CHEMICAL & MINING CO OF CHILE INC
Form 20-F/A
October 31, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

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

OR

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

For the fiscal year ended December 31, 2012

OR

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

OR

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

Date of event requiring this shell company report________________________________

For the transition period from _____________to__________

Commission file number 33-65728

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(Exact name of registrant as specified in its charter)

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

CHILE

(Jurisdiction of incorporation or organization)

El Trovador 4285, 6th Floor, Santiago, Chile +56 2 425-2000

(Address of principal executive offices)

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

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

Title of each class	Name of each exchange on which registered
Series B shares, in the form of American Depositary Shares	New York Stock Exchange

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

NONE

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

NONE

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

Series A shares 142,819,552

Series B shares 120,376,972

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange act of 1934:

£ YES T NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

T YES £ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

£ YES £ NO

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

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

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

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

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

Indicate by check mark which financial statement item the registrant has elected to follow.

£ Item 17 TItem 18

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

£ YES T NO

EXPLANATORY NOTE

Sociedad Química y Minera de Chile S.A. ("SQM") is filing this amendment to Form 20-F for the fiscal year ended December 31, 2012, which was filed with the Securities and Exchange Commission on April 22, 2013 (the "2012 Form 20-F"), to file the correct audit report of independent registered public accounting firm of Ernst & Young Ltda.(included in this 2012 Form 20-F/A).

Except for the amendment described above, and the updated certifications of SQM's chief executive officer and chief financial officer, this amendment does not modify or update other disclosures in or exhibits to the 2012 Form 20-F. The financial statements of SQM included in this amendment have not changed since the filing of the 2012 Form 20-F.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18. Financial Statements

ITEM 18. FINANCIAL STATEMENTS

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

ITEM 19. EXHIBITS

(a) Index to Financial Statements

*All other schedules have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(b) Exhibits

Exhibit No.	Exhibit
1.1	By-laws (Estatutos) of the Company**
8.1	Significant subsidiaries of the Company***
12.1	Section 302 Chief Executive Officer Certification***
12.2	Section 302 Chief Financial Officer Certification***
12.3	Section 302 Chief Executive Officer Certification
12.4	Section 302 Chief Financial Officer Certification
13.1	Section 906 Chief Executive Officer Certification***
13.2	Section 906 Chief Financial Officer Certification***
13.3	Section 906 Chief Executive Officer Certification
13.4	Section 906 Chief Financial Officer Certification

**Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2010 filed with the Securities and Exchange Commission on June 30, 2011.

***Previously filed on April 22, 2013.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this amended annual report on its behalf.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(CHEMICAL AND MINING COMPANY OF CHILE INC.)

/s/ Ricardo Ramos

Ricardo Ramos R.

Chief Financial Officer and

Business Development Senior Vice President

Date: October 30, 2013

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Contents

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Sociedad Química y Minera de Chile S.A.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, cash flows and of changes in equity present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers

Santiago, Chile

April 22, 2013

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Sociedad Química y Minera de Chile S.A.:

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

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

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

/s/ ERNST & YOUNG LTDA.

Santiago, Chile, March 01, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, (continued)

Liabilities and Equity	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Liabilities			
Current liabilities			
Current financial liabilities	9.4	152,843	161,008
Trade and other accounts payable	9.5	207,944	183,032
Trade accounts payable due to related parties	8.3	19	873
Other current provisions	15.1	18,489	16,937
Current tax liabilities	23.2	23,624	75,418
Current accruals for employee benefits	13.1	33,974	30,074
Other current non-financial liabilities	15.3	172,200	161,961
Total current liabilities		609,093	629,303
Non-current liabilities			
Non-current financial liabilities	9.4	1,446,194	1,237,027
Other non-current provisions	15.1	7,357	8,595
Deferred tax liabilities	23.4	125,445	98,594
Non-current accruals for employee benefits	13.1	40,896	33,684
Total non-current liabilities		1,619,892	1,377,900
Total liabilities		2,228,985	2,007,203
Equity	14		
Share capital		477,386	477,386
Retained earnings		1,676,169	1,351,560
Other reserves		(20,772)	(16,112)
Equity attributable controlling interests		2,132,783	1,812,834
Non-controlling interest		54,663	51,546
Total equity		2,187,446	1,864,380
Total liabilities and equity		4,416,431	3,871,583

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

CONSOLIDATED STATEMENT OF INCOME

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

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

CONSOLIDATED STATEMENT OF INCOME (continued)

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

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

STATEMENT OF CHANGES IN EQUITY

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

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

STATEMENT OF CHANGES IN EQUITY

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

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

STATEMENT OF CHANGES IN EQUITY

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

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

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

Note 1 – Identification and Activities of the Company and Subsidiaries

1.1 Historical background

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

The Company is registered with the Securities Registry of the Chilean Superintendence of Securities and Insurance (“SVS”) under No. 0184 dated March 18. 1983 and is subject to the inspection of the SVS.

1.2 Main domicile where the Company performs its production activities

The Company’s main domiciles are: Calle Dos Sur plot No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Administración Building w/n - Maria Elena; Administración Building w/n Pedro de Valdivia - María Elena, Former Florencia office w/n - Sierra Gorda, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 5 Norte Highway - Pozo Almonte, Pampa Yumbes w/n - Tal-tal.

1.3 Codes of main activities

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

- 1700 Mining
- 2200 Chemical products
- 1300 Investment

1.4 Description of the nature of operations and main activities

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

Notes to the consolidated financial statements as of December 31 2012

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

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

From the Company´s caliche ore deposits, the Company produces a wide range of nitrate-based products used for specialty plant nutrients and industrial applications, as well as iodine and iodine derivatives. At the Salar de Atacama, its extracts brines rich in potassium, lithium, sulfate and boron in order to produce potassium chloride, potassium sulfate, lithium solutions, boric acid and bischofite (magnesium chloride). The Company produces lithium carbonate and lithium hydroxide at our plant near the city of Antofagasta, Chile, from solutions delivered from the Salar de Atacama. The Company markets all of these products through an established worldwide distribution network, in more than 100 countries worldwide and generate most of its revenue from foreign countries.

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

Specialty plant nutrients: This segment is characterized by being closely related to its customers for which we employ specialized staff who provide expert advice in best practices for fertilization according to each type of crop, soil and climate. Within this segment, potassium derivative products and specially potassium nitrate have a leading role in their contribution to crop development ensuring improvements in post-crop life, in addition to improving quality, flavor and fruit color. Potassium nitrate, which is sold in multiple formats and as a part of other specialty mixtures, is complemented by sodium nitrate, potassium sodium nitrate, and more than 200 fertilizing mixtures.

Iodine and derivatives: The Company is the largest producer of iodine in the world, which is a product widely used in the pharmaceutical, technology and nutrition industries. Additionally, iodine is used as X-ray contrast media and polarizing film for LCD displays.

Lithium and derivatives: The Company’s lithium is mainly used for manufacturing rechargeable batteries for cell phones, cameras and notebooks. Through the manufacturing of lithium-based products, SQM provides significant materials to address challenges such as the efficient use of energy and raw materials. Lithium is not only used for rechargeable batteries and in new technologies for electric vehicles, but is also used in industrial applications to lower melting temperature and to help reduce energy costs.

Notes to the consolidated financial statements as of December 31 2012

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

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

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

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

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

1.5 Other background

Employees

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

Notes to the consolidated financial statements as of December 31 2012

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

1.5 Other background, continued

Main shareholders

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

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

(*) Total Pampa Group 30.50%

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

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

(*) Total Pampa Group 31.97%

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Notes to the consolidated financial statements as of December 31 2012

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

2.1 Financial statements

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

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

2.2 Basis of measurement

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

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

Notes to the consolidated financial statements as of December 31 2012

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

2.3 Accounting pronouncements

Accounting pronouncements

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

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

IAS 19 Revised "Employee Benefits"

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

IAS 27 "Separate Financial Statements"

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

IAS 28 "Associates and Joint Ventures"

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

IFRS 9 “Financial Instruments”

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

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

IFRS 10 “Consolidated Financial Statements”

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

Notes to the consolidated financial statements as of December 31 2012

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

2.3 Accounting pronouncements, continued

IFRS 11 "Joint Arrangements"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IFRS 13 "Fair Value Measurement"

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

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

IAS 1 "Presentation of Financial Statements"

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

IFRS 7 "Financial Instruments: Information to be disclosed"

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

IAS 32 "Financial Instruments: Presentation"

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

Notes to the consolidated financial statements as of December 31 2012

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

IAS 16 “Property, Plant, and Equipment”

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

IAS 32 “Presentation of Financial Instruments”

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

IAS 34 “Intermediate Financial Information”

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

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

2.4 Transactions in foreign currency

(a) Functional and presentation currency

The Company's consolidated financial statements are presented in United States Dollars ("U.S. Dollars" or "US$"), which is the Company's functional and presentation currency and is the currency of the primary economic environment in which it operates.

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

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

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

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

(b) Basis of conversion

Domestic subsidiaries:

Assets and liabilities denominated in Chilean Pesos and other currencies other than the U.S. Dollar as of December 31, 2012 and December 31, 2011 have been translated to U.S. Dollars at the exchange rates prevailing on those dates. The corresponding Chilean Pesos were converted at Ch$479.96 and Ch$519.20 per US$1.00 as of December 31, 2012 and 2011 respectively.

The values of the UF (a Chilean Peso-denominated, inflation-indexed monetary unit) used to convert the UF denominated assets and liabilities as of December 31, 2012 amounted to Ch$22,840.75 (US$47.59) and Ch$22,294.03 (US$42.94) as of December 31, 2012 and 2011 respectively.

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Notes to the consolidated financial statements as of December 31 2012

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

2.4 Transactions in foreign currency, (continued)

Foreign subsidiaries

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

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

(c) Transactions and balances

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

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

Notes to the consolidated financial statements as of December 31 2012

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

2.4 Transactions in foreign currency, continued

(d) Group entities

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

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

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

2.5 Basis of consolidation

(a) Subsidiaries

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Subsidiaries	Country of origin	Functional currency	Ownership interest 12/31/2012 Direct	Indirect	Total	12/31/2011 Total
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US$	0.8600	99.1400	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	The Netherlands	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Dutch Antilles	US$	0.0002	99.9998	100.0000	100.0000
Foreign	SQI Corporation N.V.	Dutch Antilles	US$	0.0159	99.9841	100.0000	100.0000
Foreign	SQM Comercial De México S.A. De C.V.	Mexico	US$	0.0013	99.9987	100.0000	100.0000
Foreign	North American Trading Company	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. De C.V.	Mexico	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Perú S.A.	Peru	US$	0.9800	99.0200	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos Mexico S.A. De C.V.	Mexico	US$	0.0000	51.0000	51.0000	51.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US$	1.0000	99.0000	100.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US$	2.7900	97.2100	100.0000	100.0000
Foreign	SQM France S.A.	France	US$	0.0000	100.0000	100.0000	100.0000

Notes to the consolidated financial statements as of December 31 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

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

Notes to the consolidated financial statements as of December 31 2012

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

2.5 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest Direct	12/31/2012 Indirect	Total	12/31/2011 Total
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	Chilean peso	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	Chilean peso	1.0000	99.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	1.0000	99.0000	100.0000	100.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US$	0.0003	99.9997	100.0000	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US$	0.0000	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US$	18.1800	81.8200	100.0000	100.0000
78.602.530-3	Minera Nueva Victoria Ltda.(b)	Chile	US$	-	-	-	100.0000
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	0.0000	60.5800	60.5800	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	0.0000	100.0000	100.0000	100.0000
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. (c)	Chile	Chilean peso	0.0000	42.4468	42.4468	42.4468
76.145.229-0	Agrorama S.A. (d)	Chile	Chilean peso	0.0000	60.6377	60.6377	60.6377

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

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

2.5 Basis of consolidation, continued

(b) Equity accounted investments

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

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

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

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

2.6 Segment reporting

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

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

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

Notes to the consolidated financial statements as of December 31 2012

2.7 Significant accounting judgments, estimates and assumptions

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

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies

3.1 Cash and cash equivalents

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

3.2 Financial assets

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

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

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

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

(b) Loans and trade receivables

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

(c) Financial assets held to maturity

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

3.3 Financial derivatives and hedge transactions

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

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

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

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

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

(a) Fair value hedge

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

For fair value hedges related to assets or liabilities recorded at amortized cost, the adjustment of the fair value is amortized against profit or loss during the period through maturity. Any adjustment to the carrying value of a hedged financial instrument for which the effective rate is used is amortized to profit or loss at its fair value attributable to the hedged risk.

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

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

(b) Cash flow hedges

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

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

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

3.4 Trade and other receivables

Trade and other receivables relate to non-derivative financial assets with fixed and determinable payments and are not quoted in any active market. These receivables arise from sales involving products and services to customers.

These assets are initially recognized at their fair value, which is equivalent to their face value, and subsequently at amortized cost according to the effective interest rate method less a provision for impairment loss. An allowance for impairment loss is established for trade receivables when there is objective evidence that the Company will not be able to collect amounts which are owed to it according to the original terms of receivables.

3.5 Inventory

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

The Company evaluates the net realizable value of inventories at the end of each reporting period, recording a provision with a charge to income when circumstances are warranted. When the circumstances previously causing the reserve cease to exist, or when there is

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices, the previous estimate is modified accordingly. Provisions on the Company's inventories are made based on a technical studies covering the different variables affecting finished products such as density and humidity, among other factors.

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

3.6 Intangible assets

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

(a) Goodwill

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

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

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

(b) Water rights

Acquired water rights represent water from natural sources and are recorded at acquisition cost. Depending on the contractual terms, water rights can be granted on a perpetual basis or be subject to a fixed term. Water rights with a contractual fixed term are amortized over the life of the agreement. Water rights granted on a perpetual basis are not amortized; however, they are subject to an annual impairment assessment.

(c) Right of way for electric lines

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

(d) Computer software

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

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

3.7 Property, plant and equipment

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

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

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

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

Gains or losses generated from the sale or disposal of property, plant and equipment are recognized as income (or loss) in the period and calculated as the difference between the asset's net sales value and its carrying value.

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

3.8 Impairment of non-financial assets

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

3.9 Financial liabilities

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

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

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

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

(b) Trade payables

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

(c) Interest-bearing loans

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

3.10 Current and deferred taxes

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

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

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

Tax on companies and variations in deferred tax assets or liabilities that are not the result of business combinations are recorded in statement of income accounts or equity accounts in the Consolidated Statement of Financial Position, considering the origin of the gains or losses which have generated them.

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

The carrying value of deferred tax assets has been reviewed and reduced to the extent there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, deferred tax assets that are not recognized were evaluated and not recognized if it was not more likely than not, that future taxable income will not allow for recovery of the deferred tax asset.

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

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

3.11 Obligations related to employee termination benefits and pension commitments

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

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

3.12 Share based payments

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

3.13 Other provisions

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

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

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

3.14 Revenue recognition

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

(a) Sale of goods

Sales of goods are recognized when the Company has delivered products to the customer, the customer has total discretion on the distribution channel and the price at which products are sold and there is no obligation pending compliance that could affect the acceptance of products by the customer. The delivery does not occur until products have been shipped to the customer or confirmed as received by customers when the related risks of obsolescence and loss have been transferred to the customer and the customer has accepted products in accordance with the conditions established in the sale, the acceptance period has ended, or there is objective evidence that those criteria required for acceptance have been met.

Sales are recognized in consideration of the price set in the sales agreement, net of volume discounts and other credits at the date of the sale. Volume discounts are evaluated in consideration of annual foreseen purchases and in accordance with the criteria defined in agreements.

(b) Sales of services

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

Notes to the consolidated financial statements as of December 31 2012

Note 3 – Significant accounting policies (continued)

3.15 Exploration expenses

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

3.16 Research and development costs

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

3.17 Environmental expenditures

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

3.18 Minimum dividend

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

3.19 Earnings per share

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 4 – Financial risk management

4.1 Risk Management Policy

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

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

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

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

4.2 Risk Factors

4.2.1 Market Risk

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

a) <u>Country risk</u>

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

b) Price volatility risk

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

Notes to the consolidated financial statements as of December 31 2012

Note 4 – Financial Risk Management (Continued)

c) Commodities price risk

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

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

4.2.2 Uncollectible Accounts Risks

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

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

4.2.3 Foreign Exchange Risk

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

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

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

Notes to the consolidated financial statements as of December 31 2012

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

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

4.2.4 Interest rate risk

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

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

4.2.5 Liquidity Risk

Liquidity risk relates to funding requirements to comply with payment obligations. The Company´s objective is to keep financial flexibility by comfortably balancing funding requirements and cash flows from the regular business conduct, bank loans, public bonds, short term investments, and negotiable instruments, among others.

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

On the other hand, world financial markets go through contraction and expansion periods that are not foreseeable in the long term and may affect SQM's access to financial resources. These factors may have a material adverse impact on the business, financial position, and operational results of the Company.

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

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

4.3 Risk Measurement

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

Note 5 – Background of consolidated companies

5.1 Parent's separate assets and liabilities

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

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

5.2 Controlling entity

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

Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.3 Joint arrangements of the controlling interest

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

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

Detail of effective concentration

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

Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries

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

12/31/2012

				Ownership interest			Assets	Liabilities	Total e
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$	ThUS$	ThUS$
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	735,546	534,869	200,6
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	221	-	221
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	292	-	292
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9999	1,149,717	14,306	1,135
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	357,590	326,522	31,06
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,527	872	655
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	26,262	6,226	20.03
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	451	-	451
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,611,208	464,669	1,146
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1,988,068	1,070,450	917,6
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31,944	4,383	27,56
Sociedad Prestadora de	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	1,037	902	135

Servicios de Salud Cruz del Norte S.A.									
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	186,462	73,470	112,99
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	17,208	15,996	1,212
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	8,100	230	7,870
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	14,250	14,093	157
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	319,812	284,290	35,52

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Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2012

Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Ownership interest Direct	Indirect	Total	Assets ThUS$	Liabilities ThUS$	Total equity ThUS$	Net (los ThU
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,214	-	5,214	(10
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	290	5,005	(4,715)	(28
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	-	5,076	-
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	86,953	3,724	83,229	(3,
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	904	1,214	(310)	(16
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	19,419	18,065	1,354	244
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	723	942	(219)	78
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17	43	(26)	(8
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	24,597	1,657	22,940	2,4
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,476	711	1,765	(12
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	391,590	356,719	34,871	(14
	Foreign	Italy	US$	-	100.0000	100.0000	1,360	18	1,342	-

SQM Italia SRL										
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	1	4	-
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	305	39	266	-
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,204	14,829	14,375	(1
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	79,092	55,672	23,420	3,2

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Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2012

				Ownership interest			Assets	Liabilities	Total equ
Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Direct	Indirect	Total	ThUS$	ThUS$	ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	64,264	40,239	24,025
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	242,707	253,736	(11,029
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,785	1,265	14,520
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	422	176	246
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	333	1,146	(813
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351	114	237
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	50	811	(761
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	33	23	10
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	179,048	102,950	76,098
SQM Iberian S.A	Foreign	Spain	US$	-	100.0000	100.0000	81,429	81,883	(454
	Foreign	The Netherlands	US$	-	100.0000	100.0000	16,929	0	16,929

Iodine Minera B.V.									
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	98,127	91,370	6,757
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	5,621	1,613	4,008
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	18	11	7
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	3,637	1,779	1,858
Total							7.805.674	3.847.033	3.958.64

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Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Ownership interest Direct	Indirect	Total	Assets ThUS$	Liabilities ThUS$	Total e ThUS$
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	819,424	665,515	153,9
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	204	-	204
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	268	-	268
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9974	771,112	120,138	650,9
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	277,296	250,558	26,73
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,127	716	411
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	26,977	9,855	17,12
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	419	1	418
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,438,672	610,538	828,1
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1,889,981	1,066,598	823,3
Minera Nueva Victoria S.A..	78.602.530-3	Chile	US$	99.000	1.0000	100.0000	112,628	4,527	108,1
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31,878	4,082	27,79
Sociedad Prestadora de Servicios de	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	757	648	109

Salud Cruz del Norte S.A.									
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	191,346	82,750	108,59
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	11,555	10,264	1,291
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	7,681	241	7,440
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	328	226	102
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	188,554	176,816	11,73

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Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Ownership interest Direct	Indirect	Total	Assets ThUS$	Liabilities ThUS$	Total equity ThUS$	Net pro (los ThU
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,224	-	5,224	(4
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	2,349	6,804	(4,455)	27
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	-	5,076	-
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	89,469	3,715	85,754	40
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	6,466	6,611	(145)	(75
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	9,724	9,176	548	(83
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	354	1,050	(696)	11
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17	36	(19)	6
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	21,131	614	20,517	10
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,968	1,078	1,890	51
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	430,994	393,419	37,575	20

SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,333	17	1,316	-
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	1	4	(1
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	306	39	267	-
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,207	14,830	14,377	(3
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	68,572	48,406	20,166	(1,

Notes to the consolidated financial statements as of December 31 2012

Note 5– Background of consolidated companies (continued)

5.4 Information on consolidated subsidiaries, continued

12/31/2011

Subsidiary	Tax ID No.	Country of incorporation	Functional currency	Ownership interest Direct	Indirect	Total	Assets ThUS$	Liabilities ThUS$	Total equ ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	65,123	41,991	23,132
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	196,735	203,543	(6,808
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,785	1,264	14,521
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	429	144	285
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	477	1,232	(755
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351	114	237
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	13	915	(902
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	27	17	10
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	153,211	72,969	80,242
SQM Iberian S.A	Foreign	Spain	US$	-	100.0000	100.0000	27,225	25,638	1,587
	Foreign	The Netherlands	US$	-	100.0000	100.0000	13,228	7	13,221

Iodine Minera B.V.									
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	62,335	52,657	9,678
SQM Venezuela S.A.	Foreign	Venezuela	US$	-	100.0000	100.0000	5	328	(323
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	4,349	1,042	3,307
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	63	18	45
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	2,147	1,910	237
Total							6,984,905	3,893,058	3,091,84

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Notes to the consolidated financial statements as of December 31 2012

Note 5 – Background of consolidated companies (continued)

5.5 Detail of transactions between consolidated companies

a) Transactions conducted in 2012

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

b) Transactions conducted in 2011

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

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

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

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 6 – Cash and cash equivalents

6.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

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

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

6.2 Short-term investments, classified as cash equivalents

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

Institution	12/31/2012 ThUS$	12/31/2011 ThUS$
Legg Mason - Western Asset Institutional Liquid Reserves	47,408	47,162
BlackRock - Institutional cash series PLC	47,490	48,025
JP Morgan USD Dollar Liquidity Fund Institutional	47,048	48,386
Total	141,946	143,573

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Notes to the consolidated financial statements as of December 31 2012

Note 6 – Cash and cash equivalents (continued)

6.3 Information on cash and cash equivalents by currency

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

Original currency	12/31/2012	12/31/2011
	ThUS$	ThUS$
U.S. Dollar	234,166	308,631
Chilean Peso (*)	76,712	125,118
South African Rand	7,421	5,450
Euro	3,601	3,070
All other	2,453	2,723
Total	324.353	444,992

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

6.4 Amount of significant restricted or (unavailable) cash balances

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 6 – Cash and cash equivalents (continued)

6.5 Short-term deposits, classified as cash equivalents

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

Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Principal ThUS$	Interest accrued to-date ThUS$	12/31/2012 ThUS$	12/31/ ThUS$
Banco Crédito e Inversiones	Fixed term	Chilean peso	0,49	12/10/2012	01/17/2013	25.290	87	25.377	9.677
Banco Crédito e Inversiones	Fixed term	Chilean peso	0,50	12/07/2012	02/07/2013	12.299	49	12.348	9.676
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	25.20
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20.01
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20.53
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20.01
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20.01
Banco Santander-Santiago	Fixed term	Chilean peso	0,49	12/06/2012	0103/2013	11.609	47	11.656	12.09
Banco Santander-Santiago	Fixed term	Chilean peso	0,49	12/06/2012	01/03/2013	7.493	30	7.523	20.11
Banco Santander-Santiago	Fixed term	Chilean peso	0,45	12/28/2012	01/10/2013	6.252	3	6.255	20.11
Banco Santander-Santiago	Fixed term	US$	1,12	12/07/2012	02/07/2013	8.005	6	8.011	20.11
Banco Santander-Santiago	Fixed term	US$	0,70	12/21/2012	01/07/2013	3.500	1	3.501	3.001
Banco Santander Santiago	Fixed term	US$	0,70	12/21/2012	01/07/2013	3.500	1	3.501	-
Citibank New – York	Overnight	US$	0,01	12/31/2012	12/01/2013	20.146	-	20.146	115
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/01/2013	1.181	-	1.181	1.586
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/01/2013	17.256	-	17.256	-
Citibank New – York	Overnight	US$	0,01	12/31/2012	01/03/2013	10.605	-	10.605	-

Citibank New – York	Overnight	US$	0,01	12/31/2012	01/02/2013	2.582	-	2.582	-
Corpbanca	Fixed term	Chilean peso	0,53	12/26/2012	02/01/2013	9.990	-	9.999	16.04
Corpbanca	-	-	-	-	-	-	-	-	20.01
Corpbanca	-	-	-	-	-	-	-	-	10.03
Corpbanca	-	-	-	-	-	-	-	-	10.00
IDBI Bank	-	-	-	-	-	-	-	-	2
Banco BBVA Chile	Fixed term	Indian rupee	-	12/31/2012	01/31/2013	2	-	2	5.042

Notes to the consolidated financial statements as of December 31 2012

Note 6 – Cash and cash equivalents (continued)

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

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

Receiver of the deposit	Type of Deposit	Original Currency	Interest Rate	Placement date	Expiration date	Principal ThUS$	Interest accrued to-date ThUS$	12.31.2012 ThUS$	12.3 ThU
Corpbanca	Fixed term	US Dollar	1.30	10/18/2011	01/11/2012	16,000	43	-	-
Corpbanca	Fixed term	US Dollar	2.60	12/20/2011	01/19/2012	20,000	16	-	-
Corpbanca	Fixed term	US Dollar	2.75	12/21/2011	01/25/2012	10,024	8	-	-
Corpbanca	Fixed term	US Dollar	2.75	12/21/2011	01/25/2012	10,000	8	-	-
IDBI Bank	Fixed term	Rupia Hindú	-	12/31/2011	01/31/2012	2	-	-	-
Total								139,943	263

Notes to the consolidated financial statements as of December 31 2012

Note 7 - Inventory

Inventory consists of the following:

Type of inventory	12/31/2012 ThUS$	12/31/2011 ThUS$
Raw materials	8,675	10,111
Supplies for production	37,919	31,602
Products-in-progress	411,039	356.038
Finished products	438,603	346.651
Total	896,236	744,402

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

Reserves by inventory class are as follows:

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures

8.1 Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. The Company has not recorded any impairment in accounts receivable related to amounts owed by related parties based on evaluations conducted each reporting period through an examination of the financial position of the related party in the market in which they operate.

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

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

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

79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other related parties
Foreign	Coromandel Internacional	India	Indian rupee	Other related parties
Foreign	Vitas Roullier SAS	France	Euro	Other related parties
Foreign	SQM Vitas Brasil Agroindustria	Brazil	US$	Joint business or significant influence
Foreign	SQM Vitas Perú S.A.C.	Peru	US$	Joint business or significant influence
Foreingn	SQM Vitas Southem Africa Pty.	South Africa	US$	Joint business or significant influence
Foreign	Misr Speciality Fertilizers(*)	Egypt	Egyptian pound	Associate
Foreign	NU3 N.V. (a)	Belgium	Euro	Associate
Foreign	NU3 B.V. (a)	The Netherlands	Euro	Associate

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

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

8.2 Detail of related parties and transactions with related parties

Transactions between the Parent (SQM S.A) and its subsidiaries are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. In addition, these have been eliminated in consolidation and are not detailed in this note.

Maturity terms for each case vary by virtue of the transaction giving rise to them.

As of December 31, 2012, 2011 and 2010, there were no allowances for doubtful accounts related to balances pending of transactions with related parties as there was no impairment to them.

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

Tax ID No.	Company	Nature	Country of origin	Transaction	12/31/2012 ThUS$	12/31/2011 ThUS$	12/31/2010 ThUS$
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey	Sale of products	9,587	26,748	12,460
Foreign	Ajay Europe S.A.R.L.	Associate	France	Sale of products	37,232	27,743	22,150
Foreign	Ajay Europe S.A.R.L.	Associate	France	Dividends	3,564	824	628
Foreign	Ajay North America LLC.	Associate	United States	Sale of products	42,081	47,501	35,502
Foreign	Ajay North America LLC.	Associate	United States	Dividends	10,175	1,499	
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Sale of products	6,285	8,234	12,384
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	Dividends	525	-	-
Foreign	NU3 B.V.	Associate	The Netherlands	Sale of products	-	15,708	12,921
Foreign	NU3 B.V.	Associate	The Netherlands	Services sales	-	-	102

Foreign	NU3 N.V.	Associate	Belgium	Sale of products	-	9,993	12,590
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	Sale of products	10,203	7,355	1,613
Foreign	Misr Speciality Fertilizers	Associate	Egypt	Sale of products	-	-	502

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Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

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

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

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

8.3 Trade receivables due from related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency	12/31/2012 ThUS$	12/31/2011 ThUS$
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Chilean peso	303	685
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	US$	6,098	5,521
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	US$	-	3,899
Foreign	Ajay Europe S.A.R. L.	Associate	France	US$	4,775	4,603
Foreign	Ajay North America LLC.	Associate	United States	US$	4,633	7,387
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	US$	1,805	4,587
Foreign	Misr Speciality Fertilizers	Associate	Egypt	US$	-	199
Foreign	Kowa Company Ltd.	Jointly controlled entity	Japan	US$	29,929	44,188
96.511.530-7	Soc.de Inversiones Pampa Calichera	Jointly controlled entity	Chile	US$	8	8
Foreign	SQM Star Qingdao Corp Nutrition Co. Ltd	Joint venture	China	US$	27	71
Foreign	SQM Vitas Brasil Agroindustria	Joint venture	Brazil	US$	27,903	27,523
Foreign	SQM Vitas Perú S.A.C.	Joint venture	Peru	US$	18,143	17,534
Foreign	SQM Vitas Southern Africa PTY	Joint venture	South Africa	US$	1,478	597
Foreign	Coromandel SQM	Joint venture	India	Indian rupee	756	23
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint venture	China	US$	4,000	-
79.049.778-9	Callegari Agrícola S.A.	Other related parties	Chile	Chilean peso	844	314
Foreing	Coromandel Internacional	Other related parties	India	Indian rupee	670	-
Total to-date					101,372	117,139

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

8.3 Trade payables due to related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency	12/31/2012 ThUS$	12/31/2011 ThUS$
Foreign	SQM Vitas Fzco	Joint venture	United Arab Emirates	Arab Emirates dirham	19	873
Total to-date					19	873

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

8.4 Board of directors and senior management

1) Board of directors

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

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

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

2) Directors' Compensation

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

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

b) A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.35% of profit for the period effectively earned by the Company during each fiscal year.

c) A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.04% of profit for the period effectively earned by the Company during each fiscal year.

d) The fixed and variable amounts indicated above will not be subject to any charge between them, and those expressed as a percentage will be paid immediately after the shareholders at the respective Annual General Shareholders' Meeting of the Company approve the consolidated financial statements, the annual report, the report by the account inspectors and the report of external auditors for each fiscal year.

Notes to the consolidated financial statements as of December 31 2012

Note 8 – Related party disclosures (continued)

8.4 Board of directors and senior management, continued

The remuneration of the Audit Committee is detailed as follows:

a) A payment of a monthly, fixed and gross amount of UF 17 in favor of each of the three Directors who are a part of the Company’s Audit Committee regardless of the number of meetings conducted during the respective month.

b) A payment in domestic currency and in favor of each of the three Directors of a variable and gross amount equivalent to 0.013% of the Company’s profit for the period effectively earned by the Company during fiscal years 2012 and 2011.

3) The remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2012 and 2011 amount to ThUS$3,973 and ThUS$3,030, respectively.

4) As of December 31, 2012 and 2011, the global compensation paid to the 120 top executives amounted to ThUS$32,888 and ThUS$22,509, respectively. This includes monthly fixed salary and variable performance bonuses.

5) Additionally, the Company has retention bonuses for the Company’s executives. The amount of these bonuses is linked to the price of the Company’s shares and is payable in cash between 2012 and 2016 (See note 15).

6) No guarantees have been constituted in favor of the Company’s management.

7) The Company’s Directors and senior managment do not receive or have not received any benefit during the period ended December 31, 2012 and 2011 or compensation related to pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding paragraphs.

8) One of the Company’s Board of Directors is member of the Ultramar Group. Operations with between the Company and the Ultramar Group consisted of approximately ThUS$22,577 and ThUS$13,751 for the years ended December 31, 2012 and 2011, respectively.

9) No guarantees have been constituted in favor of the directors.

Notes to the consolidated financial statements as of December 31 2012

Note 9 – Financial instruments

Financial assets in conformity with IAS 39 are detailed as follows:

9.1 Types of other financial assets

Types of other financial assets	12/31/2012 ThUS$	12/31/2011 ThUS$
Other current financial assets (1)	244,161	129,069
Derivatives (2)	680	14,455
Hedging assets, current	71,262	25,737
Total other current financial assets	316,103	169,261
Other non-current financial assets (3)	107	117
Hedging assets, non-current	29,385	30,371
Total other non-current financial assets	29,492	30,488

(1) Term deposits with maturities exceeding 90 days from the investment date.

(2) Forwards and options that are not classified as hedging instruments (see detail in note 9.3).

(3) Guarantees delivered for the lease of offices and investments in Sociedad Garantizadora de Pensiones (ownership interest of 3%).

Detail of other current financial assets

Institution	12/31/2012 ThUS$	12/31/2011 ThUS$
Banco Santander	41,691	13,753
BBVA	31,579	33,528
Banco de Crédito e Inversiones	82,145	17,739
Banco de Chile	42,992	44,849

Corpbanca	10,499	19,200
Banco Scotiabank	25,141	-
Banco Itau	10,114	-
Total	244,161	129,069

9.2 Trade and other receivables, current and non-current

	12/31/2012			12/31/2011		
	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Total ThUS$
Trade receivables	490,770	-	490,770	387,607	-	387,607
Prepayments	14,046	-	14,046	10,706	-	10,706
Other receivables	5,800	1,311	7,111	13,749	1,070	14,819
Total trade and other receivables	510,616	1,311	511,927	412,062	1,070	413,132

Notes to the consolidated financial statements as of December 31 2012

Note 9 – Financial instruments, (continued)

9.2 Trade and other receivables, continued

	12/31/2012			12/31/2011		
	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Receivables related to credit operations, current	507,562	(16,792)	490,770	404,320	(16,713)	387,607
Trade receivables, current	507,562	(16,792)	490,770	404,320	(16,713)	387,607
Prepayments, current	14,046	-	14,046	10,706	-	10,706
Other receivables, current	7,801	(2,001)	5,800	15,709	(1,960)	13,749
Trade and other receivables, current	529,409	(18,793)	510,616	430,735	(18,673)	412,062
Other receivables, non-current	1,311	-	1,311			