |

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**Note 22**      **Contingencies and restrictions**  
**(continued)**

**22.8 Indirect guarantees**

Guarantees without pending balance indirectly reflect that the respective guarantees are in force and approved by the Company's Board of Directors, and have not been used by the respective subsidiary.

| Creditor of the guarantee         | Debtor<br>Name                   | Relationship | Type of<br>guarantee | Balances as of the closing<br>date of the financial<br>statements |                      |
|-----------------------------------|----------------------------------|--------------|----------------------|---|----------------------|
|                                   |                                  |              |                      | 12/31/2018<br>ThUS\$  | 12/31/2017<br>ThUS\$ |
| Australian and New Zealand Bank   | SQM North America Corp           | Subsidiary   | Guarantee            | -   | -                    |
| Australian and New Zealand Bank   | SQM Europe N.V.                  | Subsidiary   | Guarantee            | -   | -                    |
| Generale Bank                     | SQM North America Corp           | Subsidiary   | Guarantee            | -   | -                    |
| Generale Bank                     | SQM Europe N.V.                  | Subsidiary   | Guarantee            | -   | -                    |
| Kredietbank                       | SQM North America Corp           | Subsidiary   | Guarantee            | -   | -                    |
| Kredietbank                       | SQM Europe N.V.                  | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | SQM Investment Corp. N.V.        | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | SQM Europe N.V.                  | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | SQM North America Corp           | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | Nitratos Naturais do Chile Ltda. | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | SQM México S.A. de C.V.          | Subsidiary   | Guarantee            | -   | -                    |
| Banks and financial institutions  | SQM Brasil Ltda.                 | Subsidiary   | Guarantee            | -   | -                    |
| "BNP"                             | SQM Investment Corp. N.V.        | Subsidiary   | Guarantee            | -   | -                    |
| Sociedad Nacional de Minería A.G. | SQM Potasio S.A.                 | Subsidiary   | Guarantee            | -   | -                    |
| Scotiabank & Trust (Cayman) Ltd.  | Royal Seed Trading A.V.V.        | Subsidiary   | Guarantee            | -   | -                    |
| Scotiabank & Trust (Cayman) Ltd.  |                                  | Subsidiary   | Guarantee            | -   | -                    |

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|  |                              |            |           |     |
|--|------------------------------|------------|-----------|-----|
|  | Royal Seed Trading<br>A.V.V. |            |           |     |
| Bank of America                          | Royal Seed Trading<br>A.V.V. | Subsidiary | Guarantee | - - |
| Export Development Canada                | Royal Seed Trading<br>A.V.V. | Subsidiary | Guarantee | - - |
| The Bank of Tokyo-Mitsubishi UFJ<br>Ltd. | Royal Seed Trading<br>A.V.V. | Subsidiary | Guarantee | - - |
| JP Morgan Chase Bank                     | SQM Industrial S.A.          | Subsidiary | Guarantee | - - |
| The Bank of Nova Scotia                  | SQM Investment Corp.<br>N.V. | Subsidiary | Guarantee | - - |

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## 10) FINANCIAL REPORTS

**Note 22 Contingencies and restrictions  
(continued)****22.8 Indirect guarantees, continued**

| Creditor of the guarantee             | Debtor                       |              | Type of guarantee | Pending balances as of the closing date of the financial statements |            |
|---------------------------------------|------------------------------|--------------|-------------------|---|------------|
|                                       | Name                         | Relationship |                   | 12/31/2018  | 12/31/2017 |
|                                       |                              |              |                   | ThUS\$  | ThUS\$     |
| Credit Suisse International           | SQM Investment Corp.<br>N.V. | Subsidiary   | Guarantee         | -   | -          |
| Morgan Stanley Capital Services       | SQM Investment Corp.<br>N.V. | Subsidiary   | Guarantee         | -   | -          |
| The Bank of Tokyo-Mitsubishi UFJ Ltd. | SQM Investment Corp.<br>N.V. | Subsidiary   | Guarantee         | -   | -          |
| HSBC                                  | SQM Investment Corp.<br>N.V. | Subsidiary   | Guarantee         | -   | -          |
| Deutsche Bank AG                      | SQM Investment Corp.<br>N.V. | Subsidiary   | Guarantee         | -   | -          |

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### **Note 23 Lawsuits and complaints**

#### **Lawsuits and complaints**

During 2015, the Chilean IRS filed several lawsuits and complaints against a number of individuals related to the so-called “SQM Case”, which were associated with the irregular financing of politicians. Amongst those affected by these legal claims were the legal representatives of the Company then the CEO, Patricio de Sominihac T. and the Vice President of Corporate Services, Ricardo Ramos R. today Chief Executive Officer Those lawsuits and complaints related 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 varios invoices and fee receipts, which could be considered as ideologically false. Similar legal actions were also filed against the taxpayers who provided the tax documents that allowed the alleged commission of the related illicit acts.

#### **Actions performed by the Authority and Termination of research in Chile**

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. SQM has also provided the Public Ministry with its email files and all the documentation that has been requested by the authority.

On August 17, 2018, the Eighth Guarantee Court declared the definitive dismissal of the Company, SQM Salar and SQM Nitratos with respect to the case in which their criminal liability was being investigated.

On January 15, 2019, the MP communicated to the Eighth Criminal Court its decision not to continue with the criminal investigation against Messrs. Patricio de Solminihac T., Ricardo Ramos R. and Enrique Olivares C.

## 10) FINANCIAL REPORTS

### **Note 23 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. 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 Securities and Exchange Commission (the “SEC”) and the U.S. Department of Justice (the “DOJ”) and has since collaborated by handing over documents and additional information requested by these authorities regarding this investigation.



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### **Note 23 Lawsuits and complaints, (continued)**

#### **Investigation by the Department of Justice and the Securities Exchange Commission and Agreements**

The Company reported on the investigation by Shearman & Sterling for North American regulatory entities (DOJ and Securities and Exchange Commission, the "SEC"), in accordance with the regulations in force in the United States of America. The results of this investigation were given to these regulatory entities, which have opened investigations to determine the existence of possible noncompliance with the FCPA or Internal control standards.

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

In accordance with the terms of the Deferred Prosecution Agreement (the "DPA") with the DOJ, the Company has accepted that the DOJ formulates (i) a charge for infractions for the lack of implementation of effective internal accounting systems and internal accounting controls and (ii) a charge for infractions for failure to adequately maintain books, records and accounting sections in relation to the events investigated. Under the DPA, the DOJ has agreed not to pursue such charges against the Company for a period of 3 years and release the Company from liability after such period, inasmuch as within that period the Company complies with the terms of the DPA. These include payment of a fine of US\$15,487,500 and acceptance of an external monitor for a period of 24 months (the "Monitor") that will assess the Company's compliance program, and continue to report on the Company independently for an additional year.

In relation to the agreement with the SEC, the Company has agreed to (i) pay a fine of 15 million dollars and (ii) maintain the Monitor for the aforementioned period.

The SEC has issued a *Cease and Desist Order* that does not identify other breaches of United States regulations.

The aforementioned amounts, approximately US\$30.5 million, were reflected in the Company's profit and loss during the fourth quarter of 2016 in the Other Expenses by function line.

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Note 24 Sanction proceedings

On April 03, 2018, the National Directorate of the “Dirección Nacional del Servicio Nacional de Geología y Minería” (National Geology and Mining Service) filed charges against SQM Industrial for the alleged violation of Article 40 letter c) of Law No. 20,551 that regulates the closure of mining works and facilities for Pampa Blanca, located in the district of Sierra Gorda. On April 26, 2018, SQM Industrial gave its deposition. According to current regulations, the National Geology and Mining Service can impose fines of up to 10 UTMs (monthly tax units) for each day of infringement, with a total maximum of 10,000 UTMs per month.

## 10) FINANCIAL REPORTS

### Note 25 Environment

#### 25.1 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.

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 timely implemented since 2007.



## 10) FINANCIAL REPORTS

### Note 25 Environment (continued)

#### 25.1 Disclosures of disbursements related to the environment, continued

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.

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 plant. 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.

#### 25.2 Detail of information on disbursements related to the environment

The cumulative disbursements which the Company had incurred as of December 31, 2018 for the concept of investments in production processes, verification and control of compliance with ordinances and laws related to industrial processes and facilities amounted to ThUS\$19,439 and are detailed as follows:



## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Accumulated expenses as of 12/31/2018

| Parent Company or<br>Subsidiary | Project Name   | Reason for Disbursement                               | Asset /<br>Expense | Description of Asset<br>or Expense | Disbursement<br>ThUS\$ | Exact or<br>Estimated Date<br>of Disbursement |
|---------------------------------|--|---|--------------------|------------------------------------|------------------------|---|
| Miscellaneous                   | Environment -<br>Operating Area  | Not classified  | Expense            | Not classified                     | 9,002                  | 12/31/2018                                    |
| SQM S.A.                        | 01-I005500 -<br>Standardization<br>of SO2 plants                       | Environmental<br>processing                           | Assets             | Not classified                     | 27                     | 12/31/2018                                    |
| SQM S.A.                        | 01-I007300 -<br>Compliance<br>with Iodine Gas<br>Exposure<br>Standard  | Environmental<br>processing                           | Assets             | Not classified                     | 59                     | 12/31/2018                                    |
| SQM S.A.                        | 01-I013800 -<br>Increase height<br>of Absorber<br>Tower                | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 124                    | 12/31/2018                                    |
| SQM S.A.                        | 01-I017200 -<br>CEDAM at<br>Puqufios (ponds)<br>at Llamara             | Sustainability:<br>Environment and Risk<br>Prevention | Expense            | Not classified                     | 25                     | 12/31/2018                                    |
| SQM S.A.                        | 01-I017400 -<br>Development of<br>Pintados and<br>surrounding<br>area. | Sustainability:<br>Environment and Risk<br>Prevention | Expense            | Not classified                     | 5                      | 12/31/2018                                    |
| SQM S.A.                        | 01-I018300 -<br>Cultural<br>Heritage<br>Baseline<br>Environmental      | Environmental<br>processing                           | Expense            | Not classified                     | 117                    | 12/31/2018                                    |

|                     |  |   |         |                |       |            |
|---------------------|--|---|---------|----------------|-------|------------|
|                     | Impact<br>Statement (EIS)<br>Mina Oeste<br>N.V.<br>01-I018700 -<br>Penalization<br>Process for Salar<br>de Llamara | Environmental<br>processing                           | Expense | Not classified | 992   | 12/31/2018 |
| SQM S.A.            | 01-I019400 -<br>EIA Expansion<br>of TEA and<br>Seawater<br>Impulsion   | Environmental<br>processing                           | Assets  | Not classified | 1,914 | 12/31/2018 |
| SQM S.A.            | 01-I017600 -<br>Regularization<br>of Substances<br>Decree  | Environmental<br>processing                           | Expense | Not classified | 121   | 12/31/2018 |
| SQM Industrial S.A. | 04-J007000 -<br>Environmental<br>Impact<br>Statement   | Environmental<br>processing                           | Expense | Not classified | 30    | 12/31/2018 |
| SQM Industrial S.A. | 04-J010200 -<br>NK CS<br>(KNO <sub>3</sub> -NaNO <sub>3</sub><br>salt production<br>at NPT2 plant)                 | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 100   | 12/31/2018 |
| SQM Industrial S.A. | 04-I015600 -<br>Recovery of<br>Reject Water<br>from Osmosis<br>Plant, NV   | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 130   | 12/31/2018 |
| SQM Industrial S.A. | Iodine Plant<br>04-J012200 -<br>Environmental<br>Impact<br>Statement and<br>Regularization<br>of CS Ponds          | Tramitación Ambiental                                 | Assets  | Not classified | 131   | 12/31/2018 |
| SQM Industrial S.A. | 04-M002000 -<br>Recovery of<br>Potable Water at<br>María Elena   | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 161   | 12/31/2018 |

## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Accumulated expenses as of 12/31/2018

| Parent Company or<br>Subsidiary | Project Name  | Reason for Disbursement                               | Asset /<br>Expense | Description of Asset<br>or Expense | Disbursement<br>ThUS\$ | Exact or<br>Estimated Date<br>of Disbursement |
|---------------------------------|---|---|--------------------|------------------------------------|------------------------|---|
| SQM Industrial S.A.             | 04-I025000 -<br>Re-drilling of<br>Well 2PL-2<br>and<br>Maintenance of<br>Access Road to<br>Wells  | Sustainability:<br>Environment and Risk<br>Prevention | Expense            | Not classified                     | 18                     | 12/31/2018                                    |
| SQM Industrial S.A.             | 04-P006500 -<br>Installation,<br>electrical<br>wiring   | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 3                      | 12/31/2018                                    |
| SQM Industrial S.A.             | 04-I017700<br>- Basic<br>engineering<br>and<br>Environmental<br>Impact<br>Assessment for<br>TEA industrial<br>area and<br>seawater<br>impulsion N.V | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 561                    | 12/31/2018                                    |
| SQM Industrial S.A.             | 04-J013500<br>- Handling of<br>Equipment<br>associated with<br>PCBs   | Sustainability:<br>Environment and Risk<br>Prevention | Expense            | Not classified                     | 127                    | 12/31/2018                                    |
| SIT S.A.                        | 03-T003400 -<br>2016 Port   | Sustainability:<br>Environment and Risk               | Assets             | Not classified                     | 28                     | 12/31/2018                                    |

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|          |   |   |        |                |     |            |
|----------|---|---|--------|----------------|-----|------------|
| SIT S.A. | 03-T001900 -<br>maintenance<br>Capex<br>Storage<br>Warehouse<br>Cover | Prevention<br><br>Sustainability:<br>Environment and Risk<br>Prevention | Assets | Not classified | 25  | 12/31/2018 |
| SIT S.A. | 03-T001800 -<br>Mechanization<br>of Shipment<br>from Ca               | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 50  | 12/31/2018 |
| SIT S.A. | 03-T003200 -<br>Mechanization<br>of Shipment<br>from Ca               | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 218 | 12/31/2018 |
| SIT S.A. | 03-T003600 -<br>Improved Port<br>SQM Bulk<br>Storage                  | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 33  | 12/31/2018 |
| SIT S.A. | 03-T004200 -<br>Encapsulation<br>and Collectors<br>Yards 8 and 9      | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 795 | 12/31/2018 |
| SIT S.A. | 03-T004500 -<br>Belt 5<br>Extension and<br>Overhaul                   | Environmental processing  | Assets | Not classified | 200 | 12/31/2018 |
| SIT S.A. | 03-T005000 -<br>Ground<br>leveling and<br>paving of<br>warehouse      | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 210 | 12/31/2018 |
| SIT S.A. | 03-T006400 -<br>Pollution<br>Control and<br>Management<br>Equipment   | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 246 | 12/31/2018 |
| SIT S.A. | 03-T006200 -<br>Storage<br>Facilities Yard<br>6                       | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 299 | 12/31/2018 |
| SIT S.A. | 03-T006100 -<br>Closure of<br>Storage<br>Facilities Yard<br>9         | Sustainability:<br>Environment and Risk<br>Prevention                   | Assets | Not classified | 443 | 12/31/2018 |

## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

| Parent Company or<br>Subsidiary | Project Name   | Reason for Disbursement                               | Asset /<br>Expense | Description of Asset<br>or Expense | Disbursement<br>ThUS\$ | Exact or<br>Estimated Date<br>of Disbursement |
|---------------------------------|--|---|--------------------|------------------------------------|------------------------|---|
| SQM Salar S.A.                  | 19-L012200 -<br>Installation of<br>flow meters<br>per<br>environmental<br>standard | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 74                     | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-L012100 –<br>Regularization<br>of weather<br>station                            | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 39                     | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-C003900 -<br>Extension of<br>Carbonate<br>120,000 TPA<br>Plant                  | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 776                    | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-L014700 -<br>Industrial<br>Waste<br>Management                                  | Sustainability:<br>Environment and Risk<br>Prevention | Expense            | Not classified                     | 120                    | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-L014900 -<br>Sludge Drying<br>Project   | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 180                    | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-L018400 -<br>EIA, PSA,<br>Hydrogeology<br>and<br>Conservation                   | Environmental<br>processing                           | Expense            | Not classified                     | 1,824                  | 12/31/2018                                    |
| SQM Salar S.A.                  | 19-L018700 -<br>5th Update of<br>environmental<br>modeling                         | Environmental<br>processing                           | Expense            | Not classified                     | 76                     | 12/31/2018                                    |
| SQM Nitratos S.A                |  |   | Assets             | Not classified                     | 156                    | 12/31/2018                                    |

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12-I012700 - Sustainability:  
Mine Site Environment and Risk  
Workshop Prevention  
Water  
Recovery Plant

Total

19,439

340



## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Future expenses as of 12/31/2018

| Parent Company or Subsidiary | Project Name   | Reason for Disbursement                         | Asset / Expense | Description of Asset or Expense | Disbursement ThUS\$ | Exact or Estimated Date of Disbursement |
|------------------------------|--|---|-----------------|---------------------------------|---------------------|---|
| Miscellaneous                | Environment - Operating Area   | Not classified                                  | Expense         | Not classified                  | 10,204              | 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                  | 15                  | 12/31/2018                              |
| SQM S.A.                     | 01-I007200 - Environmental Follow-up Plan for Salar de Llamara for 2015-2016 | Sustainability: Environment and Risk Prevention | Expense         | Not classified                  | 90                  | 12/31/2018                              |
| SQM S.A.                     | 01-I017400 - Development of Pintados and surrounding area.                   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                  | 116                 | 12/31/2018                              |
| SQM S.A.                     | 01-I018700 - Penalization Process for Salar de Llamara                       | Environmental processing                        | Expense         | Not classified                  | 528                 | 12/31/2018                              |
| SQM S.A.                     | 01-I019400 - EIA Expansion of TEA and  | Environmental processing                        | Assets          | Not classified                  | 536                 | 12/31/2018                              |

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|                |   |   |         |                |       |            |
|----------------|---|---|---------|----------------|-------|------------|
| SQM S.A.       | Seawater<br>Impulsion<br>01-I017600 -<br>Regularización<br>Decreto<br>Sustanc | Environmental<br>processing                           | Expense | Not classified | 485   | 1/23/2019  |
| SIT S.A.       | 03-T004200 -<br>Encapsulation<br>and Collectors<br>Yards 8 and 9              | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 321   | 12/31/2018 |
| SIT S.A.       | 03-T004500 -<br>Belt 5<br>Extension and<br>Overhaul                           | Tramitación Ambiental                                 | Assets  | Not classified | 141   | 12/31/2018 |
| SIT S.A.       | 03-T006200 -<br>Warehouses,<br>yard 6   | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 1,147 | 1/12/2019  |
| SIT S.A.       | 03-T006400 -<br>Pollution<br>Control<br>Equipment and<br>Maintenance          | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 144   | 1/13/2019  |
| SIT S.A.       | 03-T006100 -<br>Warehouses,<br>yard 9   | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 490   | 1/18/2019  |
| SQM Salar S.A. | 19-L012100 -<br>Regularization<br>of weather<br>station                       | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 13    | 12/31/2018 |
| SQM Salar S.A. | 19-L018000 -<br>Regularize TT<br>lighting                                     | Sustainability:<br>Environment and Risk<br>Prevention | Assets  | Not classified | 74    | 1/16/2019  |
| SQM Salar S.A. | 19-L018700 -<br>Fifth<br>environmental<br>model update                        | Environmental<br>processing                           | Expense | Not classified | 27    | 12/31/2018 |

## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Future expenses as of 12/31/2018

| Parent Company or<br>Subsidiary | Project Name   | Reason for Disbursement                               | Asset /<br>Expense | Description of Asset<br>or Expense | Disbursement<br>in US\$ | Exact or<br>Estimated Date<br>of Disbursement |
|---------------------------------|--|---|--------------------|------------------------------------|-------------------------|---|
| SQM Industrial S.A.             | 04-J010200 -<br>NK CS<br>(KNO <sub>3</sub> -NaNO <sub>3</sub><br>salt production<br>at NPT2 plant)   | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 3                       | 12/31/2018                                    |
| SQM Industrial S.A.             | 04-I017700<br>- Basic<br>engineering and<br>Environmental<br>Impact<br>Assessment for<br>TEA industrial<br>area and<br>seawater<br>impulsion N.V | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 452                     | 12/31/2018                                    |
| SQM Industrial S.A.             | 04-J010700 -<br>Recovery Water<br>Intake from<br>Rivers  | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 120                     | 1/1/2019                                      |
| SQM Industrial S.A.             | 04-J012200 -<br>Environmental<br>Impact<br>Statement and<br>Regularization<br>of CS Ponds  | Environmental processing                              | Assets             | Not classified                     | 187                     | 1/2/2019                                      |
| SQM Industrial S.A.             | 04-M002000 -<br>Recovery of<br>Potable Water at<br>María Elena   | Sustainability:<br>Environment and Risk<br>Prevention | Assets             | Not classified                     | 264                     | 1/6/2019                                      |
| SQM Industrial S.A.             |  |   | Expense            | Not classified                     | 34                      | 1/10/2019                                     |

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|                     |  |   |         |                |        |           |  |
|---------------------|--|---|---------|----------------|--------|-----------|--|
|                     | 04-J013500 - Handling of Equipment associated with PCBs                    | Sustainability: Environment and Risk Prevention |         |                |        |           |  |
| SQM Industrial S.A. | 04-J013300 - Increase solid waste management in Dual Plant (Delkor Filter) | Sustainability: Environment and Risk Prevention | Assets  | Not classified | 68     | 1/14/2019 |  |
| SQM Industrial S.A. | 04-P006500 - Installation, electrical wiring                               | Sustainability: Environment and Risk Prevention | Assets  | Not classified | 104    | 1/17/2019 |  |
| SQM Industrial S.A. | 04-J015200 - Implementation Economizers                                    | Sustainability: Environment and Risk Prevention | Assets  | Not classified | 276    | 1/21/2019 |  |
| SQM Industrial S.A. | 04-I025000 - Re-drilling of Well 2PL-2 and Ma                              | Sustainability: Environment and Risk Prevention | Expense | Not classified | 242    | 1/24/2019 |  |
| SQM Industrial S.A. | 04-J014200 - Commitments with Environmental Qualification Resolutions      | Environmental processing                        | Expense | Not classified | 70     | 1/25/2019 |  |
|                     |  |   |         | Total          | 16,227 |           |  |

## 10) FINANCIAL REPORTS

**Note 25 Environment (continued)****25.2 Detail of information on disbursements related to the environment, continued****Future expenses as of 12/31/2017**

| <b>Parent Company or<br/>Subsidiary</b> | <b>Project Name</b>  | <b>Reason for Disbursement</b>                        | <b>Asset /<br/>Expense</b> | <b>Description of Asset<br/>or Expense</b> | <b>Disbursement<br/>ThUS\$</b> | <b>Exact or<br/>Estimated Date<br/>of Disbursement</b> |
|---|--|---|----------------------------|--|--------------------------------|--|
| Miscellaneous                           | Environment -<br>Operating Area<br>04-IQWZ00 -   | Not classified  | Expense                    | Not classified                             | 9,552                          | 12/31/2017   |
| SQM Industrial S.A.                     | Normalization<br>TK NV liquid<br>fuels<br>04-PPZU00 -  | Environmental<br>processing                           | Asset                      | Not classified                             | 37                             | 4/1/2014   |
| SQM Industrial S.A.                     | Standardize and<br>Certify Plant<br>Fuel Tanks<br>04-J007000 -   | Environmental<br>processing                           | Asset                      | Not classified                             | 48                             | 7/1/2011   |
| SQM Industrial S.A.                     | Environmental<br>Impact<br>Statement<br>04-P003600 -   | Environmental<br>processing                           | Expense                    | Not classified                             | 151                            | 12/31/2017   |
| SQM Industrial S.A.                     | Opening of NPT<br>IV Project (NK<br>engineering<br>studies)<br>04-I012400 -  | Sustainability:<br>Environment and Risk<br>Prevention | Asset                      | Not classified                             | 181                            | 12/31/2017   |
| SQM Industrial S.A.                     | Acquisition of<br>Power<br>Generator to<br>Back up the<br>Injection System<br>at Puquios in<br>Salar de<br>Llamara | Sustainability:<br>Environment and Risk<br>Prevention | Asset                      | Not classified                             | 34                             | 12/31/2016   |

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|                     |  |   |         |                |     |            |
|---------------------|--|---|---------|----------------|-----|------------|
| 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 (KNO <sub>3</sub> -NaNO <sub>3</sub> salt production at NPT2 plant) | Sustainability: Environment and Risk Prevention | Asset   | Not classified | 1   | 4/30/2019  |
| SQM Industrial S.A. | 04-I015600 - Recovery of Reject Water from Osmosis Plant, NV                           | Sustainability: Environment and Risk Prevention | Asset   | Not classified | 12  | 12/31/2018 |
| SQM S.A.            | 01-I005500 - Standardization of SO <sub>2</sub> plants                                 | Environmental processing                        | Asset   | 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 | Asset   | Not classified | 62  | 12/31/2018 |
| SQM S.A.            | 01-I007300 - Compliance with Iodine Gas Exposure Standard                              | Environmental processing                        | Asset   | Not classified | 961 | 12/31/2017 |

## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

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

| Parent Company or Subsidiary | Project Name   | Reason for Disbursement                         | Asset / Expense | Description of Asset or Expense | Disbursement ThUS\$ | Exact or Estimated Date of Disbursement |
|------------------------------|--|---|-----------------|---------------------------------|---------------------|---|
| SQM S.A.                     | 01-I012200 - Repair or replacement of well   | Sustainability: Environment and Risk Prevention | Asset           | 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 | Asset           | Not classified                  | 240                 | 6/1/2018                                |
| SQM Salar S.A.               | 19-C002300 - Extension of LIOH 7,000 TPA Plant   | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 230                 | 12/31/2018                              |
| SQM Salar S.A.               | 19-L012100 - Renovation of equipment with certification required for Environmental Assessment Resolution | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 13                  | 6/1/2018                                |
| SIT S.A.                     | 03-T003400 - 2016 Port maintenance Capex   | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 42                  | 3/31/2018                               |
| SIT S.A.                     |  |   | Asset           | Not classified                  | 37                  | 3/31/2018                               |

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|          |  |       |                |        |           |  |
|----------|--|-------|----------------|--------|-----------|--|
|          | 03-T001900 - Sustainability:<br>Storage Environment and Risk<br>Warehouse Prevention<br>Cover                    |       |                |        |           |  |
| SIT S.A. | 03-T001800 - Sustainability:<br>Mechanization Environment and Risk<br>of Shipment Prevention<br>from Ca          | Asset | Not classified | 982    | 5/31/2018 |  |
| SIT S.A. | 03-T003200 - Sustainability:<br>Mechanization Environment and Risk<br>of Shipment Prevention<br>from Ca          | Asset | Not classified | 1,296  | 5/31/2018 |  |
| SIT S.A. | 03-T004200 - Sustainability:<br>Encapsulation Environment and Risk<br>and Collectors Prevention<br>Yards 8 and 9 | Asset | Not classified | 58     | 8/30/2018 |  |
| SIT S.A. | 03-T004500 -<br>Belt 5 Environmental<br>Extension and processing<br>Overhaul                                     | Asset | Not classified | 180    | 8/30/2018 |  |
| Total    |  |       |                | 14,787 |           |  |

344



## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Future expenses as of 12/31/2017, continued

| Parent Company or Subsidiary | Project Name  | Reason for Disbursement                         | Asset / Expense | Description of Asset or Expense | Disbursement ThUS\$ | Exact or Estimated Date of Disbursement |
|------------------------------|---|---|-----------------|---------------------------------|---------------------|---|
| Miscellaneous                | Environment - Operating Area 04-J010200 - NK CS   | Not classified                                  | Expense         | Not classified                  | 10,450              | 12/31/2018                              |
| SQM Industrial S.A.          | (KNO3-NaNO3 salt production at NPT2 plant) 04-I015600 - Recovery of Reject Water from Osmosis Plant, NV | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 140                 | 4/30/2019                               |
| SQM Industrial S.A.          | Iodine Plant 01-I005500 - Standardization of SO2 plants   | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 130                 | 12/31/2018                              |
| SQM S.A.                     | 01-I012200 - Repair or replacement of well  | Environmental processing                        | Asset           | Not classified                  | 37                  | 12/31/2018                              |
| SQM S.A.                     | 01-I013800 - Increase height of Absorber Tower  | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 76                  | 12/31/2018                              |
| SQM S.A.                     | 01-I017200 - CEDAM at Puquifos (ponds) at Llamara   | Sustainability: Environment and Risk Prevention | Expense         | Not classified                  | 111                 | 12/31/2018                              |
| SQM S.A.                     |   |   |                 |                                 | 260                 | 12/31/2018                              |

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|                |   |   |         |                |     |            |
|----------------|---|---|---------|----------------|-----|------------|
| SQM S.A.       | 01-I017400 -<br>Development of<br>Pintados and<br>surrounding area  | Sustainability:<br>Environment and Risk<br>Prevention | Expense | Not classified | 124 | 12/31/2018 |
| SIT S.A.       | 03-T001900 -<br>Storage<br>Warehouse<br>Cover   | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 10  | 3/31/2018  |
| SIT S.A.       | 03-T001800 -<br>Mechanization<br>of Shipment<br>from Ca   | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 103 | 5/31/2018  |
| SIT S.A.       | 03-T003200 -<br>Mechanization<br>of Shipment<br>from Ca   | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 254 | 5/31/2018  |
| SIT S.A.       | 03-T004200 -<br>Encapsulation<br>and Collectors<br>Yards 8 and 9  | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 854 | 8/30/2018  |
| SIT S.A.       | 03-T004500 -<br>Belt 5 Extension<br>and Overhaul  | Environmental<br>processing                           | Asset   | Not classified | 336 | 8/30/2018  |
| SIT S.A.       | 03-T005000 -<br>Ground leveling<br>and paving of<br>warehouse   | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 210 | 9/30/2018  |
| SQM Salar S.A. | 19-L012100 –<br>Renovation of<br>equipment with<br>certification<br>required for<br>Environmental<br>Assessment<br>Resolution | Sustainability:<br>Environment and Risk<br>Prevention | Asset   | Not classified | 52  | 6/1/2018   |

## 10) FINANCIAL REPORTS

## Note 25 Environment (continued)

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

## Future expenses as of 12/31/2017, continued

| Parent Company or Subsidiary | Project Name  | Reason for Disbursement                         | Asset / Expense | Description of Asset or Expense | Disbursement ThUS\$ | Exact or Estimated Date of Disbursement |
|------------------------------|---|---|-----------------|---------------------------------|---------------------|---|
| SQM Salar S.A.               | 19-L012200 - Installation of flow meters per environmental standard | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 10                  | 6/1/2018                                |
| SQM Salar S.A.               | 19-C002300 - Extension of LIOH 7,000 TPA Plant                      | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 28                  | 12/31/2018                              |
| SQM Nitratos S.A             | 12-I012700 - Mine Site Workshop Water Recovery Plant                | Sustainability: Environment and Risk Prevention | Asset           | Not classified                  | 160                 | 12/31/2018                              |
| Total                        |   |   |                 |                                 | 13,345              |   |

## 10) FINANCIAL REPORTS

### Note 25 Environment (continued)

25.3 Description of each project, indicating whether these are in process or have been finished

#### SQM S.A.

**I0055:** In the SO<sub>2</sub> plant, the gas/liquid ratio is deficient, preventing the absorption of SO<sub>2</sub>; producing a loss of free iodine through inadequate stripping of kerosene and prilling air. This also causes the ducts and furnaces to be blocked (unplanned shutdowns), a very polluted environment for people (aberration in health and hygiene), excessive acid rain (corrosion of facilities) and a high sulfur and sodium metabisulfite consumption factor. 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.

**I0073:** The system for capturing iodine gases is operating very inefficiently. The iodine steam levels are between 150% and 4,900% above the levels allowed for jobs at iodine plants and warehouses as established in 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.

**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.

**I0172:** The commitments of the Pampa Hermosa project for the Salar de Llamara include the Tamarugos Environmental Management Plan (PMAT), which contemplates an Environmental Education Program that includes the design, construction and start-up of an Environmental Education Center (CEDAM) at Puquios de Llamara. Conceptual design, detailed design, construction and start-up are necessary for the CEDAM, which will be subject to approval by the authorities so its duration and costs are subject to the approval of third parties.

## 10) FINANCIAL REPORTS

### Note 25 Environment (continued)

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

##### SOM S.A.

**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.

**I0183:** A heritage baseline will be taken for the eastern mine sector, required for the EIS

**I0187:** The project involves the implementation of measures that were committed to during the penalty process, including urgent and transitory measures. Actions to be implemented include monthly biotic monitoring, quarterly landscape monitoring, metagenomic analysis, study accrediting the nonexistence of environmental effects in puquios (aquatic biota) and study accrediting the implementation of adequate water quality control of water injected into the system, both accredited by a center for excellence in a state or state-recognized university.

**I0194:** Tender and awarding of environmental permits, implement archeology, biota, human environment campaigns, etc., develop marine studies, prepare reports and enter study into the assessment system, monitor and respond to addenda until the system is approved. Prepare and submit claims to third parties associated with the request for rights of way.

**I0176:** The project involves an initial diagnosis in the different sites to identify deviations and actions to be implemented for adaptation, for subsequent preparation of the Adaptation Program that will be presented to the Seremi de Salud. This diagnosis will be used to define the activities to be developed, and these may require minor or major structural modifications that require prior environmental assessment (DIA/EIA).



10) FINANCIAL REPORTS

**Note 25 Environment (continued)**

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

**SOM Industrial S.A.**

**I0156:** The project will enable the recovery of reject water from the osmosis plant to be used in the leach pile area, increasing the efficiency of water use.

**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.

**J0122:** The project consists of entering the Coya Sur wells into the environmental impact assessment system (SEIA) and processing the permits for these wells with the General Directorate of Water Resources (DGA).

**P0036:** The project consists of enabling the reuse of the crystallization plant and all of its facilities associated with the production of nitrate salts.

**J0135:** This project consists of dealing with all the oils and components that contain 50ppm or more of PCB by 2025 at the latest. The activities to be undertaken will be to deal with all those elements with oil that have previously been identified as having more than 50ppm of PCB.



**M0020:** The project consists of concluding the system of the drinking water network, in addition to renewing several sections of the network, due to the deterioration of original pipes. It also intends to acquire equipment to better address water seepage in town and problems in the sewage chambers. Sewage water management requires a single backfill for final sludge disposal, in keeping with current legislation.

**I0177:** The project involves completing the development of basic engineering, implementing the Environmental Impact Study for Tente en el Aire, obtain legal and sectorial permits for project implementation in a second stage

## 10) FINANCIAL REPORTS

### Note 25 Environment (continued)

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

##### SOM Industrial S.A.

**P0065:** The project involves installation of a transformer, posts and ditch solution collection tank. In addition to improvements in the ditch sector, heavy machinery will be used to safely position low-suction pumps.

**I0250:** The project consists of re-drilling well 2PI-2, which implies the detention of the extraction well, extraction of current casing and its re-drilling, with the relevant development work and pump tests. Road maintenance works imply leveling roads, filling damaged areas and compacting this fill.

**J0107:** The project looks to renovate and automate the operation of pump stations at the three water intakes, by incorporating automatic valves and smart controls for pumps. In addition, water intake pipe sections, cut-off valves, check valves, drains and vents should be renewed. Due to the water conditions and length of pipes, these face the risk of failure due to overpressure, corrosion and material wear. Maintenance and repair works must also be undertaken on pumps at each water intake as a result of wear and corrosion due to the characteristics of river water.

**J0133:** The project consists of increasing the centrifuge filter capacity at the Anhydrous Sulfate Plant: Industrial test. If favorable, install belts to remove discarded material to the storage yard.

**J0152:** The project involves the installation of heat collection equipment for gas emanating from boilers and implementation of associated structural improvements.

**J0142:** The project involves implementing environmental measures associated with the CS Update DIA (heritage sign, pavement of ME road) and the DIA for NK PV (controlled disturbance plan).

**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 as the project involves the implementation and purchase of belt covers as an internal emissions control measure 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 area 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.

10) FINANCIAL REPORTS

**Note 25 Environment (continued)**

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

**SIT S.A.**

**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.

**T0036:** The project involves the installation of rainwater collection channels in the storage warehouses and engineering that studies the possibility of storing multiple products in a single silo and the possibility of installing vibrating floors that enable free runoff of the product, thereby preventing the risks of manual operation and the effect that this provokes in shipments.

**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.

**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.

**T0062:** A 35 x 110 m hangar will be installed on yard 6 to stockpile bulk product that also permits loading and unloading from trucks and front loaders as well as proper stacking. The warehouse in yard 6 will be expanded into boxes 5 and 6 in order to stockpile bulk product.

**T0064:** Purchase of Sentinal sweeper - Purchase critical operating equipment.

**T0061:** The project involves the construction of the second part of the yard storage facility 9 (1500 square meters).

**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.

**L0121:** Change of the weather station equipment to comply with the standard.

**L0147:** This project involves the elimination of these unauthorized industrial waste storage points. This work will be undertaken by an external company that separates, organizes and packages different types of industrial waste according to the environmental authorization and legislation in force. The waste can then be removed from the same points for final disposal off site.

10) FINANCIAL REPORTS

**Note 25 Environment (continued)**

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

**SQM Salar.**

**L0180:** Normalization of lighting and electrical circuits at ground transportation facilities in Salar Atacama.

**C0039:** The project involves increasing the Lithium Carbonate production capacity from 70,000 TPA to 120,000 TPA.

**L0149:** This project includes building a dehydrating plant at SQM Salar's current facilities to be used for treatment, storage, transport and final disposal of sludge generated by the different sewage treatment plants and providing the solutions necessary to comply with DS No. 04/09, Regulation for Managing Sludge at Sewage Treatment Plants.

**L0184:** The project involves advising for the Environmental Monitoring Plan, as well as improved environmental monitoring.

**L0187:** The project involves this 5th update to numeric modeling, which would provide compliance with the commitments undertaken during the environmental qualification process for the project "Changes and Improvements to Mining Operations in the Salar de Atacama".

**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.



## 10) FINANCIAL REPORTS

### Note 26 Mineral resource exploration and evaluation expenditure

Given the nature of operations of the Sociedad Química y Minera de Chile S.A. and Subsidiaries and the type of exploration it undertakes, disbursements for exploration can be found in 4 stages: Implementation, economically feasible, not economically feasible and in exploitation:

*Implementation:* Disbursements for prospecting under implementation and therefore prior to determination of economic feasibility, are classified in the caption of Non-Current Assets, found in Works in Progress for Properties, Plant and Equipment, which include, exploration of caliche, and brine from the Salar de Atacama (these processes 1. are generally developed over a one-year period), both totaling ThUS\$8,355 in this caption, as of December 31, 2018, and ThUS\$8,942 as of December 31, 2017. For Mt Holland, exploration disbursements fall under Other Non-Current Non-Financial Assets and correspond to ThUS\$11,298 as of December 31, 2018. As of December 31, 2017 there were no disbursements for this concept.

2. *Economically feasible:* Prospecting disbursements corresponding to caliche exploration, wherein the study concluded that its economic feasibility is viable, are classified under Non-Current Assets in Other Non-current Financial Assets. The balance as of December 31, 2018, is ThUS\$5,099 and as of December 31, 2017, it is ThUS\$12,530.

For the exploration of the Salar de Atacama, the associated assets correspond to wells that can be used both in monitoring and exploitation of the Salar. Therefore, once the studies are concluded, these are classified as Non-current Assets in Properties, Plants and Equipment, assigning them a technical useful life of 10 years.

3. *Not economically feasible:* Prospecting disbursements, once finalized and concluded to be not economically feasible, will be charged to profit and loss. As of December 31, 2018 and December 31, 2017, there is no existing disbursement for this item.

4. *In Exploitation:* Caliche exploration disbursements that are found in this area are amortized based on the material exploited. The portion that is exploited in the following 12 months is presented as current assets in the inventories. As of December 31, 2018, the amount is ThUS\$2,028 and the balance as of December 31, 2017 for this concept is ThUS\$521. The portion that will be amortized in the following years is classified as non-current assets under Other Non-current Assets. As of December 31, 2018, there is a balance of ThUS\$9,791 for this concept, and as of December 31, 2017, the balance is ThUS\$5,191.



Disbursements corresponding to metal exploration are charged to profit or loss in the period in which they are incurred.

## 10) FINANCIAL REPORTS

Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature

## 27.1 Revenue from operating activities

The Group derives revenues from the sale of goods (which are recognised at one point in time) and from the provision of services (which are recognised over time) and are distributed among the following geographical areas and main product and service lines:Geographic areas:

12/31/2018

| Geographic areas                | <b>Specialty<br/>plant<br/>nutrition</b> | <b>Iodine<br/>and<br/>derivatives</b> | <b>Lithium<br/>and<br/>derivatives</b> | Potassium | <b>Industrial<br/>chemicals</b> | Other  | <b>Total<br/>ThUS\$</b> |
|---------------------------------|--|---------------------------------------|--|-----------|---------------------------------|--------|-------------------------|
| Chile                           | 111,595                                  | 1,052                                 | 700                                    | 25,593    | 4,575                           | 45,834 | 189,349                 |
| Latin America and the Caribbean | 77,737                                   | 6,390                                 | 3,596                                  | 80,192    | 12,097                          | 177    | 180,189                 |
| Europe                          | 200,229                                  | 112,080                               | 103,430                                | 46,068    | 17,384                          | 473    | 479,664                 |
| North America                   | 240,995                                  | 83,587                                | 68,254                                 | 50,685    | 27,347                          | 647    | 471,515                 |
| Asia and Others                 | 151,194                                  | 121,863                               | 558,821                                | 64,936    | 46,865                          | 1,407  | 945,086                 |
| Total                           | 781,750                                  | 324,972                               | 734,801                                | 267,474   | 108,268                         | 48,538 | 2,265,803               |

12/31/2017

| Geographic areas                | <b>Specialty<br/>plant<br/>nutrition</b> | <b>Iodine<br/>and<br/>derivatives</b> | <b>Lithium<br/>and<br/>derivatives</b> | Potassium | <b>Industrial<br/>chemicals</b> | Other  | <b>Total<br/>ThUS\$</b> |
|---------------------------------|--|---------------------------------------|--|-----------|---------------------------------|--------|-------------------------|
| Chile                           | 91,243                                   | 1,054                                 | 802                                    | 20,001    | 2,522                           | 45,942 | 161,564                 |
| Latin America and the Caribbean | 71,335                                   | 5,756                                 | 3,109                                  | 142,610   | 9,180                           | 155    | 232,145                 |
| Europe                          | 177,997                                  | 81,557                                | 88,443                                 | 72,405    | 28,346                          | 305    | 449,053                 |
| North America                   | 235,963                                  | 67,491                                | 42,918                                 | 69,105    | 25,824                          | 553    | 441,854                 |
| Asia and Others                 | 120,713                                  | 96,265                                | 509,301                                | 75,205    | 69,706                          | 1,517  | 872,707                 |
| Total                           | 697,251                                  | 252,123                               | 644,573                                | 379,326   | 135,578                         | 48,472 | 2,157,323               |

## 10) FINANCIAL REPORTS

**Nota 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature****27.1 Revenue from operating activities, continued**

## b) Main product lines:

|  | 2018<br>ThUS\$ | 2017<br>ThUS\$ |
|--|----------------|----------------|
| Products and Services                          |                |                |
| Specialty plant nutrition                      | 781,750        | 697,251        |
| Sodium Nitrates                                | 17,688         | 18,555         |
| Potassium nitrate and sodium potassium nitrate | 527,945        | 474,451        |
| Specialty Blends                               | 145,512        | 121,263        |
| Other specialty fertilizers                    | 90,605         | 82,982         |
| Iodine and derivatives                         | 324,972        | 252,123        |
| Lithium and derivatives                        | 734,801        | 644,573        |
| Potassium                                      | 267,474        | 379,326        |
| Industrial chemicals                           | 108,268        | 135,578        |
| Other  | 48,538         | 48,472         |
| Commodities                                    | 18,582         | 11,822         |
| Other ordinary income Of. Commercial           | 24,465         | 32,784         |
| Income from services rendered and others Other |                |                |
| Income from the provision of services          | 4,017          | 3,795          |
| Income from leasing properties                 | 1,474          | 71             |
| Total  | 2,265,803      | 2,157,323      |

## 10) FINANCIAL REPORTS

**Nota 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature**

|   | 27.2 |             | Cost of sales |
|---|------|-------------|---------------|
|   |      | 12/31/2018  | 12/31/2017    |
|   |      | ThUS\$      | ThUS\$        |
| Raw materials and consumables used      |      | (260,863 )  | (227,620 )    |
| Classes of employee benefit expenses    |      | (203,569 )  | (172,084 )    |
| Depreciation expense                    |      | (212,582 )  | (232,275 )    |
| Amortization expense                    |      | (7,194 )    | (8,153 )      |
| Operating leases                        |      | (75,395 )   | (80,160 )     |
| Investment plan expenses                |      | (13,384 )   | (17,180 )     |
| Contractors                             |      | (78,825 )   | (72,348 )     |
| Mining concessions                      |      | (8,168 )    | (7,802 )      |
| Operations transport                    |      | (64,352 )   | (69,052 )     |
| Freight and product transport costs     |      | (43,510 )   | (55,383 )     |
| Purchase of products from third parties |      | (239,781 )  | (208,147 )    |
| Insurance                               |      | (9,816 )    | (10,255 )     |
| CORFO rights                            |      | (182,954 )  | (46,274 )     |
| Export costs                            |      | (84,816 )   | (83,057 )     |
| Variation in inventory                  |      | 11,600      | (90,998 )     |
| Other expenses, by nature               |      | (9,915 )    | (14,034 )     |
| Total                                   |      | (1,483,524) | (1,394,822)   |

## 10) FINANCIAL REPORTS

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

| 27.3   | Other income  |               |
|--|---------------|---------------|
|  | 12/31/2018    | 12/31/2017    |
|  | ThUS\$        | ThUS\$        |
| Discounts obtained from suppliers                          | 705           | 345           |
| Fines charged to suppliers                                 | 698           | 199           |
| Taxes recovered  | 685           | 1,278         |
| Amounts recovered from insurance                           | 443           | 154           |
| Overestimate of provisions for third-party obligations     | 375           | 586           |
| Other operating income                                     | 1,847         | 4,543         |
| Options on mining claims                                   | 16,095        | 2,607         |
| Easements, pipelines and roads                             | 10,806        | 4,656         |
| Reimbursement mining licenses and notary expenses          | 394           | 1,196         |
| Shares obtained in junior mining companies through options | -             | 2,263         |
| <b>Total</b>   | <b>32,048</b> | <b>17,827</b> |

| 27.4                                   | Administrative expenses |                   |
|--|-------------------------|-------------------|
|  | 12/31/2018              | 13/31/2017        |
|  | ThUS\$                  | ThUS\$            |
| Employee benefit expenses by nature    |                         |                   |
| Remuneration and benefits to employees | (63,880 )               | (51,761 )         |
| Marketing costs                        | (3,078 )                | (2,539 )          |
| Amortization expenses                  | (15 )                   | (8 )              |
| Entertainment expenses                 | (4,805 )                | (4,781 )          |
| Advisory services                      | (12,848 )               | (14,348 )         |
| Leases                                 | (4,556 )                | (4,097 )          |
| Insurance                              | (1,758 )                | (1,767 )          |
| Office expenses                        | (8,165 )                | (5,357 )          |
| Contractors                            | (5,730 )                | (4,805 )          |
| Other expenses, by nature              | (13,291 )               | (11,708 )         |
| <b>Total</b>                           | <b>(118,126 )</b>       | <b>(101,171 )</b> |

## 10) FINANCIAL REPORTS

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

| 27.5  | Other expenses by function |            |
|---|----------------------------|------------|
|   | 12/31/2018                 | 12/31/2017 |
|   | ThUS\$                     | ThUS\$     |
| Classes of Employee Benefit Expenses  |                            |            |
| Depreciation and amortization expense   |                            |            |
| Depreciation of assets not in use   | (59 )                      | (90 )      |
| Subtotal  | (59 )                      | (90 )      |
| Impairment losses (reversals of impairment losses) recognized in profit (loss) for the year |                            |            |
| Amortization expense intangible   | (1,649 )                   | -          |
| Subtotal  | (1,649 )                   | -          |
| Other expenses, by nature   |                            |            |
| Legal expenses  | (15,139 )                  | (25,176 )  |
| VAT and other unrecoverable taxes   | (1,187 )                   | (1,295 )   |
| Fines paid  | (965 )                     | (1,112 )   |
| Investment plan expenses  | (13,419 )                  | (10,006 )  |
| Donations not accepted as tax credit  | (4,502 )                   | (5,527 )   |
| Restructuring of joint ventures   | 6,000                      | (6,000 )   |
| Other operating expenses  | (7,636 )                   | (4,394 )   |
| Subtotal  | (35,199 )                  | (53,510 )  |
| Total   | (36,907 )                  | (53,600 )  |

| 27.6   | Other income (expenses) |            |
|--|-------------------------|------------|
|  | 12/31/2018              | 12/31/2017 |
|  | ThUS\$                  | ThUS\$     |
| Adjust previous year application method of participation | (664 )                  | 500        |
| Impairment of interests in joint ventures (1)            | (8,802 )                | -          |
| Sales of investments (2)                                 | 13,748                  | -          |
| Others   | 2,122                   | 43         |
| Total  | 6,404                   | 543        |

(1)

See Note 10.2.

(2)

During the month of December 2018, SQM S.A. sold its interest in Minera Exar S.A. generating a pre-tax profit of ThUS\$14,507.

## 10) FINANCIAL REPORTS

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

## 27.7 Impairment of gains and reversal of impairment losses

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Impairment of investments in associates | 2,967      | (8,038 )   |
| Total                                   | 2,967      | (8,038 )   |

This table corresponds to the summary required by the CMF and considers notes 26.2, 26.4 and 26.5.

## 27.8 Summary of expenses by nature

|   | 2018       | 2017       |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Raw materials and consumables           | (260,863 ) | (227,620 ) |
| Classes of Employee Benefit Expenses    |            |            |
| Personnel expenses                      | (267,449 ) | (223,845 ) |
| Depreciation and amortization expense   |            |            |
| Depreciation expense                    | (212,641 ) | (232,365 ) |
| Amortization expense                    | (8,858 )   | (8,161 )   |
| Operating leases                        | (79,951 )  | (84,257 )  |
| Legal expenses                          | (15,139 )  | (25,176 )  |
| Investment plan expenses                | (26,803 )  | (27,186 )  |
| Contractors                             | (86,313 )  | (78,920 )  |
| Mining concessions                      | (8,168 )   | (7,802 )   |
| Operation transport                     | (64,352 )  | (69,052 )  |
| Freight and product transport costs     | (43,510 )  | (55,383 )  |
| Purchase of products from third parties | (239,781 ) | (208,147 ) |
| Office expenses                         | (17,981 )  | (15,612 )  |
| CORFO rights                            | (182,954 ) | (46,274 )  |
| Export costs                            | (84,816 )  | (83,057 )  |
| Representation expenses                 | (4,805 )   | (4,781 )   |
| Restructuring of joint ventures         | 6,000      | (6,000 )   |
| Consultant and advisor services         | (12,848 )  | (14,348 )  |
| Variation in inventory                  | 11,600     | (90,998 )  |



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|                           |             |             |
|---------------------------|-------------|-------------|
| Other expenses, by nature | (38,925 )   | (40,609 )   |
| Other expenses by nature  | (1,638,557) | (1,549,593) |

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## 10) FINANCIAL REPORTS

**Note 27 Gains (losses) from operating activities in the statement of income by function of expenses, included according to their nature (continued)**

## 27.9 Finance expenses

|  | January to December |           |
|--|---------------------|-----------|
|  | 2018                | 2017      |
|  | ThUS\$              | ThUS\$    |
| Interest expense from bank borrowings and overdrafts | (1,707 )            | (1,650 )  |
| Interest expense from bonds                          | (55,887 )           | (49,373 ) |
| Interest expense from loans                          | (3,093 )            | (2,002 )  |
| Capitalized interest expenses                        | 5,021               | 4,382     |
| Financial expenses for site closure                  | (960 )              | -         |
| Other finance costs                                  | (3,288 )            | (1,481 )  |
| Total  | (59,914 )           | (50,124 ) |

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Note 28 Reportable segments

28.1 Reportable segments

### **General information:**

The amount of each item presented in each operating segment is equal to that reported to the highest 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 executive 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.

### **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 have its operating results reviewed on a regular basis by the highest 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 "Unallocated amounts" category of the disclosed information.

10) FINANCIAL REPORTS

**Note 28 Reportable segments (continued)**

**28.1**

**Reportable segments, continued**

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

**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 allocation of inventory valuation costs, we identify the direct expenses (can be directly allocated to products) and the common expenses (belong to coproduction processes, for example common leaching expenses for production of Iodine and Nitrates). Direct costs are directly allocated to the product and the common costs are distributed according to percentages that consider different variables in their determination, such as margins, rotation of inventories, revenue, production and etc.

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.

## 10) FINANCIAL REPORTS

**Note 28 Reportable segments (continued)**

## 28.2 Reportable segment disclosures:

|   | <b>Specialty<br/>plant<br/>nutrients</b> | <b>Iodine<br/>and its<br/>derivatives</b> | <b>Lithium<br/>and its<br/>derivatives</b> | <b>Industrial<br/>chemicals</b> | <b>Potassium</b> | <b>Other<br/>products<br/>and<br/>services</b> | <b>Reportable<br/>segments</b> | <b>Operating<br/>segments</b> | <b>Un</b> |
|---|--|---|--|---------------------------------|------------------|--|--------------------------------|-------------------------------|-----------|
| Operating segment items   | ThUS\$                                   | ThUS\$                                    | ThUS\$                                     | ThUS\$                          | ThUS\$           | ThUS\$   | ThUS\$                         | ThUS\$                        | Th        |
| Revenue   | 781,750                                  | 324,972                                   | 734,801                                    | 108,268                         | 267,474          | 48,538   | 2,265,803                      | 2,265,803                     |           |
| Revenues from transactions with other operating segments of the same entity                                     | -  | -   | -  | -                               | -                | -  | -                              | -                             | -         |
| Revenues from external customers and transactions with other operating segments of the same entity              | 781,750                                  | 324,972                                   | 734,801                                    | 108,268                         | 267,474          | 48,538   | 2,265,803                      | 2,265,803                     |           |
| Costs of sales  | (613,267)                                | (217,464)                                 | (316,875)                                  | (72,964)                        | (217,386)        | (45,568)                                       | (1,483,524)                    | (1,483,524)                   |           |
| Administrative expenses   | -  | -   | -  | -                               | -                | -  | -                              | -                             | (1)       |
| Interest expense  | -  | -   | -  | -                               | -                | -  | -                              | -                             | (5)       |
| Depreciation and amortization expense   | (73,073)                                 | (45,280)                                  | (44,837)                                   | (16,041)                        | (41,891)         | (377)  | (221,499)                      | (221,499)                     |           |
| The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method | -  | -   | -  | -                               | -                | -  | -                              | -                             | 6,3       |
| Income tax expense, continuing operations   | -  | -   | -  | -                               | -                | -  | -                              | -                             | (1)       |
| Other items other than significant cash   |  |   |  |                                 |                  |  |                                |                               |           |
| Income (loss) before taxes  | 168,483                                  | 107,508                                   | 417,926                                    | 35,304                          | 50,088           | 2,970  | 782,279                        | 782,279                       | (1)       |

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|   |          |          |         |        |          |        |          |          |     |
|---|----------|----------|---------|--------|----------|--------|----------|----------|-----|
| Net income (loss) from continuing operations  | 168,483  | 107,508  | 417,926 | 35,304 | 50,088   | 2,970  | 782,279  | 782,279  | (3) |
| Net income (loss) from discontinued operations  |          |          |         |        |          |        |          |          |     |
| Net income (loss)   | 168,483  | 107,508  | 417,926 | 35,304 | 50,088   | 2,970  | 782,279  | 782,279  | (3) |
| Assets  | -        | -        | -       | -      | -        | -      | -        | -        | 4,2 |
| Equity-accounted investees  | -        | -        | -       | -      | -        | -      | -        | -        | 11  |
| Incorporation of non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising from insurance contracts |          |          |         |        |          |        |          |          | (1) |
| Increase of non-current assets  | -        | -        | -       | -      | -        | -      | -        | -        |     |
| Liabilities   | -        | -        | -       | -      | -        | -      | -        | -        | 2,1 |
| Impairment loss recognized in profit or loss  | (2,227 ) | (1,171 ) | (243 )  | (79 )  | (3,006 ) | (553 ) | (7,279 ) | (7,279 ) | 2,9 |
| Reversal of impairment losses recognized in profit or loss for the period   | -        | -        | -       | -      | -        | -      | -        | -        | -   |
| Cash flows from (used in) operating activities  | -        | -        | -       | -      | -        | -      | -        | -        | 50  |
| Cash flows from (used in) investing activities  | -        | -        | -       | -      | -        | -      | -        | -        | (1) |
| Cash flows from (used in) financing activities  | -        | -        | -       | -      | -        | -      | -        | -        | (3) |



## 10) FINANCIAL REPORTS

**Note 28 Reportable segments (continued)****28.2 Reportable segment disclosures, continued**

| <b>Operating segment items</b>  | Specialty<br>plant<br>nutrients<br>ThUS\$ | Iodine and<br>derivatives<br>ThUS\$ | Lithium and<br>derivatives<br>ThUS\$ | Industrial<br>chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other<br>products and<br>services<br>ThUS\$ | Reportable<br>segments<br>ThUS\$ | Operating<br>segments<br>ThUS\$ | Un-<br>an-<br>Th |
|---|---|-------------------------------------|--------------------------------------|-----------------------------------|---------------------|---|----------------------------------|---------------------------------|------------------|
| Revenue   | 697,251                                   | 252,123                             | 644,573                              | 135,578                           | 379,326             | 48,472                                      | 2,157,323                        | 2,157,323                       | -                |
| Revenues from<br>transactions with other<br>operating segments of the<br>same entity  | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | -                |
| Revenues from external<br>customers and<br>transactions with other<br>operating segments of the<br>same entity              | 697,251                                   | 252,123                             | 644,573                              | 135,578                           | 379,326             | 48,472                                      | 2,157,323                        | 2,157,323                       | -                |
| Costs of sales  | (555,356)                                 | (199,808)                           | (189,242)                            | (91,753)                          | (313,690)           | (44,973)                                    | (1,394,822)                      | (1,394,822)                     | -                |
| Administrative expenses   | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | (                |
| Interest expense  | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | (                |
| Depreciation and<br>amortization expense  | (73,702)                                  | (44,252)                            | (18,036)                             | (16,050)                          | (88,130)            | (356)                                       | (240,526)                        | (240,526)                       | -                |
| The entity's interest in the<br>profit or loss of associates<br>and joint ventures<br>accounted for by the<br>equity method | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | 1                |
| Income tax expense,<br>continuing operations  | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | (                |
| Other items other than<br>significant cash  | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | (                |
| Income (loss) before taxes  | 141,895                                   | 52,315                              | 455,331                              | 43,825                            | 65,636              | 3,499                                       | 762,501                          | 762,501                         | (                |
| Net income (loss) from<br>continuing operations   | 141,895                                   | 52,315                              | 455,331                              | 43,825                            | 65,636              | 3,499                                       | 762,501                          | 762,501                         | (                |
| Net income (loss) from<br>discontinued operations   | -   | -                                   | -                                    | -                                 | -                   | -   | -                                | -                               | (                |
| Net income (loss)   | 141,895                                   | 52,315                              | 455,331                              | 43,825                            | 65,636              | 3,499                                       | 762,501                          | 762,501                         | (                |

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|   |           |     |       |          |        |        |           |           |   |   |
|---|-----------|-----|-------|----------|--------|--------|-----------|-----------|---|---|
| Assets  | -         | -   | -     | -        | -      | -      | -         | -         | - | 4 |
| Equity-accounted investees  | -         | -   | -     | -        | -      | -      | -         | -         | - | 1 |
| Incorporation of non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising from insurance contracts |           |     |       |          |        |        |           |           |   | - |
| Increase of non-current assets  | -         | -   | -     | -        | -      | -      | -         | -         | - | - |
| Liabilities   | -         | -   | -     | -        | -      | -      | -         | -         | - | 2 |
| Impairment loss recognized in profit or loss  | (15,025 ) | 335 | 1,112 | (3,546 ) | (240 ) | (219 ) | (17,583 ) | (17,583 ) | ( | ( |
| Reversal of impairment losses recognized in profit or loss for the period   | -         | -   | -     | -        | -      | -      | -         | -         | - | - |
| Cash flows from (used in) operating activities  | -         | -   | -     | -        | -      | -      | -         | -         | - | 7 |
| Cash flows from (used in) investing activities  | -         | -   | -     | -        | -      | -      | -         | -         | - | ( |
| Cash flows from (used in) financing activities  | -         | -   | -     | -        | -      | -      | -         | -         | - | ( |

## 10) FINANCIAL REPORTS

## Note 28 Reportable segments (continued)

## 28.3 Statement of comprehensive income classified by reportable segments based on groups of products

| Items in the statement of comprehensive income   | 12/31/2018                          |                                     |                                   |                                |                     |                                       |                     |
|--|-------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|---------------------|---------------------------------------|---------------------|
|  | Specialty plant nutrients<br>ThUS\$ | Limestone and derivatives<br>ThUS\$ | Lithium and derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products and services<br>ThUS\$ | Corporate<br>ThUS\$ |
| Revenue  | 781,750                             | 324,972                             | 734,801                           | 108,268                        | 267,474             | 48,538                                | -                   |
| Cost of sales  | (613,267)                           | (217,464)                           | (316,875)                         | (72,964)                       | (217,386)           | (45,568)                              | -                   |
| Gross profit   | 168,483                             | 107,508                             | 417,926                           | 35,304                         | 50,088              | 2,970                                 | -                   |
| Other incomes by function  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 32,048              |
| Administrative expenses  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (118,12)            |
| Other expenses by function   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (36,907)            |
| Deterioro de valor de ganancias y revisión de pérdidas por deterioro de valor (pérdidas por deterioro de valor) determinado de acuerdo con la NIIF 9 | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 2,967               |
| Other gains (losses)   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 6,404               |
| Financial income   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 22,533              |
| Financial costs  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (59,914)            |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 6,351               |
| Exchange differences   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (16,597)            |
| Profit (loss) before taxes   | 168,483                             | 107,508                             | 417,926                           | 35,304                         | 50,088              | 2,970                                 | (161,24)            |
| Income tax expense   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (178,97)            |
| Profit (loss) from continuing operations   | 168,483                             | 107,508                             | 417,926                           | 35,304                         | 50,088              | 2,970                                 | (340,21)            |
| Profit (loss) from discontinued operations   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss)  | 168,483                             | 107,508                             | 417,926                           | 35,304                         | 50,088              | 2,970                                 | (340,21)            |
| Profit (loss), attributable to   |                                     |                                     |                                   |                                |                     |                                       |                     |
| Profit (loss) attributable to the controller's owners  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss) attributable to the non-controllers  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss)  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |

## 10) FINANCIAL REPORTS

## Note 28 Reportable segments (continued)

## 28.3 Statement of comprehensive income classified by reportable segments based on groups of products, continued

| Items in the statement of comprehensive income   | 12/31/2017                          |                                     |                                   |                                |                     |                                       |                     |
|--|-------------------------------------|-------------------------------------|-----------------------------------|--------------------------------|---------------------|---------------------------------------|---------------------|
|  | Specialty plant nutrients<br>ThUS\$ | Limestone and derivatives<br>ThUS\$ | Lithium and derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products and services<br>ThUS\$ | Corporate<br>ThUS\$ |
| Revenue  | 697,251                             | 252,123                             | 644,573                           | 135,578                        | 379,326             | 48,472                                | -                   |
| Cost of sales  | (555,356)                           | (199,808)                           | (189,242)                         | (91,753)                       | (313,690)           | (44,973)                              | -                   |
| Gross profit   | 141,895                             | 52,315                              | 455,331                           | 43,825                         | 65,636              | 3,499                                 | -                   |
| Other incomes by function  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 17,827              |
| Administrative expenses  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (101,177)           |
| Other expenses by function   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (53,600)            |
| Other gains (losses)   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 543                 |
| Financial income   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 13,499              |
| Financial costs  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (50,124)            |
| Deterioro de valor de ganancias y revisión de pérdidas por deterioro de valor (pérdidas por deterioro de valor) determinado de acuerdo con la NIIF 9 | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (8,038)             |
| interest in the profit or loss of associates and joint ventures accounted for by the equity method   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | 14,452              |
| Exchange differences   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (1,299)             |
| Profit (loss) before taxes   | 141,895                             | 52,315                              | 455,331                           | 43,825                         | 65,636              | 3,499                                 | (167,917)           |
| Income tax expense   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | (166,177)           |
| Profit (loss) from continuing operations   | 141,895                             | 52,315                              | 455,331                           | 43,825                         | 65,636              | 3,499                                 | (334,094)           |
| Profit (loss) from discontinued operations   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss)  | 141,895                             | 52,315                              | 455,331                           | 43,825                         | 65,636              | 3,499                                 | (334,094)           |
| Profit (loss), attributable to   | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss) attributable to the controller's owners  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss) attributable to the non-controllers  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |
| Profit (loss)  | -                                   | -                                   | -                                 | -                              | -                   | -                                     | -                   |

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**Note 28 Reportable segments (continued)****28.4 Revenue from transactions with other Company's operating segments****12/31/2018**

| Items in the statement of comprehensive income | Specialty plant nutrients<br>ThUS\$ | Iodine and derivatives<br>ThUS\$ | Lithium and derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products services<br>ThUS\$ | Total segments and Corporate unit<br>ThUS\$ |
|--|-------------------------------------|----------------------------------|-----------------------------------|--------------------------------|---------------------|-----------------------------------|---|
| Revenue  | 781,750                             | 324,972                          | 734,801                           | 108,268                        | 267,474             | 48,538                            | 2,265,803                                   |

**12/31/2017**

| Items in the statement of comprehensive income | Specialty plant nutrients<br>ThUS\$ | Iodine and derivatives<br>ThUS\$ | Lithium and derivatives<br>ThUS\$ | Industrial chemicals<br>ThUS\$ | Potassium<br>ThUS\$ | Other products services<br>ThUS\$ | Total segments and Corporate unit<br>ThUS\$ |
|--|-------------------------------------|----------------------------------|-----------------------------------|--------------------------------|---------------------|-----------------------------------|---|
| Revenue  | 697,251                             | 252,123                          | 644,573                           | 135,578                        | 379,326             | 48,472                            | 2,157,323                                   |

## 28.5

## 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.

## 28.6

## 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.

## 10) FINANCIAL REPORTS

## Note 28 Reportable segments (continued)

## 28.7 Segments by geographical areas as of December 31, 2018 and 2017

| Items  | 12/31/2018      |  |                  |                         |                           | 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\$ |                 |
| Revenue  | 189,349         | 180,189                                      | 479,664          | 471,515                 | 945,086                   | 2,265,803       |
| Investment accounted for under<br>the equity method      | (6,588 )        | -  | 61,256           | 16,115                  | 40,766                    | 111,549         |
| Intangible assets other than<br>goodwill                 | 110,544         | -  | 386              | 152                     | 77,201                    | 188,283         |
| Goodwill   | 22,535          | 86   | 11,373           | 724                     | -                         | 34,718          |
| Property, plant and equipment, net                       | 1,445,349       | 347  | 4,451            | 3,098                   | 1,578                     | 1,454,823       |
| Investment property                                      | -               | -  | -                | -                       | -                         | -               |
| Other non-current assets                                 | 17,111          | 23   | -                | (892 )                  | 11,298                    | 27,540          |
| Non-current assets that are not<br>financial instruments | 1,588,951       | 456  | 77,466           | 19,197                  | 130,843                   | 1,816,913       |

| 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\$ |                 |
| Revenue  | 140,764         | 228,759                                      | 1,048,556        | 441,377                 | 297,867                   | 2,157,323       |
| Investment accounted for under<br>the equity method      | (5,513 )        | 33,065                                       | 33,318           | 15,193                  | 76,567                    | 152,630         |
| Intangible assets other than<br>goodwill                 | 113,152         | -  | 453              | 182                     | -                         | 113,787         |
| Goodwill   | 23,731          | 6,290  | 11,374           | 724                     | 2,058                     | 44,177          |
| Property, plant and equipment,<br>net                    | 1,421,141       | 313  | 3,857            | 2,469                   | 1,574                     | 1,429,354       |
| Investment property                                      | -               | -  | -                | -                       | -                         | -               |
| Other non-current assets                                 | 19,234          | 28   | -                | -                       | -                         | 19,262          |
| Non-current assets that are not<br>financial instruments | 1,571,745       | 39,696                                       | 49,002           | 18,568                  | 80,199                    | 1,759,210       |

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**Note 28 Reportable segments (continued)**

**28.8 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, 2018 and December 31, 2017:

| <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  |



10) FINANCIAL REPORTS

Note 29 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, 2018, total interest expenses incurred amount to ThUS\$59,914 (ThUS\$50,124 as of December 31, 2017).

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.

**29.1 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:

|  | 12/31/2018 |   | 12/31/2017 |   |
|--|------------|---|------------|---|
| Capitalization rate of costs for capitalized interest, property, plant and equipment | 4          | % | 4          | % |
| Amount of costs for interest capitalized in ThUS\$                                   | 5,021      |   | 4,382      |   |

## 10) FINANCIAL REPORTS

Note 30 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:**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Conversion foreign exchange gains (losses) recognized in the result of the year.           | (16,597 )  | (1,299 )   |
| Conversion foreign exchange reserves attributable to the owners of the controlling entity. | (961 )     | (5,450 )   |
| Conversion foreign exchange reserves attributable to the non-controlling entity.           | 168        | 4          |

b) **Reserves for foreign currency exchange differences:**

As of December 31, 2018 and 2017, foreign currency exchange differences are detailed as follows:

|   | 12/31/2018 | 12/31/2017 |
|---|------------|------------|
| Detail  | ThUS\$     | ThUS\$     |
| Changes in equity generated by conversion of equity value:    |            |            |
| Comercial Hydro S.A.  | 1,004      | 1,004      |
| SQMC Internacional Ltda.                                      | (17 )      | (2 )       |
| Proinsa Ltda.   | (11 )      | (7 )       |
| Comercial Agrorama Ltda.                                      | (21 )      | (44 )      |
| Isapre Norte Grande Ltda.                                     | (1 )       | (74 )      |
| Almacenes y Depósitos Ltda.                                   | 113        | 97         |
| Sacal S.A.  | (3 )       | -          |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | (10 )      | -          |
| Agrorama S.A.   | 132        | (98 )      |
| Doktor Tarsa  | (13,811 )  | (14,447 )  |
| SQM Vitas Fzco  | (2,682 )   | (1,779 )   |
| Ajay Europe   | (1,270 )   | (831 )     |
| SQM Eastmed Turkey  | (113 )     | (92 )      |
| Charlee SQM (Thailand) Co. Ltd.                               | -          | (285 )     |
| Coromandel SQM India  | (393 )     | (234 )     |

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|                                       |         |   |         |   |
|---------------------------------------|---------|---|---------|---|
| SQM Italia SRL                        | (213    | ) | (154    | ) |
| SQM Oceanía Pty Ltd.                  | (634    | ) | (634    | ) |
| SQM Indonesia S.A.                    | (124    | ) | (124    | ) |
| Abu Dhabi Fertilizers Industries WWL. | (435    | ) | (435    | ) |
| SQM Vitas Holland                     | (170    | ) | (101    | ) |
| SQM Thailand Limited                  | (68     | ) | (68     | ) |
| SQM Europe                            | (1,983  | ) | (1,550  | ) |
| Minera Exar S.A.                      | -       |   | (5,209  | ) |
| SQM Australia Pty Ltd.                | (4,222  | ) | 154     |   |
| Pavoni & C. Spa                       | 70      |   | -       |   |
| Terra Tarsa BV                        | (82     | ) | -       |   |
| Plantacote NV                         | (34     | ) | -       |   |
| Doktolab Tarim Arastirma San.         | (29     | ) | -       |   |
| Kore Potash PLC (a)                   | (1,206  | ) | -       |   |
| SQM Colombia SAS                      | (94     | ) | -       |   |
| Total                                 | (26,307 | ) | (24,913 | ) |

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**Note 30 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.

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## 10) FINANCIAL REPORTS

**Note 31**      **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 | 12/31/2018 | 12/31/2017 |
|---|----------|------------|------------|
|   |          | ThUS       | ThUS\$     |
| Current assets:                             |          |            |            |
| Cash and cash equivalents                   | ARS      | 2          | 1          |
| Cash and cash equivalents                   | BRL      | -          | 38         |
| Cash and cash equivalents                   | CLP      | 157,500    | 579        |
| Cash and cash equivalents                   | CNY      | 2,305      | 1,143      |
| Cash and cash equivalents                   | EUR      | 4,738      | 9,782      |
| Cash and cash equivalents                   | GBP      | -          | 55         |
| Cash and cash equivalents                   | AUD      | 29,598     | -          |
| Cash and cash equivalents                   | MXN      | 1,242      | 258        |
| Cash and cash equivalents                   | PEN      | 1          | 8          |
| Cash and cash equivalents                   | THB      | 1          | -          |
| Cash and cash equivalents                   | YEN      | 1,786      | 1,773      |
| Cash and cash equivalents                   | ZAR      | 5,219      | 4,074      |
| Subtotal cash and cash equivalents          |          | 202,392    | 17,711     |
| Other current financial assets              | CLP      | 20,931     | 39,126     |
| Subtotal other current financial assets     |          | 20,931     | 39,126     |
| Other current non-financial assets          | BRL      | -          | 1          |
| Other current non-financial assets          | ARS      | 2          | -          |
| Other current non-financial assets          | AUD      | 102        | -          |
| Other current non-financial assets          | COP      | -          | 30         |
| Other current non-financial assets          | CLF      | 47         | 46         |
| Other current non-financial assets          | CLP      | 20,276     | 12,172     |
| Other current non-financial assets          | CNY      | 8          | 12         |
| Other current non-financial assets          | EUR      | 3,153      | 235        |
| Other current non-financial assets          | MXN      | 3,274      | 1,429      |
| Other current non-financial assets          | THB      | 19         | 279        |
| Other current non-financial assets          | PEN      | -          | 20         |
| Other current non-financial assets          | YEN      | 21         | 18         |
| Other current non-financial assets          | ZAR      | 1,547      | 2,941      |
| Subtotal other current non-financial assets |          | 28,449     | 17,183     |
| Trade and other receivables                 | ARS      | -          | 6          |
| Trade and other receivables                 | BRL      | 20         | 23         |
| Trade and other receivables                 | CLF      | 453        | 427        |

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|   |     |         |         |
|---|-----|---------|---------|
| Trade and other receivables               | CLP | 71,730  | 85,837  |
| Trade and other receivables               | CNY | 11,361  | 10,426  |
| Trade and other receivables               | EUR | 31,426  | 49,627  |
| Trade and other receivables               | GBP | -       | 90      |
| Trade and other receivables               | MXN | 452     | 195     |
| Trade and other receivables               | AED | 15,841  | 546     |
| Trade and other receivables               | THB | 2,970   | 791     |
| Trade and other receivables               | YEN | 76,267  | 41,582  |
| Trade and other receivables               | ZAR | 571     | 23,825  |
| Subtotal trade and other receivables      |     | 211,091 | 213,375 |
| Receivables from related parties          | EUR | 105     | 58      |
| Receivables from related parties          | THB | -       | 74      |
| Subtotal receivables from related parties |     | 105     | 132     |

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## 10) FINANCIAL REPORTS

**Note 31 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

| Class of assets                                 | Currency | 12/31/2018 | 12/31/2017 |
|---|----------|------------|------------|
|   |          | ThUS\$     | ThUS\$     |
| Current tax assets                              | ARS      | 2          | 4          |
| Current tax assets                              | CLP      | 601        | 1,413      |
| Current tax assets                              | EUR      | 3,500      | 183        |
| Current tax assets                              | ZAR      | -          | 431        |
| Current tax assets                              | MXN      | 843        | -          |
| Current tax assets                              | PEN      | 131        | 201        |
| Subtotal current tax assets                     |          | 5,077      | 2,232      |
| Subtotal current assets                         |          | 468,045    | 289,759    |
| Non-current assets                              |          |            |            |
| Other non-current financial assets              | CLP      | 20         | 20         |
| Other non-current financial assets              | YEN      | 72         | 42         |
| Subtotal other non-current financial assets     |          | 92         | 62         |
| Other non-current non-financial assets          | BRL      | 23         | 27         |
| Other non-current non-financial assets          | CLP      | 758        | 822        |
| Subtotal other non-current non-financial assets |          | 781        | 849        |
| Non-current right receivable                    | CLF      | 329        | 209        |
| Non-current right receivable                    | COP      | -          | 47         |
| Non-current right receivable                    | CLP      | 1,807      | 1,256      |
| Subtotal non-current rights receivable          |          | 2,136      | 1,512      |
| Equity-accounted investees                      | AED      | 31,023     | 35,414     |
| Equity-accounted investees                      | EUR      | 14,929     | 8,144      |
| Equity-accounted investees                      | INR      | 1,729      | 1,632      |
| Equity-accounted investees                      | THB      | 53         | 2,491      |
| Equity-accounted investees                      | TRY      | 21,892     | 21,741     |
| Subtotal equity-accounted investees             |          | 69,626     | 69,422     |
| Intangible assets other than goodwill           | CLP      | 85         | 48         |
| Subtotal intangible assets other than goodwill  |          | 85         | 48         |
| Property, plant and equipment                   | CLP      | 3,387      | 3,574      |
| Subtotal property, plant and equipment          |          | 3,387      | 3,574      |
| Total non-current assets                        |          | 76,107     | 75,467     |
| Total assets                                    |          | 544,152    | 365,226    |

## 10) FINANCIAL REPORTS

**Note 31 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 | 12/31/2018              |                         | Total<br>ThUS\$ | 12/31/2017          |                         | Total<br>ThUS\$ |
|--|----------|-------------------------|-------------------------|-----------------|---------------------|-------------------------|-----------------|
|  |          | 91 days<br>to 1<br>year | 91 days to<br>1<br>year |                 | Up<br>to 90<br>days | 91 days to<br>1<br>year |                 |
|  |          | ThUS\$                  | ThUS\$                  |                 | ThUS\$              | ThUS\$                  |                 |
| Current liabilities                          |          |                         |                         |                 |                     |                         |                 |
| Other current financial liabilities          | CLF      | 342                     | 6,256                   | 6,598           | 4,947               | -                       | 4,947           |
| Other current financial liabilities          | BRL      | 52                      | -                       | 52              | -                   | -                       | -               |
| Subtotal other current financial liabilities |          | 394                     | 6,256                   | 6,650           | 4,947               | -                       | 4,947           |
| Trade and other payables                     | BRL      | 34                      | -                       | 34              | 37                  | -                       | 37              |
| Trade and other payables                     | THB      | 65                      | -                       | 65              | 91                  | -                       | 91              |
| Trade and other payables                     | CLP      | 69,789                  | -                       | 69,789          | 61,310              | 4,361                   | 65,671          |
| Trade and other payables                     | EUR      | 36,439                  | -                       | 36,439          | 32,896              | -                       | 32,896          |
| Trade and other payables                     | GBP      | -                       | -                       | -               | 11                  | -                       | 11              |
| Trade and other payables                     | INR      | 1                       | -                       | 1               | 1                   | -                       | 1               |
| Trade and other payables                     | MXN      | 7                       | -                       | 7               | 13                  | -                       | 13              |
| Trade and other payables                     | PEN      | -                       | -                       | -               | 3                   | -                       | 3               |
| Trade and other payables                     | ZAR      | 1,842                   | -                       | 1,842           | 2,541               | -                       | 2,541           |
| Subtotal trade and other payables            |          | 108,177                 | -                       | 108,177         | 96,903              | 4,361                   | 101,264         |
| Other current provisions                     | ARS      | -                       | 13                      | 13              | -                   | 12                      | 12              |
| Other current provisions                     | BRL      | 707                     | -                       | 707             | 739                 | -                       | 739             |
| Other current provisions                     | CLP      | -                       | 64                      | 64              | -                   | 80                      | 80              |
| Other current provisions                     | EUR      | 243                     | -                       | 243             | 243                 | -                       | 243             |
| Subtotal other current provisions            |          | 950                     | 77                      | 1,027           | 982                 | 92                      | 1,074           |
| Current tax liabilities                      | CLP      | -                       | 31                      | 31              | -                   | 326                     | 326             |
| Current tax liabilities                      | BRL      | -                       | 3                       | 3               | -                   | 6                       | 6               |
| Current tax liabilities                      | CNY      | -                       | 8                       | 8               | 3                   | -                       | 3               |
| Current tax liabilities                      | EUR      | 4,548                   | 1,000                   | 5,548           | -                   | 644                     | 644             |
| Current tax liabilities                      | ZAR      | -                       | 201                     | 201             | 264                 | -                       | 264             |
| Current tax liabilities                      | MXN      | -                       | 9                       | 9               | 3                   | 3,071                   | 3,074           |
| Subtotal current tax liabilities             |          | 4,548                   | 1,252                   | 5,800           | 270                 | 4,047                   | 4,317           |



## 10) FINANCIAL REPORTS

**Note 31 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

| Class of liability                               | Currency | 12/31/2018                 |  | Total<br>ThUS\$ | 12/31/2017                 |  | Total<br>ThUS\$ |
|--|----------|----------------------------|--|-----------------|----------------------------|--|-----------------|
|  |          | Up to 90<br>days<br>ThUS\$ | over<br>90 days<br>to 1 year<br>ThUS\$ |                 | Up to 90<br>days<br>ThUS\$ | Over 90<br>days<br>to 1 year<br>ThUS\$ |                 |
| Other current non-financial liabilities          | BRL      | 3                          | -                                      | 3               | 15                         | -                                      | 15              |
| Other current non-financial liabilities          | CLP      | 7,703                      | 6,431                                  | 14,134          | 8,708                      | 1,824                                  | 10,532          |
| Other current non-financial liabilities          | CNY      | 11                         | 40                                     | 51              | 7                          | -                                      | 7               |
| Other current non-financial liabilities          | EUR      | 1,053                      | -                                      | 1,053           | 2,955                      | -                                      | 2,955           |
| Other current non-financial liabilities          | MXN      | 103                        | 46                                     | 149             | 346                        | 34                                     | 380             |
| Other current non-financial liabilities          | YEN      | -                          | -                                      | -               | -                          | -                                      | -               |
| Other current non-financial liabilities          | PEN      | 70                         | -                                      | 70              | 70                         | -                                      | 70              |
| Other current non-financial liabilities          | ZAR      | 11                         | -                                      | 11              | 12                         | -                                      | 12              |
| Subtotal other current non-financial liabilities |          | 8,954                      | 6,517                                  | 15,471          | 12,113                     | 1,858                                  | 13,971          |
| Total current liabilities                        |          | 123,023                    | 14,102                                 | 137,125         | 115,215                    | 10,358                                 | 125,573         |

## 10) FINANCIAL REPORTS

**Note 31 Disclosures on the effects of fluctuations in foreign currency exchange rates (continued)**

| Class of liability                                    | Currency | 12/31/2018 |        |        |        |         | Total<br>ThUS\$ |
|---|----------|------------|--------|--------|--------|---------|-----------------|
|   |          | 1          | 2 to 3 | 3 to 4 | 4 to 5 | Over 5  |                 |
|   |          | to 2       | years  | years  | years  | years   |                 |
|   |          | years      | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  |                 |
|   |          | ThUS\$     | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  |                 |
| Non-current liabilities                               |          |            |        |        |        |         |                 |
| Other non-current financial liabilities               | CLF      | -          | -      | -      | -      | 453,818 | 453,818         |
| Subtotal other non-current financial liabilities      |          | -          | -      | -      | -      | 453,818 | 453,818         |
| Non-current provisions for employee benefits          | CLP      | -          | -      | -      | -      | 521     | 521             |
| Non-current provisions for employee benefits          | MXN      | -          | -      | -      | -      | 175     | 175             |
| Non-current provisions for employee benefits          | YEN      | -          | -      | -      | -      | 171     | 171             |
| Subtotal non-current provisions for employee benefits |          | -          | -      | -      | -      | 867     | 867             |
| Total non-current liabilities                         |          | -          | -      | -      | -      | 454,685 | 454,685         |

| Class of liability                                    | Currency | 12/31/2017 |        |        |        |         | Total<br>ThUS\$ |
|---|----------|------------|--------|--------|--------|---------|-----------------|
|   |          | 1          | 2 to 3 | 3 to 4 | 4 to 5 | Over 5  |                 |
|   |          | to 2       | years  | years  | years  | years   |                 |
|   |          | years      | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  |                 |
|   |          | ThUS\$     | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$  |                 |
| Non-current liabilities                               |          |            |        |        |        |         |                 |
| Other non-current financial liabilities               | CLF      | -          | -      | -      | -      | 237,279 | 237,279         |
| Subtotal other non-current financial liabilities      |          | -          | -      | -      | -      | 237,279 | 237,279         |
| 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             |
| Subtotal non-current provisions for employee benefits |          | -          | -      | -      | -      | 1,292   | 1,292           |
| Total non-current liabilities                         |          | -          | -      | -      | -      | 238,571 | 238,571         |

## 10) FINANCIAL REPORTS

**Note 32****Income tax and deferred taxes**

Accounts receivable from taxes as of December 31, 2018 and December 31, 2017, are as follows:

## 32.1 Current and non-current tax assets

## a) Current tax assets

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Monthly provisional income tax payments, Chilean companies | 21,172     | 2,802      |
| Monthly provisional income tax payments, foreign companies | 5,199      | 808        |
| Corporate tax credits (1)                                  | 1,858      | 456        |
| Taxes in recovery process                                  | 28,881     | 28,225     |
| Total  | 57,110     | 32,291     |

## b) Non-current tax assets

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Monthly provisional income tax payments, Chilean companies | 6,398      | 6,398      |
| Specific tax on mining activities paid (on consignment)    | 25,781     | 25,781     |
| Total  | 32,179     | 32,179     |

These credits are available for Companies and are related to corporate tax payments in April of the following year.

(1) These credits include, among others, credits for training expenses (SENCE), credits for acquisition of fixed assets, donations and credits in Chile for taxes paid abroad.

## 10) FINANCIAL REPORTS

**Note 32****Income tax and deferred taxes (continued)**

## 32.2 Current tax liabilities

| Current tax liabilities    | 12/31/2018 | 12/31/2017 |
|----------------------------|------------|------------|
|                            | ThUS\$     | ThUS\$     |
| 1st Category income tax    | 25,163     | 45,479     |
| Foreign company income tax | 21,097     | 28,996     |
| Article 21 single tax      | 1,152      | 927        |
| Total                      | 47,412     | 75,402     |

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, a progressive income tax rate has been established, which is 27% from 2018.

The royalty is determined by applying the taxable rate to the net operating income obtained. According to the chart in force, the Company currently provisioned 5% for mining royalties that involve operations in the Salar de Atacama and 5.64% for caliche extraction operations.

The income tax rate for the main countries where the Company operates is presented below:

| Country       | Income tax |        |
|---------------|------------|--------|
|               | 2018       | 2017   |
| Spain         | 25%        | 25%    |
| Belgium       | 29.58%     | 33.99% |
| Mexico        | 30%        | 30%    |
| United States | 21% + 6%   | 34%+6% |
| South Africa  | 28%        | 28%    |

## 32.3 Income tax and deferred taxes

Assets and liabilities recognized in the statement of financial position are offset if and only if:

<sup>1</sup> The Company has recognized legally before the tax authority the right to offset the amounts recognized in these entries; and

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**Note 32**

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

**32.3 Income tax and deferred taxes**

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

different entities or tax subjects who intend either to settle current fiscal assets and liabilities for their net amount, (ii) or to exercise tax 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.

## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

d.1) Income tax assets and liabilities as of December 31, 2018 are detailed as follows:

| Description of deferred tax assets and liabilities     | Net liability position |                       |
|--|------------------------|-----------------------|
|  | Assets<br>ThUS\$       | Liabilities<br>ThUS\$ |
| Unrealized loss  | 75,832                 | -                     |
| Property, plant and equipment and capitalized interest | -                      | (196,843 )            |
| Facility closure provision                             | 4,280                  | -                     |
| Manufacturing expenses                                 | -                      | (103,760 )            |
| Staff severance indemnities ,unemployment insurance    | -                      | (5,679 )              |
| Vacation accrual                                       | 5,155                  | -                     |
| Inventory provision                                    | 28,155                 | -                     |
| Materials provision                                    | 6,239                  | -                     |
| Forwards   | 2,169                  | -                     |
| Employee benefits                                      | 3,309                  | -                     |
| Research and development expenses                      | -                      | (2,216 )              |
| Accounts receivable                                    | 4,188                  | -                     |
| Provision for legal complaints and expenses            | 4,013                  | -                     |
| Loan approval expenses                                 | -                      | (2,337 )              |
| Junior mining companies (valued based on stock price)  | -                      | (976 )                |
| Royalty  | -                      | (3,278 )              |
| Tax loss benefit                                       | 1,124                  | -                     |
| Other  | 5,005                  | -                     |
| Foreign items (other)                                  | 259                    | -                     |
| Balances to date                                       | 139,728                | (315,089 )            |
| Net balance  | -                      | (175,361 )            |

## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

d.2) 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<br>ThUS\$       | Liabilities<br>ThUS\$ |
| Unrealized loss  | 68,544                 | -                     |
| Property, plant and equipment and capitalized interest | -                      | (211,374 )            |
| Facility closure provision                             | 3,469                  | -                     |
| Manufacturing expenses                                 | -                      | (102,748 )            |
| Staff severance indemnities ,unemployment              | -                      | (6,792 )              |
| Vacation accrual                                       | 4,887                  | -                     |
| Inventory provision                                    | 25,172                 | -                     |
| Materials provision                                    | 7,107                  | -                     |
| Forwards   | 624                    | -                     |
| Employee benefits                                      | 2,317                  | -                     |
| Research and development expenses                      | -                      | (3,501 )              |
| Accounts receivable                                    | 4,253                  | -                     |
| Provision for legal complaints and expenses            | 5,243                  | -                     |
| Loan approval expenses                                 | -                      | (2,670 )              |
| Junior mining companies (valued based on stock price)  | -                      | (2,474 )              |
| Royalty  | -                      | (4,084 )              |
| Tax loss benefit                                       | 1,437                  | -                     |
| Other  | 5,002                  | -                     |
| Foreign items (other)                                  | 305                    | -                     |
| Balances to date                                       | 128,360                | (333,643 )            |
| Net balance  | -                      | (205,283 )            |



## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

d.3) Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2018

|   | Deferred<br>tax<br>liability<br>(asset) at<br>beginning<br>of<br>period | Deferred<br>tax<br>expense<br>(benefit)<br>recognized<br>in<br>profit (loss)<br>for the<br>year | Deferred<br>taxes<br>related<br>to items<br>credited<br>(charged)<br>directly to<br>equity | Total<br>increases<br>(decreases) in<br>deferred tax<br>liabilities<br>(assets) | Deferred<br>tax<br>liability<br>(asset) at<br>end<br>of period |
|---|---|---|--|---|--|
|   | ThUS\$  | ThUS\$  | ThUS\$   | ThUS\$  | ThUS\$   |
| Unrealized loss   | (68,544 )   | (7,288 )  | -  | (7,288 )  | (75,832 )  |
| Property, plant and equipment and<br>capitalized interest | 211,374   | (14,531 )   | -  | (14,531 )   | 196,843  |
| Facility closure provision                                | (3,469 )  | (811 )  | -  | (811 )  | (4,280 )   |
| Manufacturing expenses                                    | 102,748   | 1,012   | -  | 1,012   | 103,760  |
| Individual savings plans, unemployment<br>insurance       | 6,792   | (667 )  | (446 )   | (1,113 )  | 5,679  |
| Vacation accrual  | (4,887 )  | (268 )  | -  | (268 )  | (5,155 )   |
| Inventory provision                                       | (25,172 )   | (2,983 )  | -  | (2,983 )  | (28,155 )  |
| Materials provision                                       | (7,107 )  | 868   | -  | 868   | (6,239 )   |
| Forwards  | (624 )  | (1,545 )  | -  | (1,545 )  | (2,169 )   |
| Employee benefits   | (2,317 )  | (992 )  | -  | (992 )  | (3,309 )   |
| Research and development expenses                         | 3,501   | (1,285 )  | -  | (1,285 )  | 2,216  |
| Accounts receivable                                       | (4,253 )  | 686   | (621 )   | 65  | (4,188 )   |
| Provision for legal complaints and expenses               | (5,243 )  | 1,230   | -  | 1,230   | (4,013 )   |
| Loan approval expenses                                    | 2,670   | (333 )  | -  | (333 )  | 2,337  |
| Junior mining companies (valued based on<br>stock price)  | 2,474   | -   | (1,498 )   | (1,498 )  | 976  |
| Royalty   | 4,084   | (795 )  | (11 )  | (806 )  | 3,278  |

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|  |         |         |          |           |           |   |
|--|---------|---------|----------|-----------|-----------|---|
| Tax loss benefit   | (1,437  | ) 313   | -        | 313       | (1,124    | ) |
| Other  | (5,002  | ) (64   | ) 61     | (3        | ) (5,005  | ) |
| Foreign items (other)  | (305    | ) 46    | -        | 46        | (259      | ) |
| Total temporary differences, unused losses<br>and unused tax credits | 205,283 | (27,407 | ) (2,515 | ) (29,922 | ) 175,361 |   |

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## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

d.4) 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   | (13,750 )   | -   | (13,750 )  | 211,374   |
| Facility closure provision                             | (1,589 )  | (1,880 )  | -   | (1,880 )   | (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                                    | (20,684 )   | (4,488 )  | -   | (4,488 )   | (25,172 )                                       |
| 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                                    | (4,305 )  | 52  | -   | 52   | (4,253 )  |
| Provision for legal complaints and expenses            | (7,686 )  | 2,443   | -   | 2,443  | (5,243 )  |
| 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   |

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|   |         |        |        |     |        |        |          |
|---|---------|--------|--------|-----|--------|--------|----------|
| Royalty   | 6,457   | (2,389 | )      | 16  | (2,373 | )      | 4,084    |
| Tax loss benefit  | (1,302  | )      | (135   | )   | -      | (135   | ) (1,437 |
| Other   | (266    | )      | (4,736 | )   | -      | (4,736 | ) (5,002 |
| Foreign items (other)   | (212    | )      | (93    | )   | -      | (93    | ) (305   |
| Total temporary differences, unused losses and unused tax credits | 205,455 | (440   | )      | 268 | (172   | )      | 205,283  |

During the period ended December 31, 2018 and December 31, 2017, the Company calculated and accounted for taxable income considering a rate of 27% and 25,5% 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.

10) FINANCIAL REPORTS

**Note 32**

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

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

d.5) Deferred taxes related to benefits for tax losses

The Company's tax loss carryforwards were mainly generated by losses in Chile, which in accordance with current Chilean tax regulations have no expiration date.

As of December 31, 2018 and December 31, 2017, tax loss carryforwards are detailed as follows:

|       | 12/31/2018 | 12/31/2017 |
|-------|------------|------------|
|       | ThUS\$     | ThUS\$     |
| Chile | 1,125      | 1,437      |
| Total | 1,125      | 1,437      |

Tax losses as of December 31, 2018 correspond mainly to SQM S.A., Exploraciones Mineras S.A., Comercial Agrorama S.A., Agrorama Ltd. and SIT S.A.

d.6) Unrecognized deferred income tax assets and liabilities

Unrecognized deferred tax assets and liabilities as of December 31, 2018 and December 31, 2017 are as follows:

|                              | 12/31/2018           | 12/31/2017           |
|------------------------------|----------------------|----------------------|
|                              | ThUS\$               | ThUS\$               |
|                              | Assets (liabilities) | Assets (liabilities) |
| Tax losses (NOLs)            | 32                   | 37                   |
| Doubtful accounts impairment | 47                   | 48                   |

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|                      |      |   |       |   |
|----------------------|------|---|-------|---|
| Inventory impairment | 947  |   | 1,347 |   |
| Pensions plan        | 62   |   | 1     |   |
| Accrued vacations    | 19   |   | 19    |   |
| Depreciation         | (127 | ) | (139  | ) |
| Other                | (28  | ) | (36   | ) |
| Balances to date     | 952  |   | 1,277 |   |

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10) FINANCIAL REPORTS

**Note 32**

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

**32.3 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, 2018 and December 31, 2017 are detailed as follows:

|  | 12/31/2018           |   | 12/31/2017           |
|--|----------------------|---|----------------------|
|  | ThUS\$               |   | ThUS\$               |
|  | Liabilities (assets) |   | Liabilities (assets) |
| Deferred tax assets and liabilities, net opening balance | (205,283             | ) | (205,455             |
| Increase (decrease) in deferred taxes in profit or loss  | 27,407               |   | 440                  |
| Increase (decrease) in deferred taxes in equity          | 2,515                |   | (268                 |
| Balances to date   | (175,361             | ) | (205,283             |

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:

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|  | 12/31/2018 |   | 12/31/2017 |   |
|--|------------|---|------------|---|
|  | ThUS\$     |   | ThUS\$     |   |
|  | Income     |   | Income     |   |
|  | (expenses) |   | (expenses) |   |
| Current income tax expense   |            |   |            |   |
| Current income tax expense   | (207,959   | ) | (182,567   | ) |
| Adjustments to prior year current income tax   | 1,577      |   | 15,954     |   |
| Current income tax expense, net, total   | (206,382   | ) | (166,613   | ) |
| Deferred tax expense   |            |   |            |   |
| Deferred tax expense (income) relating to the creation and reversal of temporary differences | 27,407     |   | 440        |   |
| Deferred tax expense, net, total   | 27,407     |   | 440        |   |
| Tax expense (income)   | (178,975   | ) | (166,173   | ) |



## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

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

|   | 12/31/2018<br>ThUS\$     |   | 12/31/2017<br>ThUS\$     |   |
|---|--------------------------|---|--------------------------|---|
|   | <b>Income (expenses)</b> |   | <b>Income (expenses)</b> |   |
| Current income tax expense by foreign and domestic parties, net |                          |   |                          |   |
| Current income tax expense, foreign parties, net                | (7,516                   | ) | (14,396                  | ) |
| Current income tax expense, domestic, net                       | (198,866                 | ) | (152,217                 | ) |
| Current income tax expense, net, total                          | (206,382                 | ) | (166,613                 | ) |
| Deferred tax expense by foreign and domestic parties, net       |                          |   |                          |   |
| Deferred tax expense, foreign parties, net                      | (1,885                   | ) | (154                     | ) |
| Deferred tax expense, domestic, net                             | 29,292                   |   | 594                      |   |
| Deferred tax expense, net, total                                | 27,407                   |   | 440                      |   |
| Income tax expense  | (178,975                 | ) | (166,173                 | ) |

## 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.

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## 10) FINANCIAL REPORTS

## Note 32

## Income tax and deferred taxes (continued)

## 32.3 Income tax and deferred taxes, continued

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

|  | <b>Amount<br/>before<br/>taxes<br/>(expense)<br/>gain</b> | <b>(Expense)<br/>income<br/>for<br/>income<br/>taxes</b> | <b>Amount<br/>after<br/>taxes</b> |
|--|---|--|-----------------------------------|
|  | 12/31/2018<br>ThUS\$                                      | 12/31/2018   | 12/31/2018<br>ThUS\$              |
| Income tax related to other income and expense components with a charge or credit to net equity            |   |  |                                   |
| Gain (loss) from defined benefit plans   | (1,327 )  | 396  | (931 )                            |
| Cash flow hedge  | 5,723   | -  | 5,723                             |
| Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income | (5,546 )  | 1,498  | (4,048 )                          |
| Total  | (1,150 )  | 1,894  | (744 )                            |

|  | <b>Amount<br/>before<br/>taxes<br/>(expense)<br/>gain</b> | <b>(Expense)<br/>income<br/>for<br/>income<br/>taxes</b> | <b>Amount<br/>after<br/>taxes</b> |
|--|---|--|-----------------------------------|
|  | 12/31/2017<br>ThUS\$                                      | 12/31/2017   | 12/31/2017<br>ThUS\$              |
| Income tax related to other income and expense components with a charge or credit to net equity            |   |  |                                   |
| Gain (loss) from defined benefit plans   | (1,401 )  | 282  | (1,119 )                          |
| Cash flow hedge  | 2,184   | -  | 2,184                             |
| Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income | (26 )   | (550 )   | (576 )                            |
| Total  | 757   | (268 )   | 489                               |

## 10) FINANCIAL REPORTS

**Note 32****Income tax and deferred taxes (continued)****32.3****Income tax and deferred taxes, continued**

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

Based on IAS 12, paragraph 81, letter “c”, the company has estimated that the method that reveals the most significant information for users of the financial statements is the numeric conciliation between the tax expense (income) and the result of multiplying the accounting profit by the current rate in Chile. The aforementioned election is based on the fact that the main office and subsidiaries established in Chile generate a large part of the Company’s tax expense (income).

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

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Consolidated income before taxes   | 621,038    | 594,590    |
| Income tax rate in force in Chile  | 27         | % 25.5 %   |
| Tax expense using the legal rate   | (167,680 ) | (151,620 ) |
| Effect of royalty tax payments.  | (4,919 )   | (3,372 )   |
| Tax effect of revenue from regular activities exempt from taxation                   | 1,446      | 2,886      |
| Tax rate effect of non-tax-deductible expenses for determining taxable profit (loss) | (4,566 )   | (4,764 )   |
| Tax effect of tax rates borne abroad   | (8,714 )   | (8,061 )   |
| IRS provision surplus  | 3,517      | -          |
| Fines affected by Article 21   | (718 )     | (1,517 )   |
| Other tax effects from reconciliation between accounting gains and tax expenses      | 2,659      | 275        |
| Tax expense using the effective rate   | (178,975 ) | (166,173 ) |

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.

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10) FINANCIAL REPORTS

**Note 32**

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

**32.3**

**Income tax and deferred taxes, continued**

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.

**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.

As a result of the audit performed by the tax authority, SQM North America Corp., a subsidiary of the Company, paid in November 2018, for income tax and interest between 2013 and 2015, approximately US\$3.8 million. On top of this, SQM North America Corp would have to pay an additional US\$0.4 million in state taxes for the same period. These charges are already provisioned in the financial statements.

**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.

## 10) FINANCIAL REPORTS

**Note 33****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 under the item “Non-current assets or groups of assets classified as held for sale”.

The following table shows the movements in assets held for sale:

| Assets held for sale                                | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---|----------------------|----------------------|
| Terrenos Soquimich Comercial S.A.                   | 1,430                | 1,480                |
| Facilities and fixtures at Soquimich Comercial S.A. | -                    | 109                  |
| Total assets held for sale                          | 1,430                | 1,589                |



10) FINANCIAL REPORTS

**Note 34**

**Events occurred after the reporting date**

34.1

Authorization of the financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries, prepared in accordance with International Financial Reporting Standards for the period ended December 31, 2018, were approved and authorized for issuance by the Company's Board of Directors on February 27, 2019.

34.2

Disclosures on events occurring after the reporting date

On January 7, 2019, the Superintendency of the Environment (SMA) accepted the compliance program presented by SQM Salar, thus suspending the process initiated against SQM Salar. On January 30, 2019, the Atacameño Indigenous Community of Peine filed against this ruling with the First Environmental Court. More details in note 22.3.

On January 23, 2019 Sociedad Química y Minera de Chile S.A. (SQM) (NYSE SQM, Santiago Stock Exchange SQM-B, SOM-A) informs that today the Board of Directors of SQM approved the following SOM Board Protocol for the presentation and use of sensitive information:

**SOM BOARD PROTOCOL FOR THE PRESENTATION AND USE OF SENSITIVE INFORMATION**

**1. Background**

(a) On July 26, 2017, the Board of Directors of Sociedad Química y Minera de Chile S.A. (respectively the "Board of Directors" and "the Company") approved a list of the main competitors, suppliers and customers of the Company, where Tianqi Lithium Corporation ("Tianqi") was included as a competitor of the Company.

(b) In May 2018, Tianqi and Nutrien Ltd. announced that Tianqi agreed to acquire from Nutrien Ltd. the amount of 62,556,568 Series A shares of the Company, which corresponds to approximately 24% of the total shares issued by the Company.

(c) On August 27, 2018, Tianqi and the Chilean National Economic Prosecutor Office (the "FNE") signed an out-of-court settlement (the "Agreement"), pursuant to which the FNE sought to implement behavioral measures in order to (i) maintain the competitive conditions of the lithium market, (ii) mitigate the risks described in the Agreement and (iii) limit the possibility of accessing certain information related to the Company and its subsidiaries, which is defined as sensitive under the Agreement (the "Sensitive Information") by Tianqi (the "Purpose").

(d) The Antitrust Court (the "TDLC") approved the Agreement by resolution of October 4, 2018, which was finalized on October 30, 2018. In Agreement approval process, the Company expressed its concerns to the TDLC regarding the measures described in the Agreement as (i) not effectively resolving the risks that Tianqi and the FNE wanted to mitigate, (ii) not being correctly oriented to avoid the access to Sensitive Information that, could damage the Company and the correct functioning of the market when in the possession of a competitor, and (iii) contradicting Law 18,046 on Corporations (the "Corporations Act") and other regulatory bodies applicable to the Company.

## 10) FINANCIAL REPORTS

### Note 34 Events occurred after the reporting date (continued)

#### 34.2 Disclosures on events occurring after the reporting date (continued)

(e) On December 5, 2018, the Company learned that Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation, acquired 62,556,568 Series A shares of the Company, representing approximately 23.77% of the total shares issued by the Company (the "Acquisition"). Before the Acquisition, and after the approval of the Agreement by the TDLC, the Board of Directors had deemed it necessary to adopt measures aimed at achieving the Purpose, avoiding greater points of contact between the Sensitive Information and Tianqi, in a complementary manner, and not contradictory with the Agreement.

(f) In consideration of the foregoing, on January 23, 2019, the Board of Directors unanimously resolved to adopt, the following protocol on the presentation and use of information in the Board of Directors, in the committees of the Board of Directors and in the Boards of Directors of Company's subsidiaries (the "Protocol")

#### *1. Protocol*

##### Managing of information in the Board of Directors

1.1 The Board of Directors has defined that the directors and senior executives of the Company have the duty and responsibility to cooperate with the fulfillment of the Purpose, subject to compliance with the Corporations Act and other applicable regulations.

1.2 Therefore, in order for the Board of Directors to comply with its purposes and duties according to the Purpose, the Board of Directors agrees to delegate - in accordance with article 40, subsection 2 of the Public Limited Companies Law - all its powers in relation to administration, knowledge and resolution of the matters that refer to the lithium business of the Company, which means knowledge of Sensitive Information, in the committee indicated below.

1.3 Directors nominated or elected by a Competitor Shareholder (the "Directors elected by Competitor") have the right to receive Sensitive Information that has been dealt with or known in the Board of Directors or in any of its committees. Notwithstanding this, in the event that a Director chosen by Competitor wants to access Sensitive Information, he or she must request it in writing from the CEO of the Company. The CEO must inform the Head of the Antitrust Division of the FNE, the event that Sensitive Information is being requested by the Director elected by Competitor.

1.4 For the purposes of section 1.3 above, a "Competitor Shareholder" is understood to be one who has been identified as a competitor of the Company in the lithium business, by any of the following persons or entities (i) the shareholder himself, (ii) the Board of Directors, (iii) the FNE, the TDLC or any other antitrust authority that exercises jurisdiction over the Company or said shareholder, or (iv) the Agreement or any other instrument that modifies or replaces it.

10) FINANCIAL REPORTS

**Note 34**

**Events occurred after the reporting date (continued)**

**34.2 Disclosures on events occurring after the reporting date (continued)**

***2 Lithium Committee***

2.1 The Board of Directors creates a Lithium Committee (the "Committee"). The Board delegates to the Committee the power to impose, review and manage all Sensitive Information; assist and guide senior executives of the Company in the ordinary management of the lithium business, review and recommend necessary policies and strategies related to the lithium business to the Board; and represent the Company, with the authority to evaluate, negotiate and subscribe acts, contracts or operations related to the lithium business and leading to knowledge of Sensitive Information.

2.2 The delegation of powers to the Committee does not imply the limitation or revocation of powers granted prior to this date by the Company that have not been specifically limited or revoked and, in addition, may coexist with future delegations of powers made by the Board, without implying a limitation of these, unless specifically agreed otherwise.

2.3 The Committee may be composed of all the directors of the Company who so express during the first meeting of the Board of Directors held after any Shareholders Meeting in which the Board of Directors has been renewed. Upon the request of a Director Elected by Competitor to be part of the Committee, the CEO must communicate this circumstance to the Head of the FN E Antitrust Division. Among the members of the Committee, a chairman must be elected, who will have the deciding vote. As agreed in advance by the shareholders at the Ordinary Shareholders Meeting of the Company, the members of the Committee may be remunerated for their duties related to the Committee,

2.4 The Committee will meet monthly, immediately following the ordinary meetings of the Board of Directors or as often as agreed by the members of the Committee. At the request of the Chairman of the Committee or the CEO, the Committee may meet in an extraordinary manner, by sending an email notice to its members at least 24 hours in advance.

2.5 Necessary information will be available to the members of the Committee, but not the Board. The Company must ensure that such information is of a restricted nature and is only available to the members of the Committee and the executives of the Company who should receive it. With respect to Sensitive Information, The Committee is fully empowered to establish all types of remote or online access restrictions, so that such information can only be received by members of the Committee.

10) FINANCIAL REPORTS

**Note 34**

**Events occurred after the reporting date (continued)**

**34.2 Disclosures on events occurring after the reporting date (continued)**

***3 Boards of Directors of Subsidiaries***

3.1 The Board of Directors does not contemplate making changes in the manner in which the boards of the Company's subsidiaries are carried out and structured.

3.2 The directors of the Company may attend the meetings of the boards of the Company's subsidiaries with the right to speak, and they will be empowered to impose on the books and records of said subsidiaries. Upon the requirement of a Director Elected by Competitor to participate in the board of a subsidiary, the CEO must inform the Head of the FNE Antitrust Division about such circumstance.

3.3 The Board of Directors agrees to authorize the full exchange of information between its subsidiaries SOM Salar S.A. and SOM Potasios S.A., in order to allow the executives of the Company and the members of the board of both subsidiaries to have consolidated and detailed information of their businesses, for the best management of these and in the best interest of the Company, in accordance with the guidelines established by the Board from time to time.

***4 Right to Information***

4.1 The directors of the Company have the right to be fully informed of everything related to the Company at any time in a documented manner, and by the CEO.

4.2 The CEO cannot deny Sensitive Information to a director, nor information that has been treated or known in the Committee or in subsidiaries of the Company, unless this is ordered by a competent authority.

***5 Incidents Report***

5.1 Given the risks identified by the FNE with respect to the Acquisition, any director, senior executive or employee of the Company is obliged to inform the CEO and the Compliance Officer of the Company about any breach of this Protocol or the Agreement.

5.2 It will be the responsibility of each Director Elected by Competitor, to inform the CEO as soon as he becomes aware of having known Sensitive Information involuntarily.

5.3 The CEO, after becoming aware of any of the circumstances indicated in sections 5.1 or 5.2 above, must communicate this circumstance to the head of the FNE Antitrust Division, as well as adopt the measures he deems necessary to prevent or mitigate a damage to the Company.

5.4 The communications that under this Protocol are made to the head of the FNE Antitrust Division, do not imply that the Company assumes any type of responsibility or obligations under the Agreement.

5.5 S.S. This Protocol may be modified or rendered ineffective by the Board of Directors, at any time, as it may decide. In this case, it will be communicated according to section 7 below.



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**Note 34**

**Events occurred after the reporting date (continued)**

**34.2 Disclosures on events occurring after the reporting date (continued)**

***6 Deferred Term***

The term of the present Protocol shall be indefinite starting from the time when the next Ordinary Shareholders Meeting of the Company is concluded.

***7 Communication***

The Board of Directors agreed that this Protocol is (i) informed as an essential fact to the Commission for the Financial Markets, (ii) informed to the Head of the FNE Antitrust Division, (iii) informed and distributed to each of the Vice Presidencies and management of the Company and its subsidiaries, and (iv) published immediately on the Company's website [www.sqm.com](http://www.sqm.com) .

On January 7, 2019, the resignation of the Company's Chief Executive Officer, Mr. Patricio de Solminihac Tampier, became effective. Likewise, as of January 8, 2019, Mr. Ricardo Ramos Rodríguez has assumed the position of Chief Executive Officer for the Company.

Management is not aware of any other significant events occurring between December 31, 2018 and the date of issuance of these consolidated financial statements, which affect them.

**34.3 Details of dividends declared after the reporting date**

**Payment of Provisional Dividend**

As of the closing date of the financial statements, there are no dividends declared after the reporting date.

Management is not aware of any other significant events that occurred between December 31, 2018, and the date of issuance of these consolidated financial statements that may significantly affect them.

10) FINANCIAL REPORTS

**Report of Accounting Inspectors**

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## 10) FINANCIAL REPORTS

**Reasoned Analysis of the Financial Situation****1. Analysis of the Financial Statements**

Reasoned analysis of the consolidated financial statements for the year ended December 31, 2018 (in millions of U.S. dollars).

| Balance Sheet<br>(US\$ Millions)                  | As of Dec. 31,<br>2018 | As of Dec. 31,<br>2017 |
|---|------------------------|------------------------|
| Total Current Assets                              | 2,399.6                | 2,466.3                |
| Cash and cash equivalents                         | 556.1                  | 630.4                  |
| Other current financial assets                    | 312.7                  | 367.0                  |
| Accounts receivable (1)                           | 509.4                  | 506.0                  |
| Inventory   | 913.7                  | 902.1                  |
| Others  | 107.7                  | 60.8                   |
| <br>Total Non-current Assets                      | <br>1,868.5            | <br>1,830.0            |
| Other non-current financial assets                | 17.1                   | 42.9                   |
| Investments in related companies                  | 111.5                  | 146.4                  |
| Property, plant and equipment                     | 1,454.8                | 1,429.4                |
| Other Non-current Assets                          | 285.0                  | 211.3                  |
| <br>Total Assets                                  | <br>4,268.1            | <br>4,296.2            |
| <br>Total Current Liabilities                     | <br>555.7              | <br>748.0              |
| Short-term debt                                   | 23.6                   | 220.3                  |
| Others  | 532.1                  | 527.7                  |
| <br>Total Long-Term Liabilities                   | <br>1,574.6            | <br>1,300.7            |
| Long-term debt                                    | 1,330.4                | 1,031.5                |
| Others  | 244.2                  | 269.2                  |
| <br>Shareholders' Equity before Minority Interest | <br>2,085.5            | <br>2,246.1            |
| Minority Interest                                 | 52.3                   | 59.6                   |
| Total Shareholders' Equity                        | 2,137.8                | 2,247.5                |
| Total Liabilities & Shareholders' Equity          | 4,268.1                | 4,296.2                |
| Liquidity (2)                                     | 4.3                    | 3.3                    |

(1) Accounts receivable + accounts receivable from related companies

(2) Current assets / current liabilities

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## 10) FINANCIAL REPORTS

### 1.1 Analysis of the Consolidated Statement of Financial Position

As of December 31, 2018, the Company's total assets amount to MUS\$4,268.1, representing a decrease of approximately 1% compared to MUS\$4,296.2 obtained as of December 31, 2017. Such difference between both periods is mainly the result of the variance in the following items:

Current assets decreased by approximately 3%, from MUS\$2,466.3 recorded at the end of the prior year to MUS\$2,399.6 in the current period:

Cash and cash equivalents decreased by MUS\$74.4 (12%) as of December 31, 2018 amounting to MUS\$556.1. The detail of this item is disclosed in Note 11.

Other current financial assets decreased by MUS\$54.3 (15%) as of December 31, 2018 amounting to MUS\$312.7. The detail of the item is disclosed in Note 14.

Accounts receivable increased by MUS\$3.4 (1%) as of December 31, 2018 amounting to MUS\$509.4. The detail of this item is disclosed in Note 14.

Current inventories increased by MUS\$11.6 (1%) as of December 31, 2018 amounting to MUS\$913.7. The detail of this item is disclosed in Note 12.

Non-current assets increased by approximately 2%, from MUS\$1,830.0 recorded at the end of prior year, to MUS\$1,868.5 for the current quarter.

Other non-current financial assets decreased by MUS\$45.7 (73%) as of December 31, 2018 amounting to MUS\$17.1. The detail of the item is disclosed in Note 14.

Property, plant and equipment increased by MUS\$17.6 (1%), as of December 31, 2018 amounting to MUS\$1,454.8. The detail of this item is disclosed in Note 16.

As of December 31, 2018, the Company's total liabilities amount to MUS\$2,130.3, representing an increase of approximately 4% compared to MUS\$2,048.8 recorded as of December 31, 2017. This difference is mainly generated by changes in the following items:

Current liabilities decreased by approximately 26%, from MUS\$748.0 recorded at the end of December of the previous year to MUS\$555.7 for the current quarter.

Other current financial liabilities decreased by MUS\$196.7 (89%) as of December 31, 2018 amounting to MUS\$23.6. The detail of this item is disclosed in Note 14.

Other current non-financial liabilities increased by MUS\$4.4 (1%) as of December 31, 2018 amounting to MUS\$532.1. The detail of this item is disclosed in Note 19.

Non-current liabilities increased by approximately 21%, from MUS\$1,300.7 recorded at the end of the previous year, to MUS\$1,574.6 for the current quarter.

Other non-current financial liabilities increased by MUS\$298.9 (29%) as of December 31, 2018 amounting to MUS\$1,330.4. The detail of this item is disclosed in Note 14.

## 10) FINANCIAL REPORTS

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and Subsidiaries have been prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) and represent the comprehensive, explicit and unreserved adoption of International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Should there be any discrepancies between IFRS and the instructions issued by the Chilean Commission for the Financial Market (CMF) the latter shall prevail.

These consolidated financial statements fairly reflect the Company’s equity and financial position and the results of its operations, changes in in the statement of income and expenses recognized and cash flows, which have occurred in the year then ended.

The valuation of the main assets and liabilities has been performed as follows:

**Inventories:** The Company states inventories for the lower of cost and net realizable value. The cost price of finished products and products in progress includes the direct cost of materials and, when applicable, labor costs, indirect costs incurred to transform raw materials into finished products, and general expenses incurred in carrying inventories to their current location and conditions. The method used to determine the cost of inventories is weighted average cost.

Commercial discounts, rebates obtained, and other similar entries are deducted in the determination of the acquisition price.

The net realizable value represents the estimate of the sales price, less all finishing estimated costs and costs which will be incurred in commercialization, sales, and distribution processes.

The Company conducts an evaluation of the net realizable value of inventories at the end of each year, recording an estimate with a charge to income when these are overstated. When a situation arises whereby the circumstances, which previously caused the rebate to cease to exist, or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.



The valuation of obsolete, impaired or slow-moving products relates to their net estimated, net realizable value.

The provisions for technical specification on the Company's inventories have been made based on a technical study covering different variables affecting products in stock (density, moist, among others).

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

**Property, plant and equipment:** Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation and impairment losses that they have experienced.

## 10) FINANCIAL REPORTS

**1.2 Consolidated Statement of Comprehensive Income**

## Income Statement

| (US\$ Millions)                        | For the 4th quarter |          | For the twelve months ended<br>Dec. 31, |            |
|--|---------------------|----------|---|------------|
|  | 2018                | 2017     | 2018                                    | 2017       |
| Revenues                               | 565.2               | 574.8    | 2,265.8                                 | 2,157.3    |
| Lithium and Lithium Derivatives        | 233.9               | 179.4    | 734.8                                   | 644.6      |
| Specialty Plant Nutrition (1)          | 174.4               | 185.9    | 781.8                                   | 697.3      |
| Iodine and Iodine Derivatives          | 81.9                | 60.8     | 325.0                                   | 252.1      |
| Potassium Chloride & Potassium Sulfate | 47.7                | 78.4     | 267.5                                   | 379.3      |
| Industrial Chemicals                   | 13.7                | 54.6     | 108.3                                   | 135.6      |
| Other Income                           | 13.8                | 15.7     | 48.5                                    | 48.5       |
| Cost of Goods Sold                     | (313.7 )            | (303.4 ) | (1,262.0 )                              | (1,154.3 ) |
| Depreciation and Amortization          | (50.0 )             | (55.3 )  | (221.5 )                                | (240.5 )   |
| Gross Profit                           | 201.5               | 216.1    | 782.3                                   | 762.5      |
| Administrative Expenses                | (34.6 )             | (28.6 )  | (118.1 )                                | (101.2 )   |
| Financial Expenses                     | (17.8 )             | (12.3 )  | (59.9 )                                 | (50.1 )    |
| Financial Income                       | 6.0                 | 4.7      | 22.5                                    | 13.5       |
| Exchange Difference                    | (7.2 )              | (1.9 )   | (16.6 )                                 | (1.3 )     |
| Other                                  | 14.9                | (23.7 )  | 10.9                                    | (28.8 )    |
| Income Before Taxes                    | 162.9               | 154.3    | 621.0                                   | 594.6      |
| Income Tax                             | (52.7 )             | (42.8 )  | (179.0 )                                | (166.2 )   |
| Net Income before minority interest    | 110.2               | 111.5    | 442.1                                   | 428.4      |
| Minority Interest                      | (1.5 )              | (1.0 )   | (2.2 )                                  | (0.7 )     |
| Net Income                             | 108.6               | 110.5    | 439.2                                   | 427.7      |
| Net Income per Share (US\$)            | 0.41                | 0.42     | 1.67                                    | 1.63       |

(1) Includes other specialty fertilizers



## 10) FINANCIAL REPORTS

### 1.2.1 Analysis by business area and market variances

#### **Lithium and Derivatives**

Revenues from lithium and derivatives totaled US\$734.8 million during the twelve months ended December 31, 2018, an increase of 14.0% compared to the US\$644.6 million for the twelve months ended December 31, 2017.

Lithium and derivatives revenues increased 30.4% during the fourth quarter of 2018 compared to the fourth quarter of 2017. Total revenues amounted to US\$233.9 million during the fourth quarter of 2018, compared to US\$179.4 million in the fourth quarter of 2017.

The lithium market continued its strong growth in 2018, with total demand growth surpassing 27% according to our estimates. Demand growth was led by demand related to electric vehicles, we believe that full electric vehicle penetration rates reached 2% in 2018, and this number is expected to over double in the next five years. Demand in 2019 should be at least 20% greater than total demand in 2018.

Our average prices in 2018, increased over 25% compared to the previous year, and we were able to capture a significant price premium compared to many of our competitors during the same period. New supply is entering the market, which could impact our ability to maintain this price premium in 2019. However, there are several lithium grades of different qualities available in the lithium market, and not all products are sold at the same price; we do not believe that all lithium supply entering the market is suitable for all customers. We will focus on providing a high-quality lithium to our customers in 2019. We will also rebuild some inventories this year, and as a result of this, we believe our sales volumes in 2019 could be slightly higher to sales volumes seen in 2018.

**Gross profit** for the Lithium and Derivatives segment accounted for approximately 53% of SQM's consolidated gross profit for the twelve months ended December 31, 2018.

#### **Specialty plant nutrition**

Revenues from the SPN business line for the twelve months ended December 31, 2018 totaled US\$781.8 million, an increase of 12.1% compared to \$697.3 million reported for the twelve months ended December 31, 2017.

Fourth quarter 2018 revenues reached US\$174.4 million, 6.2% lower than the US\$185.9 million reported in the fourth quarter of 2017.

The potassium nitrate market remained strong this year, and we believe it grew approximately 6% in 2018. Sales volumes during 2018 for this business line increased 12% compared to 2017, due to demand growth and limited supply from our competitors. Sales volumes in the fourth quarter were lower than the third quarter as a result of seasonality and additional supply in the market. Average prices during 2018 remained flat compared to prices reported the previous year.

We believe that demand growth of potassium nitrate will be approximately 6% in 2019. SQM expects that new supply will continue to enter the market this year. As part of our ongoing strategy in the potassium nitrate market, we will continue to invest in this growing market.

SPN **gross profit** accounted for approximately 22% of SQM's consolidated gross profit for the twelve months ended December 31, 2018.

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### **Iodine and derivatives**

Revenues from sales of iodine and derivatives during the twelve months ended December 31, 2018 were US\$325.0 million, an increase of 28.9% compared to US\$252.1 million generated for the twelve months ended December 31, 2017.

Revenues from sales of iodine and derivatives for the fourth quarter of 2018 amounted to US\$81.9 million, an increase of 34.7% compared to US\$60.8 million achieved during the fourth quarter of 2017.

Higher iodine revenues in 2018 were the result of higher sales volumes and higher average prices. Our sales volumes in 2018 reached 13,300 MT, over 5% more than sales volumes reported in 2017, and setting a new company record. We closed the fourth quarter with average prices of almost US\$26/kg, exceeding our original expectations.

The iodine market grows consistently between 2-4% per year, and 2019 should be no different. As the largest player in this market, we believe it is important to plan for the future, meet the growing needs of our customers. For this reason, we submitted the environmental permit for an expansion of which will allow us to increase our capacity and meet future demand growth.

**Gross profit** for the Iodine and Derivatives segment accounted for approximately 14% of SQM's consolidated gross profit for the twelve months ended December 31, 2018.

### **Potassium: Potassium chloride and potassium sulfate**

Potassium chloride and potassium sulfate revenues for 2018 totaled US\$267.4 million, a 29.5% decrease compared to the US\$379.3 million reported for the twelve months ended December 31, 2017.

Potassium chloride and potassium sulfate revenues decreased 39.2% in the fourth quarter of 2018, totaling US\$47.7 million compared to the US\$78.4 million reported for the fourth quarter of 2017.

Global demand in the potassium chloride market grew to approximately 66 million tons in 2018, growing about 3% when compared to last year. Prices in this market also increased during the year, and average prices in the business line increased 14% in 2018 compared to the previous year. Despite higher average prices, revenues in the potassium chloride and potassium sulfate business line decreased as anticipated, with sales volumes 38% lower during 2018 compared to 2017.

These lower sales volumes were a result of our production limitations as we focused our production efforts in the Salar de Atacama on increasing lithium yields. Furthermore, as a result of environmental compliance plan that was approved by the Chilean Environmental Authority (SMA) at the end of the year, we are temporarily extracting less brine than we had in the past. We had previously announced that potassium chloride and potassium sulfate sales volumes could decrease significantly in 2019 when compared to 2018, we now believe that sales volumes for 2019 will be below 500,000 MT.

**Gross profit** for Potassium Chloride and Potassium Sulfate business line accounted for approximately 6% of SQM's consolidated gross profit for the twelve months ended December 31, 2018.

### **Industrial chemicals**

Industrial chemicals revenues for the twelve months ended December 31, 2018 reached US\$108.3 million, a 20.1% decrease compared to US\$135.6 million for the twelve months ended December 31, 2017.

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Revenues for the fourth quarter of 2018 totaled US\$13.7 million, a decrease of 74.9% compared to US\$54.6 million for the fourth quarter of 2017.

In 2018, we sold approximately 47,000 MT of solar salts, we expect to sell a similar amount this year.

**Gross profit** for the Industrial Chemicals segment accounted for approximately 5% of SQM's consolidated gross profit for the twelve months ended December 31, 2018.

### **Other commodity fertilizers and other revenues**

Revenues from sales of other commodity fertilizers and other income reached US\$48.5 million in the twelve months ended December 31, 2018, the same as the US\$48.5 million for the twelve months ended December 31, 2017.

### **Financial Information**

#### **Administrative expenses**

Administrative expenses totaled US\$118.1 million (5.2% of revenues) for the twelve months ended December 31, 2018, compared to US\$101.2 million (4.7% of revenues) recorded during the twelve months ended December 31, 2017.

#### **Net finance costs**

Net financial expenses for the twelve months ended December 31, 2018 were US\$37.4 million, compared to US\$36.6 million recorded for the twelve months ended December 31, 2017.



**Income tax expense**

Income tax expense reached US\$179.0 million for the twelve months ended December 31, 2018, representing an effective tax rate of 28.8%, compared to an income tax expense of US\$166.2 million during the twelve months ended December 31, 2017. The Chilean corporate tax rate was 27.0% during the 2018 period and 25.5% during the 2017 period.

**Other**

The adjusted EBITDA margin was approximately 39.1% for the twelve months ended December 31, 2018. Adjusted EBITDA margin for the twelve months ended December 31, 2017 was approximately 41.8%. The adjusted EBITDA margin for the fourth quarter of 2018 was approximately 38.4%.

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## 2. Financial ratios

**Liquidity ratios**                      **12-31-2018**   **12-31-2017**

|                   |       |      |      |   |
|-------------------|-------|------|------|---|
| Current liquidity | Times | 4.32 | 3.30 | <u>Current assets</u><br>Current liabilities<br>( <u>Current assets – Inventories</u> ) |
| Acid test         | Times | 2.67 | 2.09 | Current liabilities   |

**Indebtedness ratios**                      **12-31-2018**   **12-31-2017**

|                                     |   |       |      |   |
|-------------------------------------|---|-------|------|---|
| Indebtedness ratio                  | % | 102.1 | 93.6 | <u>Liabilities</u><br>Equity attributable to owners of the Parent |
| Short-term debt to total debt ratio | % | 26.1  | 36.5 | <u>Current liabilities</u><br>Total debt                          |
| Long-term debt to total debt ratio  | % | 73.9  | 63.5 | <u>Non-current liabilities</u><br>Total debt                      |

**Activity ratios**                      **12-31-2018**   **12-31-2017**

|                      |       |       |       |  |
|----------------------|-------|-------|-------|--|
| Total assets         | MUS\$ | 4,268 | 4,296 |  |
| Inventory turnover   | Times | 1.62  | 1.55  | <u>Cost of sales</u> <i>LTM</i><br>Inventories |
| Inventory permanence | Days  | 222   | 333   | <u>360 days</u><br>Inventory turnover          |

**Profitability ratios**                      **12-31-2018**   **12-31-2017**

|                    |       |      |      |  |
|--------------------|-------|------|------|--|
| Earnings per share | Times | 1.68 | 1.63 | <u>Net profit (loss)</u> <i>LTM</i><br>Shares subscribed     |
| Return on equity   | %     | 20.7 | 19.1 | <u>Net profit (loss)</u> <i>LTM</i><br>Equity                |
| Return on assets   | %     | 20.3 | 21.3 | <u>Net profit (loss)</u> <i>LTM</i><br>Assets <sup>(1)</sup> |

(1) Assets = Total Assets – (Cash and cash equivalents + Financial Assets + Investments in related companies)



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### 2.1 Analysis of Financial Indicators

#### Liquidity:

**Current liquidity:** the increase in the ratio can be explained because there was a decrease in Current Assets of US\$66.5 million (2.7%), there was also a decrease in Current Liabilities of US\$192 million (25.7%), resulting in a lower ratio value. The main variation of the Current Assets was seen in the decrease by US\$74 million of Cash and Cash Equivalents, and in the decrease of US\$54 million of Other Current Financial Assets, mainly due to a decrease in more than 90 days deposits and was partially offset by the increase in Current Tax Assets of US\$24 million. On the liabilities side, the main change was seen in the Current Financial Liabilities, which decreased by US\$192 million, mainly due to the payment and non-renewal of approximately US\$160 million of bank loans that accrue interest and the decrease of US\$30 million of hedge derivatives that covered the latter.

**Acid test:** When comparing both periods, it can be noted that there was an increase in Inventory of US\$12 million (1.3%), which, considering the aforementioned about Current Assets and Current Liabilities and taking this amount out of the equation, makes the gap between the items even greater, which results in a higher ratio than the previous one.

#### Indebtedness:

**Debt ratio:** this ratio increased, since, although the PC decreased by the US\$192 million as mentioned above, Non-current Liabilities (NCL) increased by US\$273 million (Total Liabilities are US\$81 million, 4%), while Equity decreased by US\$100 million (4.7%), thus proportionally decreasing the amount of Equity and resulting in a higher ratio. Within the NCL, the most outstanding movements were an increase of US\$298 million in non-current financial liabilities, due to the inclusion of the series P bonds in UF equal of three million UF, series Q bonds of three million UF, a loan with Scotiabank of US\$70 million, and a US\$29 million decrease in deferred taxes. On the equity side, this decrease is mainly explained by the decrease in the accumulated profit of US\$100 million.

**Proportional amount of debt:** due to the aforementioned variations, where the reasons for the decrease in the Current Liabilities and the increase in the Non-Current Liabilities were explained respectively, it can be concluded directly that these ratios varied as they did.

#### Activities:

An increase in inventory turnover can be seen, mainly due to the fact that inventory increased by US\$12 million (1.3%), while cost of sales (LTM) increased by US\$88 million (6.4%), mainly due to higher sales volumes. Given the proportionally and quantitatively increase of cost of sales over the inventory, it can be concluded directly that the ratio increased as it did. Due to this increase, a decrease in inventory permanence of 11 days can also be seen, since both ratios are inversely proportional.

**Profitability:**

**Earnings per share:** recording the same number of shares, because of an increase in profit for the period by approximately US\$13.6 million (3%), an increase in this ratio is generated. For further details, please, see the statement of income for the corresponding periods.

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**ROE:** The increase in this ratio was due to an increase in profit for the period and a decrease in equity of US\$109 million.

**ROA:** The decrease in this ratio was due to the fact that although the dividend of the equation increased by US\$2.8 million (0.4%), the assets that influenced the equation increased by US\$160 million (5.2%), thus generating the appreciation effect in the ratio.

## 3. Analysis of the Statement of Cash Flows

The detail of the main components of cash flows as of December 31, 2018 and 2017 is as follows:

| Statement of cash flows   | 12/31/2017 | 12/31/2017 |
|---|------------|------------|
|   | ThUS\$     | ThUS\$     |
| Net cash flows from (used in) operating activities                | 524,839    | 703,997    |
| Net cash flows from (used in) investing activities                | (187,004 ) | (248,067 ) |
| Net cash flows from (used in) financing activities                | (387,313 ) | (357,645 ) |
| Effects of changes in exchange rates on cash and cash equivalents | (24,894 )  | 17,484     |
| Cash and cash equivalents at the beginning of the period          | 630,438    | 514,669    |
| Cash and cash equivalents at the end of the period                | 556,066    | 630,438    |

## 4. Market risk analysis

**Interest rate:** As of December 31, 2018, the Company's financial liabilities, current and non-current that accrue interest amount to US\$1,337.2 million and include the following types of financing:

- i. Unsecured obligations bearing interest, current and non-current (considering principal owed only): a bond in U.S. dollars of US\$300 million considering a fixed interest rate of 3.625%, a bond in U.S. dollars of US\$250 million considering a fixed interest rate of 5.5%, a bond in U.S. dollars of US\$250 million considering a fixed interest rate of 4.375%; a bond in UF for the amount equivalent to US\$155.2 million at fixed rate in U.S. dollars, through a Cross Currency Swap, of 4.47%; and a bond in UF for the amount equivalent to MUS\$134.2 at fixed rate in U.S. dollars, through a Cross Currency Swap, of 5.11%; and a bond in UF for the amount equivalent to MUS\$119.0 at variable

rate in U.S. dollars of UF+3.45.

ii. A loan in U.S. dollars of US\$70 million at a fixed rate in U.S. dollars through an Interest Rate Swap of 3.72%.



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As of December 31, 2018, the Company recorded US\$23.6 million within other current financial liabilities and US\$1,330.4 million within other non-current financial liabilities.

**Exchange rate:** SQM's main economic environment operates in U.S. dollars. However, because of the Company's internationalization, the Company operates in different countries which generate exposure to changes in exchange rates for the different currencies with respect to U.S. dollar. Accordingly, SQM has hedging contracts to mitigate the exposure generated by its main mismatches (assets net of liabilities) in currencies other than U.S. dollar against the variation in the exchange rate, updating such contracts on a weekly basis depending on the quantity of assets and liabilities necessary to hedge in currencies other than U.S. dollar.

To ensure the difference between its assets and liabilities, as of December 31, 2018, the Company had the following derivative contracts (as the sum of the absolute value of their notional values): US\$108 million in Chilean peso/U.S. dollar derivative contracts, US\$15.32 million in Euro/U.S. dollar derivative contracts, US\$17.06 million in South African rand/U.S. dollar and US\$27.73 in other currencies.

In addition, the Company had US\$348.24 million in derivative contracts to hedge its investments in term deposits in Chilean pesos.

To hedge its expected net cash flows in Chilean pesos related to the businesses associated with the trading of fertilizers in Chile, the Company did not maintain any Chilean peso/U.S. dollar derivative contract as of December 31, 2018. To hedge its expected net cash flows in Euros the Company did not maintain any Euro/U.S. dollar derivative contracts as of December 31, 2018.

**Commodity prices:** The main commodities the Company uses are oil (petroleum) as fuel and in all its forms, Currently, the Company has no hedging contracts hedging international changes in prices, However, the Company has long-term contracts for energy supply.

As indicated in the Company's Annual Report, markets in which the Company operates are unpredictable, exposed to significant fluctuations in supply and demand, and price high volatility. Additionally, the supply of certain fertilizers or chemicals, including certain products which the Company trades, vary mainly depending on the production of top producers and their related business strategies. Accordingly, the Company cannot forecast with certainty changes in

demand, responses from competitors or fluctuations in the final price of its products. These factors can lead to significant impacts on the Company's product sales volumes, financial position and share price.

Note 5 of the Consolidated Financial Statements as of December 31, 2018 includes a detailed analysis of risks associated with the Company's businesses.

10) FINANCIAL REPORTS

10) B) SUMMARY FINANCIAL STATEMENTS

The summary consolidated or individual financial statements of all companies mentioned in CMF ex SVS General Rule No. 346, Section I, No. 2.1, Letter a. 4.2 are provided below. The complete financial statements of such companies are available to the public in our offices and at the offices of the CMF.

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**SQM Potasio S.A. and Subsidiaries****Summary Consolidated Classified Statements of Financial Position**

|   | As of December 31,<br>2018<br>ThUS\$ | <b>As of December 31,<br/>2017<br/>ThUS\$</b> |
|---|--------------------------------------|---|
| <b>Assets</b>                                       |                                      |   |
| Current assets                                      |                                      |   |
| Cash and cash equivalents                           | 88,268                               | 112,279                                       |
| Trade receivables due from related parties, current | 423,292                              | 569,033                                       |
| Current inventories                                 | 217,103                              | 185,060                                       |
| Other current assets                                | 46,404                               | 22,529  |
| Total current assets                                | 775,067                              | 888,901                                       |
| Non-current assets                                  |                                      |   |
| Property, plant and equipment                       | 826,122                              | 762,106                                       |
| Other non-current assets                            | 203,908                              | 171,236                                       |
| Total non-current assets                            | 1,030,030                            | 933,342                                       |
| Total assets  | 1,805,097                            | 1,822,243                                     |
| <b>Liabilities and Equity</b>                       |                                      |   |
| <b>Liabilities</b>                                  |                                      |   |
| Current liabilities                                 |                                      |   |
| Other current financial liabilities                 | -                                    | 40,144  |
| Trade payables due to related parties, current      | 470,957                              | 202,843                                       |
| Other current liabilities                           | 165,323                              | 136,997                                       |
| Total current liabilities                           | 636,280                              | 379,984                                       |
| Non-current liabilities                             |                                      |   |
| Deferred tax liabilities                            | 182,555                              | 185,799                                       |
| Other non-current liabilities                       | 11,072                               | 4,157   |
| Total non-current liabilities                       | 193,627                              | 189,956                                       |
| Total liabilities                                   | 829,907                              | 569,940                                       |
| <b>Equity</b>                                       |                                      |   |
| Equity attributable to owners of the Parent         | 826,246                              | 1,086,589                                     |
| Non-controlling interests                           | 148,944                              | 165,714                                       |

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|                              |           |           |
|------------------------------|-----------|-----------|
| Total equity                 | 975,190   | 1,252,303 |
| Total liabilities and equity | 1,805,097 | 1,822,243 |

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## 10) FINANCIAL REPORTS

**SQM Potasio S.A. and Subsidiaries****Summary Consolidated Statements of Income by Function**

|   | January to december |           |
|---|---------------------|-----------|
|   | 2018                | 2017      |
|   | ThUS\$              | ThUS\$    |
| Revenue                                     | 1,038,987           | 989,783   |
| Cost of sales                               | (592,385 )          | (506,059) |
| Gross profit                                | 446,602             | 483,724   |
| Profit (loss) from operating activities     | 454,230             | 461,166   |
| Profit (loss) before taxes                  | 463,652             | 468,750   |
| Income tax expense, continuing operations   | (133,108 )          | (123,111) |
| Profit for the year                         | 330,544             | 345,639   |
| Profit attributable to                      |                     |           |
| Owners of the Parent                        | 271,247             | 282,442   |
| Non-controlling interests                   | 59,297              | 63,197    |
| Profit for the year                         | 330,544             | 345,639   |
| Earnings per share                          |                     |           |
| Common shares                               |                     |           |
| Basic earnings per share (US\$ per share)   | 2.169               | 2.259     |
| Diluted common shares                       |                     |           |
| Diluted earnings per share (US\$ per share) | 2.169               | 2.259     |

**Summary Consolidated Statements of Comprehensive Income**

|                                      | January to december |          |
|--------------------------------------|---------------------|----------|
|                                      | 2018                | 2017     |
|                                      | ThUS\$              | ThUS\$   |
| Profit for the year                  | 330,544             | 345,639  |
| Other comprehensive income           | 83                  | (4.477 ) |
| Total comprehensive income           | 330,627             | 341,162  |
| Comprehensive income attributable to |                     |          |
| Owners of the Parent                 | 271,493             | 277,869  |

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|                            |         |         |
|----------------------------|---------|---------|
| Non-controlling interests  | 59,134  | 63,293  |
| Total comprehensive income | 330,627 | 341,162 |

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## 10) FINANCIAL REPORTS

**SQM Potasio S.A. and Subsidiaries****Summary Consolidated Statements of Cash Flows**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Net cash generated from (used in) operating activities   | 549,648    | 137,136    |
| Net cash generated from (used in) investing activities   | (180,873 ) | (83,405 )  |
| Net cash generated from (used in) financing activities   | (391,729 ) | (10,000 )  |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | (22,954 )  | 43,731     |
| Effects of exchange rate fluctuations on cash held   | (1,057 )   | 2,915      |
| Net (decrease) increase in cash and cash equivalents   | (24,011 )  | 46,646     |
| Cash and cash equivalents at beginning of period   | 112,279    | 65,633     |
| Cash and cash equivalents at end of period   | 88,268     | 112,279    |



## 10) FINANCIAL REPORTS

**SQM Potasio S.A. and Subsidiaries****Summary Consolidated Statements of changes in Equity**

| 2018   | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non-controlling interests | Total     |
|--|---------------|----------------|-------------------|---|---------------------------|-----------|
|  | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$                    | ThUS\$    |
| Equity at beginning of the year                        | 257,010       | 6,562          | 823,017           | 1,086,589                                   | 165,714                   | 1,252,303 |
| Profit for the year                                    | -             | -              | 271,247           | 271,247                                     | 59,297                    | 330,544   |
| Other comprehensive income                             | -             | 246            | -                 | 246   | (163)                     | 83        |
| Comprehensive income                                   | -             | 246            | 271,247           | 271,493                                     | 59,134                    | 330,627   |
| Dividends  | -             | -              | (531,830)         | (531,830)                                   | (75,904)                  | (607,740) |
| Increase (decrease) due to transfers and other changes | -             | 182            | (188)             | (6)   | -                         | (6)       |
| Increase (decrease) in equity                          | -             | 428            | (260,771)         | (260,343)                                   | (16,770)                  | (277,113) |
| Equity As of December 31, 2018                         | 257,010       | 6,990          | 562,246           | 826,246                                     | 148,944                   | 975,190   |
| 2017   | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non-controlling interests | Total     |
|  | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$                    | ThUS\$    |
| Equity at beginning of the year                        | 257,010       | 8,221          | 570,610           | 835,841                                     | 119,459                   | 955,300   |
| Profit for the year                                    | -             | -              | 282,442           | 282,442                                     | 63,197                    | 345,639   |
| Other comprehensive income                             | -             | (4,573)        | -                 | (4,573)                                     | 96                        | (4,477)   |
| Comprehensive income                                   | -             | (4,573)        | 282,442           | 277,869                                     | 63,293                    | 341,162   |
| Dividends  | -             | -              | (30,035)          | (30,035)                                    | (18,968)                  | (49,003)  |
| Increase (decrease) due to transfers and other changes | -             | 2,914          | -                 | 2,914                                       | 1,930                     | 4,844     |
| Increase (decrease) in equity                          | -             | (1,659)        | 252,407           | 250,748                                     | 46,255                    | 297,003   |
| Equity As of December 31, 2017                         | 257,010       | 6,562          | 823,017           | 1,086,589                                   | 165,714                   | 1,252,303 |



## 10) FINANCIAL REPORTS

**SQM Potasio S.A. and Subsidiaries****Detail of related parties and related party transactions**

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. In addition, these have been eliminated in consolidation and are not detailed in this note. Maturity terms for each case vary by virtue of the transaction giving rise to them. As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

As of December 31, 2018 and December 31, 2017, the detail of transactions with related parties is as follows:

| Tax ID No.   | Company                 | Nature                | Country of origin | Transaction              | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|-------------------------|-----------------------|-------------------|--------------------------|----------------------|----------------------|
| Foreign      | SQM Africa Pty. Ltd..   | Other related parties | South Africa      | Sale of products         | 32,092               | 25,813               |
| 77.557.430-5 | Sales de Magnesio Ltda. | Associate             | Chile             | Sale of products         | 308                  | -                    |
| 77.557.430-5 | Sales de Magnesio Ltda. | Associate             | Chile             | Dividends                | -                    | 39                   |
| Foreign      | SQM Ecuador S.A.        | Other related parties | Ecuador           | Sale of products         | 8,937                | 9,885                |
| Foreign      | SQM Europe N.V.         | Other related parties | Belgium           | Sale of products         | 524,991              | 462,351              |
| 96.592.190-7 | SQM Nitratos S.A.       | Associate             | Chile             | Current account interest | 295                  | 704                  |
| 96.592.190-7 | SQM Nitratos S.A.       | Associate             | Chile             | Services provided        | 1,084                | 1,421                |
| 79.947.100-0 | SQM Industrial S.A.     | Common parent         | Chile             | Sale of products         | 81,869               | 86,108               |
| 79.947.100-0 | SQM Industrial S.A.     | Common parent         | Chile             | Sale of fixed asset      | -                    | 141                  |
| 79.947.100-0 | SQM Industrial S.A.     | Common parent         | Chile             | Current account interest | 3,934                | 4,487                |
| 79.947.100-0 | SQM Industrial S.A.     | Common parent         | Chile             | Services received        | 853                  | 1,200                |
| 79.626.800-K | SQM Salar S.A.          |                       | Chile             | Dividends                | 341,609              | 85,389               |

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|              |                                      | Common parent         |               |                          |           |         |
|--------------|--------------------------------------|-----------------------|---------------|--------------------------|-----------|---------|
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Current account interest | 3,728     | 1,884   |
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Current account interest | 5,581     | 8,635   |
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Services provided        | 1,332     | 1,507   |
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Sale of products         | 39        | -       |
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Purchase fixed asset     | 88        | 181     |
| 93.007.000-9 | SQM S.A.                             | Parent                | Chile         | Services received        | 940       | 926     |
| Foreign      | SQM North America Corp.              | Other related parties | United States | Sale of products         | 55,808    | 47,276  |
| Foreign      | SQM North America Corp.              | Other related parties | United States | Current account interest | -         | 146     |
| 79.768.170-9 | Soquimich Comercial S.A.             | Other related parties | Chile         | Sale of products         | 15,340    | 12,387  |
| Foreign      | Ajay North America                   | Associate             | United States | Dividends                | 2,807     | 1,123   |
| 79.770.780-5 | SIT S.A.                             | Other related parties | Chile         | Current account interest | 678       | 1,345   |
| Foreign      | SQM Comercial de México S.A. de C.V. | Other related parties | México        | Sale of products         | 22,477    | 40,343  |
| Foreign      | SQM Iberian S.A.                     | Other related parties | Spain         | Sale of products         | 12,142    | 20,107  |
| Foreign      | SQM Vitas Brasil Agroindustria       | Other related parties | Brazil        | Sale of products         | 11,081    | 16,561  |
| Foreign      | SQM Vitas Perú S.A.C.                | Other related parties | Perú          | Sale of products         | 1,682     | 8,180   |
| Foreign      | SQM Thailand Limited                 | Other related parties | Thailand      | Sale of products         | 2,238     | 1,260   |
| Foreign      | SQM Japan Co. Ltd.                   | Subsidiary            | Japan         | Sale of products         | 195,343   | 106,402 |
| Foreign      | SQM Colombia S.A.S.                  | Subsidiary            | Colombia      | Sale of products         | 2,649     | -       |
| Foreign      | Minera Exar (1)                      | Joint venture         | Argentina     | Loans                    | -         | 11,000  |
|              |                                      |                       |               |                          | 1,329,925 | 956,801 |

(1) During the month of December 2018, the Company sold its interest in Minera Exar S.A. generating a pre-tax profit of ThUS\$12.139

## 10) FINANCIAL REPORTS

**SQM Potasio S.A. and Subsidiaries****Trade receivables due from related parties, current:**

| Tax ID N°    | Company                                     | Nature                | Country of origin | Currency | 12/31/2018 | 12/31/2017 |
|--------------|---|-----------------------|-------------------|----------|------------|------------|
|              |   |                       |                   |          | ThUS\$     | ThUS\$     |
| Foreign      | Nitratos Naturais Do Chile Ltda.            | Other related parties | Brazil            | US\$     | 2,358      | 2,358      |
| Foreign      | RS Agro Chemical Trading Corporation A.V.V. | Other related parties | Aruba             | US\$     | -          | 8          |
| Foreign      | Soquimich European Holding B.V.             | Other related parties | Dutch Antille     | US\$     | 30,726     | 69,741     |
| 79.770.780-5 | Serv, Integrales de Tránsito y Transf. S.A. | Associate             | Chile             | US\$     | -          | 121        |
| Foreign      | SQM Thailand Limited                        | Other related parties | Tailandia         | US\$     | 2,238      | 5,677      |
| Foreign      | SQM Africa Pty Ltd.                         | Other related parties | South Africa      | US\$     | 21,974     | 26,641     |
| Foreign      | SQM Colombia S.A.S                          | Other related parties | Colombia          | US\$     | 2,649      | -          |
| Foreign      | SQM Corporation N.V                         | Other related parties | Dutch Antille     | US\$     | 3,586      | 3,575      |
| Foreign      | SQM Ecuador S.A.                            | Other related parties | Ecuador           | US\$     | 9,118      | 9,885      |
| Foreign      | SQM Europe N.V.                             | Other related parties | Belgium           | US\$     | 208,052    | 160,141    |
| Foreign      | SQM Iberian S.A.                            | Other related parties | Spain             | US\$     | 4,155      | 13,551     |
| 79.947.100-0 | SQM Industrial S.A.                         | Common parent         | Chile             | US\$     | -          | 121,486    |
| 96.592.190-7 | SQM Nitratos S.A.                           | Associate             | Chile             | US\$     | 74,494     | 40,018     |
| Foreign      | SQM North America Corp.                     | Associate             | United States     | US\$     | 8,571      | 6,984      |
| Foreign      | SQM Perú S.A.                               | Other related parties | Perú              | US\$     | 36,709     | 65,582     |
| 79.768.170-9 | Soquimich Comercial S.A.                    | Other related parties | Chile             | US\$     | 1,080      | 1,080      |
| Foreign      | SQM Comercial de México S.A. de C.V.        | Other related parties | México            | US\$     | 9,414      | 6,046      |

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|                     |                                |                       |                      |      |         |         |
|---------------------|--------------------------------|-----------------------|----------------------|------|---------|---------|
| Foreign             | Kowa Company Ltd,              | Other related parties | Japan                | US\$ | 4,477   | 12,627  |
| Foreign             | Charlee SQM Thailand Co.Ltd    | Other related parties | Thailand             | US\$ | 23      | 23      |
| 77.557.430-5        | Sales de Magnesio Ltda         | Associate             | Chile                | US\$ | -       | 11,000  |
| Foreign             | SQM Vitas Brasil Agroindustria | Other related parties | Brazil               | US\$ | 2,423   | 7,369   |
| Foreign             | SQM Vitas Fzco                 | Other related parties | United Arab Emirates | US\$ | 66      | 65      |
| Foreign             | SQM Vitas Perú S.A.C           | Other related parties | Perú                 | US\$ | 1,179   | 4,694   |
| 93.007.000-9        | SQM S.A.                       | Parent                | Chile                | US\$ | -       | 361     |
| Total as of to date |                                |                       |                      |      | 423,292 | 569,033 |

**Trade payables due to related parties, current:**

| Tax ID N°           | Company                         | Nature                | Country of origin | Currency | 12/31/2018 | 12/31/2017 |
|---------------------|---------------------------------|-----------------------|-------------------|----------|------------|------------|
|                     |                                 |                       |                   |          | ThUS\$     | ThUS\$     |
| Foreign             | RS Agro Chemical Tranding       | Associate             | Aruba             | US\$     | 5,140      | 5,156      |
| 79.770.780-5        | SIT S.A.                        | Associate             | Chile             | US\$     | 21,640     | 11,552     |
| Foreign             | SQM(beijing) Commercial Co.Ltd. | Other related parties | China             | US\$     | -          | 184        |
| 79.947.100-0        | SQM Industrial S.A.             | Common parent         | Chile             | US\$     | 31,661     | 14,337     |
| Foreign             | Charlee SQM(thailand) Co        | Other related parties | Thailand          | US\$     | -          | 23         |
| 93.007.000-9        | SQM S.A.                        | Parent                | Chile             | US\$     | 412,507    | 171,585    |
| Foreign             | Covalent Lithium Pty Ltd..      | Other related parties | Australia         | AUD\$    | 9          | -          |
| Foreign             | Sacal                           | Other related parties | Argentina         | US\$     | -          | 6          |
| Total as of to date |                                 |                       |                   |          | 470,957    | 202,843    |

## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Summary Consolidated Classified Statements of Financial**

|   | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>ThUS\$ |
|---|--------------------------------------|--------------------------------------|
| <b>Assets</b>                                       |                                      |                                      |
| <b>Current assets</b>                               |                                      |                                      |
| Cash and cash equivalents                           | 145,085                              | 211,397                              |
| Trade receivables due from related parties, current | 433,448                              | 426,095                              |
| Current inventories                                 | 903,196                              | 880,097                              |
| Other current assets                                | 89,598                               | 75,621                               |
| <b>Total current assets</b>                         | <b>1,571,327</b>                     | <b>1,593,210</b>                     |
| <b>Non-current assets</b>                           |                                      |                                      |
| Investments in associates                           | 77,695                               | 86,361                               |
| Property, plant and equipment                       | 474,570                              | 474,878                              |
| Other non-current assets                            | 19,840                               | 25,550                               |
| <b>Total non-current assets</b>                     | <b>572,105</b>                       | <b>586,789</b>                       |
| <b>Total assets</b>                                 | <b>2,143,432</b>                     | <b>2,179,999</b>                     |
| <b>Liabilities and Equity</b>                       |                                      |                                      |
| <b>Liabilities</b>                                  |                                      |                                      |
| <b>Current liabilities</b>                          |                                      |                                      |
| Trade payables due to related parties, current      | 806,805                              | 867,067                              |
| Other current liabilities                           | 174,999                              | 249,656                              |
| <b>Total current liabilities</b>                    | <b>981,804</b>                       | <b>1,116,723</b>                     |
| <b>Non-current liabilities</b>                      |                                      |                                      |
| Deferred tax liabilities                            | 49,535                               | 54,156                               |
| Other non-current liabilities                       | 38,552                               | 29,226                               |
| <b>Total non-current liabilities</b>                | <b>88,087</b>                        | <b>83,382</b>                        |
| <b>Total liabilities</b>                            | <b>1,069,891</b>                     | <b>1,200,105</b>                     |
| <b>Equity</b>                                       |                                      |                                      |
| Equity attributable to owners of the Parent         | 1,017,432                            | 936,509                              |
| Non-controlling interests                           | 56,109                               | 43,385                               |

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|                              |           |           |
|------------------------------|-----------|-----------|
| Total equity                 | 1,073,541 | 979,894   |
| Total liabilities and equity | 2,143,432 | 2,179,999 |

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## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Summary Consolidated Statements of Income by Function**

|   | January to December |             |
|---|---------------------|-------------|
|   | 2018                | 2017        |
|   | ThUS\$              | ThUS\$      |
| Revenue                                   | 2,361,574           | 2,093,754   |
| Cost of sales                             | (2,134,135)         | (1,911,321) |
| Gross profit                              | 227,439             | 182,433     |
| Profit (loss) from operating activities   | 129,198             | 89,402      |
| Profit (loss) before taxes                | 115,802             | 72,381      |
| Income tax expense, continuing operations | (32,506 )           | (24,523 )   |
| Profit for the year                       | 83,296              | 47,858      |
| Profit attributable to                    |                     |             |
| Owners of the Parent                      | 82,638              | 48,988      |
| Non-controlling interests                 | 658                 | (1,130 )    |
| Profit for the year                       | 83,296              | 47,858      |

|   | January to December |        |
|---|---------------------|--------|
|   | 2018                | 2017   |
|   | US\$                | US\$   |
| Earnings per share                          |                     |        |
| Common shares                               |                     |        |
| Basic earnings per share (US\$ per share)   | 0.1155              | 0.0685 |
| Diluted common shares                       |                     |        |
| Diluted earnings per share (US\$ per share) | 0.1155              | 0.0685 |

## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Summary Consolidated Statements of comprehensive income**

|                                      | January to December |          |
|--------------------------------------|---------------------|----------|
|                                      | 2018                | 2017     |
|                                      | ThUS\$              | ThUS\$   |
| Profit for the year                  | 83,296              | 47,858   |
| Other comprehensive income           | (833 )              | (567 )   |
| Total comprehensive income           | 82,463              | 47,291   |
| Comprehensive income attributable to |                     |          |
| Owners of the Parent                 | 81,538              | 48,516   |
| Non-controlling interests            | 925                 | (1,225 ) |
| Total comprehensive income           | 82,463              | 47,291   |

**Summary Consolidated Statements of Cash Flows**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Net cash generated from (used in) operating activities   | (4,385 )   | 30,909     |
| Net cash generated from (used in) investing activities   | (16,325 )  | (14,675 )  |
| Net cash generated from (used in) financing activities   | (45,820 )  | 16,811     |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | (66,530 )  | 33,045     |
| Effects of exchange rate fluctuations on cash held   | 218        | (1,075 )   |
| Net (decrease) increase in cash and cash equivalents   | (66,312 )  | 31,970     |
| Cash and cash equivalents at beginning of period   | 211,397    | 179,427    |
| Cash and cash equivalents at end of period   | 145,085    | 211,397    |

## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Summary Consolidated Statements of Changes in Equity**

| 2018   | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non-controlling interests | Total     |
|--|---------------|----------------|-------------------|---|---------------------------|-----------|
|  | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$                    | ThUS\$    |
| Equity at beginning of the year                        | 715,066       | (7,053 )       | 228,496           | 936,509                                     | 43,385                    | 979,894   |
| Profit for the year)                                   | -             | -              | 82,638            | 82,638                                      | 658                       | 83,296    |
| Other comprehensive income                             | -             | (1,101 )       | -                 | (1,101 )                                    | 268                       | (833 )    |
| Comprehensive income                                   | -             | (1,101 )       | 82,638            | 81,537                                      | 926                       | 82,463    |
| Dividends  | -             | -              | -                 | -   | (8,910 )                  | (8,910 )  |
| Increase (decrease) due to transfers and other changes | -             | 18,756         | (19,370 )         | (614 )                                      | 20,708                    | 20,094    |
| Increase (decrease) in equity                          | -             | 17,655         | 63,268            | 80,923                                      | 12,724                    | 93,647    |
| Equity as of December 31, 2018                         | 715,066       | 10,602         | 291,764           | 1,017,764                                   | 56,109                    | 1,073,541 |
| 2017   | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Non-controlling interests | Total     |
|  | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$                    | ThUS\$    |
| Equity at beginning of the year                        | 715,066       | (7,144 )       | 183,008           | 890,930                                     | 45,629                    | 936,559   |
| Profit for the year)                                   | -             | -              | 48,988            | 48,988                                      | (1,130 )                  | 47,858    |
| Other comprehensive income                             | -             | (472 )         | -                 | (472 )                                      | (95 )                     | (567 )    |
| Comprehensive income                                   | -             | (472 )         | 48,988            | 48,516                                      | (1,225 )                  | 47,291    |
| Dividends  | -             | -              | -                 | -   | (1,264 )                  | (1,264 )  |
| Increase (decrease) due to transfers and other changes | -             | 563            | (3,500 )          | (2,937 )                                    | 245                       | (2,692 )  |
| Increase (decrease) in equity                          | -             | 91             | 45,488            | 45,579                                      | (2,244 )                  | 43,335    |
| Equity as of December 31, 2017                         | 715,066       | (7,053 )       | 228,496           | 936,509                                     | 43,385                    | 979,894   |



## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Balances and transactions with related parties****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.

**Detailed identification of the link between the Parent and subsidiary**

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. In addition, these have been eliminated in consolidation and are not detailed in this note. Maturity terms for each case vary by virtue of the transaction giving rise to them. As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

As of December 31, 2018 and December 31, 2017, the detail of transactions with related parties is as follows:

| Tax ID No,   | Company           | Nature        | Country of origin | Transaction              | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|-------------------|---------------|-------------------|--------------------------|----------------------|----------------------|
| 96.592.190-7 | SQM Nitratos S.A. | Common parent | Chile             | Purchase products        | 185,486              | 100,626              |
| 96.592.190-7 | SQM Nitratos S.A. | Common parent | Chile             | Sale of fixed assets     | -                    | 202                  |
| 96.592.190-7 | SQM Nitratos S.A. | Common parent | Chile             | Current account interest | 15,025               | 24,372               |
| 96.592.190-7 |                   |               | Chile             |                          | 152                  | 454                  |

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|              |                   |               |       |                          |         |        |
|--------------|-------------------|---------------|-------|--------------------------|---------|--------|
|              | SQM Nitratos S.A. | Common parent |       | Current account interest |         |        |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Sale of solutions        | 181,299 | 96,569 |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Current account interest | 2,840   | 4,125  |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Current account interest | 6,069   | 12,464 |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Sale of services         | 484     | 279    |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Purchase fixed asset     | -       | 575    |
| 93.007.000-9 | SQM S.A.          | Parent        | Chile | Sale of fixed assets     | -       | 858    |
| 79.626.800-K | SQM Salar S.A.    | Common parent | Chile | Sale of product          | 81,016  | 251    |
| 79.626.800-K | SQM Salar S.A.    | Common parent | Chile | Sale of services         | 11,038  | 15,133 |
| 79.626.800-K | SQM Salar S.A.    | Common parent | Chile | Current account interest | 3,759   | 3,664  |
| 79.626.800-K | SQM Salar S.A.    | Common parent | Chile | Current account interest | 799     | 1,345  |

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## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries**

| Tax ID No.   | Company   | Nature                | Country of origin    | Transaction              | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|---|-----------------------|----------------------|--------------------------|----------------------|----------------------|
| 79.770.780-5 | Servicios Integrales de Tránsitos y Transferencias S.A.       | Subsidiary            | Chile                | Sale of products         | 23,108               | 20,311               |
| 79.906.120-1 | Isapre Norte Grande Ltda.                                     | Subsidiary            | Chile                | Sale of products         | 1,271                | 786                  |
| 76.534.490-5 | Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | Subsidiary            | Chile                | Sale of products         | 1,330                | 487                  |
| Foreign      | Royal Seed Trading Corporation A.V.V.                         | Other related parties | Aruba                | Current account interest | 774                  | 605                  |
| Foreign      | SQM Investment Corporation N.V                                | Other related parties | Dutch Antilles       | Current account interest | 829                  | 769                  |
| Foreign      | Ajay Europe SARL  | Associate             | France               | Sale of products         | 19,768               | 15,706               |
| Foreign      | Abu Dhabi Fertilizer Industries WWL.                          | Associate             | United Arab Emirates | Sale of products         | 5,811                | 4,310                |
| Foreign      | Ajay North America LLC  | Other related parties | United States        | Sale of products         | 16,810               | 13,206               |
| Foreign      | Doktor Tarsa Tarim Sanayi AS                                  | Associate             | Turkey               | Sale of products         | 19,964               | 17,538               |
| Foreign      | Kowa Company Ltd.   | Other related parties | Japan                | Sale of products         | -                    | 130,425              |
| 96.651.060-9 | SQM Potasio S.A.  | Common parent         | Chile                | Current account interest | 181                  | 827                  |
| 96.651.060-9 | SQM Potasio S.A.  | Common parent         | Chile                | Sale of products         | 853                  | 1,200                |
| Foreign      | Charlee SQM Thailand Co. Ltd.                                 | Associate             | Thailand             | Sale of products         | 5,261                | 5,102                |
| Foreign      | SQM Brasil Limitada   | Other related parties | Brazil               | Sale of products         | 126                  | 336                  |
| Foreign      | Coromandel SQM  | Joint venture         | India                | Sale of products         | 8,340                | 8,011                |
| Foreign      | Sichuan SQM Migao Chemical Fertiliezers Co                    | Joint venture         | China                | Sale of products         | -                    | 252                  |

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|         |   |               |                 |                     |        |        |
|---------|---|---------------|-----------------|---------------------|--------|--------|
| Foreign | Ltd.<br>SQM Vitas Brasil<br>Agroindustria | Joint venture | Brazil          |                     | 32,272 | 14,575 |
| Foreign | SQM Vitas Fzco.                           | Joint venture | Arab Emirates   | Sale of<br>products | -      | 82     |
| Foreign | SQM Vitas Perú S.A.C.                     | Joint venture | Perú            | Sale of<br>products | 15,522 | 14,878 |
| Foreign | Plantacote NV                             | Associate     | Belgica         | Sale of<br>products | 4,732  | 2,108  |
| Foreign | Terra Tarsa Ukraine LLC                   | Associate     | Turquia         | Sale of<br>products | 1,677  | 1,218  |
| Foreign | Terra Tarsa Don LLC                       | Joint venture | Federation Rusa | Sale of<br>products | 187    | 423    |



## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Trade receivables due from related parties, current:**

| Tax ID N°    | Company                                  | Nature                    | Country of origin    | Currency       | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|--|---------------------------|----------------------|----------------|----------------------|----------------------|
| 79.876.080-7 | Adepo Ltda                               | Other related parties     | Chile                | Ch\$           | -                    | 1                    |
| Foreign      | Comercial Caiman Int. S.A.               | Other related parties     | Panama               | US\$           | 801                  | 801                  |
| 76.425.380-9 | Exploraciones Mineras S.A..              | Other related parties     | Chile                | US\$           | 38                   | 36                   |
| Foreign      | Soquimich SRL Argentina                  | Subsidiary                | Argentina            | US\$           | 158                  | 158                  |
| Foreign      | Kowa Company Ltd.                        | Jointly controlled entity | Japan                | US\$           | -                    | 4,918                |
| 96.511.530-7 | Soc. Inv P. Calichera S.A.               | Jointly controlled entity | Chile                | US\$           | 6                    | 7                    |
| Foreign      | Abu Dhabi Fertilizer Ind                 | Other related parties     | United Arab Emirates | US\$           | 857                  | 73                   |
| Foreign      | Ajay Europe SARL                         | Other related parties     | France               | US\$           | 3,536                | 4,250                |
| Foreign      | Ajay North América llc                   | Other related parties     | United States        | US\$           | 2,716                | 1,867                |
| Foreign      | Charlee SQM Thailand Co.                 | Other related parties     | Thailand             | Bath Tailandés | -                    | 1,227                |
| Foreign      | Terra Tarsa Don LLC                      | Other related parties     | Federation rusa      | Rublo Ruso     | 41                   | 44                   |
| Foreign      | Coromandel SQM India                     | Joint venture             | India                | Rupia India    | 2,026                | 3,804                |
| Foreign      | Plantacote N.V                           | Joint venture             | Belgica              | Euro           | 312                  | 190                  |
| Foreign      | SQM Star Qingdao Corp Nutrition Co.. Ltd | Joint venture             | China                | US\$           | 248                  | -                    |
| Foreign      | SQM Migao Sichuan Fertilizer             | Joint venture             | China                | US\$           | -                    | 1,460                |
| Foreign      | SQM Vitas Brasil Agroindustria           | Joint venture             | Brazil               | US\$           | 13,395               | 9,924                |
| Foreign      | SQM Vitas Fzco.                          | Joint venture             |                      | US\$           | 39                   | -                    |

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|                     |                                       |                       |                              |      |        |        |
|---------------------|---------------------------------------|-----------------------|------------------------------|------|--------|--------|
| Foreign             | SQM Vitas Perú S.A.C                  | Joint venture         | United Arab Emirates<br>Perú | US\$ | 11,588 | 9,072  |
| Foreign             | Royal Seed Trading Corporation V.V.V. | Other related parties | Aruba                        | US\$ | 11,275 | -      |
| Foreign             | Doktor Tarsa Tarim Sanayi AS          | Other related parties | Turkey                       | US\$ | 6,497  | -      |
| Foreign             | SQM Eastmed Turkey                    | Other related parties | Yutkey                       | Euro | 30     | -      |
| Foreign             | Pavoni & C. Spa                       | Joint venture         | Italy                        | Euro | 12     | -      |
| Total as of to date |                                       |                       |                              |      | 53,575 | 37,832 |

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## 10) FINANCIAL REPORTS

**SQM Industrial S.A. and Subsidiaries****Trade payables due to related parties, current:**

| Tax ID No,          | Company                                 | Nature                | Country of origin    | Currency             | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|---------------------|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Foreign             | Doktor Tarsa Tarim Sanaryi AS           | Other related parties | Turkey               | US\$                 | -                    | 10                   |
| Foreign             | Terra TarsaxUkraine LLC                 | Other related parties | Ucrania              | Grivna Ucrانيا       | -                    | 7                    |
| Foreign             | Royal Seed Trading Co.                  | Other related parties | Aruba                | US\$                 | -                    | 17,892               |
| Foreign             | SQM Investment Co.                      | Other related parties | Dutch Antilles       | US\$                 | 36,267               | 44,364               |
| 96.592.190-7        | SQM Nitratos S.A.                       | Other related parties | Chile                | US\$                 | 348,697              | 329,554              |
| 79.626.800-k        | SQM Salar S.A.                          | Other related parties | Chile                | US\$                 | 309,060              | 422,962              |
| 96.651.060-9        | SQM Potasio S.A.                        | Common parent         | Chile                | Ch\$                 | 919                  | 5,751                |
| Foreign             | SQMC Holding Corporation L.L.P.         | Other related parties | United States        | US\$                 | 23,754               | 22,482               |
| Foreign             | SQM Star Qingdao Corp Nutrition Co. Ltd | Joint venture         | China                | US\$                 | -                    | 675                  |
| Foreign             | SQM Vitas Fzco.                         | Joint venture         | United Arab Emirates | Arab Emirates dirham | -                    | 104                  |
| 93.007.000-9        | SQM S.A.                                | Parent                | Chile                | US\$                 | 88,108               | 23,266               |
| Total as of to date |   |                       |                      |                      | 806,805              | 867,067              |

## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.****Summary Classified Statements of Financial Position**

|   | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>ThUS\$ |
|---|--------------------------------------|--------------------------------------|
| Assets  |                                      |                                      |
| Current assets                                      |                                      |                                      |
| Trade receivables due from related parties, current | 352,671                              | 333,348                              |
| Other current assets                                | 11,821                               | 20,473                               |
| Total current assets                                | 364,492                              | 353,821                              |
| Non-current assets                                  |                                      |                                      |
| Property, plant and equipment                       | 26,012                               | 33,904                               |
| Other non-current assets                            | 7,703                                | 5,239                                |
| Total non-current assets                            | 33,715                               | 39,143                               |
| Total assets  | 398,207                              | 392,964                              |
| Liabilities and Equity                              |                                      |                                      |
| Liabilities   |                                      |                                      |
| Current liabilities                                 |                                      |                                      |
| Trade payables due to related parties, current      | 281,600                              | 311,582                              |
| Other current liabilities                           | 28,462                               | 13,156                               |
| Total current liabilities                           | 310,062                              | 324,738                              |
| Non-current liabilities                             |                                      |                                      |
| Deferred tax liabilities                            | 1,156                                | 4,107                                |
| Provisions for employee benefits, non-current       | 456                                  | 381                                  |
| Total non-current liabilities                       | 1,621                                | 4,488                                |
| Total liabilities                                   | 311,683                              | 329,226                              |
| Equity  |                                      |                                      |
| Equity attributable to owners of the Parent         | 86,524                               | 63,738                               |
| Non-controlling interests                           | -                                    | -                                    |
| Total equity  | 86,524                               | 63,738                               |

|                              |         |         |
|------------------------------|---------|---------|
| Total liabilities and equity | 398,207 | 392,964 |
|------------------------------|---------|---------|

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## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.****Summary Statements of Income by Function**

|   | January to December |           |
|---|---------------------|-----------|
|   | 2018                | 2017      |
|   | ThUS\$              | ThUS\$    |
| Revenue                                   | 185,487             | 100,626   |
| Cost of sales                             | (137,482 )          | (92,232 ) |
| Gross profit                              | 48,005              | 8,394     |
| Profit (loss) from operating activities   | 45,793              | 7,894     |
| Profit (loss) before taxes                | 49,020              | 8,592     |
| Income tax expense, continuing operations | (16,488 )           | (3,023 )  |
| Profit for the year                       | 32,532              | 5,569     |

|   | January to December |        |
|---|---------------------|--------|
|   | 2018                | 2017   |
|   | US\$                | US\$   |
| Earnings per share                          |                     |        |
| Common shares                               |                     |        |
| Basic earnings per share (US\$ per share)   | 0,7099              | 0,1215 |
| Diluted common shares                       |                     |        |
| Diluted earnings per share (US\$ per share) | 0,7099              | 0,1215 |

## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.****Summary Statements of Comprehensive Income**

|                                      | 2018   | 2017   |
|--------------------------------------|--------|--------|
|                                      | ThUS\$ | ThUS\$ |
| Profit for the year                  | 32,532 | 5,569  |
| Other comprehensive income           | 14     | 38     |
| Total comprehensive income           | 32,546 | 5,607  |
| Comprehensive income attributable to |        |        |
| Owners of the Parent                 | 32,546 | 5,607  |
| Non-controlling interests            | -      | -      |
| Total comprehensive income           | 32,546 | 5,607  |

**Summary Statements of Cash Flows**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Net cash generated from (used in) operating activities   | 5,528      | 9,660      |
| Net cash generated from (used in) investing activities   | (6,326 )   | (8,896 )   |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | (798 )     | 764        |
| Effects of exchange rate fluctuations on cash held   | (21 )      | (14 )      |
| Net (decrease) increase in cash and cash equivalents   | (819 )     | 750        |
| Cash and cash equivalents at beginning of period   | 833        | 83         |
| Cash and cash equivalents at end of period   | 14         | 833        |

## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.****Summary Statements of Changes in Equity**

| 2018                                      | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Total    |
|---|---------------|----------------|-------------------|---|----------|
|   | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$   |
| Equity at beginning of the year           | 30,350        | -              | 33,388            | 63,738                                      | 63,738   |
| Profit for the year)                      | -             | -              | 32,532            | 32,532                                      | 32,532   |
| Other comprehensive income                |               | 14             | -                 | 14  | 14       |
| Comprehensive income                      | -             | 14             | 32,532            | 32,532                                      | 32,546   |
| Dividends                                 | -             | -              | (9,760 )          | (9,760 )                                    | (9,760 ) |
| Incremento (disminución) en el patrimonio | -             | 14             | 22,772            | 22,786                                      | 22,786   |
| Equity as of December 31, 2018            | 30,350        | 14             | 56,160            | 86,524                                      | 86,524   |

| 2017                                      | Share capital | Other reserves | Retained earnings | Equity attributable to owners of the Parent | Total    |
|---|---------------|----------------|-------------------|---|----------|
|   | ThUS\$        | ThUS\$         | ThUS\$            | ThUS\$                                      | ThUS\$   |
| Equity at beginning of the year           | 30,350        | (38 )          | 29,490            | 59,802                                      | 59,802   |
| Profit for the year)                      | -             | -              | 5,569             | 5,569                                       | 5,569    |
| Other comprehensive income                |               | 38             | -                 | 38  | 38       |
| Comprehensive income                      | -             | 38             | 5,569             | 5,607                                       | 5,607    |
| Dividends                                 | -             | -              | (1,671 )          | (1,671 )                                    | (1,671 ) |
| Incremento (disminución) en el patrimonio | -             | -              | 3,898             | 3,936                                       | 3,936    |
| Equity as of December 31, 2017            | 30,350        | -              | 33,388            | 63,738                                      | 63,738   |



## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.**

## Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended December 31, 2017, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

**Detail of related parties and related party transactions**

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. Maturity terms for each case vary by virtue of the transaction giving rise to them.

As of December 31, 2018 and December 31, 2017, the detail of transactions with related parties is as follows:

| Tax ID No    | Company             | Nature        | Country of origin | Transaction                      | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|---------------------|---------------|-------------------|----------------------------------|----------------------|----------------------|
| 79.947.100-0 | SQM Industrial S.A. | Common parent | Chile             | Sale of products                 | 185,486              | 100,626              |
| 79.947.100-0 | SQM Industrial S.A. | Common parent | Chile             | Current account interest         | 15,025               | 24,372               |
| 79.947.100-0 | SQM Industrial S.A. | Common parent | Chile             | Purchase fixed asset             | 221                  | 244                  |
| 93.007.000-9 | SQM S.A.            | Parent        | Chile             | Mining concession rental service | 30,306               | 6,079                |
| 93.007.000-9 | SQM S.A.            | Parent        | Chile             | Services received                | 15                   | 16                   |
| 93.007.000-9 | SQM S.A.            | Parent        | Chile             |                                  | 12,663               | 22,338               |

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|              |  |                       |       |                          | Current account interest |         |
|--------------|--|-----------------------|-------|--------------------------|--------------------------|---------|
| 93.007.000-9 | SQM S.A.   | Parent                | Chile | Sale of fixed assets     | -                        | 3,292   |
| 93.007.000-9 | SQM S.A.   | Parent                | Chile | Dividends                | 9,760                    | 1,671   |
| 79.770.780-5 | Serv. Integrales de Tránsito y Transferencias S.A. | Other related parties | Chile | Current account interest | 152                      | 454     |
| 79.626.800-K | SQM Salar S.A.                                     | Other related parties | Chile | Current account interest | 12                       | 11      |
| 76.725.380-9 | Exploraciones Mineras S.A.                         | Other related parties | Chile | Current account interest | -                        | 13      |
| 79.906.120-1 | Isapre Norte Grande Ltda.                          | Other related parties | Chile | Services received        |                          | -       |
| 96.651.060-9 | SQM Potasio S.A.                                   | Common parent         | Chile | Current account interest | 283                      | 680     |
| 96.651.060-9 | SQM Potasio S.A.                                   | Common parent         | Chile | Services received        | 1,084                    | 1,421   |
|              |  |                       |       |                          | 255,007                  | 161,217 |

## 10) FINANCIAL REPORTS

**SQM Nitratos S.A.****Trade receivables due from related parties, current:**

| RUT          | Nombre              | Naturaleza   | País de origen | Moneda              | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|---------------------|--------------|----------------|---------------------|----------------------|----------------------|
| 79.947.100-0 | SQM Industrial S.A. | Matriz común | Chile          | US\$                | 352,671              | 333,348              |
|              |                     |              |                | Total as of to date | 352,671              | <b>333,348</b>       |

**Trade payables due to related parties, current:**

| RUT          | Nombre                     | Naturaleza            | País de origen | Moneda              | 12/31/2018<br>ThUS\$ | 12/31/2017<br>ThUS\$ |
|--------------|----------------------------|-----------------------|----------------|---------------------|----------------------|----------------------|
| 93.007.000-9 | SQM S.A.                   | Matriz                | Chile          | US\$                | 269,054              | 300,804              |
| 96.651.060-9 | SQM Potasio S.A.           | Other related parties | Chile          | US\$                | 7,885                | 6,312                |
| 79.770.780-5 | SIT S.A.                   | Other related parties | Chile          | US\$                | 3,975                | 3,794                |
| 79.626.800-k | SQM Salar S.A.             | Other related parties | Chile          | US\$                | 322                  | 308                  |
| 76.425.380-9 | Exploraciones Mineras S.A. | Other related parties | Chile          | US\$                | 364                  | 364                  |
|              |                            |                       |                | Total as of to date | 281,600              | 311,582              |

As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

## 10) FINANCIAL REPORTS

**Orcoma SPA****Summary Classified Statements of Financial Position**

|  | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>ThUS\$ |
|--|--------------------------------------|--------------------------------------|
| Assets   |                                      |                                      |
| Non-current assets                             |                                      |                                      |
| Intangible assets other than goodwill          | 2,356                                | 2,356                                |
| Other non-current assets                       | 4                                    | 4                                    |
| Total non-current assets                       | 2,360                                | 2,360                                |
| Total assets                                   | 2,360                                | 2,360                                |
|  |                                      |                                      |
|  | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>ThUS\$ |
| Liabilities and Equity                         |                                      |                                      |
| Liabilities                                    |                                      |                                      |
| Current liabilities                            |                                      |                                      |
| Trade payables due to related parties, current | 13                                   | 13                                   |
| Total current liabilities                      | 13                                   | 13                                   |
| Equity   |                                      |                                      |
| Share capital                                  | 2,358                                | 2,358                                |
| Retained earnings                              | (11                                  | ) (11                                |
| Total equity                                   | 2,347                                | 2,347                                |
| Total liabilities and equity                   | 2,360                                | 2,360                                |

**Summary Statements of Income by Function**

January to December  
2018                      2017

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|   | ThUS\$ | ThUS\$ |
|---|--------|--------|
| Administrative expenses                 | -      | -      |
| Income tax expense                      |        |        |
| Profit (loss) from operating activities | -      | -      |
| Profit for the year                     | -      | -      |

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## 10) FINANCIAL REPORTS

**Orcoma SPA****Summary Statements of Changes in Equity**

| 2018                            | Share capital | Retained earnings | Equity attributable to owners of the Parent | Total  |
|---------------------------------|---------------|-------------------|---|--------|
|                                 | THUS\$        | THUS\$            | THUS\$                                      | THUS\$ |
| Equity at beginning of the year | 2,358         | (11 )             | 2,347                                       | 2,347  |
| Profit for the year)            | -             | -                 | -   | -      |
| Other comprehensive income      | -             | -                 | -   | -      |
| Comprehensive income            | -             | -                 | -   | -      |
| Equity as of December 31, 2018  | 2,358         | (11 )             | 2,347                                       | 2,347  |

| 2017                            | Share capital | Retained earnings | Equity attributable to owners of the Parent | Total  |
|---------------------------------|---------------|-------------------|---|--------|
|                                 | THUS\$        | THUS\$            | THUS\$                                      | THUS\$ |
| Equity at beginning of the year | 2,358         | (11 )             | 2,347                                       | 2,347  |
| Profit for the year)            | -             | -                 | -   | -      |
| Other comprehensive income      | -             | -                 | -   | -      |
| Comprehensive income            | -             | -                 | -   | -      |
| Equity as of December 31, 2017  | 2,358         | (11 )             | 2,347                                       | 2,347  |

**Detail of related parties and related party transactions**

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. Maturity terms for each case vary by virtue of the transaction giving rise to them.

As of December 31, 2018 and December 31, 2017, there are no transactions with related entities.

## 10) FINANCIAL REPORTS

**Rs Agro Chemical Trading Corporation A.V.V.****Summary Classified Statements of Financial Position**

|   | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>MUS\$ |
|---|--------------------------------------|-------------------------------------|
| Assets  |                                      |                                     |
| Current assets                                      |                                      |                                     |
| Cash and cash equivalents                           | 6                                    | 8                                   |
| Trade receivables due from related parties, current | 5,149                                | 5,156                               |
| Total current assets                                | 5,155                                | 5,164                               |
| Total assets  | 5,155                                | 5,164                               |

|  | As of December 31,<br>2018<br>ThUS\$ | As of December 31,<br>2017<br>MUS\$ |
|--|--------------------------------------|-------------------------------------|
| Liabilities                                    |                                      |                                     |
| Current liabilities                            |                                      |                                     |
| Trade and other payables, current              | 2                                    | -                                   |
| Trade payables due to related parties, current | 37                                   | 23                                  |
| Total current liabilities                      | 39                                   | 23                                  |
| Equity   |                                      |                                     |
| Share capital                                  | 6                                    | 6                                   |
| Retained earnings                              | 5,110                                | 5,135                               |
| Total equity                                   | 5,116                                | 5,141                               |
| Total liabilities and equity                   | 5,155                                | 5,164                               |

**Summary Statements of Income by Function**

January to December  
2018      2017



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|   | ThUS\$ | ThUS\$ |
|---|--------|--------|
| Profit (loss) from operating activities   | (24 )  | (29 )  |
| Profit (loss) before taxes                | (25 )  | (30 )  |
| Income tax expense, continuing operations | -      | -      |
| Profit (loss) from continuing operations  | (25 )  | (30 )  |
| Profit for the year                       | (25 )  | (30 )  |

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## 10) FINANCIAL REPORTS

**Rs Agro Chemical Trading Corporation A.V.V.**

|   | January to December |           |
|---|---------------------|-----------|
|   | 2018                | 2017      |
|   | US\$                | US\$      |
| Earnings per share                          |                     |           |
| Common shares                               | 60                  | 60        |
| Basic earnings per share (US\$ per share)   | (422.83 )           | (504.62 ) |
| Diluted common shares                       |                     |           |
| Diluted earnings per share (US\$ per share) | (422.83 )           | (504.62 ) |

**Summary Statements of Comprehensive Income**

|                            | January to<br>December |        |
|----------------------------|------------------------|--------|
|                            | 2018                   | 2017   |
|                            | ThUS\$                 | ThUS\$ |
| Profit for the year        | (25)                   | (30 )  |
| Total comprehensive income | (25)                   | (30 )  |

**Statements of cash flows**

|   | 31/12/2018 |   | 31/12/2017 |   |
|---|------------|---|------------|---|
|   | ThUS\$     |   | ThUS\$     |   |
| Net cash generated from (used in) operating activities  | (2         | ) | (3         | ) |
| <b>Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate</b> | (2         | ) | (3         | ) |
| Net (decrease) increase in cash and cash equivalents  | (2         | ) | (3         | ) |
| Cash and cash equivalents at beginning of period  | 8          |   | 11         |   |

Cash and cash equivalents at end of period

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## 10) FINANCIAL REPORTS

**Rs Agro Chemical Trading Corporation A.V.V.****Summary Statements of Changes in Equity**

| 2018                            | Share<br>capital<br>ThUS\$ | Retained<br>earning<br>ThUS\$ | Total<br>ThUS\$ |
|---------------------------------|----------------------------|-------------------------------|-----------------|
| Equity at beginning of the year | 6                          | 5,135                         | 5,141           |
| Profit for the year)            | -                          | (25 )                         | (25 )           |
| Comprehensive income            | -                          | (25 )                         | (25 )           |
| Equity as of December 31, 2018  | 6                          | 5,110                         | 5,116           |

| 2017                            | Share<br>capital<br>ThUS\$ | Retained<br>earning<br>ThUS\$ | Total<br>ThUS\$ |
|---------------------------------|----------------------------|-------------------------------|-----------------|
| Equity at beginning of the year | 6                          | 5,165                         | 5,171           |
| Profit for the year)            | -                          | (30 )                         | (30 )           |
| Comprehensive income            | -                          | (30 )                         | (30 )           |
| Equity as of December 31, 2017  | 6                          | 5,135                         | 5,141           |

## 10) FINANCIAL REPORTS

**Rs Agro Chemical Trading Corporation A.V.V.****Transactions with related parties**

Transactions between the Parent and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. Maturity terms for each case vary by virtue of the transaction giving rise to them. As of December 31, 2018 and December 31, 2017, there are no transactions between Rs Agro Chemical Trading Corporation A.V.V. and related parties.

As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

**Trade receivables due from related parties, current:**

| Tax ID No.          | Company                         | Nature    | Country of origin | Currency | 12/31/2018 | 12/31/2017 |
|---------------------|---------------------------------|-----------|-------------------|----------|------------|------------|
|                     |                                 |           |                   |          | ThUS\$     | ThUS\$     |
| Foreign             | SQM Investment Corporation N.V. | Associate | Aruba             | US\$     | 5,149      | 5,156      |
| Total as of to-date |                                 |           |                   |          | 5,149      | 5,156      |

**Trade payables due to related parties, current**

| Tax ID No.          | Company                                 | Nature    | Country of origin | Currency | 12/31/2018 | 12/31/2017 |
|---------------------|---|-----------|-------------------|----------|------------|------------|
|                     |   |           |                   |          | ThUS\$     | ThUS\$     |
| 93.007.000-9        | Sociedad Química y Minera de Chile S.A. | Parent    | Chile             | US\$     | 28         | 15         |
| Foreign             | Royal Seed Trading                      | Associate | Aruba             | US\$     | 9          | 8          |
| Total as of to date |   |           |                   |          | 37         | 23         |



## 10) FINANCIAL REPORTS

**Orcoma Estudios SPA****Summary Classified Statements of Financial Position**

|  | <b>As of December<br/>31, 2018</b> | <b>As of December 31,<br/>2017</b> |
|--|------------------------------------|------------------------------------|
|  | ThUS\$                             | ThuS\$                             |
| Assets   |                                    |                                    |
| Current assets                                 |                                    |                                    |
| Cash and cash equivalents                      | 294                                | 339                                |
| Other current non-financial assets             | 2                                  | 2                                  |
| Total current assets                           | 296                                | 341                                |
| Non-current assets                             |                                    |                                    |
| Property, plant and equipment                  | 4,416                              | 4,356                              |
| Total non-current assets                       | 4,416                              | 4,356                              |
| Total assets                                   | 4,712                              | 4,697                              |
|  |                                    |                                    |
|  | <b>As of December<br/>31, 2018</b> | <b>As of December 31,<br/>2017</b> |
|  | ThUS\$                             | ThuS\$                             |
| Liabilities and Equity                         |                                    |                                    |
| Liabilities                                    |                                    |                                    |
| Current liabilities                            |                                    |                                    |
| Trade and other receivables, current           | 2                                  | 50                                 |
| Trade payables due to related parties, current | 61                                 | -                                  |
| Total current liabilities                      | 63                                 | 50                                 |
| Non-current liabilities                        |                                    |                                    |
| Current tax liabilities                        | 1                                  | -                                  |
| Total non-current liabilities                  | 1                                  | -                                  |
| Total liabilities                              | 64                                 | 50                                 |
| Equity   |                                    |                                    |
| Share capital                                  | 4,632                              | 4,632                              |
| Retained earnings                              | 16                                 | 15                                 |

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|                              |       |       |
|------------------------------|-------|-------|
| Total equity                 | 4,648 | 4,647 |
| Total liabilities and equity | 4,712 | 4,697 |

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## 10) FINANCIAL REPORTS

**Orcoma Estudios SPA****Summary Statements of Income by Function**

|   | January to December |        |
|---|---------------------|--------|
|   | 2018                | 2017   |
|   | ThUS\$              | ThUS\$ |
| Foreign currency translation differences  | 1                   | -      |
| Profit (loss) before taxes                | 1                   | -      |
| Income tax expense, continuing operations | -                   | -      |
| Profit (loss) from continuing operations  | 1                   | -      |
| Profit for the year                       | 1                   | -      |

**Summary Statements of Comprehensive Income**

|                            | January to December |        |
|----------------------------|---------------------|--------|
|                            | 2018                | 2017   |
|                            | ThUS\$              | ThUS\$ |
| Profit for the year        | 1                   | 1      |
| Total comprehensive income | 1                   | 1      |

## 10) FINANCIAL REPORTS

**Orcoma Estudios SPA****Summary Statements of Cash Flows**

|  | 12/31/2018 | 12/31/2017 |
|--|------------|------------|
|  | ThUS\$     | ThUS\$     |
| Net cash generated from (used in) operating activities   | 15         | (109 )     |
| Net cash generated from (used in) financing activities   | (60 )      | (221 )     |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | (45 )      | (330 )     |
| Net (decrease) increase in cash and cash equivalents   | (45 )      | (330 )     |
| Cash and cash equivalents at beginning of period   | 339        | 669        |
| Cash and cash equivalents at end of period   | 294        | 339        |

**Summary Statements of Changes in Equity**

| 2018  | Share capital | Retained earnings (accumulated deficit) | Total equity |
|---|---------------|---|--------------|
|   | ThUS\$        | ThUS\$                                  | ThUS\$       |
| Initial balance, current year at 01/01/2018 | 4,632         | 15                                      | 4,647        |
| Restated initial balance                    |               |   |              |
| Profit (loss)                               | -             | 1                                       | 1            |
| Comprehensive income                        | -             | 1                                       | 1            |
| Closing balance, current year at 12/31/2018 | 4,632         | 16                                      | 4,648        |

| 2017  | Share capital | Retained earnings (accumulated deficit) | Total equity |
|---|---------------|---|--------------|
|   | ThUS\$        | ThUS\$                                  | ThUS\$       |
| Initial balance, current year at 01/01/2017 | 4,632         | 15                                      | 4,647        |
| Restated initial balance                    |               |   |              |
| Profit (loss)                               | -             | -                                       | -            |

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|   |       |    |       |
|---|-------|----|-------|
| Comprehensive income                        | -     | -  | -     |
| Closing balance, current year at 12/31/2017 | 4,632 | 15 | 4,647 |

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## 10) FINANCIAL REPORTS

### Orcoma Estudios SPA

#### Related party disclosures

Balances pending at each year-end are not guaranteed and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the year ended December 31, 2018, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

#### Relationships between the parent and the entity

Orcoma Estudios SPA is controlled by two shareholders, Sociedad Química y Minera de Chile S.A. and IM Inversiones Limitada with ownership percentages of 51% and 49%, respectively.

Sociedad Química y Minera de Chile S.A. is registered with the Securities Registry of the Chilean Commission for Financial Markets (CMF) ex Superintendence of Securities and Insurance under No. 0184 of March 18, 1983 and accordingly, is subject to the oversight of such regulating authority.

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

As of December 31, 2018 and December 31, 2017, the detail of entities that are related parties is as follows:

| Tax ID No,   | Name                                    | Country of origin | Functional currency | Nature | 12/31/2018 | 12/31/2017 |
|--------------|---|-------------------|---------------------|--------|------------|------------|
| 93.007.000-9 | Sociedad Química y Minera de Chile S.A. | Chile             | U.S. dollar         | Parent | 61         | -          |
|              |   |                   |                     |        | 61         | -          |

As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

As of December 31, 2018 and December 31, 2017, there are no transactions with related entities.

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## 10) FINANCIAL REPORTS

**Ajay SQM Chile****Summary Classified Statements of Financial Position**

|   | As of December<br>31, 2018<br>ThUS\$ | As of December<br>31, 2017<br>ThUS\$ |
|---|--------------------------------------|--------------------------------------|
| Assets  |                                      |                                      |
| Current assets                                      |                                      |                                      |
| Trade and other receivables, current                | 3,822                                | 2,465                                |
| Trade receivables due from related parties, current | 5,354                                | 7,743                                |
| Current inventories                                 | 5,384                                | 5,377                                |
| Other current assets                                | 3,040                                | 1,464                                |
| Total current assets                                | 17,600                               | 17,049                               |
| Non-current assets                                  |                                      |                                      |
| Property, plant and equipment                       | 1,167                                | 1,066                                |
| Other non-current assets                            | 131                                  | 76                                   |
| Total non-current assets                            | 1,298                                | 1,142                                |
| Total assets  | 18,898                               | 18,191                               |

## Liabilities and Equity

|  | As of December<br>31, 2018<br>ThUS\$ | As of December<br>31, 2017<br>ThUS\$ |
|--|--------------------------------------|--------------------------------------|
| Liabilities                                    |                                      |                                      |
| Current liabilities                            |                                      |                                      |
| Trade payables due to related parties, current | 576                                  | 584                                  |
| Current tax liabilities                        | 50                                   | -                                    |
| Other current liabilities                      | 211                                  | 196                                  |
| Total current liabilities                      | 837                                  | 780                                  |
| Non-current liabilities                        |                                      |                                      |
| Deferred tax liabilities                       |                                      | -                                    |
| Provisions for employee benefits, non-current  | 389                                  | 459                                  |

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|                               |        |        |
|-------------------------------|--------|--------|
| Total non-current liabilities | 389    | 459    |
| Total liabilities             | 1,226  | 1,239  |
| Equity                        |        |        |
| Total equity                  | 17,672 | 16,952 |
| Total liabilities and equity  | 18,898 | 18,191 |

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## 10) FINANCIAL REPORTS

**Ajay SQM Chile****Summary Statements of Income by Function**

|   | January to December |           |
|---|---------------------|-----------|
|   | 2018                | 2017      |
|   | ThUS\$              | ThUS\$    |
| Revenue                                   | 32,758              | 23,732    |
| Cost of sales                             | (28,262 )           | (20,302 ) |
| Gross profit                              | 4,496               | 3,430     |
| Profit (loss) from operating activities   |                     |           |
| Profit (loss) before taxes                | 3,310               | 2,805     |
| Income tax expense, continuing operations | (910 )              | (717 )    |
| Profit for the year                       | 2,400               | 2,088     |

**Summary Statements of Comprehensive Income**

|                            | January to December |        |
|----------------------------|---------------------|--------|
|                            | 2018                | 2017   |
|                            | ThUS\$              | ThUS\$ |
| Profit for the year        | 2,400               | 2,088  |
| Other comprehensive income | -                   | -      |
| Total comprehensive income | 2,400               | 2,088  |



## 10) FINANCIAL REPORTS

**Ajay SQM Chile**

|   | January to December |       |
|---|---------------------|-------|
|   | 2018                | 2017  |
|   | US\$                | US\$  |
| Earnings per share                          |                     |       |
| Common shares                               |                     |       |
| Basic earnings per share (US\$ per share)   | 2.517               | 2.189 |
| Diluted common shares                       |                     |       |
| Diluted earnings per share (US\$ per share) | 2.517               | 2.189 |

**Summary Statements of Cash Flows**

|  | 2018    | 2017    |
|--|---------|---------|
|  | ThUS\$  | ThUS\$  |
| Net cash generated from (used in) operating activities   | 4,200   | 1,833   |
| Net cash generated from (used in) investing activities   | (245 )  | (211 )  |
| Net cash generated from (used in) financing activities   | (1,680) | (2,082) |
| Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate | 2,275   | (460 )  |
| Effects of exchange rate fluctuations on cash held   | -       | -       |
| Net (decrease) increase in cash and cash equivalents   | 2,275   | (460 )  |
| Cash and cash equivalents at beginning of period   | 359     | 819     |
| Cash and cash equivalents at end of period   | 2,634   | 359     |

## 10) FINANCIAL REPORTS

**Ajay SQM Chile S.A.****Summary Statements of Changes in Equity**

| 2018                            | Share capital | Retained earnings | Total    |
|---------------------------------|---------------|-------------------|----------|
|                                 | ThUS\$        | ThUS\$            | ThUS\$   |
| Equity at beginning of the year | 5,314         | 11,638            | 16,952   |
| Profit for the year)            | -             | 2,400             | 2,400    |
| Comprehensive income            | -             | 2,400             | 2,400    |
| Dividends                       | -             | (1,680 )          | (1,680 ) |
| Increase (decrease) in equity   | -             | 720               | 720      |
| Equity as of December 31, 2018  | 5,314         | 12,358            | 17,672   |

| 2017                            | Share capital | Retained earnings | Total    |
|---------------------------------|---------------|-------------------|----------|
|                                 | ThUS\$        | ThUS\$            | ThUS\$   |
| Equity at beginning of the year | 5,314         | 11,230            | 16,946   |
| Profit for the year)            | -             | 2,088             | 2,088    |
| Comprehensive income            | -             | 2,088             | 2,088    |
| Dividends                       | -             | (2,082 )          | (2,082 ) |
| Increase (decrease) in equity   | -             | 6                 | 6        |
| Equity as of December 31, 2017  | 5,314         | 11,638            | 16,952   |

## 10) FINANCIAL REPORTS

### Ajay SQM Chile S.A.

#### Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended December 31, 2017, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

#### Relationships between the parent and the entity

Ajay-SQM Chile S.A. is controlled by two shareholders: Sociedad Química y Minera de Chile S.A. and Ajay Chemicals Inc. with ownership percentages of 51% and 49%, respectively.

Sociedad Química y Minera de Chile S.A. is registered with the Securities Registry of the Chilean Commission for Financial Markets (CMF) ex Superintendence of Securities and Insurance (SVS) under No. 0184 dated March 18, 1983 and is subject to the inspection of the CMF.

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

As of December 31, 2018 and December 31, 2017, the detail of entities that are related parties is as follows:

| Tax ID No.   | Name                                    | Country of origin | Functional currency | Nature |
|--------------|---|-------------------|---------------------|--------|
| 93.007.000-9 | Sociedad Química y Minera de Chile S.A. | Chile             | US\$                | Parent |

**Trade receivables due from related parties, current:**

| Tax ID N°        | Company  | Nature | Country of origin | Currency | 12/31/2017 | 12/31/2016 |
|------------------|----------|--------|-------------------|----------|------------|------------|
|                  |          |        |                   |          | ThUS\$     | ThUS\$     |
| 93.007.000-9     | SQM S.A. | Parent | Chile             | Ch\$     | 5,354      | 7,743      |
| Total a la fecha |          |        |                   |          | 5,354      | 7,743      |

As of December 31, 2018 and December 31, 2017, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

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11) RESPONSIBILITY STATEMENT

**11) RESPONSIBILITY STATEMENT**

The Directors and Chief Executive Officer of SQM S.A. declare that we have exercised our respective functions as administrators and chief executive of the Company in conformity with the practices that are customarily used for such purposes in Chile and, in accordance with these practices, we swear under oath that the information in this 2018 Annual Report is true and that we accept any liability that may arise from this statement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Registrant)

Date: April 5, 2019 /s/ Gerardo Illanes  
By: Gerardo Illanes  
CFO

**Persons who are to respond to the collection of information contained SEC 1815 (04-09) in this form are not required to respond unless the form displays currently valid OMB control number.**