

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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2019

OR

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

for the transition period from _____ to _____

OR

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

Date of event requiring this shell company report _____

Commission file number 33-65728

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.
(Exact name of Registrant as specified in its charter)

CHEMICAL AND MINING COMPANY OF CHILE INC.
(Translation of Registrant's name into English)

CHILE
(Jurisdiction of incorporation)

El Trovador 4285, 6th floor, Santiago, Chile +56 2 2425 2000
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Series B common shares, in the form of American Depositary Shares each representing one Series B share	SQM	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 stock or common stock as of the close of business covered by the annual report.

Series A Common Shares 142,819,552
Series B Common 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. Yes No

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

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

Indicate by check mark whether the registrant has submitted, electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

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

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

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

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

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PRESENTATION OF INFORMATION

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

All references to “US\$,” “U.S. dollars,” “USD” and “dollars” are to United States dollars, references to “pesos,” “CLP” and “Ch\$” are to Chilean pesos, references to ThUS\$ are to thousands of United States dollars, references to ThCh\$ are to thousands of Chilean pesos and references to “UF” are to *Unidades de Fomento*. The UF is an inflation-indexed, peso-denominated unit that is linked to, and adjusted daily to reflect changes in, the previous month’s Chilean consumer price index. As of December 31, 2019, UF 1.00 was equivalent to US\$37.81 and Ch\$28,311.77 according to the Chilean Central Bank (*Banco Central de Chile*). As of March 16, 2020, UF 1.00 was equivalent to US\$34.11 and Ch\$28,542.28.

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

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

1 kilometer equals approximately 0.6214 miles

1 meter equals approximately 3.2808 feet

1 centimeter equals approximately 0.3937 inches

1 hectare equals approximately 2.4710 acres

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

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

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

GLOSSARY

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

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

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

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

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

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

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

“**CMF**” The Chilean Financial Market Commission. (*La Comisión para el Mercado Financiero*), formerly known as the Superintendence of Securities and Insurance (*Superintendencia de Valores y Seguros* or SVS).

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

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

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

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

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

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

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

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

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

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

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

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

“**LIBOR**” London Inter Bank Offered Rate.

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

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

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

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

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

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

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

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

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

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

“Resources—Indicated Mineral Resource” ** The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The calculation is based on detailed exploration, sampling and testing information gathered through appropriate sampling techniques from locations such as outcrops, trenches and exploratory drill holes. The locations are too widely or inappropriately spaced to confirm geological continuity and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than a Measured Mineral Resource, but has a higher level of confidence than an Inferred Mineral Resource.

A deposit may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow the Competent Person, as that term is defined under Chilean Law No. 20,235, determining the Mineral Resource to confidently interpret the geological framework and to assume continuity of mineralization. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and to enable an evaluation of economic viability.

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

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

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

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

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

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

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

“Weighted average age” The sum of the product of the age of each fixed asset at a given facility and its current gross book value as of December 31, 2019 divided by the total gross book value of the Company’s fixed assets at such facility as of December 31, 2019.

* The definition of a Controller Group that has been provided is the one that applied to the Company. Chilean law provides for a broader definition of a “controller group”, as such term is defined in Title XV of Chilean Law No. 18,045.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- volatility of global prices for our products;
- political, economic and demographic developments in certain emerging market countries, where we conduct a large portion of our business;
- the impact of the global novel coronavirus (COVID-19) pandemic and any associated economic downturn on our future operating and financial performance;
- changes in production capacities;
- the nature and extent of future competition in our principal markets;
- our ability to implement our capital expenditures program, including our ability to obtain financing when required;
- changes in raw material and energy prices;
- currency and interest rate fluctuations;
- risks relating to the estimation of our reserves;
- changes in quality standards or technology applications;
- adverse legal, regulatory or labor disputes or proceedings;
- changes in governmental regulations;
- a potential change of control of our company; and
- additional risk factors discussed below under Item 3. Key Information—Risk Factors.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. Selected Financial Data

The following table presents selected financial data as of and for the years ended December 31, 2019, 2018, 2017, 2016, and 2015. The selected financial data should be read in conjunction with the Consolidated Financial Statements and notes thereto, "Item 5. Operating and Financial Review and Prospects" and other financial information included herein.

(in millions of US\$) ⁽¹⁾	For the years ended December 31,				
	2019	2018	2017	2016	2015
Statement of income:					
Revenues	1,943.7	2,265.8	2,157.3	1,939.3	1,728.3
Cost of sales ⁽²⁾	(1,383.6)	(1,485.6)	(1,394.8)	(1,328.3)	(1,185.6)
Gross profit	560.1	780.2	762.5	611.0	542.7
Other income ⁽³⁾	18.2	32.0	17.8	15.2	15.3
Administrative expenses	(117.2)	(118.1)	(101.2)	(88.4)	(86.8)
Other expenses by function ^{(4) (5) (6) (7) (8)}	(26.0)	(36.9)	(53.6)	(82.5)	(106.4)
Other gains (losses)	0.4	6.4	0.5	0.7	3.8
Net impairment gains on reversal (losses) on financial assets	1.1	3.0	(8.0)	(7.2)	(2.9)
Finance income	26.3	22.5	13.5	10.1	11.6
Finance expenses	(76.9)	(57.8)	(50.1)	(57.5)	(69.9)
Equity income of associates and joint ventures accounted for using the equity method	9.8	6.4	14.5	13.0	10.3
Foreign currency exchange differences	(2.2)	(16.6)	(1.3)	0.5	(12.4)
Income before income tax expense ⁽⁴⁾	390.6	621.1	594.6	414.9	308.3
Income tax expense	(110.0)	(179.0)	(166.2)	(133.0)	(83.8)
Profit for the year ⁽⁴⁾	280.6	442.1	428.4	281.9	224.5
Profit attributable to:					
Controlling interests ⁽⁴⁾	278.1	439.8	427.7	278.3	220.4
Non-controlling interests	2.5	2.2	0.7	3.6	4.2
Profit for the year ⁽⁴⁾	280.6	442.1	428.4	281.9	224.5
Basic earnings per share ⁽⁹⁾	1.06	1.67	1.63	1.06	0.84
Basic earnings per ADS ⁽¹⁰⁾	1.06	1.67	1.63	1.06	0.84
Dividends per share ^{(11) (12)}	1.22	2.09	1.84	1.44	0.47
Dividends per ADS ^{(11) (12) (13)}	1.22	2.09	1.84	1.44	0.47
Weighted average ^{(9) (10)} shares outstanding (000s)	263,197	263,197	263,197	263,197	263,197

- (1) Except shares outstanding, dividend and net earnings per share and net earnings per American Depositary Share (“ADS”).
- (2) Cost of sales includes the payment obligations under lease contract with Corfo, which includes quarterly lease payments based on product sales from leased mining properties and since 2018, annual contributions to research and development, to local communities, to the Antofagasta Regional Government and to the municipalities of San Pedro de Atacama, María Elena and Antofagasta. The expenses related to Corfo were US\$143.9 million in 2019, US\$182.9 million in 2018, US\$46.3 million in 2017, US\$41.9 million in 2016 and US\$23.2 million in 2015.
- (3) Other income for 2018 includes pre-tax income of US\$14.5 million related to the sale of our interest in the Mínera Exar S.A. lithium project in Argentina.
- (4) Other expenses for 2014 includes provisions of US\$7 million corresponding to payments made in 2015 to the Chilean Internal Revenue Service (*Servicio de Impuestos Internos* or “SII”) for expenses that may not have qualified as tax expenses under the Chilean tax code. However, since such payments were made after March 3, 2015, the date on which the Company filed its statutory consolidated financial statements filed with the CMF, such provisions were included in net income for the period ended December 31, 2015 for purposes of the Company’s statutory consolidated financial statements. [For more information, see “Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks as a result of legal proceedings and deferred prosecution agreements with U.S. and Chilean governmental authorities in relation to certain payments made by SQM between the tax years 2009 and 2015.”, and “Item 8.A.7. Legal Proceedings.”]
- (5) Other expenses for 2015 include a charge of US\$57.7 million for impairment and severance indemnities related to the restructuring of our Pedro de Valdivia operations.
- (6) Other expenses for 2016 include a charge of US\$32.8 million for impairment related to the closing of the train between Coya Sur and Tocopilla. Other expenses for 2016 also include charges of US\$30.5 million related to the Company’s agreement with the U.S. Department of Justice and the administrative cease and desist order issued by the U.S. Securities and Exchange Commission in connection the inquiries arising out of the alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act. For more information, see “Item 3D. Risk Factors—Risks Relating to our Business—We could be subject to numerous risks as a result of legal proceedings and deferred prosecution agreements with U.S. and Chilean governmental authorities in relation to certain payments made by SQM between the tax years 2009 and 2015.” and “Item 8.A.7 Legal Proceedings.”
- (7) Other expenses for 2017 include a charge of US\$20.4 million relating to payment by our subsidiary SQM Salar S.A. to Corfo after entering into the Corfo Arbitration Agreement (as defined in “Item 3.D. Risk Factors - Risks Relating to our Business”) to terminate the arbitration proceedings and amend the existing Lease Agreement and Project Agreement (each as defined in “Item 3.D. Risks Factors - Risks Relating to our Business”). For more information, see “Item 8.A.7 Legal Proceedings.”
- (8) As a result of the adoption of IFRS 9, a reclassification was made to present gains on reversal (losses) separately from other expenses as function.
- (9) The Company has not conducted any transaction that would give rise to a potential dilutive effect on its earnings per share in any of the indicated years. The total number of outstanding shares as of each period end is the same as the weighted average shares outstanding.
- (10) The calculation of earnings per ADSs and dividends per ADS for the years indicated is based on the ADS ratio of 1:1.
- (11) Dividends are paid from net income as determined in accordance with CMF regulations. See “Item 8.A. Dividend Policy.” For dividends in Ch\$, see “Item 8.A. Dividend Policy—Dividends.”
- (12) Dividend amount paid per calendar year to shareholders of the Company. See “Item 8.A. Dividend Policy.”
- (13) Dividend amounts per share paid in Chilean pesos were Ch\$825.53 in 2019, Ch\$1,310.05 in 2018, Ch\$916.32 in 2017, Ch\$993.41 in 2016 and Ch\$316.06 in 2015.

(in millions of US\$)	As of December 31,				
	2019	2018	2017	2016	2015
Balance sheet data:					
Total assets	4,684.2	4,268.1	4,296.2	4,218.0	4,643.8
Total liabilities	2,549.7	2,130.3	2,048.8	1,910.8	2,243.4
Total equity	2,134.5	2,137.8	2,247.5	2,307.3	2,400.4
Equity attributable to controlling interests	2,086.3	2,085.5	2,187.8	2,246.1	2,339.8
Equity attributable to non-controlling interest	48.2	52.3	59.6	61.2	60.6
Capital stock	477.4	477.4	477.4	477.4	477.4

3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

3.D. Risk Factors

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

Risks Relating to our Business

We could be subject to numerous risks as a result of legal proceedings and deferred prosecution agreements with U.S. and Chilean governmental authorities in relation to certain payments made by SQM between the tax years 2009 and 2015.

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

On October 14, 2015, two class action complaints then pending against the Company, our former CEO and then-current CEO and CFO, alleging violations of the U.S. securities laws in connection with the subject matter of the investigations described above, were consolidated into a single action in the United States District Court for the Southern District of New York. On November 13, 2015, our former CEO and then-current CEO and CFO were voluntarily dismissed from the case without prejudice. On January 15, 2016, the lead plaintiff filed a consolidated class action complaint exclusively against the Company. On January 10, 2018, the lead plaintiff filed a motion to certify a class consisting of all persons who purchased SQM American Depositary Shares ("ADS") between June 30, 2010 and March 18, 2015, and such motion remains pending before the court. For more information on the consolidated class action, see "Item 8.A.7 Legal Proceedings."

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

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

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

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

Our mineral exploitation rights under the Lease Agreement and the Project Agreement relating to the Salar de Atacama concession, upon which our business is substantially dependent, will expire in December 2030. If we are not able to extend or renew these rights beyond 2030, it could have a material adverse effect on our business, financial condition and results of operations.

Our subsidiary SQM Salar S.A. (“SQM Salar”), as leaseholder, holds exclusive and temporary rights to exploit mineral resources in the Salar de Atacama in northern Chile. These rights are owned by Corfo, a Chilean government entity, and leased to SQM Salar pursuant to (i) a 1993 lease agreement over mining exploitation concessions between SQM Salar and Corfo (the “Lease Agreement”), and (ii) the Salar de Atacama project agreement between Corfo and SQM Salar (the “Project Agreement”). The Lease Agreement provides for SQM Salar to (i) make quarterly lease payments to Corfo based on product sales from leased mining properties and annual contributions to research and development, to local communities, to the Antofagasta Regional Government and to the municipalities of San Pedro de Atacama, María Elena and Antofagasta, (ii) maintain Corfo’s rights over the mining exploitation concessions and (iii) make annual payments to the Chilean government for such concession rights. The Lease Agreement expires on December 31, 2030.

Our business is substantially dependent on the exploitation rights under the Lease Agreement and the Project Agreement, since all of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement. For the year ended December 31, 2019, revenues related to products originating from the Salar de Atacama represented 37%, of our consolidated revenues, consisting of revenues from our potassium business line and our lithium and derivatives business line for the period. As of December 31, 2019, only 11 years remain on the term of the Lease Agreement and we had extracted approximately 25% of the total permitted accumulated extraction and sales limit of lithium under the lithium extraction and sales limits.

Although we expect to begin the process of discussing the extension or renewal of the mineral exploitation rights in the Salar de Atacama under the Lease Agreement and Project Agreement with Corfo well in advance of the December 2030 expiration date, we cannot assure you that we will successfully reach an agreement with Corfo to extend or renew our mineral exploitation rights beyond 2030. Any negotiation with Corfo for an extension or renewal could involve renegotiation of any or all of the terms and conditions of the Lease Agreement and Project Agreement, including, among other things, the lithium and potassium extraction and sales limits, the lease payment rates and calculations, or other payments to Corfo.

In the event that we are not able to extend or renew the Lease Agreement beyond the current expiration date of the Lease Agreement in 2030, we would be unable to continue extraction of lithium and potassium under the Lease Agreement, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

We sell our products in approximately 110 countries around the world. In 2019, approximately 39% of our sales were made in emerging market countries: 8% in Latin America (excluding Chile); 6% in Africa and the Middle East (excluding Israel); 10% in Chile and 15% in Asia and Oceania (excluding Australia, Japan, New Zealand, South Korea and Singapore). In Note 25.5 to our consolidated financial statements, we reported revenues from Chile, Latin America and the Caribbean and Asia and others of US\$1.1 billion. We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations in those countries.

Our inventory levels may vary for economic or operational reasons.

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

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

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

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

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

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

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

Mining industry development projects typically require a number of years and significant expenditures before production can begin. Such projects could experience unexpected problems and delays during development, construction and start-up.

Our decision to develop a project typically is based on the results of feasibility studies, which estimate the anticipated economic returns of a project. The actual project profitability or economic feasibility may differ from such estimates as a result of any of the following factors, among others: changes in tonnage, grades and metallurgical characteristics of ore or other raw materials to be mined and processed; estimated future prices of the relevant products; changes in customer demand; higher construction and infrastructure costs; the quality of the data on which engineering assumptions were made; higher production costs; adverse geotechnical conditions; availability of adequate labor force; availability and cost of water and energy; availability and cost of transportation; fluctuations in inflation and currency exchange rates; availability and terms of financing; and potential delays relating to social and community issues.

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

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

We rely on certain raw materials and various energy sources (diesel, electricity, liquefied natural gas, fuel oil and others) to manufacture our products. Purchases of energy and raw materials we do not produce constitute an important part of our cost of sales, approximately 16% in 2019. In addition, we may not be able to obtain energy at any price if supplies are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in the prices of energy and raw materials to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

Over 91% of our employees are employed in Chile, of which approximately 66% were represented by 21 labor unions as of December 31, 2019. As in past years, we renegotiated four collective bargaining agreements with four unions by December 31, 2019, one year before the expiration of the agreements other than the collective bargaining agreement with Soquimich Comercial S.A., which was completed one month before its expiration date. The new collective bargaining agreements were renegotiated for a three- year period from the date they were signed. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

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

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

Lawsuits and arbitrations could adversely impact us.

We are party to a range of lawsuits and arbitrations involving different matters as described in Note 22.1 to our Consolidated Financial Statements and “Item 8.A. Legal Proceedings.” Although we intend to defend our positions vigorously, our defense of these actions may not be successful and responding to such lawsuits and arbitrations diverts our management’s attention from day-to-day operations. Adverse judgments or settlements in these lawsuits may have a material adverse effect on our business, financial condition and results of operations. In addition, our strategy of being a world leader includes entering into commercial and production alliances, joint ventures and acquisitions to improve our global competitive position. As these operations increase in complexity and are carried out in different jurisdictions, we may be subject to legal proceedings that, if settled against us, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

The success of our current investments at the Salar de Atacama and Nueva Victoria is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction. For example, on December 13, 2017, the First Environmental Court of Antofagasta ordered the temporary and partial closure of certain water extraction wells located in the Salar de Llamara. These wells allow us to extract approximately 124 liters per second of water, almost 15% of the water used in our operations in the First Region of Chile for iodine and nitrate production. In October 2018, the First Environmental Court of Antofagasta accepted our claim, and dismissed the restrictions without prejudice. It is possible that third parties could seek to reinstate these restrictions in the future. In addition, on December 26, 2019, the First Environmental Court of Antofagasta ruled that the environmental compliance plan presented by SQM Salar S.A. with respect to the Salar de Atacama and approved by Chilean Environmental Authority (*Superintendencia del Medio Ambiente*) or SMA, in January 2019 did not comply with certain proposed measures of the completeness and efficiency requirements of the Chilean environmental legislation. In January 2020, the SMA announced that it would appeal the environmental court's ruling. We believe that the environmental compliance plan, which was evaluated by the relevant regulatory authorities, safeguards the protection of the environment and is evaluating all courses of action available under applicable law with respect to this ruling.

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

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

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

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

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

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

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

As of December 31, 2019, two principal shareholder groups held in the aggregate 57.86% of our total outstanding shares, including a majority of our Series A common shares, and have the power to elect six of our eight directors. The interests of the two principal shareholder groups may in some cases differ from those of other shareholders and of each other.

One principal shareholder group is Sociedad de Inversiones Pampa Calichera S.A. and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (together, the “Pampa Group”), which currently owns 32% of the total outstanding shares of SQM. As reported to the CMF by Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation (“Tianqi”), on December 5, 2018, Inversiones TLC SpA currently owns 25.86% of the total shares of SQM.

Until November 30, 2018, the CMF considered the Pampa Group the controller of SQM. On this date, the CMF determined that in accordance with the distribution of the shares of SQM, “the Pampa Group does not exert decisive power over the management of the Company, and is therefore not considered a controlling shareholder”. The CMF could change its decision in the future if circumstances change.

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

Tianqi is a significant shareholder and a competitor of the Company, which could result in risks to free competition

Tianqi is a competitor in the lithium business, and as a result of the number of SQM shares that it owns, it has the right to choose up to three Board members. Under Chilean law, we are restricted in our ability to decline to provide information about us, which may include competitively sensitive information, to a director of our company. On August 27, 2018, Tianqi and the Chilean antitrust regulator, the Chilean National Economic Prosecutor's Office (*Fiscalía Nacional Económica*), or FNE, entered into an extrajudicial agreement, under which certain restrictive measures were implemented in order to (i) maintain the competitive conditions of the lithium market, (ii) mitigate the risks described in the agreement and (iii) limit Tianqi's access to certain information of the Company and its subsidiaries, which is defined as "sensitive information" under the agreement.

During the approval process of the extrajudicial agreement before the FNE, we expressed our concerns regarding the measures contained in the extrajudicial agreement since, in the Company's opinion, the measures (i) could not effectively resolve the risks that Tianqi and the FNE have sought to mitigate, (ii) are not sufficient to avoid access to our "sensitive information" that, in the possession of a competitor, could harm us and the proper functioning of the market and (iii) could contradict the Chilean Corporations Act.

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

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

We rely on various computer and information technology systems, and on third party developers and contractors, in connection with our operations, including two networks that link our principal subsidiaries to our operating and administrative facilities in Chile and other parts of the world and ERP software systems, which are used mainly for accounting, monitoring of supplies and inventories, billing, quality control, research activities, and production process and maintenance control. In addition, we use cloud technologies, which allows us to support new business processes and respond quickly and at low cost to changing conditions in our business and of the markets. Our information technology systems are susceptible to disruption, damage or failure from a variety of sources, including errors by employees or contractors, computer viruses, cyber-attacks, misappropriation of data by outside parties, and various other threats. We have taken certain measures to identify and mitigate these risks, including conducting a cybersecurity review and initiating process automation and digitalization projects at various sites with the object of reducing operational risk and improving security and operational efficiency, which also includes modernization of existing information technology infrastructure and communications systems. However, we cannot guarantee that due to the increasing sophistication of cyber-attacks our systems will not be compromised and because we do not maintain specialized cybersecurity insurance, our insurance coverage for protection against cybersecurity risk may not be sufficient. Cybersecurity breaches could result in losses of assets or production, operational delays, equipment failure, inaccurate recordkeeping, or disclosure of confidential information, any of which could result in business interruption, reputational damage, lost revenue, litigation, penalties or additional expenses and could have a material adverse effect on our business, financial condition and results of operations.

Recent international trade tensions could have a negative effect on our financial performance.

Economic conditions in China, an important market for the Company, are sensitive to global economic conditions. The global financial markets have experienced significant disruptions in the past, including the recent international trade disputes and tariff actions announced by the United States, China and certain other countries. The U.S. government has imposed significant tariffs on Chinese goods, and Chinese government has, in turn, imposed tariffs on certain goods manufactured in the United States. There is no assurance that the list of goods impacted by additional tariffs will not be expanded or the tariffs will not be increased materially. We are unable to predict how China or U.S. government policy, in particular, the outbreak of a trade war between China and the United States and additional tariffs on bilateral imports, may continue to impact global economic conditions. If the list of goods is further expanded or the tariff is further increased, global economic conditions of both countries could be impacted, and growth in demand for lithium or other commodities could decrease, which may have a material adverse effect on our business, financial condition and results of operations.

Outbreaks of communicable infections or diseases, or other public health pandemics, such as the recent outbreak of the novel coronavirus (COVID-19) currently being experienced around the world, have impacted and may further impact the markets in which we, our customers and our suppliers operate or market and sell products and could have a material adverse effect on our operations business, financial condition and results of operations.

Disease outbreaks and other public health conditions, such as the global outbreak of COVID-19 currently being experienced, in markets in which we, our customers and our suppliers operate, could have a significant negative impact on our revenues, profitability and business. Due to the COVID-19 outbreak, there has been a substantial curtailment and disruption of business activities around the world. These curtailments and disruptions include: manufacturing and other work stoppages, factory and other business closings, slowdowns or delays; restrictions and limitations placed on workers and factories, including quarantines and other limitations on the ability to travel and return to work; shortages and delays in production or shipment of products or raw materials; and border closures. In response to the spread of the COVID-19, the Chilean government has closed its borders for entry by non-resident foreigners for a specified period of time, prohibited the docking of cruise ships at Chilean ports, imposed a quarantine on certain neighborhoods of the capital of Santiago and other cities and imposed a nationwide curfew. These measures have not impacted imports or exports to or from Chile. However, we have seen some impacts related to the shipment of products in and out of various other countries and regions, which could further negatively impact our ability to ship products to customers and receive supplies from suppliers. We have already seen decreased demand in our businesses, especially our lithium business. Furthermore, the COVID-19 outbreak could disrupt the supply chain for materials we need to implement the planned expansions of our production capacity.

As a precaution, our management has implemented several measures to help reduce the speed at which COVID-19 spreads, including measures to mitigate the spread in the workplace, significant reductions in employee travel and a mandatory quarantine for people who have arrived from high risk destinations, in consultation with governmental and international health organization guidelines, and will continue to implement measures consistent with the evolving COVID-19 situation. While these measures have been implemented to reduce the risk of the spread of the virus in our facilities, there can be no assurance that these measures will reduce or limit the impact of COVID-19 on our operations, business, financial condition or results of operations. Our operations could be stopped as a result of, among other reasons, regulatory restrictions or a significant outbreak of the virus among our staff, which could prevent employees from reporting to shifts.

While the COVID-19 outbreak is still developing globally, international financial markets have begun to reflect the uncertainty associated with the slowdown of the global economy and the potential impact if businesses, workers, customers and others are prevented or restricted from conducting business activities due to quarantines, business closures or other restrictions imposed by businesses or governmental authorities in response to the COVID-19 outbreak. An economic downturn could affect demand for the products of our customers by their end-users and, in turn, demand from our customers for our products.

Risks Relating to Financial Markets

Currency fluctuations may have a negative effect on our financial performance.

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. Due to the riots and political unrest that affected Chile in October and November 2019, the Chilean peso exchange rate reached a historic level of Ch\$828.25 per U.S. dollar on November 29, 2019. As of December 31, 2019, the Chilean peso exchange rate was Ch\$748.74 per U.S. dollar, while as of December 31, 2018 the Chilean peso exchange rate was Ch\$694.77 per U.S. dollar. The Chilean peso therefore depreciated against the U.S. dollar by 7.8% in 2019. As of March 16, 2020, the Observed Exchange Rate was Ch\$836.66 per U.S. dollar.

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

We may be subject to risks associated with the discontinuation, reform or replacement of benchmark indices.

Interest rate, foreign exchange rate and other types of indices which are deemed to be “benchmarks” are the subject of increased regulatory scrutiny and may be discontinued, reformed or replaced. For example, in 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offered rate (“LIBOR”) benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. This and other reforms may cause benchmarks to be different than they have been in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for our business. These risks include (i) legal risks arising from potential changes required to document new and existing transactions; (ii) financial risks arising from any changes in the valuation of financial instruments linked to benchmark rates; (iii) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments; (iv) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; and (v) conduct risks arising from the potential impact of communication with customers and engagement during the transition period. The replacement benchmarks, and the timing of and mechanisms for implementation have not yet been confirmed by central banks. Although as of December 31, 2019 we had approximately US\$70 million short- and long-term debt that use a LIBOR benchmark, it is not currently possible to determine whether, or to what extent, any such changes would affect us. However, the discontinuation or reformation of existing benchmark rates or the implementation of alternative benchmark rates may have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Chile

As we are a company based in Chile, we are exposed to political risks and civil unrest in Chile.

Our business, financial condition and results of operations could be affected by changes in policies of the Chilean government, other political developments in or affecting Chile, legal changes in the standards or administrative practices of Chilean authorities or the interpretation of such standards and practices, over which we have no control. The Chilean government has modified, and has the ability to modify, monetary, fiscal, tax, social and other policies in order to influence the Chilean economy or social conditions. We have no control over government policies and cannot predict how those policies or government intervention will affect the Chilean economy or social conditions, or, directly and indirectly, our business, financial condition and results of operations. Changes in policies involving exploitation of natural resources, taxation and other matters related to our industry may adversely affect our business, financial condition and results of operations.

We are exposed to economic and political volatility and civil unrest in Chile. Changes in social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in Chile, as well as crises and political uncertainties in Chile, could adversely affect economic growth in Chile. In October and November 2019, Chile experienced riots and widespread mass demonstrations in Santiago and other major cities in Chile, triggered by an increase in public transportation fares in the city of Santiago, which involved violence and significant property damage and caused commercial disruptions throughout the country. As a result, on October 18, 2019 the Chilean government declared a 15-day period state of emergency and imposed a nighttime curfew in the greater Santiago region and other cities. The state of emergency has since been lifted and the Chilean government has introduced several social reforms, including (i) an immediate 20% increase in government-subsidized pensions; (ii) new insurance programs to cover catastrophic illnesses and medication; (iii) a guaranteed minimum monthly income for wage earners of Ch\$350,000 (approximately US\$460.95), with the difference between such guaranteed minimum monthly income and the minimum monthly wage (Ch\$301,000) to be borne by the Chilean government; (iv) the reversal of a previously announced 9.2% price increase in energy tariffs; and (v) a 40% income tax bracket for individuals earning over Ch\$15.0 million (approximately US\$19,755.04) a month, increased from 35%. In addition, President Piñera announced a pay cut for members of the Chilean Congress and the highest-paid civil servants and replaced eight ministers of his government. On November 15, 2019, representatives of Chile's leading political parties agreed to hold a referendum in April 2020, allowing Chileans to vote on whether to replace the Chilean Constitution. This referendum was delayed from April 2020 to October 2020 in an effort to reduce the spread of the coronavirus. Demonstrations continue in Chile with respect to a number of social and economic concerns, including the cost of healthcare and education, pensions and income inequality. We cannot give any assurance that these reforms and proposals will resolve the protests or whether the protests will continue or worsen. Although our operations have not been materially affected to date, the continuation of mass protests or civil unrest in Chile and government responses to them may have an adverse effect on general economic conditions in Chile, our business, financial condition and results of operations.

Changes to the Chilean Constitution could impact a wide range of rights, including mining rights, water rights and property rights generally, and could affect our business, financial condition and results of operations.

In response to the riots and mass demonstrations that occurred during October and November 2019, the Chilean government has approved calling a national referendum in April 2020 to decide whether to create a new Chilean Constitution, and if so, whether members of the Chilean Congress along with citizens elected for that task ("Elected Citizens") or a special constituent assembly comprised entirely of Elected Citizens would draft the new Chilean Constitution. This referendum was delayed from April 2020 to October 2020 in an effort to reduce the spread of the coronavirus. The timetable contemplates that if it is decided to create a new Chilean Constitution, all Elected Citizens will be elected in October 2020 and that the draft Chilean Constitution will be delivered by the drafters in September or December 2021 (depending on whether an extension is requested) for approval by the Chilean citizens in November 2021 or March 2022 (depending on whether an extension is requested). It is expected that the final draft of the new Chilean Constitution will be submitted to a public referendum for approval. Since then, the referendum timetable has been delayed from April 2020 to October 2020, in an effort to reduce the spread of the coronavirus. The existing Chilean Constitution has been in place since 1980 and any new Chilean Constitution could change the political situation of Chile, potentially changing a wide range of rights, including mining rights, water rights and property rights generally, which could affect the Chilean economy and the business outlook for the country generally and our business, financial condition and results of operations in particular.

Changes in regulations regarding, or any revocation or suspension of our concessions could negatively affect our business, financial condition and results of operations.

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

Changes in mining or port concessions could affect our business, financial condition and results of operations.

We conduct our mining operations, including brine extraction, under exploitation and exploration concessions granted in accordance with provisions of the Chilean Constitution and related laws and statutes. Our exploitation concessions essentially grant a perpetual right (with the exception of the rights granted to SQM Salar with respect to the Salar de Atacama concessions under the Lease Agreement described above, which expires in 2030) to conduct mining operations in the areas covered by the concessions, provided that we pay annual concession fees. Our exploration concessions permit us to explore for mineral resources on the land covered thereby for a specified period of time and to subsequently request a corresponding exploitation concession. Any changes to the Chilean Constitution with respect to the exploitation and exploration of natural resources and concessions granted as a result of the proposed Constitutional referendum could materially adversely affect our existing exploitation and exploration concessions or our ability to obtain future concessions and could have a material adverse effect on our business, financial condition and results of operations.

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

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

Changes in water rights laws and other regulations could affect our business, financial condition and results of operations.

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

The Chilean National Congress is considering a draft bill that declares lithium mining to be in the national interest, which if passed in its current form, could enable the expropriation of our lithium assets.

The Chilean National Congress is currently processing a bill, bulletin 10,638-08, which “Declares the exploitation and commercialization of lithium and Sociedad Química y Minera de Chile S.A. to be of national interest.” The purpose of this bill is to enable the potential expropriation of our assets, or our lithium operations in general. The bill is subject to further discussion in the Chilean National Congress, which includes several possible changes to its current wording. We cannot guarantee that the bill will not eventually be approved by the Chilean National Congress, nor that its final wording will not refer to us or our lithium operations. If the bill is approved as currently drafted, it could have a material adverse effect on our business, financial condition and results of operations.

The Chilean government could levy additional taxes on mining companies operating in Chile.

In Chile, there is a royalty tax that is applied to mining activities developed in the country. The Chilean National Congress is currently processing a bill, bulletin 12,093-08, which proposes to institute a royalty fee of 3% on the value of extracted minerals. The bill is subject to further discussion in the Chilean National Congress, which includes several possible changes to its current wording. We cannot guarantee that the bill will not eventually be approved by the Chilean National Congress. If the bill is approved as currently drafted, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

The consultation process may cause delays in obtaining regulatory approvals, including environmental permits, as well as public opposition by local and/or international political, environmental and ethnic groups, particularly in environmentally sensitive areas or in areas inhabited by indigenous populations. Furthermore, the omission of the consultation process when required by law may result in the revocation or annulment of regulatory approvals, including environmental permits already granted.

Consequently, operating projects may be affected since the omission of the consultation process, when required by law, could lead to public law annulment actions pursuing the annulment of the environmental permits granted.

However, this risk frequently arises during the environmental assessment phase when the environmental permits are to be obtained. In such scenario, affected parties may take several legal actions to declare null or void the environmental permits that omitted the consultation process, and in some cases, courts have overturned environmental approvals in which consultation was not made as prescribed in the Indigenous Rights Convention.

If the Indigenous Rights Convention affects our development plans, it could have a material adverse effect on our business, financial condition and results of operations.

We are subject to Chilean and international anti-corruption, anti-bribery, anti-money laundering and international trade laws. Failure to comply with these laws could adversely impact our business, financial condition and results of operations.

We are required to be in compliance with all applicable laws and regulations in Chile and internationally with respect to anti-corruption, anti-money laundering, receipt of stolen property, sanctions and other regulatory matters, including the FCPA. Although we and our subsidiaries maintain policies and processes intended to comply with these laws, we cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by our officers or employees.

If we or our subsidiaries fail to comply with any applicable anti-corruption, anti-bribery, receipt of stolen property or anti-money laundering laws, we and our officers and employees may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on our and our subsidiaries' business, financial condition and results of operations. Any investigation of potential violations of anti-corruption, anti-bribery or anti-money laundering laws by governmental authorities in Chile or other jurisdictions could result in an inability to prepare our consolidated financial statements in a timely manner. This could adversely impact our reputation, ability to access the financial markets and ability to obtain contracts, assignments, permits and other government authorizations necessary to participate in our and our subsidiaries' industry, which, in turn, could have adverse effects on our and our subsidiaries' business, financial condition and results of operations.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

Accounting, financial reporting and securities disclosure requirements in Chile differ in certain significant respects from those required in the United States. Accordingly, the information about us available to you will not be the same as the information available to holders of securities issued by a U.S. company. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States, and the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Chile is located in a seismically active region.

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquakes in Chile, which occurred in January 2019 and April 2017 in the Coquimbo and Valparaiso regions, had a magnitude of 6.7 and 6.9, respectively, on the Richter scale. There were also earthquakes in 2016, 2015, 2014 and 2010 that caused substantial damage to some areas of the country. Chile has also experienced volcanic activity. A major earthquake or a volcanic eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain industry standard insurance policies that include earthquake coverage, we cannot assure you that a future seismic or volcanic event will not have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Shares and to our ADSs

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

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

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

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

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

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

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

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

ADS holders may be unable to enforce rights under U.S. securities laws.

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

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

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

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

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

If we issue preemptive rights, United States holders of ADSs would not be able to exercise their rights unless a registration statement under the Securities Act were effective with respect to such rights and the shares issuable upon exercise of such rights or an exemption from registration were available. We cannot assure holders of ADSs that we will file a registration statement or that an exemption from registration will be available. We may, in our absolute discretion, decide not to prepare and file such a registration statement. If our holders were unable to exercise their preemptive rights because we did not file a registration statement, the ADS depository would attempt to sell their rights and distribute the net proceeds from the sale to them, after deducting the depository's fees and expenses. If the depository could not sell the rights, they would expire and have no further value and holders of ADSs would not realize any value from them. In either case, ADS holders' equity interests in us would be diluted in proportion to the increase in our capital stock.

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

We believe that we were not classified as a Passive Foreign Investment Company ("PFIC") for 2019. Characterization as a PFIC could result in adverse U.S. tax consequences to a U.S. investor in our shares or ADSs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time. See "Item 10.E. Taxation—Material United States Tax Considerations."

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

Currently cash dividends paid by us to foreign shareholders are subject to a 35% Chilean withholding tax. When the Company pays a corporate income tax on the income from which the dividend is paid, known as a “First Category Tax”, a credit for all or a portion of the amount of the First Category Tax, depending on the jurisdiction of the foreign shareholder, effectively reduces the rate of Withholding Tax. Foreign shareholders resident in a jurisdiction with a tax treaty in force with Chile will be credited with 100% of the Chilean corporate tax paid by us against the final taxes at the shareholder level. Foreign shareholders resident in a non-treaty jurisdiction will be subject to a higher effective tax rate on dividends because only a portion of the Chilean corporate tax paid by us will be credited against the final taxes at the shareholder level. There is a temporary rule in effect since January 1, 2017, which has been extended to December 31, 2026, that provides that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2020, even if such treaties are not in force. This is currently the status of the treaty signed between the United States and Chile. Changes in Chilean tax regulations could have adverse consequences for U.S. investors. See “Item 3.D. Risk Factors—Risks Relating to Chile—The Chilean Government Could Levy Additional Taxes on Corporations Operating in Chile” and “Item 10.E. Taxation—Material Chilean Tax Considerations.”

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Historical Background

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

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

We were formed in 1968 through a joint venture between Compañía Salitrera Anglo Lautaro S.A. (“Anglo Lautaro”) and Corfo, a Chilean government entity. Three years after our formation, in 1971, Anglo Lautaro sold all of its shares to Corfo, and we were wholly owned by the Chilean government until 1983. In 1983, Corfo began a process of privatization by selling our shares to the public and subsequently listing such shares on the Santiago Stock Exchange. By 1988, all of our shares were publicly owned. Our ADSs have traded on the NYSE under the ticker symbol “SQM” since 1993. Each ADS represents one Series B common share. We accessed international capital markets for the issuance of additional ADSs in 1995 and 1999.

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

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

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

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

In 2014, we invested in the development of new extraction sectors and production increases in both nitrates and iodine at Nueva Victoria, reaching an approximate production capacity (including the Iris facility) of 8,500 metric tons per year of iodine at the facility.

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

In 2016, we entered into a 50/50 joint venture with Lithium Americas to develop the Minera Exar lithium project in Caucharí-Olaroz in the Jujuy province of Argentina. Our interest was sold to Ganfeng Lithium Netherlands Co., BV in 2018. Ganfeng is responsible for a US\$50 million deferred payment to us if certain sales goals are met by the project. In 2016, we also made a capital contribution of US\$20 million to Elemental Minerals Limited (“Elemental Minerals”), an Australian based company whose main assets are various potassium deposits in the Republic of Congo. We invested approximately US\$20 million in exchange for 18% of the company, and a right of first refusal for approximately 20% of the total potash production of Elemental Minerals. Following this transaction at the end of 2016, Elemental Minerals changed its name to Kore Potash Limited. The State General Reserve Fund of Oman invested US\$20 million.

In 2017, we continued to expand our operations outside Chile and, together with our subsidiary SQM Australia Pty, we entered into an agreement to acquire 50% of the assets of the Mt. Holland lithium project in Western Australia. We entered into a 50/50 unincorporated joint venture with Kidman Resources Limited (“Kidman”), with respect to the Mt. Holland lithium project, to design, construct and operate a mine, concentrator and refinery to produce approximately 45,000 metric tons of lithium hydroxide per year. SQM Australia Pty committed to pay a price of US\$110 million for the 50% of the Mt. Holland assets, which was split into an initial payment of US\$25 million and a deferred payment of US\$87.5 million, both payments subject to certain conditions precedent. SQM Australia Pty paid an additional (i) US\$10 million as part of the initial payment, and (ii) US\$30 million once the deferred payment took place. All payments subject to conditions under the purchase agreement with Kidman were executed by December 2018. These investments are not included in the capital expenditure program amounts discussed in the section below. These investments were carried out with internal financing.

On September 23, 2019, Wesfarmers Limited (“Wesfarmers”) acquired all the issued ordinary shares in Kidman, becoming a 50% partner in the Mt. Holland lithium project in the joint venture with SQM Australia Pty.

On January 23, 2020, following the completion of a definitive feasibility study, we decided, together with Wesfarmers, to defer the final investment decision until the first quarter of 2021.

Capital Expenditure Program

We regularly review different opportunities to improve our production methods, reduce costs, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures in Chile have been mainly related to the organic growth and sustainability of our business, including the construction of new facilities and the renovation of plants and equipment. In 2019, we continued the development of the Mt. Holland project and completed the definitive feasibility study. Following the completion of the definitive feasibility study, we decided, together with Wesfarmers, to defer the final investment decision until the first quarter 2021. In 2019, we also expanded our lithium carbonate capacity in Chile, reaching capacity 70,000 metric tons per year.

Our capital expenditures for the years ended December 31, 2019, 2018 and 2016 were as follows:

(in millions of US\$)	2019	2018	2017
Capital expenditures	321.3	244.7	142.1

During 2019, we had total capital expenditures of US\$321.3 million, primarily related to:

- Capacity expansion projects related to the completion of the increase of our lithium carbonate production to 70,000 metric tons per year and the commencement of our lithium carbonate expansion project to reach 120,000 metric tons per year.
- Capacity expansion of lithium hydroxide production from 13,500 metric tons per year to 21,500 metric tons per year in Chile;
- Investments to increase iodine capacity to 14,800 metric tons per year in the Nueva Victoria mine; and
- Capacity expansion and optimization projects related to potassium nitrate production plants II, III and IV in Coya Sur.

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

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

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

- Capacity expansion projects related to lithium carbonate and lithium hydroxide production in Chile;
- Investments in mining workshop and operations centers to relocate operations from the Nueva Victoria mine to mining sector Tente en el Aire;
- Capacity expansion project related to potassium nitrate production; and
- General maintenance of all production units and the Port of Tocopilla in order to ensure the fulfillment of production and sales targets.

The Board of Directors has approved a capital expenditure framework for 2020 of approximately US\$450 million focused on the maintenance of our production facilities in order to strengthen our ability to meet our production goals and to increase our production capacity, primarily related to lithium carbonate and lithium hydroxide capacity expansions and nitrates and iodine capacity in Chile and development of our lithium project in Australia. We expect our installed capacity of lithium carbonate in Chile to reach approximately 120,000 metric tons by the second half of 2021, an increase of 50,000 metric tons compared to our current capacity of 70,000 metric tons. We have decided to complete our previously announced lithium hydroxide expansion of 16,000 metric tons in Chile, with two modules of 8,000 metric tons each, and believe the first stage should be completed in the first half of 2021. We will continue to do studies related to the Mt. Holland lithium project in Australia and expect to make a final investment decision in the beginning of 2021.

We do not expect that our 2020 capital investment program will require external financing. However, we always have the option to access capital markets in order to optimize our financial position.

4.B. Business Overview

The Company

We believe that we are the world's largest producer of potassium nitrate and iodine and one of the world's largest lithium producers. We also produce specialty plant nutrients, iodine derivatives, lithium derivatives, potassium chloride, potassium sulfate and certain industrial chemicals (including industrial nitrates and solar salts). Our products are sold in approximately 110 countries through our worldwide distribution network, with 89% of our sales in 2019 derived from countries outside Chile.

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

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

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

For the year ended December 31, 2019, we had revenues of US\$1,943.7 million, gross profit of US\$560.1 million and profit attributable to controlling interests of US\$278.1 million. Our worldwide market capitalization as of December 31, 2019 was approximately US\$7.0 billion.

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

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

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

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

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

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

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

The following table shows the percentage breakdown of our revenues for 2019, 2018 and 2017 according to our product lines:

	2019	2018	2017
Specialty Plant Nutrition	37%	35%	32%
Iodine and Derivatives	19%	14%	12%
Lithium and Derivatives	26%	32%	30%
Potassium	11%	12%	18%
Industrial Chemicals	5%	5%	6%
Other	2%	2%	2%
Total	100%	100%	100%

Business Strategy

SQM is a global company that develops and produces diverse products for several industries essential for human progress, such as health, nutrition, renewable energy and technology through innovation and technological development. We aim to maintain our leading world position in the lithium, potassium nitrate, iodine and thermo-solar salts markets by producing high-quality products and promoting a high-quality culture to meet the dynamic and changing requirements of our customers.

We are a company built and managed by people committed to excellence, safety and integrity. We work every day to build a culture of excellence by encouraging and promoting creativity, agility and innovation in the workplace and ensuring equality of opportunities, inclusion and diversity. We seek to create opportunities for professional development so that people achieve their maximum potential. We make ongoing efforts to meet the high standards of integrity described in our code of ethics while actively identifying and implementing ideas to better meet these standards. We strive for safe and accident-free operations by promoting conduct that favors the physical safety and psychological well-being of everyone who works directly and indirectly with the Company.

We participate in the development of the well-being of local communities by supporting projects and activities with a focus on education, business development, and protection of the environment and historical heritage. We will continue to create value for all of our stakeholders through responsible management of natural resources, sustainable expansion projects and improvement of our existing operations, with a focus on minimizing our environmental impacts by reducing our carbon, energy and water footprints and working together with our shareholders, employees, customers, suppliers and communities.

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

Specialty Plant Nutrition

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

Iodine and its Derivatives

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

Lithium and its Derivatives

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

Potassium

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

Industrial Chemicals

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

New Business Ventures

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

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

We have an in-house geological exploration team that explores the area directly, identifying drilling targets and assessing new prospects. In 2019, the team identified six new targets and confirmed mineralization in several of the targets. The number of perforated meters reached 52,374 meters and were made with four machines of which three were internal and the other external. We also have a metal business development team that works to engage partners interested in investing in metal exploration within our mining properties. As of December 31, 2019, we had eight option agreements in place with six companies, including junior mining companies, private equity firms and large mining companies. We maintain an exploration and purchase option agreement for an area of interest with a junior Canadian mining company and we are participating in the formation of two joint ventures as a result of exercising an option agreement a junior mining company.

Main Business Lines

Specialty Plant Nutrition

In 2019, specialty plant nutrients revenues decreased to US\$723.9 million, representing 37.2% of our total revenues for that year. We believe that we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 51% of global potassium nitrate sales for all applications by volume in 2019, a decrease from 54% in 2018. During 2019, the potassium nitrate market remained flat compared to 2018. These estimates do not include potassium nitrate produced and sold locally in China, only Chinese net imports and exports.

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

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

Our specialty plant nutrients advantages include that they:

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

- possess trace elements, which promote disease resistance in plants; and
- are more attractive to customers who prefer products of natural origin.

Specialty Plant Nutrition: Market

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

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

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

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

Potassium nitrate is an important market in China, although currently its demand is largely fulfilled by domestic producers. Demand totals approximately 400,000 to 420,000 metric tons, of which approximately 130,000 metric tons is related to the tobacco industry and approximately 120,000 metric tons is related to the horticulture business. Of the total, between 20,000 and 35,000 metric tons are imports.

Specialty Plant Nutrition: Our Products

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

The following table shows our sales volumes of and revenues from specialty plant nutrients for 2019, 2018 and 2017:

	2019	2018	2017
Sales volumes (Th. MT)			
Sodium nitrate	30.2	25.0	26.7
Potassium nitrate and sodium potassium nitrate	617.4	673.4	601.4
Specialty blends ⁽¹⁾	238.9	242.5	209.0
Other specialty plant nutrients ⁽²⁾	155.3	141.6	129.1
Total revenues (in US\$ millions)	723.9	781.8	697.3

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

(2) Includes trading of other specialty fertilizers.

In 2019, our specialty plant nutrients revenues decreased to US\$723.9 million, representing 37% of our total revenues for that year and a 7.4% decrease from US\$781.8 million in specialty plant nutrients revenues in 2018. Prices decreased approximately 3.8% in 2019.

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

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

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

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

Foliar feeding with potassium nitrate can have beneficial effects:

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

SQM has consolidated a product portfolio of over 200 specialty fertilizer blends, including top brands such as Ultrasol[®], for fertigation; Qrop[®], for application to the soil; Speedfol[®], for foliar feeding and Allganic[®] for organic crops. In recent years, we have added several products to our portfolio such as QropTMKS in 2015 and Ultrasol[®]ution K in 2018. These products were developed by our research and development team. Qrop is more physically stable than other products in that it is not required to be transported as hazardous cargo, which means it can be sold in other markets. We have restructured the Qrop products portfolio to include a chloride-free line for direct application to the soil with a variety of specialized formulas and unique mixtures, which make these products highly accurate and quickly available for the plant. Ultrasol[®]ution K addresses the need for potassium-free chloride and a nitrate safe for handling in the liquid fertilizer market, opening new opportunities for SQM in in the cultivation of almonds and strawberries, in which water quality and efficiency are very important.

Specialty Plant Nutrition: Marketing and Customers

In 2019, we sold our specialty plant nutrients in approximately 96 countries and to more than 1,100 customers. No customer represented more than 10% of our specialty plant nutrition revenues during 2019, and our ten largest customers accounted in the aggregate for approximately 32% of revenues during that period. No supplier accounted for more than 10% of the costs of sales for this business line.

The table below shows the geographical breakdown of our revenues:

Revenues breakdown	2019	2018	2017
North America	34%	31%	34%
Europe	21%	26%	26%
Chile	15%	14%	13%
Central and South America (excluding Chile)	11%	10%	10%
Asia and Others	20%	19%	17%

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

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

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

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

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

Specialty Plant Nutrition: Joint Ventures and Agreements

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

We have entered into joint ventures with a number of partners for specialty plant nutrition production in China, India, Peru, Brazil, Dubai, South Africa and the Netherlands. Recent joint ventures include the following:

- In 2017, three new offices started their operations in Imbituba, Rio Grande and Sao Paulo, Brazil, SQM Vitas Brazil Agroindustria, Importação e Exportação Ltda.
- In May 2018, our we began operating a new joint venture, Pavoni & C. Spa, with Pavoni, one of the largest specialty fertilizer companies in Italy. The main objective of this business is to improve the nutritional efficiency of crops, the existing fertigation, the quality of fertilizers and their applications, as well as extend the use of fertigation (from micro-irrigation).
- In 2018, our new office and storage facility in Pamira, managed by SQM Colombia SAS near the Port of Buenaventura in Colombia became operational. The new office was set up to meet the growing needs of customers in the Colombian market, especially those who grow roses and ornamental plants, coffee, bananas and fruit through a complete portfolio of soluble fertilizers and Qrop mixes.

Specialty Plant Nutrition: Fertilizer Sales in Chile

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

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

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

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

SQMC’s total sales reached US\$128 million and US\$147 million in 2019 and 2018, respectively. During 2018, no client represented more than 10% of the sales of the Company. According to the customs information related to fertilizers, the market participation of fertilizers imported directly by SQMC during 2019 was approximately 20%.

Specialty Plant Nutrition: Competition

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

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

In the potassium nitrate market, our largest competitor is Haifa Chemicals Ltd. (“Haifa”), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 16% of total world sales during 2019 (excluding sales by Chinese producers to the domestic Chinese market). Our sales accounted for approximately 51% of global potassium nitrate sales by volume for the period.

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

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

Iodine and its Derivatives

We believe that we are the world’s largest producer of iodine. In 2019, our revenues from iodine and iodine derivatives amounted to US\$371.0 million, representing 19.1% of our total revenues in that year. We estimate that our sales accounted for approximately 34% of global iodine sales by volume in 2019.

Iodine: Market

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

X-ray contrast media is the leading application of iodine, accounting for approximately 24% of demand. Iodine’s high atomic number and density make it ideally suited for this application, as its presence in the body can help to increase contrast between tissues, organs, and blood vessels with similar X-ray densities. Other applications include pharmaceuticals, which we believe account for 13% of demand; LCD and LED screens, 12%; iodophors and povidone-iodine, 8%; animal nutrition, 7%; fluoride derivatives, 7%; biocides, 6%; nylon, 4%; human nutrition, 3% and other applications, 16%.

During 2019, iodine demand grew at a similar rate as in 2018, reaching 36,700 metric tons. While traditional uses grew at the same rate as during the previous year, some applications, such as nylon fabrication and mercury remediation decreased slightly more than the increase of iodine and derivatives demand related to the LED and LCD market.

Iodine: Our Products

We produce iodine in our Nueva Victoria plant, near Iquique, and our Pedro de Valdivia plant, close to María Elena. We have a total effective production capacity of approximately 14,800 metric tons per year of iodine, including the Iris plant, which is located close to the Nueva Victoria plant.

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

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

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

The following table shows our total sales volumes and revenues from iodine and iodine derivatives for 2019, 2018 and 2017:

	2019	2018	2017
Sales volumes (Th. MT)			
Iodine and derivatives	12.7	13.3	12.7
Total revenues (in US\$ millions)	371.0	325.0	252.1

Our revenues increased to US\$371.0 million in 2019 from US\$325.0 million in 2018. This increase was primarily attributable to higher prices during 2019. Average iodine prices were more than 19.4% higher in 2019 than in 2018. Our sales volumes decreased 4.4% in 2019.

Iodine: Marketing and Customers

In 2019, we sold our iodine products in approximately 48 countries to approximately 279 customers, and most of our sales were exports. Two customers each accounted for more than 10% of our iodine revenues in 2019. These two customers accounted for approximately 31% of revenues, and our ten largest customers accounted in the aggregate for approximately 75% of revenues. No supplier accounted for more than 10% of the cost of sales of this business line.

The following table shows the geographical breakdown of our revenues:

Revenues breakdown	2019	2018	2017
North America	24%	26%	27%
Europe	33%	34%	32%
Chile	0%	0%	0%
Central and South America (excluding Chile)	2%	2%	2%
Asia and Others	40%	37%	38%

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

Iodine: Competition

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

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

Five Chilean companies accounted for approximately 59% of total global sales of iodine in 2019, including SQM, with approximately 34%, and four other producers accounting for the remaining 25%. The other Chilean producers are Atacama Chemical S.A. (Cosayach), controlled by the Chilean holding company Inverraz S.A.; ACF Minera S.A., owned by the Chilean family Urruticoechea; Algorta Norte S.A., a joint venture between ACF Minera S.A. and Toyota Tsusho; and Atacama Minerals, recently acquired by the Chinese company Tewoo.

We estimate that eight Japanese iodine producers accounted for approximately 27% of global iodine sales in 2019, including recycled iodine.

We estimate that iodine producers in the United States (one of which is owned by Toyota Tsusho and another by Ise Chemicals Ltd., both of which are Japanese companies) accounted for nearly 5% of world iodine sales in 2019.

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

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

The prices of iodine and iodine derivative products are determined by market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. Iodine supply varies primarily as a result of the production levels of the iodine producers (including us) and their respective business strategies. Our annual average iodine sales prices increased to approximately US\$29 per kilogram in 2019, from the average sales prices of approximately US\$24 per kilogram observed in 2018.

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

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

Lithium and its Derivatives

In 2019, our revenues from lithium sales amounted to US\$505.7 million, representing 26.0% of our total revenues. We believe we are one of the world's largest producers of lithium carbonate and lithium hydroxide, and we estimate that our sales volumes accounted for approximately 15% of the global lithium chemicals sales volumes.

Lithium: Market

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

Lithium carbonate and lithium hydroxide are principally used to produce the cathodes for rechargeable batteries, taking advantage of lithium's extreme electrochemical potential and low density. Batteries are the leading application for lithium, accounting for approximately 69% of total lithium demand, including batteries for electric vehicles, which accounted for approximately 46% of total lithium demand.

There are many other applications both for basic lithium chemicals and lithium derivatives, such as lubricating greases (approximately 6% of total lithium demand), heat-resistant glass (ceramic glass) (approximately 5% of total lithium demand), chips for the ceramics and glaze industry (approximately 3% of total lithium demand), chemicals for air conditioning (approximately 2% of total lithium demand), and many others, including air treatment systems, pharmaceutical synthesis and metal alloys.

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

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

During 2019, lithium chemicals demand increased by approximately 14%, reaching approximately 307,000 metric tons. We expect applications related to energy storage to continue driving demand in the coming years.

Lithium: Our Products

We produce lithium carbonate at our Salar del Carmen facilities, near Antofagasta, Chile, from highly concentrated lithium chloride produced in the Salar de Atacama as a by-product of the potassium chloride production. The annual production capacity of our lithium carbonate plant at the Salar del Carmen was expanded and is now 70,000 metric tons per year. We are in the process of increasing our production capacity to 120,000 metric tons per year. We believe that the technologies we use, together with the high concentrations of lithium and the characteristics of the Salar de Atacama, such as high evaporation rate and concentration of other minerals, allow us to be one of the lowest cost producers worldwide.

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

The following table shows our total sales volumes and revenues from lithium carbonate and its derivatives for 2019, 2018 and 2017:

	2019	2018	2017
Sales volumes (Th. MT)			
Lithium and derivatives	45.1	45.1	49.7
Total revenues (in US\$ millions)	505.7	734.8	644.6

Our revenues in 2019 were US\$505.7 million, a 31.2% decrease from US\$734.8 million in 2018, due to lower prices during the year. The average price for 2019 was approximately 31.2% lower than the average price in 2018.

Lithium: Marketing and Customers

In 2019, we sold our lithium products in approximately 45 countries to approximately 185 customers, and most of our sales were to customers outside of Chile. Two customers each accounted for more than 10% of our lithium revenues in 2019, accounting for approximately 34% of our lithium revenues. Our ten largest customers accounted in the aggregate for approximately 69% of revenues. No supplier accounted for more than 10% of the cost of sales of this business line. We make lease payments to Corfo which are associated with the sale of different products produced in the Salar de Atacama, including lithium carbonate, lithium hydroxide and potassium chloride. See Note 24.2 to our consolidated financial statements for the disclosure of lease payments made to Corfo for all periods presented.

The following table shows the geographical breakdown of our revenues:

Revenues breakdown	2019	2018	2017
North America	9%	9%	7%
Europe	15%	14%	14%
Chile	0%	0%	0%
Central and South America (excluding Chile)	1%	0%	0%
Asia and Others	75%	76%	79%

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

Lithium: Competition

Lithium is produced mainly from two sources: (i) concentrated brines and (ii) minerals. During 2019, the main lithium brines producers were Chile, Argentina and China, while the main lithium mineral producers were Australia and China. With total sales of approximately 45,100 metric tons of lithium carbonate equivalent (LCE), SQM's market share of lithium chemicals was approximately 15% in 2019. One of our main competitors is Albemarle Corporation ("Albemarle"), which produces lithium carbonate and lithium chloride in Chile and the United States, along with lithium derivatives in the United States, Germany, Taiwan and China, with a market share of approximately 25%. Albemarle also owns 49% of Talison Lithium Pty Ltd. ("Talison"), an Australian company, that is the largest producer of concentrated lithium minerals in the world, based in Western Australia. The remaining 51% of Talison is owned by Tianqi Lithium Corp. ("Tianqi"), a Chinese company producing basic lithium chemicals in China from concentrated lithium minerals. Talison sells a part of its concentrated lithium mineral production to the direct use market, but most of its production, representing approximately 23% of total lithium chemical demand, is converted into basic lithium chemicals in China by Tianqi and Albemarle. Currently, Tianqi is starting up its lithium hydroxide plant in Australia while Albemarle has one under construction. Tianqi is also a significant shareholder of ours, holding approximately 25.86% of our shares.

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

Australia is an important source of concentrated lithium minerals. Since 2018, two producers have doubled their production of concentrated mineral, which is then converted into lithium chemicals in China. One of these producers is a joint venture between Ganfeng Lithium Co. (“Ganfeng”) and Mineral Resources Ltd in the Mt. Marion project. Galaxy Resources Ltd. is another important producer with operations in Mt. Cattlin. Additionally, three new players began shipping concentrated lithium minerals in 2018, Pilbara Minerals and Altura Mining, both producing from the Pilgangoora deposit, and Alita Resources Limited, producing from the Bald Hill deposit. In addition, there were at least ten other companies producing lithium in China from brines or minerals in 2019.

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

Potassium

In 2019, our potassium chloride and potassium sulfate revenues amounted to US\$212.2 million, representing 10.9% of our total revenues and a 20.7% decrease compared to 2018, as a result of reduced sales volumes. We estimate that we accounted for less than 1% of global sales of potassium chloride in 2019.

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

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

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

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

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

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

Potassium: Market

During the last decade, growth in demand for potassium chloride, and for fertilizers in general, has been driven by several key factors, such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors contribute to fertilizer demand growth as a result of efforts to maximize crop yields and use resources more efficiently. For the last ten years, the compound annual growth for the global potassium chloride market was approximately 1-2%. We estimate that demand fell 2 million metric tons in 2019, reaching 64 million metric tons.

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

Potassium: Our Products

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

The following table shows our sales volumes of and revenues from potassium chloride and potassium sulfate for 2019, 2018 and 2017:

	2019	2018	2017
Sales volumes (Th. MT)			
Potassium chloride and potassium sulfate	597.3	831.8	1,344.3
Total revenues (in US\$ millions)	212.2	267.5	379.3

Our revenues in 2019 were US\$212.2 million, a 20.7% decrease from US\$267.5 million in 2018, due to significantly lower sales volumes during the year. Our sales volumes in 2019 were approximately 28.2% lower than sales volumes reported last year.

Potassium: Marketing and Customers

In 2019, we sold potassium chloride and potassium sulfate to approximately 514 customers in approximately 38 countries. One individual customer accounted for more than 10% of our revenues of potassium chloride and potassium sulfate in 2019, which represents approximately 12% of our total revenues. We estimate that our ten largest customers accounted in the aggregate for approximately 44% of such revenues. One supplier accounted for more than 10% of the cost of sales of this business line, accounting for approximately 13% of the cost of sales for the business line. We make lease payments to Corfo which are associated with the sale of different products produced in the Salar de Atacama, including lithium carbonate, lithium hydroxide and potassium chloride. See Note 24.2 to our consolidated financial statements for the disclosure of lease payments made to Corfo for all periods presented.

The following table shows the geographical breakdown of our revenues:

Revenues breakdown	2019	2018	2017
North America	20%	19%	18%
Europe	13%	17%	19%
Chile	13%	10%	5%
Central and South America (excluding Chile)	31%	30%	38%
Asia and Others	23%	24%	20%

Potassium: Competition

We estimate that we accounted for less than 1% of global sales of potassium chloride in 2019. Our main competitors are Nutrien, Uralkali, Belaruskali and Mosaic. We estimate that in 2019, Belaruskali accounted for approximately 20% of global sales, Nutrien accounted for approximately 18% of global sales, Uralkali accounted for approximately 16% of global sales, and Mosaic accounted for approximately 13% of global sales.

In the potassium sulfate market, we have several competitors, of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We estimate that these three producers account for approximately 30% of its worldwide production of potassium sulfate. In 2019, SQM reinstated its own production of potassium sulphate.

Industrial Chemicals

In 2019, our revenues from industrial chemicals were US\$94.9 million, representing approximately 4.9% of our total revenues for that year. We estimate that our market share in the industrial potassium nitrate market was approximately 30% for 2019.

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

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

Industrial Chemicals: Market

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

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

We see a growing trend for the CSP application as a result of its economical long duration electricity storage. The thermal storage of CSP plants helps to improve the stabilization of the electricity grid. Like all large power generation plants, such large CSP power plants are capital intensive and require a relatively long development period.

We supply solar salts to CSP projects around the world. In 2019, we supplied our solar salts to the first CSP projects in Chile and Italy totaling over 48,000 metric tons. We have also secured a contract for the supply of a major installation in the Middle East in the next 3 years.

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

Industrial Chemicals: Our Products

The following table shows our sales volumes of industrial chemicals and total revenues for 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Sales volumes (Th. MT)			
Industrial chemicals	123.5	135.9	167.6
Total revenues (in US\$ millions)	<u>94.9</u>	<u>108.3</u>	<u>135.6</u>

Revenues for industrial chemicals decreased to US\$94.9 million in 2019 from US\$108.3 million in 2018, as a result of lower sales volumes in this business line. Sales volumes in 2019 decreased 9.1% compared to sales volumes reported last year.

Industrial Chemicals: Marketing and Customers

We sold our industrial nitrate products in approximately 52 countries in 2019 to approximately 277 customers. One customer accounted for more than 10% of our revenues of industrial chemicals in 2019, accounting for approximately 37%, and our ten largest customers accounted in the aggregate for approximately 59% of such revenues. No supplier accounted for more than 10% of the cost of sales of this business line. We make lease payments to CORFO which are associated with the sale of different products produced in the Salar de Atacama, including lithium carbonate, lithium hydroxide and potassium chloride. See Note 24.2 to our consolidated financial statements for the disclosure of lease payments made to CORFO for all periods presented.

The following table shows the geographical breakdown of our revenues for 2019, 2018 and 2017:

Revenues breakdown	<u>2019</u>	<u>2018</u>	<u>2017</u>
North America	29%	25%	19%
Europe	16%	16%	21%
Chile	42%	4%	2%
Central and South America (excluding Chile)	7%	11%	7%
Asia and Others	6%	43%	51%

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

Industrial Chemicals: Competition

We believe we are one of the leading producers of sodium nitrate and potassium nitrate for industrial uses. In the case of industrial sodium nitrate, we estimate that our sales represented close to 32% of world demand in 2019 (excluding domestic demand for China and India, for which we believe reliable estimates are not available). Our competitors are mainly based in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG, a German corporation, and several producers in China and Eastern Europe are highly competitive. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrate business is Haifa, which we estimate had a market share of 16% for 2019. We estimate that our market share was approximately 30% for 2019.

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

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

In the solar salts business, we believe we have been the market leader since we started selling to commercial projects in 2007. Currently, our competitors in the potassium nitrate business are principally Chinese companies. In the sodium nitrate business, BASF is the main competitor.

Other Products

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

Production Process

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

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

Caliche Ore Deposits

Caliche ore deposits are located in the First and Second Regions in northern Chile. During 2019, our mining operations concentrated in the First Region where we mainly worked in the mining sector Tente en el Aire and in the mining sectors Nueva Victoria Oeste, Norte and Sur. The Second Region mining operations at the Pampa Blanca site, the El Toco mine (which is part of the María Elena site) and the Pedro de Valdivia site were suspended in March 2010, November 2013 and November 2015, respectively, in an effort to optimize our production facilities with lower production costs.

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

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

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

During 2019, SQM continued working with mining equipment to replace the drilling and blasting process for mining some of the caliche ore and obtaining a smaller ore size (under 6 ½ inches) that allows a better metallurgical recovery.

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

During 2019, the Pedro de Valdivia site generated solutions produced by leaching the mine tailings. These solutions are treated at the iodide plant at Pedro de Valdivia. After iodide is obtained, the remaining solutions, which are rich in nitrate and potassium, are sent to the solar evaporation ponds at Coya Sur in order to be used in the production of potassium nitrate.

Caliche Ore-Derived Products

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

Sodium Nitrate

During 2019, sodium nitrate for both agricultural and industrial applications was produced by inventory generated at the Pedro de Valdivia facility and subsequently processed at the Coya Sur plants. The production at the Pedro de Valdivia facility, until November 2015, generated approximately 700,000 tons of inventory. We used the remaining sodium nitrate inventory during 2019 to produce finished nitrates. For subsequent production of sodium nitrate, we will use nitrate salts produced at our Nueva Victoria facility, which was completed in December 2019.

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

Potassium Nitrate

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

Our current potassium nitrate production capacity at Coya Sur is approximately 1,300,000 metric tons per year. During 2019, new operational improvements have been achieved by significantly integrating the production process of the Coya Sur facilities, allowing new increases in production capacity without major investments and improving the use of raw materials from the Salar de Atacama and Nueva Victoria. The potassium nitrate produced at Coya Sur is transported to Tocopilla for shipping and delivery to customers and distributors. All potassium nitrate produced in crystallized or prilled form at Coya Sur has been certified by TÜV-Rheiland under the quality standard ISO 9001:2008.

Sodium Potassium Nitrate

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

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

The sodium potassium nitrate produced at Coya Sur is transported to Tocopilla for shipping and delivery to customers and distributors.

Iodine and Iodine Derivatives

During 2019, we produced iodine at our facilities at Nueva Victoria (including the Iris facility) and Pedro de Valdivia. Iodine is extracted from solutions produced by leaching caliche ore.

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

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

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

Our total iodine production in 2019 was 12,082 metric tons: 9,558 metric tons from Nueva Victoria, 1,174 metric tons from Iris, and 1,351 metric tons from Pedro de Valdivia. Nueva Victoria is also equipped to toll iodine from iodide delivered from our other facilities. We have the flexibility to adjust our production according to market conditions. Following the production facility restructuring at Pedro de Valdivia and Nueva Victoria, along with the ramp-up of our new iodide plant in Nueva Victoria, our total current effective production capacity at our iodine production plants is approximately 14,800 metric tons per year.

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

In September 2010, CONAMA, currently known as the Chilean Environmental Evaluation Service, approved the environmental study of our Pampa Hermosa project in the Tarapacá Region of Chile. This environmental permit allows for an increase in the production capacity of our Nueva Victoria operations to 11,000 metric tons of iodine per year and to produce up to 1.2 million metric tons of crystallized nitrates, mine up to 37 million metric tons of caliche per year and use new water rights of up to 665.7 liters per second. In Iris, we are approved for 2,000 metric tons of iodine production per year, with an annual extraction of caliche ore up to 6.48 million metric tons per year. In recent years, we have made investments in order to increase the water capacity in the Nueva Victoria operations from two water sources approved by the environmental study of Pampa Hermosa, expand the capacity of solar evaporation ponds, and implement new areas of mining and collection of solutions. Our current production capacity at Nueva Victoria is approximately 13,000 metric tons per year of iodine (including the Iris operations) and 1,000,000 metric tons per year of nitrates. Additional expansions may be implemented from time to time in the future, depending on market conditions.

Salar de Atacama Brine Deposits

The Salar de Atacama, located approximately 250 kilometers east of Antofagasta, is a salt-encrusted depression in the Atacama Desert, within which lies an underground deposit of brines contained in porous sodium chloride rock fed by an underground inflow from the Andes mountains, which is the result of millions of years of climatic and tectonic impacts. Brines are pumped from depths of 1.5 to 150 meters below surface, through a field of wells that are located in the Salar de Atacama, distributed in areas authorized for exploitation, and which contain relatively high concentrations of potassium, lithium, sulfates, boron and other minerals.

The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. Concentrations vary at different locations throughout the Salar de Atacama. Our mining exploitation rights to the Salar de Atacama are pursuant to the Lease Agreement, which expires in 2030. The Lease Agreement, as amended in January 2018, permits the Chilean Nuclear Energy Commission (*Comisión Chilena de Energía Nuclear*) to establish a total accumulated production and sales limit of up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount. See “Item 3.D. Risk Factors” and “Item 8.A.7 Legal Proceedings.”

For the year ended December 31, 2019, revenues related to products originating from the Salar de Atacama represented 37% of our consolidated revenues, consisting of revenues from our potassium business line and our lithium and derivatives business line for the period. All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement. As of December 31, 2019, only 11 years remain on the term of the Lease Agreement.

Products Derived from the Salar de Atacama Brines

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

Potassium Chloride

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

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the water contained in the brine, results in a crystallized mixture of salts with various content levels of potassium, sodium and magnesium. In the first stage of the evaporation process, sodium chloride salts (halite) precipitate, they are then harvested and removed; these salts are not used in the production process of other products. In the second stage of the evaporation process, the remaining brine from the first stage is transferred to other evaporation ponds where potassium chloride salts together with sodium chloride (sylvinite) precipitate, these salts are harvested and then sent for treatment at one of the wet potassium chloride plants where potassium chloride is separated by a grinding, flotation, and filtering process. In the final evaporation stage, salts containing magnesium are harvested and eventually can be treated at one of the cold leach plants where magnesium is removed. Part of the potassium chloride is transported approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. The use of potassium chloride salts as a raw material in Coya Sur allows us to capture significant savings, as it allows us to use potassium salts with different qualities and to avoid buying and importing potassium chloride from external sources.

The remainder of the potassium chloride produced at the Salar de Atacama is shipped to our port in Tocopilla in either crystallized (standard) or granular (compacted) form and then shipped and sold as a commodity fertilizer to third parties. All of our potassium-related plants in the Salar de Atacama currently have a nominal production capacity of up to 2.6 million metric tons per year. Actual production capacity depends on volume, metallurgical recovery rates quality of the salts used in the process and quality of the mining resources pumped from the Salar de Atacama.

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

Lithium Carbonate and Lithium Chloride

After the production of potassium chloride, a portion of the solutions remaining is sent to additional solar concentration ponds adjacent to the potassium concentration ponds. At this stage, the solution is purified and concentrated by precipitation to remove impurities it may still contain, including calcium, sulfate, potassium, sodium and magnesium, reaching a lithium concentration level of approximately 6%. Next is the process of concentration and purification of the remaining concentrated solution of lithium chloride, which is transported by truck to the Salar del Carmen production facility located near Antofagasta, approximately 230 kilometers southeast of the Salar de Atacama. At this plant, the solution is further purified and treated with sodium carbonate to produce lithium carbonate, which is dried and then, if necessary, compacted and finally packaged for shipment to customers.

The production capacity of our lithium carbonate facility at the end of 2019, following an expansion project that took place in 2018 and 2019, was 70,000 metric tons per year. We are now beginning the further expansion to 120,000 metric tons per year; which we expect to complete during 2021.

Future production will depend on the actual volumes and quality of the lithium solutions sent by the Salar de Atacama operations, as well as prevailing market conditions. Our future production will also be subject to the extraction limit described in the Lease Agreement mentioned above. See “—Salar de Atacama Brine Deposits” and “Item 8.A.7 Legal Proceedings.”

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

Lithium Hydroxide

Lithium carbonate is sold to customers, and we also use it as a raw material for our lithium hydroxide production, which started operations at the end of 2005. We currently have two lithium hydroxide plants, one of which entered into operations at the end of 2018, and have a total production capacity of 13,500 metric tons per year. These plants are located in the Salar del Carmen, adjacent to our lithium carbonate operations. In the production process, lithium carbonate is reacted with a lime solution to produce lithium hydroxide brine and calcium carbonate salt, which is filtered and piled in reservoirs. The lithium hydroxide solution is evaporated in a multiple effect evaporator and crystallized to produce the lithium hydroxide, which is filtered, dried and packaged for shipment to customers.

During 2019, we moved forward on an expansion plan which will allow us to produce an additional 8,000 metric tons per year of lithium hydroxide, reaching a total capacity of 21,500 metric tons per year. We believe this capacity level will be reached by the beginning of 2021.

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

Potassium Sulfate and Boric Acid

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

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

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

Raw Materials

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

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities companies, and liquefied natural gas and fuel oil for heat generation. Our raw material costs (excluding caliche ore and salar brines and including energy) represented approximately 16% of our cost of sales in 2019.

Since 2017, we have been connected to the central grid, which supplies electricity to the majority of cities and industries in Chile. We have several electricity supply agreements signed with major producers in Chile, which are within the contract terms. Our electricity needs are primarily covered by the Electrical Energy Supply Agreement that we entered into with AES Gener S.A. on December 31, 2012. Pursuant to the terms of the Electrical Energy Supply Agreement, we are required to purchase an amount of electricity that exceeds the amount that we estimate we will need for our operations. The excess amount is sold at marginal cost, which could result in a material loss for us.

For our supply of liquefied natural gas, we maintain a five-year contract with Engie, which was executed in 2019. In addition, we have a supply of liquefied petroleum gas (LPG) from Lipigas in the Salar del Carmen and we plan to have a supply of liquefied petroleum gas (LPG) from Lipigas in the Salar de Atacama as well as beginning in 2020 to replace diesel consumption.

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

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

Water Supply

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

Government Regulations

Regulations in Chile Generally

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

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

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

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

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

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

On September 29, 2014, the Tax Reform was published, introducing significant changes to the Chilean tax system and strengthening the powers of the Chilean Internal Revenue Service to control and prevent tax evasion. Then, on February 8, 2016, Law No. 20,899 was published which “Simplifies the Income Tax System and Perfects Other Legal Tax Provisions”. Subsequently, on February 24, 2020, Law No.21,210 was published, which “Modernizes the Tax Legislation”. As a result of these reforms, open stock corporations, such as SQM, are subject to the general rules. The corporate tax rate that applies to us increased to 27% in 2018.

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

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

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

Finally, we are subject to the Securities Law and Law No. 18,046 on Corporations (*Ley de Sociedades Anónimas* or the “Chilean Corporations Act”), which regulates corporate governance of public companies. Specifically, the Chilean Corporations Act regulates, among other things, independent director requirements, disclosure obligations to the general public and to the CMF, as well as regulations relating to the use of inside information, the independence of external auditors, and procedures for the analysis of transactions with related parties. See “Item 6.C. Board Practices” and “Item 7.B. Related Party Transactions.”

There are currently no material legal or administrative proceedings pending against us except as discussed under “Item 8.A.7 Legal Proceedings”, in Note 22 to our Consolidated Financial Statements and below under “Safety, Health and Environmental Regulations in Chile.”

Safety, Health and Environmental Regulations in Chile

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

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

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

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

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

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

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

International Regulations

We are subject to complex regulatory requirements in the various jurisdictions in which we operate, including the following implemented during 2019:

At the end of 2018, the European Parliament, the Council of Member States of the European Union and the European Commission agreed to a new regulation for fertilizers. The new European regulation reduces the maximum content limit of perchlorates in inorganic fertilizer with macronutrients, such as the potassium nitrate sold by us, to 50 ppm (0.005%). In addition to this limit, the regulation incorporates maximum levels of other pollutants, such as heavy metals, and establishes a new procedure – called a conformity assessment – to be undertaken prior to the commercialization of fertilizers in Europe. The fertilizers that we sell contain less than 0.005% of perchlorate; however, the Food Chain Security unit of the General Health and Consumer Affairs Council initiated a revision of the perchlorate limits in food that have been in force and effect since June 2015, following the European Food Safety Authority’s (“EFSA”) evaluation of human exposure to perchlorate in food and in drinkable water. We expect a new definition of the new limits of perchlorates in food in the near term.

In South Korea SQM pre-registered five chemical substances in the first half of 2019 under the K-REACH regulations, using an Exclusive Representative, in order to facilitate the regulatory compliance of our customers in this market. On January 15, 2019, the Occupational Safety and Health Act of Korea (“K-OSHA”) that applied to the chemical safety data sheets that SQM uses in South Korea was modified. The most important modification was related to that the safety data sheets must be provided to the competent authority. This modification is effective two years after publication.

On March 12, 2019, Australia approved the new Industrial Chemicals (General) Rules 2019, which regulates the import and production of industrial chemicals and replaces the current regulations. This new regulation enters into force on July 1, 2020 and establishes the import requirements for chemical substances for the product and the importer. It applies to iodine imports by SQM Oceania in Australia.

On May 25, 2019, Japan updated its standards for classification and labeling of chemical products (JIS Z 7252: 2019 and 7253: 2019) to certify them with the sixth version of the UN-GHS. This update has a transition period of three years and will require review of safety data sheets and labeling of the products that SQM sells in Japan, in 2020-2021.

During 2019, the countries that are members of the Eurasian Economic Union, including Russia, initiated a chemical inventory update process in which companies must report the chemical substances currently produced or imported into Eurasia. A pilot program was carried out in which Russia invited some companies to participate in reporting of certain chemical substances, and SQM worked with customers to provide such report. This reporting will soon be mandatory and non-reported substances will be subject to registration in accordance with Technical Regulation TR EAEU 041/2017 of the Eurasian Economic Union on Safety of Chemical Products (Eurasia-REACH).

On September 12, 2019, the Customs Standards Compendium was modified in Chile, modifying the requirements for customs declarations of products exported by SQM.

Research and Development, Patents and Licenses

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

4.C. Organizational Structure

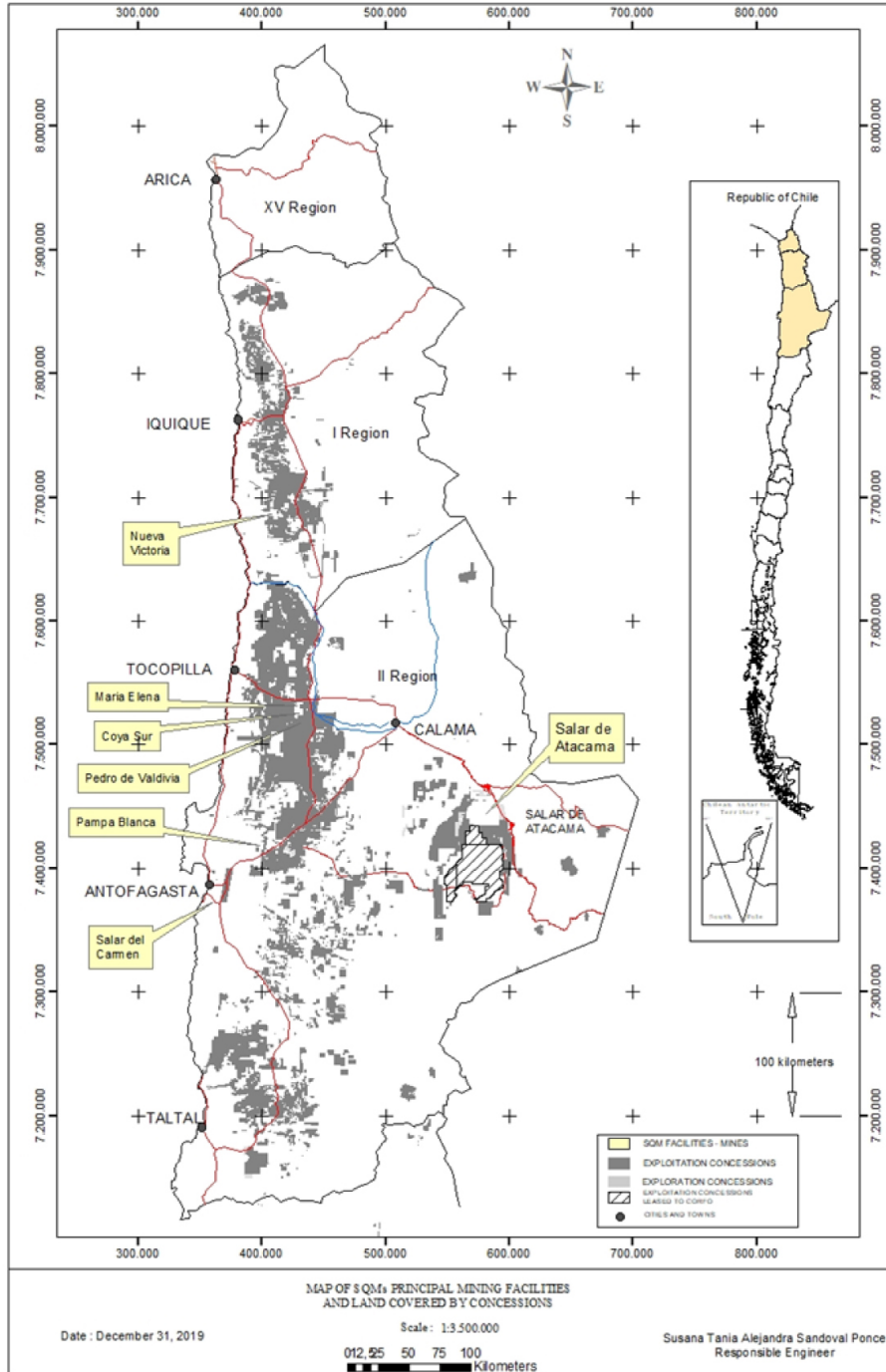
All of our principal operating subsidiaries are essentially wholly owned, except for SQMC, which is approximately 61% owned by us and whose shares are listed and traded on the Santiago Stock Exchange, and Ajay SQM Chile S.A., which is 51% owned by us. The following is a summary of our main subsidiaries as of December 31, 2019. For a list of all our consolidated subsidiaries, see Note 2.5 to our Consolidated Financial Statements.

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

4.D. Property, Plant and Equipment

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

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



Mining Concessions

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

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

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

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

As of December 31, 2019, the surface area covered by Mining Exploitation Concessions that have been granted in relation to the caliche resources of our mining sites is approximately 558,801 hectares. In addition, as of December 31, 2019, the surface area covered by Mining Exploration Concessions in relation to the caliche resources of our mining sites is approximately 300 hectares. We have not requested additional mining rights.

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

As of December 31, 2019, our subsidiary SQM Salar held exclusive rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is only entitled to exploit the mineral resources in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement. Corfo cannot unilaterally amend the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement provides for SQM Salar to (i) make quarterly lease payments to Corfo based on product sales from leased mining properties and annual contributions to research and development, to local communities, to the Antofagasta Regional Government and to the municipalities of San Pedro de Atacama, María Elena and Antofagasta, (ii) maintain Corfo’s rights over the Mining Exploitation Concessions and (iii) make annual payments to the Chilean government for such concession rights. The Lease Agreement was entered into in 1993 and expires on December 31, 2030.

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

SQM Salar holds an additional 236,692 hectares of constituted Mining Exploitation Concessions in areas near the Salar de Atacama, which correspond to mining reserves that have not been exploited. SQM Salar also holds Mining Exploitation Concessions that are in the process of being granted covering 4,980 hectares in areas near the Salar de Atacama.

In addition, as of December 31, 2019, SQM Salar held Mining Exploration Concessions covering approximately 16,900 hectares and had applied for additional Mining Exploration Concessions of approximately 1,600 hectares. Exploration rights are valid for a period of two years, after which we can (i) request a Mining Exploitation Concession for the land, (ii) request an extension of the Mining Exploration Concession for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area) or (iii) allow the concession to expire.

According to the terms of the Lease Agreement, with respect to lithium production, the CCHEN established a total accumulated extraction limit set as amended by the Corfo Arbitration Agreement in January 2018, up to 349,553 metric tons of lithium metallic equivalent (1,860,670 tons of lithium carbonate equivalent), which is in addition to the approximately 64,816 metric tons of lithium metallic equivalent (345,015 tons of lithium carbonate equivalent) remaining from the originally authorized amount in the aggregate for all periods while the Lease Agreement is in force. As of December 31, 2019, only 11 years remain on the term of the Lease Agreement. See “Item 3.D. Risk Factors” and “Item 8.A.7 Legal Proceedings.”

Concessions Generally

As of December 31, 2019, approximately 99% of SQM’s mining interests were held pursuant to Mining Exploitation Concessions and 1% pursuant to Mining Exploration Concessions. Of the Mining Exploitation Concessions, approximately 97% already have been granted pursuant to applicable Chilean law, and approximately 3% are in the process of being granted. Of the Mining Exploration Concessions, approximately 76% already have been granted pursuant to applicable Chilean law, and approximately 24% are in the process of being granted.

In 2019, we made payments of US\$7.9 million to the Chilean government for Mining Exploration and Exploitation Concessions, including the concessions we lease from Corfo. These payments do not include the payments we made directly to Corfo pursuant to the Lease Agreement, according to the percentages of the sales price of products produced using brines from the Salar de Atacama.

The following table shows the Mining Exploitation and Exploration Concessions held by SQM, including the mining properties we lease from Corfo, as of December 31, 2019:

Region of Chile	Exploitation Concessions		Exploration Concessions		Total	
	Total Number	Hectares	Total Number	Hectares	Total Number	Hectares
Region I	2,831	534,996	4	1,000	2,835	535,996
Region II	8,805	2,309,591	94	36,100	8,899	2,345,691
Region III and others	486	109,776	2	1,100	488	110,876
Total	12,122	2,954,363	100	38,200	12,222	2,992,53

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

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

Caliche: Facilities and Reserves

Caliche: Facilities

During 2019, our mining operations concentrated in the First Region where we mainly worked in the mining sector Tente en el Aire and in the mining sectors Nueva Victoria Oeste, Norte and Sur. In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria. Operations at the Pampa Blanca site were suspended in 2010, and heap leaching operations at the María Elena site were suspended in October 2013, although iodine processing continued until 2017.

Nueva Victoria

The Nueva Victoria mine and facilities are located 140 kilometers southeast of Iquique and are accessible by highway. Since 2007, the Nueva Victoria mine includes the mining properties Soronal, Mapocho and Iris. At this site, we use caliche to produce salts rich in nitrates and iodine, through heap leaching and the use of solar evaporation ponds. The main production facilities at this site include the operation centers for the heap leaching process, the iodide and iodine plants at Nueva Victoria and Iris and the evaporation ponds at the Sur Viejo sector of the site. The areas currently being mined are located approximately 25 kilometers northeast of Nueva Victoria. Solar energy and electricity are the primary sources of power for this operation.

Pampa Blanca

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

Pedro de Valdivia

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

María Elena

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

Caliche: Reserves

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

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

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

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

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

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

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

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

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

The estimates of Proven Reserves of caliche ore at each of our mines as of December 31, 2019 are set forth below. The Company holds 100% of the concession rights for each of these mines.

Mine	Proven Reserves (1) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade Average for Mine (2)
Pedro de Valdivia	91.9	6.9%	424	Nitrate 6.0 %
María Elena	83.3	7.2%	436	Iodine 300 ppm
Pampa Blanca	54.7	5.7%	538	Iodine 300 ppm
Nueva Victoria	324.7	5.5%	445	Iodine 300 ppm

In addition, the estimates of our Probable Reserves of caliche ore at each of our principal mines as of December 31, 2019, are as follows:

Mine	Probable Reserves (3) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)	Cutoff Grade (2)
Pedro de Valdivia	240.9	6.2%	414	Nitrate 6.0 %
María Elena	148.8	7.2%	381	Iodine 300 ppm
Pampa Blanca	535.5	5.3%	497	Iodine 300 ppm
Nueva Victoria	984.7	5.2%	421	Iodine 300 ppm

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

The complete technical supporting documentation for the information set forth in the table above is contained in the report "Methodology, Procedure, and Classification of SQM's Nitrate and Iodine Resources and Reserves for the Year 2019," was prepared for each mine by the geologist Vladimir Tejerina and other engineering professionals employed by SQM and validated by Mr. Sergio Alarcón and Mr. Marco Lema.

Mr. Sergio Alarcón is a geologist with more than 35 years of experience in the field. He is currently employed by SQM as a Senior Geologist in the Mining Production area. Mr. Alarcón is a Competent Person (*Persona Competente*), as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Persons and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or "Competent Person Law"). He is registered under No. 164 in the Public Registry of Competent Persons in Mining Resources and Reserves in accordance with the Competent Person Law and related regulations. He has worked as a geologist with both metallic and non-metallic deposits, with vast experience in the latter.

Mr. Marco Lema is a civil mining engineer with more than 35 years of experience. He works for SQM as Superintendent of Geology and Engineering in the mining production area. Mr. Lema is a Competent Person (*Persona Competente*), as that term is defined under Chilean Law No. 20,235, known as the Law that Regulates the Position of Competent Persons and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras* or “Competent Person Law”). He has experience working on metallic and non-metallic mine deposits.

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

The proven and probable reserves shown above are the result of the evaluation of approximately 21.00% of the total caliche-related mining property of our Company. However, we have explored more intensely the areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 79.00% of this area has not been explored or has had limited reconnaissance, which is not sufficient to determine the potential and hypothetical resources. In 2019, we did not carry out basic reconnaissance of new mining properties. With respect to detailed explorations, in 2019, we carried out recategorizations of indicated resources in the Tente en el Aire and Hermosa Norte sectors, totaling 4,456 hectares, which is still in process. Our 2020 exploration program includes the exploration of the Tente en el Aire sector, which totals 658 hectares, and the basic study of 4,100 hectares of the Mina Oeste and Tente en el Aire Oeste sectors. The reserves shown in these tables are calculated based on properties that are not involved in any legal disputes between SQM and other parties.

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

	2019		2018		2017	
	Gross Margin	Price	Gross Margin	Price	Gross Margin	Price
Iodine and Derivatives	38%	US\$29/kg	33%	US\$24/kg	21%	US\$20/kg
Specialty Plant						
Nutrition	21%	US\$695/ton	22%	US\$722/ton	20%	US\$722/ton
Industrial Chemicals	33%	US\$768/ton	33%	US\$797/ton	32%	US\$809/ton

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

Brines from the Salar de Atacama: Facilities and Reserves

Salar de Atacama: Facilites

Salar de Atacama

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

Salar de Atacama: Reserves

Our in-house staff of hydrogeologists and geologists prepares our estimates of the reserve base of potassium, sulfate, lithium and boron dissolved in brines at the Salar de Atacama. We have exploitation concessions covering an area of 81,920 hectares, in which we have carried out geological exploitation, brine sampling and geostatistical analysis. We estimate that our proven and probable reserves as of December 31, 2019, based on law, geological exploitation, brine sampling and geostatistical analysis up to a depth of 300 meters of our total exploitation concessions, are as follows:

	Proven Reserves (1) <i>(millions of metric tons)</i>	Probable Reserves (1) <i>(millions of metric tons)</i>	Total Reserves <i>(millions of metric tons)</i>
Potassium (K+) ⁽²⁾	55.2	37.4	92.5
Sulfate (SO4-2) ⁽³⁾	44.3	36.0	80.3
Lithium (Li+) ⁽⁴⁾	5.7	3.4	9.2
Boron (B3+) ⁽⁵⁾	1.6	1.2	2.8

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

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

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

(4) Recoveries for lithium vary from 28% to 50%.

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

The information set forth in the table above was validated in February 2020 by Messrs. Andrés Fock and Orlando Rojas using information that was prepared by SQM's hydrogeologists, geologists and engineers and external advisors.

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

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

Copies of the certificates of qualified competency issued by the Chilean Mining Commission for Mr. Rojas and Mr. Fock are attached hereto as Exhibit 99.3 and 99.4.

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

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

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

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

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

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

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

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

Complementing the reserves information, SQM has an environmental impact assessment (RCA 226/06) which defines a maximum brine extraction until the end of the Lease Agreement (December 31, 2030). Considering the authorized maximum net brine production rates, we have performed hydrogeological simulations using numeric flow and transport models to estimate changes in the volume and quality of the brine during the life of the project, considering the ponds infrastructure projected and existing on January 1, 2020. According to these simulations, a total of 1.19 million metric tons of lithium and 14.41 million metric tons of potassium will be extracted from the producing wells. On the other hand, the proven and probable base reserve in situ, within the authorized area of environmental extraction (RCA 226/06), corresponds to 4.89 million metric tons of lithium and 34.8 million metric tons of potassium, enough to satisfy the demand of the project until the end of the concession.

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

	2019		2018		2017	
	Gross Margin	Price	Gross Margin	Price	Gross Margin	Price
Potassium Chloride and Potassium Sulfate	17%	US\$355/ton	19%	US\$322/ton	17%	US\$282/ton
Lithium and Derivatives	39%	US\$11,212/ton	57%	US\$16,289/ton	71%	US\$12,970/ton

Other Production Facilities

Coya Sur

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

Salar del Carmen

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

The following table provides a summary of our production facilities as of December 31, 2019:

Facility	Type of Facility	Approximate Size (hectares) ⁽¹⁾	Nominal Production Capacity (thousands of metric tons/year)	Weighted Average Age (years) ⁽²⁾	Gross Book Value (millions of US\$) ⁽²⁾
Coya Sur ^{(3) (4)}	Nitrates production	1.518	Potassium nitrate: 1,300 Crystallized nitrates: 1,200 Prilled nitrates: 360	10.0	635.8
María Elena ^{(5) (6)}	Nitrates and iodine production	35.830	Nitrates: n/a Iodine: 1.6 Prilled nitrates: 300	16.4	415.9
Nueva Victoria ^{(5) (7)}	Concentrated nitrate salts and iodine production	47.492	Iodine: 13.0	9.4	543.4
Pampa Blanca ^{(5) (7) (8)}	Concentrated nitrate salts and iodide production	10.441	Nitrates: n/a Iodine: n/a	11.9	8.1
Pedro de Valdivia ^{(3) (9)}	Nitrates and iodine production	253.880	Nitrates: n/a Iodine: 3.2	14.3	225.0
Salar de Atacama ^{(3) (10)}	Potassium chloride, potassium sulfate, lithium chloride, and boric acid production	35.911	Potassium chloride: 2,680 Potassium sulfate: 245 Boric acid: 15	11.2	1,915.7
Salar del Carmen, Antofagasta ⁽³⁾	Lithium carbonate and lithium hydroxide production	184.3	Lithium carbonate: 70 Lithium hydroxide: 13.5	9.3	317.8
Tocopilla ⁽¹¹⁾	Port facilities	22	-	12.6	168.2

- (1) Approximate size considers both the production facilities and the mine for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama. Mining areas are those authorized for exploitation by the environmental authority and/or Sernageomin.
- (2) Weighted average age and gross book value correspond to production facilities, excluding the mine, for María Elena, Nueva Victoria, Pampa Blanca, Pedro de Valdivia and the Salar de Atacama.
- (3) Includes production facilities and solar evaporation ponds. During 2019, we began to work on the expansion of discard deposit area of the new lithium hydroxide plant and accumulation ponds.
- (4) The potassium nitrate produced at Coya Sur is an intermediate product that is used as a raw material for the production of finished products (crystallized nitrates and prilled nitrates). Therefore, the production capacities listed above are not independent of one another and cannot be added together to obtain an overall total capacity.
- (5) Includes production facilities, solar evaporation ponds and leaching heaps.
- (6) Operations at the El Toco mine at María Elena were suspended in November 2013.
- (7) The nominal production capacity for iodine considers the capacity of our plants. The effective capacity is 14,800 metric tons per year.
- (8) Operations at Pampa Blanca were suspended in March 2010.
- (9) In November 2015, the mining and nitrate operations at Pedro de Valdivia were suspended, and iodine production was reduced at the Pedro de Valdivia site, in order to take advantage of the highly efficient production facilities at Nueva Victoria.
- (10) Potassium chloride and potassium sulfate are produced in a dual plant, and the production capacity for each of these products depends on the production mix. Therefore, the production capacities for these two products are not independent of one another and cannot be added together to obtain an overall total capacity.
- (11) The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time.

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

Extraction Yields

The following table shows certain operating data relating to each of our mines for 2019, 2018 and 2017:

<i>(in thousands, unless otherwise stated)</i>	2019	2018	2017
Pedro de Valdivia⁽¹⁾			
Metric tons of ore mined	—	—	—
Average grade nitrate (% by weight)	—	—	—
Iodine (parts per million (ppm))	—	—	—
Metric tons of crystallized nitrate produced	—	—	—
Metric tons of iodine produced	1.4	1.0	0.9
Maria Elena⁽²⁾			
Metric tons of ore mined	—	—	—
Average grade nitrate (% by weight)	—	—	—
Iodine (ppm)	—	—	—
Metric tons of crystallized nitrate produced	—	—	—
Metric tons of iodine produced	—	—	—
Coya Sur⁽³⁾			
Metric tons of crystallized nitrate produced	771	699	613
Pampa Blanca⁽²⁾			
Metric tons of ore mined	—	—	—
Iodine (ppm)	—	—	—
Metric tons of iodine produced	—	—	—
Nueva Victoria			
Metric tons of ore mined	42,196	42,753	36,383
Iodine (ppm)	465	461	458
Metric tons of iodine produced	10.7	10.2	8.8
Salar de Atacama⁽⁴⁾			
Metric tons of lithium carbonate produced	62.3	50.4	45
Metric tons of potassium chloride and potassium sulfate and potassium salts produced	1,049	1,505	1,881

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

Transportation and Storage Facilities

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

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

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

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

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

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

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

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

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

Tocopilla processes related to the reception, handling, storage and shipment of bulk/package nitrates produced at Coya Sur are certified by the third-party organization TÜV-Rheiland under the quality standard ISO 9001:2015.

Computer System

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

In addition, we have cloud technologies, which allow us to support new business processes and respond quickly and at low cost to changing conditions of our business and of the market.

A cyber security review is being carried out to highlight possible risks and mitigate them, including raising awareness among our users related to best process and computational use practices.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

The Company's Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as published by the International Accounting Standards Board (IASB).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets, other than goodwill, are recorded at acquisition cost. Property, plant and equipment and intangible assets with definite useful lives are depreciated or amortized on a straight-line basis over their estimated useful lives.

Accounting for long-lived assets and intangible assets involves the use of estimates for determining the useful lives of the assets over which they are to be depreciated or amortized. We believe that the estimates we make to determine an asset's useful life are "critical accounting estimates" because they require our management to make estimates based on current facts and past experience and take into consideration the expected physical life of the asset, the potential for technological obsolescence, and regulations.

Inventories

The Company measures inventories at the lower of production cost and net realizable value. The cost price of finished products and work in progress includes the direct cost of materials and, when applicable, labor costs, the depreciation of goods that are involved in the production process, the indirect costs incurred in transforming raw materials into finished products, and general expenses incurred in carrying inventories to their current location and conditions. The method used to determine the cost of inventories is the weighted average monthly cost by warehouse or storage center.

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

The Company conducts an evaluation of inventories at the end of each year, recording an estimate with a charge to profit or loss when the inventory costs exceed the realizable value. This estimate is made for all the finished and intermediate products in the Company's inventory. The valuation of obsolete, impaired or slow-moving products relates to their estimated net realizable value.

Determination of volume for certain product in progress and finished product is based on topography measures and technical studies that cover the different variables (density for bulk inventories and density and porosity for the remaining stock, among others), as well as the related allowances.

In the case of finished and work in progress products, the Company makes four types of provisions which are reviewed quarterly:

- a) Provision associated with a lower value of existence: This is directly identified with the product that generates it and consist of three types: (i) provision for lower realization value, which corresponds to the difference between the cost of inventory of products , intermediate or finished, with the sale price less the costs necessary to bring them to the same state and location as the product with which it is compared; (ii) provision for uncertain future use that corresponds to the value of those products in process that are not likely to be used in sales according to the Company's long-term plans; and (iii) product reprocessing costs due to its current specification making its sale not feasible.

- b) Provision associated with physical differences in inventory: A provision is made for differences that exceed the tolerance considered in the respective inventory process (periodical and annual physical inventories are conducted for production units in Chile and the port of Tocopilla and for commercial offices, it is based on the last zero count obtained, but in general there is a physical inventory at least once a year). These differences are recognized immediately.
- c) Potential errors in the determination of stocks: The Company has an algorithm that is reviewed at least annually and that corresponds to different percentages assigned to each inventory according to the product, location, complexity in measurement, rotation and mechanisms of associated control.
- d) Provisions made by commercial offices: Corresponds to historical percentages that are adjusted to the extent that zero count is achieved, in accordance with normal inventory management.

Inventories of raw materials, materials and supplies for production are recorded at acquisition cost. Cyclical inventories are performed in warehouses, as well as general inventories every three years. Differences are recognized when detected. The company has a provision that makes quarterly calculations from percentages associated with each type of material (classification by warehouse and rotation), these percentages use the lower value resulting from deterioration or obsolescence as well as potential losses. This provision is reviewed at least annually, and considers the historical profit and loss obtained in the inventory processes.

Obligations related to staff severance indemnities and pension commitments

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

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

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

Actuarial losses and gains are directly recorded in profit or loss for the year.

The discount rate used for calculating obligations outside the United States was 3.7% and 4.6% for the periods ended as of December 31, 2019 and 2018, respectively.

The Company's subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation using a net salary progressive rate net of adjustments for inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 4.0% interest rate for 2019 and 3.75% for 2018. The net balance of this obligation is presented under the "Provisions for employee benefits, non-current" line item.

Asset value impairment

We conduct impairment tests on intangible assets with indefinite useful lives and goodwill on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-current assets, including property, plant and equipment and intangible assets with definite useful life, are reviewed for impairment whenever events or changes in circumstances of any indicate that the carrying value is lower than the recoverable amount. If such an indication exists, the asset recoverable amount is calculated in order to determine the extent of the impairment, if any. In the event that the asset does not generate any cash flows independent from other assets, we determine the recoverable amount of the cash generating unit to which this asset belongs according to the corresponding business segment (specialty plant nutrients, iodine and derivatives, lithium and derivatives, potassium, industrial chemicals and other products and services.)

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

We have recognized impairment events derived from the following:

As a result of the rain storms that affected the Tocopilla Zone at the beginning of August 2015, SQM S.A. confirmed the existence of damages in several zones in the railway between the sites Coya Sur and Tocopilla. SQM has performed several internal and external studies with the purpose of determining the costs and terms necessary to repair the damages in the railway.

Consequently, SQM has adjusted the value of the assets associated with the railway (fixed equipment, facilities and rolling equipment), which has translated into a charge of approximately US\$32 million which are reflected in the line other expenses by function in the consolidated statement of income for 2016.

On September 22, 2015, the Company decided to close the mining operations at the Pedro de Valdivia site and a portion of such site's industrial operations. This decision has been made because the Company has continued to increase its production capacity of iodine and nitrate salts in its industrial mining operations at the Nueva Victoria site and has reduced its production costs to meet sales forecasts and increase its current worldwide market share in the iodine market. The Company recognized the impairment effect of US\$58 million in the consolidated statement of income for 2015.

Contingencies

The amount recognized as a provision, including legal, contractual or constructive obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events, the likelihood of loss being incurred and when determining whether a reliable estimate of the loss can be made. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

If we are unable to rationally estimate the obligation or concluded no loss is probable but it is reasonably possible that a loss may be incurred, no provision is recorded but disclosed in the notes to the Consolidated Financial Statements.

5.A. Operating Results

Introduction

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

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

We operate as an independent corporation.

Overview of Our Results of Operations

We divide our operations into the following business lines:

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

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

Factors Affecting Our Results of Operations

Our results of operations substantially depend on:

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

Impact of Foreign Exchange Rates

We transact a significant portion of our business in U.S. dollars, which is the currency of the primary economic environment in which we operate and is our functional and presentation currency for financial reporting purposes. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile, and therefore an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar affects our costs of production. Additionally, as an international company operating in Chile and several other countries, we transact a portion of our business and have assets and liabilities in Chilean pesos and other non-U.S. dollar currencies, such as the euro, the South African rand and the Mexican peso. As a result, fluctuations in the exchange rate of such currencies to the U.S. dollar may affect our financial condition and results of operations. See Note 28 to our consolidated financial statements.

We monitor and attempt to balance our non-U.S. dollar assets and liabilities position, including through foreign exchange contracts and other hedging instruments, to minimize our exposure to foreign exchange rate risk. As of December 31, 2019, for hedging purposes we had open contracts to buy U.S. dollars and sell euros for approximately US\$26.55 million (EUR23.25 million) and to sell South African rand for approximately US\$16.15 million (ZAR238.25 million), as well as forward exchange contracts to sell U.S. dollars and buy Chilean pesos for US\$56.75 million (Ch\$49,491 million). Of the UF11.5 million outstanding bonds issued in the Chilean market, UF 8.5 million were hedged with cross-currency swaps to the U.S. dollar for approximately US\$341 million as of December 31, 2019.

In addition, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean pesos for approximately US\$289 million (Ch\$216,708 million).

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

	2019		2018		2017	
	%	US\$	%	US\$	%	US\$
Specialty plant nutrition	37%	723.9	35%	781.8	32%	697.3
Iodine and derivatives	19%	371.0	14%	325.0	12%	252.1
Lithium and derivatives	26%	505.7	32%	734.8	30%	644.6
Potassium	11%	212.2	12%	267.5	18%	379.3
Industrial chemicals	5%	94.9	5%	108.3	6%	135.6
Other products and services	2%	36.0	2%	48.5	2%	48.5
Total	100	1,1943.7	100	2,265.8	100	2,157.3

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

(in millions of US\$)	Year Ended December 31,					
	2019		2018		2017	
	US\$	%	US\$	%	US\$	%
Revenues	1,943.7	100.0	2,265.8	100.0	2,157.3	100.0
Cost of sales ⁽¹⁾	(1,383.6)	71.2	(1,485.6)	65.6	(1,394.8)	64.7
Gross profit	560.1	28.8	780.2	34.4	762.5	35.3
Other income ⁽²⁾	18.2	0.9	32.0	1.4	17.8	0.8
Administrative expenses	(117.2)	6.0	(118.1)	5.2	(101.2)	4.7
Other expenses ⁽³⁾⁽⁴⁾	(26.0)	1.3	(36.9)	1.6	(53.6)	2.5
Net impairment gains or reversal (losses) of financial assets	(1.1)	—	3	—	(8)	—
Other gains (losses)	0.4	0.5	6.4	0.3	0.5	0.0
Finance income	26.3	1.4	22.5	1.0	13.5	0.6
Finance expenses	(76.9)	4.0	(57.8)	2.6	(50.1)	2.3
Equity income of associates and joint ventures accounted for using the equity method	9.8	0.5	6.4	0.3	14.5	0.7
Foreign currency exchange differences	(2.2)	0.1	(16.6)	0.7	(1.3)	0.1
Income before income tax expense ⁽²⁾	390.6	20.1	621.0	27.4	594.6	27.6
Income tax expense	(110.0)	5.7	(179.0)	7.9	(166.2)	7.7
Profit attributable to:						
Controlling interests ⁽²⁾	278.1	14.3	439.8	19.4	427.7	19.8
Non-controlling interests	2.5	0.1	2.2	0.1	0.7	0.0
Profit for the year ⁽²⁾	280.6	14.4	442.1	19.5	428.4	19.9

(1) Cost of sales includes the payment obligations under lease contract with Corfo, which includes quarterly lease payments based on product sales from leased mining properties and since 2018, annual contributions to research and development, to local communities, to the Antofagasta Regional Government and to the municipalities of San Pedro de Atacama, María Elena and Antofagasta. The expenses related to Corfo were US\$143.9 million in 2019, US\$182.9 million in 2018, and US\$46.3 million in 2017.

(2) Other income for 2018 includes pre-tax income of US\$14.5 million related to the sale of our interest in the Minera Exar S.A. lithium project in Argentina.

(3) Other expenses for 2017 include a charge of US\$20.4 million relating to payment by our subsidiary SQM Salar to Corfo after entering into the Corfo Arbitration Agreement to terminate the arbitration proceedings and amend the existing Lease Agreement and Project Agreement. For more information, see "Item 8.A.7 Legal Proceedings."

(4) As a result of the adoption of IFRS 9, a reclassification was made to present gains on reversal (losses) separately from other expenses as function.

Results of Operations – 2019 compared to 2018

Revenues

Revenues decreased by 14.2% to US\$1,943.7 million in 2019 from US\$2,265.8 million in 2018. The main factors that caused the decrease in revenues and variations in different product lines are described below.

Lithium and Derivatives

Revenues from lithium and derivatives totaled US\$505.7 million during the year ended December 31, 2019, a decrease of 31.2% compared to the US\$734.8 million for the year ended December 31, 2018. Set forth below are sales volume data for the specified years:

<i>(in Th. MT)</i>	2019	2018	% Change
Lithium and derivatives	45.1	45.1	-0%

During 2019, we believe total market demand reached 307,000 metric tons. Our sales volumes remained flat compared to 2018, and our average prices fell over 30% in line with our estimates. The decrease in lithium price was a result of lower than expected demand growth, which we believe reached approximately 14% during 2019.

Average prices in this business line decreased 31.2% in 2019 compared to average prices during 2018, reaching approximately US\$11,200/MT compared to average prices of approximately US\$16,300/MT in 2018.

Specialty Plant Nutrition

Revenues from the specialty plant nutrition business line for the year ended December 31, 2019 totaled US\$723.9 million, a decrease of 7.4% compared to US\$781.8 million reported for the year ended December 31, 2018.

Set forth below are sales volume data for the specified years by product category in this product line:

<i>(in Th. MT)</i>	2019	2018	% Change
Potassium nitrate and sodium potassium nitrate	617.4	673.4	-8%
Specialty blends	238.9	242.5	-1%
Other specialty plant nutrients (*)	155.3	141.6	10%
Sodium nitrate	30.2	25.0	21%

* Includes trading of other specialty fertilizers.

In the potassium nitrate market, demand growth was weaker than expected in 2019, as a result of weather conditions in various geographical markets. Our average prices fell as a result of this lower demand, about 3% less in 2019 than average prices reported in 2018.

Average prices in the specialty plant nutrition business line were US\$695/MT in 2019, a decrease of 3.8% compared to average prices of US\$722/MT reported in 2018.

Iodine and Derivatives

Revenues from sales of iodine and derivatives during the year ended December 31, 2019 were US\$371.0 million, an increase of 14.2% compared to US\$325.0 million generated for the year ended December 31, 2018.

Set forth below are sales volume data for the specified years:

<i>(in Th. MT)</i>	2019	2018	% Change
Iodine and derivatives	12.7	13.3	-5%

Higher iodine revenues were the result of higher prices during 2019 compared to 2018. Average prices in the business line increased 19.4%, reaching US\$29/kilogram in 2019 compared to US\$24/kilogram in 2018.

Potassium

Potassium chloride and potassium sulfate revenues for the year ended December 31, 2019 totaled US\$212.2 million, a 20.7% decrease compared to the US\$267.5 million reported for the year ended December 31, 2018.

<i>(in Th. MT)</i>	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Potassium chloride and potassium sulfate	597.3	831.8	-28%

In 2019, we believe that the potassium chloride market reached approximately 64 million metric tons. Revenues in the potassium chloride and potassium sulfate business line during 2019 were impacted by lower sales volumes when compared to 2018, which were not offset by higher average prices in the business line. Our sales volumes for potassium chloride and potassium sulfate reached almost 600k metric tons, which is significantly higher than our original annual sales estimate of 500k metric tons. Average prices in the potassium chloride and potassium sulfate business line increased approximately 10% during 2019 when compared to 2018, reaching US\$355/MT.

Industrial Chemicals

Industrial chemicals revenues for the year ended December 31, 2019 reached US\$94.9 million, a 12.4% decrease compared to US\$108.3 million for the year ended December 31, 2018.

Set forth below are sales volume data for the specified years by product category:

<i>(in Th. MT)</i>	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Industrial chemicals	123.5	135.9	-13%

Our lower revenues in industrial chemicals reflected lower sales volumes in the business line. We reported sales of over 48,000 metric tons of solar salts during the fourth quarter of the year, in line with our estimates.

Other Products and Services

Revenues from sales of other commodity fertilizers and other income were US\$36.0 million in 2019, a decrease of 25.8% compared to US\$48.5 million of revenues in 2018.

Cost of Sales

Our overall cost of sales decreased 6.8% to US\$1,383.6 million in 2019, which represented 71.2% of revenues, from US\$1,485.6 million in 2018, which represented 66.5% of revenues. The main factors that caused the decrease in cost of sales and variations in different product lines are described below.

Lithium and Derivatives

Lithium and derivatives cost of sales decreased 3.3% to US\$306.3 million in 2019 from US\$316.5 million in 2018, primarily as a result of operating our production plant at optimal levels for the majority of the year.

Our costs of sales related to our lithium and derivatives business line fluctuate with our price of lithium as a result of our 2018 amendment of the lease agreement with Corfo. This agreement includes important amendments to the lease agreement and project agreement signed between Corfo and SQM in 1993. The main modifications became effective on April 10, 2018 and requires an increase in the lease payments by increasing the lease rates associated with the sale of the different products produced in the Salar de Atacama, including lithium carbonate, lithium hydroxide and potassium chloride. For lithium carbonate, the former rate of 6.8% on FOB sales was changed to the following structure of progressive rates based on the final sale price (See Note 24.2 for the disclosure of lease payments made to Corfo for all periods presented.):

<u>Price US\$/MT Li₂CO₃</u>	<u>Lease payment rate</u>
\$0 - \$4,000	6.8%
\$4,000 - \$5,000	8.0%
\$5,000 - \$6,000	10.0%
\$6,000 - \$7,000	17.0%
\$7,000 - \$10,000	25.0%
Over US\$10,000	40.0%

Specialty Plant Nutrition

Specialty plant nutrition cost of sales decreased 6.4% to US\$573.8 million in 2019 from US\$613.3 million in 2018, as a result of higher sales volumes of sodium nitrate, offset by lower costs per ton of potassium nitrate. The average cost of sales in the specialty plant nutrition business line was US\$537/MT in 2019, lower than US\$546/MT in 2018.

Iodine and Derivatives

Iodine and derivatives cost of sales increased 5.8% to US\$230.5 million in 2019 from US\$217.5 million in 2018. The average cost of sales in the iodine and derivatives business line was US\$18.1/kilogram in 2019, an increase of 10.6% from US\$15.4/kilogram in 2018.

Potassium

Potassium cost of sales decreased 19.0% to US\$176.2 million in 2019 from US\$217.4 million in 2018, as a result of decreased sales volumes. The average cost of sales in the potassium business line was US\$295.4/MT in 2019, an increase from US\$236.4/MT in 2018.

Industrial Chemicals

Industrial chemicals cost of sales decreased 12.6% to US\$63.4 million in 2019 from US\$73.0 million in 2018, as a result of decreased sales volumes in the business line. The average cost of sales in the industrial chemicals business line was US\$514.9/MT in 2019, a decrease of 3.8% from US\$518.1/MT in 2018.

Gross Profit

Gross profit decreased 28.2% to US\$560.2 million in 2019, which represented 28.8% of revenues, from US\$780.2 million in 2018, which represented 34.4% of revenues. As discussed above, this decrease is attributable to the decrease in revenues as a result of significantly lower lithium prices and lower sales volumes of potassium chloride and potassium sulfate.

Other Income

Other income decreased 33.0% to US\$18.2 million in 2019, which represented 0.9% of revenues, from US\$32.0 million in 2018, which represented 1.4% of revenues.

Administrative Expenses

Administrative expenses decreased 0.8% to US\$117.2 million in 2019, which represented 6.0% of revenues, from US\$118.1 million in 2018, which represented 5.2% of revenues.

Other Expenses

Other expenses decreased 29.6% to US\$26.0 million in 2019, which represented 1.3% of revenues, from US\$36.9 million in 2018, which represented 1.6% of revenues.

Other Gains (Losses)

Other losses were US\$0.3 million in 2019, compared to gains of US\$6.4 million in 2018, which represented 0.3% of revenues.

Finance Income

Finance income increased 16.7% to US\$26.3 million in 2019, which represented 1.4% of revenues, from US\$22.5 million in 2018, which represented 1.0% of revenues, due to higher interest rates earned on our investments and higher investments volumes during 2019.

Finance Expenses

Finance expenses increased 33.1% to US\$76.9 million in 2019, which represented 4.0% of revenues, from US\$57.8 million in 2018, which represented 2.6% of revenues, due to increased levels of debt that we had outstanding during 2019.

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

Equity income of associates and joint ventures accounted for using the equity method increased 5.4% to US\$9.8 million in 2019, which represented 0.5% of revenues, from US\$6.4 million in 2018, which represented 0.3% of revenues.

Foreign Currency Exchange Differences

Losses from foreign currency exchange differences amounted to US\$2.2 million in 2019, which represented 0.1% of revenues, compared with a loss of US\$16.6 million in 2018, which represented 0.7% of revenues. A significant portion of our costs is related to the Chilean peso as most of our operations occur in Chile. Because the U.S. dollar is our functional currency, we are subject to currency fluctuations. We seek to mitigate this impact through an active hedging program. During 2019, the Chilean peso depreciated 7.8% against the U.S. dollar.

Profit Before Taxes

Profit before taxes decreased by US\$230.4 million, or 37.1%, to US\$390.6 million in 2019 from US\$621.0 million in 2018. This decrease was primarily attributable to decrease in revenues by US\$322.1 million, a decrease in other income by US\$12.5 million, partially offset by a decrease in cost of sales by US\$82.9 million and a decrease in administrative expenses by US\$0.9 million, as described above.

Income Tax Expense

Income tax expenses decreased 38.5% to US\$110.0 million in 2019, representing an effective tax rate of 28.2%, compared to US\$179.0 million in 2018, representing an effective tax rate of 28.8%. The effective Chilean corporate tax rate was 27.0% during 2018 and 2019. The difference between the statutory and effective tax rates was primarily due to a decrease related to tax effect of tax rates outside Chile and non-deductible expenses as detailed in the Note 29.3 to our Consolidated Financial Statements.

Profit for the Year

Profit for the year decreased 36.5% to US\$280.6 million in 2019 from US\$442.1 million in 2018, primarily due to lower average prices in the lithium business line and lower sales volumes in the potassium chloride business line.

Results of Operations – 2018 compared to 2017

For a discussion of the comparison of our results of operations for the fiscal years 2018 and 2017, see “Part I, Item 5.A. Operating Results—Results of Operations – 2018 compared to 2017” of our Annual Report on Form 20-F for the fiscal year ended December 31, 2018 filed with the SEC on April 18, 2019.

5.B. Liquidity and Capital Resources

As of December 31, 2019, we had US\$1,094.0 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2019, we had US\$477 million of unused uncommitted working capital credit lines.

Shareholders’ equity decreased to US\$2,134.5 million as of December 31, 2019 from US\$2,137.8 million as of December 31, 2018. Our ratio of total liabilities to total equity (including non-controlling interest) on a consolidated basis increased to 1.19 as of December 31, 2019 from 1.0 as of December 31, 2018.

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

The table below shows our cash flows for 2019, 2018 and 2017:

<i>(in millions of US\$)</i>	2019	2018	2017
Net cash from operating activities	426.9	524.8	758.3
Net cash used in financing activities	105.9	(387.3)	(411.9)
Net cash from (used in) investing activities	(485.5)	(187.0)	(248.1)
Effects of exchange rate fluctuations on cash and cash equivalents	(14.9)	(24.9)	17.5
Net increase (decrease) in cash and cash equivalents	(32.4)	(74.4)	115.8

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

The Board of Directors approved a capital expenditure plan for 2020 of approximately US\$450 million in connection with investments to be made in Chile and abroad. The 2020 capital investment program is primarily focused on the maintenance and expansion of our production facilities as well as investment in new projects. Our 2020 capital investment program does not require external financing, but we evaluate from time to time whether to access capital markets in order to optimize our financial position. See “Item 4.A. History and Development of the Company—Capital Expenditure Program.”

Our other major use of funds is for dividend distributions. The Board of Directors approved payment of dividends of US\$278 million and US\$542 million during 2019 and 2018, respectively. In the consolidated statement of cash flows, we reported dividends paid of US\$330 and US\$550 during 2019 and 2018, respectively. The difference in the amounts of dividends paid set forth in the consolidated statement of cash flows, and the amount approved by the Board, is due to the differences in the exchange rate. For a disclosure of our 2019 dividend policy and payments, see “Item 8.A.8. Dividend Policy”.

As of December 31, 2019, we had US\$1,094.0 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2019, we had US\$477 million of unused uncommitted working capital credit lines. Our Net Financial Debt to Adjusted EBITDA ratio was 1.1x as of December 31, 2019. We have US\$250 million principal amount of debt maturing in April 2020, which will be repaid with a portion of the proceeds of the US\$400 million offering of notes due in 2050 completed in January 2020. Our next debt maturity that will require a significant cash payment is scheduled to occur in April 2023. According to the 2020 dividend policy approved by our Board of Directors, future dividends would be paid and distributed as a percentage of the net income based on financial parameters related to our balance sheet, thus protecting our cash position. We believe that our capital expenditures related to maintenance will require approximately US\$120 million during 2020. Furthermore, our capital expenditures plan for 2020 is expected to require about US\$450 million. We believe that our capital expenditures related to maintenance will require approximately US\$120 million during 2020. If necessary, we could assess delaying expansion projects to reduce our capital expenditures during the year.

Our future cash position could be impacted by, among other things, an operational shutdown, unforeseen expenses, a decreased ability of our customers to pay us for products or services or lower average prices or sales volumes in our business lines. In 2020, we are expecting lower average prices in the lithium and derivatives and potassium chloride and potassium sulfate business lines. Demand growth, sales volumes and average prices in our business lines could be impacted by the COVID-19 pandemic, and therefore could have an impact on our cash position which could lead to a material adverse effect on our business, financial condition and results of operations. See “Item 3.D. Risk Factors”

Financing Activities

Our current ratio, defined as current assets divided by current liabilities, decreased to 3.45 as of December 31, 2019 from 4.32 as of December 31, 2018. The following table shows key information about our outstanding long- and short-term debt as of December 31, 2019.

Debt Instrument ⁽¹⁾	Current Amount (ThUS\$)	Non-Current Amount (ThUS\$)	Interest Rate	Issue Date	Maturity Date	Amortization
Bilateral loan — US\$70 million	187	69,138	3.98%	May 29, 2019	May 29, 2023	Bullet
5.50% Notes due 2020 — US\$250 million	252,288		5.50%	Apr. 21, 2010	Apr. 21, 2020	Bullet
3.625% Notes due 2023 — US\$300 million	2,044	298,607	3.63%	Apr. 03, 2013	Apr. 03, 2023	Bullet
4.375% Notes due 2025 — US\$250 million	4,215	248,486	4.38%	Oct. 28, 2014	Jan. 28, 2025	Bullet
4.25% Notes due 2029—US\$450 million	2,190	444,077	4.25%	May 7, 2019	May 7, 2019	Bullet
Series H Bond — UF 4 million.	17,027	129,364	4.90%	Jan. 05, 2009	Jan. 05, 2030	Semiannual, beginning in 2019
Series O Bond — UF 1.5 million	823	55,904	3.80%	Feb. 01, 2012	Feb. 01, 2033	Bullet
Series P Bond — UF 3 million	1,674	113,341	3.25%	April 6, 2018	Jan. 15, 2028	Bullet
Series Q Bond — UF 3 million	317	113,329	3.45%	Nov. 8, 2018	Jun. 15, 2038	Bullet

(1) With the exception of the Series Q bond, UF denominated bonds are fully hedged to U.S. dollars with cross-currency swaps.

As of December 31, 2019, we had total financial debt of US\$1,519 million compared to US\$1,330 million as of December 31, 2018. The total short-term debt as of December 31, 2019 was US\$298.8 million, and as of December 31, 2018 was US\$23.6 million.

As of December 31, 2019, all of our long-term debt, including the current portion, was denominated in U.S. dollars, and with the exception of our Series Q Bonds, all our UF-denominated bonds were hedged with cross-currency swaps to the U.S. dollar.

The financial covenants related to our debt instruments include: (i) limitations on the ratio of total liabilities to equity (including non-controlling interest) on a consolidated basis, and (ii) minimum production assets. We believe that the terms and conditions of our debt agreements are standard and customary.

The following table shows the maturities of our nominal long-term debt by year as of December 31, 2019 (in millions of US dollars):

<u>Maturity</u> (1)(2)	<u>Amount</u>	
2020	264	-
2021	14	
2022	14	
2023	384	
2024 and thereafter	1,080	
Total	1,756	

- (1) Only the principal amount has been included. For the UF-denominated local bonds, the amounts presented reflect the real U.S. dollar obligation as of December 31, 2019 not including the effects of the cross-currency swaps that hedge these bonds to the U.S. dollar and which had, as of December 31, 2019, a market value of US\$18.8 million against SQM.
- (2) On January 22, 2020, we issued and sold US\$400 million principal amount of senior secured notes to qualified institutional buyers in the United States in accordance with Rule 144A under the Securities Act, and to investors outside the United States in accordance with Regulation S under the Securities Act. These notes have an annual interest rate of 4.250% and mature in 2050. This bond offering was after December 31, 2019 and so is not reflected in the table.

On May 7, 2019, we issued and sold US\$450 million principal amount of senior secured notes to qualified institutional buyers in the United States in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and to investors outside the United States in accordance with Regulation S under the Securities Act. These notes have an annual interest rate of 4.250% and mature in 2029.

Environmental and Occupational Safety and Health Projects

We spent US\$23.8 million on environmental, safety and health projects in 2019. We have budgeted approximately US\$22.6 million in 2020 for environmental, safety and health projects. This amount forms part of the capital expenditure program discussed above.

Non-IFRS Financial Measures

This annual report makes reference to certain non-IFRS financial measures, namely EBITDA and adjusted EBITDA. These non-IFRS financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

EBITDA represents Profit for the Year + Depreciation and Amortization Expenses + Finance Costs + Income Tax and Adjusted EBITDA is defined as EBITDA – Other income – Other gains (losses) - Share of Profit of associates and joint ventures accounted for using the equity method + Other expenses by function + Net impairment gains on reversal (losses) of financial assets – Finance income – Currency differences. We have included EBITDA and adjusted EBITDA to provide investors with a supplemental measure of our operating performance.

We believe EBITDA and adjusted EBITDA are important supplemental measures of operating performance because it eliminates items that have less bearing on our operating performance and thus highlights trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

EBITDA and adjusted EBITDA have important limitations as analytical tools. For example, EBITDA and adjusted EBITDA do not reflect (a) our cash expenditures, or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and (d) tax payments or distributions to our parent to make payments with respect to taxes attributable to us that represent a reduction in cash available to us. Although we consider the items excluded in the calculation of non-IFRS measures to be less relevant to evaluate our performance, some of these items may continue to take place and accordingly may reduce the cash available to us.

We believe that the presentation of the non-IFRS financial measures described above is appropriate. However, these non-IFRS measures have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under IFRS. Because of these limitations, we primarily rely on our results as reported in accordance with IFRS and use EBITDA and adjusted EBITDA only supplementally.

	For the years ended December 31, 2019, 2018, 2017		
	2019	2018	2017
	(ThUS\$)	(ThUS\$)	(ThUS\$)
Profit for the Year	280,603	442,063	428,417
(+) Depreciation and amortization expenses	202,270	221,499	240,526
(+) Finance costs	76,939	57,807	50,124
(+) Income tax	110,019	178,975	166,173
EBITDA	669,831	902,344	885,240
(-) Other income	18,218	32,048	17,827
(-) Other gains (losses)	(383)	6,404	543
(-) Share of Profit of associates and joint ventures accounted for using the equity method	9,786	6,351	14,452
(+) Other Expenses by Function	25,995	36,907	53,600
(+) Net impairment gains on reversal (losses) of financial assets	(1,057)	(2,967)	8,038
(-) Finance income	26,289	22,533	13,499
(-) Currency differences	(2,169)	(16,597)	(1,299)
Adjusted EBITDA	645,142	883,546	901,856

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

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

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

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

We have patented several production processes for nitrate, iodine and lithium products. These patents have been filed mainly in the United States, Chile and in other countries when necessary. The patents used in our production processes include Chilean patent No. 47,080 for iodine (production of spherical granules of chemicals that sublime) and Japanese patent No. 4,889,848 for nitrates (granular fertilizers).

5.D. Trend Information

Our revenues decreased 14.2% to US\$1,943.7 million in 2019 from US\$2,265.8 million in 2018. Gross profit decreased 28.2% to US\$560.1 million in 2019, which represented 28.8% of revenues, from US\$780.2 million in 2018, which represented 34.4% of revenues. Profit attributable to controlling interests decreased 36.8% to US\$278.1 million in 2019 from US\$439.8 million in 2018.

In January 2020 the World Health Organization deemed COVID-19 a global pandemic. In March 2020, the Chilean Ministry of Health (Ministerio de Salud) declared a nationwide State of Emergency. In response to the spread of COVID-19, the Chilean government has closed its borders for entry by non-resident foreigners for a specified period of time, prohibited the docking of cruise ships at Chilean ports, imposed quarantines on certain neighborhoods of the capital of Santiago and other cities and imposed a nationwide curfew. These measures have not impacted imports or exports to or from Chile. However, we have seen some impacts related to the shipment of products in and out of various other countries and regions, which could further negatively impact our ability to ship products to customers and receive supplies from suppliers.

Our Board and management are constantly monitoring the situation and the potential impact that this unprecedented event could have on SQM. As a precaution, our management has implemented several measures to help reduce the speed at which COVID-19 spreads, including the following measures to mitigate the spread in the workplace: (i) flexible working day together with the incentive to work from home in those cases where this is possible, (ii) avoidance of crowds, seminars and large meetings in the Company's offices and operating facilities, (iii) strengthening of personal hygiene protocols (use of hand sanitizer, masks, etc.) and sanitation in plants, cafeterias and offices, and (iv) significant reductions in domestic and international travel, along with mandatory quarantines for people who have arrived from high risk destinations. We will continue to implement measures consistent with the evolving COVID-19 situation, with reference to governmental and international health organization guidelines.

Our operations are labor intensive, and in an effort to reduce the risk of the spread of COVID-19 on our operations, we are operating all of our facilities with the minimum amount of personnel. A further reduction of personnel necessitated by the spread of COVID-19 could impact our production and our sales volumes of during 2020.

We sell our products worldwide, with Asia, Europe and North America constituting our main markets. Border closures, decrease in commercial activity and difficulties and disruptions in the supply chains in the markets in which we sell could have an impact our ability to fulfill our sales expectations for 2020. We believe the impact on demand growth of the markets in which we sell, our sales volumes and average prices will depend on the duration of COVID-19 in different regions, the efficiency of the measures implemented to contain the spread of COVID-19 in each country and fiscal incentives that may be implemented in different jurisdictions to promote economic recovery. Most, if not all, of these factors are currently evolving on a rapid basis and we are presently unable to predict with a certainty the potential full magnitude of the impacts of the COVID-19 pandemic on forecasts of market demand or our estimates of our sales volumes and average sale prices. We will continue to monitor and assess the spread of COVID-19 and its impact on our operations, business, financial condition and results of operations and may need to update the forecasts of market demand and our estimates of sales volumes and average prices as we obtain better visibility on these measures.

Revenues from lithium and derivatives totaled US\$505.7 million during 2019, a decrease of 31.2% compared to the US\$734.8 million in 2018. We reported the same sales volumes in the lithium business line in 2019 compared to 2018 as a result of lower than expected lithium demand growth during 2019. Average prices in this business line were 31.2% lower in 2019 compared to average prices in 2018. New supply and suppliers entered the market, which, coupled with the lower than expected demand, impacted market prices in 2019. According to our estimates, the lithium market demand growth was approximately 14% in 2019, a significant market growth, but lower than originally expected, due to delays in the penetration of electric vehicles in some key markets.

At the beginning of 2020, we believed that demand this year would be about 15% greater than total demand in 2019, led by the European electric vehicle market gaining momentum and contributing significantly to this lithium demand growth. We based our demand growth expectations on several factors, including but not limited to, automobile industry growth, electric vehicle growth, government subsidies and incentives related to the electric vehicle market, and conversations with our customers. The impacts on the global economy as a result of the spread of COVID-19 could have a negative impact on lithium demand growth and supply growth in 2020. We note that our internal sales volume estimates for lithium and derivatives for the first quarter of 2020 have already been reduced by 2,000 metric tons as a result of decreased sales volumes that we saw in China during the first few months of the year, attributable to the COVID-19 outbreak. Our original lithium and derivative sales volume estimates for 2020 were 55,000-60,000 metric tons. In light of COVID-19, we believe that this estimate could be lower. We continue to closely monitor the situation to better assess the total potential impacts that the COVID-19 pandemic or a slowdown in the global economy could have on market demand for lithium and derivatives, our 2020 sales volumes and average price expectations in this business line.

Nonetheless, we believe that the fundamentals behind long-term demand growth in the lithium industry are stronger than ever, as numerous automakers around the world are fully committed to the electrification of their fleets. In addition, technological advancements in the lithium battery market are resulting in more competitive alternatives for customers, and doubts that once existed over lithium battery technology are dissipating.

Revenues from sales of iodine and derivatives during 2019 were US\$371.0 million, an increase of 14.2% compared to US\$325.0 million generated in 2018. Our sales volumes in the iodine business line decreased 4.4% in 2019, but we saw prices increase during 2019, reaching average prices of over US\$29/kg, exceeding our original expectations. Average prices in 2019 were 19.4% higher than the average prices seen in 2018.

Iodine and derivative market growth is particularly sensitive to the medical industry, specifically X-ray contrast media, the pharmaceutical industry and the LCD polarizing market. As a result of the spread of COVID-19, non-essential medical services have declined, and we have seen demand related to these important markets decrease. We have also seen some important iodine and derivative producing regions are facing operational shutdowns and logistical complications as a result of COVID-19, which could impact global supply. We continue to closely monitor the situation to better assess the total potential impacts that the COVID-19 pandemic or a slowdown in the global economy could have on market demand for iodine and derivatives, our 2020 sales volumes and average price expectations in this business line.

Revenues from the specialty plant nutrition business line in 2019 totaled US\$723.9 million, a decrease of 7.4% compared to \$781.8 million reported in 2018. Our sales volumes and average prices in the specialty plant nutrition business line decreased 3.8% in 2019 compared to 2018. In the potassium nitrate market, demand growth was weaker than expected in 2019, with demand flat compared to 2018 as a result of weather conditions in various geographical markets. Our average prices fell as a result of this lower demand, about 3% less in 2019 than average prices reported in 2018.

The fertilizer industry in some geographical markets has been deemed an essential industry during the COVID-19 outbreak. This could help maintain the demand growth in 2020 for the potassium nitrate industry. In 2020, we expect to see strong demand growth in the North America, specifically the United States and Mexico. We believe that water soluble potassium nitrate demand could see growth rates of approximately 6%. This demand recovery could also have a positive impact on prices this year. We analyze the potassium nitrate market by assessing, among other things, arable land availability, global crop production, and localized irrigation rates. In the potassium nitrate market, we saw a strain on supply and logistics in China during the first few months of 2020, as manufacturing and production stoppages were implemented and as ports were closed. We could see further disruptions in other regions in coming months, which could impact the supply/demand balance, resulting in further increases in potassium nitrate pricing. We continue to closely monitor the situation to better assess the total potential impacts that the COVID-19 pandemic or a slowdown in the global economy could have on market demand for specialty plant nutrition, our 2020 sales volumes and average price expectations in this business line.

Potassium chloride and potassium sulfate revenues for 2019 totaled US\$212.2 million, a 20.7% decrease compared to the US\$267.5 million reported in 2018. Revenues in this business line during 2019 were impacted by lower sales volumes when compared to 2018, which were not offset by higher average prices in the business line. These lower sales volumes were a result of production limitations as we focused on increasing our lithium production in the Salar de Atacama. In addition, as a result of the environmental compliance plan that was approved by the Chilean Environmental Authority (Superintendencia del Medio Ambiente) in January 2019, we were temporarily extracting less brine than we have in the past.

The fertilizer industry in some geographical markets has been deemed an essential industry during the COVID-19 outbreak. This could help maintain the demand growth in 2020 for the potassium chloride industry. We believe that sales volumes in 2020 could increase another 20-25% when compared to 2019. The lower price dynamics that we have seen during the first two months of 2020 could continue. We continue to closely monitor the situation to better assess the total potential impacts that the COVID-19 pandemic or a slowdown in the global economy could have on market demand for potassium chloride and potassium sulfate business, our 2020 sales volumes and average price expectations in this business line.

Industrial chemicals revenues in 2019 reached US\$94.9 million, a 12.4% decrease compared to US\$108.3 million in 2018. Our sales volumes in the industrial chemicals product line decreased 9.1% in 2019 compared to 2018, as a result of lower sales volumes of industrial nitrates. Our solar salt sales volumes were up 1.8% in 2019 when compared to 2018. We expect industrial chemical sales volumes in 2020 will increase about 80% when compared to 2019, as we begin delivery of 150,000 metric tons of solar salts in 2020 for a project requiring over 400,000 metric tons. In April 2020, we began the delivery of these solar salts.

5.E. Off-Balance Sheet Arrangements

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

5.F. Tabular Disclosure of Contractual Obligations

The following tables show our material expected obligations and commitments as of December 31, 2019 (in millions of US dollars):

	Total	Less Than 1 year	1 - 3 years	3 - 5 years	More Than 5 years
Financial liabilities ⁽¹⁾	2,265	335	213	500	1,217
Operating leases	1,123	102	204	204	613
Lease obligations	43	9	15	16	2
Purchase commitments ⁽²⁾	101	101	—	—	—
Staff severance indemnities	28	—	—	—	28
Total contractual obligations and commitments	3,560	547	432	721	1,860

(1) Include short-term and long-term financial liabilities with interest calculated based on the contractual agreements and considering the effect of hedging financial instruments.

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

5.G. Safe Harbor

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors and Senior Management

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

Each of the eight members of the current Board of Directors was elected for a three-year term at the Annual Ordinary Shareholders’ Meeting that took place on April 25, 2019. Between January 1, 2019 and April 25, 2019, Mr. Arnfinn F. Prugger served as Board member and pursuant to the Company’s By-laws, there were two vacancies on the Board of Directors due to the resignations of Daryll Stann and Mark Fracchia as directors, until the entire Board of Directors was elected at the Annual General Shareholders’ Meeting on April 25, 2019 for a new three-year term.

Our current directors are as follows:

Name	Position and relevant experience	Current position held since
Alberto Salas M.	Chairman of the Board and Director. Mr. Salas earned a degree in Mining Civil Engineering from the Universidad de Chile and holds a post-graduate degree in Corporate Finance from Adolfo Ibáñez University, Chile. He is a Board member of Cia. Minera Valle Central, CAP Minería, ENAEX S. A. and Amerigo Resources Ltd. He is also president of the Mining Engineers-Foundation University of Chile, the Chilean Pacific Foundation, the Inter-American Mining Society and the Latin American Mining Organization. He is currently chairman of the National Institute of Professional Training (INACAP).	April 2018
Patricio Contesse F.	Vice Chairman of the Board and Director. Mr. Contesse is a lawyer with a degree from Pontificia Universidad Católica de Chile. Previously, he was a Board member of SQM from 2013 until 2015. Since 2011, he has held senior executive positions in Pampa Group, where he is also Vice Chairman of the Boards of Directors of the Pampa Group entities. Additionally, he is currently member of the Board and Chairman of the Director's Committee of Invercap S.A.	April 2018
Georges de Bourguignon A.	Director. Mr. de Bourguignon is an economist with a degree from the Pontificia Universidad Católica de Chile, where he was a professor, and holds an MBA from the Harvard Business School. He is co-founder and current Chairman of Asset Chile S.A. and of Asset General Fund Administrator S.A. In the last 10 years, he has been a Board member of several public and private Chilean companies with extensive international operations such as LATAM Airlines, and is currently a Board member of Embotelladora Andina. As Vice Chairman of La Polar, nominated by the Chilean pension funds in 2011, he headed the financial restructuring and renovation of the company. After leading the acquisition of Chilean producer Sal Lobos by the German Group K + S, he served as a member of its Board of Directors until 2018. Prior to co-founding Asset Chile, he was an executive at Citibank S.A. in Chile.	April 2019

Name	Position and relevant experience	Current position held since
Hernán Büchi B.	Director. Mr. Büchi earned a degree in Civil Engineering from the Universidad de Chile. He served on the SQM Board of Directors for several years until April 2016, before rejoining in 2017. He is currently a Board member of Quiñenco S.A. and S.A.C.I. Falabella, among others. He is also Chairman of the Board of Directors of the Universidad del Desarrollo.	April 2017
Laurence Golborne R.	Director. Mr. Golborne earned a degree in Industrial Civil Engineering from the Universidad Católica de Chile. He is a member of the Board of Ripley Corp. S.A., Construmart S.A., and Aventura S.A. (Perú), Sociedad Inversiones Arrigoni S.A. and Metalúrgica Arrigoni S.A., and President of Tavamay S.A. (Paraguay). Previously, Mr. Golborne was Chilean Minister of the State during 2010-2012, CEO of Cencosud S.A., and Corporate Director of Finance at Gener S.A., among other roles in various companies.	April 2018
Gonzalo Guerrero Y. ⁽¹⁾ .	Director. Mr. Guerrero earned a law degree from the Universidad de Chile and a Masters of Business Law from the Universidad Adolfo Ibáñez. He was General Counsel and substitute Board member of Integramédica S.A. for more than seven years and was a Director of Inversiones Oro Blanco S.A., Asfaltos Chilenos S.A., VNT S.A. (Vantrust Capital Asset Management) and SMA Clínica Internacional S.A. (Perú), among others. Currently, he is an Executive Board member of Guerrero and Associates, and a Board member of Sanasalud S.A. and Club Deportivo Palestino SADP.	April 2017
Francisco Ugarte L.	Director. Mr. Ugarte is a lawyer with a degree from the Universidad Católica de Chile and LL.M. from the Faculty of Law of the University of Chicago. He is a partner at Carey y Cía Ltda, the largest law firm in Chile. Mr. Ugarte has vast experience working with international and Chilean financial companies and institutions in mergers and acquisitions, financing, capital and debt offerings and other corporate matters. Mr. Ugarte holds and has held management positions in several local companies, such as Bci Corredor de Bolsa, Votorantim Andina and Compañía Industrial El Volcán.	April 2019

Name	Position and relevant experience	Current position held since
Robert J. Zatta	Director. Mr. Zatta earned a degree in Business Administration from Merrimack College and received his MBA in Finance from Fairleigh Dickinson University. He has held executive positions at the former General Foods Corporation and at Campbell Soup Company. Mr. Zatta worked at Rockwood Holdings, Inc. since 2001, until its recent acquisition in February 2020, as Senior Vice President and Chief Financial Officer, and for a short period as acting Chief Executive Officer. Since January 2016, Mr. Zatta has been a member of the Board of Directors of Innophos Holdings, Inc. and since March 2017, until its recent acquisition, Mr. Zatta was a director of Nexeo Solutions, Inc. Between December 2015 and September 2017, Mr. Zatta was a Member of the Board of Trustees at Merrimack College and currently serves as Vice Chairman of the Board of Trustees of Fairleigh Dickinson University.	April 2019

Our current executive officers are as follows:

Name	Position and relevant experience	Current position held since
Ricardo Ramos R.	Chief Executive Officer. Mr. Ramos earned an industrial engineering degree from the Pontificia Universidad Católica de Chile. In 1989, he joined SQM as Finance Advisor and served as Chief Financial Officer and Vice President of Corporate Services from 1994 until 2018, before assuming his current role in January 2019.	January 2019
Gerardo Illanes G. ⁽²⁾	Chief Financial Officer. Mr. Illanes earned an engineering degree from the Universidad Católica de Chile and a Master of Business Administration from Emory University's Goizueta Business School. In 2006, he joined SQM and has served in several positions within the finance area at our headquarters in Santiago, Chile and in subsidiaries around the world. Mr. Illanes is also a member of the Board of Soquimich Comercial. In May 2016, he became Vice President of Finance, and assumed his current role in October 2018.	October 2018
Gonzalo Aguirre T.	General Counsel. Mr. Aguirre earned a degree in law from the Universidad Católica de Chile and a Master of Laws (LL.M) degree from Georgetown University Law Center. He joined SQM in April 2016 and has served as Legal Vice President since September 2016. Prior to joining SQM, he worked at SunEdison as Head of Legal for Latin America and at AES Gener, where he served as a counsel on corporate and project matters. Prior to his in-house experience, he worked for Carey y Cía Ltda, Paul Hastings LLP (as an international legal consultant) and Vial and Palma, where his practice focused on corporate and financial matters. He is admitted to practice in Chile and in Washington, D.C., as a special legal consultant.	September 2016

Name	Position and relevant experience	Current position held since
Pablo Altimiras C.	Vice President of Lithium and Iodine Business. Mr. Altimiras earned an engineering degree and a Master of Business Administration from the Universidad Católica de Chile. In 2007, he joined SQM as Chief of Logistics Projects. In 2009, he was promoted to Regulatory Affairs Director. He was Business Development Vice Manager from 2010 to 2011 and Development and Planning Manager in 2012. In 2016, he became Vice President of Development and Planning.	October 2018
José Miguel Berguño C. ⁽³⁾	Vice President of Operations, Nitrates and Iodine. Mr. Berguño earned an engineering degree and Master of Business Administration from the Universidad Católica de Chile. In 1998, he joined SQM as Planning Engineer. In 2001, he served as Supply Chain Manager, and in 2006 he was Human Resources Manager. From 2010 to 2011, he was the National Director of Science under the Minister of Labor. In 2012, he was Human Resources Manager for Vitamina Work Life. In 2013, he resumed his role as Supply Chain Manager at SQM, and in 2016 took on the position of Vice President of Human Resources and Performance. In 2019, he became Vice President of Operations of Nitrates and Iodine.	March 2019
Frank Biot	Vice President of Nitrates and Potassium Business Mr. Biot earned a Master in Applied Economics from the University of Antwerp in Belgium and a Master of Business Administration from the Catholic University of Leuven. In 1984, he joined Nitrate Corporation of Chile Ltd. in London. In 1991, he was promoted to President of SQM Europe at SQM's regional headquarters for Europe, Africa, Asia and Oceania. In 2000, he assumed the position of Commercial Vice President Specialty Plant Nutrition.	October 2018
Carlos Díaz O.	Vice President of Operations, Potassium and Lithium. Mr. Díaz earned an engineering degree and a Master of Business Administration from the Pontificia Universidad Católica de Chile. In 1996, he joined SQM as Planning Engineer in the Sales Division. He was promoted to Planning Manager in 1998. In 2002, he assumed the position of Deputy Financial Manager of the Commercial Offices. In 2006, he became our Logistics Manager, and in 2019 he became Vice President of Operations, Potassium and Lithium.	March 2019

Name	Position and relevant experience	Current position held since
María Ignacia Lopez B.	Public Affairs Manager. Ms. Lopez earned a journalism degree and Master of Strategic and Digital Media Communications from the University of Finis Terrae. She has over 15 years of experience working as an executive for various communications agencies. Ms. Lopez joined SQM in her current position in 2019.	October 2019
Natalia Pizarro G.	Vice President of People and Performance. Ms. Pizarro earned a civil engineering degree from the Universidad de Santiago. She joined SQM in 2007 as a Management Engineer, being promoted the following year to Leader of Management Control and, in 2010, she became Technical Director under the vice presidency of Nueva Victoria Operations, where she was responsible for the area of Investment, Planning Studies, and a research pilot plant. In 2013 she led the implementation of the Lean methodology with a pilot program in Coya Sur, subsequently continuing this work under the vice presidency of Potassium-Lithium Operations. In November of 2018, she became Senior Director of People, and in April 2019 she was named Vice President of People and Performance.	April 2019
Raul Puerto M.	Internal Audit Manager. Mr. Puerto earned a Master of Business Administration from the Universidad de Chile and Tulane University and an industrial engineering degree from the Pontificia Universidad Javeriana de Colombia. Mr. Puerto has over 20 years of experience in audit, risk management, internal control, and compliance, having worked in AngloAmerican, BHP, and Deloitte, leading Internal Audit, Risk Management and other Administrative areas in Chile and Latin America.	January 2016

Name	Position and relevant experience	Current position held since
Francisco Sanchez V.	Risk Management and Compliance Officer. Mr. Sanchez earned an engineering degree and a Master of Business Administration, both from the Pontificia Universidad Católica de Chile. He joined SQM in 2008 as a Management Control Engineer, then he worked in Finance in Soquimich Comercial S.A., and in 2012 he was promoted to Finance Director, first for SQM Mexico, and then for the Latin America region. In 2017, he assumed the position of Compliance Project Director.	April 2019
Rodrigo Vera D.	Vice President of Mining Operations, Mr. Vera earned an engineering degree and a Master of Business Administration from the Pontificia Universidad Católica de Chile. In 1999, he joined SQM as Controlling Engineer for Nitrates and Iodine Operations. He was promoted to Head of Planning in 2002. In 2010, he assumed the position of Technical Manager. In 2016, he became Research and Environmental Manager for Nitrates and Iodine Operations, and in 2019 he became Senior Development Director for Potassium and Lithium Operations. In 2020, he assumed the position of Vice President of Mining Operations.	March 2020

- (1) As of December 31, 2019, Mr. Guerrero beneficially owned 1,353 of SQM's shares.
- (2) As of December 31, 2019, Mr. Illanes beneficially owned 800 of SQM's shares.
- (3) As of December 31, 2019, Mr. Berguño beneficially owned 380 of SQM's shares.

6.B. Compensation

At the Ordinary Shareholders' Meeting held on April 25, 2019, shareholders approved the compensation for the Audit and Financial Risk Committee, Corporate Governance Committee and the Safety, Health and Environmental Committee.

During 2019, directors were paid a monthly retainer fee, which was independent of attendance and the number of Board sessions. For the Chairman and the Vice Chairman, the fee amounted to UF 800 and UF 700 per month respectively. For the remaining six directors, the fee amounted to UF 600 per month. In addition, the directors received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. Both the Chairman and the Vice Chairman received the equivalent of 0.12% of the total net profit that the Company obtained during the 2019 fiscal year and each of the remaining six directors received the equivalent of 0.06% of the 2019 total net profit of the Company.

In addition, during 2019, members of the Directors' Committee were paid UF 200 per month, regardless of the number of sessions held by the Directors' Committee. The members of the Directors' Committee also received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. Each member of the Directors' Committee received an amount equal to 0.02% of the total net profit that the Company obtained in 2019 fiscal year.

During 2019, the members of the Safety, Health and Environmental and the Corporate Governance Committees received UF 100 per month, regardless of the number of sessions held.

During 2019, the compensation paid to each of our directors who served on the Board of Directors during the year was as follows (amounts in Chilean pesos):

	SQM Board Meeting (Ch\$)	SQM Directors' Committee (Ch\$)	SQM Health, Safety and Environment Committee (Ch\$)	Corporate Governance Committee (Ch\$)	Total (Ch\$)
Alberto Salas Muñoz	567,034,567	113,958,219	0	0	680,992,786
Patricio Contesse Fica	540,544,870	0	26,489,699	19,594,856	586,629,425
Georges de Bourguignon Arndt	134,555,100	44,851,700	0	0	179,406,800
Hernán Büchi Buc	343,391,514	74,768,504	0	26,489,699	444,649,717
Mark Fracchia	102,559,817	0	0	1,378,290	103,938,107
Laurence Golborne Riveros	343,391,522	113,958,218	0	0	457,349,740
Gonzalo Guerrero Yamamoto	360,377,486	0	29,320,693	0	389,698,179
Arnfinn F. Prugger	225,822,378	0	6,894,843	0	232,717,221
Darryl Stann	102,559,817	0	0	1,378,290	103,938,107
Francisco Ugarte Larrain	134,555,100	0	0	22,425,850	156,980,950
Robert J. Zatta	117,569,136	0	19,594,856	0	137,163,992
Total	2,972,361,307	347,536,641	82,300,091	71,266,985	3,473,465,024

For the year ended December 31, 2019, the aggregate compensation paid to our 124 principal executives based in Chile was US\$22.6 million. We do not disclose to our shareholders or otherwise make available to the public information as to the compensation of our individual executive officers.

We maintain incentive programs for our employees based on individual performance, company performance and short-term indicators. We provide executives with an annual and a long-term bonus plan. Their incentives are based on target achievement, individual contribution to the Company's operating results, and the Company's performance. SQM also operates a compensation plan designed to retain its executives by providing bonuses linked to the Company's share price.

As of December 31, 2019, we had a provision related to all of the incentive programs in the aggregate of US\$35.8 million.

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

6.C. Board Practices

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

The date of expiration of the term of the current Board of Directors is April 2022. The contracts of our executive officers are indefinite. The current Board of Directors was elected at the previous Annual Ordinary Shareholders' Meeting held on April 25, 2019 for three year terms expiring in April 2022.

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

Directors' Committee – Audit Committee

As required by Chilean Law, during 2019, we had a Directors' Committee (*Comité de Directores*) composed of three Directors, which performs many of the functions of an audit committee. Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 but are not required to comply with Rule 303A.07.

Between January 1, 2019 and April 24, 2019, our Directors' Committee was comprised of three Directors: Messrs. Hernán Büchi Buc, Laurence Golborne Riveros and Alberto Salas Muñoz. Each of the three members met the NYSE independence and Chilean independence requirements for audit committee members.

Since April 25, 2019, our Directors' Committee has been comprised of three Directors: Messrs. Georges de Bourguignon Arndt, Laurence Golborne Riveros and Alberto Salas Muñoz. Each of the three members meets the NYSE independence and Chilean independence requirements for audit committee members. Mr. Salas holds the position of Chairman of the Directors' Committee.

During 2019, the Directors' Committee of SQM (the "Committee") analyzed (i) the Company's Unaudited Financial Statements and Reports; (ii) the Company's Audited Financial Statements and Reports; (iii) the Reports and proposals of external auditors, accounts inspectors and independent risk rating agencies for the Company; (iv) the proposal to SQM's Board of Directors about the external auditors and independent rating agencies that the Board could recommend to the respective shareholders' meeting for their subsequent appointment; (v) the tax and other services, other than audit services, provided by the Company's external auditors and its subsidiaries in Chile and abroad; (vi) the remuneration and compensation plans for the Company's main executives; (vii) the Company's risk matrix; (viii) the activity related to the Company's compliance program; (ix) the report on internal control of the Company and (x) the various matters referred to in the Chapter titled "Directors' Committee" included in SQM's Financial Statements at December 31, 2019.

Regarding the above, the Committee:

- (a) Examined the information regarding the financial statements of SQM for the 2019 fiscal year and the Report issued thereon by the External Auditors of SQM, Similarly, it also examined the Company's Interim Consolidated Financial Statements for the 2019 fiscal year.
- (b) Proposed to the Company's Board of Directors the names of the External Auditors and the Independent Credit Rating Agencies for SQM and the Company's Board of Directors, in turn, suggested their appointment to the respective Annual Ordinary Shareholders Meeting of SQM. The Company's Board of Directors approved said suggestions and the Shareholders' Meeting also ratified them.
- (c) Examined and approved the remuneration system and the compensation plans for the Company's employees and senior executives.

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

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

During 2019, the Company did not enter into related party transactions which require to follow the requirements and procedures established in title XVI of the Corporations Law, therefore the Committee was not required to examine information regarding related party transactions.

On April 25, 2019, the Annual General Shareholders' Meeting of SQM approved an operational budget for the Committee; the operational budget is equivalent to the sum of the annual remunerations of the members of the Committee and US\$825,000. The activities carried out by the Committee, as well as the expenses incurred by it, are disclosed at the General Shareholders Meeting.

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

Comparative Summary of Differences in Corporate Governance Standards

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

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

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.01	Listed companies must have a majority of independent directors.	There is no legal obligation to have a majority of independent directors on the Board but, according to Chilean law, the Company's directors cannot serve as executive officers.

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.02	<p>No director qualifies as “independent” unless the Board of Directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).</p> <p>In addition, a director is not independent if:</p> <p>(i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.</p> <p>(ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).</p> <p>(iii) (A) The director is a current partner or employee of a firm that is the listed company’s internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company’s audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company’s audit within that time.</p> <p>(iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company’s present executive officers at the same time serves or served on that company’s compensation committee.</p> <p>(v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company’s consolidated gross revenues.</p>	<p>A director would not be considered independent if, at any time, within the last 18 months he or she:</p> <p>(i) Maintained any relationship of a relevant nature and amount with the company, with other companies of the same group, with its controlling shareholder or with the principal officers of any of them or has been a director, manager, administrator or officer of any of them;</p> <p>(ii) Maintained a family relationship with any of the members described in (i) above;</p> <p>(iii) Has been a director, manager, administrator or principal officer of non-profit organizations that have received contributions from (i) above;</p> <p>(iv) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of an entity that has provided consulting or legal services for a relevant consideration or external audit services to the persons listed in (i) above;</p> <p>(v) Has been a partner or a shareholder that has had or controlled, directly or indirectly, 10% or more of the capital stock or has been a director, manager, administrator or principal officer of the principal competitor, supplier or clients.</p>
303A.03	<p>The non-management directors must meet at regularly scheduled executive sessions without management.</p>	<p>These meetings are not needed given that directors cannot serve as executive officers.</p>
303A.04	<p>(a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.</p> <p>(b) The nominating/corporate governance committee must have a written charter that addresses:</p> <p>(i) the committee’s purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and</p> <p>(ii) an annual performance evaluation of the committee.</p>	<p>This committee is not required as such in the Chilean regulations. However, pursuant to Chilean regulations SQM has a Directors’ Committee (see Board practices above).</p>

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.05	Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter	This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee (see Board practices above) that is responsible for reviewing management's compensation.
303A.06	Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended.	This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee that performs the functions of an audit committee and that complies with the requirements of the NYSE corporate governance rules.
303A.07	The audit committee is subject to requirements that are in addition to Section 303A.06. This includes, among others, the following requirements: the audit committee must have a minimum of three members; all audit committee members must satisfy requirements of independence; the audit committee must have a written charter; each listed company must have an internal audit function to provide management with ongoing assistance of the company's risk management process and the system of internal controls.	Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director's Committee (see Board practices above) that also performs the functions of an audit committee with certain requirements of independence.
303A.08	Shareholders must have the opportunity to vote on all equity-compensation plans and material revisions thereto.	SQM does not have equity compensation plans. However, as mentioned in Item 6.B. Compensation, SQM does have a long-term cash bonus compensation plan. Directors and executives may only acquire SQM shares by individual purchases. The purchaser must give notice of such purchases to the Company and the Financial Market Commission.
303A.09	Listed companies must adopt and disclose corporate governance guidelines.	Chilean law does not require that corporate governance guidelines be adopted. Directors' responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors' compensation is approved at the annual meeting of shareholders, pursuant to applicable law.
303A.10	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.	Not required in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the Company's website, www.sqm.com .
303A.11	Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards.	Pursuant to 303A.11, this table shows a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A.
303A.12	Each listed company CEO must (a) certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards; (b) promptly notify the NYSE in writing after any executive officer becomes aware of any non-compliance with any applicable provisions of Section 303A; and (c) submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE. The annual and interim Written Affirmations must be in the form specified by the NYSE.	Not required in the Chilean regulations. The CEO must only comply with Section 303A.12 (b) and (c).
303A.13	The NYSE may issue a public reprimand letter to any listed company that violates a NYSE listing standard.	Not specified in the Chilean regulations.

6.D. Employees

As of December 31, 2019, we had 5,741 permanent employees, 467 of whom were employed outside of Chile. The average tenure of our permanent employees is approximately 6.4 years.

	2019	As of December 31,	
		2018	2017
Employees in Chile	5,274	4,937	4,630
Employees outside of Chile	467	353	291
Total employees	5,741	5,290	4,921

As of December 31, 2019, 66% of our permanent employees in Chile were represented by 21 labor unions, which represent their members in collective negotiations with us. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of such agreements currently in effect are three years, and expiration dates of such agreements vary from agreement to agreement. Under these agreements, employees receive a salary according to a scale that depends upon job function. Unionized employees also receive certain benefits provided by law and certain benefits provided under the applicable collective bargaining agreement, which vary depending upon the terms of the collective agreement, such as scholarships, holiday bonuses and additional health death and disability benefits, among others.

In addition, we own all of the equity of Institución de Salud Previsional Norte Grande Limitada (“Isapre Norte Grande”), which is a health care organization that provides medical services primarily to our employees, and of Sociedad Prestadora de Servicios de Salud Cruz de Norte S.A. (“Prestadora”), which is a hospital in María Elena. We make contributions to Isapre Norte Grande and to Prestadora in accordance with Chilean laws and the provisions of our various collective bargaining agreements, but we are not otherwise responsible for their liabilities.

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

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

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

Over 91% of our employees are employed in Chile, of which approximately 66% were represented by 21 labor unions as of December 31, 2019. As in past years, we renegotiated four collective bargaining agreements with four unions by December 31, 2019, one year before the expiration of the agreements other than the collective bargaining agreement with Soquimich Comercial S.A., which was completed one month before its expiration date. The new collective bargaining agreements were renegotiated for a three- year period from the date they were signed. We are exposed to labor strikes and illegal work stoppages that could impact our production levels. If a strike or illegal work stoppage occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.

6.E. Share Ownership

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

The following table shows certain information concerning beneficial ownership of the Series A and Series B common shares of SQM as of March 16, 2020 with respect to each shareholder known by us to beneficially own more than 5% of the outstanding Series A or Series B common shares. The following information is derived from our records and reports filed by certain of the persons named below with the CMF and the Santiago Stock Exchange.

Shareholder	Number of Series A shares beneficially owned	% Series A shares	Number of Series B shares beneficially owned	% Series B shares	% total shares
Inversiones TLC Spa ⁽¹⁾	62,556,568	43.80%	5,516,772	4.58%	25.86%
Sociedad de Inversiones Pampa Calichera S.A. ^{(2) (3)}	44,894,152	31.43%	1,793,154	1.49%	17.74%
The Bank of New York	—	—	41,588,210	34.55%	15.80%
Potasios de Chile S.A. ⁽³⁾	18,179,147	12.73%	—	—	6.91%
Inversiones Global Mining Chile Ltda. ⁽³⁾	8,798,539	6.16%	—	—	3.34%
Banco Itau Corbanca por Cuenta de Inversionistas Extranjeros	—	—	7,542,122	6.27%	2.87%
Banco Santander por cuenta de Inversionistas por extranjeros	—	—	6,572,819	5.46%	2.50%
Banco de Chile por cuenta de terceros no residentes	—	—	6,472,681	5.38%	2.46%
Euroamerica C de B S.A.	2,510	0.00%	5,474,780	4.55%	2.08%

(1)SQM has been informed that Tianqi Lithium Corporation (“Tianqi”) (i) owns 100% of the shares of Inversiones TLC SpA, and, accordingly, is the beneficial owner of 62,556,568 Series A shares held by Inversiones TLC SpA registered in the shareholder registry of the *Depósito Central de Valores S.A. (“DCV”)* as of March 16, 2020 and (ii) owns directly 5,516,772 Series B shares in the form of ADSs. Therefore, Tianqi beneficially owns 25.86%, of SQM’s total shares.

(2)Sociedad de Inversiones Pampa Calichera S.A (“Pampa Calichera”) is a publicly held corporation whose shares are traded on the Santiago Stock Exchange. Originally, the shareholders of Pampa Calichera were employees of SQM. Pampa Calichera was formed to hold the capital stock of SQM contributed by such employees or later acquired in the open market.

(3)SQM has been informed that, as of March 16, 2020, Mr. Julio Ponce Lerou, and related persons control 100% of Inversiones SQYA Ltda. (“SQYA”) and 100% of Inversiones SQ Ltda. These two companies control indirectly 32.00% of all shares of SQM (consisting of 71,871,838 Series A shares, 12,341,049 Series B shares of which 2,747,895 owned through various brokers), as follows: (i) Inversiones SQ Ltda. controls 0.0258% of Norte Grande S.A. (“Norte Grande”) and SQYA controls 67.59% of Norte Grande, which controls 76.82% of Sociedad de Inversiones Oro Blanco S.A., which controls 88.64% of Pampa Calichera, which controls 21.75% of SQM; (ii) Pampa Calichera controls 99.99% of Inversiones Global Mining (Chile) Limitada, which controls 3.34% of SQM and (iii) Norte Grande controls 76.34% of Nitratos de Chile S.A., which controls 98.89% of Potasios de Chile S.A., which controls 10.07% of Pampa Calichera and 6.91% of SQM. Therefore, Sociedad de Inversiones Pampa Calichera S.A. and its related companies, Inversiones Global Mining Chile Limitada and Potasios de Chile S.A. (together, the “Pampa Group”), beneficially own 32.00% of SQM’s total shares.

As of March 16, 2020, SQM did not have a Controller Group.

Pampa Group Agreement

On December 18, 2017, in connection with the Corfo Arbitration Agreement, the companies that are part of the Pampa Group entered into an agreement for the benefit of Corfo (the “Pampa Group Agreement”), which, among other things, provided for: (i) the termination of the Joint Operation Agreement with Kowa Holdings America Inc., Inversiones La Esperanza (Chile) Limitada, Kochi S.A., and Kowa Company Ltd. (together, the “Kowa Group”), as owners of 2.11% of SQM’s total shares, that allowed the Pampa Group with the Kowa Group to have the status of a controller group of SQM, and (ii) an agreement to not enter into any joint action with third parties that allows Pampa Group to acquire the status of sole controller or joint controller, as defined by article 97 of the Chilean Securities Market Law. The obligations set forth in clause (ii) expire on December 31, 2030. In addition, the Pampa Group Agreement also includes numerous provisions relating to corporate governance and control. See “Item 3.D. Risk Factors” and “Item 8.A.7 Legal Proceedings.” Neither SQM nor any of its subsidiaries, including SQM Potasio S.A. and SQM Salar, is a party to the Pampa Group Agreement. Upon termination of the Joint Operation Agreement pursuant to the Pampa Group Agreement, the Pampa Group and the Kowa Group would cease to be a controller group.

On November 30, 2018, the CMF determined that in accordance with the distribution of the shares of SQM, “the Pampa Group does not exert decisive power over the management of the Company and is therefore not considered a controlling shareholder”. The CMF could change its decision in the future if circumstances change.

Tianqi Extrajudicial Agreement with the FNE

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

- Tianqi will not nominate any of its directors, executives or employees to the SQM Board of Directors;
- Tianqi and the directors nominated by it will not influence or intervene for the benefit of Tianqi and prejudice the interests of SQM;
- The directors nominated by Tianqi will not participate nor will they be part of any committees, the management or other decision-making bodies related to lithium of SQM or of any companies controlled by SQM, unless nominated by independent directors;
- Tianqi will inform the FNE of any agreement in the lithium market, with Albemarle and/or SQM, prior to its execution;
- Tianqi will notify the FNE of any event from which it acquires control or decisive influence in SQM;
- Tianqi will disassociate any director, executive or employee appointed by third parties, who assumes a position described above in SQM;
- Tianqi will not request access to Sensitive Information from SQM;
- The directors nominated by Tianqi will not disclose Sensitive Information of SQM;

- The directors nominated by Tianqi will personally bind themselves to the obligations assumed by Tianqi with the FNE; and
- Tianqi will report to the FNE the appointments and periodic compliance with its obligations.

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

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

The Company believes that approximately 72.03% of its Series A shares and 48.35% of its Series B shares were beneficially held in Chile as of March 16, 2020. Approximately 1,381 record holders were in Chile as of March 16, 2020.

Series A and Series B common shares have the same economic rights (i.e., both series are entitled to share equally in any dividends declared on the outstanding stock) and voting rights at any shareholders meeting, whether ordinary or extraordinary, with the exception of the election of the Board, in which the Series A shareholders elect seven members and the Series B shareholders elect one member.

Additionally, Series B common shares cannot exceed 50% of SQM's issued, subscribed and paid shares; shareholders of at least 5% of this Series may call an Ordinary or Extraordinary Shareholders' Meeting; and the director elected by this Series may request an extraordinary Board meeting without the authorization of the Chairman of the Board. These conditions will remain in effect until 2043. Under our By-laws, the maximum individual voting power personally and/or in representation of other shareholders per Series is limited to 37.5% of the subscribed shares of each Series with voting rights and 32% of the total subscribed shares with voting rights, with any excess being deducted from the number of shares such shareholder may vote. To calculate these percentages, shares that belong to the voting shareholder's related persons must be added. In addition, the director elected by the Series B shareholders cannot vote in the election of the Chairman of the Board if a tie vote has occurred in the prior voting process. As of April 1, 2020, there were 142,819,552 Series A common shares and 120,376,972 Series B common shares outstanding.

Pampa Group and Tianqi Shareholders' Agreement

On April 10, 2019, the Pampa Group and Inversiones TLC SpA, a subsidiary of Tianqi, entered into a shareholders' agreement, with respect to certain corporate governance matters. The matters addressed by the shareholders' agreement include: (i) the management of the business and affairs of the Company by the Board of Directors, (ii) the election of replacement directors in the event of resignation of any of the directors elected by each party to the Board of Directors as director elected by Series A, (iii) election of certain directors elected by Tianqi to the Company's Directors' Committee, Corporate Governance Committee and Safety, Health and Environmental Committee, (iv) access for Tianqi's internal or external auditors to SQM's management and internal and external auditors for purposes of fulfilling Tianqi's accounting and disclosure obligations with respect to its investment in SQM, (v) support for having a bilingual (Spanish/English) translator attend all SQM Board and Committee meetings to assist directors who are not bilingual and (vi) support of the Company's dividend policy for 2019, as proposed by the Board of Directors in March 2019 for approval at the 2019 annual ordinary shareholders' meeting. The agreement has a term of one year. An English language copy of the agreement is included in an essential fact (*hecho esencial*) filing made by Sociedad de Inversiones Pampa Calichera S.A. with the CMF on April 11, 2019 and is available on the CMF's website at www.cmfchile.cl.

On March 26, 2020, the Pampa Group and Inversiones TLC SpA amended the shareholders' agreement entered into on April 10, 2019 to (i) extend the term to the earliest of (A) our 2021 annual ordinary shareholders' meeting or (B) written notice of termination given by the Pampa Group or Tianqi in the event that a director nominated by the non-notifying party ceases to serve as a director for any reason and (ii) to agree to support the Company's 2020 dividend policy, as proposed by the Board of Directors for approval at the 2020 annual ordinary shareholders' meeting. An English language copy of the amendment is included in an essential fact (*hecho esencial*) filing made by Sociedad de Inversiones Pampa Calichera S.A. with the CMF on March 26, 2020 and is available on the CMF's website at www.cmfchile.cl.

7.B. Related Party Transactions

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

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

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

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

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

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

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

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

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

7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements and Other Financial Information

8.A.1 See "Item 18. Financial Statements."

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

8.A.3 See "Item 19. Exhibits—Index to Financial Statements—Reports of Independent Registered Public Accounting Firm."

8.A.4 Not applicable.

8.A.5 Not applicable.

8.A.6 Export Sales

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

The following is the composition of the consolidated sales for the periods ending on December 31, 2019, 2018 and 2017:

<i>Th. US\$</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Foreign sales	1,731,798	2,076,454	2,013,111
Total sales	1,943,655	2,265,803	2,157,323
Foreign sales %	<u>89.1%</u>	<u>91.6%</u>	<u>93.3%</u>

8.A.7 Legal Proceedings

Deferred Prosecution Agreement

On January 13, 2017, the Company and the DOJ reached agreement on the terms of a DPA that would resolve the DOJ's inquiry, based on alleged violations of the books and records and internal controls provisions of the Foreign Corrupt Practices Act in connection with certain payments made by SQM between the tax years 2009 to 2015 for services that may not have been properly supported or that may not have been necessarily to generate corporate income. Among other terms, the DPA calls for the Company to pay a monetary penalty of US\$15,487,500 and engage a compliance monitor for a term of two (2) years. Upon successful completion of the three (3) year term of the DPA, all charges against the Company were dismissed. Also, on January 13, 2017, the SEC agreed to resolve its inquiry through an administrative cease and desist order, arising out of the alleged violations of the same accounting provisions of the FCPA. Among other terms, the SEC order calls for the Company to pay an additional monetary penalty of US\$15 million. These penalties were reflected in the Company's 2016 consolidated financial statements. In the 2016 consolidated statement of cash flows, a payment of US\$30 million made to the DOJ and SEC was presented in the line item Other payments related to operating activities.

Class Actions

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

On January 10, 2018, the lead plaintiff filed a motion to certify a class consisting of all persons who purchased SQM ADSs between June 30, 2010 and March 18, 2015, and such motion remains pending before the court.

SQMNA Litigation

In October 2010, the City of Pomona, California, named SQM North America Corporation ("SQMNA") and SQM as defendants in an action filed in the California Superior Court for Los Angeles County. In this matter, the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. The plaintiff subsequently withdrew its lawsuit against SQM. The case was removed to the U.S. District Court for the Central District of California and on June 10, 2015, the jury rejected the lawsuit against SQMNA, and the plaintiff filed an appeal which was granted by the Ninth Circuit Court of Appeals. The matter has been remanded to the District Court for a complete re-trial. On May 17, 2018, after a new trial in the District Court, a jury ruled in favor of SQMNA. On September 14, 2018, the plaintiff filed an appeal, which is pending resolution before the Ninth Circuit Court of Appeals. On February 6, 2020, the court of appeals of the 9th circuit of United States ordered a retrial before the District Court.

In October 2010, the City of Lindsay, California, named SQM and SQMNA as defendants in an action filed in the California Superior Court for Tulare County. In this matter, the plaintiff seeks damages for alleged groundwater contamination from the use of defendant's fertilizer products. This case was removed to the U.S. District Court for the Eastern District of California and is pending in the trial court. SQMNA and SQM (if it is legally served) intend to vigorously defend this action. The proceeding has been suspended, pending the outcome of the Pomona case. SQMNA and SQM intend to vigorously defend this action.

Other Matters

In addition, various lawsuits, claims and proceedings, other than those specifically disclosed above, have been or may be instituted or asserted against the Company, relating to the conduct of the company's business, including those pertaining to mining, civil, tort, commercial, labor and regulatory matters, among others. Although the outcome of other litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, our management believes the disposition of such other pending matters will not have a material effect on the company's business, financial condition, results of operations or cash flows.

8.A.8. Dividend Policy

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

On March 27, 2019, the Board of Directors, agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2018 net income. The dividend payment was presented for consideration at the Annual General Shareholders' Meeting held on April 25, 2019. The amount of the definitive dividend approved by shareholders at the Annual General Shareholders' Meeting held on April 25, 2019 was US\$1.67111 per share; the amount of US\$1.25837 per share had to be deducted from the definitive dividend as it had been already paid in a form of interim dividends during 2018. The balance, in the amount of US\$0.41274 per share, was paid and distributed to Company's shareholders on May 9, 2019.

Our 2019 dividend policy, as disclosed at our 2019 Annual General Shareholders' Meeting held on April 25, 2019, was to pay a percentage of our net income that is determined as per following financial parameters:

- (i) 100% of the 2019 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total current financial liabilities is equal to or greater than 2.5 times, and (b) the sum of the total current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets, divided by the total equity is equal to or less than 0.8 times
- (ii) 80% of the 2019 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total sum of the total current financial liabilities is equal to or greater than 2.0 times, and (b) the total sum of the current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets divided by the total equity is equal to or less than 0.9 times.
- (iii) 60% of the 2019 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total sum of the total current financial liabilities is equal to or greater than 1.5 times, and (b) the total sum of the current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets divided by the total equity is equal to or less than 1.0 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2019 net income.

On May 22, 2019, the Board of Directors agreed to pay and distribute on June 12, 2019 an interim dividend of US\$81 million, equivalent to US\$0.30598 per share, to be charged against the 2019 net income.

On August 21, 2019, the Board of Directors agreed to pay and distribute on September 12, 2019 an interim dividend of US\$70 million, equivalent to US\$0.26669 per share, to be charged against the 2019 net income.

On November 20, 2019, the Board of Directors agreed to pay and distribute on December 12, 2019 an interim dividend of US\$61 million, equivalent to US\$0.22987 per share, to be charged against the 2019 net income.

On March 25, 2020, the Board of Directors agreed to recommend to the shareholders the payment of a definitive dividend representing 100% of the 2019 net income. The payment of these dividends will be presented for consideration at the Annual General Shareholders' Meeting to be held on April 23, 2020. Therefore, and subject to the approval at the shareholders' meeting, the Company shall pay a final dividend of US\$1.05668 per share to be charged against the 2019 net income. The amount of US\$0.80254 per share must be deducted from the final dividend, as it was already paid in the form of interim dividends. The balance, in the amount of US\$0.25414 per share shall be paid and distributed to Company's shareholders, pending shareholders' approval.

On March 25, 2020, the Board of Directors agreed to recommend to the shareholders the 2020 dividend policy. If approved, the Company will pay and distribute a percentage of the net income per the following financial parameters:

- (i) 100% of the 2020 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total current financial liabilities is equal to or greater than 2.5 times, and (b) the sum of the total current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets, divided by the total equity is equal to or less than 0.8 times.
- (ii) 80% of the 2020 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total sum of the total current financial liabilities is equal to or greater than 2.0 times, and (b) the total sum of the current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets divided by the total equity is equal to or less than 0.9 times.
- (iii) 60% of the 2020 net income, when the following financial parameters are met: (a) that the total current assets, divided by the total sum of the total current financial liabilities is equal to or greater than 1.5 times, and (b) the total sum of the current liabilities and total non-current liabilities, excluding both cash and cash equivalents and other current financial assets divided by the total equity is equal to or less than 1.0 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2020 net income. The Company will distribute and pay if possible and during 2020, three interim dividends (*dividendos provisorios*) that will be charged against the aforementioned final dividend. These interim dividends will likely be paid during the month following the approval of the March, June, and September 2020 interim financial statements, respectively.

The dividend policy proposal for 2020 is expected to be announced at the Annual Shareholders' Meeting to be held on April 23, 2020.

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

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

Dividends

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

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

Dividends Declared for the fiscal year	Paid in	Per Share Ch\$	Per ADS US\$
2015 (interim)	2015	224.51	0.31915
2015	2016	57.35	0.08581
n/a (<i>eventual</i>)	2016	380.91	0.56992
2016 (interim)	2016	555.15	0.85487
2016	2017	134.5	0.20248
2017 (interim)	2017	264.87	0.39222
2017 (interim)	2017	241.49	0.38432
2017 (interim)	2017	275.46	0.42879
2017	2018	253.19	0.41968
n/a (<i>eventual</i>)	2018	229.22	0.37994
2018 (interim)	2018	271.73	0.43247
2018 (interim)	2018	343.53	0.50864
2018 (interim)	2018	212.38	0.31726
2018	2019	277.7	0.41274
2019 (interim)	2019	215.25	0.30598
2019 (interim)	2019	192.19	0.26669
2019 (interim)	2019	190.39	0.22987

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

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

8.B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

9.A. Offer and Listing Details

Our Series A shares and Series B shares are currently traded on the Santiago Stock Exchange, and the Bolsa Electrónica de Chile Bolsa de Valores S.A., (the Electronic Stock Exchange) under the trading symbols “SQM-A” and “SQM-B”, respectively. ADSs, each representing one share of our Series B shares are also traded on the New York Stock Exchange under the trading symbol “SQM”.

9.B Plan of Distribution

Not Applicable.

9.C Markets

Our Series A shares and Series B shares have traded on the Santiago Stock Exchange and the Electronic Stock Exchange and also traded on the Valparaiso Stock Exchange until it ceased operations on October 8, 2018. The ADSs representing Series B shares have traded on the NYSE since September 20, 1993. The depositary bank for these ADSs is the Bank of New York Mellon.

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

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

Corporate purposes

Our main purposes, which appear in article 4 of our By-laws, are to: (a) perform all kinds of chemical or mining activities and businesses and, among others, those related to researching, prospecting, extracting, producing, working, processing, purchasing, disposing of, and marketing properties, as applicable, of all metallic and non-metallic and fossil mining substances and elements of any type or nature, to be obtained from them or from one or more concessions or mining deposits, and in their natural or converted state, or transformed into different raw materials or manufactured or partially manufactured products, and of all rights and properties thereon; (b) manufacture, produce, work, purchase, transfer ownership, import, export, distribute, transport, and market in any way, all kinds of fertilizers, components, raw materials, chemical, mining, agricultural, and industrial products, and their by-products; (c) generate, produce, distribute, purchase, transfer ownership, and market, in any way, all kinds of electrical, thermal, geothermic or other type of power, and hydric resources or water rights in general; (d) request, manifest, claim, constitute, explore, work, lease, transfer ownership, and purchase, in any way, all kinds of mining concessions; (e) purchase, transfer ownership, and administer, in any way, any kind of telecommunications, railroads, ships, ports, and any means of transport, and represent and manage shipping companies, common carriers by water, airlines, and carries in general; (f) manufacture, produce, market, maintain, repair, assemble, construct, disassemble, purchase and transfer ownership, and in any way, any kind of electromechanical structure, and substructure in general, components, parts, spares, or parts of equipment, and machines, and execute, develop, advice, and market, any kind of electromechanical or smelting activities; (g) purchase, transfer ownership, lease, and market any kind of agro industrial and farm forestry activities, in any way (h) purchase, transfer ownership, lease, and market, in any way, any kind of urban or rural real estate; (i) render any kind of health services and manage hospitals, private clinics, or similar facilities; (j) construct, maintain, purchase, transfer ownership, and manage, in any way, any kind of roads, tunnels, bridges, water supply systems, and other required infrastructure works, without any limitation, regardless of whether they may be public or private, among others, to participate in bids and enter into any kind of contracts, and to be the legal owner of the applicable concessions; and (k) purchase, transfer ownership, and market, in any way, any kind of intangible properties such as stocks, bonds, debentures, financial assets, commercial papers, shares or rights in corporations, and any kind of bearer securities or instruments, and to administer such investments, acting always within the Investment and Financing Policies approved by the applicable General Shareholders Meeting. We may comply with the foregoing by acting ourselves or through or with other different legal entities or natural persons, within the country or abroad, with properties of our own or owned by third parties, and additionally, in the ways and territories, and with the aforementioned properties and purposes, we may also construct and operate industrial or agricultural facilities or installations; constitute, administer, purchase, transfer ownership, dissolve, liquidate, transform, modify, or form part of partnerships, institutions, foundations, corporations, or associations of any kind or nature; perform all actions, enter into all contracts, and incur in all obligations convenient or necessary for the foregoing; perform any business or activity related to our properties, assets, or patrimony, or with that of our affiliates, associated companies, or related companies; and render financial, commercial, technical, legal, auditing, administrative, advisory, and other pertinent services.

Directors

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

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

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

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

Directors cannot authorize Company loans on their behalf.

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

Independent Directors and Directors Committee

According to Chilean Law, SQM must appoint at least one Independent Director and a Directors' Committee, due to the fact that (a) the Company has a market capitalization greater than or equal to UF 1,500,000 and (b) at least 12.5% of the Company's shares with voting rights are held by shareholders who, on an individual basis, control or possess less than 10% of such shares.

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

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

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

Shares

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

Article 5 of the Company's By-laws establishes that Series B shares may in no case exceed 50% of SQM's issued, outstanding and paid stock. SQM Series B shares have a restricted right to vote as they can only elect one director of the Company, regardless of their capital stock's share. Series B shares have the right to call for an Ordinary or Extraordinary Shareholders' Meeting when the shareholders of at least 5% of the Series B issued shares request so and for an Extraordinary Board of Directors Meeting without the Chairman's authorization when it is requested by the director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, subject to the second transitory article of the Company's By-Laws, articles 31 and 31 bis of the Company's By-laws establish that in General Shareholders' Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares with a right to vote, with any excess being deducted from the number of shares such shareholder may vote. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

The second transitory article provides as follows:

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

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

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

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

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

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

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

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

Shareholders' Meetings

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

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

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

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

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

Shareholders Restrictions

There are no restrictions on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than those discussed under "—Shares"

Change in Control

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

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

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

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

Board Protocol for Presentation and Use of Sensitive Information

On December 5, 2018, Inversiones TLC SpA, a subsidiary of Tianqi, acquired 62,556,568 Series A shares of the Company, representing approximately 23.77% of the total shares issued by SQM. In connection with the acquisition, Tianqi entered into an Extrajudicial Agreement with the FNE with respect to the implementation of certain measures to maintain competitive market conditions and mitigate any risks identified in the transaction, having as a fundamental principle the limitation of access to commercially sensitive information of SQM by Tianqi. For a description of the Extrajudicial Agreement, see "Item 7.A. Major Shareholders — Tianqi Extrajudicial Agreement with the FNE." Before this acquisition, and after the approval of this transaction by the Chilean Antitrust Court, the Company's Board of Directors deemed it necessary to adopt measures aimed at achieving the purpose of the Extrajudicial Agreement, avoiding greater points of contact between Sensitive Information and Tianqi, to complement the Extrajudicial Agreement. On January 23, 2019, the Board of Directors approved a protocol for the presentation and use of Sensitive Information (as defined in the Extrajudicial Agreement), which was amended on April 15, 2019 in response to comments received from the CMF. The amendment was subsequently approved by the Board on September 30, 2019.

10.C. Material Contracts

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

10.D. Exchange Controls

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974, as amended, or can be registered with the Central Bank of Chile under the Central Bank Act, Law No 18,840 of October 1989. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be modified. Effective January 1, 2016, Decree Law No. 600 was repealed by Article 9 of the 2014 Tax Reform. Therefore, foreign investments made on or after January 1, 2016 cannot be registered with the Foreign Investment Committee.

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

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

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

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

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

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

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

As of April 19, 2001, Chapter XXVI of Title I of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile was eliminated and new investments in ADSs by non-residents of Chile, are now governed by Chapter XIV of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile. This was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. According to the new regulations, such investments must be carried out through Chile's Formal Exchange Market and only reported to the Central Bank of Chile.

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

As of December 31, 2019, we had bonds issued in the international markets under Rule 144A/Regulation S in the principal amounts of US\$250 million, US\$250 million, US\$300 million and US\$450 million.

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

10.E. Taxation

Material Chilean Tax Considerations

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

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

Cash Dividends and Other Distributions

On September 29, 2014, the Tax Reform was published, introducing significant changes to the Chilean taxation system and strengthening the powers of the SII to control and prevent tax avoidance. Subsequently, on February 8, 2016, Law No. 20,899 that simplifies the income tax system and modifies other legal tax provisions was published. On February 24, 2020, Law No. 21,210 to modernize the tax legislation was published. As a result of these reforms, open stock corporations like SQM are subject to the shareholder tax regime. The corporate tax rate applicable to us increased to a rate of 27% in 2018.

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

Foreign shareholders resident in a non-treaty jurisdiction will be subject to a higher effective tax rate on dividends because only a portion of the Chilean corporate tax paid by us will be credited against the final taxes at the shareholder level. There is a temporary rule in effect since January 1, 2017 which has been extended to December 31, 2026 that provides that treaty jurisdictions for this purpose will include jurisdictions with tax treaties signed with Chile prior to January 1, 2020, even if such treaties are not in force. This is currently the status of the treaty signed between the United States and Chile.

Cash dividends paid by the Company with respect to the shares, including shares represented by ADSs held by a U.S. Holder (as defined below), will be subject to a 35% Chilean withholding tax, which is withheld and paid by the Company (the “Withholding Tax”). The effective rate of Withholding Tax imposed on dividends attributed to 2019 earnings of the Company and distributed during the same period was 21.58037%.

Capital Gains

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

The tax basis of the shares received in exchange for ADSs (repatriation) will be the acquisition value of the shares. The Series B shares exchanged for ADSs are valued at the highest price at which they trade on the Chilean Stock Exchange on the date of the exchange or on either of the two business days preceding the exchange. Consequently, the conversion of ADSs into the shares and the immediate sale of such shares at a price equal to or less than the highest price for Series B shares on the Chilean Stock Exchange on such dates will not generate a gain subject to Chilean taxation.

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

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

Starting January 1, 2017, capital gains obtained in the sales of shares owned by foreign holders are subject to First Category Tax and Withholding Tax, and the First Category Tax serves as a credit in Chile to reduce the Withholding Tax. The exercise of pre-emptive rights relating to shares will not be subject to Chilean taxation. Any gain on the sale or assignment of pre-emptive rights relating to shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

Other Chilean Taxes

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

Withholding Tax Certificates

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

Material U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences to U.S. Holders (defined below) arising from ownership and disposition of the Series A shares and the Series B common shares, together the “shares”, and the ADSs. The discussion which follows is based on the U.S. Internal Revenue Code of 1986, as amended, the “Code,” the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect and available on the date hereof. These authorities are subject to change, possibly with retroactive effect, which could affect the continued validity of this summary. In addition, the summary assumes that the depository’s activities are clearly and appropriately defined so as to ensure that the U.S. federal income tax treatment of ADSs will be identical to the U.S. federal income tax treatment of the underlying shares.

The discussion that follows is not intended as tax advice to any particular investor and is limited to investors who will hold the shares or ADSs as “capital assets” within the meaning of Section 1221 of the Code and whose functional currency is the U.S. dollar. The summary does not address the tax treatment of holders that may be subject to special U.S. federal income tax rules, such as insurance companies, tax-exempt organizations, financial institutions, persons who are subject to the alternative minimum tax, persons who are broker-dealers in securities or foreign currency or dealers and traders in securities who use a mark-to-market method of tax accounting, persons who hold the shares or ADSs as a hedge against currency risks, as a position in a “straddle” for tax purposes, or as part of a conversion or other integrated transaction, persons holding our shares or ADSs in connection with a trade or business conducted outside of the U.S., partnerships or other entities classified as partnerships or other pass-through entities for U.S. federal income tax purposes or partners in such partnerships or entities, or persons who own (directly, indirectly or by attribution) 10% or more of the combined voting power of all classes of equity in the Company or 10% or more of the combined value of all classes of equity in the Company. PERSONS OR ENTITIES DESCRIBED ABOVE, INCLUDING PARTNERSHIPS HOLDING SHARES OR ADSs OR PARTNERS IN SUCH PARTNERSHIPS, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES OF HOLDING AND DISPOSING OF SHARES OR ADSs.

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

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

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

The discussion below does not address the effect of any U.S. state, local, estate or gift tax law or non-U.S. tax law or tax considerations that arise from rules of general application to all taxpayers on a U.S. Holder of the shares or ADSs. U.S. HOLDERS OF SHARES OR ADSs SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR CONSEQUENCES UNDER ANY SUCH LAW OF OWNING OR DISPOSING THE SHARES OR ADSs.

For purposes of applying U.S. federal income tax law, any U.S. Holder of an ADS generally will be treated as the owner of the underlying shares represented thereby. The U.S. Treasury has expressed concerns that parties to whom ADSs are released before shares are delivered to the depository (pre-release) or intermediaries in the chain of ownership between beneficial owners and the issuer of the security underlying the ADSs may be taking actions that are inconsistent with the claiming of foreign tax credits for beneficial owners of depository shares. Such actions would also be inconsistent with the claiming of the reduced tax rate, described below, applicable to dividends received by certain non-corporate beneficial owners. Accordingly, the analysis of the creditability of Chilean taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

Cash Dividends and Other Distributions

The following discussion of cash dividends and other distributions is subject to the discussion below under “Passive Foreign Investment Company Rules.” Distributions received by a U.S. Holder on shares or ADSs, including the amount of any Chilean taxes withheld, other than certain pro rata distributions of shares to all shareholders, will constitute foreign-source income to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. The amount of dividend income paid in Chilean pesos that a U.S. Holder will be required to include in income will equal the U.S. dollar value of the distributed Chilean peso, calculated by reference to the exchange rate in effect on the date the payment is received, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt, which would be ordinary income or loss and would be treated as income from U.S. sources for foreign tax credit purposes. Dividends will be included in a U.S. Holder’s income on the date of the U.S. Holder’s, or in the case of ADSs, the depository’s, receipt of the dividend. Corporate U.S. Holders will not be entitled to claim the dividends-received deduction with respect to dividends paid by us.

Subject to certain exceptions for short-term and hedged positions, the discussion above regarding concerns expressed by the U.S. Treasury and the discussion below regarding rules intended to be promulgated by the U.S. Treasury, the U.S. dollar amount of dividends received by a noncorporate U.S. Holder in respect of our shares or ADSs generally will be subject to taxation at preferential rates if the dividends are “qualified dividends.” Dividends paid on our ADSs generally will be treated as qualified dividends if (i) our ADSs are readily tradable on an established securities market in the U.S. (ii) SQM was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (“PFIC”) and (iii) the holder thereof has satisfied certain holding period requirements. Our ADSs are listed on the New York Stock Exchange and generally will qualify as readily tradable on an established securities market in the U.S. so long as they are so listed. We do not believe that we were a PFIC for U.S. federal income tax purposes with respect to our 2018 taxable year. In addition, based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2019 taxable year. However, because PFIC status depends upon the composition of a company’s income and assets and the market value of its assets from time to time, and because it is unclear whether certain types of our income constitute passive income for PFIC purposes, there can be no assurance that we will not be considered a PFIC for any current, prior or future taxable year. Based on existing guidance, it is not entirely clear whether dividends received with respect to our shares will be treated as qualified dividends, because our shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. A U.S. HOLDER SHOULD CONSULT ITS TAX ADVISORS TO DETERMINE WHETHER THE FAVORABLE RATE WILL APPLY TO DIVIDENDS IT RECEIVES AND WHETHER IT IS SUBJECT TO ANY SPECIAL RULES THAT LIMIT ITS ABILITY TO BE TAXED AT THIS FAVORABLE RATE.

The amount of a dividend generally will be treated as foreign-source dividend income to a U.S. Holder for foreign tax credit purposes. As discussed in more detail below under “—Foreign Tax Credits,” it is not free from doubt whether Chilean withholding taxes imposed on distributions on our shares or ADSs will be treated as income taxes eligible for a foreign tax credit for U.S. federal income tax purposes. If a Chilean withholding tax is treated as an eligible foreign income tax, subject to generally applicable limitations, you may claim a credit against your U.S. federal income tax liability for the eligible Chilean taxes withheld from distributions on our shares or ADSs. If the dividends are taxed as qualified dividend income (as discussed above), special rules will apply in determining the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation. THE RULES RELATING TO FOREIGN TAX CREDITS ARE COMPLEX. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS REGARDING THE TREATMENT OF CHILEAN WITHHOLDING TAXES IMPOSED ON DISTRIBUTIONS ON OUR SHARES OR ADSs.

Sale or Other Disposition of our Shares or ADSs

For U.S. federal income tax purposes, the gain or loss a U.S. Holder realizes on the sale or other disposition of our shares or ADSs generally will be U.S.-source capital gain or loss for foreign tax credit purposes, and generally will be a long-term capital gain or loss if the U.S. Holder has held our shares or ADSs for more than one year. The amount of a U.S. Holder’s gain or loss will equal the difference between the U.S. Holder’s tax basis in our shares or ADSs disposed of and the amount realized on the disposition (including any amount withheld in respect of Chilean withholding taxes), in each case as determined in U.S. dollars.

In certain circumstances, Chilean taxes may be imposed upon the sale of shares. See “—Material Chilean Tax Considerations—Capital Gains” above. As discussed in more detail below under “—Foreign Tax Credits,” subject to generally applicable limitations and substantiation requirements, a U.S. Holder may be eligible to claim a credit against its U.S. federal income tax liability for the eligible Chilean taxes withheld pursuant to a sale or other disposition of our shares or ADSs. U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN U.S. TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO THEM OF OWNING OR DISPOSING OF OUR SHARES OR ADSs.

Foreign Tax Credits

Subject to applicable limitations that may vary depending upon a U.S. Holder's circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, you may be eligible to claim a credit against your U.S. tax liability for Chilean income taxes (or taxes imposed in lieu of an income tax) imposed in connection with distributions on and proceeds from the sale or other disposition of our shares or ADSs. Chilean dividend withholding taxes generally are expected to be income taxes eligible for the foreign tax credit. The Chilean capital gains tax is likely to be treated as an income tax (or a tax paid in lieu of an income tax) and thus eligible for the foreign tax credit; however, you generally may claim a foreign tax credit only after taking into account any available opportunity to reduce the Chilean capital gains tax, such as the reduction for the credit for Chilean corporate income tax that is taken into account when calculating Chilean withholding tax. If a Chilean tax is imposed on the sale or disposition of our shares or ADSs, and a U.S. Holder does not receive significant foreign source income from other sources, such U.S. Holder may not be able to credit such Chilean tax against its U.S. federal income tax liability. If a Chilean tax is not treated as an income tax (or a tax paid in lieu of an income tax) for U.S. federal income tax purposes, a U.S. Holder would be unable to claim a foreign tax credit for any such Chilean tax withheld; however, a U.S. Holder may be able to deduct such tax in computing its U.S. federal income tax liability, subject to applicable limitations. In addition, instead of claiming a credit, a U.S. Holder may, at the U.S. Holder's election, deduct such Chilean taxes in computing the U.S. Holder's taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the U.S. THE CALCULATION OF FOREIGN TAX CREDITS AND, IN THE CASE OF A U.S. HOLDER THAT ELECTS TO DEDUCT FOREIGN INCOME TAXES, THE AVAILABILITY OF DEDUCTIONS, INVOLVES THE APPLICATION OF COMPLEX RULES THAT DEPEND ON YOUR PARTICULAR CIRCUMSTANCES. U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE AVAILABILITY OF FOREIGN TAX CREDITS IN THEIR PARTICULAR CIRCUMSTANCES.

Passive Foreign Investment Company Rules

We do not expect to be a PFIC for U.S. federal income tax purposes for our 2018 taxable year and do not anticipate being a PFIC for our 2019 taxable year. However, because PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, and because it is unclear whether certain types of our income constitute passive income for PFIC purposes, there can be no assurance that we will not be considered a PFIC for any current, prior or future taxable year. If we were a PFIC for any taxable year during which a U.S. Holder held our shares or ADSs, certain adverse consequences could apply to the U.S. Holder, including the imposition of higher amounts of tax than would otherwise apply, and additional filing requirements. In addition, if we were treated as a PFIC in a taxable year in which we pay a dividend or in the prior taxable year, the favorable dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply (see "—Cash Dividends and Other Distributions" above). A U.S. Holder should consult its tax advisors regarding the consequences to it if we were a PFIC, as well as the availability and advisability of making any election that might mitigate the adverse consequences of PFIC status.

Information Reporting and Backup Withholding

Required Disclosure with Respect to Foreign Financial Assets

Certain U.S. Holders are required to report information relating to an interest in our shares or ADSs, subject to certain exceptions (including an exception for our shares or ADSs held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in our shares or ADSs. U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN U.S. TAX ADVISORS REGARDING INFORMATION REPORTING REQUIREMENTS RELATING TO THEIR OWNERSHIP OF OUR SHARES OR ADSs.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the U.S. or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against its U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the U.S. Internal Revenue Service.

Medicare Contribution Tax

Legislation enacted in 2010 generally imposes a tax of 3.8% on the “net investment income” of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from dividends and net gain attributable to the disposition of certain property, like our shares or ADSs, less certain deductions. A U.S. Holder should consult the U.S. Holder’s tax advisor regarding the possible application of this legislation in the U.S. Holder’s particular circumstances.

A U.S. HOLDER SHOULD CONSULT ITS OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR CONSEQUENCES TO IT OF OWNING AND DISPOSING OF OUR SHARES OR ADSs.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

We are subject to the information requirements of the Exchange Act, except that as a foreign issuer, we are not subject to the SEC proxy rules (other than general anti-fraud rules) or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports, information statements and other information we filed with or furnish to the SEC are available electronically on the SEC’s website <http://www.sec.gov>, and on our website www.sqm.com.

10.I. Subsidiary Information

See “Item 4.C. Organizational Structure.”

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As discussed elsewhere in this Annual Report, we transact our businesses in approximately 110 countries, thereby rendering our market risk dependent upon the fluctuations of foreign currencies and local and international interest rates. These fluctuations may generate losses in the value of financial instruments taken in the normal course of business.

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

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

Interest Rate Risk. As of December 31, 2019, approximately 4% of our financial debt was effectively priced at LIBOR. Interest rate fluctuations, due to the uncertain future behavior of markets, may have a material impact on our financial results should we have such debts.

As of December 31, 2019, our total financial debt is primarily long-term, with 20% of maturities less than 12 months, which we believe decreases the exposure to changes in the interest rates.

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

The following is a summary of the aggregate net monetary assets and liabilities that are denominated in non-U.S. dollar currencies as of December 31, 2019, 2018 and 2017. Figures do not include our financial hedging positions for year-end:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	Th US\$	Th US\$	Th US\$
Chilean pesos	(57,724)	(267,032)	(173,907)
Brazilian real	19	(756)	(708)
Euro	(6,770)	14,568	31,291
Japanese yen	67,836	77,975	42,789
Mexican pesos	7,781	5,471	(1,650)
South African rand	20,817	5,283	28,454
Dirhams	10,116	46,864	35,960
Other currencies	43,980	69,968	38,853
Total, net	<u><u>86,055</u></u>	<u><u>(47,659)</u></u>	<u><u>1,084</u></u>

Also, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean pesos for approximately US\$289 million (Ch\$216,708 million).

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12.A. DEBT SECURITIES

Not applicable.

ITEM 12.B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12.C. OTHER SECURITIES

Not applicable.

ITEM 12.D. AMERICAN DEPOSITARY RECEIPTS**Depository Fees and Charges**

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

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

Depository Payments Fiscal Year 2019

The Depositary has agreed to reimburse certain expenses related to the Company's ADS program and incurred by the Company in connection with the program. In 2019, the Depositary reimbursed expenses related to investor relations for a total amount of US\$162,606.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Control and Procedures

SQM management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer and other members of the Company's executive management, evaluated the effectiveness of our disclosure controls and procedures, pursuant to Rule 13a-15(b) promulgated under the Exchange Act, as of the end of the period covered by this Annual Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective in providing reasonable assurance that material information is made known to management and that financial and non-financial information is properly recorded, processed, summarized and reported as of December 31, 2019.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. However, through the same design and evaluation period of the disclosure controls and procedures, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, recognized that there are inherent limitations to the effectiveness of any control system regardless of how well designed and operated. In such a way they can provide only reasonable assurance of achieving the desired control objectives, and no evaluation can provide absolute assurance that all control issues or instances of fraud, if any, within the Company have been detected.

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

SQM management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

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

Management assessed the effectiveness of its internal control over financial reporting as of December 31, 2019. The assessment was based on criteria established in the framework "Internal Controls — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, SQM management has concluded that as of December 31, 2019, the Company's internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm

For the report of PricewaterhouseCoopers Consultores Auditores SpA, independent registered public accounting firm, dated April 22, 2020, on the effectiveness of our internal control over financial reporting as of December 31, 2019, see page F-2 of our Audited Consolidated Financial Statements.

(d) Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

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

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

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

ITEM 16B. CODE OF ETHICS

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

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

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

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

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table shows the amount of fees billed to SQM by our independent auditors, PwC for the 2019 and 2018 fiscal years, in relation to audit, tax and other assurance services provided to us (in thousands of US\$):

	<u>2019</u>	<u>2018</u>
Audit fees	1,339	1,408
Tax fees	354	289
All other fees	17	17
Total fees	<u>1,710</u>	<u>1,715</u>

Audit fees in the above table are the fees approved by the Directors' Committee for PwC in 2019 and 2018 in connection with the audits of our annual consolidated financial statements

All other fees in the above table are aggregate fees approved by the Directors' Committee for PwC in 2019 and 2018 in connection with services such as transfer pricing and other assurance services that were not related to the audit. These fees were pre-approved by the Directors' Committee in accordance with our pre-approval policies and procedures.

Directors' Committee Pre-Approval Policies and Procedures.

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

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

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

None.

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

None.

ITEM 16E. ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

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

ITEM 16H. MINE SAFETY AND DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

ITEM 18. FINANCIAL STATEMENTS

For a list of all financial statements filed as part of this Form 20-F Annual Report, see “Item 19. Exhibits.”

ITEM 19. EXHIBITS

(a) Index to Financial Statements

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Audited Consolidated Statements of Income for each of the three years in the period ended December 31, 2019	F-5
Audited Consolidated Statement of Comprehensive Income for the three years in the period ended December 31, 2019	F-6
Audited Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2019	F-7
Audited Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2019	F-9
Notes to the Audited Consolidated Financial Statements	F-13
Supplementary Schedules*	

*All other schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(b) Exhibits

**Exhibit
No.**

Exhibit

1.1	By-laws (<i>Estatutos</i>) of the Company, as amended effective as of June 5, 2018.
2.1	Description of the Company's Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended.
8.1	Significant subsidiaries of the Company
12.1	Section 302 Chief Executive Officer Certification
12.2	Section 302 Chief Financial Officer Certification
13.1	Section 906 Chief Executive Officer Certification
13.2	Section 906 Chief Financial Officer Certification
23.1	Consent of Sergio Alarcón
23.2	Consent of Marco Lema
23.3	Consent of Orlando Rojas
23.4	Consent of Andrés Fock
99.1	Certificate of qualified competency issued by Chilean Mining Commission
99.2	Certificate of qualified competency issued by Chilean Mining Commission
99.3	Certificate of qualified competency issued by Chilean Mining Commission
99.4	Certificate of qualified competency issued by Chilean Mining Commission
99.5	Corporate Governance Agreement, filed as Exhibit 99.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2016, is incorporated herein by reference.
99.6	Pampa Group Agreement, filed as Exhibit 99.5 to the Company's Annual Report on Form 20-F for the year ended December 31, 2017, is incorporated herein by reference.
99.7	SQM Board Protocol for the Prosecution and use of Sensitive Information, filed with the Company's Report on Form 6-K on April 16, 2019, is incorporated herein by reference.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.
(CHEMICAL AND MINING COMPANY OF CHILE INC.)

/s/ Gerardo Illanes

Gerardo Illanes G.
Chief Financial Officer

Date: April 22, 2020

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Sociedad Química y Minera de Chile S.A. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 4.2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Bulk Inventories Volume

As described in Notes 3.13, 3.33 and 11 to the consolidated financial statements, the Company's consolidated products in progress and finished products inventories balances at December 31, 2019 amounted to US\$458 million and US\$492 million, respectively, which included bulk inventories amounting to US\$104 million and US\$205 million, respectively. The accounting process the Company uses to record products in progress and finished products bulk inventories volume relies on significant estimates primarily relating to topography measures and product density. To assist in validating the reasonableness of these estimates, management periodically reviews product density and performs cyclical physical inventory during the year and an annual physical inventory.

The principal considerations for our determination that performing procedures relating to the bulk inventories volume is a critical matter are that there was significant judgment by management in determining the products in progress and finished products bulk inventories volume, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing our audit procedures and in evaluating audit evidence related to estimates made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimation of inventories volumes, including controls over management's physical inventory process and the determination of the product density. These procedures also included, among others, observing management's physical inventory and assessing rollforward activity between the time of the inventory and year-end. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's topography measures, assess the reasonableness of management's determination of the product density and observe management's annual physical inventory.

Litigation - Environmental, Tax and Class Action Contingencies

As described in Note 3.26, 3.33, 21.3, 21.4 and 21.6 to the consolidated financial statements, provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation amount can be made. The Company also discloses the contingencies in circumstances where management concludes no loss is probable or reasonably estimable, but it is reasonably possible that a loss may be incurred.

The principal considerations for our determination that performing procedures relating to the environmental, tax and class action contingencies is a critical audit matter are there was significant judgment by management when assessing the likelihood of a loss being incurred and when determining whether a reasonable estimate of the loss can be made, which in turn led to a high degree of auditor judgment and effort in evaluating management's assessment of the loss contingencies associated with litigation claims.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of the environmental, tax and class action contingencies, including controls over determining whether a loss is probable and whether the amount of loss can be reasonably estimated, as well as consolidated financial statement disclosures. These procedures also included, among others, obtaining and evaluating the letters of audit inquiry with internal and external legal counsels, evaluating the reasonableness of management's assessment regarding unfavorable outcomes, and evaluating the sufficiency of the Company's litigation contingency disclosures.

/s/ PricewaterhouseCoopers Consultores Auditores SpA

Santiago – Chile

April 22, 2020

We have served as the Company's auditor since 2011.

Consolidated Statements of Financial Position

Assets	Note N	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Currents assets			
Cash and cash equivalents	10.1	588,530	556,066
Other current financial assets	13.1	505,490	312,721
Other current non-financial assets	16	50,552	47,972
Trade and other receivables, current	13.2	399,142	466,619
Trade receivables due from related parties, current	12.5	61,227	42,790
Current inventories	11	983,338	913,674
Current tax assets	29.1	91,433	57,110
Total current assets other than those classified as held for sale or disposal		2,679,712	2,396,952
Non-current assets or groups of assets classified as held for sale	30	2,454	1,430
Total non-current assets held for sale		2,454	1,430
Total current assets		2,682,166	2,398,382
Non-current assets			
Other non-current financial assets	13.1	8,778	17,131
Other non-current non-financial assets	16	19,729	27,539
Trade receivables, non-current	13.2	1,710	2,275
Investments classified using the equity method of accounting	8.1-9.3	109,435	111,549
Intangible assets other than goodwill	14.1	188,358	189,350
Goodwill	14.1	34,726	34,866
Property, plant and equipment	15.1	1,607,070	1,454,823
Tax assets, non-current	29.1	32,179	32,179
Total non-current assets		2,001,985	1,869,712
Total assets		4,684,151	4,268,094

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

Consolidated Statements of Financial Position

Liabilities and Equity	Note N	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Current liabilities			
Other current financial liabilities	13.4	298,822	23,585
Trade and other payables, current	13.5	205,790	163,751
Trade payables due to related parties, current	12.6	475	9
Other current provisions	18.1	110,565	106,197
Current tax liabilities	29.2	17,874	47,412
Provisions for employee benefits, current	17.1	16,387	20,085
Other current non-financial liabilities	18.3	126,899	194,624
Total current liabilities		776,812	555,663
Non-current liabilities			
Other non-current financial liabilities	13.4	1,518,926	1,330,382
Other non-current provisions	18.1	34,690	31,822
Deferred tax liabilities	29.3	183,411	175,361
Provisions for employee benefits, non-current	17.1	35,840	37,064
Total non-current liabilities		1,772,867	1,574,629
Total Liabilities		2,549,679	2,130,292
Equity			
Equity attributable to owners of the Parent	19		
Share capital	19.2	477,386	477,386
Retained earnings		1,623,104	1,623,104
Other reserves	19.3	(14,223)	(14,999)
Equity attributable to owners of the Parent		2,086,267	2,085,491
Non-controlling interests	19.7	48,205	52,311
Total equity		2,134,472	2,137,802
Total liabilities and equity		4,684,151	4,268,094

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

Consolidated Statements of Income

Consolidated Statements of Income	Note N	For the period from January to December of the year		
		2019	2018	2017
		ThUS\$	ThUS\$	ThUS\$
Revenue	24.1	1,943,655	2,265,803	2,157,323
Cost of sales	24.2	(1,383,603)	(1,485,631)	(1,394,822)
Gross profit		560,052	780,172	762,501
Other income	24.3	18,218	32,048	17,827
Administrative expenses	24.4	(117,180)	(118,126)	(101,171)
Other expenses by function	24.5	(25,995)	(36,907)	(53,600)
Net impairment (losses) gains on reversal of financial assets	24.7	(1,057)	2,967	(8,038)
Other gains (losses)	24.6	(383)	6,404	543
Profit from operating activities		433,655	666,558	618,062
Finance income		26,289	22,533	13,499
Finance costs	24.9	(76,939)	(57,807)	(50,124)
Share of profit of associates and joint ventures accounted for using the equity method	8.1-9.3	9,786	6,351	14,452
Foreign currency translation differences	28	(2,169)	(16,597)	(1,299)
Profit before taxes		390,622	621,038	594,590
Income tax expense	29.3	(110,019)	(178,975)	(166,173)
Net profit		280,603	442,063	428,417
Net profit attributable to:		280,603	442,063	428,417
Profit (loss) attributable to Owners of the Parent		278,115	439,830	427,697
Profit (loss) attributable to Non-controlling interests		2,488	2,233	720
		280,603	442,063	428,417

Earnings per share	Note N	For the period from January to December of the year		
		2019	2018	2017
		ThUS\$	ThUS\$	ThUS\$
Basic earnings per share (US\$ per share)	20	1.0567	1.6711	1.6250
Diluted earnings per share (US\$ per share)	20	1.0567	1.6711	1.6250

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

Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income

For the period from January to December of the year

	2019	2018	2017
	ThUS\$	ThUS\$	ThUS\$
Net profit	280,603	442,063	428,417
Other comprehensive income (loss)			
Items of other comprehensive income (loss) that will not be reclassified to profit for the year, before taxes			
Losses from measurements of defined benefit plans	(3,310)	(1,337)	(1,392)
Gains (losses) from financial assets measured irrevocably at fair value through other comprehensive income	1,152	(5,546)	—
Total other comprehensive income (loss) that will not be reclassified to profit for the year, before taxes	(2,158)	(6,883)	(1,392)
Items of other comprehensive income that will be reclassified to profit for the year, before taxes			
Foreign currency exchange gains (losses)	788	(1,220)	(5,446)
Loss from financial assets measured at fair value through other comprehensive income	—	—	(26)
Gains from cash flow hedges	1,907	5,723	2,184
Total other comprehensive income (loss) that will be reclassified to profit for the year	2,695	4,503	(3,288)
Other items of other comprehensive income (loss) before taxes	537	(2,380)	(4,680)
Income tax related to items of other comprehensive income (loss) that will not be reclassified to profit for the year			
Income tax (benefit) expense related to financial assets measured irrevocably at fair value through other comprehensive income	(311)	1,498	—
Income tax expense related to measurements of defined benefit plans	702	396	282
Total income tax related to items of other comprehensive income (loss) that will not be reclassified to profit for the year	391	1,894	282
Income tax relating to components of other comprehensive income (loss) that will be reclassified to profit for the year			
Income tax benefit related to cash flow hedges	(2,683)	—	—
Income tax benefit related to financial assets measured at fair value through other comprehensive income	—	—	(550)
Total income tax benefit relating to components of other comprehensive income (loss) that will be reclassified to profit (loss) for the year	(2,683)	—	(550)
Total other comprehensive loss	(1,755)	(486)	(4,948)
Total comprehensive income	278,848	441,577	423,469
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	276,137	439,180	422,736
Comprehensive income attributable to non-controlling interest	2,711	2,397	733
	278,848	441,577	423,469

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

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Cash flows from operating activities			
Classes of revenue from operating activities			
Cash receipts from sales of goods and rendering of services	2,044,746	2,284,514	2,082,366
Cash receipts from premiums and benefits, annuities and other benefits from policies entered	2,925	2,140	2,967
Proceeds from leases	361	—	—
Classes of Payments			
Cash payments to suppliers for the provision of goods and services	(1,284,204)	(1,226,091)	(842,079)
Cash payments to and on behalf of employees	(195,782)	(205,590)	(227,103)
Payments relating to variable leases	(1,037)	—	—
Other payments related to operating activities	(25,218)	(21,240)	(65,444)
Net cash generated from operating activities	541,791	833,733	950,707
Dividends received	14,449	8,815	2,091
Interest paid	(70,963)	(59,565)	(51,335)
Interest paid on leases liabilities	(1,537)	—	—
Interest received	25,809	22,533	13,499
Income taxes paid	(173,319)	(240,115)	(148,568)
Other income (outflows) of cash (1)	90,741	(40,562)	(8,122)
Net cash generated from operating activities	426,971	524,839	758,272
Cash flows generated from (used in) investing activities			
Cash flows arising from the loss of control of subsidiaries and other businesses	994	68,988	—
Payments made to acquire interest in joint ventures	(2,600)	(19,989)	(38,088)
Proceeds from the sale of property, plant and equipment	487	61	229
Acquisition of property, plant and equipment	(321,324)	(244,693)	(142,144)
Proceeds from sales of intangible assets	28,126	14,056	8,640
Proceeds (payments) related to futures, forward options and swap contracts	1,403	(204)	78
Purchases of intangible assets	(2,492)	(74,374)	—
Other (outflows) income of cash (2)	(190,065)	69,151	(76,782)
Net cash generated from (used in) investing activities	(485,471)	(187,004)	(248,067)

(1) Other inflows (outflows) of cash from operating activities include increases (decreases) net of value added tax. Banking expenses, expenses associated with obtaining loans and taxes associated with interest payments.

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

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

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows	Note N	For the period from January to December of the year		
		2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Cash flows generated from (used in) financing activities				
Repayment of lease liabilities		(7,221)	—	—
Proceeds from long-term borrowings		450,000	256,039	—
Proceeds from short-term borrowings		—	120,000	143,000
Repayment of borrowings		(7,096)	(213,000)	(180,987)
Dividends paid		(329,787)	(550,352)	(373,933)
Net cash generated from (used in) financing activities		105,896	(387,313)	(411,920)
Net increase (decrease) in cash and cash equivalents before the effect of exchange rate changes				
		47,396	(49,478)	98,285
Effects of exchange rate changes on cash and cash equivalents		(14,932)	(24,894)	17,484
Net increase (decrease) in cash and cash equivalents		32,464	(74,372)	115,769
Cash and cash equivalents at beginning of year		556,066	630,438	514,669
Cash and cash equivalents at end of year	11	588,530	556,066	630,438

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

Consolidated Statements of Changes in Equity

Consolidated Statements of Changes in Equity	Share capital	Foreign currency translation reserves	Cash flow hedge reserves	Reserve for (losses) gains from financial assets measured at fair value through other comprehensive income	Actuarial losses) from defined benefit plans	Other miscellaneous reserves	Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
Equity as of January 1, 2019	477,386	(26,307)	7,971	(1,111)	(6,884)	11,332	(14,999)	1,623,104	2,085,491	52,311	2,137,802
Net profit	—	—	—	—	—	—	—	278,115	278,115	2,488	280,603
Other comprehensive income	—	562	(775)	841	(2,606)	—	(1,978)	—	(1,978)	223	(1,755)
Comprehensive income	—	562	(775)	841	(2,606)	—	(1,978)	278,115	276,137	2,711	278,848
Dividends (1)	—	—	—	—	—	—	—	(278,115)	(278,115)	(6,817)	(284,932)
Increase due to transfers and other changes	—	—	—	—	—	2,754	2,754	—	2,754	—	2,754
Increase (decrease) in equity	—	562	(775)	841	(2,606)	2,754	776	—	776	(4,106)	(3,330)
Equity as of December 31, 2019	477,386	(25,745)	7,196	(270)	(9,490)	14,086	(14,223)	1,623,104	2,086,267	48,205	2,134,472

Consolidated Statements of Changes in Equity	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
Equity as of January 1, 2018	477,386	(24,913)	2,248	2,937	(5,953)	11,332	(14,349)	1,724,784	2,187,821	59,647	2,247,468
Decrease due to changes in accounting policies	—	—	—	—	—	—	—	(1,680)	(1,680)	—	(1,680)
Restated initial equity	477,386	(24,913)	2,248	2,937	(5,953)	11,332	(14,349)	1,723,104	2,186,141	59,647	2,245,788
Net profit	—	—	—	—	—	—	—	439,830	439,830	2,233	442,063
Other comprehensive income	—	(1,394)	5,723	(4,048)	(931)	—	(650)	—	(650)	164	(486)
Comprehensive income	—	(1,394)	5,723	(4,048)	(931)	—	(650)	439,830	439,180	2,397	441,577
Dividends (1)	—	—	—	—	—	—	—	(539,830)	(539,830)	(9,733)	(549,563)
Increase (decrease) in equity	—	(1,394)	5,723	(4,048)	(931)	—	(650)	(100,000)	(100,650)	(7,336)	(107,986)
Equity as of December 31, 2018	477,386	(26,307)	7,971	(1,111)	(6,884)	11,332	(14,999)	1,623,104	2,085,491	52,311	2,137,802

(1) See Note 19.6

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

Consolidated Statements of Changes in Equity	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Total Other reserves	Retained earnings	Equity	Non- controlling interests	Total
									attributable to owners of the Parent		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity as of January 1, 2017	477,386	(19,463)	64	3,513	(4,834)	7,832	(12,888)	1,781,576	2,246,074	61,198	2,307,272
Net profit	—	—	—	—	—	—	—	427,697	427,697	720	428,417
Other comprehensive income	—	(5,450)	2,184	(576)	(1,119)	—	(4,961)	—	(4,961)	13	(4,948)
Comprehensive income	—	(5,450)	2,184	(576)	(1,119)	—	(4,961)	427,697	422,736	733	423,469
Dividends	—	—	—	—	—	—	—	(480,989)	(480,989)	(2,284)	(483,273)
Increase (decrease) due to transfers and other changes	—	—	—	—	—	3,500	3,500	(3,500)	—	—	—
Increase (decrease) in equity	—	(5,450)	2,184	(576)	(1,119)	3,500	(1,461)	(56,792)	(58,253)	(1,551)	(59,804)
Equity as of December 31, 2017	<u>477,386</u>	<u>(24,913)</u>	<u>2,248</u>	<u>2,937</u>	<u>(5,953)</u>	<u>11,332</u>	<u>(14,349)</u>	<u>1,724,784</u>	<u>2,187,821</u>	<u>59,647</u>	<u>2,247,468</u>

(1) See Note 19.6

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

Glossary

The Following capitalized terms un these notes will have the following meaning:

“**ADS**” American Depositary Shares;

“**CAM**” Arbitration and Mediation Center of the Santiago Chamber of Commerce;

“**CCHEN**” Chilean Nuclear Energy Commission;

“**CCS**” cross currency swap;

“**CINIIF**” International Financial Reporting Interpretations Committee;

“**CMF**” Financial Market Commission;

“**Directors’ Committee**” The Company’s Directors’ Committee;

“**Corporate Governance Committee**” The Company’s Corporate Governance Committee;

“**Health, Safety and Environment Committee**” The Company’s Health, Safety and Environment Committee;

“**Lease Agreement**” the mining concessions lease agreement signed by SQM Salar and Corfo in 1993, as subsequently amended;

“**Project Contract**” project contract for Salar de Atacama undersigned by Corfo and SQM Salar in 1993, as subsequently amended”;

“**CORFO**” Chilean Economic Development Agency;

“**DCV**” Central Securities Depository;

“**DGA**” General Directorate of Water Resources;

“**Board**” The Company’s Board of Directors;

“**DOJ**” United States Department of Justice;

“**Dollar**” “**USD**” o “**US\$**” Dollars of the United States of America;

“**DPA**” Deferred Prosecution Agreement;

“**EIEP**” Passive foreign investment company;

“**United States**” United States of America;

“**FCPA**” Foreign Corrupt Practices Act of the USA;

“**Management**” the Company’s management;

“**SQM Group**” The corporate group composed of the Company and its subsidiaries

“**Pampa Group**” Jointly the Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Inversiones Global Mining (Chile) Limitada;

“**IASB**” International Accounting Standards Board;

“**SSI**” Staff severance indemnities;

“**IFRIC**” International Financial Reporting Interpretations Committee;
“**IPC**” Consumer Price Index;
“**Securities Market Law**” Securities Market Law No. 18,045;
“**Corporate Law**” Ley 18,046 on corporations;
“**ThUS\$**” thousands of Dollars;
“**MUS\$**” millions of Dollars;
“**IAS**” International Accounting Standard;
“**IFRS**” International Financial Reporting Standard;
“**Pesos**” “**Ch\$**” o “**CLP**” Chilean pesos, legal tender in Chile;
“**SEC**” Securities and Exchange Commission;
“**Sernageomin**” National Geology and Mining Service;
“**SIC**” Standard Interpretations Committee;
“**SII**” Chilean Internal Revenue Service;
“**SMA**” Environmental Superintendant's Office;
“**Company**” Sociedad Química y Minera de Chile S.A.;
“**SQM Industrial**” SQM Industrial S.A.;
“**SQM NA**” SQM North America Corporation;
“**SQM Nitratos**” SQM Nitratos S.A.;
“**SQM Potasio**” SQM Potasio S.A.;
“**SQM Salar**” SQM Salar S.A.;
“**Tianqi**” Tianqi Lithium Corporation; and
“**UF**” Unidad de Fomento (a Chilean Peso based inflation indexed currency unit).

Note 1 Identification and Activities of the Company and Subsidiaries

1.1 Historical background

Sociedad Química y Minera de Chile S.A. is an open stock corporation founded under the laws of the Republic of Chile and its Chilean Tax Identification Number is 93.007.000-9.

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

The Company is registered in the CMF under number 184 of March 18, 1983 and is therefore subject to oversight by that entity.

1.2 Main domicile where the Company performs its production activities

The Company's main domiciles are: Calle Dos Sur plot No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Administration Building w/n - Maria Elena; Administration Building w/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 Ruta 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 Ruta 5 Norte Highway - Pozo Almonte, Salar de Atacama (Atacama Saltpeter deposit) potassium chloride plant w/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama w/n - San Pedro de Atacama, Minsal Mining Camp w/n CL Plant CL, Potassium- San Pedro de Atacama, formerly the Iris Saltpeter office w/n, Commune of Pozo Almonte, Iquique.

1.3 Codes of main activities

The codes of the main activities as established by the CMF, as follows:

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

1.4 Description of the nature of operations and main activities

The products of the Company are mainly derived from mineral deposits found in northern Chile where mining takes place and caliche and brine deposits are processed.

- (a) **Specialty plant nutrition:** Four main types of specialty plant nutrients are produced: potassium nitrate, sodium nitrate, sodium potassium nitrate and specialty blends. In addition, other specialty fertilizers are sold including third party products.
- (b) **Iodine:** The Company produce iodine and iodine derivatives, which are used in a wide range of medical, pharmaceutical, agricultural and industrial applications, including x-ray contrast media, polarizing films for LCD and LED, antiseptics, biocides and disinfectants, in the synthesis of pharmaceuticals, electronics, pigments and dye components.
- (c) **Lithium:** The Company produces of lithium carbonate, which is used in a variety of applications, including electrochemical materials for batteries, frits for the ceramic and enamel industries, heat-resistant glass (ceramic glass), air conditioning chemicals, continuous casting powder for steel extrusion, primary aluminum smelting process, pharmaceuticals and lithium derivatives, We are also a leading supplier of lithium hydroxide, which is primarily used as an input for the lubricating greases industry and for certain cathodes for batteries.

- (d) **Industrial chemicals:** The Company produce three industrial chemicals: sodium nitrate, potassium nitrate and potassium chloride. Sodium nitrate is used primarily in the production of glass, explosives, and metal treatment. Potassium nitrate is used in the manufacturing of specialty glass, and it is also an important raw material to produce frits for the ceramics and enamel industries. Solar salts, a combination of potassium nitrate and sodium nitrate, are used as a thermal storage medium in concentrated solar power plants. Potassium chloride is a basic chemical used to produce potassium hydroxide, and it is also used as an additive in oil drilling as well as in food processing, among other uses.
- (e) **Potassium:** The Company produce potassium chloride and potassium sulfate from brines extracted from the Salar de Atacama. Potassium chloride is a commodity fertilizer used to fertilize a variety of crops including corn, rice, sugar, soybean and wheat. Potassium sulfate is a specialty fertilizer used mainly in crops such as vegetables, fruits and industrial crops.
- (f) **Other products and services:** The Company also sell other fertilizers and blends, some of which we do not produce. Mainly potassium nitrate, potassium sulfate and potassium chloride. This business line also includes revenue from commodities, services, interests, royalties and dividends.

Our subsidiary SQM Salar holds exclusive rights to exploit the mineral resources in an area covering approximately 140,000 hectares of land in the Salar de Atacama in northern Chile, of which SQM Salar is only entitled to exploit the mineral resources in 81,920 hectares. These rights are owned by Corfo and leased to SQM Salar pursuant to the Lease Agreement. Corfo cannot unilaterally amend the Lease Agreement and the Project Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement establishes that SQM Salar is responsible for making quarterly lease payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines, maintaining Corfo's rights over the Mining Exploitation Concessions and making annual payments to the Chilean government for such concession rights. The Lease Agreement was entered into in 1993 and expires on December 31, 2030. On January 17, 2018, SQM and CORFO reached an agreement to end an arbitration process directed by the arbitrator, Mr. Héctor umeres Noguera, in case 1954-2014 of the Arbitration and Mediation Center of Santiago Chamber of Commerce (Centro de Arbitrajes y Mediación de la Cámara de Comercio de Santiago) and other cases related to it.

The agreement signed in January 2018, includes important amendments to the lease agreement and project agreement signed between CORFO and SQM in 1993. The main modifications became effective on April 10, 2018 and requires an increase in the lease payments by increasing the lease rates associated with the sale of the different products produced in the Salar de Atacama, including lithium carbonate, lithium hydroxide and potassium chloride. Regarding lithium carbonate, the former rate of 6.8% on FOB sales was changed to the following structure of progressive rates based on the final sale price:

Price US\$/MT Li ₂ CO ₃	Lease payment rate
\$0 - \$4,000	6.80%
\$4,000 - \$5,000	8.00%
\$5,000 - \$6,000	10.00%
\$6,000 - \$7,000	17.00%
\$7,000 - \$10,000	25.00%
> \$10,000	40.00%

See Note 24.2 for the disclosure of lease payments made to CORFO for all periods presented.

Regarding potassium chloride, the former rate of 1.8% on FOB sales was changed to the following structure of progressive rates based on the final sale price:

Price US\$/MT Li ₂ CO ₃	Lease payment rate
\$0 - \$300	3.0%
\$300 - \$400	7.0%
\$400 - \$500	10.0%
\$500 - \$600	15.0%
> \$600	20.0%

Similarly, the lease rates associated with the other products (lithium hydroxide, potassium sulfate and others) shall have similar changes to those described in the previous products.

SQM Salar commits to contribute between US\$ 10.8 million and US\$ 18.9 million per year to research and development efforts, between US\$ 10 to US\$ 15 million per year to the communities in close proximity to the Salar de Atacama, and 1.7% of total annual sales of SQM Salar to regional development.

1.5 Other background

(a) Staff

As of December 31, 2019, and December 31, 2018, the workforce was as follows:

Employees	As of December 31, 2019			As of December 31, 2018		
	S.Q.M S.A.	Other subsidiaries	Total	S.Q.M S.A.	Other subsidiaries	Total
Executives	30	91	121	33	89	122
Professionals	110	1,170	1,280	115	1,078	1,193
Technicians and operators	282	3,481	3,763	260	3,287	3,547
Foreign employees	17	560	577	11	417	428
Overall total	439	5,302	5,741	419	4,871	5,290

(b) Main shareholders

As of December 2019, there were 1,413 shareholders.

The following table shows information about the main shareholders of the Company's Series A or Series B shares in circulation as of December 31, 2019 and December 31, 2018, in line with information provided by the DCV. The following table presents the information about the beneficial ownership of Series A and Series B shares of the Company as of December 31, 2019 and December 31, 2018, with respect to each shareholder that, to our knowledge, owns more than 5% of the outstanding Series A or Series B shares. The following information is derived from our registry and reports managed by the DCV and informed to the CMF and the Chilean Stock Exchanges. whose main shareholders are the following:

Shareholders as of December 31, 2019	No. of Series A	% of Serie A shares	No. of Series B	% of Serie B shares	% of total shares
Inversiones TLC SpA (1)	62,556,568	43.80%	—	—	23.77%
Sociedad de Inversiones Pampa Calichera S.A.	44,894,152	31.43%	3,793,154	3.15%	18.50%
The Bank of New York Mellon, ADRs	—	—	38,311,788	31.83%	14.56%
Potasios de Chile S.A.	18,179,147	12.73%	—	—	6.91%
Inversiones Global Mining (Chile) Limitada	8,798,539	6.16%	—	—	3.34%
Banco Itau via foreign investor accounts	—	—	7,373,216	6.13%	2.80%
Banco de Chile non-resident third party accounts	109	—	6,842,746	5.68%	2.60%
Banco Santander via foreign investor accounts	—	—	6,618,416	5.50%	2.51%
Euroamerica C de B S.A.	3,056	—	4,863,467	4.04%	1.85%
Banchile C de B S.A.	491,729	0.34%	4,285,696	3.56%	1.82%
Inversiones la Esperanza de Chile Limitada	4,147,263	2.90%	46,500	0.04%	1.59%
Santiago stock exchanges	30,590	0.02%	3,077,930	2.56%	1.18%

(1) As reported by DCV, which records the Company's shareholders' register as of December 31, 2019 and December 31, 2018, Inversiones TLC SpA, a subsidiary of Tianqi Lithium Corporation ("Tianqi"), is the direct owner of 62,556,568 shares of SQM equivalent to 23.77% of SQM's shares" According to information provided to the CMF by Inversiones TLC SpA dated December 5, 2018, Inversiones TLC SpA owns 25.86% of SQM's shares

Shareholders as of December 31, 2018	No. of Series A	% of Serie A shares	No. of Series B	% of Serie B shares	% of total shares
Inversiones TLC SpA (1)	62,556,568	43.80%	—	—	23.77%
Sociedad de Inversiones Pampa Calichera S.A.	44,894,152	31.43%	10,093,154	8.38%	20.89%
The Bank of New York Mellon, ADRs	—	—	35,254,267	29.29%	13.39%
Potasios de Chile S.A.	18,179,147	12.73%	—	—	6.91%
Banco de Chile via non-resident third party accounts	15,687	0.01%	10,703,812	8.89%	4.07%
Inversiones Global Mining (Chile) Limitada	8,798,539	6.16%	—	—	3.34%
Banco Itau via foreign investor accounts	—	—	8,085,730	6.72%	3.07%
Banco Santander via foreign investor accounts	—	—	7,138,685	5.93%	2.71%
Banchile C de B S. A.	528,092	0.37%	4,028,611	3.35%	1.73%
Inversiones la Esperanza de Chile Limitada	3,711,598	2.60%	46,500	0.04%	1.43%

Note 2 Basis of presentation for the consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following periods:

- (a) Consolidated Statements of Financial Position as of December 31, 2019 and 2018.
- (b) Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017.
- (c) Consolidated Statements of Comprehensive Income for years ended December 31, 2019, 2018 and 2017.
- (d) Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017.
- (e) Consolidated Statements of Cash Flows for ended December 31, 2019, 2018 and 2017.

2.2 Consolidated financial statements

These consolidated financial statements of the company and its subsidiaries were prepared in accordance with IFRS and represent the full, explicit and unreserved adoption of IFRS as issued by the International Accounting Standards Board (the "IASB").

These consolidated financial statements fairly present the Company's financial position as of December 31, 2019 and 2018 and the results of operations, changes in equity and cash flows for the years ended December 31, 2019, 2018 and 2017.

IFRS establish certain alternatives for their application, those applied by the Company are detailed in Notes 2 and 3.

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

Certain reclassifications were made as of and for the year ended December 31, 2018 to present figures consistently with reported amounts as of December 31, 2019. These revisions were not considered material to the previously issued financial statements.

Items	Original balances reported as of December 31, 2018	Reclassification ThUS\$	Balances reclassified as of December 31, 2018
	ThUS\$		ThUS\$
Trade and other receivables, current	464,855	1,764	466,619
Trade receivables due from related parties, current	44,554	(1,764)	42,790
Other non-financial assets, current	49,186	(1,214)	47,972
Intangible assets other than goodwill	188,283	1,067	189,350
Goodwill	34,718	148	34,866
Cost of sales	(1,483,524)	(2,107)	(1,485,631)
Finance costs	(59,914)	2,107	(57,807)

2.3 Basis of measurement

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

- (a) Inventories are recorded at the lower of cost and net realizable value.
- (b) Financial derivatives at fair value.
- (c) Certain financial investments classified as available for sale measured at fair value with an offsetting entry in other comprehensive income.

2.4 Accounting pronouncements

New accounting pronouncements

(a) The following standards, interpretations and amendments are mandatory for the first time for annual periods beginning on January 1, 2019:

Standards and Interpretations	Description	Mandatory for annual periods beginning on or after
IFRS 16 "Leases" - issued in January 2016	Establishes the standards to recognize, measure, present and disclose leases. IFRS 16 replaces IAS 17 and introduces a unique lessee accounting model that requires a lessee to recognize the assets and liabilities of all rental contracts with a term of over 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and early implementation is permitted for entities that apply IFRS 15, or before the date that IFRS 16 is initially implemented.	01-01-2019
IFRIC 23 "Uncertainty over Income Tax Treatments". Published in June 2016	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, when there is uncertainty over income tax treatments.	01-01-2019
Amendments and improvements	Description	Mandatory for annual periods beginning on or after
Amendment to IFRS 9 "Financial Instruments". Published in October 2017	The amendment permits more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some pre-payable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit and loss (FVTPL). For them to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract."	01-01-2019
Amendment to IAS 28 "Investments in Associates and Joint Ventures" Published in October 2017	This amendment clarifies that companies should apply IFRS 9 to account for long-term interests in an associate or joint venture to which the equity method is not applied. The IASB Board has published an example that illustrates how companies should apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.	01-01-2019
Amendment to IFRS 3 "Business Combinations" - Published in December 2017	The amendment clarified that gaining control of a company that is a joint venture deals with a business combination that is achieved in stages. The acquirer must remeasure previously held interests in that business at fair value at the date of acquisition.	01-01-2019
Amendment to IFRS 11 "Joint Arrangements" - Published in December 2017.	The amendment clarified that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	01-01-2019
Amendment to IAS 12 "Income Tax" - Published in December 2017.	This modification clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized when the past transactions or events that generated distributable profits were originally recognized.	01-01-2019
Amendment to IAS 23 Borrowing Costs - Published in December 2017.	This amendment clarifies that the borrowing costs of specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale will be considered as part of the general borrowing costs of the entity.	01-01-2019
Amendment to IAS 19 "Employee Benefits" - Published in February 2018	The amendment requires entities to use updated assumptions to determine the current service cost and net interest for the remainder of the period after a modification, reduction or settlement of the plan; and to recognize in profit or loss as part of the cost of the past service, or a profit or loss in the settlement, any reduction in a surplus, even if that surplus was not previously recognized because it did not exceed the upper limit of the asset	01-01-2019

Management considers that the adoption of the aforementioned standards, amendments and interpretations did not significantly impact the company's consolidated financial statements, except for IFRS 16, detailed in notes 4.2 and 13.4 f).

- (b) Standards, interpretations and amendments issued that had not become effective for financial statements beginning on January 1, 2019 and which the Company has not adopted early are as follows:

Standards and Interpretations	Description	Mandatory for annual periods beginning on or after
Amendment to IFRS 3 “Definition of a Business” - Published in October 2018	This amendment revises the definition of a business. Based on the feedback received by the IASB, the application of the current guidance is frequently seen as too complex, and results in too many transactions that qualify as business combinations.	01-01-2020
Amendment to IAS 1 “Presentation of Financial Statements” and “IAS 8” Accounting Policies, Changes in Accounting Estimates and Errors - Published in October 2018.	This amendment establishes a consistent definition of materiality in all the IFRCs and the Conceptual Framework for Financial Information; it clarifies the explanation of the definition of material; and it incorporates some of the guidelines in IAS 1 on immaterial information.	01-01-2020
Amendment to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, Published in September 2014	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Undetermined
Amendments to IFRS 9, IAS 39 and IFRS 7 “Reform to the referential interest rate” Published in September 2019	These amendments provide certain simplifications in relation to the reform to the referential interest rates. These simplifications relate to hedge accounting and affect the IBOR reform, which generally shouldn’t result in the finalization of hedge accounting. However, any hedge ineffectiveness should continue to be recorded in the results.	01-01-2020

Management believes that the adoption of the above standards, amendments and interpretations will not have a significant impact on the Company’s financial statements.

2.5 Basis of consolidation

(a) Subsidiaries

The Company established control as the basis of consolidation of its financial statements. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The consolidation of a subsidiary starts when the Group controls it and it is no longer included in the consolidation when this control is lost.

Subsidiaries are consolidated through a line by line method, adding items that represent assets, liabilities, income and expenses with a similar content, and eliminating operations between companies within the SQM Group.

Results for dependent companies acquired or disposed of during the period are included in the consolidated accounts from the date on which control is transferred to the SQM Group or until the date when this control ends, as relevant.

To account for an acquisition of a business, the Company uses the acquisition method. Under this method, the acquisition cost is the fair value of assets delivered, equity securities issued, and incurred or assumed liabilities at the date of exchange. Assets, liabilities and contingencies identifiable assumed in a business combination are measured initially at fair value at the acquisition date. For each business combination, the Company will measure the non-controlling interest of the acquiree either at fair value or as proportional share of net identifiable assets of the acquire. For more information, please see Note 8.1.

(b) Companies included in consolidation:

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest			As of
				As of December 31, 2019			December 31,
				Direct	Indirect	Total	2018
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US\$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US\$	0.5800	99.4200	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	Netherlands	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Curacao	US\$	0.0002	99.99980	100.0000	100.0000
Foreign	SQM Corporation N.V.	Curacao	US\$	0.0159	99.98413	100.0000	100.0000
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US\$	0.0100	99.9900	100.0000	100.0000
Foreign	North American Trading Company	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. de C.V.	Mexico	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Perú S.A.	Peru	US\$	0.0091	99.99093	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US\$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos México S.A. de C.V.	Mexico	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQMC Holding Corporation L.L.P.	USA	US\$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Curacao	US\$	1.0000	99.0000	100.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US\$	0.8400	99.1600	100.0000	100.0000
Foreign	SQM France S.A.	France	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US\$	0.1597	99.84030	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	1.666700	100.0000	100.0000
Foreign	SQM Colombia SAS	Colombia	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Australia PTY	Australia	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SACAL S.A. (1)	Argentina	ARS	0.0000	0.0000	0.0000	100.0000
Foreign	SQM Indonesia S.A.	Indonesia	US\$	0.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Italia SRL	Italy	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Panama	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.	Spain	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Thailand Limited.	Thailand	US\$	0.0000	99.99600	99.9960	99.9960
Foreign	SQM International N.V.	Belgium	US\$	0.5800	99.4200	100.0000	100.0000
Foreign	SQM (Shanghai) Chemicals Co. Ltd.	China	US\$	0.0000	100.0000	100.0000	100.0000

TAX ID No.	Domestic subsidiaries	Country of origin	Functional currency	Ownership interest			As of December 31, 2018
				As of December 31, 2019			
				Direct	Indirect	Total	
96.801.610-5	Comercial Hydro S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
96.651.060-9	SQM Potasio S.A.	Chile	US\$	99.9999	0.0000	99.9999	99.9999
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	99.9999	0.0001	100.0000	100.0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	51.0000	0.0000	51.0000	51.0000
86.630.200-6	SQMC Internacional Ltda. (2)	Chile	Ch\$	0.0000	0.0000	0.0000	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US\$	99.0470	0.9530	100.0000	100.0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch\$	1.0000	99.0000	100.0000	100.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	0.0003	99.9997	100.0000	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	0.0000	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US\$	18.1800	81.8200	100.0000	100.0000
78.053.910-0	Proinsa Ltda. (3)	Chile	Ch\$	0.0000	0.0000	0.0000	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Ch\$	0.0000	100.0000	100.0000	100.0000
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	0.2691	99.7309	100.0000	100.0000
76.064.419-6	Comercial Agrorama Ltda. (4)	Chile	Ch\$	0.0000	42.4468	42.4468	42.4468
76.145.229-0	Agrorama S.A.	Chile	Ch\$	0.0000	60.6387	60.6387	60.6387
76.359.919-1	Orcoma Estudios SPA	Chile	US\$	51.0000	0.0000	51.0000	51.0000
76.360.575-2	Orcoma SPA	Chile	US\$	100.0000	0.0000	100.0000	100.0000
76.686.311-9	SQM MaG SpA	Chile	US\$	0.0000	100.0000	100.0000	100.0000

- 1) On June 26, 2019, SACAL was liquidated.
- 2) On March 01, 2019, SQMC Internacional merged with Soquimich Comercial S.A.
- 3) On April 01, 2019, Proinsa Ltda was liquidated.
- 4) Comercial Agrorama Ltda was consolidated as it is controlled through the subsidiary Soquimich Comercial S.A.

2.6 Investments in associates and joint ventures

(a) Joint ventures

Investments in joint arrangements are classified as joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

With respect to joint operations, the Company recognizes its direct right to the assets, liabilities, income and expenses of the joint operation and its share of the jointly owned or incurred assets, liabilities, income and expenses.

(b) Joint ventures and investments in associates

Interests in companies over which joint control is exercised (joint ventures) or where an entity has significant influence (associates) are recognized using the equity accounting method. Significant influence is presumed when the investor owns over 20% of the investee's share capital. The investment is recognized using this method in the statement of financial position at cost plus changes subsequent to acquisition and includes the proportional share of the associate's equity. For these purposes, the percentage interest in the associate is used. The associated acquired goodwill is included in the investee's book value and is not amortized. The debit or credit to the income statement reflects the proportional share of the profit or loss of the associate.

Unrealized gains from transactions with subsidiaries or associates are eliminated in accordance with the Company's percentage interest in such entities. Any unrealized losses are also eliminated, unless that transaction provides evidence that the transferred asset is impaired.

Changes in associate's equity are recognized proportionally with a charge or credit to "Other Reserves" and are classified according to their origin. The reporting dates of the associate, the Company and related policies are similar for equivalent transactions and events in similar circumstances. In the event that significant influence is lost, or the investment is sold, or held for sale, the equity method is suspended, until the proportional part of the gain or loss is recognized. If the resulting value under the equity method is negative, the share of profit or loss is reflected as zero in the consolidated financial statements, unless there is a commitment by the Company to restore the capital position of the Company, in which case the related risk provision and expense are recorded.

Dividends received by these companies are recorded by reducing the value of the investment, and the proportional part of the gain or loss recognized in accordance with the equity method is included in the consolidated income statement under "Share of Gains (Losses) of Associates and Joint Ventures Accounted for Using the Equity Method".

Note 3 Significant accounting policies

3.1 Classification of balances as current and non-current

In the attached consolidated statement of financial position, balances are classified in consideration of their recovery (maturity) dates; i.e., those maturing within a period equal to or less than 12 months are classified as current counted from the closing date of the consolidated financial statements and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of the maturity they have.

3.2 Functional and presentation currency

The Company's consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency and is the currency of the main economic environment in which it operates.

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

The consolidated financial statements are presented in thousands of United States dollars without decimals.

3.3 Foreign currency translation

(a) SQM group entities:

The revenue, expenses, assets and liabilities of all entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows:

- Assets and liabilities are converted at the closing exchange rate prevailing on the reporting date.
- Revenues and expenses of each profit or loss account are converted at monthly average exchange rates.
- All resulting foreign currency translation gains and losses are recognized as a separate component in translation reserves.

In consolidation, foreign currency differences arising from the translation of a net investment in foreign entities are recorded in equity "other reserves". At the date of disposal, such foreign currency translation differences are recognized in the statement of income as part of the gain or loss from the sale.

The main exchange rates and UF used to translate monetary assets and liabilities, expressed in foreign currency at the end of each period in respect to U.S. dollars, are as follows:

Currencies	As of December 31, 2019 US\$	As of December 31, 2018 US\$
Brazilian real	4.02	3.87
New Peruvian sol	3.31	3.37
Argentine peso	59.83	37.74
Japanese yen	108.9	110.38
Euro	0.89	0.87
Mexican peso	18.89	19.68
Australian dollar	1.43	1.42
Pound Sterling	0.76	0.79
South African rand	14.06	14.35
Ecuadorian dollar	1.00	1.00
Chilean peso	748.74	694.77
Chinese yuan	6.98	6.88
Indian rupee	71.31	69.93
Thai Baht	29.97	32.53
Turkish lira	5.94	5.27
Polish Zloty	3.79	—
UF (*)	37.81	39.68

(*) US\$ por UF

(b) Transactions and balances

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

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated to the functional currency at the historical exchange rate of the transaction. Non-monetary items that are measured based on fair value in a foreign currency are translated using the exchange rate at the date on which the fair value is determined.

3.4 Consolidated statement of cash flows

Cash equivalents correspond to highly liquid short-term investments that are easily convertible into known amounts of cash and subject to insignificant risk of changes in their value and mature in less than three months from the date of acquisition of the instrument.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above.

The statements of cash flows present cash transactions performed during the year, determined using the direct method.

3.5 Financial assets

Management determines the classification of its financial assets in accordance with the provisions of IFRS 9, at fair value (either through other comprehensive income, or through profits or losses), and at amortized cost. The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

In the initial recognition, the Company measures its financial assets at fair value more or less, in the case of a financial asset that is not accounted for at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. In the case of accounts receivables and other accounts receivables, the transaction price at the initial recognition is measured in accordance with the provisions of IFRS 15.

After initial recognition, the Company measures its financial assets according to the Company's business model for managing its financial assets and the contractual terms of its cash flows:

- i) Financial instruments measured at amortized cost, Financial assets that meet the following conditions are included in this category (i) the business model that supports it aims to maintain the financial assets to obtain the contractual cash flows and (ii) the Contractual conditions of the financial asset give place, on specified dates, to cash flows that are only payments of the principal and interest on the outstanding principal amount. The Company's financial assets that meet these conditions are: (iii) cash equivalents; (iv) related entity receivables; (v) trade debtors; (vi) other receivables.

- ii) Financial instruments at fair value. A financial asset should be measured at fair value through profit or loss or fair value through other comprehensive income, depending on the following:
- (i) "Fair Value Through Other Comprehensive Income": Assets held to collect contractual cash flows and to be sold, where the asset cash flows are only capital and interest payments, are measured at fair value through other comprehensive income. Changes in book values are through other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains and losses, which are recognized in the income statement. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the income statement. Interest income from these financial assets is included in financial income using the effective interest method. Exchange gains and losses are presented in the income statement and impairment losses are separately presented in the income statement.
 - (ii) "Fair Value Through Profit and Loss": Assets that do not meet the amortized cost or "Fair Value Through Other Comprehensive Income" criteria are valued at "Fair Value Through Profit and Loss".
- iii) Financial equity assets at fair value through other comprehensive income. Equity instruments that are not classified as held for trading and which the Group has irrevocably chosen to recognize in this category.

Prior to 2018, the Company evaluated at the date of each report, whether there was objective evidence that any asset or group of financial assets presented any impairment. An asset or group of financial assets presented a deterioration, if and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or group of these. In order to recognize impairment, the loss event must have an impact on the estimation of future flows of the asset or groups of financial assets.

Beginning 2018, the Company evaluates expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment method used depends on whether there has been a significant increase in credit risk.

The Company applies the IFRS 9 simplified approach to measure expected credit losses using the lifetime expected loss on all trade receivables. Expected credit losses are measured by grouping receivables by their shared credit risk characteristics and days overdue.

Therefore, the Company has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for these assets. Expected loss rates are based on sales payment profiles and historical credit losses within this period. Historical loss rates are adjusted to reflect current and expected information regarding macroeconomic factors that affect the ability of customers to meet their commitments.

3.6 Accounting policy for financial liabilities

Management determines the classification of its financial liabilities in accordance with the provisions of IFRS 9, at fair value or at amortized cost. The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

At the initial recognition, the Company measures its financial liabilities by their fair value more or less, in the case of a financial liability that is not accounted for at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial liability. After initial recognition, the Company measures its financial liabilities at amortized cost unless the Company, at the initial moment, irrevocably designates the financial liability as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost are commercial accounts payable and other accounts payable and other financial liabilities.

Valuation at amortized cost is made using the effective interest rate method. Amortized cost is calculated by considering any premium or discount on the acquisition and includes transaction costs that are an integral part of the effective interest rate.

Financial liabilities are recorded as not current when they mature in more than 12 months and as current when they mature in less than 12 months. Interest expenses are recorded in the period in which they are accrued, according to a financial criterion.

3.7 Reclassification of financial instruments

When the Company changes its business model for managing financial assets, it will reclassify all its financial assets affected by the new business model. Financial liabilities cannot be reclassified.

3.8 Financial instrument derecognition

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

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

3.9 Derivative and hedging financial instruments

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

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

At the beginning of the transaction, the Company documents the relationship that exists between hedging instruments and those items hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

The Company also documents its evaluation both at the beginning and at the end of each period if the derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged items.

The fair value of derivative instruments used for hedging purposes is shown in Note 13.3. Changes in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining expiration period of the hedged item is more than 12 months, and as a current asset or liability if the remaining expiration period of the entry is less than 12 months.

Derivatives that are not designated or do not qualify as hedging derivatives are classified as current assets or liabilities, and changes in the fair value are directly recognized through profit or loss.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps that hedge fixed rate borrowings is recognized in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity using a recalculated effective interest rate.

b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is initially recognized with a debit or credit to other comprehensive income, while any ineffective portion is immediately recognized with a debit or credit to income, as appropriate.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3.10 Derivative financial instruments not considered as hedges

Derivative financial instruments not considered as hedges are recognized at fair value with the effect in the results of the year. The Company has derivative financial instruments to hedge foreign currency risk exposure.

The Company continually evaluates the existence of embedded derivatives in both its contracts and in its financial instruments. As of December 31, 2019 and 2018, the Company does not have any embedded derivatives.

3.11 Deferred acquisition costs from insurance contracts

Acquisition costs from insurance contracts are classified as prepayments and correspond to insurance contracts in force, recognized using the straight-line method and on an accrual basis independent of payment date. These are recognized under other non-financial assets.

3.12 Classification Leases

Below are accounting policies applied by the Company prior to the adoption of IFRS 16:

(a) Lease - Finance lease

Leases are classified as finance leases when the Company substantially owns all the risks and rewards inherent in the ownership of the asset. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each finance lease payment is apportioned between the liability and the finance charges so as to obtain the constant rate of interest on the remaining balance of the liability. The respective lease obligations, net of finance charges, are included in other non-current liabilities. The interest part of the finance cost is charged to the consolidated financial statements for the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

(b) Lease - Operating lease

Leases where the lessor retains a significant part of the risks and benefits derived from the property are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) should be recognized as an expense in the income statement or capitalized (as appropriate) over the lease term on a straight-line basis.

Below are the Company's new accounting policies after the adoption of IFRS 16 on January 1, 2019. These have been applied since the initial date of application:

(i) Right-of-use assets

The Company recognizes right-of-use assets on the initial lease date (i.e., the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted by any new measurement of the lease liability. The cost of right-of-use assets includes the amount of recognized lease liabilities, direct initial costs incurred and lease payments made on the start date or sooner, less the lease incentives received. Unless the Company is reasonably sure it will take ownership of the leased asset at the end of the lease period, the assets recognized through right-of-use are depreciated in a straight line during the shortest period of their estimated useful life and lease period. Right-of-use assets are subject to impairment as per "IAS 36 Impairment of Assets".

(ii) Lease liabilities

On the lease start date, the Company recognizes lease liabilities measured at present value of lease payments that will be made during the lease period (which haven't been paid by that date). Lease payments include fixed payments, less incentives for lease receivables, variable lease payments that are dependent on an index or rate and amounts that are expected to be paid as guaranteed residual value. Lease payments also include the exercise price of a purchase option if the Company is reasonably sure it will exercise this and penalty payments for terminating a lease, if the lease period reflects that the Company will exercise the option to terminate. Variable lease payments that are not dependent on an index or rate are recognized as expenses in the period that produces the event or condition that triggers payment.

When calculating the present value of lease payments, the Company uses the incremental borrowing rate on the initial lease date if the interest rate implicit in the lease cannot be determined easily. After the start date, the lease liability balance will increase to reflect the accumulation of interest and will diminish as lease payments are made. Furthermore, the book value of lease liabilities is remeasured in the event of an amendment, a change in the lease period, a change in the fixed lease payments in substance or a change in the assessment to buy the underlying asset.

(iii) Short-term leases and low-value asset leases

The Company applies the short-term lease recognition exemption to leases with a lease term of 12 months or less starting on the start date and that don't have a purchase option. It also applies the low-value asset lease recognition exemptions (i.e., when the underlying asset is below USD\$ 5,000). Lease payments in short-term leases and low-value asset leases are recognized as lineal expenses during the lease term.

(iv) Significant judgments in the determination of the lease term for contracts with renewal options

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if it is reasonably certain that this will be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain that this will not be exercised.

The Company has the option, under some of its leases, to lease assets for additional terms. The Company applies its judgment when assessing whether it is reasonably certain that it will exercise the option to renovate. In other words, it considers all the relevant factors that create an economic incentive for it to exercise the option to renovate. After the start date, the Company reevaluates the lease term if there is a significant event or change in the circumstances that are under its control and affect its capacity to exercise (or not exercise) the option to renovate.

3.13 Inventory measurement

The method used to determine the cost of inventories is the weighted average monthly cost of warehouse storage. In determining production costs for own products, the company includes the costs of labor, raw materials, materials and supplies used in production, depreciation and maintenance of the goods that participate in the production process, the costs of product movement necessary to maintain stock on location and in the condition in which they are found, and also includes the indirect costs of each task such as laboratories, process and planning areas, and personnel expenses related to production, among others.

For finished and in-process products, the company has four types of provisions, which are reviewed quarterly:

1. Provision associated with the lower value of stock: This provision is directly identified with the product that generates it and involves three types: (i) provision of lower realizable value, which corresponds to the difference between the inventory cost of intermediary or finished products and the sale price minus the necessary costs to bring them to the same conditions and location as the product with which they are compared; (ii) provision for future uncertain use that corresponds to the value of those products in process that are likely not going to be used in sales based on the company's long-term plans; and (iii) reprocessing costs of products that are unfeasible for sale due to current specifications.
2. Provision associated with physical differences in inventory: A provision is made for differences that exceed the tolerance considered in the respective inventory process (periodical and annual physical inventories are conducted for production units in Chile and the port of Tocopilla and for commercial offices, it is based on the last zero count obtained, but in general there is a physical inventory at least once a year). These differences are recognized immediately.
3. Potential errors in the determination of stock: The company has an algorithm that is reviewed at least once a year and corresponds to diverse percentages assigned to each inventory based on the product, location, complexity involved in the associated measurement, rotation and control mechanisms.
4. Provisions undertaken by commercial offices: these are historical percentages that are adjusted as zero ground is attained based on normal inventory management.

Inventories of raw materials, materials and supplies for production are recorded at acquisition cost. Cyclical inventories are performed in warehouses, as well as general inventories every three years. Differences are recognized at the moment they are detected. The company has a provision that makes quarterly calculations from percentages associated with each type of material (classification by warehouse and rotation), these percentages use the lower value resulting from deterioration or obsolescence as well as potential losses. This provision is reviewed at least annually, and considers the historical profit and loss obtained in the inventory processes.

3.14 Transactions with non-controlling interests

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

3.15 Related party transactions

Transactions between the Company and its joint ventures, associates and other related parties are part of the Company's normal operations within its scope of business activities. Conditions for such transactions are those normally effective for those types of operations with regard to terms and market prices. The maturity conditions vary according to the originating transaction.

3.16 Property, plant and equipment

Property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortization and impairment losses that they might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

- (a) Accrued interest expenses during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project's specific financing or, should this not exist, the average financing rate of the investor company.
- (b) The future costs that the Company will have to experience, related to the closure of its facilities at the end of their useful life, are included at the present value of disbursements expected to be required to settle the and its subsequent variation is recorded directly in results.

Having initially recognized provisions for closure and refurbishment, the corresponding cost is capitalized as an asset in "Property, plant and equipment" and amortized in line with the amortization criteria for the associated assets.

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

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

The replacement of assets, which increase the asset's useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

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

Costs derived from the daily maintenance of property, plant and equipment are recognized when incurred.

Right-of-use assets (IFRS 16) are recognized in the "property, plant and equipment" line item and are classified within this based on the underlying asset class.

3.17 Depreciation of property, plant and equipment

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

Fixed assets associated with the Salar de Atacama consider useful life to be the lesser value between the technical useful life and the years remaining until 2030.

In the case of certain mobile equipment, depreciation is performed depending on the hours of operation.

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment in years are presented below:

Classes of property, plant and equipment	Minimum life or rate (years)	Maximum life or rate (years)	life or average rate in years
Mining assets	3	10	5
Energy generating assets	5	10	6
Buildings	3	15	8
Supplies and accessories	2	10	3
Office equipment	5	5	5
Transport equipment	2	2	2
Network and communication equipment	2	10	5
IT equipment	2	8	5
Machinery, plant and equipment	1	15	7
Other property, plant and equipment	1	10	5

3.18 Goodwill

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to the acquisition of subsidiaries is included in goodwill, which is subject to impairment tests annually or more frequently if events or changes in circumstances indicate that it might be impaired and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses, it is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.

3.19 Intangible assets other than goodwill

Intangible assets other than goodwill mainly relate to water rights, emission rights, commercial brands, costs for rights of way for electricity lines, license costs and the development of computer software and mining property and concession rights, client portfolio and commercial agent.

(a) Water rights

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

(b) Rights of way for electric lines

As required for the operation of industrial plants, the Company has paid rights of way in order to install wires for the different electric lines on third party land. These rights are presented under intangible asset. Amounts paid are capitalized at the date of the agreement and amortized in the statement of income according to the life of the right of way.

(c) Computer software

Licenses for IT programs acquired are capitalized based on their acquisition and customization costs. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group, and which will probably generate economic benefits that are higher than its costs during more than a year, are recognized as intangible assets. Direct costs include the expenses of employees who develop information technology software and general expenses in accordance with corporate charges received.

The costs of development for IT programs are recognized as assets are amortized over their estimated useful lives.

(d) Mining property and concession rights

The Company holds mining property and concession rights from the Chilean and Australian Governments. Property rights are usually obtained at no initial cost (other than the payment of mining patents and minor recording expenses) and once the rights on these concessions have been obtained, they are retained by the Company while annual patents are paid. Such patents, which are paid annually, are recorded as prepaid assets and amortized over the following twelve months. Amounts attributable to mining concessions acquired from third parties that are not from the Chilean Government are recorded at acquisition cost within intangible assets.

(e) Client portfolio

The period for exploiting these portfolios is limited so they are considered assets with a definite useful life and are therefore subject to amortization.

3.20 Research and development expenses

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

3.21 Exploration and evaluation expenses

The Company holds mining concessions for exploration and exploitation of ore, the Company gives the following treatment to expenses associated with exploration and assessment of these resources:

(a) Caliche

Once the rights have been obtained, the Company records the disbursements directly associated with the exploration and assessment of the deposit as an at cost asset. These disbursements include the following items: Geological surveys, drilling, borehole extraction and sampling, activities related to the technical assessment and commercial viability of the extraction, and in general, any disbursement directly related to specific projects where the objective is to find ore resources.

If the technical studies determine that the ore grade is not economically viable, the asset is directly charged to profit and loss. If determined otherwise, the asset described above is associated with the extractable ore tonnage which is amortized as it is used. These assets are presented in the "other non-current assets category", reclassifying the portion related to the area to be extracted that year as inventories.

(b) Metal exploration

Expenses related to metal exploration are charged to profit or loss in the period in which they are recognized if the project assessed doesn't qualify for consideration as advanced exploration. Otherwise, these are amortized during the development stage.

(c) Salar de Atacama exploration

Salar de Atacama exploration expenses are presented as non-current assets in the property, plant and equipment category and correspond mainly to wells that can also be used in the extraction of the deposit and/or monitoring. These are amortized over 10 years, otherwise, they are amortized during the development stage.

(d) Mount Holland exploration

Mount Holland exploration expenses are presented as of December 31, 2018 as non-current assets under "Other Non-Financial Non-Current Assets". As of January 1, 2019, they have been incorporated into Property, Plant and Equipment, specifically in Constructions in progress and primarily consider exploration boreholes and complementary studies for the lithium ore study of the area. These expenses will begin to be amortized in the development stage.

3.22 Impairment of non-financial assets

Assets subject to depreciation and amortization are also subject to impairment testing, provided that an event or change in the circumstances indicates that the amounts in the accounting records may not be recoverable, An impairment loss is recognized for the excess of the book value of the asset over its recoverable amount.

For assets other than purchased goodwill, the Group annually assesses whether there is any indication that a previously recognized impairment loss may no longer exist or may have decreased. Should such indications exist, the recoverable amount is estimated.

The recoverable amount of an asset is the higher between the fair value of an asset or cash generating unit (“CGU”) less costs of sales and its value in use, and is determined for an individual asset unless the asset does not generate any cash inflows that are clearly independent from other assets or groups of assets

In evaluating value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessment, the value of money over time and the specific asset risks.

To determine the fair value less costs to sell, an appropriate valuation model is used.

Impairment losses from continuing operations are recognized with a debit to profit or loss in the categories of expenses associated with the impaired asset function, except for properties reevaluated previously where the revaluation was taken to equity.

For assets other than acquired goodwill, an annual evaluation is carried out to determine whether any previously recognized impairment losses have already decreased or ceased to exist. If this should be the case, the recoverable amount is estimated. A previously recognized impairment loss is only reversed if there have been changes in the estimates used to determine the asset’s recoverable amount since the last time an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined, net of depreciation, if an asset impairment loss had not been recognized in prior years. This reversal is recognized with a credit to profit or loss.

Assets with indefinite lives are assessed for impairment annually.

3.23 Minimum dividend

As required by Chilean law and regulations, our dividend policy is decided upon from time to time by our Board of Directors and is announced at the Annual Ordinary Shareholders’ Meeting, which is generally held in April of each year. Shareholder approval of the dividend policy is not required. However, each year the Board must submit the declaration of the final dividend or dividends in respect of the preceding year, consistent with the then-established dividend policy, to the Annual Ordinary Shareholders’ Meeting for approval. As required by the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated net income for that year (determined in accordance with CMF regulations), unless and to the extent the Company has a deficit in retained earnings. (See Note 19.4)

3.24 Earnings per share

The basic earnings per share amounts are calculated by dividing the profit for the year attributable to the ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

(See Note 21)

The Company has not conducted any type of operation of potential dilutive effect that would entail the disclosure of diluted earnings per share.

3.25 Borrowing cost

The cost of interest is recognized as an expense in the year in which it is incurred, except for interest that is directly related to the acquisition and construction of tangible property, plant and equipment assets and that complies with the requirements of IAS 23.

The Company capitalizes all interest costs directly related to the construction or to the acquisition of property, plant and equipment, which require a substantial time to be suitable for use.

3.26 Other provisions

Provisions are recognized when:

- The Company has a present, legal or constructive obligation as the result of a past event.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate of the obligation amount can be made.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

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

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

3.27 Obligations related to employee termination benefits and pension commitments

Obligations towards the Company's employees comply with the provisions of the collective bargaining agreements in force, which are formalized through collective employment agreements and individual employment contracts, except for the United States, which is regulated in accordance with employment plans in force up to 2002. (See more details in Note 17.4).

These obligations are valued using actuarial calculations, according to the projected unit credit method which considers such assumptions as the mortality rate, employee turnover, interest rates, retirement dates, effects related to increases in employees' salaries, as well as the effects on variations in services derived from variations in the inflation rate. The criteria in force contained in the revised IAS 19 are also considered.

Actuarial gains and losses that may be generated by variations in defined pre-established obligations are directly recorded in other comprehensive income.

Actuarial losses and gains have their origin in deviations between the estimate and the actual behavior of actuarial assumptions or in the reformulation of established actuarial assumptions.

The discount rate used by the Company for calculating the obligation was 3.680% and 4.642% for the periods ended December 31, 2019 and 2018, respectively.

The Company's subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation using a net salary progressive rate net of adjustments for inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 4% interest rate for 2019 and 3.75% for 2018. The net balance of this obligation is presented under the non-current provisions for employee benefits (refer to Note 17.4).

3.28 Compensation plans

Compensation plans implemented through benefits provided in share-based payments settled in cash are recognized in the financial statements at their fair value, in accordance with International Financial Reporting Standards No. 2 "Share-based Payments". Changes in the fair value of options granted are recognized with a charge to payroll on a straight-line basis during the period between the date on which these options are granted and the payment date (see Note 17.6).

3.29 Revenue recognition

Revenue includes the fair value of considerations received or receivable for the sale of goods and services during the performance of the Company's activities. Revenue is presented net of value added tax, estimated returns, rebates and discounts and after the elimination of sales among subsidiaries.

Revenues are recognized when the specific conditions for each income stream are met, as follows:

(a) Sale of goods

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

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

(b) Sale of services

Revenue associated with the rendering of services is recognized considering the degree of completion of the service as of the date of presentation of the consolidated classified statement of financial position, provided that the result from the transaction can be estimated reliably.

(c) Income from dividends

Income from dividends is recognized when the right to receive the payment is established.

3.30 Finance income and finance costs

Finance income is mainly composed of interest income from financial instruments such as term deposits and mutual fund deposits. Interest income is recognized in profit or loss at amortized cost, using the effective interest rate method.

Finance costs are mainly composed of interest on bank borrowing expenses, interest on bonds issued and interest capitalized for borrowing costs for the acquisition, construction or production of qualifying assets. Borrowing costs and bonds issued are also recognized in profit or loss using the effective interest rate method.

For finance costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets, the effective interest rate related to the project's specific financing is used. If none exists, the average financing rate of the subsidiary making the investment is used.

Borrowing and financing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of that asset's cost.

3.31 Current income tax and deferred

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

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

Differences between the book value of assets and liabilities and their tax basis generate the balance of deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

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

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

At each reporting period, the carrying amount of deferred tax assets has been reviewed and reduced to the extent where there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized were evaluated and not recognized as it was more likely than not that future taxable income will allow for recovery of the deferred tax asset.

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

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

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

3.32 Segment reporting

IFRS 8 requires that companies adopt a management approach to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and making the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance that are different from those of other business segments. A geographical segment is responsible for providing products or services in a given economic environment subject to risks and performance that are different from those of other segments operating in other economic environments.

Allocation of assets and liabilities to each segment is not possible given that these are associated with more than one segment, except for depreciation, amortization and impairment of assets, which are directly allocated in accordance with the criteria established in the costing process for product inventories to the corresponding segments.

The following operating segments have been identified by the Company:

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

3.33 Primary accounting criteria, estimates and assumptions

Management is responsible for the information contained in these consolidated financial statements, which expressly indicate that all the principles and criteria included in IFRS, as issued by the IASB, have been applied in full.

In preparing the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its subsidiaries, Management has made significant judgments and estimates to quantify certain assets, liabilities, revenues, expenses and commitments included therein. Basically, these estimates refer to:

- Estimated useful lives are determined based on current facts and past experience and take into consideration the expected physical life of the asset, the potential for technological obsolescence, and regulations. (See Notes 3.22, 14 and 15).
- Impairment losses of certain assets - Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets, including property, plant and equipment, exploration assets, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. If an impairment assessment is required, the assessment of value in use often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. Changes in such estimates could impact the recoverable values of these assets. Estimates are reviewed regularly by management (See Notes 15 and 16).
- Assumptions used in calculating the actuarial amount of pension-related and severance indemnity payment benefit commitments (See Note 17).
- Contingencies – The amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements (See Notes 18 and 21). If the Company is unable to rationally estimate the obligation or concluded no loss is probable but it is reasonably possible that a loss may be incurred, no provision is recorded but disclosed in the notes to the consolidated financial statements.

- Determination of volume for certain product in progress and finished product is based on topography measures and technical studies that cover the different variables (density for bulk inventories and density and porosity for the remaining stock, among others), as well as the related allowances.
- Inventory valuation requires judgment to determine obsolescence and estimates of provisions for value to ensure that the carrying value of inventory is not in excess of the net realizable (See Note 11).

Despite the fact that these estimates have been made on the basis of the best information available on the date of preparation of these consolidated financial statements, certain events may occur in the future and oblige their amendment (upwards or downwards) over the next years, which would be made prospectively.

Note 4 Changes in accounting estimates and policies

4.1 Changes in accounting estimates

There have been no changes in the methodologies used to determine such estimates in the periods presented.

4.2 Changes in accounting policies

The accounting principles and criteria were applied consistently, except for the following:

- (a) The Company's consolidated financial statements as of December 31, 2019, show changes in the accounting policies over the previous period due to the application of IFRS 16 as of January 1, 2019.

During 2018, management initially measured the impact of adopting IFRS 16 from the date the standard became effective, which it determined by evaluating its lease contracts. These assets should be recorded on the initial application date as right-of-use assets, depending on their nature and lease terms, and they will be amortized over the shorter of their contractual period or useful life.

Contracts were evaluated for evidence of a lease under IFRS 16, and right-of-use assets were identified that included: trucks, cranes, excavators, property (buildings, warehouses, storerooms, land), where SQM has the power to control them during the contract, without the supplier changing its operating instructions.

The Company constructed a debt curve based on the Company's public debt instruments at the valuation date to determine the discount rate for the estimated initial measurement. The rates used to discount the right-of-use asset and the leasing liability were estimated according to the contract currencies (USD, EURO, Mexican peso, UF and CLP) and terms.

The Company chose to apply the simplified transition approach. Under this method, the cumulative effect of initially applying the standard is recognized at January 1, 2019 and comparative amounts are not restated. As the amount of right-of-use assets recognized was equal to the lease liability, there was no impact on retained earnings as a result of the adoption of IFRS 16.

The values of right-of-use assets and leasing liabilities for contracts classified under IFRS 16 amounted ThUS\$ 45,115 as of January 1, 2019. The weighted average of the incremental lease loan rate applied to lease liabilities recognized in the statement of financial position on the adoption date is 8.08%.

The difference generated between operating lease commitments disclosed applying IAS 17 on December 31, 2018, and lease liabilities recognized on the date of initial application under IFRS 16 is primarily because most of the payment agreements with suppliers are negotiated on variable terms.

- (b) The Company's consolidated financial statements as of December 31, 2018 show changes in the accounting policies since the previous period due to the application of IFRS 9 as of January 1, 2018.

The application of IFRS 9 had an impact of ThUS\$ 2,301 (ThUS\$ 1,680 net of deferred taxes), as of January 1, 2018 due to the application of the new impairment model in equity in accordance with IAS 8.

Note 5 Financial risk management

5.1 Financial risk management policy

The Company's financial risk management policy is focused on safeguarding the stability and sustainability of the Company and its subsidiaries with regard to all such relevant financial uncertainty components.

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

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

The financial risk management structure includes identifying, determining, analyzing, quantifying, measuring and controlling these events. Management and in particular, Finance Management, is responsible for constantly assessing the financial risk.

5.2 Risk Factors

(a) Credit risk

A global economic downturn - and its potentially negative effects on the financial situation of our customers - could extend the payment terms of the Company's receivables by increasing its exposure to credit risk. Although measures are taken to minimize the risk, this global economic situation could mean losses with adverse material effects on the business, financial position or profit and loss of the Company's operations.

To mitigate these risks, the Company maintains an active control of collection and uses measures such as the use of credit insurance, letters of credit and prepayments for a portion of receivables.

The concentration of credit risk with respect to sales debtors is reduced due to the large number of companies that comprise the Company's customer base and their distribution throughout the world.

Financial investments correspond to time deposits whose maturity date is greater than 90 days and less than 360 days from the date of investment, so they are not exposed to excessive market risks.

The credit risk associated with receivables is analyzed in Note 13.2 and the associated accounting policy can be found in Note 3.5.

The credit quality of financial assets that are not past due or impaired can be evaluated by reference to external credit ratings (if available) or historical information on counterparty late payment rates:

Financial institution	Financial assets	Rating Institution			As of December
		Moody's	S&P	Fitch	31, 2019 ThUS\$
Banco de Chile	Time deposits	P-1	A-1	-	50,221
Banco de Crédito e Inversiones	Time deposits	P-1	A-1	-	42,096
Banco Itau Corpbanca	Time deposits	P-2	A-2	-	39,093
Banco Santander	Time deposits	P-1	A-1	-	2,708
Scotiabank Sud Americano	Time deposits	-	-	F1+	14,428
Banco Estado	Time deposits	P-1	A-1	-	500
BBVA Banco Francés	Time deposits	-	-	-	53
JP Morgan US dollar Liquidity Fund Institutional	Investment fund deposits	Aaa-mf	AAAm	AAAmmf	181,155
Legg Mason - Western Asset Institutional cash reserves	Investment fund deposits	-	AAAm	AAAmmf	146,078
Total					476,332

Financial institution	Financial assets	Rating Institution			As of December
		Moody's	S&P	Fitch	31, 2019 ThUS\$
Banco Scotiabank Sud Americano	90 days to 1 year	P-2	-	-	54,180
Banco de Crédito e Inversiones (*)	90 days to 1 year	P-1	A-1	-	178,448
Banco Santander	90 days to 1 year	P-1	A-1	-	74,365
Banco Itau Corpbanca	90 days to 1 year	P-2	A-2	-	127,579
Banco Security	90 days to 1 year	-	A-2	F2	17,965
Banco de Chile	90 days to 1 year	-	-	-	18,026
Banco Estado	90 days to 1 year	P-1	A-1	-	15,126
Total					485,689

(*) This includes ThUS\$ 1,870 associated with collateral in guarantee used to reduce the liquidity risk.

The following table presents comparative information as of December 2018:

Financial institution	Financial assets	Rating Institution			As of December
		Moody's	S&P	Fitch	31, 2018 ThUS\$
Banco de Chile	Time deposits	P-1	A-1	-	7,305
Banco de Crédito e Inversiones	Time deposits	P-1	A-1	-	27,428
Banco Itau Corpbanca	Time deposits	P-2	A-2	-	61,946
Banco Santander	Time deposits	-	-	-	432
Banco Estado	Time deposits	-	-	-	3,602
BBVA Banco Francés	Time deposits	-	-	-	84
Nedbank	Time deposits	P-3	B	-	647
Scotiabank Sud Americano	Time deposits	-	-	-	86,222
JP Morgan US dollar Liquidity Fund Institutional	Investment fund deposits	Aaa-mf	AAAm	AAAmmf	133,809
Legg Mason - Western Asset Institutional cash reserves	Investment fund deposits	-	AAAm	AAAmmf	132,108
Total					453,583

Financial institution	Financial assets	Rating Institution			As of December
		Moody's	S&P	Fitch	31, 2018 ThUS\$
Banco Scotiabank	90 days to 1 year	-	-	-	24,898
Banco de Crédito e Inversiones	90 days to 1 year	P-1	A-1	-	145,834
Banco Santander	90 days to 1 year	P-1	A-1	-	23,124
Banco Itau Corpbanca	90 days to 1 year	P-2	A-2	-	70,719
Banco Security	90 days to 1 year	-	-	-	27,215
Total					291,790

(b) Currency risk

The functional currency of the company is the US dollar, due to its influence on the determination of price levels, its relation to the cost of sales and considering that a significant part of the Company's business is conducted in this currency. However, the global nature of the Company's business generates an exposure to exchange rate variations of several currencies with the US Dollar. Therefore, the Company maintains hedge contracts to mitigate the exposure generated by its main mismatches (net between assets and liabilities) in currencies other than the US dollar against the exchange rate variation, updating these contracts periodically depending on the amount of the mismatching to be covered in these currencies. Occasionally, subject to the approval of the Board, the Company ensures short-term cash flows from certain specific line items in currencies other than the US Dollar.

A significant portion of the Company's costs, especially salary payments, is associated with the Peso. Therefore, an increase or decrease in its exchange rate with the US Dollar would affect the Company's profit and loss. By the fourth quarter, approximately US\$ 424 million accumulated in expenses are associated with the Peso.

As of December 31, 2019, the Company held derivative instruments classified as hedges of foreign exchange risks associated with 73% of all the bond liabilities denominated in UF, for a fair value of US\$ 18.9 million against the Company. As of December 31, 2018, this value amounted to US\$ 3.9 million against the company.

As of December 31, 2019, the exchange rate value for equivalent Pesos to US Dollars was Ch\$ 748.74 per US Dollar, and as of December 31, 2018, it was Ch\$ 694.77 per Dollar.

(c) Interest rate risk

Interest rate fluctuations, primarily due to the uncertain future behavior of markets, may have a material impact on the financial results of the Company. Significant increases in the rate could make it difficult to access financing at attractive rates for the Company's investment projects.

The Company maintains current and non-current financial debt at fixed rates and LIBOR rate plus spread.

As of December 31, 2019, the Company has around 4% of its financial liabilities linked to variations in the LIBOR rate. Therefore, significant rate increases could impact its financial position. A change of 100 basis points in this rate could result in changes to financial expenses of close to US\$ 0.06 million.

(d) Liquidity risk

Liquidity risk relates to the funds needed to comply with payment obligations. The Company's objective is to maintain financial flexibility through a comfortable balance between fund requirements and cash flows from regular business operations, bank borrowings, bonds, short term investments, and marketable securities, among others. For this purpose, the Company keeps a high liquidity ratio, which enables it to cover current obligations with clearance. On December 31, 2019, this ratio was 3.45.

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

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

SQM constantly monitors the matching of its obligations with its investments, taking due care of maturities of both, from a conservative perspective, as part of this financial risk management strategy. As of December 31, 2019, the Company had unused available revolving credit facilities with banks for a total of US\$ 477 million.

The position in other cash and cash equivalents is invested in highly liquid mutual funds with an AAA risk rating.

As of December 31, 2019 (in millions of US\$)	Nature of undiscounted cash flows				
	Carrying amount	Less than 1 year	1 to 5 years	Over 5 years	Total
Bank borrowings	70.19	2.17	74.87	—	77.04
Unsecured obligations (1)	1,697.11	326.34	614.29	1,184.38	2,125.01
Sub total	1,767.30	328.51	689.16	1,184.38	2,202.05
Hedging liabilities	23.66	6.57	24.33	32.37	63.27
Derivative financial instruments	3.17	3.17	—	—	3.17
Sub total	26.83	9.74	24.33	32.37	66.44
Current and non-current lease liabilities	42.632	8.903	22.983	10.746	42.632
Trade accounts payable and other accounts payable	205.7	205.7	—	—	205.70
Total	2,042.462	552.853	736.473	1,227.496	2,516.822

(1) Unsecured obligations are presented on a contractual basis and have no effects related to anticipated redemptions.

As of December 31, 2018 (in millions of US\$)	Nature of undiscounted cash flows				
	Carrying amount	Less than 1 year	1 to 5 years	Over 5 years	Total
Bank borrowings	70.25	4.10	79.66	—	83.76
Unsecured obligations	1,273.07	61.37	823.76	713.60	1,598.73
Sub total	1,343.32	65.47	903.42	713.60	1,682.49
Hedging liabilities	17.32	5.52	15.64	29.27	50.43
Derivative financial instruments	2.86	2.86	—	—	2.86
Sub total	20.18	8.38	15.64	29.27	53.29
Trade accounts payable and other accounts payable	163.75	163.17	0.58	—	163.75
Total	1,527.25	237.02	919.64	742.87	1,899.53

5.3 Risk measurement

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

Note 6 Background of companies included in consolidation

6.1 Parent's stand-alone assets and liabilities

Parent's stand-alone assets and liabilities	As of December	As of December
	31, 2019	31, 2018
	ThUS\$	ThUS\$
Assets	4,069,649	3,737,892
Liabilities	(1,983,382)	(1,652,401)
Equity	<u>2,086,267</u>	<u>2,085,491</u>

6.2 Parent entity

Pursuant to Article 99 of Law No. 18,045 of the Securities Market, the CMF may determine that a company does not have a controlling entity in accordance with the distribution and dispersion of its ownership. On November 30, 2018, the CMF issued the ordinary letter No. 32,131 whereby it determined that the Pampa Group, do not exert decisive power over the management of the Company since it does not have a predominance in the ownership that allows it to make management decisions. Therefore, the CMF has determined not to consider Grupo Pampa the controlling entity of the Company and that the Company does not have a controlling entity given its current ownership structure.

Note 7 Board of Directors, Senior Management and Key management personnel

7.1 Board of Directors and Senior Management

1) Board of directors

SQM S.A. is managed by a Board of Directors which is composed of 8 regular directors, who are elected for a three-year period. The Board of Directors was elected during the ordinary shareholders' meeting held on April 25, 2019, which included the election of 2 independent directors.

As of December 31, 2019, the Company included the following committees and committee members:

- Directors' Committee: This committee is comprised by Georges de Bourguignon, Laurence Golborne Riveros y Alberto Salas Muñoz, and fulfills the functions established in Article 50 bis of Chilean Law on publicly-held corporations. This committee takes on the role of the audit committee in accordance with the US-based Sarbanes Oxley law.
- The Company's Health, Safety and Environment Committee: This committee is comprised of Gonzalo Guerrero Yamamoto, Patricio Contesse Fica y Robert J. Zatta.
- Corporate Governance Committee: This committee is comprised of Hernán Büchi Buc, Patricio Contesse Fica y Francisco Ugarte Larrain.

During the periods covered by these financial statements, there are no pending receivable and payable balances 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) Board of Directors' Compensation

Directors' compensation differs according to the period during the corresponding year. Thus, from April 27, 2018 to April 24, 2019 (Period 2018-2019), Directors' compensation was determined by the annual general shareholders' meeting held on April 27, 2018. While for the period from April 25, 2019 to the date of the next annual general shareholders' meeting (Period 2019-2020), Directors' compensation was determined by the annual general shareholders' meeting held on April 25, 2019. For each of these periods, Directors' compensation is detailed as follows:

Period 2018-2019

- a) The payment of a fixed, gross and monthly amount of UF 400 in favor of the Chairman of the Board of Directors, of UF 350 in favor of the vice-president of the board of directors and of UF 350 in favor of the remaining six directors and regardless of the number of Board of Directors' Meetings held or not held during the related month.
- b) A variable gross amount payable in national currency to the Chairman and Vice President of the Company equivalent to 0.12% of the net liquid income earned by the Company in 2018;
- c) A variable gross amount payable in local currency to each Company director, excluding the Chairman and Vice President of the Company, equivalent to 0.06% of the net liquid income earned by the Company in 2019.

Period 2019:

- (i) The payment of a fixed, gross and monthly amount of UF 800 in favor of the Chairman of the Board and of UF 700 in favor of the remaining seven directors and regardless of the number of Board of Directors' Meetings held or not held during the related month.
- (ii) A variable gross amount payable in national currency to the Chairman and Vice President of the Company equivalent to 0.12% of the net liquid income earned by the Company in 2019;
- (iii) A variable gross amount payable in local currency to each Company director, excluding the Chairman and Vice President of the Company, equivalent to 0.06% of the net liquid income earned by the Company in 2019.

These fixed and variable amounts for both periods shall not be challenged and those expressed in percentage terms shall be paid immediately after the respective annual general shareholders meeting approves the financial statements, the annual report, the account inspectors report and the external auditors report for the respective year. All amounts expressed in UF shall be paid in Chilean pesos at its value on the last day of the respective calendar month, as determined by the CMF (formerly Superintendence of Banks and Financial Institutions) the Chilean Central Bank or any other relevant institution that replaces them.

Accordingly, the compensation and profit sharing paid to members of the Directors' Committee and the directors for the years ended December 31, 2019, 2018 and 2017 amounted to ThUS\$ 4,527, ThUS\$ 3,791 and ThUS\$ 3,231, respectively.

3) Directors' Committee

Directors' Committee compensation differs according to the period during the corresponding year. Thus, for the Period 2018-2019, Directors' Committee compensation was determined by the annual general shareholders' meeting held on April 27, 2018. While for the Period 2019-2020, Directors' Committee compensation was determined by the annual general shareholders' meeting held on April 25, 2019. For each of these periods the compensation of the Directors Committee comprises:

Period 2018-2019

- a) The payment of a fixed, gross and monthly amount of UF 113 in favor of each of the 3 directors who were members of the Directors' Committee, regardless of the number of meetings of the Directors' Committee that have or have not been held during the month concerned.
- b) The payment in domestic currency and in favor of each of the 3 directors of a variable and gross amount equivalent to 0.02% of total net profit that the Company effectively obtains during the 2018 fiscal year.

Period 2019

- (i) The payment of a fixed, gross and monthly amount of UF 200 in favor of each of the 3 directors who were members of the Directors' Committee, regardless of the number of meetings of the Directors' Committee that have or have not been held during the month concerned.
- (ii) The payment in domestic currency and in favor of each of the 3 directors of a variable and gross amount equivalent to 0.02% of total net profit that the Company effectively obtains during the 2019 fiscal year.

These fixed and variable amounts for both periods shall not be challenged and those expressed in percentage terms shall be paid immediately after the respective annual general shareholders meeting approves the financial statements, the annual report, the account inspectors report and the external auditors report for the respective year. All amounts expressed in UF shall be paid in Chilean pesos at its value on the last day of the respective calendar month, as determined by the CMF (formerly Superintendence of Banks and Financial Institutions), the Chilean Central Bank or any other relevant institution that replaces them.

4) Health, Safety and Environmental Matters Committee:

The remuneration of this committee for the 2018–2019 period was composed of the payment of a fixed, gross, monthly amount of UF 50 for each of the 3 directors on the committee regardless of the number of meetings it has held. For the 2019 period, the remuneration for the Health, Safety and Environment Committee corresponds to a fixed, gross, monthly amount of UF 100 for each of the three Directors on the committee regardless of the number of meetings it has held.

5) Corporate Governance Committee

The remuneration for this committee for the 2018–2019 period was composed of the payment of a fixed, gross, monthly amount of UF 50 for each of the 3 directors on the committees regardless of the number of meetings it has held. For the 2019 period, the remuneration for the Corporate Governance Committee corresponds to a fixed, gross, monthly amount of UF 100 for each of the three Directors on the committee regardless of the number of meetings it has held.

6) Guarantees constituted in favor of the directors

No guarantees have been constituted in favor of the directors.

7) Senior management compensation:

- a) This includes monthly fixed salary and variable performance bonuses. (See Note 7.2)
- b) The Company has an annual bonus plan based on goal achievement and individual contribution to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and are paid once a year.
- c) The Company also has retention bonuses for its executives, the value of these bonuses is linked to the Company's stock price and is payable in cash during the first quarter of 2021 (see Note 17.6)

8) Guarantees pledged in favor of the Company's management

No guarantees have been pledged in favor of the Company's management.

9) Pensions, life insurance, paid leave, shares in earnings, incentives, disability loans, other than those mentioned in the above points.

The Company's Management and Directors do not receive or have not received any benefit during the years ended December 31, 2019, 2018 and 2017 or compensation for the concept of pensions, life insurance, paid time off, profit sharing, incentives, or benefits due to disability other than those mentioned in the preceding points.

7.2 Key management personnel compensation

As of December 31, 2019, there are 124 people occupying key management positions and 123 as of December 31, 2018.

	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Key management personnel compensation			
Key management personnel compensation	22,598	27,907	27,367

Note 8 Equity-accounted investees

8.1 Investments in associates recognized according to the equity method of accounting

As of December 31, 2019 and 2018, in accordance with criteria established in Note 2:

Associates	Equity-accounted investees		Share in profit (loss) of associates accounted for using the equity method			Share in other comprehensive income of associates accounted for using the equity method, net of tax		Share in total other comprehensive income of associates accounted for using the equity method		
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Abu Dhabi Fertilizer Industries WWL	11,609	10,821	634	596	1,483	1	—	635	596	1,483
Doktor Tarsa Tarim Sanayi AS	26,001	21,582	3,912	241	6,427	198	489	4,110	730	6,427
Ajay North America	14,669	14,951	2,871	3,728	3,677	—	—	2,871	3,728	3,677
Ajay Europe SARL	7,451	7,845	1,165	1,373	1,049	(179)	(439)	986	934	1,075
Charlee SQM Thailand Co Ltd	—	—	—	316	393	—	—	—	316	393
SQM Eastmed Turkey	623	310	354	370	(25)	(42)	(21)	312	349	(25)
Kore Potash PLC	24,739	20,467	(534)	(1,543)	—	(549)	(1,206)	(1,083)	(2,749)	—
Total	85,092	75,976	8,402	5,081	13,004	(571)	(1,177)	7,831	3,904	13,030

Associate	Description of the nature of the relationship	Domicile	Country of incorporation	Share of ownership in associates	Dividends received		For the year ended December 31, 2017 ThUS\$
					For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	
Abu Dhabi Fertilizer Industries WWL	Distribution and commercialization of specialty plant nutrients in the Middle East.	PO Box 71871, Abu Dhabi	United Arab Emirates	37%	-	6,632	-
Doktor Tarsa Tarim Sanayi AS	Distribution and commercialization of specialty plant nutrients in Turkey.	Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya	Turkey	50%	-	-	-
Ajay North America	Production and distribution of iodine derivatives.	1400 Industry RD Power Springs GA 30129	United States of America	49%	2,796	2,807	1,123
Ajay Europe SARL	Production and distribution of iodine derivatives.	Z.I. du Grand Verger BP 227 France 53602 Evron Cedex	France	50%	1,055	811	968
Charlee SQM Thailand Co Ltd	Distribution and commercialization of specialty plant nutrients.	31 Soi 138 (Meesuk) LLapdrawrd, Bangkapi, 10240 Bangkok	Thailand	40%	-	362	-
SQM Eastmed Turkey	Production and commercialization of specialty products.	Organize Sanayi Bolgesi, Ikinci Kisim, 22 cadde TR07100 Antalya	Turkey	50%	-	-	-
Kore Potash Ltd	Prospection, exploration and mining development.	L 3 88 William ST Perth, was 6000	Australia	19.67%	-	-	-
Total					3,851	10,612	2,091

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

- (1) Doktor Tarsa Tarim Sanayi AS
- (2) Terra Tarsa B.V.
- (3) Abu Dhabi Fertilizer Industries WWL

Associate	Description of the nature of the relationship	Domicile	Country of incorporation	Share of ownership in associates (*)	Dividends received		
					For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Terra Tarsa Ukraine LLC (2)	Distribution and trading of specialty plant nutrients.	74800 Ukraine, Kakhovka, 4 Ukraine Yuzhnaya Str.	Ukraine	100%	-	-	-
Terra Tarsa BV (1)	Distribution and trading of specialty plant nutrients.	Herikerbergweg 238, Luna Arena, 1101CM Amsterdam PO Box 23393, 1100DW Amsterdam Zuidooost	Holland	50%	-	-	-
Plantacote NV (1)	Sale of CRF and production and sales of WSNPK.	Houtdok-Noordkaai 25a, 2030 Antwerpen, Belgium	Belgium	100%	-	-	-
Doctochem Tarim Sanayai Ticaret LTD (1)	Production, distribution and trading of specialty plant nutrition. .	Eski Büyükdere Cad No: 7 GIZ 2000 Plaza K:17 D:67-68 Maslak Sariyer İstanbul.	Turkey	100%	-	-	-
Terra Tarsa Don LLC	Distribution and sale of specialty fertilizers	Zorge Street, house 17, 344090, Rostov-on-Don	Russian Federation	100%	-	-	-
Doktolab Tarim Arastirma San. (1)	Laboratory services.	27. Cd. No:2, 07190 Aosb 2. Kısım/Döşemealtı, Antalya, Turkey	Turkey	100%	-	-	-
International Technical and Trading Agencies Co WLL (3)	Distribution and trading of specialty plant nutrients, in the Middle East.	P.O Box: 950918 Amman 11195	Jordan	50%	-	-	-
Total					-	-	-

(*) This percentage does not consider the shareholdings of the holders of these subsidiaries.

8.2 Assets, liabilities, revenue and expenses of associates

Associate	As of and for the year ended December 31, 2019							
	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Abu Dhabi Fertilizer Industries WWL	28,543	9,971	7,133	—	31,588	1,713	4	1,717
Doktor Tarsa Tarim Sanayi AS	97,797	15,196	22,420	38,522	93,768	7,824	396	8,220
Ajay North America	19,748	13,250	3,061	—	38,833	5,860	—	—
Ajay Europe SARL	19,589	1,456	6,144	—	35,709	2,329	(358)	1,971
SQM Eastmed Turkey	2,718	1,833	2,600	704	3,086	709	(84)	625
Kore Potash PLC	7,938	119,362	2,214	—	—	(2,716)	(2,791)	(5,507)
Total	176,333	161,068	43,572	39,226	202,984	15,719	(2,833)	7,026

Associate	As of and for the year ended December 31, 2018							
	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Abu Dhabi Fertilizer Industries WWL	23,496	11,444	5,695	—	33,098	1,611	(1)	1,610
Doktor Tarsa Tarim Sanayi AS	66,498	12,242	27,067	8,509	74,144	481	978	1,459
Ajay North America	21,644	12,409	3,542	—	40,290	7,608	—	7,608
Ajay Europe SARL	21,219	1,214	6,743	—	36,337	2,747	(878)	1,869
SQM Eastmed Turkey	1,724	2,160	1,829	1,434	3,192	740	(42)	698
Kore Potash PLC	6,659	148,426	2,180	—	—	(8,198)	(6,882)	(15,080)
Total	141,240	187,895	47,056	9,943	187,061	4,989	(6,825)	(1,836)

Associate	As of and for the year ended December 31, 2017							
	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Abu Dhabi Fertilizer Industries WWL	44,801	2,032	3,764	—	35,131	4,008	(4)	4,004
Doktor Tarsa Tarim Sanayi AS	81,057	10,731	36,990	11,251	75,269	12,854	(4,367)	8,487
Ajay North America	19,426	12,498	2,470	—	36,185	7,505	—	7,505
Ajay Europe SARL	23,555	1,266	8,534	—	32,310	2,098	2,208	4,306
SQM Eastmed Turkey	8,585	712	3,292	255	13,618	981	414	1,395
Kore Potash PLC	3,981	2,671	4,487	2,260	2,389	(49)	(12)	(61)
Total	181,405	29,910	59,507	13,766	194,902	27,397	(1,761)	25,636

8.3 Other information

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

The Company has no investments that are not accounted for according to the equity method.

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

8.4 Disclosures on interest in associates

(a) Transactions conducted in 2019:

- In the fourth quarter of 2019, Ajay North America paid total dividends of ThUS\$ 5,706.
- In the first quarter of 2019, Ajay Europe SARL paid total dividends of ThUS\$ 2,107.
- In July 2019, the Company made a capital increase in Kore Potash PLC for ThUS\$ 2,600, increasing the share to 19.67% of investment shareholdings.
- On December 11, 2019, Doktor Tarsa Tarim Sanayi AS acquired 100% of shares in Doctochem Tarim Sanayi Ticaret LTD.

(b) Transactions conducted in 2018:

- During the first quarter, the Company increased its capital in Kore Potash PLC by ThUS\$ 3,000.
- In March 2018, Abu Dhabi Fertilizer Industries WLL paid dividends of ThUS\$ 10,890. 50% of the distributed dividend was charged to retained earnings generated subsequent to 2014, in line with the Company's statutes that establish that 37% of the distributed dividend corresponds to SQM. The remaining 50% was charged to retained earnings generated between 2004 and 2014, in line with the entity's statutes that establish that 50% of the distributed dividend corresponds to SQM.
- In March 2018, Ajay North America paid dividends of ThUS\$ 1,432.
- In June 2018, Abu Dhabi Fertilizer Industries WLL paid dividends of ThUS\$ 7,034. 50% of the distributed dividend was charged to retained earnings generated subsequent to 2014, in line with the Company's statutes that establish that 37% of the distributed dividend corresponds to SQM. The remaining 50% was charged to retained earnings generated between 2004 and 2014, in line with the Company's statutes that establish that 50% of the distributed dividend corresponds to SQM.
- At the close of the second quarter of 2018, Ajay North America paid dividends of ThUS\$ 5,728.
- In June 2018, Ajay North Europe SARL paid dividends of ThUS\$ 1,622.
- In June 2018, Charlee SQM Thailand Co. Ltd. paid dividends of ThUS\$ 906.
- On November 14, 2018, Soquimich European Holdings B.V. sold its share in Charlee SQM Thailand Co. Ltd., generating a loss of ThUS\$ 759.
- In 2018, Doktor Tarsa Tarim Sanayi Ve Ticaret A.S., changed its functional currency from Turkish Lira to the United States Dollar.

(c) Transactions conducted in 2017:

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

Note 9 Joint Ventures

9.1 Policy for the accounting of equity accounted investment in joint ventures

The method for recognizing joint ventures is that in which participation is initially recorded at cost, and subsequently adjusted, considering changes after the acquisition in the portion of the entity's net assets that correspond to the investor. Profit or loss for the period will include the portion of the entity's entire profit or loss that correspond to the investor. For these joint ventures, there is no quoted market price to measure these investments. (See Note 2.6)

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

9.2 Disclosures of interest in joint ventures

a) Operations conducted in 2019

- On January 1, 2019, SQM Vitas Perú changed its functional currency from the Peruvian Sol to USD (United States dollar).
- During the fourth quarter del 2019, SQM Vitas Fzco paid dividends of ThUS\$ 21,196.

b) Operations conducted in 2018

- During the first quarter of 2018, Minera Exar S.A. increased its capital by ThUS\$ 13,000. The entity was a joint venture and contributions were made on January 25, 2018 (ThUS\$ 6,000) and on February 14, 2018 (ThUS\$ 7,000) by SQM Potasio S.A. and Lithium Americas Corporation (LAC). Both partners share 50% ownership of the respective company.
- On March 14, 2018, the company SQM Vitas Plantacote B.V. was closed.
- As of the date, Minera Exar S.A. has changed its functional currency from the Argentine peso to the United States dollar.
- In April 2018, Minera Exar made a new capital increase of ThUS\$ 7,000, which was contributed in equal parts by its partners.
- On May 15, 2018, the subsidiary Soquimich European Holdings BV, signed a joint venture agreement with PAVONI & C., SpA in Italy, EUR 5.5 million were paid for a 50% share, generating a lower value of EUR 2.6 million. The functional currency of the joint venture is the Euro.
- On December 31, 2018, the conditions were met for Covalent Lithium Pty Ltd, to be recognized as a separate joint venture. In previous years, the financial statements for this entity were included as part of SQM Australia Pty.
- On December 31, 2018, as part of the investment in Pavoni & C., SpA. the goodwill generated in the purchase of this joint venture by an amount of ThUS\$ 3,206.
- The subsidiary SQM Industrial S.A. recorded an impairment loss of ThUS\$ 8,802, corresponding to its Sichuan SQM-Migao Chemical Fertilizer Co, Ltd, joint venture. The impairment is disclosed by netting the value of the aforementioned investment, in the caption "Equity method investments".
- During December 2018, the Company sold its shares in Minera Exar S.A. and generated a profit before taxes of ThUS\$ 14,507.

c) Operations conducted in 2017

On December 1, 2017, SQM Potasio S.A. recognized the goodwill value generated by the acquisition of 50% of the joint venture Minera Exar S.A. in the amount of ThUS\$6,205.

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

9.3 Investment in joint ventures accounted for under the equity method of accounting

Joint venture	Description of the nature of the relationship	Domicile	Country of incorporation	Share of interest in ownership	Dividends received		
					For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	Production and distribution of soluble fertilizers.	Huangjing Road, Dawan Town, Qingbaijiang District, Chengdu Municipality, Sichuan Province	China	50%	-	-	-
Coromandel SQM India	Production and distribution of potassium nitrate.	1-2-10, Sardar Patel Road, Secunderabad – 500003 Andhra Pradesh	India	50%	-	-	-
SQM Vitas Fzco.	Production and commercialization of specialty plant and animal nutrition and industrial hygiene.	Jebel ALI Free Zone P.O. Box 18222, Dubai	United Arab Emirates	50%	10,598	-	-
SQM Qingdao Star Corp Nutrition Co. Ltd.	Production and distribution of nutrient plant solutions with specialties NPK soluble.	Longquan Town, Jimo City, Qingdao Municipality, Shangdong Province	China	50%	-	-	-
SQM Vitas Holland	Without information production of specialized fertilizers and other products for distribution in Italy and other countries.	Herikerbergweg 238, 1101 CM Amsterdam Zuidoost	Holland	50%	-	-	-
Pavoni & C. Spa	products for distribution in Italy and other countries.	Corso Italia 172, 95129 Catania (CT), Sicilia	Italy	50%	-	-	-
Covalent Lithium Pty Ltd.	Development and operation of the Mt Holland Lithium project, which will include the construction of a lithium extraction and refining mine	L18, 109 St Georges Tce Perth WA 6000 PO Box Z5200 St Georges Tce Perth WA 6831	Australia	50%	-	-	-
Total					10,598	-	-

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

(1) SQM Vitas Fzco.

(2) Pavoni & C Spa

Joint venture	Description of the nature of the relationship	Domicile	Country of incorporation	Share of interest in ownership (*)	Dividends received		
					For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
SQM Vitas Brasil Agroindustria (1)	Production and trading of specialty vegetable and animal nutrition and industrial hygiene.	Via Cndeias, Km. 01 Sem Numero, Lote 4, Bairro Cia Norte, Candeias, Bahia.	Brazil	49.99%	-	-	-
SQM Vitas Perú S.A.C. (1)	Production and trading of specialty vegetable and animal nutrition and industrial hygiene	Av. Juan de Arona 187, Torre B, Perú Oficina 301-II, San Isidro, Lima		50%	-	-	-
Arpa Speciali S.R.L. (2)	Production of specialty fertilizers and others for distribution in Italy and other countries.	Mantova (MN) Via Cremona 27 Int. 25	Italy	50.48%	-	-	-
Total					-	-	-

(*) The percentages presented correspond to the ownership used in the consolidation of the company.

Joint Venture	Equity-accounted investees			Share in profit (loss) of associates and joint ventures accounted for using the equity method		
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	1,992	1,992	11,444	(632)	(650)	(535)
Coromandel SQM India	1,568	1,729	1,633	(98)	174	165
SQM Vitas Fzco.	9,111	20,202	19,478	1,797	1,781	1,502
SQM Qingdao Star Corp Nutrition Co. Ltd.	3,464	3,168	2,980	296	188	361
SQM Vitas Holland	1,304	1,345	1,429	(15)	(14)	(18)
Minera Exar S.A. (1)	—	—	33,065	—	(206)	(27)
Pavoni & C. Spa	6,864	7,084	—	36	(39)	—
Covalent Lithium Pty Ltd.	40	53	—	—	36	—
Total	24,343	35,573	70,029	1,384	1,270	1,448

Joint Venture	Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax			Share on total other comprehensive income of associates and joint ventures accounted for using the equity method		
	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	—	—	—	(631)	(650)	(535)
Coromandel SQM India	(38)	(159)	—	(136)	15	165
SQM Vitas Fzco.	437	(903)	(5)	2,234	878	1,497
SQM Qingdao Star Corp Nutrition Co. Ltd.	—	—	—	296	188	361
SQM Vitas Holland	(27)	(70)	—	(42)	(84)	(18)
Minera Exar S.A. (1)	—	—	—	—	(206)	(27)
Pavoni & C. Spa	(255)	70	—	(219)	31	—
Covalent Lithium Pty Ltd.	(13)	—	—	(13)	36	—
Total	104	(1,062)	(5)	1,489	208	1,443

(1) Minera Exar S.A. was sold in December 2018.

The amounts described in the following box represent numbers used in the consolidation of the company:

Joint Venture	Equity-accounted investees			Share in profit (loss) of associates and joint ventures accounted for using the equity method		
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Vitas Brasil Agroindustria (1)	5,347	5,915	11,003	564	1,439	1,753
SQM Vitas Perú S.A.C. (1)	1,955	2,671	5,961	211	(275)	(216)
SQM Vitas Plantacote B.V. (2)	—	—	669	—	—	(1)
Arpa Speciali S.R.L. (2)	92	62	—	31	(44)	—
Total	7,394	8,648	17,633	806	1,120	1,536
Joint Venture	Share on other comprehensive income of associates and joint ventures accounted for using the equity method, net of tax			Share on total other comprehensive income of associates and joint ventures accounted for using the equity method		
	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Vitas Brasil Agroindustria (1)	(225)	(792)	(51)	338	647	826
SQM Vitas Perú S.A.C. (1)	661	(112)	—	872	(387)	(108)
SQM Vitas Plantacote B.V. (2)	—	—	—	—	—	(1)
Arpa Speciali S.R.L. (2)	(1)	—	—	30	(44)	—
Total	435	(904)	(51)	1,240	216	717

The following companies are subsidiaries of:

- (1) SQM Vitas Fzco.
- (2) Pavoni & C. Spa

9.4 Assets, liabilities, revenue and expenses from joint ventures:

Joint Venture	As of and for the year ended December 31, 2019							
	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	28,668	5,129	13,472	—	7	(1,262)	—	(1,262)
Coromandel SQM India	4,504	633	1,704	—	8,197	(197)	(77)	(274)
SQM Vitas Fzco.	9,695	20,014	1,136	—	36	3,595	(876)	2,719
SQM Qingdao Star Corp Nutrition Co. Ltd.	7,534	26	632	—	12,003	592	—	592
SQM Vitas Holland	2,609	—	2	—	—	(30)	(53)	(83)
SQM Vitas Brasil Agroindustria	46,118	7,299	40,334	—	87,901	1,128	(451)	677
SQM Vitas Perú S.A.C.	29,452	8,378	24,855	6,044	28,590	421	1,322	1,743
Pavoni & C. Spa	9,444	7,074	8,466	735	14,296	71	(510)	(439)
Covalent Lithium Pty Ltd.	1,616	958	2,111	383	—	—	(25)	(25)
Total	139,640	49,511	92,712	7,162	151,030	4,318	(670)	3,648

Joint Venture	As of and for the year ended December 31, 2018							
	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	28,577	5,913	12,902	—	16	(1,301)	—	(1,301)
Coromandel SQM India	5,905	852	3,050	—	11,605	348	(318)	30
SQM Vitas Fzco.	30,430	17,592	2,678	—	16,583	3,561	(1,806)	1,755
SQM Qingdao Star Corp Nutrition Co. Ltd.	7,754	114	1,533	—	13,004	377	—	377
SQM Vitas Holland	2,692	—	1	—	—	(28)	(139)	(167)
SQM Vitas Brasil Agroindustria	36,648	7,566	31,808	—	82,625	2,879	(1,585)	1,294
SQM Vitas Perú S.A.C.	22,365	7,785	18,996	5,966	28,619	(550)	(223)	(773)
Pavoni & C. Spa	10,062	6,490	8,098	698	15,461	(79)	140	61
Covalent Lithium Pty Ltd.	239	100	233	—	—	106	—	106
Total	144,672	46,412	79,299	6,664	167,913	5,313	(3,931)	1,382

As of and for the year ended December 31, 2017

Joint Venture	Assets		Liabilities		Revenue	Gain (loss) from continuing operations	Other comprehensive income	Comprehensive income
	Current	Non-current	Current	Non-current				
	ThUS\$	ThUS\$	ThUS\$	ThUS\$				
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	31,461	6,656	15,228	—	13,326	(1,070)	—	(1,070)
Coromandel SQM India	6,659	862	4,205	53	10,381	332	—	332
SQM Vitas Fzco.	23,699	17,479	2,221	—	15,518	3,003	(9)	2,994
SQM Qingdao Star Corp Nutrition Co. Ltd.	6,941	171	1,152	—	12,631	721	—	721
SQM Vitas Holland	2,190	669	—	—	—	(36)	—	(36)
SQM Vitas Brasil Agroindustria	30,303	8,453	27,752	—	60,131	1,753	(101)	1,652
SQM Vitas Perú S.A.C.	20,933	8,534	17,380	6,156	35,299	(216)	—	(216)
SQM Vitas Plantacote B.V.	679	—	10	—	—	(1)	—	(1)
Minera Exar S.A.	19,277	73,114	38,670	—	—	(53)	—	(53)
Total	142,672	115,938	106,618	6,209	147,286	4,433	(110)	4,323

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9.5 Other Joint Venture disclosures:

Joint Venture	Cash and cash equivalents		Other current financial liabilities		Other non-current financial liabilities	
	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	33	106	—	—	—	—
Coromandel SQM India	2,240	308	—	—	—	—
SQM Vitas Fzco.	3,071	19,312	—	—	—	—
SQM Qingdao Star Corp Nutrition Co. Ltd.	4,640	4,543	—	—	—	—
SQM Vitas Holland	2,609	2,692	—	—	—	—
SQM Vitas Brasil Agroindustria	2,101	1,869	9,106	13,380	—	—
SQM Vitas Perú S.A.C.	225	371	258	3,819	895	801
Pavoni & C. Spa	314	407	5,509	5,464	—	—
Covalent Lithium Pty Ltd.	693	156	472	—	—	—
Total	15,926	29,764	15,345	22,663	895	801

Joint Venture	Depreciation and amortization expense			Interest expense		Income tax benefit (expense) from continuing operations			
	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sichuan SQM Migao Chemical Fertilizers Co Ltd.	(743)	(948)	(691)	—	(1)	(433)	153	97	200
Coromandel SQM India	(291)	445	—	(4)	(9)	(49)	(27)	(38)	(44)
SQM Vitas Fzco.	—	(509)	(717)	(7)	(8)	(16)	—	—	—
SQM Qingdao Star Corp Nutrition Co. Ltd.	(62)	(67)	(64)	—	—	(1)	(241)	(187)	(195)
SQM Vitas Holland	—	—	—	(1)	—	—	—	—	(337)
SQM Vitas Plantacote B.V.	—	—	—	—	—	(1)	—	—	—
SQM Vitas Brasil Agroindustria	(33)	(408)	(438)	(1,176)	(886)	(2,127)	181	(117)	—
SQM Vitas Perú S.A.C.	(287)	(347)	(82)	(435)	(425)	(323)	(316)	(230)	(362)
Pavoni & C. Spa	(149)	(542)	—	—	(335)	—	(214)	—	—
Covalent Lithium Pty Ltd.	(126)	(16)	—	(32)	(5)	—	—	(46)	—
Total	(1,691)	(2,392)	(1,992)	(1,655)	(1,669)	(2,950)	(464)	(521)	(738)

9.6 Joint Ventures

In 2017, we continued to expand our operations outside Chile and, together with our subsidiary SQM Australia Pty, we entered into an agreement to acquire 50% of the assets of the Mount Holland lithium project in Western Australia. We entered into a 50/50 unincorporated joint operation with Kidman Resources Limited ("Kidman"), the Mt Holland Lithium Project, to design, construct and operate a mine, concentrator and refinery to produce approximately 45,000 metric tons of lithium hydroxide per year. Kidman retained the exclusive right to exploit gold within the project area. SQM Australia Pty committed to pay a price of US\$ 70 million for the 50% of the Mt Holland assets, which was split into an initial payment of US\$15 million and a deferred payment of US\$ 55 million, both payments subject to certain conditions precedent. As agreed by the parties, US\$ 40 million of a total of US\$70 million paid to Kidman was provided directly to the project and SQM Australia paid an additional (i) US\$ 10 million as part of the initial payment, and (ii) US\$ 30 million once the deferred payment took place. An additional US\$ 5 million for Kidman for resolution of legal disputes.

All payments subject to conditions under the purchase agreement with Kidman were executed by December 2018.

This business met the conditions stipulated in IFRS 11 to be considered a "joint operation", since management has agreed that the rights of the related assets and liabilities relate to a joint arrangement, which states that the joint operators share all interests in the related assets and liabilities in specific proportions.

Note 10 Cash and cash equivalents

10.1 Types of cash and cash equivalents

As of December 31, 2019, and December 31, 2018, cash and cash equivalents are detailed as follows:

Cash	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Cash on hand	71	75
Cash in banks	105,141	101,662
Other demand deposits	6,986	746
Total cash	<u>112,198</u>	<u>102,483</u>

Cash equivalents	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Short-term deposits, classified as cash equivalents	149,099	187,666
Short-term investments, classified as cash equivalents	327,233	265,917
Total cash equivalents	<u>476,332</u>	<u>453,583</u>
Total cash and cash equivalents	<u>588,530</u>	<u>556,066</u>

10.2 Short-term investments, classified as cash equivalents

As of December 31, 2019 and 2018, the short-term investments classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

Institution	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Legg Mason - Western Asset Institutional Cash Reserves	181,155	132,108
JP Morgan US dollar Liquidity Fund Institutional	146,078	133,809
Total	<u>327,233</u>	<u>265,917</u>

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

10.3 Information on cash and cash equivalents by currency

As of December 31, 2019 and 2018, information on cash and cash equivalents by currency is detailed as follows:

Original currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Chilean Peso (*)	8,240	157,500
US Dollar	558,572	353,674
Euro	3,131	4,738
Mexican Peso	2,103	1,242
South African Rand	3,929	5,219
Japanese Yen	1,559	1,786
Peruvian Sol	4	1
Indian rupee	6	—
Chinese Yuan	2,484	2,305
Dirham United Arab Emirates	—	1
Indonesian rupee	3	—
Argentine Peso	3	2
Pound Sterling	3	—
Australian dollar	8,492	29,598
Polish Zloty	1	—
Total	<u>588,530</u>	<u>556,066</u>

(*) The Company maintains financial derivative instruments policies which allow Management to convert term deposits denominated in pesos and UF to US dollars.

10.4 Amount restricted (unavailable) cash balances

Cash on hand and cash in banks are available resources, and their carrying value is equal to their fair value.

Financial assets pledged as collateral

On November 4, 2004, Isapre Norte Grande has a guarantee equivalent to the total amount owed to its subsidiaries and medical suppliers, which is administered and maintained by Banco de Chile.

As of December 31, 2019 and 2018, pledged assets are as follows

Restricted cash balances	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Isapre Norte Grande Ltda.	551	712
Total	<u>551</u>	<u>712</u>

10.5 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	Maturity	Principal ThUS\$	Interest accrued to-date ThUS\$	As of December 31, 2019 ThUS\$
Banco crédito e inversiones	Fixed term	US\$	3.45%	11-18-2019	02-13-2020	18,000	74	18,074
Banco crédito e inversiones	Fixed term	US\$	2.85%	12-26-2019	02-20-2020	20,000	8	20,008
Banco de Chile	Fixed term	US\$	3.45%	11-15-2019	01-23-2020	14,000	62	14,062
Banco de Chile	Fixed term	US\$	3.50%	11-15-2019	01-09-2020	18,000	80	18,080
Banco de Chile	Fixed term	US\$	3.45%	11-15-2019	01-16-2020	18,000	79	18,079
Banco Itau Chile	Fixed term	US\$	2.90%	12-26-2019	02-20-2020	33,000	13	33,013
Scotiabank Sud Americano	Fixed term	CLP\$	2.16%	12-30-2019	08-08-2020	6,812	—	6,812
Banco crédito e inversiones	Fixed term	US\$	3.51%	11-21-2019	01-28-2020	1,000	4	1,004
Banco crédito e inversiones	Fixed term	US\$	3.75%	12-02-2019	02-27-2020	2,000	6	2,006
Banco crédito e inversiones	Fixed term	US\$	3.60%	11-25-2019	01-28-2020	1,000	4	1,004
Banco Estado	Fixed term	US\$	2.15%	16-12-2019	01-06-2020	500	—	500
Banco Santander - Santiago	Fixed term	US\$	2.55%	12-09-2019	02-04-2020	1,700	3	1,703
Corpbanca	Fixed term	US\$	2.55%	12-16-2019	01-06-2020	2,500	3	2,503
Corpbanca	Fixed term	US\$	3.64%	11-29-2019	02-13-2020	1,500	5	1,505
Corpbanca	Fixed term	US\$	2.80%	11-12-2019	01-28-2020	2,000	8	2,008
Banco Santander - Santiago	Fixed term	US\$	2.33%	10-16-2019	01-12-2020	1,000	5	1,005
Scotiabank Sud Americano	Fixed term	US\$	2.45%	12-17-2019	01-13-2020	3,600	3	3,603
Scotiabank Sud Americano	Fixed term	US\$	3.20%	11-13-2019	01-30-2020	500	2	502
Scotiabank Sud Americano	Fixed term	US\$	3.40%	12-02-2019	02-27-2020	2,000	5	2,005
Scotiabank Sud Americano	Fixed term	US\$	3.45%	11-18-2019	01-30-2020	1,500	6	1,506
BBVA Banco Francés	Fixed term	US\$	3.9%	12-26-2019	01-27-2020	52	1	53
Banco Itaú S.A.	On demand	US\$	8%	10-17-2019	12-31-2019	64	—	64
						148,728	371	149,099

Receiver of the deposit	Type of deposit	Original currency	Interest rate	Placement date	Maturity date	Principal	Interest accrued to-date	As of December 31, 2018
						ThUS\$	ThUS\$	ThUS\$
Scotiabank	Fixed term	Ch\$	2.50%	10-18-2018	01-16-2019	14,606	90	14,696
Banco Crédito e Inversiones	Fixed term	Ch\$	2.55%	11-06-2018	01-09-2019	19,632	92	19,724
Scotiabank	Fixed term	Ch\$	2.55%	11-30-2018	01-03-2019	14,393	38	14,431
Scotiabank	Fixed term	Ch\$	2.55%	12-03-2018	01-03-2019	11,515	27	11,542
Itau-Corpanca	Fixed term	Ch\$	2.50%	12-03-2018	01-03-2019	14,393	34	14,427
Itau-Corpanca	Fixed term	Ch\$	2.50%	12-07-2018	01-09-2019	14,393	29	14,422
Itau-Corpanca	Fixed term	Ch\$	2.50%	12-10-2018	01-09-2019	12,954	23	12,977
Scotiabank	Fixed term	Ch\$	2.35%	12-10-2018	01-09-2019	12,954	21	12,975
Itau-Corpanca	Fixed term	US\$	3.06%	12-11-2018	01-11-2019	1,300	2	1,302
Banco Estado	Fixed term	US\$	2.75%	12-12-2018	01-15-2019	1,000	1	1,001
Itau-Corpanca	Fixed term	Ch\$	2.50%	12-14-2018	01-09-2019	14,392	20	14,412
Scotiabank	Fixed term	Ch\$	2.65%	12-17-2018	01-17-2019	14,393	18	14,411
Scotiabank	Fixed term	Ch\$	2.60%	12-17-2018	01-17-2019	10,892	13	10,905
Banco Crédito e Inversiones	Fixed term	US\$	2.93%	12-17-2018	01-31-2019	1,400	2	1,402
Itau-Corpanca	Fixed term	US\$	3.30%	12-17-2018	01-31-2019	1,400	2	1,402
Itau-Corpanca	Fixed term	US\$	3.40%	12-17-2018	01-31-2019	3,000	4	3,004
Banco de Chile	Fixed term	US\$	3.06%	12-17-2018	01-31-2019	1,700	2	1,702
Scotiabank Sud Americano	Fixed term	US\$	2.95%	12-17-2018	01-31-2019	1,500	2	1,502
Banco de Chile	Fixed term	US\$	3.26%	12-19-2018	01-31-2019	800	1	801
Banco Crédito e Inversiones	Fixed term	US\$	3.42%	12-26-2018	02-26-2019	2,800	1	2,801
Banco de Chile	Fixed term	US\$	3.26%	12-26-2018	02-26-2019	2,800	1	2,801
Scotiabank Sud Americano (*)	Fixed term	Ch\$	0.26%	12-27-2018	01-07-2019	1,439	1	1,440
Scotiabank Sud Americano (*)	Fixed term	Ch\$	0.26%	12-27-2018	01-14-2019	2,879	1	2,880
Scotiabank Sud Americano (*)	Fixed term	Ch\$	0.26%	12-27-2018	01-21-2019	1,439	1	1,440
Banco Estado	Fixed term	US\$	3.15%	12-28-2018	01-28-2019	2,000	1	2,001
Banco Estado	Fixed term	US\$	3.15%	12-28-2018	01-28-2019	600	—	600
Banco de Chile	Fixed term	US\$	3.16%	12-28-2018	01-28-2019	2,000	1	2,001
Banco Crédito e Inversiones	Fixed term	US\$	2.53%	12-28-2018	01-08-2019	1,000	—	1,000
Banco Crédito e Inversiones	Fixed term	US\$	3.08%	12-28-2018	01-28-2019	2,500	1	2,501
Banco Santander- Santiago (*)	Fixed term	Ch\$	0.20%	12-28-2018	01-04-2019	432	—	432
BBVA Banco Francés	Fixed term	US\$	-	12-31-2018	01-21-2019	81	3	84
Nedbank	On demand	US\$	-	12-31-2018	01-01-2019	647	—	647
Total						187,234	432	187,666

(*) Corresponds to a monthly rate.

10.6 Net Debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. The definition of net debt is disclosed in Note 19.1.

Net debt	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Cash and cash equivalents	588,530	556,066
Other current financial assets	505,490	312,721
Other non-current financial hedge assets	3,918	13,425
Other current financial liabilities	(298,822)	(23,585)
Other non-current financial liabilities	(1,518,926)	(1,330,382)
Total	(719,810)	(471,755)

	As of December 31, 2018 ThUS\$	Adjustment to initial balances by adoption of IFRS 16 ThUS\$	Monetary			Non-monetary			As of December 31, 2019 ThUS\$
			Amounts from loans ThUS\$	Amounts from interest ThUS\$	Other cash income/expenses ThUS\$	Hedging and non- hedging instruments ThUS\$	Exchange rate differences ThUS\$	Other ThUS\$	
Cash and cash equivalents									
Obligations with the public and bank loans	(1,333,793)	—	(442,465)	65,754	6,816	—	20,839	(70,179)	(1,753,028)
Current and non-current lease liabilities	—	(45,115)	7,221	1,537	—	—	—	(1,540)	(37,897)
Financial instruments derived from hedging	(17,318)	—	(439)	5,209	—	(12,014)	—	907	(23,655)
Financial instruments derived from non-hedging	(2,856)	—	—	—	—	(313)	—	—	(3,169)
Subtotal	(1,353,967)	(45,115)	(435,683)	72,500	6,816	(12,327)	20,839	(70,812)	(1,817,749)
Cash and cash equivalents	556,066	—	—	—	47,396	—	(14,932)	—	588,530
Deposits that do not qualify as cash and cash equivalents	291,790	—	—	(25,809)	224,499	—	(31,080)	26,289	485,689
Derivatives from hedge assets	31,663	—	—	—	(34,434)	23,034	—	925	21,188
Derivatives from other financial non-hedge assets	2,693	—	—	—	(1,403)	1,242	—	—	2,532
Total	(471,755)	(45,115)	(435,683)	46,691	242,874	11,949	(25,173)	(43,598)	(719,810)

Note 11 Inventories

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

Type of inventory	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Raw material	7,287	6,764
Supplies for production	26,064	26,840
Products-in-progress	457,563	423,621
Finished product	492,424	456,449
Total	<u>983,338</u>	<u>913,674</u>

As of December 31, 2019 and 2018, the Company held caliche stockpiles, solutions in solar ponds and intermediary salts amounting ThUS\$ 393,600 and ThUS\$ 347,100, respectively (including products in progress).

As of December 31, 2019, bulk inventories recognized as part of products-in-progress and finished product amounted to US\$ 104,295 and US\$ 204,686, respectively.

As of December 31, 2019 and 2018, inventory allowances recognized, amounted to ThUS\$ 88,174 and ThUS\$ 105,282, respectively. For finished and in-process products, recognized allowances include the provision associated with the lower value of stock (considers lower realizable value, uncertain future use, reprocessing costs of off-specification products, etc.), provision for inventory differences and the provision for potential errors in the determination of inventories (e.g., errors in topography, grade, porosity, etc.), (see Note 3.13).

For raw materials, supplies, materials and parts, the lower value provision was associated to the proportion of obsolete, defective or slow-moving materials and potential differences.

The breakdown of inventory allowances is detailed as follows:

Type of inventory	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Raw material and supplies for production	2,488	1,838
Products-in-progress	71,468	82,673
Finished product	14,218	20,771
Total	<u>88,174</u>	<u>105,282</u>

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

As of December 31, 2019, 2018 and 2017, movements in provisions are detailed as follows:

Conciliation	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Beginning balance	105,282	96,284	81,295
Increase (decrease) in lower value provision (1)	(6,987)	7,845	19,515
Increase (decrease) in provision relating to differences of inventory (2)	(123)	3,176	573
Increase / decrease in provision relating to eventual differences and others (3)	(6,262)	2,436	(178)
Provision used	(3,736)	(4,459)	(4,921)
Total changes	(17,108)	8,998	14,989
Final balance	88,174	105,282	96,284

(1) There are three types of Lower Value Provisions: (a) Economic Realizable Lower Value, (b) Potential Inventory with Uncertain Future Use and (c) Reprocessing Costs of Off-Specification Products.

(2) Provisions for Inventory Differences generated when physical differences are detected when taking inventory, which exceed the tolerance levels for this process, At least two annual inventories are taken in the production sites and in the port in Chile ("zero sum" systems have immediate potential adjustments).

(3) This algorithm corresponds to the provision of diverse percentages based on the complexity in the measurement and rotation of stock, as well as standard differences based on previous results, as is the case with provisions relating to Commercial Offices.

Note 12 Related party disclosures**12.1 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.

12.2 Relationships between the parent and the entity

Pursuant to Article 99 of Law of the Securities Market Law, the CMF may determine that a company does not have a controlling entity in accordance with the distribution and dispersion of its ownership, On November 30, 2018, the CMF issued the ordinary letter No. 32,131 whereby it determined that Pampa Group, do not exert decisive power over the management of the Company since it does not have a predominance in the ownership that allows it to make management decisions. Therefore, the CMF has determined not to consider Grupo Pampa as the controlling entity of the Company and that the Company does not have a controlling entity given its current ownership structure.

12.3 Detailed identification of related parties and subsidiaries

As of December 31, 2019 and 2018, the detail of entities that are identified as subsidiaries or related parties of the Company is as follows:

Tax ID No.	Name	Country of origin	Functional currency	Nature
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US\$	Subsidiary
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US\$	Subsidiary
Foreign	SQM North America Corp.	United States of America	US\$	Subsidiary
Foreign	SQM Europe N.V.	Belgium	US\$	Subsidiary
Foreign	Soquimich S.R.L. Argentina	Argentina	US\$	Subsidiary
Foreign	Soquimich European Holding B.V.	Holland	US\$	Subsidiary
Foreign	SQM Corporation N.V.	Curacao	US\$	Subsidiary
Foreign	SQI Corporation N.V.	Curacao	US\$	Subsidiary
Foreign	SQM Comercial De México S.A. de C.V.	México	US\$	Subsidiary
Foreign	North American Trading Company	United States of America	US\$	Subsidiary
Foreign	Administración y Servicios Santiago S.A. de C.V.	México	US\$	Subsidiary
Foreign	SQM Perú S.A.	Perú	US\$	Subsidiary
Foreign	SQM Ecuador S.A.	Ecuador	US\$	Subsidiary
Foreign	SQM Nitratos México S.A. de C.V.	México	US\$	Subsidiary
Foreign	SQMC Holding Corporation L.L.P.	United States of America	US\$	Subsidiary
Foreign	SQM Investment Corporation N.V.	Curacao	US\$	Subsidiary
Foreign	SQM Brasil Limitada	Brazil	US\$	Subsidiary
Foreign	SQM France S.A.	France	US\$	Subsidiary
Foreign	SQM Japan Co. Ltd.	Japan	US\$	Subsidiary
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Oceania Pty Limited	Australia	US\$	Subsidiary
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US\$	Subsidiary
Foreign	SQM Indonesia S.A.	Indonesia	US\$	Subsidiary
Foreign	SQM Virginia L.L.C.	United States of America	US\$	Subsidiary
Foreign	SQM Italia SRL	Italy	US\$	Subsidiary
Foreign	Comercial Caimán Internacional S.A.	Panama	US\$	Subsidiary
Foreign	SQM África Pty. Ltd.	South Africa	US\$	Subsidiary
Foreign	SQM Colombia SAS	Colombia	US\$	Subsidiary
Foreign	SQM Internacional N.V.	Belgium	US\$	Subsidiary
Foreign	SQM (Shanghai) Chemicals Co. Ltd.	China	US\$	Subsidiary
Foreign	SQM Lithium Specialties LLC	United States of America	US\$	Subsidiary
Foreign	SQM Iberian S.A.	Spain	US\$	Subsidiary
Foreign	SQM Beijing Commercial Co. Ltd.	China	US\$	Subsidiary
Foreign	SQM Thailand Limited	Thailand	US\$	Subsidiary
Foreign	SQM Australia PTY	Australia	US\$	Subsidiary
Foreign	SACAL S.A. (1)	Argentina	Ars	Subsidiary
96.801.610-5	Comercial Hydro S.A.	Chile	US\$	Subsidiary
96.651.060-9	SQM Potasio S.A.	Chile	US\$	Subsidiary
96.592.190-7	SQM Nitratos S.A.	Chile	US\$	Subsidiary
96.592.180-K	Ajay SQM Chile S.A.	Chile	US\$	Subsidiary
86.630.200-6	SQMC Internacional Ltda. (2)	Chile	US\$	Subsidiary
79.947.100-0	SQM Industrial S.A.	Chile	US\$	Subsidiary
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch\$	Subsidiary
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch\$	Subsidiary
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US\$	Subsidiary
79.768.170-9	Soquimich Comercial S.A.	Chile	US\$	Subsidiary
79.626.800-K	SQM Salar S.A.	Chile	US\$	Subsidiary
78.053.910-0	Proinsa Ltda. (3)	Chile	Ch\$	Subsidiary

Tax ID No.	Name	Country of origin	Functional currency	Nature
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Ch\$	Subsidiary
76.425.380-9	Exploraciones Mineras S.A.	Chile	US\$	Subsidiary
76.064.419-6	Comercial Agrorama Ltda.	Chile	Peso	Subsidiary
76.145.229-0	Agrorama S.A.	Chile	Peso	Subsidiary
76.359.919-1	Orcoma Estudios SPA	Chile	US\$	Subsidiary
76.360.575-2	Orcoma SPA	Chile	US\$	Subsidiary
76.686.311-9	SQM MaG SpA	Chile	US\$	Subsidiary
Foreign	Abu Dhabi Fertilizer Industries WWL	United Arab Emirates	United Arab Emirates dirham	Associate
Foreign	Doktor Tarsa Tarim Sanayi AS	Turkey	US\$	Associate
Foreign	Ajay North America	United States of America	US\$	Associate
Foreign	Ajay Europe SARL	France	Euro	Associate
Foreign	SQM Eastmed Turkey	Turkey	Euro	Associate
Foreign	Kore Potash PLC	United Kingdom	US\$	Associate
Foreign	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US\$	Joint venture
Foreign	Coromandel SQM India	India	Indian rupee	Joint venture
Foreign	SQM Vitas Fzco.	United Arab Emirates	United Arab Emirates dirham	Joint venture
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	China	US\$	Joint venture
Foreign	SQM Vitas Holland B.V.	Holland	Euro	Joint venture
Foreign	Covalent Lithium Pty Ltd.	Australia	Australian dollar	Joint venture
Foreign	Pavoni & C. SPA	Italy	Euro	Joint venture
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US\$	Other related parties
96.529.340-K	Norte Grande S.A.	Chile	Peso	Other related parties
79.049.778-9	Callegari Agrícola S.A.	Chile	Peso	Other related parties
Foreign	SQM Vitas Brasil Agroindustria (4)	Brazil	Brazilian Real	Other related parties
Foreign	SQM Vitas Perú S.A.C. (4)	Peru	US\$	Other related parties
Foreign	Terra Tarsa B.V. (5)	Holland	Euro	Other related parties
Foreign	Plantacote N.V. (5)	Belgium	Euro	Other related parties
Foreign	Doktolab Tarim Arastima San. Tic As (5)	Turkey	Turkish Lira	Other related parties
Foreign	Doctochem Tarim Sanayai Ticaret LTD (5)	Turkey	Turkish Lira	Other related parties
Foreign	Terra Tarsa Ukraine LLC (5)	Ukraine	Ukrainian Grivna	Other related parties
Foreign	Terra Tarsa Don LLC (5)	Russian Federation	Russian Ruble	Other related parties
Foreign	Abu Dhabi Fertilizer Industries WWL (6)	Oman	Arab Emirates dirham	Other related parties
Foreign	International Technical and Trading Agencies CO WLL (6)	Jordan	Arab Emirates dirham	Other related parties
Foreign	Arpa Speciali S.R.L (7)	Italy	Euro	Other related parties

(1) On 06/26/2019, SACAL S.A. was liquidated.

(2) On March 1, 2019, Soquimich Comercial S.A. has obtained ownership of 100% of corporate rights in SQMC International Ltda.

(3) On 04/01/2019 the company Proinsa Ltda was liquidated.

(4) These entities are subsidiaries of the joint venture SQM Vitas Fzco.

(5) These entities are subsidiaries of the associate Doktor Tarsa Tarim Sanayi AS.

(6) These entities are subsidiaries of the joint venture Abu Dhabi Fertilizer Industries WWL

(7) These Companies are subsidiaries of the joint venture Pavoni & C. SPA.

The following other related parties correspond to mining contractual corporations.

Tax ID No.	Name	Country of origin	Functional currency	Relationship
N/A	Ara Dos Primera del Salar de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ara Tres Primera del Salar de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ara Cuatro Primera del Salar de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ara Cinco Primera del Salar de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Curicó Dos Primera del Salar de Pampa Alta, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Curicó Tres Primera del Sector de Pampa Alta, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Evelyn Veinticuatro Primera de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Filomena Tres Primera de Oficina Filomena, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Filomena Cuatro Primera de Oficina Filomena, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Cuatro Primera de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Cuatro Segunda del Salar de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Cuatro Tercera de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Cuatro Cuarta de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Cuatro Quinta de Pampa Blanca, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Primera del Salar de Pampa Blanca de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Segunda del Salar de Pampa Blanca de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Francis Tercera del Salar de Pampa Blanca de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ivon Primera de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ivon Décima Segunda de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Ivon Sexta de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Julia Primera de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Lorena Trigésimo Quinta de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Perseverancia Primera de Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Tamara 40 Primera del Sector S.E. OF. Concepción, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Tamara Tercera de Oficina Concepción, Sierra Gorda	Chile	Ch\$	Other related parties
N/A	Tamara 40 Segunda del Sector S.E. OF Concepción, Sierra Gorda	Chile	Ch\$	Other related parties

12.4 Detail of related parties and related party transactions

Transactions between the Parent and its subsidiaries, associated businesses, joint ventures and other related parties are part of the Company's common transactions. Their conditions are those customary for this type of transactions in respect of terms and market prices. Maturity terms for each case vary by virtue of the transaction giving rise to them.

For the years ended December 31, 2019, 2018 and 2017, the detail of significant transactions with related parties is as follows

Tax ID No.	Company	Nature	Country of origin	Transaction	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
					ThUS\$	ThUS\$	ThUS\$
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	Sale of products	14,767	16,726	17,538
Foreign	Ajay Europe S.A.R.L.	Associate	France	Sale of products	21,348	19,470	15,706
Foreign	Ajay Europe S.A.R.L.	Associate	France	Dividends	1,055	811	969
Foreign	Ajay North America L.L.C.	Associate	United States of America	Sale of products	16,932	16,810	13,206
Foreign	Ajay North America L.L.C.	Associate	United States of America	Dividends	2,796	2,807	1,123
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	Arab Emirates	Sale of products	3,749	5,811	4,351
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	Arab Emirates	Dividends	—	6,632	—
Foreign	Charlee SQM Thailand Co Ltd. (1)	Associate	Thailand	Sale of products	—	4,960	5,102
Foreign	Charlee SQM Thailand Co Ltd. (1)	Associate	Thailand	Dividends	—	362	—
Foreign	SQM Vitas Brasil Agroindustria	Other related parties	Brazil	Sale of products	46,876	44,827	31,137
Foreign	SQM Vitas Perú S.A.C.	Other related parties	Perú	Sale of products	24,138	17,204	23,058
Foreign	SQM Vitas Fzco	Joint venture	Arab Emirates	Dividends	10,598	—	85
Foreign	Coromandel SQM India	Joint venture	India	Sale of products	3,955	7,696	8,011
Foreign	SQM Star Qingdao Corp Nutrition Co. Ltd.	Joint venture	China	Sale of products	1,929	—	200
Foreign	Minera Exar S.A. (2)	Joint venture	Argentina	Loans	—	—	11,000
Foreign	Terra Tarsa Ukraine LLC	Other related parties	Ukraine	Sale of products	1,280	1,674	1,218
Foreign	Terra Tarsa Don LLC	Other related parties	Russian Federation	Sale of products	40	187	423
Foreign	Plantacote NV	Other related parties	Belgium	Sale of products	4,096	4,554	2,108
Foreign	Pavoni & C. SpA	Joint venture	Italy	Sale of products	3,152	201	—
Foreign	SQM Eastmed Turkey	Associate	Turkey	Sale of products	47	30	—
Foreign	Arpa Speciali S.R.L.	Other related parties	Italy	Sale of products	2,359	207	—
Foreign	Kowa Compay Ltd.	Other related parties	Japan	Sale of products	—	—	132,495
Foreign	Fertilizers Co Ltd.	Joint venture	China	Sale of services	—	—	252
79.049.778-9	Callegari Agricola S.A.	Other related parties	Chile	Sale of products	—	—	210
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Sale of products	—	—	45
Total					159,117	150,969	268,237

(1) During November 2018, shares held in Charlee SQM Thailand were sold.

(2) During December 2018, shares held in Minera Exar S.A. were sold.

(3) From December 31, 2018 then on, Kowa Company Ltd. is not considered a related party.

12.5 Trade receivables due from related parties, current:

Tax ID No	Company	Nature	Country of origin	As of December 31,	As of December 31,
				2019 ThUS\$	2018 ThUS\$
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	110	6,497
Foreign	Ajay Europe S.A.R.L.	Associate	France	3,712	3,756
Foreign	Ajay North America L.L.C.	Associate	United States of America	2,290	2,080
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	803	857
96.511.530-7	Soc. de Inversiones Pampa Calichera	Other related parties	Chile	6	6
Foreign	SQM Vitas Brasil Agroindustria	Other related parties	Brazil	27,275	15,818
Foreign	SQM Vitas Perú S.A.C.	Other related parties	Peru	23,475	12,767
Foreign	Coromandel SQM India	Joint venture	India	1,792	2,025
Foreign	SQM Vitas Fzco	Joint venture	United Arab Emirates	234	105
Foreign	SQM Star Qingdao Corp Nutrition Co. Ltd.	Joint venture	China	—	248
Foreign	Terra Tarsa Ukraine LLC	Other related parties	Ukraine	7	—
Foreign	Terra Tarsa Don LLC	Other related parties	Russian Federation	13	41
Foreign	Plantacote NV	Other related parties	Belgium	657	312
Foreign	SQM Eastmed Turkey	Associate	Turkey	47	30
Foreign	Pavoni & C. SpA	Joint venture	Italy	1,028	12
Foreign	Arpa Speciali S.R.L.	Other related parties	Italy	134	—
	Allowance			(356)	(1,764)
Total				61,227	42,790

The receivables for Sichuan SQM Migao Chemical Fertilizers Co Ltda. are presented net of allowances ThUS\$ 10,965 and ThUS\$ 10,965 as of December 31, 2019 and 2018, respectively).

12.6 Trade payables due to related parties, current:

Tax ID No	Company	Nature	Country of origin	Currency	As of December 31,	As of December 31,
					2019 ThUS\$	2018 ThUS\$
Foreign	SQM Star Qingdao Corp Nutrition Co., Ltd.	Joint venture	China	USD	243	—
Foreign	Covalent Lithium Pty Ltd	Joint venture	Australia	Australian dollar	232	9
Total					475	9

Note 13 Financial instruments

Financial instruments recognized in accordance with IFRS 9 are detailed as follows, except for liabilities recognized under IFRS 16 disclosed in Note 14.4 f):

13.1 Types of other financial assets

Description of other financial assets	As of	As of
	December 31, 2019 ThUS\$	December 31, 2018 ThUS\$
Financial assets at amortized cost (1)	485,689	291,790
Derivative financial instruments		
- For hedging	17,270	18,238
- Non-hedging (2)	2,531	2,693
Total other current financial assets	505,490	312,721
Financial assets at fair value through other comprehensive income	4,785	3,631
Derivative financial instruments		
- For hedging	3,918	13,425
Financial assets at amortized cost	75	75
Total other non-current financial assets	8,778	17,131

Institution	As of	As of
	December 31, 2019 ThUS\$	December 31, 2018 ThUS\$
Banco de Crédito e Inversiones	185,400	145,834
Banco Santander (3)	74,365	23,124
Banco Itaú CorpBanca	120,628	70,719
Banco Security	17,964	27,215
Banco de Chile	18,026	—
Banco Estado	15,126	—
Scotiabank Sud Americano	54,180	24,898
Total	485,689	291,790

(1) Corresponds to term deposits whose maturity date is greater than 90 days and less than 360 days from the investment date constituted in the aforementioned financial institutions.

(2) Correspond to forwards and options that were not classified as hedging instruments (See detail in Note 14.3).

(3) This balance includes ThUS\$ 1,870 corresponding to margin calls, which are considered as collateral guarantees.

13.2 Trade and other receivables

Trade and other receivables	As of December 31, 2019			As of December 31, 2018		
	Currents ThUS\$	Non-current ThUS\$	Total ThUS\$	Currents ThUS\$	Non-current ThUS\$	Total ThUS\$
Trade receivables, current	367,583	—	367,583	430,914	—	430,914
Prepayments, current	20,309	—	20,309	16,147	—	16,147
Other receivables, current	11,250	1,710	12,960	19,558	2,275	21,833
Total trade and other receivables	399,142	1,710	400,852	466,619	2,275	468,894

Trade and other receivables	As of December 31, 2019			As of December 31, 2018		
	Assets before allowances ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$	Assets before allowances ThUS\$	Allowance for doubtful trade receivables ThUS\$	Assets for trade receivables, net ThUS\$
Receivables related to credit operations, current	383,775	(16,192)	367,583	445,670	(14,756)	430,914
Trade receivables, current	383,775	(16,192)	367,583	445,670	(14,756)	430,914
Prepayments, current	21,092	(783)	20,309	16,990	(843)	16,147
Other receivables, current	15,659	(4,409)	11,250	23,863	(4,305)	19,558
Current other receivables	36,751	(5,192)	31,559	40,853	(5,148)	35,705
Other receivables, non-current	1,710	—	1,710	2,275	—	2,275
Non-current receivables	1,710	—	1,710	2,275	—	2,275
Total trade and other receivables	422,236	(21,384)	400,852	488,798	(19,904)	468,894

(a) Portfolio stratification

The Company's policy is to require guarantees (such as letters of credit, guarantee clauses and others) and/or maintaining insurance policies for certain account receivables as deemed necessary by management.

(b) Uncollateralized portfolio

As of December 31, 2019 and December 31, 2018 the detail of the uncollateralized portfolio is as follows:

As of December 31, 2019				
Total uncollateralized portfolio				
	Number of customers with non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Number of customers with renegotiated portfolio	Gross renegotiated portfolio ThUS\$
Past due segments				
Current	1,486	351,931	69	892
1 - 30 days	166	20,195	72	526
31 - 60 days	26	1,279	4	10
61 - 90 days	12	519	3	54
91 - 120 days	5	1,026	2	66
121 - 150 days	5	361	7	49
151 - 180 days	7	190	2	33
181 - 210 days	4	51	—	—
211 - 250 days	6	48	8	11
>250 days	144	5,449	137	1,085
Total	1,861	381,049	304	2,726

As of December 31, 2018				
Total uncollateralized portfolio				
	Number of customers with non-renegotiated portfolio	Gross non-renegotiated portfolio ThUS\$	Number of customers with renegotiated portfolio	Gross renegotiated portfolio ThUS\$
Past due segments				
Current	1,390	404,670	136	668
1 - 30 days	1,229	19,422	390	596
31 - 60 days	801	5,705	154	118
61 - 90 days	648	2,279	41	75
91 - 120 days	489	1,220	27	47
121 - 150 days	80	423	16	29
151 - 180 days	43	186	21	176
181 - 210 days	7	1,291	41	231
211 - 250 days	7	108	101	242
>250 days	140	7,036	305	1,148
Total	4,834	442,340	1,232	3,330

(c) Allowance for doubtful accounts:

As of December 31, 2019							
Trade accounts receivable days past due							
Trade and other receivables	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Trade ThUS\$	Trade receivables due from related parties ThUS\$
Expected loss rate	1%	18%	34%	44%	78%	—	—
Total gross carrying amount	352,823	20,721	1,288	573	8,370	383,775	72,859
Impairment estimate	5,285	3,664	440	251	6,552	16,192	11,323

As of December 31, 2018							
Trade accounts receivable days past due							
Trade and due from related parties receivables	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Trade ThUS\$	Trade receivables due from related parties ThUS\$
Expected loss rate	1%	9%	5%	4%	65%	—	—
Total gross carrying amount	408,300	20,018	2,861	2,354	12,137	445,670	55,520
Allowance for doubtful accounts	4,811	1,858	146	89	7,852	14,756	12,730

As of December 31, 2019 and 2018, the reconciliation of the allowance is as follows:

Provisions	As of December 31, 2019 ThUS\$	As of December 31, 2019 ThUS\$
Allowance for doubtful accounts at the beginning of the Period	32,634	34,936
Adjustment to initial balance derived from the adoption of IFRS 9	—	2,301
Increase / (decrease) of impairment provision	1,057	(2,967)
Provision used	(984)	(1,636)
Allowance for doubtful accounts at the end of the year	32,707	32,634
(1) Trade and Other Receivables allowance current	16,192	14,756
(2) Other receivables allowance current	5,192	5,148
(3) Related party receivables allowance current	11,323	12,730
Recovery of Insurance	320	827
Total allowance for doubtful accounts	32,707	32,634
Renegotiated allowance	1,905	2,056
Non-renegotiated allowance	30,802	30,578

13.3 Hedging assets and liabilities

The balance represents derivative financial instruments measured at fair value which have been classified as hedges for exchange and interest rate risks relating to the total obligations with the public associated with bonds in UF and investments in Chilean pesos. As of December 31, 2019 and 2018, the notional amount of cash flows agreed upon in US dollars of the cross-currency swap contracts amounted to ThUS\$ 435,167 and ThUS\$ 461,659, respectively.

ThUS\$	Assets / (Liabilities) Derivative financial instruments	Total Realized	Hedging Reserve in Gross Equity
Hedging of underlying debt at December 31, 2019			
Hedging Assets	3,918	(4,194)	8,112
Hedging Liabilities	(22,771)	(25,363)	2,592
Hedge of underlying Debt	(18,853)	(29,557)	10,704
Hedge of underlying investment at December 31, 2019			
Hedging Assets	17,270	17,857	(587)
Hedging Liabilities	(889)	(711)	(178)
Hedge of underlying investments	16,381	17,146	(765)
ThUS\$	Assets / (Liabilities) Derivative financial instruments	Total Realized	Hedging Reserve in Gross Equity
Hedge of underlying debt at December 31, 2018			
Hedging Assets	13,425	5,244	8,181
Hedging Liabilities	(17,318)	(18,859)	1,541
Hedge of underlying debt	(3,893)	(13,615)	9,722
Hedge of underlying investment at December 31, 2018			
Hedging Assets	18,146	19,911	(1,765)
Hedge of Underlying Investments	18,146	19,911	(1,765)
Hedging effect in profit and loss and equity for the year ended December 31, 2019	Total variation	Profit and loss	Hedging reserve due to variation of hedge gross
Analysis effect by type of hedging			
Hedge of underlying debt	(14,960)	(15,942)	982
Hedge of underlying investments	(1,765)	(2,765)	1,000
Total hedging effect on profit or loss and equity for the year	(16,725)	(18,707)	1,982
Analysis Effect by type of asset			
Hedging in Current and Non-Current Assets	(10,383)	(11,492)	1,109
Hedging in Current and Non-Current Liabilities	(6,342)	(7,215)	873
Total hedging effect in Profit or Loss and Shareholders' Equity for the year	(16,725)	(18,707)	1,982

The balances in the “total realized” column consider the intermediate effects of the contracts in force from January 1 to December 31, 2019 and from January 1 to December 31, 2018.

Hedging derivative contract maturities are detailed as follows:

Series	Contract amount ThUS\$	Currency	Maturity date
H	148,159	UF	01-04-2023
O	58,748	UF	02-01-2022
P	134,228	UF	01-15-2028

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

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

Effectiveness

Effectiveness tests have verified that hedges are effective as of the reporting date. This note describes the fair values of derivative instruments classified as hedges.

13.4 Financial liabilities

Other current and non-current financial liabilities

As of December 31, 2019 and 2018, the detail is as follows:

Other current and non-current financial liabilities	As of December 31, 2019			As of December 31, 2018		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Liabilities at amortized cost						
Bank borrowings	199	69,138	69,337	300	68,870	69,170
Unsecured obligations	280,578	1,403,108	1,683,686	15,145	1,249,479	1,264,624
Derivative financial instruments						
For hedging	7,183	16,477	23,660	5,285	12,033	17,318
Non-hedging liabilities	3,168	—	3,168	2,855	—	2,855
Lease liabilities	7,694	30,203	37,897	—	—	—
Total	<u>298,822</u>	<u>1,518,926</u>	<u>1,817,748</u>	<u>23,585</u>	<u>1,330,382</u>	<u>1,353,967</u>

Current and non-current bank borrowings

As of December 31, 2019 and 2018, the detail is as follows:

Current and non-current bank borrowings	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Current bank borrowings	199	300
Non-current bank borrowings	69,138	68,870
Current and non-current bank borrowings	<u>69,337</u>	<u>69,170</u>

a) Bank borrowings, current:

As of December 31, 2019 and December 31, 2018, the detail of this caption is as follows:

Debtor			Creditor			Currency or adjustment index	Repayment	maturity	Effective rate	Nominal rate
Tax ID No	Company	Country	Tax ID No	Financial institution	Country					
93.007.000-9	SQM S.A.	Chile	Foreign	Scotiabank Cayman	USA	US\$	Upon maturity	05-29-2023	2.11%	3.01%
Foreign	Nitratos Naturais do Chile Lim.	Brazil	Foreign	Banco Itau Brasil	Brazil	BRL	Upon maturity	12-31-2019	13.57%	4.25%

Debtor		Nominal amounts as of December 31, 2019			Current amounts as of December 31, 2019			Borrowing costs	Total
Company	Financial institution	Up to 90 days	90 days to 1 year	Total	Up to 90 days	90 days to 1 year	Subtotal		
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Scotiabank Cayman	—	—	—	—	187	187	—	187
Nitratos Naturais do Chile	Banco Itau Brasil	—	—	—	12	—	12	—	12
Total					12	187	199	—	199

Debtor			Creditor			Currency or adjustment index	Repayment	maturity	Effective rate	Nominal rate
Tax ID No	Company	Country	Tax ID No	Financial institution	Country					
93.007.000-9	SQM S.A.	Chile	Foreign	Scotiabank Cayman	USA	US\$	Upon maturity	05-29-2023	3.60%	3.98%
Foreign	Nitratos Naturais do Chile Lim	Brazil	Foreign	Banco ITAU Brasil	Brazil	BRL	Upon maturity	01-31-2019	5.17%	5.17%
Foreign	SQM Brasil Limitada	Brazil	Foreign	Banco ITAU Brasil	Brazil	BRL	Upon maturity	01-31-2019	5.5%	5.5%

Debtor		Nominal amounts as of December 31, 2018			Current amounts as of December 31, 2018			Borrowing costs	Total
Company	Financial institution	Up to 90 days	90 days to 1 year	Total	Up to 90 days	90 days to 1 year	Subtotal		
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Scotiabank Cayman	—	—	—	—	248	248	—	248
Nitratos Naturais do Chile Lim	Banco ITAU Brasil	—	—	—	11	—	11	—	11
SQM Brasil Limitada	Banco ITAU Brasil	—	—	—	41	—	41	—	41
Total					52	248	300	—	300

b) Unsecured obligations, current:

As of December 31, 2019 and 2018, the detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds is as follows:

Debtor			Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity		Effective rate	Nominal rate
Tax ID No.	Company	Country					Payment of interest	Repayment		
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	04-21-2020	US\$	Semiannual	Upon maturity	0.43%	5.50%
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	01-28-2020	US\$	Semiannual	Upon maturity	2.35%	4.38%
93.007.000-9	SQM S.A.	Chile	-	MUS\$300	04-03-2020	US\$	Semiannual	Upon maturity	1.42%	3.63%
93.007.000-9	SQM S.A.	Chile	-	MUS\$450	05-07-2020	US\$	Semiannual	Upon maturity	4.07%	4.25%
93.007.000-9	SQM S.A.	Chile	564	H	01-05-2020	UF	Semiannual	Semiannual	1.36%	4.90%
93.007.000-9	SQM S.A.	Chile	699	O	02-01-2020	UF	Semiannual	Upon maturity	2.41%	3.80%
93.007.000-9	SQM S.A.	Chile	563	P	01-15-2020	UF	Semiannual	Upon maturity	2.71%	3.25%
93.007.000-9	SQM S.A.	Chile	700	Q	06-01-2020	UF	Semiannual	Upon maturity	3.11%	3.45%

Company	Country	Series	Nominal amounts as of December 31, 2019			Current amounts as of December 31, 2019			Bond issuance costs	Total
			Up to 90 days	91 days to 1	Total	Up to 90 days	91 days to 1	Subtotal		
			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Chile	MUS\$250	—	252,674	252,674	—	252,674	252,674	(386)	252,288
SQM S.A.	Chile	MUS\$250	4,648	—	4,648	4,648	—	4,648	(433)	4,215
SQM S.A.	Chile	MUS\$300	—	2,658	2,658	—	2,658	2,658	(614)	2,044
SQM S.A.	Chile	MUS\$450	—	2,869	2,869	—	2,869	2,869	(679)	2,190
SQM S.A.	Chile	H	17,166	—	17,166	17,166	—	17,166	(139)	17,027
SQM S.A.	Chile	O	890	—	890	890	—	890	(67)	823
SQM S.A.	Chile	P	1,686	—	1,686	1,686	—	1,686	(12)	1,674
SQM S.A.	Chile	Q	—	323	323	—	323	323	(6)	317
Total			24,390	258,524	282,914	24,390	258,524	282,914	(2,336)	280,578

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

Debtor							Periodicity			
Tax I No.	Company	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Payment of interest	Repayment	Effective rate	Nominal rate
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	04-21-2019	US\$	Semiannual	Upon maturity	0.95%	5.50%
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	01-28-2019	US\$	Semiannual	Upon maturity	2.75%	4.38%
93.007.000-9	SQM S.A.	Chile	-	MUS\$300	04-03-2019	US\$	Semiannual	Upon maturity	1.77%	3.63%
93.007.000-9	SQM S.A.	Chile	564	H	01-05-2019	UF	Semiannual	Semiannual	1.90%	4.90%
93.007.000-9	SQM S.A.	Chile	699	O	02-01-2019	UF	Semiannual	Upon maturity	2.60%	3.80%
93.007.000-9	SQM S.A.	Chile	563	P	01-15-2019	UF	Semiannual	Upon maturity	3.07%	3.25%
93.007.000-9	SQM S.A.	Chile	700	Q	06-01-2019	UF	Semiannual	Upon maturity	3.34%	3.45%

			Nominal maturities as of December 31, 2018			Current maturities as of December 31, 2018				
Company	Country	Series	Up to 90 days	91 days to 1	Total	Up to 90 days	91 days to 1	Subtotal	Bond issuance	Total
			ThUS\$	year	ThUS\$	ThUS\$	year	ThUS\$	costs	ThUS\$
SQM S.A.	Chile	MUS\$250	2,674	—	2,674	2,674	—	2,674	(386)	2,288
SQM S.A.	Chile	MUS\$250	—	4,648	4,648	—	4,648	4,648	(433)	4,215
SQM S.A.	Chile	MUS\$300	2,658	—	2,658	2,658	—	2,658	(614)	2,044
SQM S.A.	Chile	H	—	3,756	3,756	—	3,756	3,756	(139)	3,617
SQM S.A.	Chile	O	—	934	934	—	934	934	(67)	867
SQM S.A.	Chile	P	—	1,784	1,784	—	1,784	1,784	(12)	1,772
SQM S.A.	Chile	Q	342	—	342	342	—	342	—	342
Total			5,674	11,122	16,796	5,674	11,122	16,796	(1,651)	15,145

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

c) Bank borrowings, non-current

The following table shows the details of bank loans that accrue non-current interest as of December 31, 2019 and 2018:

Debtor			Creditor			Currency or adjustment index	Type of amortization	Effective rate	Nominal rate		
Tax ID No.	Company	Country	Tax ID No.	Financial institution	Country						
93.007.000-9	SQM S.A.	Chile	Foreign	Scotiabank Cayman	USA	USD	Maturity	2.84%	3.01%		
Debtor	Creditor	Nominal non-current amounts as of December 31, 2019				Non-current amounts as of December 31, 2019					
Company	Financial institution	Between 1 and 2	Between 2 and 3	Between 3 and 4	Total	Between 1 and 2	Between 2 and 3	Between 3 and 4	Subtotal	Costs of obtaining loans	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Scotiabank Cayman	—	—	70,000	70,000	—	—	70,000	70,000	(862)	69,138
Total				70,000	70,000	—	—	70,000	70,000	(862)	69,138

Debtor			Creditor			Currency or adjustment index	Type of amortization	Effective rate	Nominal rate		
Tax ID No.	Company	Country	Tax ID No.	Financial institution	Country						
93.007.000-9	SQM S.A.	Chile	Foreign	Scotiabank Cayman	USA	USD	Maturity	3.98%	3.98%		
Debtor	Creditor	Nominal non-current amounts as of December 31, 2018				Non-current amounts as of December 31, 2018					
Company	Financial institution	Between 1 and 2	Between 2 and 3	Between 3 and 4	Total	Between 1 and 2	Between 2 and 3	Between 3 and 4	Subtotal	Costs of obtaining loans	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM S.A.	Scotiabank Cayman	—	—	70,000	70,000	—	—	70,000	70,000	(1,130)	68,870
Total				70,000	70,000	—	—	70,000	70,000	(1,130)	68,870

d) Non-current unsecured interest-bearing bonds

The following table shows the details of bank loans that accrue non-current interest as of December 31, 2019 and 2018:

Tax ID No.	Debtor			Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity		
	Company	Country						Payment of interest	Repayment	Effective rate
93.007.000-9	SQM S.A.	Chile	-	MUSS\$250	04-21-2020	US\$	Semiannual	Upon maturity	5.50%	5.50%
93.007.000-9	SQM S.A.	Chile	-	MUSS\$250	01-28-2025	US\$	Semiannual	Upon maturity	4.38%	4.38%
93.007.000-9	SQM S.A.	Chile	-	MUSS\$300	04-03-2023	US\$	Semiannual	Upon maturity	3.63%	3.63%
93.007.000-9	SQM S.A.	Chile	564	H	01-05-2030	UF	Semiannual	Semiannual	4.90%	4.90%
93.007.000-9	SQM S.A.	Chile	699	O	02-01-2033	UF	Semiannual	Upon maturity	3.80%	5.50%
93.007.000-9	SQM S.A.	Chile	563	P	01-15-2028	UF	Semiannual	Upon maturity	3.25%	3.25%
93.007.000-9	SQM S.A.	Chile	700	Q	06-01-2038	UF	Semiannual	Upon maturity	3.45%	3.45%

Series	Nominal non-current amounts as of December 31, 2019						Non-current amounts as of December 31, 2019						Bond issuance costs	Total
	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Total	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Subtotal		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
MUSS\$250	—	—	—	—	250,000	250,000	—	—	—	—	250,000	250,000	(1,514)	248,486
MUSS\$300	—	—	300,000	—	—	300,000	—	—	300,000	—	—	300,000	(1,393)	298,607
MUSS\$450	—	—	—	—	450,000	450,000	—	—	—	—	450,000	450,000	(5,923)	444,077
H	13,749	13,749	13,749	13,749	75,621	130,617	13,749	13,749	13,749	13,749	75,621	130,617	(1,253)	129,364
O	—	—	—	—	56,715	56,715	—	—	—	—	56,715	56,715	(811)	55,904
P	—	—	—	—	113,430	113,430	—	—	—	—	113,430	113,430	(89)	113,341
Q	—	—	—	—	113,430	113,430	—	—	—	—	113,430	113,430	(101)	113,329
Total	<u>13,749</u>	<u>13,749</u>	<u>313,749</u>	<u>13,749</u>	<u>1,059,196</u>	<u>1,414,192</u>	<u>13,749</u>	<u>13,749</u>	<u>313,749</u>	<u>13,749</u>	<u>1,059,196</u>	<u>1,414,192</u>	<u>(11,084)</u>	<u>1,403,108</u>

Tax ID No.	Debtor Company	Country	Number of registration or ID of the instrument	Series	Maturity date	Currency or adjustment index	Periodicity Payment of interest	Repayment	Effective rate	Nominal rate
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	04-21-2020	US\$	Semiannual	Upon maturity	5.50%	5.50%
93.007.000-9	SQM S.A.	Chile	-	MUS\$250	01-28-2025	US\$	Semiannual	Upon maturity	4.38%	4.38%
93.007.000-9	SQM S.A.	Chile	-	MUS\$300	04-03-2023	US\$	Semiannual	Upon maturity	3.63%	3.63%
93.007.000-9	SQM S.A.	Chile	564	H	01-05-2030	UF	Semiannual	Semiannual	4.90%	4.90%
93.007.000-9	SQM S.A.	Chile	699	O	02-01-2033	UF	Semiannual	Upon maturity	3.80%	5.50%
93.007.000-9	SQM S.A.	Chile	563	P	01-15-2028	UF	Semiannual	Upon maturity	3.25%	3.25%
93.007.000-9	SQM S.A.	Chile	700	Q	06-01-2038	UF	Semiannual	Upon maturity	3.45%	3.45%

Nominal non-current amounts as of December 31, 2018

Non-current amounts as of December 31, 2018

Series	Nominal non-current amounts as of December 31, 2018						Non-current amounts as of December 31, 2018						Bond issuance costs	Total	
	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Total	Over 1 year to 2	Over 2 years to 3	Over 3 Years to 4	Over 4 Years to 5	Over 5 years	Subtotal			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
MUS\$250	250,000	—	—	—	—	250,000	250,000	—	—	—	—	250,000	250,000	(131)	249,869
MUS\$250	—	—	—	—	250,000	250,000	—	—	—	—	250,000	250,000	(2,202)	247,798	
MUS\$300	—	—	300,000	—	—	300,000	—	—	300,000	—	—	300,000	(2,006)	297,994	
H	14,428	14,428	14,428	14,428	100,992	158,704	14,428	14,428	14,428	14,428	100,992	158,704	(1,392)	157,312	
O	—	—	—	—	59,514	59,514	—	—	—	—	59,514	59,514	(878)	58,636	
P	—	—	—	—	119,028	119,028	—	—	—	—	119,028	119,028	(101)	118,927	
Q	—	—	—	—	119,028	119,028	—	—	—	—	119,028	119,028	(85)	118,943	
Total	<u>264,428</u>	<u>14,428</u>	<u>314,428</u>	<u>14,428</u>	<u>648,562</u>	<u>1,256,274</u>	<u>264,428</u>	<u>14,428</u>	<u>314,428</u>	<u>14,428</u>	<u>648,562</u>	<u>1,256,274</u>	<u>(6,795)</u>	<u>1,249,479</u>	

e) Additional information

Bonds

As of December 31, 2019 and 2018, the details of each issuance are as follows:

(i) Serie “H” bonds

On January 13, 2009, the Company placed the Series H bond for UF 4,000,000 (ThUS\$139,216) at an annual interest rate of 4.9%, with a term of 21 years and amortizations of principal beginning in 2019.

On July 5, 2019, amortization of principal amounted to UF 181,818.18, (ThUS\$ 7.494) with an associated cross currency swap hedge income of ThUS\$ 439.

For the years ended December 31, 2019, 2018 and 2017, the Company made the following payments relating to the Series H bonds:

Payments made	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Payments of interest, Series H bonds	7,868	8,325	7,691
Hedge	1,952	495	—

(ii) Single series bonds, second issue ThUS\$ 250,000

On April 21, 2010, the Company informed the CMF of its placement in international markets of an unsecured bond of ThUS\$ 250,000 with a maturity of 10 years beginning on the aforementioned date with an annual interest rate of 5.5% and destined to refinance long-term liabilities.

For the years ended December 31, 2019, 2018 and 2017, the detail of payments charged to this line of single series bonds, second issue is as follows:

Payments made	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Interest payment	13,750	13,750	13,750

(iii) Series “O” bonds

On April 4, 2012, the Company issued “Series O” for UF 1,500,000 (ThUS\$ 69,901) at a term of 21 years with a single payment at the maturity of the term and annual interest rate of 3.80%.

For the years ended December 31, 2019, 2018 and 2017, the Company made the following payments relating to Series O bonds and their associated hedging:

Payments made	For the year ended	For the year ended	For the year ended
	December 31, 2019	December 31, 2018	December 31, 2017
	ThUS\$	ThUS\$	ThUS\$
Payment of interest, Series O bonds	2,308	2,457	2,301
Hedge	354	205	—

(iv) Single series bonds, third issue MUS\$ 300

On April 3, 2013, the Company issued a non-secured bond in the United States with a value of US\$ 300 million. The bond is for a 10-year term with an annual coupon rate of 3.625%. The funds raised were used to refinance long term liabilities and finance general corporate objectives.

For the years ended December 31, 2019, 2018 and 2017, the following payments have been made with a debit to the line of single-series bonds, third issue:

Payments made	For the year ended	For the year ended	For the year ended
	December 31, 2019	December 31, 2018	December 31, 2017
	ThUS\$	ThUS\$	ThUS\$
Payment of interest	10,875	10,875	10,875

(v) Single series bonds, fourth issuance ThUS \$250,000

On October 23, 2014, the Company informed the CMF the issuance and placement of unsecured bonds amounting ThUS\$ 250,000 in international markets. These bonds mature in 2025 and have annual interest rate of 4.375%, which were offered to investors at a price of 99.410% with respect to capital. The aforementioned agreement was performed in conformity with the provisions of Rule 144A of the US Securities Act of 1933 and these bonds were publicly offered in Chile.

For the years ended December 31, 2019, 2018 and 2017, the following payments have been made.

Payments made	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Payment of interest	10,938	10,938	10,938

(vi) Series “P” bonds

On April 5, 2018, the Company informed the CMF that on March 29, 2018, it was authorized the placement on the stock market of the Series “P” bond with a value of UF 3,000,000, with a charge to the 10 year Bonds Line registered in the CMF Securities Registry under number 563.

The bonds Series P (i) mature on January 15, 2028; (ii) will accrue on the unpaid principal, expressed in UF, at an annual interest rate of 3.25% from January 15, 2018; and (iii) can be early redeemed by the Company starting from the date of placement, that was, as of April 5, 2018.

For the years ended December 31, 2019 and 2018, the following payments and their associated CCS have been made:

Payments made	For the year ended 31, 2019 ThUS\$	For the year ended 31, 2018 ThUS\$	For the year ended 31, 2017 ThUS\$
Payment of interest	3,960	1,085	—
CCS Coverage	2,995	1,421	—

(vii) Series Q bonds

On October 31, 2018, the issuance of Series Q bonds (the "Bonds" Series Q) was authorized in the general stock market for the amount of UF 3,000,000, which were registered in the Securities Registry of your Commission on February 14, 2012 under number 700.

The bonds Series Q (i) mature on the first day of June 2038; (ii) will earn an interest rate of 3.45% per annum on the outstanding capital, expressed in UF, from June 1, 2018 thereon; and (iii) may be early redeemed by the Company starting from the placement date, that was, as of November 8, 2018.

On November 8, 2018, all the Series Q Bonds have been placed and sold to Euroamerica S.A. for a total amount of \$ 83,567,623,842, which was paid in full and in cash by Euroamerica S.A. to the Company.

The funds obtained from the aforementioned placement will be used approximately 90% to finance the expansion program of lithium, potassium nitrate and iodine plants in Chile; the remainder will be used for the investment plan of the Company and its subsidiaries, and to finance working capital.

For the years ended December 31, 2019 and 2018, the following payments have been made:

Payments made	For the year ended 31, 2019 ThUS\$	For the year ended 31, 2018 ThUS\$	For the year ended 31, 2017 ThUS\$
Payment of interest	3,791	319	—

(viii) Single series fifth issue bonds ThUS\$ 450,000

On May 7, 2019 the CMF was informed that the Company issued and placed unsecured bonds for ThUS\$ 450,000 on international markets. Essentially, these bonds will mature in 2029, carry an interest rate of 4.25% per annum, and were offered to investors at a price of 99.984% with respect to the capital. This agreement was signed on May 7, 2019 and the bonds were issued and placed in accordance with the provisions of Rule 144A of the US Securities Act of 1933 and they will not be traded in Chile. For the year ended December 31, 2019, the following payments have been made:

Payments made	For the year ended 31, 2019 ThUS\$	For the year ended 31, 2018 ThUS\$	For the year ended 31, 2017 ThUS\$
Payment of interest	9,563	—	—

f) Current and non-current lease liabilities

Associated leasing	Current				Non-Current			Balance as of December 31, 2019
	Up to 1 month	1 to 3 months	3 to 12 months	Total	1 to 5 years	5 or more years	Total	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Buildings	262	795	1,830	2,887	13,507	9,792	23,299	26,186
Transport equipment	70	211	571	852	2,530	—	2,530	3,382
Machinery, plant and equipment	327	993	2,635	3,955	3,993	381	4,374	8,329
Total	659	1,999	5,036	7,694	20,030	10,173	30,203	37,897

Changes in Lease Liabilities	As of December 31, 2018		Adoption of IFRS 16		Monetary		Non- Monetary	Balance as of December 31, 2019
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Principal l paid	Interest paid	Interest accrued	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Buildings	—	29,289	(3,101)	(840)	838	—	—	26,186
Machinery, plant and equipment	—	11,933	(3,605)	(635)	636	—	—	8,329
Transport equipment	—	3,893	(515)	(62)	66	—	—	3,382
Total	—	45,115	(7,221)	(1,537)	1,540	—	—	37,897

The weighted average of the incremental lease loan rate applied to lease liabilities recognized in the statement of financial position as of December 31, 2019 is 8.08%.

Operating lease expenses

Total lease expenses relating to lease payments under 1 year, low-value leases and variable payments amounted to ThUS\$ 51,756 for the year ended December 31, 2019. See Note 24.8.

13.5 Trade and other payables

a) Details trade and other payables

Details trade and Other payables	As of December 31, 2019			As of December 31, 2018		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Accounts payable	205,414	—	205,414	163,373	—	163,373
Other accounts payable	376	—	376	378	—	378
Total	205,790	—	205,790	163,751	—	163,751

As of December 31, 2019 and 2018, the balance of current and past due suppliers is as follows:

Suppliers current on all payments

Type of Supplier	Amounts according to payment periods as of December 31, 2019						Total ThUS\$
	Up to 30 days	31-60 days	61-90 days	91 - 120 days	121 - 365 days	366 and more days	
Goods	126,577	4,655	128	116	2,019	—	133,495
Services	51,785	168	—	—	87	—	52,040
Others	8,741	146	—	—	—	—	8,887
Total	187,103	4,969	128	116	2,106	—	194,422

Type of Supplier	Amounts according to payment periods as of December 31, 2018						Total ThUS\$
	Up to 30 days	31-60 days	61-90 days	91 - 120 days	121 - 365 days	366 and more days	
Goods	48,969	1,919	912	25	280	—	52,105
Services	37,376	314	157	107	54	—	38,008
Others	54,978	161	20	—	3	—	55,162
Total	141,323	2,394	1,089	132	337	—	145,275

Suppliers past due on payments

Type of Supplier	Amounts according to payment periods as of December 31, 2019						Total ThUS\$
	Up to 30 days	31-60 days	61-90 days	91 - 120 days	121 - 365 days	366 and more days	
Goods	2,086	264	35	65	1,060	—	3,510
Services	3,073	329	116	387	580	—	4,485
Others	1,918	45	311	215	508	—	2,997
Total	7,077	638	462	667	2,148	—	10,992

Type of Supplier	Amounts according to payment periods as of December 31, 2018						Total ThUS\$
	Up to 30 days	31-60 days	61-90 days	91 - 120 days	121 - 365 days	366 and more days	
Goods	1,533	209	210	255	462	—	2,669
Services	12,229	838	109	111	450	—	13,737
Others	1,039	385	92	6	170	—	1,692
Total	14,801	1,432	411	372	1,082	—	18,098

Purchase commitments held by the Company are recognized as liabilities when the goods and services are received by the Company. As of December 31, 2019, the Company has purchase orders amounting to ThUS\$ 101,280 (ThUS\$ 59,919 as of December 31, 2018).

13.6 Financial liabilities at fair value through profit or loss

This balance relates to derivative instruments measured at their fair value, which have generated balances against the Company. The detail of this type of instrument is as follows:

Financial liabilities at fair value with an impact on profit or loss	As of December 31, 2019 ThUS\$	Effect on profit or loss for the year ended December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	Effect on profit or loss for the year ended December 31, 2018 ThUS\$
Current				
Derivative financial instruments (IRS)	—	(16)	91	16
Total	—	(16)	91	16

13.7 Financial asset and liability categories

a) Financial Assets

Description of financial assets	As of December 31, 2019			As of December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	588,530	—	588,530	556,066	—	556,066
Trade receivables due from related parties	61,227	—	61,227	42,790	—	42,790
Financial assets measured at amortized cost	485,689	75	485,764	291,790	75	291,865
Loans and receivables measured at amortized cost	399,142	1,710	400,852	466,619	2,275	468,894
Total financial assets measured at amortized cost	1,534,588	1,785	1,536,373	1,357,265	2,350	1,359,615
Derivative financial instruments for hedging purposes	17,270	3,918	21,188	18,238	13,425	31,663
Derivative financial instruments held for trading	2,531	—	2,531	2,693	—	2,693
Financial assets at fair value through equity	—	4,785	4,785	—	3,631	3,631
Total financial assets at fair value	19,801	8,703	28,504	20,931	17,056	37,987
Total financial assets	1,554,389	10,488	1,564,877	1,378,196	19,406	1,397,602

b) Financial Liabilities

Description of financial liabilities	As of December 31, 2019			As of December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Derivative financial instruments for hedging purposes	7,183	16,477	23,660	5,285	12,033	17,318
Derivative financial instruments held for trading	3,168	—	3,168	2,855	—	2,855
Financial liabilities at fair value	10,351	16,477	26,828	8,140	12,033	20,173
Bank loans	199	69,138	69,337	300	68,870	69,170
Obligations to the public	280,578	1,403,108	1,683,686	15,145	1,249,479	1,264,624
Lease liabilities	7,694	30,203	37,897	—	—	—
Trade and other payables)	205,790	—	205,790	163,751	—	163,751
Trade payables due to related parties	475	—	475	9	—	9
Total financial liabilities at amortized cost	494,736	1,502,449	1,997,185	179,205	1,318,349	1,497,554
Total financial liabilities	505,087	1,518,926	2,024,013	187,345	1,330,382	1,517,727

13.8 Fair value measurement of assets and liabilities

Financial assets and liabilities measured at fair value consist of forwards hedging the mismatch in the balance sheet and cash flows, options hedging the mismatch in the balance sheet and cross currency swaps to hedge bonds issued in local currency (Peso/UF).

The value of the Company's assets and liabilities recognized by cross currency swaps contracts is calculated as the difference between the present value of discounted cash flows of the asset (Ch/UF) and liability (US\$) parts of the derivative. In the case of the interest rate swaps, the asset value recognized is calculated as the difference between the discounted cash flows of the asset (variable rate) and liability (fixed rate) parts of the derivative. Forwards are calculated as the difference between the strike price of the contract and the spot price plus the forwards points at the date of the contract. Financial options: the value recognized is calculated using the Black-Scholes method.

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

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

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

The value of the Company's reported liabilities is calculated as the present value of discounted cash flows at market rates at the time of valuation, considering the maturity date and exchange rate. The entry data used for the model includes the UF and peso rates, which are obtained using Bloomberg, the well-known financial software company and Association of Banks and Financial Institutions.

The fair value hierarchy is detailed as follows:

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

Fair value measurement of assets and liabilities	As of December 31, 2019			Measurement Methodology		
	Carrying Amount at Amortized ThUS\$	Fair value (disclosure) ThUS\$	Fair value ThUS\$	Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial Assets						
Cash and cash equivalents	588,530	588,530	—	—	588,530	—
Other current financial assets:						
- Time deposits	485,689	485,689	—	—	485,689	—
- Derivative instruments	—	—	—	—	—	—
- Forwards	—	—	2,420	—	2,420	—
- Options	—	—	111	—	111	—
- Hedging assets	—	—	—	—	—	—
- Investment hedge swaps	—	—	17,270	—	17,270	—
Non-current accounts receivable	1,710	1,710	—	—	—	—
Other non-current financial assets:						
- Other	94	94	—	—	94	—
- Options	—	—	4,785	4,785	—	—
- Hedging assets – Swaps	—	—	3,918	—	3,918	—
Other current financial liabilities						
- Bank loans	199	199	—	—	199	—
- Derivative instruments	—	—	—	—	—	—
- Forwards	—	—	2,837	—	2,837	—
- Options	—	—	289	—	289	—
- Hedging liabilities	—	—	7,183	—	7,183	—
- Unsecured obligations	280,578	280,578	—	—	280,578	—
- Current lease liabilities	7,694	7,694	—	—	7,694	—
Other non-current financial liabilities:						
- Bank loans	69,138	71,033	—	—	71,033	—
- Unsecured obligations	1,403,108	1,658,506	—	—	1,658,506	—
- Non-current hedging liabilities	—	—	16,477	—	16,477	—
- Non-current lease liabilities	30,203	33,187	—	—	33,187	—

Fair value measurement of assets and liabilities	As of December 31, 2018			Measurement Methodology		
	Carrying Amount at Amortized ThUS\$	Fair value (informative) ThUS\$	Fair value ThUS\$	Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$
Financial Assets						
Cash and cash equivalents	556,066	556,066	—	—	556,066	—
Other current financial assets:						
- Time deposits	291,790	291,790	—	—	291,790	—
- Forwards	—	—	2,637	—	2,637	—
- Options	—	—	56	—	56	—
- Hedging assets	—	—	—	—	—	—
- Investment hedge swaps	—	—	18,238	—	18,238	—
Non-current accounts receivable	2,275	2,275	—	—	—	—
Other non-current financial assets:						
- Other	75	75	—	—	75	—
- Options	—	—	3,631	—	—	—
- Hedging assets – Swaps	—	—	13,425	—	13,425	—
Other current financial liabilities						
- Bank loans	300	300	—	—	300	—
- Forwards	—	—	2,723	—	2,723	—
- Options	—	—	132	—	132	—
- Hedging liabilities - Swaps	—	—	5,285	—	5,285	—
- Unsecured obligations	15,145	15,145	—	—	15,145	—
Other non-current financial liabilities:						
- Bank loans	68,870	71,826	—	—	71,826	—
- Unsecured obligations	1,249,479	1,357,640	—	—	1,357,640	—
- Non-current hedging liabilities	—	—	12,033	—	12,033	—

13.9 Estimated fair value of financial instruments and financial derivatives

As required by IFRS 7, the following information is presented for the disclosure of the estimated fair value of financial assets and liabilities.

Although inputs represent Management's best estimate, they are subjective and involve significant estimates related to the current economic and market conditions, as well as risk features.

Methodologies and assumptions used depend on the risk terms and characteristics of instruments and include the following as a summary:

- Cash equivalents approximates fair value due to the short-term maturities of these instruments.
- The fair value of trade receivables and payables, current is considered to be equal to the carrying amount due to the maturity of such accounts at short-term.
- The fair value of other current financial liabilities is considered to be equal to their carrying values.
- For interest-bearing liabilities with original maturity of more than a year, fair values are calculated by discounting contractual cash flows at their original current market rates with similar terms.
- The fair value of debt is considered in Level 2.
- For forward and swap contracts, fair value is determined using quoted market prices of financial instruments with similar characteristics.

As indicated in paragraphs 33 to 42 of IFRS 7 the disclosure of information associated with the nature and scope of risks arising from financial instruments is presented in Note 5.

Note 14 Intangible assets and goodwill

14.1 Balances

Balances	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Intangible assets other than goodwill	188,358	189,350
Goodwill	34,726	34,866
Total	<u>223,084</u>	<u>224,216</u>

14.2 Disclosures on intangible assets and goodwill

Intangible assets relate to goodwill, water rights, trademarks, industrial patents, rights of way, software, and mining claims which correspond to exploitation rights acquired from third parties.

Balances and movements in the main classes of intangible assets as of December 31, 2019 and December 31, 2018 are detailed as follows:

Intangible assets and goodwill	Useful life	Gross Value ThUS\$	As of December 31, 2019		Net value ThUS\$
			Accumulated amortization ThUS\$	Accumulated impairment ThUS\$	
IT programs	Finite	34,471	(28,460)	—	6,011
Intellectual property rights, patents and other industrial property rights, service.	Finite	1,259	(1,131)	(7)	121
Mining property, water rights and rights of way	Indefinite	182,260	—	(2,642)	179,618
Mining property	Finite	1,500	(206)	—	1,294
Customer-related intangible assets	Finite	1,778	(505)	—	1,273
Other intangible assets.	Finite	929	(888)	—	41
Intangible assets other than goodwill		<u>222,197</u>	<u>(31,190)</u>	<u>(2,649)</u>	<u>188,358</u>
Goodwill	Indefinite	38,120	—	(3,394)	34,726
Total Intangible Assets		<u>260,317</u>	<u>(31,190)</u>	<u>(6,043)</u>	<u>223,084</u>

Intangible assets and goodwill	Useful life	Gross Value ThUS\$	As of December 31, 2018		Net value ThUS\$
			Accumulated amortization ThUS\$	Accumulated impairment ThUS\$	
IT programs	Finite	29,137	(24,569)	—	4,568
Intellectual property rights, patents and other industrial property rights, service.	Finite	1,254	(1,096)	(7)	151
Mining property, water rights and rights of way	Indefinite	183,349	—	(1,729)	181,620
Mining property	Finite	1,500	(88)	—	1,412
Customer-related intangible assets	Finite	1,778	(205)	—	1,573
Other intangible assets	Finite	911	(885)	—	26
Intangible assets other than goodwill		217,929	(26,843)	(1,736)	189,350
Goodwill	Indefinite	38,120	—	(3,254)	34,866
Total Intangible Assets		256,049	(26,843)	(4,990)	224,216

a) Estimated useful lives or amortization rates used for finite identifiable intangible assets

Finite useful life of an asset measures the length of, or number of production or similar units constituting that useful life.

The estimated useful life for software which they are amortized corresponds to the periods defined by the contracts or rights from which they originate.

Intellectual property rights, patents and other industrial property, service and exploitation rights, mainly relate to water rights and have a finite useful life to the extent to which they are subject to a fixed-term contract or otherwise they are considered to be indefinite.

The company owns mining property granted by Corfo, which correspond to assets subject to restitution. For this reason, they are considered assets with a finite useful life and their useful life is assigned until the year 2030 when the contract ends.

b) Method used to assess identifiable intangible assets with indefinite useful life

The recoverable value of the cash-generating unit has been determined annually based on a calculation of value-in-use using cash flow projections for a period of 5 years, plus perpetuity on December 31.

The current value of future cash flows generated by these assets has been estimated given the variation in sales volumes, market prices and costs, discounted at a weighted average cost of capital (WACC) rate of 8.48% as of December 31, 2019.

This group of intangible assets includes water rights acquired in Chile and mining property held by the company in Chile and Australia, which are recorded at acquisition cost.

c) Minimum and maximum amortization life or rates of intangible assets:

Estimated useful life or amortization rate	Minimum Life or Rate	Maximum Life or Rate
Mining property, water rights and rights of way	Indefinite	Indefinite
Mining property	1 year	11 years
Intellectual property rights, patents and other industrial property rights, service	1 year	16 years
Commercial trademarks	1 year	5 years
IT programs	2 years	6 years

The following table shows the movements in goodwill as of December 31, 2019:

Company	Gross value As of December 31, 2018 ThUS\$	Additional recognition ThUS\$	Accumulated impairment losses ThUS\$	Net value As of December 31, 2019 ThUS\$
SQM Industrial S.A.	3,214	—	(3,214)	—
SQM S.A.	22,255	—	—	22,255
SQM Iberian S.A.	148	—	—	148
SQM Investment Corporation	86	—	—	86
Soquimich Comercial S.A.	320	—	(180)	140
Soquimich European Holding	11,373	—	—	11,373
SQM Potasio S.A.	724	—	—	724
Total	38,120	—	(3,394)	34,726

d) Information to be disclosed on assets generated internally

The Company has no intangible assets internally generated.

Impairment of goodwill and intangible assets

For the years ended December 31, 2019, 2018 and 2017, impairments of intangible assets and goodwill was recognized amounting ThUS\$ 913, ThUS\$1,941 and ThUS\$1,164, respectively and ThUS\$ 140, ThUS\$3,254 and zero, respectively.

e) Reconciliation of identifiable intangible assets as of December 31, 2019:

Gross Value Movements in identifiable intangible assets	IT programs	Intellectual property rights, patents and other industrial property rights, service, Finite	Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer-related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening Balance	29,137	1,254	183,349	1,500	1,778	911	38,120	256,049
Additions	2,606	5	227	—	—	18	—	2,856
Other increases / decreases of foreign currency	(7)	—	(2)	—	—	—	—	(9)
Decreases through sale	—	—	(1,314)	—	—	—	—	(1,314)
Other increases (decreases)	2,735	—	—	—	—	—	—	2,735
Total increases (decreases)	5,334	5	(1,089)	—	—	18	—	4,268
Closing balance	34,471	1,259	182,260	1,500	1,778	929	38,120	260,317

Accumulated amortization and impairment Movements in identifiable intangible assets	IT programs	Intellectual property rights, patents and other industrial property rights, service, Finite	Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer-related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening Balance	(24,569)	(1,103)	(1,729)	(88)	(205)	(885)	(3,254)	(31,833)
Other increases / decreases of foreign currency	3	—	—	—	—	—	—	3
Other increases (decreases)	(256)	—	—	—	—	—	—	(256)
Impairment losses recognized in profit or loss for the year	—	—	(913)	—	—	—	(140)	(1,053)
Amortization	(3,638)	(35)	—	(118)	(300)	(3)	—	(4,094)
Total increases (decreases)	(3,891)	(35)	(913)	(118)	(300)	(3)	(140)	(5,400)
Closing balance	(28,460)	(1,138)	(2,642)	(206)	(505)	(888)	(3,394)	(37,233)

Net value Movements in Identifiable intangible assets	Intellectual property rights, patents and other industrial property rights, service, Finite		Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer- related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	IT programs	ThUS\$						
Opening Balance	4,568	151	181,620	1,412	1,573	26	34,866	224,216
Additions	2,606	5	227	—	—	18	—	2,856
Amortization	(3,638)	(35)	—	(118)	(300)	(3)	—	(4,094)
Impairment losses recognized in profit or loss for the year	—	—	(913)	—	—	—	(140)	(1,053)
Other increases / decreases of foreign currency	(4)	—	(2)	—	—	—	—	(6)
Decreases through sale	—	—	(1,314)	—	—	—	—	(1,314)
Other increases (decreases)	2,479	—	—	—	—	—	—	2,479
Total increases (decreases)	1,443	(30)	(2,002)	(118)	(300)	15	(140)	(1,132)
Closing balance	6,011	121	179,618	1,294	1,273	41	34,726	223,084

Reconciliation of identifiable intangible assets as of December 31, 2018:

Gross Value Movements in identifiable intangible assets	Intellectual property rights, patents and other industrial property rights, service, Finite		Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer- related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	IT programs	ThUS\$						
Opening Balance	25,060	1,250	104,858	1,500	1,778	171	37,972	172,589
Additions	1,159	5	77,201	—	—	11	—	78,376
Other increases / decreases of foreign currency	(5)	(1)	(4)	—	—	—	—	(10)
Other increases (decreases)	2,923	—	1,294	—	—	729	148	5,094
Total increases (decreases)	4,077	4	78,491	—	—	740	148	83,460
Closing balance	29,137	1,254	183,349	1,500	1,778	911	38,120	256,049

Accumulated amortization and impairment Movements in identifiable intangible assets	IT programs	Intellectual property rights, patents and other industrial property rights, service, Finite	Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer-related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening Balance	(19,769)	(1,061)	—	—	—	—	—	(20,830)
Other increases / decreases of foreign currency	4	—	—	—	—	—	—	4
Impairment losses recognized in profit or loss for the year	—	(7)	(1,729)	—	—	—	(3,254)	(4,990)
Amortization	(2,880)	(35)	—	(88)	(205)	—	—	(3,208)
Other increases (decreases)	(1,924)	—	—	—	—	(885)	—	(2,809)
Total increases (decreases)	(4,800)	(42)	(1,729)	(88)	(205)	(885)	(3,254)	(11,003)
Closing balance	(24,569)	(1,103)	(1,729)	(88)	(205)	(885)	(3,254)	(31,833)

Net value Movements in Identifiable intangible assets	IT programs	Intellectual property rights, patents and other industrial property rights, service, Finite	Mining property, water rights, and rights of way, Indefinite	Mining property finite	Customer-related intangible assets	Other intangible assets	Goodwill	Identifiable intangible assets
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening Balance	5,291	189	104,858	1,500	1,778	171	37,972	151,759
Additions	1,159	5	77,201	—	—	11	—	78,376
Amortization	(2,880)	(35)	—	(88)	(205)	—	—	(3,208)
Impairment losses recognized in profit or loss for the year	—	(7)	(1,729)	—	—	—	(3,254)	(4,990)
Other increases / decreases of foreign currency	(1)	(1)	(4)	—	—	—	—	(6)
Other increases (decreases)	999	—	1,294	—	—	(156)	148	2,285
Total increases (decreases)	(723)	(38)	76,762	(88)	(205)	(145)	(3,106)	72,457
Closing balance	4,568	151	181,620	1,412	1,573	26	34,866	224,216

g) Reconciliation of identifiable goodwill as of December 31, 2019:

Gross Value Movements in identifiable goodwill	Goodwill at the start of the period January 01, 2019 ThUS\$	Additional recognition ThUS\$	Recognition subsequent to deferred tax assets (-) ThUS\$	Decreases for classification as held for sale (-) ThUS\$	Goodwill write-off without having been included previously in disposal groups classified as held for sale (-) ThUS\$	Impairment losses recognized in profit or loss for the year (-) ThUS\$	Increase (decrease) for net exchange differences ThUS\$	Increase (decrease) due to other changes ThUS\$	Total increase (decrease) ThUS\$	Goodwill at end of period ThUS\$
SQM Industrial S.A.	3,214	—	—	—	—	—	—	—	—	3,214
SQM S.A.	22,255	—	—	—	—	—	—	—	—	22,255
SQM Iberian S.A.	148	—	—	—	—	—	—	—	—	148
SQM Investment Corporation	86	—	—	—	—	—	—	—	—	86
Soquimich Comercial S.A.	320	—	—	—	—	—	—	—	—	320
Soquimich European Holding B.V.	11,373	—	—	—	—	—	—	—	—	11,373
SQM Potasio S.A.	724	—	—	—	—	—	—	—	—	724
Total increases (decreases)	38,120	—	—	—	—	—	—	—	—	38,120
Closing balance	38,120	—	—	—	—	—	—	—	—	38,120

Accumulated impairment Movements in identifiable goodwill	Goodwill at the start of the period January 01, 2019 ThUS\$	Additional recognition ThUS\$	Recognition subsequent to deferred tax assets (-) ThUS\$	Decreases for classification as held for sale (-) ThUS\$	Goodwill write-off without having been included previously in disposal groups classified as held for sale (-) ThUS\$	Impairment losses recognized in profit or loss for the year (-) ThUS\$	Increase (decrease) for net exchange differences ThUS\$	Increase (decrease) due to other changes ThUS\$	Total increase (decrease) ThUS\$	Goodwill at end of period ThUS\$
SQM Industrial S.A.	(3,214)	—	—	—	—	—	—	—	—	(3,214)
SQM S.A.	—	—	—	—	—	—	—	—	—	—
SQM Iberian S.A.	—	—	—	—	—	—	—	—	—	—
SQM Investment Corporation	—	—	—	—	—	—	—	—	—	—
Soquimich Comercial S.A.	(40)	—	—	—	—	(140)	—	—	(140)	(180)
Soquimich European Holding B.V.	—	—	—	—	—	—	—	—	—	—
SQM Potasio S.A.	—	—	—	—	—	—	—	—	—	—
Total increases (decreases)	(3,254)	—	—	—	—	(140)	—	—	(140)	(3,394)
Closing balance	(3,254)	—	—	—	—	(140)	—	—	(140)	(3,394)

Net Value Movements in identifiable goodwill	Goodwill at the start of the period	Additional recognition	Recognition subsequent to deferred tax assets (-)	Decreases for classification as held for sale (-)	Goodwill write-off without having been included previously in disposal groups classified as held for sale (-)	Impairment losses recognized in profit or loss for the year (-)	Increase (decrease) for net exchange differences	Increase (decrease) due to other changes	Total increase (decrease)	Goodwill at end of period
	January 01, 2019				ThUS\$					
SQM Industrial S.A.	—	—	—	—	—	—	—	—	—	—
SQM S.A.	22,255	—	—	—	—	—	—	—	—	22,255
SQM Iberian S.A.	148	—	—	—	—	—	—	—	—	148
SQM Investment Corporation	86	—	—	—	—	—	—	—	—	86
Soquimich Comercial S.A.	280	—	—	—	—	(140)	—	—	(140)	140
Soquimich European Holding B.V.	11,373	—	—	—	—	—	—	—	—	11,373
SQM Potasio S.A.	724	—	—	—	—	—	—	—	—	724
Total increases (decreases)	34,866	—	—	—	—	(140)	—	—	(140)	34,726
Closing balance	34,866	—	—	—	—	(140)	—	—	(140)	34,726

h) Reconciliation of identifiable goodwill as of December 31, 2018:

Gross Value Movements in identifiable goodwill	Goodwill at the start of the period	Additional recognition	Recognition subsequent to deferred tax assets (-)	Decreases for classification as held for sale (-)	Goodwill write-off without having been included previously in disposal groups classified as held for sale (-)	Impairment losses recognized in profit or loss for the year (-)	Increase (decrease) for net exchange differences	Increase (decrease) due to other changes	Total increase (decrease)	Goodwill at end of period
	January 01, 2018				ThUS\$					
SQM Industrial S.A.	3,214	—	—	—	—	—	—	—	—	3,214
SQM S.A.	22,255	—	—	—	—	—	—	—	—	22,255
SQM Iberian S.A.	—	—	—	—	—	—	—	148	148	148
SQM Investment Corporation	86	—	—	—	—	—	—	—	—	86
Soquimich Comercial S.A.	320	—	—	—	—	—	—	—	—	320
Soquimich European Holding B.V.	11,373	—	—	—	—	—	—	—	—	11,373
SQM Potasio S.A.	724	—	—	—	—	—	—	—	—	724
Total increases (decreases)	37,972	—	—	—	—	—	—	148	148	38,120
Closing balance	37,972	—	—	—	—	—	—	148	148	38,120

Accumulated impairment Movements in identifiable goodwill	Goodwill at the start of the period	Additional recognition	Recognition subsequent to deferred tax assets (-)	Decreases for classification as held for sale (-)	Goodwill write-off without having been included previously in disposal groups classified as held for sale (-)	Impairment losses recognized in profit or loss for the year (-)	Increase (decrease) for net exchange differences	Increase (decrease) due to other changes	Total increase (decrease)	Goodwill at end of period
	January 01, 2018									
SQM Industrial S.A.	—	—	—	—	—	—	—	(3,214)	(3,214)	(3,214)
SQM S.A.	—	—	—	—	—	—	—	—	—	—
SQM Iberian S.A.	—	—	—	—	—	—	—	—	—	—
SQM Investment Corporation	—	—	—	—	—	—	—	—	—	—
Soquimich Comercial S.A.	—	—	—	—	—	—	—	(40)	(40)	(40)
Soquimich European Holding B.V.	—	—	—	—	—	—	—	—	—	—
SQM Potasio S.A.	—	—	—	—	—	—	—	—	—	—
Total increases (decreases)	—	—	—	—	—	—	—	(3,254)	(3,254)	(3,254)
Closing balance	—	—	—	—	—	—	—	(3,254)	(3,254)	(3,254)

Net Value Movements in identifiable goodwill	Goodwill at the start of the period	Additional recognition	Recognition subsequent to deferred tax assets (-)	Decreases for classification as held for sale (-)	Goodwill write- off without having been included previously in disposal groups classified as held for sale (-)	Impairment losses recognized in profit or loss for the year (-)	Increase (decrease) for net exchange differences	Increase (decrease) due to other changes	Total increase (decrease)	Goodwill at end of period
	January 01, 2018									
SQM Industrial S.A.	3,214	—	—	—	—	—	—	(3,214)	(3,214)	—
SQM S.A.	22,255	—	—	—	—	—	—	—	—	22,255
SQM Iberian S.A.	—	—	—	—	—	—	—	148	148	148
SQM Investment Corporation	86	—	—	—	—	—	—	(40)	(40)	86
Soquimich Comercial S.A.	320	—	—	—	—	—	—	(40)	(40)	280
Soquimich European Holding B.V.	11,373	—	—	—	—	—	—	—	—	11,373
SQM Potasio S.A.	724	—	—	—	—	—	—	—	—	724
Total increases (decreases)	37,972	—	—	—	—	—	—	(3,106)	(3,106)	34,866
Closing balance	37,972	—	—	—	—	—	—	(3,106)	(3,106)	34,866

Note 15 Property, plant and equipment

As of December 31, 2019 and 2018, the detail of property, plant and equipment is as follows:

15.1 Types of property, plant and equipment

Description of types of property, plant and equipment	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Property, plant and equipment, net		
Land	23,620	24,695
Buildings (1)	252,969	238,808
Other property, plant and equipment	32,604	28,175
Transport equipment (2)	6,042	2,892
Supplies and accessories	4,579	4,722
Office equipment	420	513
Network and communication equipment	663	692
Mining assets	23,174	11,501
IT equipment	4,359	4,980
Energy generating assets	5,998	6,117
Constructions in progress	375,316	207,830
Machinery, plant and equipment (3)	877,326	923,898
Total	1,607,070	1,454,823

(1) The buildings line item includes ThUS\$ 25,742 corresponding to right-of-use assets; (2) The line item "Transport equipment" Includes ThUS\$ 3,356 corresponding to right-of-use assets; (3) the property, plant and equipment line item includes ThUS\$ 8,066 corresponding to right-of-use assets; the total includes ThUS\$ 37,164 corresponding to right-of-use assets (IFRS 16)

Property, plant and equipment, gross		
Land	23,620	24,695
Buildings (1)	695,316	648,719
Other property, plant and equipment	257,206	245,731
Transport equipment (2)	16,036	11,668
Supplies and accessories	25,531	24,456
Office equipment	11,441	11,377
Network and communication equipment	8,009	7,505
Mining assets	161,619	132,309
IT equipment	28,693	29,955
Energy generating assets	38,495	36,930
Constructions in progress	375,316	207,830
Machinery, plant and equipment (3)	3,154,435	3,068,862
Total	4,795,717	4,450,037

(1) The buildings line item includes ThUS\$ 29,289 corresponding to right-of-use assets; (2) The line item "Transport equipment" Includes ThUS\$ 3,893 corresponding to right-of-use assets; (3) the property, plant and equipment line item includes ThUS\$ 11,933 corresponding to right-of-use assets; the total includes ThUS\$ 45,115 corresponding to right-of-use assets (IFRS 16)

Accumulated depreciation and value impairment of property, plant and equipment, total		
Accumulated depreciation and impairment of buildings (1)	(442,347)	(409,911)
Accumulated depreciation and impairment of other property, plant and equipment	(224,602)	(217,556)
Accumulated depreciation and impairment of transport equipment (2)	(9,994)	(8,776)
Accumulated depreciation and impairment of supplies and accessories	(20,952)	(19,734)
Accumulated depreciation and impairment of office equipment	(11,021)	(10,864)
Accumulated depreciation and impairment of network and communication equipment	(7,346)	(6,813)
Accumulated depreciation and impairment of mining assets	(138,445)	(120,808)
Accumulated depreciation and impairment of IT equipment	(24,334)	(24,975)
Accumulated depreciation and impairment of energy generating assets	(32,497)	(30,813)
Accumulated depreciation and impairment of machinery, plant and equipment (3)	(2,277,109)	(2,144,964)
Total	(3,188,647)	(2,995,214)

(1) The buildings line item includes ThUS\$ (3,547) corresponding to depreciation of right-of-use assets; (2) The line item "Transport equipment". Includes ThUS\$ (537) corresponding to right-of-use assets; (3) The property, plant and equipment line item includes ThUS\$ (3,867) corresponding to depreciation of right-of-use assets; the total includes ThUS\$ (7,951) corresponding to depreciation of right-of-use assets (IFRS 16).

Description of Machinery, plant and equipment	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Machinery, plant and equipment, net		
Pumps	32,525	34,145
Conveyor Belt	21,911	22,082
Crystallizer	24,102	27,112
Plant Equipment	170,263	188,934
Tanks	14,159	14,876
Filter	27,080	29,300
Electrical equipment/facilities	92,090	96,179
Other Property, Plant & Equipment	53,396	58,997
Site Closure	12,056	12,967
Right-of-use assets	8,066	—
Piping	96,402	98,498
Well	238,670	250,045
Pond	41,319	42,903
Spare Parts	45,287	47,860
Total	<u>877,326</u>	<u>923,898</u>

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

Reconciliation of changes in property, plant and equipment by class as of December 31, 2019 and 2018:

Reconciliation of changes in property, plant and equipment by class as of December 31, 2019, gross amount	Land	Buildings	Other property, plant and equipment	Transport equipment	Supplies and accessories	Equipment office	Network and communication equipment	Mining assets	IT equipment	Energy generating assets	Assets under construction	Machinery, plant and equipment	Property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	24,695	648,719	245,731	11,668	24,456	11,377	7,505	132,309	29,955	36,930	207,830	3,068,862	4,450,037
Initial recognition of IFRS 16	—	29,289	—	3,893	—	—	—	—	—	—	—	11,933	45,115
Balance with recognition of IFRS 16	24,695	678,008	245,731	15,561	24,456	11,377	7,505	132,309	29,955	36,930	207,830	3,080,795	4,495,152
Additions	—	290	332	—	37	43	159	—	492	—	314,236	6,077	321,666
Disposals	—	—	(858)	—	—	—	—	—	(3)	—	—	(17)	(878)
Increase (decrease) in foreign currency translation difference	(35)	(72)	(4)	(2)	(9)	(3)	—	—	(6)	—	—	(72)	(203)
Reclassifications	132	18,526	12,456	477	745	—	89	16,901	1,289	1,565	(140,104)	88,088	164
Other increases (decreases)	—	—	(451)	—	302	24	256	12,409	(3,034)	—	(6,646)	(20,436)	(17,576)
Decreases for classification as held for sale	(1,172)	(1,436)	—	—	—	—	—	—	—	—	—	—	(2,608)
Total changes	(1,075)	17,308	11,475	475	1,075	64	504	29,310	(1,262)	1,565	167,486	73,640	300,565
Closing balance	23,620	695,316	257,206	16,036	25,531	11,441	8,009	161,619	28,693	38,495	375,316	3,154,435	4,795,717

Reconciliation of changes in property, plant and equipment by class as of December 31, 2019, accumulated depreciation	Land	Buildings	Other property, plant and equipment	Transport equipment	Supplies and accessories	Equipment office	Network and communication equipment	Mining assets	IT equipment	Energy generating assets	Assets under construction	Machinery, plant and equipment	Property, plant and equipment
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance	—	(409,911)	(217,556)	(8,776)	(19,734)	(10,864)	(6,813)	(120,808)	(24,975)	(30,813)	—	(2,144,964)	(2,995,214)
Changes	—	—	858	—	—	—	—	—	1	—	—	—	859
Disposals	—	—	858	—	—	—	—	—	1	—	—	—	859
Depreciation expense	—	(32,547)	(8,013)	(1,220)	(1,144)	(161)	(426)	(7,033)	(1,158)	(1,676)	—	(142,866)	(196,244)
Impairment	—	(49)	—	—	—	—	—	—	—	—	—	—	(49)
Increase (decrease) in foreign currency translation difference	—	28	3	1	7	1	—	—	5	—	—	34	79
Reclassifications	—	7	(6)	1	6	—	1	—	(5)	—	—	(207)	(203)
Other increases (decreases) (*)	—	(155)	112	—	(87)	3	(108)	(10,604)	1,798	(8)	—	10,894	1,845
Decreases for classification as held for sale	—	280	—	—	—	—	—	—	—	—	—	—	280
Total changes	—	(32,436)	(7,046)	(1,218)	(1,218)	(157)	(533)	(17,637)	641	(1,684)	—	(132,145)	(193,433)
Closing balance	—	(442,347)	(224,602)	(9,994)	(20,952)	(11,021)	(7,346)	(138,445)	(24,334)	(32,497)	—	(2,277,109)	(3,188,647)

Reconciliation of changes in property, plant and equipment by class as of December 31, 2019, net amount	Land ThUS\$	Buildings ThUS\$	Other property, plant and equipment ThUS\$	Transport equipment ThUS\$	Supplies and accessories ThUS\$	Equipment office ThUS\$	Network and communication equipment ThUS\$	Mining assets ThUS\$	IT equipment ThUS\$	Energy generating assets ThUS\$	Assets under construction ThUS\$	Machinery, plant and equipment ThUS\$	Property, plant and equipment ThUS\$
Opening balance	24,695	238,808	28,175	2,892	4,722	513	692	11,501	4,980	6,117	207,830	923,898	1,454,823
Initial recognition of IFRS 16	—	29,289	—	3,893	—	—	—	—	—	—	—	11,933	45,115
Balance with recognition of IFRS 16	24,695	268,097	28,175	6,785	4,722	513	692	11,501	4,980	6,117	207,830	935,831	1,499,938
Additions	—	290	332	—	37	43	159	—	492	—	314,236	6,077	321,666
Disposals	—	—	—	—	—	—	—	—	(2)	—	—	(17)	(19)
Depreciation expense	—	(32,547)	(8,013)	(1,220)	(1,144)	(161)	(426)	(7,033)	(1,158)	(1,676)	—	(142,866)	(196,244)
Impairment	—	(49)	—	—	—	—	—	—	—	—	—	—	(49)
Increase (decrease) in foreign currency translation difference	(35)	(44)	(1)	(1)	(2)	(2)	—	—	(1)	—	—	(38)	(124)
Reclassifications	132	18,533	12,450	478	751	—	90	16,901	1,284	1,565	(140,104)	87,881	(39)
Other increases (decreases) (1)	—	(155)	(339)	—	215	27	148	1,805	(1,236)	(8)	(6,646)	(9,542)	(15,731)
Decreases for classification as held for sale (2)	(1,172)	(1,156)	—	—	—	—	—	—	—	—	—	—	(2,328)
Total changes	(1,075)	(15,128)	4,429	(743)	(143)	(93)	(29)	11,673	(621)	(119)	167,486	(58,505)	107,132
Closing balance	23,620	252,969	32,604	6,042	4,579	420	663	23,174	4,359	5,998	375,316	877,326	1,607,070

(1) The net balance of “Other Increases (Decreases)” corresponds to all those items that are reclassified to or from “Property, Plant and Equipment”, They can have the following origin: (i) work in progress which is expensed to profit or loss, forming part of operating costs or other expenses per function, as appropriate; (ii) the variation representing the purchase and use of materials and spare parts; (iii) projects corresponding mainly to exploration expenditures and ground studies that are reclassified to the item other non-current financial assets; (iv) software that is reclassified to “Intangibles”.

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

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

Reconciliation of changes in property, plant and equipment by class as of December 31, 2018, gross amount													
	Land ThUS\$	Buildings ThUS\$	Other property, plant and equipment ThUS\$	Transport equipment ThUS\$	Supplies and accessories ThUS\$	Equipment office ThUS\$	Network and communication equipment ThUS\$	Mining assets ThUS\$	IT equipment ThUS\$	Energy generating assets ThUS\$	Assets under construction ThUS\$	Machinery, plant and equipment ThUS\$	Property, plant and equipment ThUS\$
Opening balance	24,900	610,264	244,831	11,195	19,498	11,105	7,356	129,028	27,038	36,643	165,054	2,938,287	4,225,199
Additions	—	28	833	—	41	15	—	—	489	—	263,290	1,448	266,144
Disposals	—	(38)	(7,811)	(51)	—	—	—	—	(10)	—	(6,582)	(1,666)	(16,158)
Increase (decrease) in foreign currency translation difference	(64)	(134)	(8)	(3)	(19)	(6)	—	—	(11)	—	—	(153)	(398)
Reclassifications	—	38,746	10,330	529	4,889	268	150	3,281	2,100	75	(184,095)	123,726	(1)
Other increases (decreases)	—	(147)	(2,444)	(2)	47	(5)	(1)	—	349	212	(29,837)	7,220	(24,608)
Decreases for classification as held for sale	(141)	—	—	—	—	—	—	—	—	—	—	—	(141)
Total changes	(205)	38,455	900	473	4,958	272	149	3,281	2,917	287	42,776	130,575	224,838
Closing balance	24,695	648,719	245,731	11,668	24,456	11,377	7,505	132,309	29,955	36,930	207,830	3,068,862	4,450,037

Reconciliation of changes in property, plant and equipment by class as of December 31, 2018, accumulated depreciation													
	Land ThUS\$	Buildings ThUS\$	Other property, plant and equipment ThUS\$	Transport equipment ThUS\$	Supplies and accessories ThUS\$	Equipment office ThUS\$	Network and communication equipment ThUS\$	Mining assets ThUS\$	IT equipment ThUS\$	Energy generating assets ThUS\$	Assets under construction ThUS\$	Machinery, plant and equipment ThUS\$	Property, plant and equipment ThUS\$
Opening balance	—	(379,945)	(219,969)	(7,938)	(17,626)	(10,618)	(6,306)	(112,791)	(23,637)	(28,782)	—	(1,988,233)	(2,795,845)
Disposals	—	38	7,737	8	—	—	—	—	10	—	—	1,722	9,515
Depreciation expense	—	(29,829)	(7,415)	(880)	(2,056)	(271)	(483)	(8,017)	(1,374)	(2,026)	—	(158,900)	(211,251)
Impairment	—	(437)	—	—	—	—	—	—	—	(12)	—	(941)	(1,390)
Increase (decrease) in foreign currency translation difference	—	41	4	1	12	3	—	—	(1)	—	—	61	121
Reclassifications	—	106	(483)	—	(87)	(17)	(28)	—	90	1	—	419	1
Other increases (decreases)	—	115	2,570	33	23	39	4	—	(63)	6	—	908	3,635
Total changes	—	(29,966)	2,413	(838)	(2,108)	(246)	(507)	(8,017)	(1,338)	(2,031)	—	(156,731)	(199,369)
Closing balance	—	(409,911)	(217,556)	(8,776)	(19,734)	(10,864)	(6,813)	(120,808)	(24,975)	(30,813)	—	(2,144,964)	(2,995,214)

Reconciliation of changes in property, plant and equipment by class as of December 31, 2018, net amount	Land ThUS\$	Buildings ThUS\$	Other property, plant and equipment ThUS\$	Transport equipment ThUS\$	Supplies and accessories ThUS\$	Equipment office ThUS\$	Network and communication equipment ThUS\$	Mining assets ThUS\$	IT equipment ThUS\$	Energy generating assets ThUS\$	Assets under construction ThUS\$	Machinery, plant and equipment ThUS\$	Property, plant and equipment ThUS\$
Opening balance	24,900	230,319	24,862	3,257	1,872	487	1,050	16,237	3,401	7,861	165,054	950,054	1,429,354
Changes													
Additions	—	28	833	—	41	15	—	—	489	—	263,290	1,448	266,144
Disposals	—	—	(74)	(43)	—	—	—	—	—	—	(6,582)	56	(6,643)
Depreciation expense	—	(29,829)	(7,415)	(880)	(2,056)	(271)	(483)	(8,017)	(1,374)	(2,026)	—	(158,900)	(211,251)
Impairment	—	(437)	—	—	—	—	—	—	—	(12)	—	(941)	(1,390)
Increase (decrease) in foreign currency translation difference	(64)	(93)	(4)	(2)	(7)	(3)	—	—	(12)	—	—	(92)	(277)
Reclassifications	—	38,852	9,847	529	4,802	251	122	3,281	2,190	76	(184,095)	124,145	—
Other increases (decreases) (1)	—	(32)	126	31	70	34	3	—	286	218	(29,837)	8,128	(20,973)
Decreases for classification as held for sale (2)	(141)	—	—	—	—	—	—	—	—	—	—	—	(141)
Total changes	(205)	8,489	3,313	(365)	2,850	26	(358)	(4,736)	1,579	(1,744)	42,776	(26,156)	25,469
Closing balance	24,695	238,808	28,175	2,892	4,722	513	692	11,501	4,980	6,117	207,830	923,898	1,454,823

(1) The net balance of “Other increases (Decreases)” corresponds to all those items that are reclassified to or from property, plant and equipment, They can have the following origin: (i) work in progress which is expensed to profit or loss, forming part of operating costs or other expenses per function, as appropriate; (ii) the variation representing the purchase and use of materials and spare parts; (iii) projects corresponding mainly to exploration expenditures and ground studies that are reclassified to the item other non-current financial assets; (iv) assets for retirement obligations and (v) software that is reclassified to Intangibles.

(2) The Company classifies as non-current held for sale property, plant and equipment (disposal group) that, at the closing date of the financial statements, is subject to a commitment for sale or where the sales process has been initiated and where the sale is expected to occur within twelve months of that date, is classified by the Company as non-current assets held for sale. These assets or disposal groups are valued at the lower of carrying amount or the estimated sales value less the costs to sell and stop being amortized from the moment they are classified as non-current assets held for sale.

15.3 Reconciliation of changes in right of use assets, by classes

Reconciliation of changes in property, plant and equipment by class as of December 31, 2019, net amount	Land ThUS\$	Buildings ThUS\$	Other property, plant and equipment ThUS\$	Transport equipment ThUS\$	Supplies and accessories ThUS\$	Equipment office ThUS\$	Network and communication equipment ThUS\$	Mining assets ThUS\$	IT equipment ThUS\$	Energy generating assets ThUS\$	Assets under construction ThUS\$	Machinery, plant and equipment ThUS\$	Property, plant and equipment ThUS\$
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Initial recognition of IFRS 16	—	29,289	—	3,893	—	—	—	—	—	—	—	11,933	45,115
Balance with recognition of IFRS 16	—	29,289	—	3,893	—	—	—	—	—	—	—	11,933	45,115
Depreciation expense	—	(3,547)	—	(537)	—	—	—	—	—	—	—	(3,867)	(7,951)
Impairment	—	—	—	—	—	—	—	—	—	—	—	—	—
Other increases (decreases)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total changes	—	(3,547)	—	(537)	—	—	—	—	—	—	—	(3,867)	(7,951)
Closing balance	—	25,742	—	3,356	—	—	—	—	—	—	—	8,066	37,164

The Company's lease activities included the following aspects:

- The nature of the Company's lease activities is related to contracts focused primarily on business operations, notably rights-of-use to equipment and real estate.
- The Company does not estimate any significant future cash outflows that would potentially expose the Company, and these are likewise not reflected in the measurement of lease liabilities, related to concepts such as (i) variable lease payments, (ii) expansion options and termination options, (iii) guaranteed residual value and (iv) leases not yet undertaken but committed by the Company.
- These are not subject to restrictions or agreements imposed by contracts.
- There were no sales lease back in the period.

15.4 Detail of property, plant and equipment pledged as guarantee

There are no restrictions in title or guarantees for compliance with obligations that affect property, plant and equipment.

15.5 Impairment of assets

As indicated in Note 3.16 to the financial statements, the recoverable amount of property, plant and equipment is measured whenever there is an indication that the asset could be impaired. For the years ended December 31, 2019, 2018 and 2017, the Company recognized impairment losses amounting ThUS\$ 49, ThUS\$ 1,390 and ThUS\$5,205, respectively.

15.6 Additional Information

As of December 31, 2019, capitalized interest as part of assets under construction is presented in Note 28.

Note 16 Other current and non-current non-financial assets

As of December 31, 2019, and December 31, 2018, the detail of other current and non-current assets is as follows:

Other non-financial assets, current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Domestic value added tax	17,807	20,209
Foreign value added tax	8,566	7,211
Prepaid mining property	1,244	1,329
Prepaid insurance	7,135	1,763
Other prepayments	1,423	1,774
Refund of value added tax to exporters	10,560	12,545
Other taxes	3,213	2,800
Other assets	604	341
Total	<u>50,552</u>	<u>47,972</u>

Other non-financial assets, non-current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Stain development expenses and prospecting expenses (1)	18,654	26,189
Guarantee deposits	551	712
Other assets	524	638
Total	<u>19,729</u>	<u>27,539</u>

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

Movements in assets relating to the exploration and evaluation of mineral resources as of December 31, 2019, 2018 and 2017:

Reconciliation	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Opening balance	<u>26,189</u>	<u>17,721</u>	<u>23,008</u>
Change in assets for exploration and evaluation of mineral resources			
Additions	—	11,298	—
Short-term reclassifications	(1,311)	1,987	595
Increase (decrease) due to transfers and other charges	(6,224)	(4,817)	(5,882)
Total changes	<u>(7,535)</u>	<u>8,468</u>	<u>(5,287)</u>
Final balance	<u>18,654</u>	<u>26,189</u>	<u>17,721</u>

As of the reporting date, no revaluations of assets for exploration and assessment of mineral resources have been conducted.

Note 17 Employee benefits

17.1 Provisions for employee benefits

Classes of benefits and expenses by employee	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Current		
Profit sharing and bonuses	16,387	20,085
Total	<u>16,387</u>	<u>20,085</u>
Non-current		
Profit sharing and bonuses	8,026	8,831
Severance indemnity payments	27,814	28,233
Total	<u>35,840</u>	<u>37,064</u>

17.2 Policies on defined benefit plan

This policy is applied to all benefits received for services provided by the Company's employees. Short-term benefits for active employees are represented by salaries, social welfare benefits, paid time off, sickness and other types of leave, profit sharing and incentives and non-monetary benefits; e.g., healthcare service, housing, subsidized or free goods or services. These will be paid in a term which does not exceed twelve months.

The Company only provides compensation and benefits to active employees, with the exemption of SQM North America. (see Note 17.4)

The Company maintains incentive programs for its employees based on their personal performance, the Company's performance and other short-term and long-term indicators.

For each incentive bonus delivered to the Company's employees, there will be a disbursement in the first quarter of the following year and this will be calculated based on profit for the period at the end of each period applying a factor obtained subsequent to each employee's appraisal process.

Employee benefits include retention bonuses for the Company's executives, which are linked to the Company's share price and are paid in cash.

Staff severance indemnities are agreed and payable based on the final salary, calculated in accordance with each year of service to the Company, with certain maximum limits in respect of either the number of years or in monetary terms. In general, this benefit is payable when the employee or worker ceases to provide his/her services to the Company and there are a number of different circumstances through which a person can be eligible for it, as indicated in the respective agreements; e.g., retirement, dismissal, voluntary retirement, incapacity or disability, death, etc.

Law No. 19,728 published on May 14, 2001 which became effective on October 1, 2002 required Compulsory Unemployment Insurance in favor of all dependent employees regulated by the Chilean Labor Code, Article 5 of this law established that this insurance is paid through monthly contribution payments by both the employee and the employer.

17.3 Other long-term benefits

The other long-term benefits relate to staff severance indemnities and are recorded at their actuarial value and an executive compensation plan (see Note 17.6).

The actuarial assessment method has been used to calculate the Company's obligations with respect to staff severance indemnities, which relate to defined benefit plans consisting of days of remuneration per year served at the time of retirement under conditions agreed in the respective agreements established between the Company and its employees.

Under this benefit plan, the Company retains the obligation to pay staff severance indemnities related to retirement, without establishing a separate fund with specific assets, which is referred to as not funded. The discount interest rate of expected flows to be used was 3.68%.

(a) Benefit payment conditions

The staff severance indemnity benefit relates to remuneration days for years worked for the Company without a limit being imposed in regard of amount of salary or years of service. It applies when employees cease to work for the Company because they are made redundant or in the event of their death. This benefit is applicable up to a maximum age of 65 for men and 60 for women, which are the usual retirement ages according to the Chilean pensions system as established in Decree Law 3,500 of 1980.

(b) Methodology

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

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

This model considered months as discrete time, i.e., the Company determined the age of each person and his/her salary on a monthly basis according to the growth rate. This information on each person was simulated from the beginning of his/her employment contract or when he/she started earning benefits up to the month in which he/she reaches normal retirement age, generating in each period the possible retirement according to the Company's turnover rate and the mortality rate according to the age reached. When he/she reaches the retirement age, the employee finishes his/her service for the Company and receives a retirement indemnity.

The methodology followed to determine the accrual for all the employees covered by agreements took account of the turnover rates and the mortality rate RV-2014 established by the CMF to calculate pension-related life insurance reserves in Chile according to the Accumulated Benefit Valuation or Accrued Cost of Benefit Method. This methodology is established in IAS 19 on "Retirement Benefit Costs".

17.4 Post-employment benefit obligations

Our subsidiary SQM NA, together with its employees established a pension plan until 2002 called the "SQM North America Retirement Income Plan". This obligation is calculated measuring the expected future forecast staff severance indemnity obligation using a net salary gradual rate of restatements for inflation, mortality and turnover assumptions, discounting the resulting amounts at present value using the interest rate defined by the authorities.

Since 2003, SQM North America offers to its employees benefits related to pension plans based on the 401-K system, which do not generate obligations for the Company.

Reconciliation Changes in the benefit obligation	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Benefit obligation at the beginning of the year	8,657	8,755	8,185
Service cost	—	—	2
Interest cost	336	319	359
Actuarial loss	984	63	556
Benefits paid	(391)	(480)	(347)
Total	<u>9,586</u>	<u>8,657</u>	<u>8,755</u>

Reconciliation Changes in the plan assets	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Fair value of plan assets at the beginning of the year	8,404	8,751	7,404
Actual return (loss) in plan assets	741	133	1,694
Benefits paid	(391)	(480)	(347)
Fair value of plan assets at the end of the year	<u>8,754</u>	<u>8,404</u>	<u>8,751</u>
Financing status	(832)	(253)	(4)

Items not yet recognized as net periodic pension cost components:

Net actuarial loss at the beginning of the year	(2,614)	(2,614)	(3,432)
Amortization during the year	242	160	219
Net estimated gain or loss occurred during the year	(854)	(568)	599
Adjustment to recognize the minimum pension obligation	<u>(3,226)</u>	<u>(3,022)</u>	<u>(2,614)</u>

Service cost or benefits received during the year	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Service cost or benefits received during the year	—	—	2
Interest cost in benefit obligation	336	319	359
Actual return in plan assets	741	133	1,694
Amortization of prior year losses	242	160	219
Net gain during the year	(854)	(568)	599
Net periodic pension expense	(33)	(159)	41

17.5 Staff severance indemnities

As of December 31, 2019, 2018 and 2017 severance indemnities calculated at the actuarial value are as follows:

Classes of benefits and expenses by employee	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Opening balance	(28,233)	(27,445)	(22,532)
Current cost of service	(2,880)	(1,529)	(934)
Interest cost	(1,661)	(1,658)	(1,488)
Actuarial gain/loss	(2,514)	(1,617)	(1,144)
Exchange rate difference	2,475	2,710	(2,284)
Benefits paid during the year	4,999	1,306	937
Total	(27,814)	(28,233)	(27,445)

(a) Actuarial assumptions

The liability recorded for staff severance indemnity is valued at the actuarial value method, using the following actuarial assumptions:

Actuarial assumptions	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	Annual/Years
Mortality rate	RV - 2014	RV - 2014	RV - 2014	
Actual annual interest rate	3.68%	4.64%	5.114%	
Voluntary retirement rate:				
Men	6.49%	6.49%	6.49%	Annual
Women	6.49%	6.49%	6.49%	Annual
Salary increase	3.00%	3.00%	3.00%	Annual
Retirement age:				
Men	65	65	65	Years
Women	60	60	60	Years

(b) Sensitivity analysis of assumptions

As of December 31, 2019 and 2018, the Company has conducted a sensitivity analysis of the main assumptions of the actuarial calculation, determining the following:

Sensitivity analysis as of December 31, 2019	Effect + 100 basis points	Effect + 100 basis points
	ThUS\$	ThUS\$
Discount rate	(1,796)	2,021
Employee turnover rate	(236)	263
Sensitivity analysis as of December 31, 2018	Effect + 100 basis points	Effect + 100 basis points
Discount rate	(1,807)	2,033
Employee turnover rate	(237)	265

Sensitivity relates to an increase/decrease of 100 basis points.

17.6 Executive compensation plan

The Company currently has a compensation plan with the purpose of motivating the Company's executives and encouraging them to remain with the Company, by granting payments based on the change in the price of SQM's shares. There is a partial payment of the share benefit program in the event of termination of the contract for causes other than the resignation and application of Article 160 of the Labor Code.

(a) Plan characteristics

This compensation plan is related to the Company's performance through the SQM Series B share price (Santiago Stock Exchange).

(b) Plan participants

A total of 30 Company executives are entitled to this plan, provided that they continue to work for the Company through to the end of 2020. The payment dates, if applicable, will be during the first quarter of 2021.

(c) Compensation

The compensation payable to each executive is calculated by multiplying:

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

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

The effect of the plan considers 427,652 shares reflected as a cost of ThUS\$ 806 in the results for the period ending December 31, 2019. As of December 31, 2018, the effect of the plan was 476,302 shares, equal to ThUS\$ 3,754 recognized as a provision reflected against profit or loss for 2018.

Executed shares during 2019 were 83,609.

Note 18 Provisions and other non-financial liabilities

18.1 Types of provisions

Types of provisions	As of December 31, 2019			As of December 31, 2018		
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	Current ThUS\$	Non-current ThUS\$	Total ThUS\$
Provision for legal complaints (1)	13,472	1,452	14,924	11,862	3,000	14,862
Provision for dismantling, restoration and rehabilitation cost (2)	—	33,238	33,238	—	28,822	28,822
Other provisions (3)	97,093	—	97,093	94,335	—	94,335
Total	110,565	34,690	145,255	106,197	31,822	138,019

(1) These provisions correspond to legal processes that are pending resolution or that have not yet been disbursed. These provisions are mainly related to litigation involving the subsidiaries located in Chile, Brazil and the United States (see note 21.1).

(2) The provisions related to commitments with Sernageomin have been incorporated through the issuance of a guarantee for the restoration of the place where the production sites are located.

(3) See Note 18.2

18.2 Description of other provisions

Current provisions, other short-term provisions	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Rent under lease contract (1)	90,320	84,826
Provision for additional tax related to foreign loans	543	471
End of agreement bonus	3,641	5,129
Directors' per diem allowance	1,802	2,881
Miscellaneous provisions	787	1,028
Total	97,093	94,335

(1) Payment obligations for the lease contract with CORFO: These correspond to obligations assumed in the Lease Agreement. Part of these obligations are the quarterly lease payments to Corfo, according to SQM Salar's product sales from leased mining properties. Since 2018, another part are the annual contributions by SQM Salar to research and development, to local communities to the Antofagasta Regional Government and to the municipalities of San Pedro de Atacama, María Elena and Antofagasta.

18.3 Other non-financial liabilities, current

Description of other liabilities	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Tax withholdings	3,345	4,782
VAT payable	3,465	7,345
Guarantees received	2,641	2,641
Accrual for dividend	68,890	109,670
Monthly tax provisional payments	16,659	21,001
Deferred income	3,033	18,574
Withholdings from employees and salaries payable	4,575	6,052
Accrued vacations (1)	21,686	20,070
Other current liabilities	2,605	4,489
Total	126,899	194,624

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

18.4 Changes in provisions

Description of items that gave rise to variations as of December 31, 2019	Legal complaints ThUS\$	Provision for dismantling, restoration and rehabilitation cost ThUS\$	Other provisions ThUS\$	Total ThUS\$
Total provisions, initial balance	14,862	28,822	94,335	138,019
Changes				
Additional provisions	4,111	4,416	150,314	158,841
Provision used	(4,049)	—	(147,532)	(151,581)
Increase(decrease) in foreign currency exchange others	—	—	(24)	(24)
Total Increase (decreases)	62	4,416	2,758	7,236
Total	14,924	33,238	97,093	145,255

Description of items that gave rise to variations as of December 31, 2018	Legal complaints ThUS\$	Provision for dismantling, restoration and rehabilitation cost ThUS\$	Other provisions ThUS\$	Total ThUS\$
Total provisions, initial balance	19,419	26,954	47,073	93,446
Changes				
Additional provisions	1,000	1,820	181,244	184,064
Provision used	(5,557)	—	(133,949)	(139,506)
Increase(decrease) in foreign currency exchange others	—	48	(33)	15
Total Increase (decreases)	(4,557)	1,868	47,262	44,573
Total	14,862	28,822	94,335	138,019

Description of items that gave rise to variations as of December 31, 2017	Legal complaints ThUS\$	Provision for dismantling, restoration and rehabilitation cost ThUS\$	Other provisions ThUS\$	Total ThUS\$
Total provisions, initial balance	23,867	5,890	21,089	50,846
Changes				
Additional provisions	6,352	21,064	33,507	60,923
Provision used	(10,800)	—	(7,538)	(18,338)
Increase(decrease) in foreign currency exchange others	—	—	9	9
	—	—	6	6
Total Increase (decreases)	(4,448)	21,064	25,984	42,600
Total	19,419	26,954	47,073	93,446

Note 19 Disclosures on equity

The detail and movements in the funds of equity accounts are shown in the consolidated statement of changes in equity.

19.1 Capital management

The main object of capital management relative to the administration of the Company's financial debt and equity is to ensure the regular conduct of operations and business continuity in the long term, with the constant intention of maintaining an adequate level of liquidity and in compliance with the financial safeguards established in the debt contracts in force. Within this framework, decisions are made in order to maximize the value of the company.

Capital management must comply with, among others, the limits contemplated in the Financing Policy approved by the Shareholders' Meeting, which establish a maximum consolidated indebtedness level of 1.5 times the debt to equity ratio. This limit can be exceeded only if the Company's management has first obtained express approval at an Extraordinary Shareholders' Meeting.

In addition, capital management should consider that with respect to Series H and Series O Bonds, if the indebtedness Level (as this term is defined in the respective issuance contracts) exceeds 1.2 times (provided that this does not exceed 1.44 times), the Company must offer bondholders of these series the voluntary and individual option for early redemption of these bonds at par value. As a consequence of the IFRS 16 becoming effective and being implemented in these financial statements, the indebtedness ratio as of December 31, 2019 reached a proportion of 1.19; therefore, the Company did not make the corresponding offer at the reporting date.

The Company's management controls capital management based on the following ratios:

Capital Management	As of December 31, 2019	As of December 31, 2018	Description (1)	Calculation (1)
Net Financial Debt (ThUS\$)	719,809	471,755	Financial Debt – Financial Resources	Other current Financial Liabilities + Other Non-Current Financial Liabilities – Cash and Cash Equivalents – Other Current Financial Assets – Hedging Assets, non-current
Liquidity	3.45	4.32	Current Assets divided by Current Liabilities	Total Current Assets / Total Current Liabilities
Net Debt / Capitalization	0.25	0.18	Net Financial Debt divided by Total Equity	Net financial debt / Total Equity
ROE	13.154%	20.7%	Profit for the year divided by Total Equity	LTM ⁽²⁾ Profit for the year / Equity
Adjusted EBITDA (ThUS\$)	645,142	855,652	Adjusted EBITDA	Profit for the year + Depreciation and Amortization Expenses + Finance Costs + Income Tax – Other income and Share of profit of associates and joint ventures + Other expenses – Finance income – Currency differences
EBITDA (MUS\$)	669,831	902,450	EBITDA	Profit for the year + Depreciation and Amortization Expenses + Finance Costs + Income Tax
ROA	12.76%	20.31%	Adjusted EBITDA – Depreciation divided by Total Assets net of financial resources less related parties' investments	(LTM Gross Profit – Administrative Expenses) / (Total Assets – Cash and Cash Equivalents – Other Current Financial Assets – Other Non-Current Financial Assets – Equity-accounted Investments)
Indebtedness	1.19	1.00	Total Liabilities on Equity	Total Liabilities / Total Equity

The Company's capital requirements change according to variables such as working capital needs, new investment financing and dividends, among others. The Company manages its capital structure and makes adjustments based on the predominant economic conditions so as to mitigate the risks associated with adverse market conditions and take advantage of the opportunities there may be to improve the liquidity position of the SQM Group.

There have been no changes in the capital management objectives or policy within the years reported in this document, no breaches of external requirements of capital imposed have been recorded.

19.2 Disclosures on preferred share capital

Issued share capital is divided into 142,819,552 Series "A" shares and 120,376,972 Series "B" shares. All such shares are nominative, have no par value and are fully issued, subscribed and paid.

Series B shares may not exceed 50% of the total issued, subscribed and paid-in shares of the Company and have a limited voting right, in that all of them can only elect one director of the Company, regardless of their equity interest and preferences:

- (a) require the calling of an Ordinary or Extraordinary Shareholders' Meeting when so requested by Series B shareholders representing at least 5% of the issued shares thereof; and
- (b) require the calling of an extraordinary meeting of the board of directors, without the president being able to qualify the need for such a request, when so requested by the director who has been elected by the shareholders of said Series B.

The limitation and preferences of Series B shares have a duration of 50 consecutive and continuous years as of June 3, 1993.

The Series A shares have the preference of being able to exclude the director elected by the Series B shareholders in the voting process in which the president of the board of directors and of the Company must be elected and which follows the one in which the tie that allows such exclusion resulted.

The preference of the Series A shares will have a term of 50 consecutive and continuous years as of June 3, 1993. The form of the titles of the shares, their issuance, exchange, disablement, loss, replacement, assignment and other circumstances thereof shall be governed by the provisions of Law No. 18,046 and its regulations.

At December 31, 2019 and 2018, the Company does not hold shares of the Parent Company either directly or through its investees.

Detail of capital classes in shares:

As of December 31, 2019 and 2018, the Company has not placed any new shares issues on the market

Type of capital in preferred shares	As of December 31, 2019		As of December 31, 2018	
	Serie A	Serie B	Serie A	Serie B
Description of type of capital in preferred shares				
Number of authorized shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of fully subscribed and paid shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of subscribed, partially paid shares	—	—	—	—
Par value of shares in US\$	0.9435	2.8464	0.9435	2.8464
Increase (decrease) in the number of current shares	—	—	—	—
Number of current shares	142,819,552	120,376,972	142,819,552	120,376,972
Number of shares owned by the entity or its subsidiaries or associates	—	—	—	—
Number of shares whose issuance is reserved due to the existence of options or agreements to dispose shares	—	—	—	—
Capital amount in shares ThUS\$	134,750	342,636	134,750	342,636
Amount of premium issuance ThUS\$	—	—	—	—
Amount of reserves ThUS\$	—	—	—	—
Total number of subscribed shares	142,819,552	120,376,972	142,819,552	120,376,972

19.3 Disclosures on reserves in Equity

As of December 31, 2019, 2018 and 2017, this caption comprises the following:

Disclosures on reserves un Equity	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Reserve for currency exchange conversion	(25,745)	(26,307)	(24,913)
Reserve for cash flow hedges	7,196	7,971	2,248
Reserve for gains and losses from financial assets measured at fair value through other comprehensive income	(270)	(1,111)	2,937
Reserve for actuarial gains or losses in defined benefit plans	(9,490)	(6,884)	(5,953)
Other reserves	14,086	11,332	11,332
Total	(14,223)	(14,999)	(14,349)

Reserves for foreign currency translation differences

This balance reflects retained earnings for changes in the exchange rate when converting the financial statements of subsidiaries whose functional currency is that of each company's origin country and the presentation currency is the US dollar.

Reserve for cash flow hedges

The Company maintains, as hedge instruments, financial derivatives related to obligations with the public issued in UF and Chilean pesos, Changes from the fair value of derivatives designated and classified as hedges are recognized under this classification.

Reserve for gains and losses from financial assets measured at fair value through other comprehensive income

This caption includes investments in shares where the Company has no significant influence, and these have accordingly been measured at fair value through equity. If such equity instruments are fully or partially disposed of, the proportional accumulated effect of accumulated fair value will be transferred to profit or loss.

Reserve for actuarial gains or losses in defined benefit plans

For domestic subsidiaries the effects of changes in assumptions are considered, mainly changes in the discount rate.

The subsidiary SQM North America has established pension plans for its retired employees that are calculated by measuring the projected obligation of staff severance indemnities using a net salary progressive rate net of adjustments to inflation, mortality and turnover assumptions, deducting the resulting amounts at present value using a 4% interest rate for 2019.

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

Movements	Foreign currency translation difference			Reserve for cash flow hedges		Reserve for actuarial gains and losses from defined benefit plans		Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income		Other reserves	Total reserves		
	Before taxes	Before taxes	Tax	Before taxes	Deferred taxes	Before taxes	Deferred taxes	Before taxes	Deferred taxes	Before taxes	Reserves	Deferred taxes	Total reserves
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2017	(19,463)	64	—	(5,446)	612	4,813	(1,300)	7,832	(12,200)	(688)	(12,888)	(12,888)	
Increase	1,992	4,068	—	1,092	(308)	6,090	—	3,500	16,742	(308)	16,434		
Decrease	(7,442)	(1,884)	—	(2,493)	590	(6,116)	(550)	—	(17,935)	40	(17,895)		
Closing balance as of December 31, 2017	(24,913)	2,248	—	(6,847)	894	4,787	(1,850)	11,332	(13,393)	(956)	(14,349)		
Increase	6,542	14,794	—	674	(133)	294	(79)	—	22,304	(212)	22,092		
Decrease	(7,936)	(9,071)	—	(2,003)	531	(5,841)	1,578	—	(24,851)	2,109	(22,742)		
Closing balance as of December 31, 2018	(26,307)	7,971	—	(8,176)	1,292	(760)	(351)	11,332	(15,940)	941	(14,999)		
Increase	1,824	8,628	(2,683)	—	—	1,570	(424)	3,093	15,115	(3,107)	12,008		
Decrease	(1,262)	(6,720)	—	(3,306)	700	(418)	113	(339)	(12,045)	813	(11,232)		
Closing balance as of December 31, 2019	(25,745)	9,879	(2,683)	(11,482)	1,992	392	(662)	14,086	(12,870)	(1,353)	(14,223)		

Other reserves

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

Subsidiary - Associate	As of December	As of December	As of December
	31, 2019	31, 2018	31, 2017
	ThUS\$	ThUS\$	ThUS\$
SQM Iberian S.A. (1)	9,464	9,464	9,464
SQM Europe NV	1,957	1,957	1,957
Soquimich European holding B.V.	828	828	828
Abu Dhabi Fertilizer Industries WWL	455	455	455
Doktor Tarsa Tarim Sanayi AS	305	305	305
Kore Potash PLC	2,754	—	—
Total	15,763	13,009	13,009
Corresponds to the acquisition of the subsidiary SQM Iberian S.A., which was already under Company ownership at the acquisition date (IAS 27 R).	(1,677)	(1,677)	(1,677)
Total Other reserves	14,086	11,332	11,332

(1) In the case of SQM Iberian S.A., the balance corresponds to the results obtained in the previous financial year which are presented as forming part of other reserves because of local regulations

19.4 Dividend policies

As required by Article 79 of the Chilean Companies Act, unless otherwise decided by unanimous vote of the holders of issued and subscribed shares, we must distribute a cash dividend in an amount equal to at least 30% of our consolidated profit for the year ended as of December 31, unless and except to the extent it has a deficit in retained earnings (losses not absorbed in prior years).

Dividend policy for year 2019

The Company has defined the following dividend policy:

- a) Distribute and pay, as a final dividend and in favor of the respective shareholders, a percentage of the net income that shall be determined per the following financial parameters:
 - (I) 100% of the profit for 2019 if all the following financial parameters are met: (a) “all current assets” divided by “all current liabilities” is equal to or greater than 2.5 times, and (b) the sum of “all current liabilities” and “all non-current liabilities”, less “cash equivalents”, less “other current financial assets”, all of the above divided by “total equity” in equal or less than 0.8 times.
 - (II) 80% of the profit for 2019 if all the following financial parameters are met: (a) “all current assets” divided by “all current liabilities” is equal to or greater than 2.0 times, and (b) the sum of “all current liabilities” and “all non-current liabilities”, less “cash equivalents”, less “other current financial assets”, all of the above divided by “total equity” in equal or less than 0.9 times.
 - (III) 60% of the profit for 2019 if all the following financial parameters are met: (a) “all current assets” divided by “all current liabilities” is equal to or greater than 1.5 times, and (b) the sum of “all current liabilities” and “all non-current liabilities”, less “cash equivalents”, less “other current financial assets”, all of the above divided by “total equity” in equal or less than 1.0 times.

If none of the foregoing financial parameters are met, the Company shall distribute and pay, as a final dividend, and in favor of the respective shareholders, 50% of the 2019 net income.

- b) Distribute and pay, if possible and during 2019, three interim dividends that will be charged against the aforementioned final dividend. These interim dividends shall likely be paid during the month following the approval of the March, June, and September 2019 interim financial statements, respectively, Its amounts shall be calculated as follows:
 - (i) For the interim dividends that will be charged to the accumulated net income reflected in the March 2019 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above.
 - (ii) For the interim dividends that will be charged to the accumulated net income reflected in the June 2019 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2019.
 - (iii) For the interim dividends that will be charged to the accumulated net income reflected in the September 2019 interim financial statements, the percentage distributed shall be determined per the financial parameters expressed in letter a) above, discounting the total amount of interim dividends previously distributed during 2019.
- c) The amount of the interim dividends mentioned above may vary, pursuant to the information available to the Board of Directors on the date on which it agrees to the distribution of said dividends given that the dividend will not materially or negatively affect SQM’s capacity to impact its investments, fulfill its liabilities, or in general, comply with the investment and finance policy approved at the ordinary shareholders’ meeting.
- d) At the ordinary shareholders meeting that will be held in 2020, the Board of Directors shall propose a final dividend pursuant to the financial parameters expressed in letter a) above, discounting the total amount of the interim dividends previously distributed during 2019.

- e) If there is an excess of net income in 2019, this may be retained and assigned or allocated for financing its own operations, to one or more investment projects of the Company, notwithstanding a future distribution of special dividends charged to the accumulated net income previously approved at the shareholders' meeting, or the possible and future capitalization of all or part of the latter.
- f) The payment of additional dividends is not considered.

The dividend policy described above corresponds to the intention of the Board of Directors, and the compliance of it shall depend on the net income that the Company ultimately obtains, as well as the results of periodic projections that could impact the Company, or to the existence of determined conditions that may affect it, as applicable. If the dividend policy exposed by the Board of Directors suffers a substantial change, the Company must communicate it as an essential fact.

19.5 Interim and provisional dividends

The ordinary shareholders' meeting held on April 25, 2019, agreed to distribute and pay 100% of the distributable net profit obtained by the Company during the 2018 fiscal year, as dividend. Consequently, in May 2019, the Company paid a definitive dividend of US\$ 1.67111 per share as distributable net profit obtained during the 2018 fiscal year. An amount of US\$ 1.25837 per share was subtracted from this amount, as it had already been paid as interim dividend in 2018.

On May 22, 2019, the Board agreed to pay an interim dividend equivalent to US\$ 0.30598 per share, charged to the Company's net income for 2019. This amount was paid in Chilean pesos at the official exchange rate to the Dollar published in the Official Gazette on May 29, 2019.

On August 21, 2019, the Board paid a provisional dividend equivalent to US\$ 0.26669 per share with a charge to Company earnings for 2019. Such amount was paid in its equivalent in Chilean pesos, according to the observed U.S. dollar exchange rate published in the Official Gazette on August 30, 2019. This dividend was paid to shareholders, in person or through their duly authorized representatives, starting at 9.00 a.m. on September 12, 2019. The shareholders who are registered in the Company's Shareholders' Registry five business days prior to the date of payment will be entitled to the dividend.

On November 20, 2019, the Board of Directors agreed to pay an interim dividend equivalent to US \$ 0.22987 per share, to be charged to the Company's 2019 earnings. This amount was paid in its Pesos equivalent according to the value of the Observed Dollar published in the Official Gazette of November 29, 2019.

19.6 Interim and provisional dividends

Dividends were the following:

Dividends	For the year ended	For the year ended	For the year ended
	December 31, 2019	December 31, 2018	December 31, 2017
	ThUS\$	ThUS\$	ThUS\$
Ajay SQM Chile S.A. Dividends	882	823	55,501
Soquimich Comercial S.A. Interim Dividend	3,936	7,872	—
Soquimich Comercial S.A. Payable Dividend	1,999	1,038	3,171
Non-controlling interests	6,817	9,733	58,672
Interim dividend	211,224	331,199	317,243
Additional dividend	—	100,000	—
Dividends payable	66,891	108,631	107,358
Owners of the Parent	278,115	539,8300	424,601
Dividends discounted from equity for the period	284,932	549,563	483,273

19.7 Non-controlling interest

Detail of non-controlling interests

Subsidiaries	% of interests in the ownership held by non-controlling interest	Profit (loss) attributable to non-controlling interest			Equity, non-controlling interests			Dividends paid to noncontrolling interests		
		For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
		December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2019	December 31, 2018	December 31, 2017
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Proinsa Ltda.	0.1%	—	—	—	—	—	—	—	—	—
SQM Potasio S.A.	0.00001%	—	—	—	—	—	—	—	—	—
Ajay SQM Chile S.A.	49%	740	1,176	1,023	8,517	8,659	8,306	882	823	989
Soquimich Comercial S.A.	39.3616784%	1,999	1,375	100	38,103	41,855	49,247	5,935	8,910	1,264
Comercial Agrorama Ltda.	30%	(251)	(318)	(403)	(693)	(481)	(184)	—	—	—
Agrorama S.A.	0.001%	—	—	—	—	—	—	—	—	—
Orcoma Estudios SPA	49%	—	—	—	2,277	2,277	2,277	—	—	—
SQM Indonesia S.A.	20%	—	—	—	1	1	—	—	—	—
Total		2,488	2,233	720	48,205	52,311	59,646	6,817	9,733	2,253

Note 20 Earnings per share

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

As expressed, earnings per share are detailed as follows:

	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Basic earnings per share			
Net profit attributable to owners of the parent	278,115	439,830	427,697
	For the year ended December 31, 2019 Units	For the year ended December 31, 2018 Units	For the year ended December 31, 2017 Units
Basic earnings per share			
Number of common shares in circulation	263,196,524	263,196,524	263,196,524
Basic earnings per share (US\$ per share)	1.0567	1.6711	1.6250

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

Note 21 Contingencies and restrictions

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

21.1 Lawsuits and other relevant events

- (a) Plaintiff : City of Pomona California, USA
- Defendants : SQM North America Corporation
- Date : December 2010
- Court : United States District Court Central District of California
- Reason : Payment of expenses and other amounts related to the treatment of groundwater to allow for its consumption by removing the existing perchlorate in such groundwater that allegedly comes from Chilean fertilizers.
- Status : On May 17, 2018, district judge Gary Klausner sentenced in favor of SQM NA following the verdict of the jury, On February 6, 2020, the court of appeals of the 9th circuit of United States ordered a retrial before the District Court.
- Nominal value : ~ ThUS\$ 32,000
- (b) Plaintiff : City of Lindsay, California, USA
- Defendants : SQM NA and the Company (still not noticed)
- Date : December 2010
- Court : United States District Court Eastern District of California.
- Reason : Payment of expenses and other amounts related to the treatment of groundwater to allow for its consumption by removing the existing perchlorate in such groundwater that allegedly comes from Chilean fertilizers.
- Status : Filing of the case, processing suspended.
- Nominal value : Not possible to determine.
- (c) Plaintiff : H&V Van Mele N.V.
- Defendants : NV Euroports, SQM Europe N.V. y and its insurance companies
- Date : July 2013
- Court : Commercial Court
- Reason : Alleged indirect responsibility for the absence of adequate specifications for the SOP-WS by the Belgian distributor
- Status : Sentencing against NV Euroports and subsidy SQM Europe N.V., for EUR 206,675.91, Appeal presented in November 2017
- Nominal value : ~ ThUS\$ 430

- (d) Plaintiff : Carlos Aravena Carrizo et al.
- Defendants : SQM Nitratos S.A. and its insurers
- Date : May 2014
- Court : 18th Civil Court Santiago
- Reason : Lawsuit seeking compensation for damages for alleged civil liability under tort as a result of an explosion that occurred during 2010 near Baquedano, causing the death of 6 employees
- Status : On May 7, 2019 2019 The 18th Civil Court of Santiago rejected the lawsuit. The case is before the Santiago Court of Appeals, which will hear the plaintiffs' appeal
- Nominal value : ~ ThUS\$ 1,235
- (e) Plaintiff : SQM Salar S.A. and the Company
- Defendants : Seguros Generales Suramericana S.A. (formerly - RSA Seguros Chile S.A.)
- Date : August 29, 2016.
- Court : Arbitration award in accordance with the arbitration rules established by the CAM
- Reason : Complaint for forced compliance and collection of indemnification for insurance claim of February 7 and 8, 2013
- Status : Evidence stage
- Nominal value : ~ ThUS\$ 20,658
- (f) Plaintiff : Tyne and Wear Pension Fund represented by the Council of the Borough of South Tyneside acting as Lead Plaintiff
- Defendants : The Company
- Date : January 2016
- Court : United States District Court – Southern District of New York
- Reason : Alleged damage to ADS holders of the Company resulting from alleged noncompliance with the securities regulations in the United States by the Company
- Status : Initial stage of disclosure of background information
- Nominal value : Not determined

- (g) Plaintiff : Ernesto Saldaña González et al
- Defendants : SQM Salar S.A., SQM Industrial S.A. and their insurance companies
- Date : May 2016
- Court : 13th Civil Court of Santiago
- Reason : Lawsuit seeking compensation for damages for alleged civil liability under tort law arising from the accident that occurred in July 2014 in the María Elena location
- Status : On March 6, 2019, the ruling in first instance was passed, dismissing the claim. The case is currently before the Santiago Court of Appeals, which will hear the plaintiffs' appeal.
- Nominal value : ~ ThUS\$ 515
- (h) Plaintiff : Transportes Buen Destino S.A.
- Defendants : SQM Salar.
- Date : January 24, 2018
- Court : Arbitration award in accordance with the arbitration rules established by the CAM
- Reason : Discrepancies generated in the implementation of the following contracts entered into between TBD and SQM Salar: (i) lithium brine transportation; and (ii) salt transportation
- Status : Pending evidentiary stage.
- Nominal value : ~ ThUS\$ 3,019
- (i) Plaintiff : Atacameña de Peine Indigenous Community, Atacameña de Camar Indigenous Community and the Consejo de Pueblos Atacameños.
- Defendants : SMA. SQM Salar has intervened as an independent third party.
- Date : January 30, 2019
- Court : 1st Environmental Court
- Reason : Declare the SMA's decision illegal, which approved the PdC submitted by SQM Salar.
- Status : On December 26, 2019, the First Environmental Court of Antofagasta partially accepted the claim presented by the indigenous communities, rendering null and void the SMA resolution that approved the PdC and suspended the sanctions process against SQM Salar. On January 16, 2020, motions for cassation on grounds of form and substance, filed by the Company, were declared admissible and these will be addressed and resolved by the Supreme Court.
- Nominal value : Not determined
- (j) Plaintiff : Quillagua Aymara Indigenous Community and Quechua de Huatacondo Indigenous Community
- Defendants : SMA
- Date : March 22, 2019
- Court : First Environmental Court of Santiago
- Reason : Declare the SMA's decision illegal, which approved the PdC submitted by the Company
- Status : Pending the case hearing
- Nominal value : Not determined

- (k) Plaintiff : Congresspersons Claudia Nathalie Mix Jiménez, Gael Fernanda Yeomans Araya, Camila Ruslay Rojas Valderrama et al.
 Defendants : CORFO. The entity has intervened as an independent third party
 Date : September 6, 2018
 Court : Special Magistrate, Mr. Alejandro Madrid Crohare
 Reason : To render null and void the contract for the Salar de Atacama Project signed between CORFO and SQM Salar.
 Status : Discussion stage
 Nominal value : Not determined
- (l) Plaintiff : Danilo Andrés Araya Rojas et al.
 Defendants : FPC Ingeniería y Construcción SpA, SQM S.A. and its insurers
 Date : May, 2019
 Court : 19° Civil Court of Santiago
 Reason : Claim seeking compensation for damages, for extracontractual liability resulting from the traffic accident occurring on March 5, 2018 on Route 5, kilometer 1713, near Pozo Almonte, involving an overturned pick-up truck owned by FPC resulting in the death of its two occupants, both employees of FPC, one of which was father of the four claimants. At the time the accident occurred, the employees were heading towards their homes on the SQM site in Nueva Victoria (traffic accident). The four children of one of the deceased employees are the claimants in this case, compensation for moral damages
 Status : Discussion stage
 Nominal value : ~ ThUS\$ 1,194.
- (m) Plaintiff : Servicios Logísticos Integrales Inversol SpA
 Defendants : SQM Salar
 Date : June 24, 2019.
 Court : Arbitration in accordance with the rules established by CAM
 Reason : Controversies originating in the implementation of the salt transportation contract
 Status : Discussion stage
 Nominal value : ~ ThUS\$ 7,029
- (n) Plaintiff : Fennix Industrial SpA
 Defendants : SQM Salar
 Date : April 17, 2019.
 Court : First Civil Court of Concepción.
 Reason : Disputes arising from the execution of civil works and electromechanical assembly contracts.
 Status : Pending ruling on motion to dismiss based on lack of jurisdiction.
 Nominal value : ~ ThUS\$ 770

(o) Plaintiff	Fennix Industrial SpA
Defendants	SQM Salar and other
Date	May 8, 2019.
Court	Criminal Court of San Pedro de la Paz
Reason	Alleged misappropriation of funds - controversies originating from contract execution for civil works and electromechanical assembly
Status	Research stage.
Nominal value	~ThUS\$ 436
(p) Plaintiff	Arrigoni Ingeniería y construcción S.A.
Defendants	SQM Salar
Date	November 21, 2019
Court	Arbitration award in accordance with the arbitration rules established by the CAM
Reason	Request to declare the end of Works Contract No. SC 9500002949, named "Expansion of Lithium Carbonate Plant Phase II" dated April 2, 2018
Status	Discussion stage
Nominal value	ThUS\$ 13,054

The Company and its subsidiaries have been involved and will probably continue to be involved either as plaintiffs or defendants in certain judicial proceedings that have been and will be heard by the arbitration or ordinary courts of justice that will make the final decision. Those proceedings that are regulated by the appropriate legal regulations are intended to exercise or oppose certain actions or exceptions related to certain mining claims either granted or to be granted and that do not or will not affect in an essential manner the development of the Company and its subsidiaries.

Soquimich Comercial S.A. has been involved and will probably continue being involved either as plaintiff or defendant in certain judicial proceedings through which it intends to collect and receive the amounts owed, the total nominal value of which is approximately US\$ 1.2 million.

The Company and its subsidiaries have made efforts and continues making efforts to obtain payment of certain amounts that are still owed to the Company due to its activities. Such amounts will continue to be required using judicial or non-judicial means by the plaintiffs, and the actions and exercise related to these are currently in full force and effect.

The Company and its subsidiaries have received no legal notice on lawsuits other than those indicated above, which exceed US\$ 0.2 million.

21.2 Restrictions to management or financial limits

Contracts that subscribed the issuance of bonds in the local and international market require the Company to comply with the following level of consolidated financial indicators, calculated for the last 12-month period:

Maintain a borrowing ratio less than 1.44 for the Series H bond and Series O bond.

Furthermore, both bonds establish that if the borrowing ratio (as this term is defined in the respective issuance contracts) exceeds 1.2, (provided that this does not exceed than 1.44 times), the bondholders can voluntarily and individually choose to redeem these bonds early at par value. The indebtedness ratio as of December 31, 2019 reached a proportion of 1.19.

As of December 31, 2019, the above-mentioned financial indicator has the following values:

Indicator	As of December 31, 2019	As of December 31, 2018
Leverage	1.19	1.00

Bond issue agreements issued abroad require the Company to neither merge nor dispose of the whole or a substantial part of its assets, unless all the following conditions are met: (i) the legal successor company is an entity subject to either Chilean or United States law, and assumes SQM S.A.'s obligations under a complimentary contract, (ii) the Issuer does not fail to comply immediately after the merger or disposal, and (iii) the Issuer delivers a legal opinion stating that the merger or disposal and the complimentary contract meet the requirements described in the original contract.

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

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

21.3 Environmental contingencies

On June 6, 2016, the "SMA" filed charges against the Company with respect to the Pampa Hermosa project for possible noncompliance with RCA 890/2010.

This relates to charges related to certain variables of the follow-up plan and the implementation of a mitigation measure included in the respective environmental impact assessment. The Company has presented for the approval of SMA a compliance program detailing the actions and commitments it will carry out to address the SMA's objections.

On June 29, 2017, the SMA rejected the compliance program presented by the Company. On July 10, 2017, the Company presented its rebuttals to the charges made by the SMA. On August 21, 2018, the Second Environmental Court accepted the Company's claim, ordering the SMA to take the procedure back to the stage prior to their resolution rejecting the compliance program presented by the Company.

The SMA approved SQM's proposed compliance program in its resolution dated January 26, 2019, and this program is currently being executed. On March 22, 2019, the indigenous communities of Quillagua and Huatacondo filed a complaint against the resolution that approved the compliance program before the First Environmental Court of Antofagasta (R-21-2019). This process was suspended on May 16, 2019.

The SMA issued a resolution dated November 28, 2016, rectified by a resolution dated December 23, 2016, which filed charges against SQM Salar for brine extraction in excess of authorized amounts, progressive impairment of the vitality of carob trees, providing incomplete information, amending variables, and other charges.

SQM Salar S.A. presented a compliance program that was accepted by the SMA. On December 26, 2019, the Environmental Court of Antofagasta rendered null and void the SMA ruling that approved the program and the SMA and SQM Salar presented motions for cassation against this verdict. These were accepted for processing and submitted to the Supreme Court and are currently pending final ruling. Although the ruling approving the compliance program has been rendered null and void, SQM Salar continues to comply with the measures it agreed to under this program. Once the Supreme Court resolves these issues, approval of the compliance program may be confirmed, a new program may be presented that considers other measures in agreement with the SMA or the sanctions process may be reinstated. This latter event may consider the application of fines up to US\$9 million, temporary or permanent closure of facilities and in extreme circumstances, revocation of the respective environmental permit.

21.4 Tax Contingencies

On August 26, 2016, SQM Salar filed a tax claim before the Third Tax and Customs Court of the Metropolitan Region against settlements 169, 170, 171 and 172, which extend the application of specific mining tax to lithium exploitation. The disputed amount is approximately US\$17.8 million. On November 28, 2018, the Third Tax and Customs Court rejected the claim, and the case was transferred to the Santiago Court of Appeals, following an appeal filed by SQM Salar.

On March 24, 2017, SQM Salar filed with the Third Tax and Customs Court of the Metropolitan Region a tax claim against tax assessment No. 207 of 2016 and ruling No. 156 of 2016, both issued by the Chilean IRS, which seek to expand application of the specific tax on mining activities to include lithium exploitation for tax years 2015 and 2016. The amount involved is approximately US\$14.4 million. On November 28, 2018, the Third Tax and Customs Court accepted SQM Salar's claim for US\$ 7.0 million corresponding to the overcharge made by the SII and rejected the remainder of the claim. The case is in the Santiago Court of Appeals, based on the appeal filed by SQM Salar.

These amounts are classified as current taxes receivable and non-current taxes receivable as of December 31, 2019 and 2018.

The amount in dispute is US\$ 32.2 million, and approximately US\$ 25.2 million of this sum is the potential specific mining tax associated with lithium, whereas US\$7.0 million is an excess charge by the SII regarding this latter value, the internal revenue service (SII) has acknowledged the excessive charge of US\$5.8 million, and a request has been made on October 17, 2019 for it to be returned. The difference of US\$ 1.2 million for the lower first category tax rate plus interests and fines will be reinstated at the end of the trial.

The SII has not settled differences with respect to specific mining taxes for 2016, 2017, 2018 and 2019. the current business year. As of the date of these financial statements, the Company has not made provisions for these potential differences.

If the Chilean IRS uses criteria similar to that used in previous years, it may issue an assessment in the future for the 2016, 2017, 2018 and 2019 financial years. It is reasonable to expect that should these assessments for the period 2016 through the fourth quarter of 2019 be issued, the value would be approximately US\$ 69 million (without considering potential interest and fines).

The Company continues to undertake all legal efforts to actively and decidedly defend its interests.

21.5 Contingencies regarding the Changes to the Contracts with Corfo:

On September 6, 2018, representatives Claudia Nathalie Mix Jiménez, Gael Fernanda Yeomans Araya and Camila Ruslay Rojas Valderrama and the Poder Ciudadano political party filed an annulment suit against Corfo, which requested that the Contract for the Salar de Atacama Project between Corfo and the Companies be annulled. The Companies have taken part of the process as interested third parties.

In the event that the annulment claim is approved for the Salar de Atacama Project Contract, SQM Salar may be prevented from exploit the mining claims in the Salar de Atacama that it has leased from Corfo.

21.6 Contingencies related to the Class Action lawsuit

Since October 2015, a consolidated class action lawsuit has been pending against the Company before the District Court for the Southern District of New York of the United States. The consolidated lawsuit alleges that certain statements made by the Company between June 30, 2010, and June 18, 2015, mainly in documents filed with the SEC and in Company press releases, were materially false and this constitutes a violation of Section 10 (b) of the Securities Exchange Act and of the correlative Standard 10b-5. Specifically, the consolidated lawsuit challenges certain statements issued by the Company associated with its compliance with or implementation of the laws and regulations that regulate it, the effectiveness of its internal controls, the adoption of a code of ethics consistent with SEC requirements, of its income or revenue and taxes paid, and of the applicable accounting standards. The primary plaintiff seeks compensation for the class in a yet undetermined amount for economic losses occurring as a result of the questioned statements. On January 10, 2018, the primary plaintiff filed a motion to certify a class composed of all people or entities who purchased ADSs in the Company between June 30, 2010, and March 18, 2015, and this motion is still pending with the court.

Although the Company expects to actively and decisively defend its position, the outcome of this litigation cannot be predicted.

21.7 Restricted or pledged cash

The subsidiary Isapre Norte Grande Ltda., in compliance with the provisions established by the Chilean Superintendence of Healthcare, which regulates the running of pension-related health institutions, maintains a guarantee in financial instruments delivered in deposits, custody and administration to Banco de Chile.

This guarantee, according to the regulations issued by the Chilean Superintendence of Healthcare is equivalent to the total amount owed to its members and medical providers, Banco de Chile reports the present value of the guarantee to the Chilean Superintendence of Healthcare and Isapre Norte Grande Ltda on a daily basis. As of December 31, 2019, the guarantee amounts to ThUS\$ 551.

21.8 Securities obtained from third parties

The main security received (exceeding ThUS\$ 100) from third parties to guarantee Soquimich Comercial S.A. their compliance with obligations in contracts of commercial mandates for the distribution and sale of fertilizers amounted to ThUS\$ 9,611 and ThUS\$ 9,423 on December 31, 2019 and December 31, 2018 respectively; which is detailed as follows:

Grantor	Relationship	As of December 31, 2019 ThUS\$	As of December 31, 2019 ThUS\$
Ferosor Agrícola S.A.	Unrelated Third party	5,372	3,598
Tattersall Agroinsumos S.A.	Unrelated Third party	2,000	2,000
Contador Frutos S.A.	Unrelated Third party	—	1,587
Covepa SPA	Unrelated Third party	671	720
Johannes Epple Davanzo	Unrelated Third party	300	321
Hortofrutícola La Serena	Unrelated Third party	282	294
Com. Serv Johannes Epple Davanz	Unrelated Third party	269	—
Juan Luis Gaete Chesta	Unrelated Third party	182	195
Arena Fertilizantes y Semillas	Unrelated Third party	201	216
Vicente Oyarce Castro	Unrelated Third party	213	222
Soc. Agrocom. Julio Polanco	Unrelated Third party	—	144
Bernardo Guzmán Schmidt	Unrelated Third party	121	126
Total		9,611	9,423

21.9 Indirect guarantees

Guarantees without pending balance indirectly reflect that the respective guarantees are in force and approved by the Company's Board of Directors and have not been used by the respective subsidiary.

Creditor of the guarantee	Debtor			Outstanding balances as of the closing date of the financial statements	
	Name	Relationship	Type of guarantee	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Australian and New Zealand Bank	SQM North America Corp	Subsidiary	Guarantee	-	-
Australian and New Zealand Bank	SQM Europe N.V.	Subsidiary	Guarantee	-	-
Generale Bank	SQM North America Corp	Subsidiary	Guarantee	-	-
Generale Bank	SQM Europe N.V.	Subsidiary	Guarantee	-	-
Kredietbank	SQM North America Corp	Subsidiary	Guarantee	-	-
Kredietbank	SQM Europe N.V.	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	SQM Europe N.V.	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	SQM North America Corp	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	Nitratos Naturais do Chile Ltda.	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	SQM México S.A. de C.V.	Subsidiary	Guarantee	-	-
Bancos e Instituciones Financieras	SQM Brasil Ltda.	Subsidiary	Guarantee	-	-
"BNP"	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
Sociedad Nacional de Minería A.G.	SQM Potasio S.A.	Subsidiary	Guarantee	-	-
Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Guarantee	-	-
Scotiabank & Trust (Cayman) Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Guarantee	-	-
Bank of America	Royal Seed Trading A.V.V.	Subsidiary	Guarantee	-	-
Export Development Canada	Royal Seed Trading A.V.V.	Subsidiary	Guarantee	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd.	Royal Seed Trading A.V.V.	Subsidiary	Guarantee	-	-
JP Morgan Chase Bank	SQM Industrial S.A.	Subsidiary	Guarantee	-	-
The Bank of Nova Scotia	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
Morgan Stanley Capital Services	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
The Bank of Tokyo-Mitsubishi UFJ Ltd	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
HSBC	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
Deutsche Bank AG	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-
Credit Suisse International	SQM Investment Corp. N.V.	Subsidiary	Guarantee	-	-

Note 22 Lawsuits and complaints

Investigation by the Department of Justice and the Securities Exchange Commission and Agreements

On January 13, 2017, the Company signed agreements with the DOJ and the SEC relating to their investigations into Company payments to suppliers and organizations that may have had links with politically exposed persons during the period from 2008 to 2015. As a result, the Company conducted its own internal investigation through an ad-hoc Board committee. The Company's securities are traded in the USA, so the Company is subject to US law. The Company has voluntarily submitted the results of its internal investigation and supporting documents to the DOJ, the SEC and the relevant Chilean authorities.

In accordance with the terms of the Deferred Prosecution Agreement with the DOJ, denominated DPA the Company has accepted that the DOJ formulates (i) a charge for infractions for the lack of implementation of effective internal accounting systems and internal accounting controls and (ii) a charge for infractions for failure to adequately maintain books, records and accounting sections in relation to the events investigated, Under the DPA, the DOJ has agreed not to pursue such charges against the Company for a period of 3 years and release the Company from liability after such period, inasmuch as within that period the Company complies with the terms of the DPA, These include payment of a fine of US\$15,487,500 and acceptance of an external monitor for a period of 24 months that will assess the Company's compliance program, and continue to report on the Company independently for an additional year.

In relation to the agreement with the SEC, the Company has agreed to (i) pay a fine of 15 million dollars and (ii) maintain the Monitor for the aforementioned period.

The SEC has issued a *Cease and Desist Order* that does not identify other breaches of United States regulations.

The aforementioned amounted, approximately US\$ 30.5 million, were reflected in the Company's profit and loss during the fourth quarter of 2016 in the "Other Expenses by function" line.

Note 23 Mineral resource exploration and evaluation expenditure

Given the nature of operations of the Company and the type of exploration it undertakes, disbursements for exploration can be found in 4 stages: implementation, economically feasible, not economically feasible and in exploitation:

(a) Implementation: Disbursements for prospecting under implementation and therefore prior to determination of economic feasibility, are classified in accordance with Note 3.23 as Non-Current Assets, in the line item Construction in progress of Property, Plant and Equipment.

- Chile: ThUS\$ 12,841 and ThUS\$ 10,292 corresponds to exploration relating caliche and brine exploration as of December 31, 2019 and 2018.
- For Mt Holland, total disbursements corresponding to construction in progress (which includes exploration disbursements) amount to ThUS\$ 30,475 as of December 31, 2019, and ThUS\$ 11,298 as of December 31, 2018.

(b) Economically feasible: Prospecting disbursements corresponding to caliche exploration, wherein the study concluded that its economic feasibility is viable, are classified under "Other Non-current Non-Financial Assets", The balance as of December 31, 2019, is ThUS\$ 6,576 and as of December 31, 2018, it is ThUS\$ 5,099.

At December 31, 2019, ThUS\$ 3,433 corresponding to advanced metallic exploration are also presented under the heading "Other Non-Current Non-Financial Assets". As of 31 December 2018, there were no capitalizations for this concept.

For the exploration of the Salar de Atacama, the associated assets correspond to wells that can be used both in monitoring and exploitation of the Salar, Therefore, once the studies are concluded, these are classified as "Non-current Assets" in "Properties, Plants and Equipment", assigning them a technical useful life of 10 years.

(c) Not economically feasible: Prospecting disbursements, once finalized and concluded to be not economically feasible, are charged to profit and loss. As of December 31, 2019, there was a total of ThUS\$ 165 for this concept, and as of December 31, 2018, there were no disbursements for this concept.

(d) In Exploitation: Caliche exploration disbursements that are found in this area are amortized based on the material exploited, the portion that is exploited in the following 12 months is presented as "Current Assets" in the "Process Inventories", the remaining portion is classified as "Other Non-current Non-Financial Assets".

As of December 31, 2019, the amount in "Current Assets" is ThUS\$ 1,367 and the balance as of December 31, 2018 for this concept is ThUS\$ 2,028, while in the item "Other Non-current Non-Financial Assets" as of December 31, 2019 is ThUS\$ 8,645 and as of December 31, 2018 is ThUS\$ 9,791.

Note 24 Gains (losses) from operating activities in the statement of income, included according to their nature

24.1 Revenue from operating activities

The Group generates revenues from the sale of goods (which are recognized at one point in time) and from the provision of services (which are recognized over time) and are distributed among the following geographical areas and main product and service lines.

(a) Geographic areas:

For the year ended December 31, 2019							
Geographic areas	Specialty plant nutrition	Iodine and derivatives	Lithium and derivatives	Potassium	Industrial chemicals	Other	Total ThUS\$
Chile	109,975	1,064	599	27,371	39,512	33,336	211,857
Latin America and the Caribbean	78,872	7,972	3,593	64,868	6,354	269	161,928
Europe	149,992	123,525	76,250	27,973	15,289	735	393,764
North America	243,399	90,070	45,810	43,312	27,798	883	451,272
Asia and others	141,682	148,389	379,462	48,627	5,922	752	724,834
Total	723,920	371,020	505,714	212,151	94,875	35,975	1,943,655

For the year ended December 31, 2018							
Geographic areas	Specialty plant nutrition	Iodine and derivatives	Lithium and derivatives	Potassium	Industrial chemicals	Other	Total ThUS\$
Chile	111,595	1,052	700	25,593	4,575	45,834	189,349
Latin America and the Caribbean	77,737	6,389	3,598	80,192	12,098	177	180,191
Europe	200,229	112,080	103,430	46,068	17,384	473	479,664
North America	240,995	83,587	68,254	50,685	27,347	647	471,515
Asia and others	151,195	121,864	558,819	64,936	46,863	1,407	945,084
Total	781,751	324,972	734,801	267,474	108,267	48,538	2,265,803

For the year ended December 31, 2017							
Geographic areas	Specialty plant nutrition	Iodine and derivatives	Lithium and derivatives	Potassium	Industrial chemicals	Other	Total ThUS\$
Chile	91,243	1,054	802	20,001	2,522	45,942	161,564
Latin America and the Caribbean	71,335	5,756	3,109	142,610	9,180	155	232,145
Europe	177,997	81,557	88,443	72,405	28,346	305	449,053
North America	235,963	67,491	42,918	69,105	25,824	553	441,854
Asia and others	120,713	96,265	509,301	75,205	69,706	1,517	872,707
Total	697,251	252,123	644,573	379,326	135,578	48,472	2,157,323

(b) Main product and service lines:

Products and Services	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Specialty plant nutrition	723,920	781,751	697,251
- Sodium Nitrates	20,679	17,688	18,555
- Potassium nitrate and sodium potassium nitrate	457,477	527,945	474,451
- Specialty Blends	153,739	145,511	121,263
- Other specialty fertilizers	92,025	90,607	82,982
Iodine and derivatives	371,020	324,972	252,123
Lithium and derivatives	505,714	734,801	644,573
Potassium	212,151	267,474	379,326
Industrial chemicals	94,875	108,267	135,578
Other	35,975	48,538	48,472
- Services	3,410	4,017	3,795
- Income from leasing properties	1,438	1,474	71
- Income from subleases on right-of-use assets	261	—	—
- Commodities	16,176	18,581	11,822
- Other ordinary income from Commercial Offices	14,690	24,466	32,784
Total	1,943,655	2,265,803	2,157,323

24.2 Cost of sales

Cost of sales broken down by nature of expense

Cost of sales	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Raw materials and consumables used	(271,912)	(260,869)	(227,617)
Classes of employee benefit expenses	(178,493)	(203,571)	(172,158)
Depreciation expense	(188,157)	(212,641)	(232,365)
Depreciation of Right-of-use Assets (contracts under IFRS 16)	(5,450)	—	—
Amortization expense	(5,102)	(6,376)	(7,490)
Investment plan expenses	(18,367)	(11,860)	(14,796)
Provision for site closure	(911)	(2,045)	(2,960)
Provision for materials, spare parts and supplies	(7,500)	1,721	1,746
Contractors	(123,096)	(120,923)	(118,610)
Operating leases	(47,007)	(37,245)	(36,333)
Mining concessions	(7,856)	(8,168)	(7,802)
Operations transport	(56,376)	(64,352)	(69,051)
Freight and product transport costs	(46,264)	(51,387)	(55,383)
Purchase of products from third parties	(189,583)	(182,695)	(184,226)
Insurance	(16,968)	(11,923)	(10,255)
CORFO rights	(143,861)	(182,954)	(46,274)
Export costs	(97,103)	(107,418)	(86,831)
Expenses related to variable payment leases (contracts under IFRS 16)	(1,096)	—	—
Variation in inventory	52,557	20,597	(76,009)
Variation in inventory provision	17,107	(8,997)	(14,989)
Other expenses, by nature	(48,165)	(34,525)	(33,419)
Total	(1,383,603)	(1,485,631)	(1,394,822)

24.3 Other income

Other income	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Discounts obtained from suppliers	676	705	345
Fines charged to suppliers	483	698	199
Taxes recovered	457	996	1,278
Amounts recovered from insurance	492	443	154
Overestimate of provisions for third-party obligations	983	375	586
Other operating income	2,422	1,536	4,543
Options on mining claims	5,298	16,095	2,607
Easements, pipelines and roads	7,204	10,806	4,656
Reimbursement mining licenses and notary expenses	203	394	1,196
Shares obtained in junior mining companies through options	—	—	2,263
Total	18,218	32,048	17,827

24.4 Administrative expenses

Administrative expenses	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Remuneration and benefits to employees	(60,255)	(63,880)	(51,761)
Marketing costs	(3,911)	(3,078)	(2,539)
Amortization expenses	(5)	(15)	(8)
Entertainment expenses	(5,783)	(4,805)	(4,781)
Advisory services	(13,862)	(12,848)	(14,348)
Leases	(3,653)	(4,556)	(4,097)
Insurance	(2,553)	(1,758)	(1,767)
Office expenses	(7,327)	(8,165)	(5,357)
Contractors	(4,874)	(5,730)	(4,805)
Depreciation of Right-of-use Assets (contracts under IFRS 16)	(2,501)	—	—
Other expenses, by nature	(12,456)	(13,291)	(11,708)
Total	(117,180)	(118,126)	(101,171)

24.5 Other expenses by function

Other expenses by function	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Depreciation and amortization expense			
Depreciation of assets not in use	(136)	(59)	(90)
Subtotal	(136)	(59)	(90)
Impairment losses (reversals of impairment losses) recognized in profit (loss) for the year			
Property, plant and equipment	(49)	(1,390)	—
Intangible assets other than goodwill	(913)	(1,736)	—
Goodwill	(140)	(3,254)	—
Non-current assets and disowned groups held for sale	(607)	—	—
Subtotal	(1,709)	(6,380)	—
Other expenses, by nature			
Legal expenses	(9,277)	(15,139)	(25,176)
VAT and other unrecoverable taxes	(613)	(1,187)	(1,295)
Fines paid	(145)	(965)	(1,112)
Investment plan expenses	(1,694)	(7,555)	(10,006)
Non-metallic exploration expenses	(5,537)	(5,864)	—
Donations	(5,026)	(4,502)	(5,527)
Reorganization of related businesses	—	6,000	(6,000)
Other operating expenses	(1,858)	(1,256)	(4,394)
Subtotal	(24,150)	(30,468)	(53,510)
Total	(25,995)	(36,907)	(53,600)

24.6 Other gains (losses)

Other income (expenses)	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Adjustment relating to previous year application of equity method to investments	(984)	(664)	500
Impairment of interests in joint ventures (1)	631	(8,802)	—
Sales of investments in associates	—	(759)	—
Sales of investments in joint ventures	—	14,507	—
Others	(30)	2,122	43
Total	(383)	6,404	543

24.7 Net impairment (losses)gains on reversal of financial assets

Net impairment (losses)of gains and on reversal of impairment financial assets losses	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
(Impairment loss)/ gain on reversal of financial assets	(1,057)	2,967	(8,038)
Totals	(1,057)	2,967	(8,038)

The following summary corresponds to Notes 24.1, 24.4 and 24.5

24.8 Summary of expenses by nature

Expenses by nature	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Raw materials and consumables	(271,912)	(260,869)	(227,617)
Classes of Employee Benefit Expenses	(238,748)	(267,451)	(223,919)
Depreciation and amortization expense			
Depreciation expense	(188,293)	(212,700)	(232,455)
Depreciation of Right-of-use Assets (IFRS 16)	(7,951)	—	—
Property, plant and equipment	(49)	(1,390)	—
Goodwill	(140)	(3,254)	—
Non-current assets and disowned groups held for sale	(607)	—	—
Amortization expense	(6,020)	(8,127)	(7,498)
Legal expenses	(9,277)	(15,139)	(25,176)
Investment plan expenses	(20,061)	(19,415)	(19,480)
Non-metallic exploration expenses	(5,537)	(5,864)	(5,322)
Provision for site closure	(911)	(2,045)	(2,960)
Provision for materials, spare parts and supplies	(7,500)	1,721	1,746
Contractors	(127,970)	(126,653)	(123,415)
Leases	(50,660)	(41,801)	(40,430)
Mining concessions	(7,856)	(8,168)	(7,802)
Operation transport	(56,376)	(64,352)	(69,051)
Freight and product transport costs	(46,264)	(51,387)	(55,383)
Purchase of products from third parties	(189,583)	(182,695)	(184,226)
CORFO rights	(143,861)	(182,954)	(46,274)
Export costs	(97,103)	(107,418)	(86,831)
Expenses related to Variable Parts Leases (IFRS 16)	(1,096)	—	—
Insurance	(19,521)	(13,681)	(12,022)
Restructuring of joint ventures.	—	6,000	(6,000)
Consultant and advisor services	(13,862)	(12,848)	(14,348)
Variation in inventory	52,557	20,597	(76,009)
Variation in provision on product inventory	17,107	(8,997)	(14,989)
Other expenses, by nature	(85,284)	(71,774)	(70,133)
Total	(1,526,778)	(1,640,664)	(1,549,594)

24.9 Finance expenses

Financial costs	For the period from January to December of the year		
	2019 ThUS\$	2018 ThUS\$	2017 ThUS\$
Interest expense from bank borrowings and overdrafts	(2,133)	(1,707)	(1,650)
Interest expense from bonds	(72,983)	(55,887)	(49,373)
Interest expense from loans	(2,682)	(3,093)	(2,002)
Capitalized interest expenses	7,841	5,021	4,382
Financial expenses related to rehabilitation provisions	(4,417)	(960)	—
Lease interest	(1,535)	—	—
Other finance costs	(1,030)	(1,181)	(1,481)
Total	(76,939)	(57,807)	(50,124)

Note 25 Reportable segments

25.1 Reportable segments

(a) General information:

The amount of each item presented in each operating segment is equal to that reported to the highest authority that makes decisions regarding the operation, in order to decide on the allocation of resources to the defined segments and to assess its performance.

These operating segments mentioned are consistent with the way the Company is managed and how results will be reported by the Company. These segments reflect separate operating results that are regularly reviewed by the executive responsible for operational decisions in order to make decisions about the resources to be allocated to the segment and assess its performance (See Note 25.2).

The performance of each segment is measured based on net income and revenues. Inter-segment sales are made using terms and conditions at current market rates.

(b) Factors used to identify segments on which a report should be presented:

The segments covered in the report are strategic business units that offer different products and services. These are managed separately because each business requires different technology and marketing strategies.

(c) Description of the types of products and services from which each reportable segment obtains its income from ordinary activities

The operating segments, which obtain income from ordinary activities, generate expenses and have its operating results reviewed on a regular basis by the highest authority who makes decisions regarding operations, relate to the following groups of products:

1. Specialty plant nutrients
2. Iodine and its derivatives
3. Lithium and its derivatives
4. Industrial chemicals
5. Potassium
6. Other products and services

(d) Description of income sources for all the other segments

Information regarding assets, liabilities, profits and expenses that cannot be assigned to the segments indicated above, due to the nature of production processes, is included under the "Unallocated amounts" category of the disclosed information.

(e) Basis of accounting for transactions between reportable segments

Inter-segment sales are made under the same conditions as sales to third parties and are measured consistently as presented in the statement of income.

(f) Description of the nature of the differences between measurements of results of reportable segments and the result of the entity before the expense or income tax expense of incomes and discontinued operations

The information reported in the segments is extracted from the Company's consolidated financial statements and therefore there is no need to prepare reconciliations between the data mentioned above and those reported in the respective segments, according to what is stated in paragraph 28 of IFRS 8, "Operating Segments".

For the allocation of inventory valuation costs, we identify the direct expenses (can be directly allocated to products) and the common expenses (belong to coproduction processes, for example common leaching expenses for production of Iodine and Nitrates), Direct costs are directly allocated to the product and the common costs are distributed according to percentages that consider different variables in their determination, such as margins, rotation of inventories, revenue, production and etc.

The allocation of other common costs that are not included in the inventory valuation process, but go straight to the cost of sales, use similar criteria: the costs associated with a product or sales in particular are assigned to that particular product or sales, and the common costs associated with different products or business lines are allocated according to the sales.

(g) Description of the nature of the differences between measurements of assets of reportable segments and the Company's assets

Assets are not shown classified by segments, as this information is not readily available, Some of these assets are not separable by the type of activity by which they are affected since this information is not used by management in decision-making with respect to resources to be allocated to each defined segment. All assets are disclosed in the "unallocated amounts" category.

(h) Description of the nature of the differences between measurements of liabilities of reportable segments and the Company's liabilities

Liabilities are not shown classified by segments, as this information is not readily available, Some of these liabilities are not separable by the type of activity by which they are affected, since this information is not used by management in decision-making regarding resources to be allocated to each defined segment. All liabilities are disclosed in the "unallocated amounts" category.

25.2 Reportable segment disclosures:

Operating segments for the year ended December 31, 2019	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Reportable segments	Operating segments	Unallocated amounts	Total as of December 31, 2019
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	723,920	371,020	505,714	94,875	212,151	35,975	1,943,655	1,943,655	—	1,943,655
Revenues from transactions with other operating segments of the same entity	—	—	—	—	—	—	—	—	—	—
Revenues	723,920	371,020	505,714	94,875	212,151	35,975	1,943,655	1,943,655	—	1,943,655
Costs of sales	(573,808)	(230,468)	(306,250)	(63,590)	(176,199)	(33,288)	(1,383,603)	(1,383,603)	—	(1,383,603)
Administrative expenses	—	—	—	—	—	—	—	—	(117,180)	(117,180)
Interest expense	—	—	—	—	—	—	—	—	(76,939)	(76,939)
Depreciation and amortization expense	(68,007)	(43,533)	(45,443)	(6,885)	(37,862)	(534)	(202,264)	(202,264)	—	(202,264)
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	—	—	9,786	9,786
Income tax expense, continuing operations	—	—	—	—	—	—	—	—	(110,019)	(110,019)
Income (loss) before taxes	150,112	140,552	199,464	31,285	35,952	2,687	560,052	560,052	(169,430)	390,622
Net profit	150,112	140,552	199,464	31,285	35,952	2,687	560,052	560,052	(279,449)	280,603
Assets										
Equity-accounted investees	—	—	—	—	—	—	—	—	109,435	109,435
Incorporation of non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising from insurance contracts	—	—	—	—	—	—	—	—	124,569	124,569
Increase of non-current assets	—	—	—	—	—	—	—	—	—	—
Liabilities										
Impairment loss recognized in profit or loss	—	—	—	—	—	—	—	—	(1,057)	(1,057)
Reversal of impairment losses recognized in profit or loss for the period	—	—	—	—	—	—	—	—	—	—
Cash flows from (used in) operating activities	—	—	—	—	—	—	—	—	426,971	426,971
Cash flows from (used in) investing activities	—	—	—	—	—	—	—	—	(485,471)	(485,471)
Cash flows from (used in) financing activities	—	—	—	—	—	—	—	—	105,896	105,896

Operating segments for the year ended December 31, 2018	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Reportable segments	Operating segments	Unallocated amounts	Total as of December 31, 2018
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	781,751	324,972	734,801	108,267	267,474	48,538	2,265,803	2,265,803	—	2,265,803
Revenues from transactions with other operating segments of the same entity	—	—	—	—	—	—	—	—	—	—
Revenues	781,751	324,972	734,801	108,267	267,474	48,538	2,265,803	2,265,803	—	2,265,803
Costs of sales	(613,267)	(217,464)	(316,875)	(72,964)	(217,386)	(47,675)	(1,485,631)	(1,485,631)	—	(1,485,631)
Administrative expenses	—	—	—	—	—	—	—	—	(118,126)	(118,126)
Interest expense	—	—	—	—	—	—	—	—	(57,807)	(57,807)
Depreciation and amortization expense	(79,061)	(42,438)	(42,283)	(8,454)	(47,940)	(651)	(220,827)	(220,827)	—	(220,827)
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	—	—	6,351	6,351
Income tax expense, continuing operations	—	—	—	—	—	—	—	—	(178,975)	(178,975)
Income (loss) before taxes	168,484	107,508	417,926	35,303	50,088	863	780,172	780,172	(159,134)	621,038
Net income (loss) profit	168,484	107,508	417,926	35,303	50,088	863	780,172	780,172	(338,109)	442,063
Assets	—	—	—	—	—	—	—	—	4,268,094	4,268,094
Equity-accounted investees	—	—	—	—	—	—	—	—	111,549	111,549
Incorporation of non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising from insurance contracts	—	—	—	—	—	—	—	—	(15,028)	(15,028)
Increase of non-current assets	—	—	—	—	—	—	—	—	—	—
Liabilities	—	—	—	—	—	—	—	—	2,130,292	2,130,292
Impairment loss recognized in profit or loss	—	—	—	—	—	—	—	—	2,967	2,967
Reversal of impairment losses recognized in profit or loss for the period	—	—	—	—	—	—	—	—	—	—
Cash flows from (used in) operating activities	—	—	—	—	—	—	—	—	524,839	524,839
Cash flows from (used in) investing activities	—	—	—	—	—	—	—	—	(187,004)	(187,004)
Cash flows from (used in) financing activities	—	—	—	—	—	—	—	—	(387,313)	(387,313)

Operating segments for the year ended December 31, 2017	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Reportable segments	Operating segments	Unallocated amounts	Total as of December 31, 2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	697,251	252,123	644,573	135,578	379,326	48,472	2,157,323	2,157,323	—	2,157,323
Revenues from transactions with other operating segments of the same entity	—	—	—	—	—	—	—	—	—	—
Revenues	697,251	252,123	644,573	135,578	379,326	48,472	2,157,323	2,157,323	—	2,157,323
Costs of sales	(555,356)	(199,808)	(189,242)	(91,753)	(313,690)	(44,973)	(1,394,822)	(1,394,822)	—	(1,394,822)
Administrative expenses	—	—	—	—	—	—	—	—	(101,171)	(101,171)
Interest expense	—	—	—	—	—	—	—	—	(50,124)	(50,124)
Depreciation and amortization expense	(73,702)	(44,252)	(18,036)	(16,050)	(88,130)	(356)	(240,526)	(240,526)	—	(240,526)
The entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	—	—	14,452	14,452
Income tax expense, continuing operations	—	—	—	—	—	—	—	—	(166,173)	(166,173)
Income (loss) before taxes	141,895	52,315	455,331	43,825	65,636	3,499	762,501	762,501	(167,911)	594,590
Net income (loss) profit	141,895	52,315	455,331	43,825	65,636	3,499	762,501	762,501	(334,084)	428,417
Assets									4,296,236	4,296,236
Equity-accounted investees	—	—	—	—	—	—	—	—	152,630	152,630
Incorporation of non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising from insurance contracts	—	—	—	—	—	—	—	—	—	—
Increase of non-current assets	—	—	—	—	—	—	—	—	—	—
Liabilities									2,048,768	2,048,768
Impairment loss recognized in profit or loss	(15,025)	335	1,112	(3,546)	(240)	(219)	(17,583)	(17,583)	(14,316)	(31,899)
Reversal of impairment losses recognized in profit or loss for the period	—	—	—	—	—	—	—	—	—	—
Cash flows from (used in) operating activities	—	—	—	—	—	—	—	—	758,272	758,272
Cash flows from (used in) investing activities	—	—	—	—	—	—	—	—	(248,067)	(248,067)
Cash flows from (used in) financing activities	—	—	—	—	—	—	—	—	(411,920)	(411,920)

25.3 Statement of comprehensive income classified by reportable segments based on groups of products

Items in the statement of comprehensive income as of December 31, 2019	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Corporate Unit	Total segments and Corporate unit
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	723,920	371,020	505,714	94,875	212,151	35,975	—	1,943,655
Cost of sales	(573,808)	(230,468)	(306,250)	(63,590)	(176,199)	(33,288)	—	(1,383,603)
Gross profit	150,112	140,552	199,464	31,285	35,952	2,687	—	560,052
Other income by function	—	—	—	—	—	—	18,218	18,218
Administrative expenses	—	—	—	—	—	—	(117,180)	(117,180)
Other expenses by function	—	—	—	—	—	—	(25,995)	(25,995)
Impairment of gains and review of impairment losses (impairment losses) determined in accordance with IFRS 9	—	—	—	—	—	—	(1,057)	(1,057)
Other gains (losses)	—	—	—	—	—	—	(383)	(383)
Financial income	—	—	—	—	—	—	26,289	26,289
Financial costs	—	—	—	—	—	—	(76,939)	(76,939)
interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	9,786	9,786
Exchange differences	—	—	—	—	—	—	(2,169)	(2,169)
Profit (loss) before taxes	150,112	140,552	199,464	31,285	35,952	2,687	(169,430)	390,622
Income tax expense	—	—	—	—	—	—	(110,019)	(110,019)
Net profit (loss)	150,112	140,552	199,464	31,285	35,952	2,687	(279,449)	280,603

Items in the statement of comprehensive income as of December 31, 2018	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Corporate Unit	Total segments and Corporate unit
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	781,751	324,972	734,801	108,267	267,474	48,538	—	2,265,803
Cost of sales	(613,267)	(217,464)	(316,875)	(72,964)	(217,386)	(47,675)	—	(1,485,631)
Gross profit	168,484	107,508	417,926	35,303	50,088	863	—	780,172
Other incomes by function	—	—	—	—	—	—	32,048	32,048
Administrative expenses	—	—	—	—	—	—	(118,126)	(118,126)
Other expenses by function	—	—	—	—	—	—	(36,907)	(36,907)
Impairment of gains and review of impairment losses (impairment losses) determined in accordance with IFRS 9	—	—	—	—	—	—	2,967	2,967
Other gains (losses)	—	—	—	—	—	—	6,404	6,404
Financial income	—	—	—	—	—	—	22,533	22,533
Financial costs	—	—	—	—	—	—	(57,807)	(57,807)
interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	6,351	6,351
Exchange differences	—	—	—	—	—	—	(16,597)	(16,597)
Profit (loss) before taxes	168,484	107,508	417,926	35,303	50,088	863	(159,134)	621,038
Income tax expense	—	—	—	—	—	—	(178,975)	(178,975)
Net profit (loss)	168,484	107,508	417,926	35,303	50,088	863	(338,109)	442,063

Items in the statement of comprehensive income as of December 31, 2017	Specialty plant nutrients	Iodine and its derivatives	Lithium and its derivatives	Industrial chemicals	Potassium	Other products and services	Corporate Unit	Total segments and Corporate unit
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	623,853	231,144	514,627	104,137	403,323	62,238	—	1,939,322
Cost of sales	(478,074)	(191,298)	(175,616)	(67,378)	(359,477)	(56,442)	—	(1,328,285)
Gross profit	145,779	39,846	339,011	36,759	43,846	5,796	—	611,037
Other incomes by function	—	—	—	—	—	—	15,202	15,202
Administrative expenses	—	—	—	—	—	—	(88,436)	(88,436)
Other expenses by function	—	—	—	—	—	—	(82,533)	(82,533)
Impairment of gains and review of impairment losses (impairment losses) determined in accordance with IFRS 9	—	—	—	—	—	—	7,198	7,198
Other gains (losses)	—	—	—	—	—	—	679	679
Financial income	—	—	—	—	—	—	10,129	10,129
Financial costs	—	—	—	—	—	—	(57,498)	(57,498)
interest in the profit or loss of associates and joint ventures accounted for by the equity method	—	—	—	—	—	—	13,047	13,047
Exchange differences	—	—	—	—	—	—	460	460
Net profit (loss) before taxes	145,779	39,846	339,011	36,759	43,846	5,796	(181,752)	429,285
Income tax expense	—	—	—	—	—	—	(132,965)	(132,965)
Net profit (loss)	145,779	39,846	339,011	36,759	43,846	5,796	(314,717)	296,320

25.4 Disclosures on geographical areas

As indicated in paragraph 33 of IFRS 8, the entity discloses geographical information on its revenue from operating activities with external customers and from non-current assets that are not financial instruments, deferred income tax assets, assets related to post-employment benefits or rights derived from insurance contracts.

25.5 Disclosures on main customers

With respect to the degree of dependency of the Company on its customers, in accordance with paragraph 34 of IFRS 8, the Company has no external customers who individually represent 10% or more of its revenue. Credit risk concentrations with respect to trade and other accounts receivable are limited due to the significant number of entities in the Company's portfolio and its worldwide distribution. The Company's policy requires guarantees (such as letters of credit, guarantee clauses and others) and/or to maintain insurance policies for certain accounts as deemed necessary by the Company's Management.

Items as of December 31, 2019	Chile	Latin America and the Caribbean	Europe	North America	Asia and others	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	211,857	161,928	393,764	451,272	724,834	1,943,655
Investment accounted for under the equity method	—	(5,175)	42,243	14,669	57,698	109,435
Intangible assets other than goodwill	106,910	420	1,397	2,683	76,948	188,358
Goodwill	23,205	—	11,521	—	—	34,726
Property, plant and equipment, net	1,559,080	513	6,241	8,333	32,903	1,607,070
Other non-current assets	20,321	28	4	(624)	—	19,729
Non-current assets	1,709,516	(4,214)	61,406	25,061	167,549	1,959,318

Items as of December 31, 2018	Chile	Latin America and the Caribbean	Europe	North America	Asia and others	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue	189,349	180,189	479,664	471,515	945,086	2,265,803
Investment accounted for under the equity method	(6,588)	—	61,256	16,115	40,766	111,549
Intangible assets other than goodwill	110,544	1,215	238	152	77,201	189,350
Goodwill	22,535	86	11,521	724	—	34,866
Property, plant and equipment, net	1,445,349	347	4,451	3,098	1,578	1,454,823
Other non-current assets	17,111	23	—	(892)	11,297	27,539
Non-current assets	1,588,951	1,671	77,466	19,197	130,842	1,818,127

25.6 Property, plant and equipment classified by geographical areas

The company's main production facilities are located near their mines and extraction facilities in northern Chile. The following table presents the main production facilities as of December 31, 2019 and December 31, 2018:

Location	Products
- Pedro de Valdivia	: Production of iodine and nitrate salts
- María Elena	: Production of iodine and nitrate salts
- Coya Sur	: Production of nitrate salts
- Nueva Victoria	: Production of iodine and nitrate salts
- Salar de Atacama	: Potassium chloride, lithium chloride, boric acid and potassium sulfate
- Salar del Carmen	: Production of lithium carbonate and lithium hydroxide
- Tocopilla	: Port facilities

Note 26 Borrowing costs

The cost of interest is recognized as an expense in the year in which it is incurred, except for interest that is directly related to the acquisition and construction of tangible property, plant and equipment assets and that complies with the requirements of IAS 23.

The Company capitalizes all interest costs directly related to the construction or to the acquisition of property, plant and equipment, which require a substantial time to be suitable for use.

(a) Costs of capitalized interest, property, plant and equipment

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

Financing costs are not activated for periods that exceed the normal term for acquisition, construction or installation of the property; such is the case for delays, interruptions or temporary suspension of the project due to technical, financial or other problems that make it impossible to leave the property in usable conditions.

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

Costs of capitalized interest	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Capitalization rate of costs for capitalized interest	4%	4%
Amount of interest capitalized in ThUS\$	7,841	5,021

Note 27 Effect of fluctuations in foreign currency exchange rates

a) Foreign currency exchange differences recognized in profit or loss and other comprehensive income:

Exchange rate differences recognized in income and other comprehensive income	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Conversion foreign exchange gains (losses) recognized in the result of the year.	(2,169)	(16,597)	(1,299)
Reserves for translation differences			
Conversion foreign exchange reserves attributable to the owners of the controlling entity.	562	(1,394)	(5,450)
Conversion foreign exchange reserves attributable to the non-controlling entity.	226	174	4
Total	788	(1,220)	(5,446)

b) Reserves for foreign currency exchange differences, Equity:

As of December 31, 2019, 2018 and 2017, foreign currency exchange differences are detailed as follows:

Detail	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Changes in equity generated by conversion of equity value:			
Comercial Hydro S.A.	1,004	1,004	1,004
SQMC Internacional Ltda.	(9)	(17)	(2)
Proinsa Ltda.	(10)	(11)	(7)
Comercial Agrorama Ltda.	33	(21)	(44)
Isapre Norte Grande Ltda.	(44)	(1)	(74)
Almacenes y Depósitos Ltda.	142	113	97
Sacal S.A.	(3)	(3)	—
Sociedad prestadora de servicios de Salud Cruz del Norte S.A.	(19)	(10)	—
Agrograma S.A.	231	132	(98)
Doktor Tarsa Tarim Sanayi AS	(13,811)	(13,811)	(14,447)
SQM Vitas Fzco.	(2,267)	(2,682)	(1,779)
Ajay Europe S.A.R.L	(1,449)	(1,270)	—
SQM Eastmed Turkey	(155)	(113)	(92)
Doctochem Tarim Sanayi LTD	7	—	—
Coromandel SQM India	(431)	(393)	(234)
SQM Italia SRL	(236)	(213)	(154)
SQM Oceanía Pty Ltd.	(634)	(634)	(634)
SQM Indonesia S.A.	(124)	(124)	(124)
Abu Dhabi Fertilizers Industries WWL.	372	(435)	(435)
SQM Vitas Holland	(197)	(170)	(101)
SQM Thailand Limited	(68)	(68)	(68)
SQM Europe N.V.	(1,983)	(1,983)	(1,550)
SQM Australia Pty Ltd.	(4,035)	(4,222)	154
Pavoni & C. Spa	(185)	70	—
Terra Tarsa BV	116	(82)	—
Plantacote NV	(16)	(34)	—
Doktolab Tarim Arastirma San.	(54)	(29)	—
Kore Potash PLC (a)	(1,754)	(1,206)	—
SQM Colombia SAS	(166)	(94)	—
Minera Exar S.A.	—	—	(5,209)
Charlee SQM (Thailand) Co. Ltd.	—	—	(285)
Ajay Europe S.A.R.L.	—	—	(831)
Total	(25,745)	(26,307)	(24,913)

c) Functional and presentation currency

The functional currency of these companies corresponds to the currency of the country of origin of each entity, and its presentation currency is the U.S. dollar.

d) Reasons to use one presentation currency and a different functional currency

- The total revenues of these subsidiaries are associated with the local currency.
- The commercialization cost structure of these companies is affected by the local currency.

Note 28 Disclosures on the effects of fluctuations in foreign currency exchange rates

Assets held in foreign currency subject to fluctuations in exchange rates are detailed as follows:

Class of assets	Currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Cash and cash equivalents	USD	558,572	353,674
Cash and cash equivalents	ARS	3	2
Cash and cash equivalents	CLP	8,240	157,500
Cash and cash equivalents	CNY	2,484	2,305
Cash and cash equivalents	EUR	3,131	4,738
Cash and cash equivalents	GBP	3	—
Cash and cash equivalents	AUD	8,492	29,598
Cash and cash equivalents	INR	6	—
Cash and cash equivalents	MXN	2,103	1,242
Cash and cash equivalents	PEN	4	1
Cash and cash equivalents	AED	—	1
Cash and cash equivalents	JPY	1,559	1,786
Cash and cash equivalents	ZAR	3,929	5,219
Cash and cash equivalents	IDR	3	—
Cash and cash equivalents	PLN	1	—
Subtotal cash and cash equivalents		588,530	556,066
Other current financial assets	USD	127,889	291,790
Other current financial assets	CLF	36,896	—
Other current financial assets	CLP	340,705	20,931
Subtotal other current financial assets		505,490	312,721
Other current non-financial assets	USD	16,535	19,523
Other current non-financial assets	ARS	—	2
Other current non-financial assets	AUD	285	102
Other current non-financial assets	BRL	2	—
Other current non-financial assets	CLF	31	47
Other current non-financial assets	CLP	24,374	20,276
Other current non-financial assets	CNY	326	8
Other current non-financial assets	EUR	3,055	3,153
Other current non-financial assets	MXN	2,629	3,274
Other current non-financial assets	THB	22	19
Other current non-financial assets	JPY	174	21
Other current non-financial assets	ZAR	3,119	1,547
Subtotal other current non-financial assets		50,552	47,972
Trade and other receivables	USD	225,554	255,528
Trade and other receivables	PEN	6	—
Trade and other receivables	BRL	19	20
Trade and other receivables	CLF	504	453
Trade and other receivables	CLP	56,023	71,730
Trade and other receivables	CNY	3,340	11,361
Trade and other receivables	EUR	24,925	31,426
Trade and other receivables	GBP	148	—
Trade and other receivables	MXN	211	452
Trade and other receivables	AED	1,193	15,841
Trade and other receivables	THB	1,695	2,970
Trade and other receivables	JPY	66,266	76,267
Trade and other receivables	AUD	801	—
Trade and other receivables	ZAR	15,900	571
Trade and other receivables	COP	2,557	—
Subtotal trade and other receivables		399,142	466,619
Receivables from related parties	USD	60,135	42,685
Receivables from related parties	EUR	1,092	105
Subtotal receivables from related parties		61,227	42,790
Current inventories	USD	983,338	913,674
Subtotal Current inventories		983,338	913,674

Assets held in foreign currency subject to fluctuations in exchange rates are detailed as follows:

Class of assets	Currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Current tax assets	USD	87,509	52,033
Current tax assets	ARS	1	2
Current tax assets	CLP	1,623	601
Current tax assets	EUR	61	3,500
Current tax assets	MXN	1,806	843
Current tax assets	PEN	—	131
Current tax assets	ZAR	139	—
Current tax assets	COP	294	—
Subtotal current tax assets		91,433	57,110
Non-current assets or groups of assets classified as held for sale	USD	2,454	1,430
Subtotal Non-current assets or groups of assets classified as held for sale		2,454	1,430
Total current assets		2,682,166	2,398,382
Non-current assets			
Other non-current financial assets	USD	8,687	17,039
Other non-current financial assets	CLP	20	20
Other non-current financial assets	JPY	71	72
Subtotal Other non-current financial assets		8,778	17,131
Other non-current non-financial assets	USD	19,101	26,758
Other non-current non-financial assets	BRL	22	23
Other non-current non-financial assets	COP	6	—
Other non-current non-financial assets	EUR	4	—
Other non-current non-financial assets	CLP	596	758
Subtotal Other non-current non-financial assets		19,729	27,539
Other receivables, non-current	USD	522	139
Other receivables, non-current	CLF	165	329
Other receivables, non-current	MXN	43	—
Other receivables, non-current	CLP	980	1,807
Subtotal Other receivables, non-current		1,710	2,275
Investments classified using the equity method of accounting	USD	57,777	41,923
Investments classified using the equity method of accounting	TRY	26,624	21,892
Investments classified using the equity method of accounting	AED	9,111	31,023
Investments classified using the equity method of accounting	EUR	14,315	14,929
Investments classified using the equity method of accounting	INR	1,568	1,729
Investments classified using the equity method of accounting	THB	40	53
Subtotal Investments classified using the equity method of accounting		109,435	111,549
Intangible assets other than goodwill	USD	185,951	189,265
Intangible assets other than goodwill	MXN	1,137	—
Intangible assets other than goodwill	CLP	136	85
Intangible assets other than goodwill	EUR	1,134	—
Subtotal intangible assets other than goodwill		188,358	189,350
Purchases goodwill, gross	USD	34,438	34,866
Purchases goodwill, gross	CLP	140	—
Purchases goodwill, gross	EUR	148	—
Subtotal Purchases goodwill, gross		34,726	34,866
Property, plant and equipment	USD	1,593,324	1,451,436
Property, plant and equipment	CLP	3,294	3,387
Property, plant and equipment	EUR	4,756	—
Property, plant and equipment	MXN	5,588	—
Property, plant and equipment	COP	108	—
Subtotal property, plant and equipment		1,607,070	1,454,823
Current tax assets, non-current	USD	32,179	32,179
Subtotal Current tax assets, non-current		32,179	32,179
Total non-current assets		2,001,985	1,869,712
Total assets		4,684,151	4,268,094

Current liabilities	Currency	As of December 31, 2019			As of December 31, 2018		
		Up to90 days ThUS\$	91 days to 1 year ThUS\$	Total ThUS\$	Up to90 days ThUS\$	91 days to 1 year ThUS\$	Total ThUS\$
Current liabilities							
Other current financial liabilities	USD	20,582	258,388	278,970	12,471	4,464	16,935
Other current financial liabilities	CLF	19,518	323	19,841	342	6,256	6,598
Other current financial liabilities	BRL	11	—	11	52	—	52
Subtotal other current financial liabilities		40,111	258,711	298,822	12,865	10,720	23,585
Trade and other payables	USD	44,146	—	44,146	51,489	3	51,492
Trade and other payables	ARS	—	—	—	4,082	—	4,082
Trade and other payables	BRL	10	—	10	34	—	34
Trade and other payables	THB	53	—	53	65	—	65
Trade and other payables	CLP	73,703	17,108	90,811	69,789	—	69,789
Trade and other payables	EUR	58,538	5	58,543	36,439	—	36,439
Trade and other payables	GBP	17	—	17	—	—	—
Trade and other payables	INR	1	—	1	1	—	1
Trade and other payables	MXN	5,122	—	5,122	7	—	7
Trade and other payables	PEN	5	—	5	—	—	—
Trade and other payables	AUD	4,442	—	4,442	—	—	—
Trade and other payables	ZAR	2,260	—	2,260	1,842	—	1,842
Trade and other payables	AED	188	—	188	—	—	—
Trade and other payables	COP	192	—	192	—	—	—
Subtotal trade and other payables		188,677	17,113	205,790	163,748	3	163,751
Trade payables due to related parties, current	USD	475	—	475	—	9	9
Subtotal Trade payables due to related parties, current		475	—	475	—	9	9
Other current provisions	USD	109,650	820	110,470	74,020	31,150	105,170
Other current provisions	ARS	7	—	7	—	13	13
Other current provisions	BRL	—	—	—	707	—	707
Other current provisions	CLP	82	—	82	—	64	64
Other current provisions	EUR	6	—	6	243	—	243
Subtotal other current provisions		109,745	820	110,565	74,970	31,227	106,197
Current tax liabilities	USD	2,863	14,994	17,857	—	41,612	41,612
Current tax liabilities	CLP	—	17	17	—	31	31
Current tax liabilities	BRL	—	—	—	—	3	3
Current tax liabilities	CNY	—	—	—	—	8	8
Current tax liabilities	EUR	—	—	—	4,548	1,000	5,548
Current tax liabilities	ZAR	—	—	—	—	201	201
Current tax liabilities	MXN	—	—	—	—	9	9
Subtotal current tax liabilities		2,863	15,011	17,874	4,548	42,864	47,412

Class of liability	Currency	As of December 31, 2019			As of December 31, 2018		
		Up to 90 days ThUS\$	91 days to 1 year ThUS\$	Total ThUS\$	Up to 90 days ThUS\$	91 days to 1 year ThUS\$	Total ThUS\$
Provisions for employee benefits, current	USD	12,486	3,901	16,387	20,085	—	20,085
Subtotal Provisions for employee benefits, current		12,486	3,901	16,387	20,085	—	20,085
Other current non-financial liabilities	USD	117,136	154	117,290	176,506	2,489	178,995
Other current non-financial liabilities	THB	30	—	30	158	—	158
Other current non-financial liabilities	BRL	3	—	3	3	—	3
Other current non-financial liabilities	CLP	5,969	2,439	8,408	7,703	6,431	14,134
Other current non-financial liabilities	CNY	—	—	—	11	40	51
Other current non-financial liabilities	EUR	842	—	842	1,053	—	1,053
Other current non-financial liabilities	MXN	129	64	193	103	46	149
Other current non-financial liabilities	JPY	21	12	33	—	—	—
Other current non-financial liabilities	PEN	70	—	70	70	—	70
Other current non-financial liabilities	ZAR	10	—	10	11	—	11
Other current non-financial liabilities	COP	20	—	20	—	—	—
Subtotal other current non-financial liabilities		124,230	2,669	126,899	185,618	9,006	194,624
Total current liabilities		478,587	298,225	776,812	461,834	93,829	555,663

Class of liability	Currency	As of December 31, 2019					Total ThUS\$
		1 to 2 years ThUS\$	2 to 3 years ThUS\$	3 to 4 years ThUS\$	4 to 5 years ThUS\$	Over 5 years ThUS\$	
Non-current liabilities							
Other non-current financial liabilities	USD	89,896	42,336	313,749	13,749	647,258	1,106,988
Other non-current financial liabilities	CLF	—	—	—	—	411,938	411,938
Subtotal Other non-current financial liabilities		89,896	42,336	313,749	13,749	1,059,196	1,518,926
Other non-current provisions	USD	23,014	167	—	1,452	10,057	34,690
Subtotal Other non-current provisions		23,014	167	—	1,452	10,057	34,690
Deferred tax liabilities	USD	69,048	—	—	114,353	10	183,411
Subtotal Deferred tax liabilities		69,048	—	—	114,353	10	183,411
Provisions for employee benefits, non-current	USD	34,884	—	—	—	—	34,884
Provisions for employee benefits, non-current	CLP	519	—	—	—	—	519
Provisions for employee benefits, non-current	MXN	236	—	—	—	—	236
Provisions for employee benefits, non-current	JPY	201	—	—	—	—	201
Subtotal Provisions for employee benefits, non-current		35,840	—	—	—	—	35,840
Total non-current liabilities		217,798	42,503	313,749	129,554	1,069,263	1,772,867
Total liabilities							2,549,679

Class of liability	Currency	As of December 31, 2018					Total ThUS\$
		1 to 2 years ThUS\$	2 to 3 years ThUS\$	3 to 4 years ThUS\$	4 to 5 years ThUS\$	Over 5 years ThUS\$	
Non-current liabilities							
Other non-current financial liabilities	USD	249,869	80,903	297,994	—	247,798	876,564
Other non-current financial liabilities	CLF	—	—	—	—	453,818	453,818
Subtotal Other non-current financial liabilities		249,869	80,903	297,994	—	701,616	1,330,382
Other non-current provisions	USD	28,822	3,000	—	—	—	31,822
Subtotal Other non-current provisions		28,822	3,000	—	—	—	31,822
Deferred tax liabilities	USD	63,534	33,355	56,040	—	22,432	175,361
Subtotal Deferred tax liabilities		63,534	33,355	56,040	—	22,432	175,361
Provisions for employee benefits, non-current	USD	—	9,081	—	—	27,116	36,197
Provisions for employee benefits, non-current	CLP	—	—	—	—	521	521
Provisions for employee benefits, non-current	MXN	—	—	—	—	175	175
Provisions for employee benefits, non-current	YEN	—	—	—	—	171	171
Subtotal Provisions for employee benefits, non-current		—	9,081	—	—	27,983	37,064
Total non-current liabilities		342,225	126,339	354,034	—	752,031	1,574,629
Total liabilities							2,130,292

Note 29 Income tax and deferred taxes

Accounts receivable from taxes as of December 31, 2019 and December 31, 2018, are as follows:

29.1 Current and non-current tax assets

a) Current tax assets

Current tax assets	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Monthly provisional income tax payments, Chilean companies	47,283	21,172
Monthly provisional income tax payments, foreign companies	124	5,199
Corporate tax credits (1)	1,262	1,858
1st category tax absorbed by tax loss (2)	916	—
Taxes in recovery process	41,848	28,881
Total	<u>91,433</u>	<u>57,110</u>

b) Non-current tax assets

Non-current tax assets	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Monthly provisional income tax payments, Chilean companies compensated by the specific tax on mining activity (Lithium)	6,398	6,398
Specific tax on mining activities (IEAM) paid by Lithium (on consignment)	25,781	25,781
Total	<u>32,179</u>	<u>32,179</u>

(1) These credits are available for Companies and are related to corporate tax payments in April of the following year. These credits include, among others, credits for training expenses (SENCE), credits for acquisition of fixed assets, donations and credits in Chile for taxes paid abroad.

(2) This concept corresponds to the absorption of the tax losses determined by the company at the end of the year, which must be attributed to the dividends received during the year.

29.2 Current tax liabilities

Current tax liabilities	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
1st Category income tax	7,863	25,163
Foreign company income tax	9,944	21,097
Article 21 single tax	67	1,152
Total	<u>17,874</u>	<u>47,412</u>

Income tax is calculated based on the profit or loss for tax purposes that is applied to the effective tax rate applicable in Chile. As established by Law No. 20,780, a progressive income tax rate has been established, which is 27% from 2018.

The royalty is determined by applying the taxable rate to the net operating income obtained. According to the chart in force, the Company currently provisioned 5% for mining royalties that involve operations in the Salar de Atacama and 5.24% for caliche extraction operations.

The income tax rate for the main countries where the Company operates is presented below:

Country	Income tax 2019	Income tax 2018
Spain	25%	25%
Belgium	29.58%	29.58%
Mexico	30%	30%
United States	21% + 6%	21% + 6%
South Africa	28%	28%

29.3 Income tax and deferred taxes

Assets and liabilities recognized in the statement of financial position are offset if and only if:

- 1 The Company has recognized legally the right to offset the amounts recognized in these entries; and
- (b) Deferred income tax assets and liabilities are derived from income tax related to the same tax authority on:
 - (i) the same entity or tax subject; or
 - (ii) different entities or tax subjects who intend either to settle current fiscal assets and liabilities for their net amount, or to exercise tax assets and pay liabilities simultaneously in each of the future periods in which the Company expects to settle or recover significant amounts of deferred tax assets or liabilities.

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

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

The Company recognizes a deferred tax asset when there is certainty that these can be offset with tax income from subsequent periods, losses or fiscal credits not yet used, but solely as long as it is more likely than not that there will be tax earnings in the future against which to charge these losses or unused fiscal credits.

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

(a) Income tax assets and liabilities as of December 31, 2019 are detailed as follows:

Description of deferred tax assets and liabilities as of December 31, 2019

	Net liability position	
	Assets ThUS\$	Liabilities ThUS\$
Unrealized losses	82,075	—
Property, plant and equipment and capitalized interest	—	(197,167)
Provision of restoration and rehabilitation	7,313	—
Manufacturing expenses	—	(106,420)
Staff severance indemnities, unemployment insurance	—	(6,000)
Vacation accrual	5,591	—
Inventory provision	23,885	—
Materials provision	7,982	—
Forward	—	—
Employee benefits	2,689	—
Research and development expenses	—	(3,533)
Bad debt provisions	3,542	—
Provision for legal complaints and expenses	2,546	—
Loan approval expenses	—	(3,856)
Financial instruments recorded at market value	—	(1,287)
specific tax on mining activity	—	(1,357)
Tax loss benefit	2,296	—
Other	—	(2,021)
Foreign items (other)	311	—
Balances to date	138,230	(321,641)
Net balance	138,230	(183,411)

(b) Income tax assets and liabilities as of December 31, 2018 are detailed as follows

Description of deferred tax assets and liabilities as of December 31, 2018

	Net liability position	
	Assets ThUS\$	Liabilities ThUS\$
Unrealized losses	75,832	—
Property, plant and equipment and capitalized interest	—	(196,843)
Provision of restoration and rehabilitation	4,280	—
Manufacturing expenses	—	(103,760)
Staff severance indemnities, unemployment insurance	—	(5,679)
Vacation accrual	5,155	—
Inventory provision	28,155	—
Materials provision	6,239	—
Forward	2,169	—
Employee benefits	3,309	—
Research and development expenses	—	(2,216)
Bad debt provisions	4,188	—
Provision for legal complaints and expenses	4,013	—
Loan approval expenses	—	(2,337)
Financial instruments recorded at market value	—	(976)
specific tax on mining activity	—	(3,278)
Tax loss benefit	1,124	—
Other	5,005	—
Foreign items (other)	259	—
Balances at the reporting date	139,728	(315,089)
Net balance	139,728	(175,361)

(c) Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2019

Reconciliation of changes in deferred tax liabilities (assets) for the year ended December 31, 2019	Deferred tax liability (asset) at beginning of period ThUS\$	Deferred tax expense (benefit) recognized in profit (loss) for the year ThUS\$	Deferred taxes related to items credited (charged) directly to equity ThUS\$	Total increases (decreases) in deferred tax liabilities (assets) ThUS\$	Deferred tax liability (asset) at end of period ThUS\$
Unrealized losses	(75,832)	(6,243)	—	(6,243)	(82,075)
Property, plant and equipment and capitalized interest	196,843	324	—	324	197,167
Provision of restoration and rehabilitation	(4,280)	(3,033)	—	(3,033)	(7,313)
Manufacturing expenses	103,760	2,660	—	2,660	106,420
Staff severance indemnities, unemployment insurance	5,679	1,007	(686)	321	6,000
Vacation accrual	(5,155)	(436)	—	(436)	(5,591)
Inventory provision	(28,155)	4,270	—	4,270	(23,885)
Materials provision	(6,239)	(1,743)	—	(1,743)	(7,982)
Forward	(2,169)	(514)	2,683	2,169	—
Employee benefits	(3,309)	620	—	620	(2,689)
Research and development expenses	2,216	1,317	—	1,317	3,533
Bad debt provisions	(4,188)	646	—	646	(3,542)
Provision for legal complaints and expenses	(4,013)	1,467	—	1,467	(2,546)
Loan approval expenses	2,337	1,519	—	1,519	3,856
Financial instruments recorded at market value	976	—	311	311	1,287
specific tax on mining activity	3,278	(1,905)	(16)	(1,921)	1,357
Tax loss benefit	(1,124)	(1,172)	—	(1,172)	(2,296)
Other	(5,005)	7,026	—	7,026	2,021
Foreign items (other)	(259)	(52)	—	(52)	(311)
Total temporary differences, unused losses and unused tax credits	175,361	5,758	2,292	8,050	183,411

(d) Reconciliation of changes in deferred tax liabilities (assets) as of December 31, 2018

Reconciliation of changes in deferred tax liabilities (assets) for the year ended December 31, 2018	Deferred tax liability (asset) at beginning of period ThUS\$	Deferred tax expense (benefit) recognized in profit (loss) for the year ThUS\$	Deferred taxes related to items credited (charged) directly to equity ThUS\$	Total increases (decreases) in deferred tax liabilities (assets) ThUS\$	Deferred tax liability (asset) at end of period ThUS\$
Unrealized losses	(68,544)	(7,288)	—	(7,288)	(75,832)
Property, plant and equipment and capitalized interest	211,374	(14,531)	—	(14,531)	196,843
Provision of restoration and rehabilitation	(3,469)	(811)	—	(811)	(4,280)
Manufacturing expenses	102,748	1,012	—	1,012	103,760
Staff severance indemnities, unemployment insurance	6,792	(667)	(446)	(1,113)	5,679
Vacation accrual	(4,887)	(268)	—	(268)	(5,155)
Inventory provision	(25,172)	(2,983)	—	(2,983)	(28,155)
Materials provision	(7,107)	868	—	868	(6,239)
Forward	(624)	(1,545)	—	(1,545)	(2,169)
Employee benefits	(2,317)	(992)	—	(992)	(3,309)
Research and development expenses	3,501	(1,285)	—	(1,285)	2,216
Bad debt provisions	(4,253)	686	(621) ¹	65	(4,188)
Provision for legal complaints and expenses	(5,243)	1,230	—	1,230	(4,013)
Loan approval expenses	2,670	(333)	—	(333)	2,337
Financial instruments recorded at market value	2,474	—	(1,498)	(1,498)	976
specific tax on mining activity	4,084	(795)	(11)	(806)	3,278
Tax loss benefit	(1,437)	313	—	313	(1,124)
Other	(5,002)	(64)	61	(3)	(5,005)
Foreign items (other)	(305)	46	—	46	(259)
Total temporary differences, unused losses and unused tax credits	205,283	(27,407)	(2,515)	(29,922)	175,361

(1) This corresponds to the adjustment to the beginning balance of the impairment provision for receivables against other reserves.

(e) Deferred taxes related to benefits for tax losses

The Company's tax loss carryforwards were mainly generated by losses in Chile, which in accordance with current Chilean tax regulations have no expiration date.

As of December 31, 2019 and 2018, tax loss carryforwards are detailed as follows:

Deferred taxes related to benefits for tax losses	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Chile	2,296	1,124
Total	2,296	1,124

The tax losses as of December 31, 2019 that form the basis of these deferred taxes correspond mainly to SIT S.A., Exploraciones Mineras S.A., Comercial Agrorama Ltda. and Orcoma Estudio SpA.

(f) Movements in deferred tax assets and liabilities

Movements in deferred tax assets and liabilities as of December 31, 2019 and December 31, 2018 are detailed as follows:

Movements in deferred tax assets and liabilities	Assets (liabilities)	
	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Deferred tax assets and liabilities, net opening balance	(175,361)	(205,283)
Increase (decrease) in deferred taxes in profit or loss	(5,758)	27,407
Increase (decrease) in deferred taxes in equity	(2,292)	2,515
Total	(183,411)	(175,361)

(g) Disclosures on income tax expense (income)

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

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

(ii) a business combination

Current and deferred tax (expense) benefit are detailed as follows:

Disclosures on income tax expense (benefit)	Assets (liabilities)		
	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
	ThUS\$	ThUS\$	ThUS\$
Current income tax expense			
Current tax expense	(116,483)	(207,959)	(182,567)
Adjustments to prior year current income tax	12,222	1,577	15,954
Current income tax expense, net, total	(104,261)	(206,382)	(166,613)
Deferred tax expense			
Deferred tax expense (income) relating to the creation and reversal of temporary differences	2,551	26,434	440
Tax adjustments related to the creation and reversal of temporary differences from the previous year	(8,309)	973	—
Deferred tax expense, net, total	(5,758)	27,407	440
Tax expense (benefit)	(110,019)	(178,975)	(166,173)

Tax (expense) benefit for foreign and domestic parties are detailed as follows:

	Assets (liabilities)		
	For the year ended December 31, 2019 ThUS\$	For the year ended December 31, 2018 ThUS\$	For the year ended December 31, 2017 ThUS\$
Income tax (expense) benefit			
Current income tax expense by foreign and domestic parties, net			
Current income tax expense, foreign parties, net (1)	(7,394)	(7,516)	(14,396)
Current income tax expense, domestic, net	(96,867)	(198,866)	(152,217)
Current income tax expense, net, total	(104,261)	(206,382)	(166,613)
Deferred tax expense by foreign and domestic parties, net			
Current income tax benefit (expense), foreign parties, net	2,370	(1,885)	(154)
Current income tax expense, domestic, net	(8,128)	29,292	594
Deferred tax expense, net, total	(5,758)	27,407	440
Income tax expense	(110,019)	(178,975)	(166,173)

(1) As a result of a tax audit over the 2017 transfer prices of our subsidiary SQM Europe N.V., an additional provision was recognized amounting ThUS\$ 1,068.

(h) Equity interest in taxation attributable to equity-accounted investees

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

- (i) the parent, investor or interest holder is able to control the time for reversal of the temporary difference; and
- (ii) It is more likely than not that the temporary difference will not be reversed in the foreseeable future.

In addition, the Company does not recognize deferred income tax assets for all deductible temporary differences from investments in subsidiaries, branches and associated companies or interests in joint ventures because it is unlikely that they will meet the following requirements:

- (i) Temporary differences are reversed in a foreseeable future; and
- (ii) The Company has tax earnings, against which temporary differences can be used.

(i) Disclosures on the tax effects of other comprehensive income components:

Income tax related to other income and expense components with a charge or credit to net equity	For the year ended December 31, 2019		
	Amount before taxes (expense) gain	(Expense) income for income taxes	Amount after taxes
	ThUS\$	ThUS\$	ThUS\$
Gain (loss) from defined benefit plans	(3,310)	702	(2,608)
Cash flow hedge	1,907	(2,683)	(776)
Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	1,152	(311)	841
Total	(251)	(2,292)	(2,543)

Income tax related to other income and expense components with a charge or credit to net equity	For the year ended December 31, 2018		
	Amount before taxes (expense) gain	(Expense) income for income taxes	Amount after taxes
	ThUS\$	ThUS\$	ThUS\$
Gain (loss) from defined benefit plans	(1,327)	396	(931)
Cash flow hedge	5,723	—	5,723
Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	(5,546)	1,498	(4,048)
Total	(1,150)	1,894	744

Income tax related to other income and expense components with a charge or credit to net equity	For the year ended December 31, 2017		
	Amount before taxes (expense) gain	(Expense) income for income taxes	Amount after taxes
	ThUS\$	ThUS\$	ThUS\$
Gain (loss) from defined benefit plans	(1,401)	282	(1,119)
Cash flow hedge	2,184	—	2,184
Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	(26)	(550)	(576)
Total	757	(268)	489

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

Based on IAS 12, paragraph 81, letter “c”, the company has estimated that the method that reveals the most significant information for users of the financial statements is the numeric reconciliation between the tax expense (income) and the result of multiplying the accounting profit by the current rate in Chile. The aforementioned choice is based on the fact that the Company and subsidiaries established in Chile generate a large part of the Company’s tax expense (income). The amounts provided by subsidiaries established outside Chile have no relative importance in the overall context.

Reconciliation between the tax (expense) benefit and the result of multiplying the accounting profit by the current rate in Chile:

Income Tax Expense (Benefit)	Expense (Benefits)		
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2017 ThUS\$
Consolidated income before taxes	390,622	621,038	594,590
Income tax rate in force in Chile	27%	27%	25,5%
Tax expense using the legal rate	(105,468)	(167,680)	(151,620)
Effect of royalty tax payments	(4,314)	(4,919)	(3,372)
Tax effect of revenue from regular activities exempt from taxation	2,376	1,446	2,886
Tax rate effect of non-tax-deductible expenses for determining taxable profit (loss)	(2,128)	(2,327)	(4,764)
Tax effect of tax rates supported abroad	(252)	3,517	(8,061)
IRS provision surplus (*)	—	(3,724)	—
Other tax effects from reconciliation between accounting gains and tax expenses	(233)	(5,288)	(1,242)
Tax expense using the effective rate	(110,019)	(178,975)	(166,173)

(*) Internal revenue service

(k) Tax periods potentially subject to verification:

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

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

(i) Chile

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

(ii) United States

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

As a result of the audit performed by the tax authority, SQM North America Corp., a subsidiary of the Company, paid in November 2018, for income tax and interest between 2013 and 2015, approximately US\$3.8 million. On top of this, SQM North America Corp would have to pay an additional US\$0.4 million in state taxes for the same period. These charges are already provisioned in the financial statements.

(iii) Mexico:

In Mexico, the tax authority can review tax returns up to 5 years from the expiration date of the tax return.

(iv) Spain:

In Spain, the tax authority can review tax returns up to 4 years from the expiration date of the tax return.

(v) Belgium:

In Belgium, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return if no tax losses exist. In the event of detecting an omission or error in the tax return, the review can be extended for a period of up to 5 years.

(vi) South Africa:

In South Africa, the tax authority may review tax returns for up to 3 years from the expiration date of the tax return. In the event that an omission or error in the tax return is detected, the review can be extended for a period of up to 5 years.

Note 30 Assets held for sale and detail of assets sold

The non-current assets held for sale and the components of the disposal groups classified as held for sale are presented in the Consolidated Statement of Financial Position under the item “Non-current assets or groups of assets classified as held for sale”.

The following table shows the movements in assets held for sale:

Assets held for sale	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Land owned by Soquimich Comercial S.A.	2,454	1,430
Total assets held for sale	<u>2,454</u>	<u>1,430</u>

Note 31 Events occurred after the reporting date

31.1 Authorization of the financial statements

The consolidated financial statements of Sociedad Química y Minera de Chile S.A. and subsidiaries, prepared in accordance with IFRS for the period ended December 31, 2019, were approved and authorized for issuance by the Company's Board of Directors on March 2, 2020.

31.2 Disclosures on events occurring after the reporting date

On January 22, 2020, the Company placed an unsecured bond in the international markets for US\$ 400 million at an annual interest rate of 4.250% with maturity in 2050, pursuant to Rule 144 -A and Regulation S of the Securities and Exchange Commission.

The Company hopes to use net income from this placement for general corporate purposes, including financing its capital expense program and reduction of its pending debt, considering the payment of bonds for US\$ 250 million with 5.50% interest and maturity on April 21, 2020. The bond has been sold to qualified institutional buyers in the United States and no security laws from other states or jurisdictions have been registered in accordance with SEC regulations.

On February 26, 2020, the Company reported that its Board of Directors had agreed to call an Ordinary Shareholders' Meeting for 10:00 am on Thursday, April 23, 2020.

In January 2020 the World Health Organization deemed COVID-19 a global pandemic. In March 2020, the Chilean Ministry of Health (Ministerio de Salud) declared a nationwide State of Emergency. As a precaution, our management has implemented several measures to help reduce the speed at which the coronavirus spreads, including measures to mitigate the spread in the workplace, significant reductions in employee travel and a mandatory quarantine for people who have arrived from high risk destinations, in consultation with governmental and international health organization guidelines, and will continue to implement measures consistent with evolving coronavirus situation. The full financial impact of COVID-19 cannot be reasonably estimated at this time due to uncertainty as to its severity and duration. It is anticipated that sales volumes and average prices will depend on the duration of the coronavirus in different markets, the efficiency of the measures implemented to contain the spread of the coronavirus in each country and fiscal incentives that may be implemented in different jurisdictions to promote economic recovery. The Company continues to monitor and assess the spread of the coronavirus and its impact on our operations, business, financial condition and results of operations.

On March 16, the Company reported on various points in relation to the outbreak of the COVID-19 virus and its being declared to be a global pandemic by the World Health Organization.

1. Regarding the financial and operational effects that this situation could mean for the Company, it is worth noting that the Company sells its products worldwide, with Asia, Europe and North America being its main markets. Border closures, decrease in commercial activity and difficulties and disruptions in the supply chains in the markets in which we sell have impacted our ability to fulfill our previous sales volume estimates for the first quarter, with the main impact so far being a reduction of approximately 2,000 metric tons of lithium sales volumes in China. For the rest of the year, the impact on our sales volumes and average prices will depend on the duration of the Virus in different markets, the efficiency of the measures implemented to contain the spread of the Virus in each country and fiscal incentives that may be implemented in different jurisdictions to promote economic recovery.

For now, our operations have not seen any material impacts related to the outbreak of COVID-19 virus. We have taken measures to mitigate the impacts of this health emergency on our employees and limit the impact it could have on our operations (described below in point 2). As of today, we do not expect this impact to be significant.

2. Regarding the measures that management has adopted or intends to adopt to mitigate possible financial and/or operational effects, we inform that the Company has implemented a series of measures in its operations in Chile and abroad that seek to protect its workers and reduce the speed at which the Virus spreads. The measures adopted by the Company are:
 - a. The flexibility of the working day, arrival and departure times, together with the incentive to work from home in those cases where this is possible.
 - b. Avoidance of crowds, seminars and large meetings in the Company's offices and operating facilities.
 - c. Strengthening of personal hygiene protocols (use of alcohol gel, masks, etc.) and sanitation in plants, cafeterias and offices.
 - d. Significant reduction in domestic and international travel, along with obligatory quarantine for people who have arrived from high risk destinations
3. Regarding the existence of committed insurance and its level of coverage, we inform that as of today, we have not identified any events which would trigger coverage from the insurance policies that the Company has contracted.
4. Finally, we hereby inform that we do not currently have any other information that management believes is relevant to provide.

31.3 Details of dividends declared after the reporting date

On March 25, 2020, the Company announced that in accordance with Article 9 and 10 of the Chilean Securities Market Act that the Company's Board of Directors unanimously agreed to recommend a final dividend payment of 100% of the Company's 2019 net income to the Company's shareholders at the next Annual General Shareholders Meeting which is to be held on April 23, 2020. The final dividend will be calculated on a distributable net income of US\$278,114,994, which corresponds to US\$1.05668 per share. Nevertheless, the amount of US\$0.80254 per share which corresponds to interim dividends that were already paid, must be deducted from the final dividend, leaving a balance due of US\$0.25414 per share.

This balance due of the final dividend shall be paid in the equivalent in Chilean pesos according to the value of the "Observed Dollar" or "US Dollar" that appears published in the Official Gazette on April 23, 2020. The payment of this dividend shall be made in favor of the Company's shareholders, in person or through their duly authorized representatives starting at 9:00 am on May 7, 2020, who are registered with the respective registry on the fifth business day before the day on which the payment shall be made

By-laws (Estatutos) of the Company, as amended effective as of June 5, 2018.

**Legal Background and Corporate By-laws
of
Sociedad Química y Minera de Chile S.A.**

I. INCORPORATION

Sociedad Química y Minera de Chile S.A. (the "Company") was incorporated under a public deed granted on June 17, 1968, before Sergio Rodríguez Garcés, Notary Public in the city of Santiago. The abstract of said deed was registered on June 29, 1968, on sheet 4,533, item 1,991 of the Commercial Registry of the Real Estate Registrar of Santiago (the "Commercial Registry") for 1968. The existence of the Company was approved under Ministry of the Treasury Supreme Decree 1,164, of June 22, 1968, which, on June 29, 1968 was registered on sheet 4,537, item 1,992 of the Commercial Register for 1968, and also noted in the margin of the corporate registration. The abstract of the writ of constitution - approved by the Superintendence of Insurance Companies, Corporations, and Boards of Trade (the "Superintendence") - and the Supreme Decree whereby the existence of the Company was approved, were published in issue 27,080 of the Official Gazette, on June 29, 1968.

II. AMENDMENTS

1. **October 1969.** The corporate by-laws of the Company (the "By-laws") were amended at the extraordinary general shareholder meetings held on October 9th, 1969, the minutes of which were entered into public deed on October 13th, 1969, before Notary Public of Santiago Sergio Rodríguez Garcés. The abstract of this deed, approved by the Superintendence, was registered on February 5th, 1970, on sheet 947 item 447 of the Commercial Registry for 1970, and also annotated on the margin of the Company's corporate registration. The amendment was approved under Ministry of the Treasury Supreme Decree 63, dated January 26th, 1970, which was registered on February 5th, 1970, on sheet 948, item 448 of the Commercial Registry for 1970, and also annotated on the margin of the Company's corporate registration. The abstract of the writ of amendment and the Supreme Decree whereby the same was approved, were published in issue 27,566 of the Official Gazette, on February 7th, 1970. This amendment established a number of aspects, including a preferential dividend for holders of Series A shares, drawn from liquid profits earned by the Company through the draw-back that was granted under Ministry of the Economy, Growth, and Reconstruction Supreme Decree 914, of September 4th, 1969.

2. **April 1977.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 21st, 1977, the minutes of which were entered into public deed on May 19th, 1977, before Notary Public of Santiago Jaime Morandé Orrego. Said public deed was later complemented by the public deeds granted on May 15th and September 21st, 1978, before Notary Public of Santiago Jaime Morandé Orrego. The amendment was approved under Superintendence Exempt Resolution 256-S of June 29th, 1979. The certificate issued by the general secretary of the Superintendence, reporting said resolution, and the abstract of the writ amending the complementary registration, were published in issue 30,408 of the Official Gazette, of July 7th, 1979, and on July 9th, 1979 were recorded on sheet 8,068, item 4,908 of the Commercial Registry for 1979, and also annotated on the margins of the Company's corporate registration. This amendment instated a number of changes, including specifying the Company's corporate purpose, suppressing the division of its shares into different series, extending the period for subscribing all capital, and reducing the duration of the term served on the board of directors to 2 years.

3. **April 1979.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 19th, 1979, the minutes of which were entered into public deed on May 18th, 1979, before Notary Public of Santiago Jaime Morandé Orrego. Said public deed was later complemented by the public deed granted on January 8th, 1980, before Notary Public of Santiago Jaime Morandé Orrego. The amendment was approved under Superintendence Exempt Resolution 020-S of January 14th, 1980. The certificate issued by the general secretary of the Superintendence, reporting said resolution, and the abstract of the writ amending the complementary registration, were recorded on sheet 1,080, item 569 of the Commercial Registry for 1980, and also annotated on the margin of the Company's corporate registration. The abstract of the writ of amendment and the aforementioned certificate were published in issue 30,572 of the Official Gazette, on January 24th, 1980. This amendment modified a number of items, including reducing the number of directors to 7, and suppressing the position of deputy directors.

4. **July 1981.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on July 6th, 1981, the minutes of which were entered into public deed on July 6th, 1981, before Notary Public of Santiago Jaime Morandé Orrego. Said public deed was later complemented by the public deed granted on October 20th, 1981, before Notary Public of Santiago Rubén Galecio Gómez. The amendment was approved under Superintendence of Securities and Insurance Exempt Resolution 652, of October 21st, 1981. The certificate issued by the general secretary of that Superintendence, reporting said resolution, and the abstract of the writ amending the complementary registration, were recorded on sheet 23,170, item 12,751 of the Commercial Registry for 1981, and also annotated on the margin of the Company's corporate registration. The abstract of the writ of amendment and the aforementioned certificate were published in issue 31,142 of the Official Gazette, on December 16th, 1981. This amendment made a number of modifications, including an increase in capital from US\$40,000,000, divided into 40,000,000 shares each with a face value of US\$1, to US\$123,491,099, divided into 123,491,099 shares each with a face value of US\$1.

5. **April 1982.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 14th, 1982, the minutes of which were entered into public deed on April 15th, 1982, before Notary Public of Santiago Rubén Galecio Gómez. The abstract of this deed of amendment was published in issue 31,255 of the Official Gazette, on May 4, 1982, and registered on May 7, 1982, on sheet 7,600 item 4,184 of the Commercial Registry for 1982, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including adjusting the By-laws to meet the provisions of Law 18,046, of 1981.

6. **August 1982.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on August 5th, 1982, the minutes of which were entered into public deed on September 6th, 1982, before Notary Public of Santiago Patricio Zaldívar Mackenna. The abstract of this deed of amendment was published in issue 31,377 of the Official Gazette, on September 27th, 1982, and registered on September 27th, 1982, on sheet 16,546 item 9,482 of the Commercial Registry for 1982, and also annotated in the margin of the Company's corporate registration. This amendment modified a number of matters, including voluntarily bringing the Company under the regulations for publicly traded companies, thus requiring it to record its shares in the National Securities Registry, establishing that no one person could hold the position of both chief executive officer and director, auditor, or accountant, and specifying that the ordinary general shareholder meetings of the Company appoint the external auditors each year.

7. **August 1984.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on July 26th, 1984, the minutes of which were entered into public deed on August 9th, 1984, before Notary Public of Santiago Mario Baros González. The abstract of this deed of amendment was published in issue 31,962 of the Official Gazette, on August 31st, 1984, and registered on August 31st, 1984, on sheet 12,682 item 6,912 of the Commercial Registry for 1984, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including reducing the Company's capital to US\$79,528,455 through the absorption of accumulated losses up to December 31, 1983 - amounting to US\$43,962,644 - and leaving said capital divided into 123,491,099 shares, with no face value.

8. August 1986. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on August 8th, 1986, the minutes of which were entered into public deed on August 12th, 1986, before Notary Public of Santiago Mario Baros González. The abstract of this deed of amendment was registered on August 22nd, 1986, on sheet 15,600 item 8,754 of the Commercial Registry for 1986, and also noted in the margin of the Company's corporate registration. Said abstract was subsequently corrected and the correction was registered on September 15th, 1986, on sheet 17,211 item 9,564 of the Commercial Registry for 1986, and also annotated on the margin of the aforementioned registration on sheet 15,600 item 8,754. Said abstracts were published in issues 32,554 and 32,572 of the Official Gazette, on August 22nd and September 13th, 1986, respectively. This amendment modified a number of aspects, including such as to meet the provisions of Title XII of Decree Law 3,500 of 1980, and adding Articles 1 part 2, 5 part 2, 16 part 2, 18 part 2, 27 part 2, 28 part 2, 31 part 2, and 36 part 2, while also adding title 9, on "Special Regulations".

9. December 1988. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on December 5th, 1988, the minutes of which were entered into public deed on January 19th, 1989, before Notary Public of Santiago Patricio Zaldívar Mackenna. The abstract of this deed of amendment was published in issue 33,289 of the Official Gazette, on February 3rd, 1989, and registered on February 1st, 1989, on sheet 3,263 item 1,555 of the Commercial Registry for 1989, and also annotated in the margin of the Company's corporate registration. This amendment modified a number of aspects, including changing the name of the Company, establishing its indefinite duration, and expending the corporate purpose.

10. April 1993. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on April 23rd, 1993, the minutes of which were entered into public deed on April 27, 1993, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 34,554 of the Official Gazette, on April 30th, 1993, and registered on April 30th, 1993, on sheet 8,675 item 7,186 of the Commercial Registry for 1993, and also noted in the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) increasing the Company's capital from US\$79,528,455 divided into 123,491,099 shares with no face value and fully paid up, to US\$229,528,455 divided into 123,491,099 Series A shares with no face value and fully paid up, 83,007,413 Series B shares with no face value, 16,601,482 of which were to be paid up for US\$30,000,000, through the immediate capitalization of accumulated profits to that amount, and 66,405,931 of which were to be paid up for US\$120,000,000 by means of the issue, subscription, and payment of said shares over the 3-year period starting on April 23rd, 1993;
- (b) establishing that only Series A shares carried specific voting rights at corresponding meetings to elect the full and deputy comptrollers and directors of the Company;
- (c) establishing that only Series B shares carried specific voting rights at corresponding meetings to elect the external auditors of the Company;
- (d) determining that the aforementioned privileges would last for a duration of 50 years, starting on April 23rd, 1993; and
- (e) replacing Articles 5, 11, 12, 31, and 32 of the By-laws, and incorporating 2 new transitory articles.

11. June 1993. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on June 3rd, 1993, the minutes of which were entered into public deed on June 3rd, 1993, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 34,584 of the Official Gazette, on June 7th, 1993, and registered on July 7th, 1993, on sheet 13,866 item 11,475 of the Commercial Register for 1993. Said abstract was subsequently corrected and the correction was published in issues 34,589, 34,600, and 34,609 of the Official Gazette, on June 14th, June 26th, and July 8th, 1993, respectively, and registered on July 23rd, 1993, on sheet 15,410, item 12,761 of the Commercial Registry for 1993. The aforementioned abstract, and said corrections, were also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) fully revoking and annulling all agreements made at the extraordinary general shareholder meetings of the Company held on June 3, 1993, the minutes of which were entered into public deed on June 3rd, 1993, before Notary Public of Santiago Juan Ricardo San Martín Urrejola;
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- (b) increasing capital from US\$79,528,455 divided into 123,491,099 shares with no face value and fully paid up, to US\$229,528,455 divided into 123,491,099 Series A shares with no face value and fully paid up, 83,007,413 Series B shares with no face value, 16,601,482 of which were to be paid up for US\$30,000,000, through the immediate capitalization of accumulated profits to that amount, and 66,405,931 of which were to be paid up for US\$120,000,000 by means of the issue, subscription, and payment of said shares over a 3-year period starting on June 3rd, 1993;
- (c) increasing the number of directors from 7 to 8;
- (d) establishing that Series B shares carry limited voting right, allowing them to elect 1 director;
- (e) establishing that Series B shares carry the following privileges:
 - (i) requiring that an ordinary or extraordinary shareholder meetings must be held at the request of Series B shareholders that represent at least 5% of all outstanding shares; and
 - (ii) requiring that an extraordinary meeting of the board of directors be held, with no right held by the chairman to pronounce the need for such a request, at the request of the member of the board of directors appointed by the holders of Series B shares;
- (f) reflecting that in the event of a tied vote for the selection of the chairman, a further vote would be held, excluding the director elected by the holders of Series B shares, thus constituting a further privilege for Series A shares;
- (g) determining that the aforementioned privileges would last for a period of 50 years, starting on June 3rd, 1993; and
- (h) replacing Articles 5, 9, 11, 12, 14, 15, 19, 28, 31, and 32 of the By-laws, and incorporating 2 new transitory articles.

12. **December 1994.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on December 19th, 1994, the minutes of which were entered into public deed on December 26th, 1994, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 35,060 of the Official Gazette, on January 6th, 1995, and registered on January 16th, 1995, on sheet 1,391 item 1,113 of the Commercial Register for 1995, and also noted in the margin of the corporate registration. Said abstract was subsequently corrected and the correction was published in issue 35,067 of the Official Gazette, on January 14th, 1995, and also noted in the margin of the aforementioned registration. This amendment modified a number of aspects, including:

- (a) adjusting the By-laws to meet the provisions of Law 19,301;
- (b) expanding the Company's corporate purpose;
- (c) noting the Company's capital amounted to the sum of US\$265,669,746, divided into 120,376,972 Series A shares with no face value and fully paid up, and 83,007,413 Series B shares with no face value and fully paid up;
- (d) replacing Articles 5 part 2, 31, 31 part 2, 41, and 43 of the By-laws; and
- (e) annulling transitory article 1 of the By-laws.

13. **September 1995.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on September 1st, 1995, the minutes of which were entered into public deed on September 1st, 1995, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 35,260 of the Official Gazette, on September 4th, 1995, and registered on September 4th, 1995, on sheet 20,977 item 16,988 of the Commercial Registry for 1995, and also annotated in the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) increasing capital from the sum of US\$265,669,746, divided into 120,376,972 Series A shares with no face value and 83,007,413 Series B shares with no face value, to the sum of US\$435,669,746, divided into 120,376,972 Series A shares with no face value and 120,376,972 Series B shares with no face value; and
 - (b) replacing Article 5 of the By-laws and renaming transitory article as transitory article 1, while also incorporating transitory article 2.
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14. April 1996. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on April 26th, 1996, the minutes of which were entered into public deed on May 3rd, 1996, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 35,466 of the Official Gazette, on May 14th, 1996, and registered on May 15th, 1996, on sheet 11,504 item 9,332 of the Commercial Register for 1996, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) noting the capital amounted to the sum of US\$415,160,946, divided into 120,376,972 Series A shares with no face value and 120,376,972 Series B shares with no face value; and
- (b) amending Article 5 of the By-laws, eliminating transitory article 2, and renaming transitory article 1 as the sole transitory article.

15. April 1997. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 28th, 1997, the minutes of which were entered into public deed on April 28th, 1997, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 35,758 of the Official Gazette, on May 6th, 1997, and registered on May 9th, 1997, on sheet 11,099 item 8,802 of the Commercial Registry for 1997, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) increasing the term of service for directors from 2 years to 3 years; and
- (b) modifying articles 10 and 14 of the By-laws.

16. February 1998. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on February 6th, 1998, the minutes of which were entered into public deed on February 6th, 1998, before Deputy Notary Public of Santiago Oscar Ernesto Navarrete Villalobos, deputy to Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 35,986 of the Official Gazette, on February 9th, 1998, and registered on February 9th, 1998, on sheet 3,556 item 2,851 of the Commercial Registry for 1989, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) increasing capital from the sum of US\$415,160,946, divided into 120,376,972 Series A shares with no face value and 120,376,972 Series B shares with no face value, to a new sum of US\$494,160,946, divided into 143,376,972 Series A shares with no face value and 120,376,972 Series B shares with no face value; and
- (b) replacing Article 5 of the By-laws and renaming the transitory article as transitory article 1, while also incorporating transitory article 2.

17. November 1998. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on November 20th, 1998, the minutes of which were entered into public deed on November 20th, 1998, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 36,224 of the Official Gazette, on November 26th, 1998, and registered on November 26th, 1998, on sheet 29,145 item 23,338 of the Commercial Registry for 1998, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including replacement of article 31 and transitory article 2 of the By-laws.

18. April 2002. The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 26th, 2002, the minutes of which were entered into public deed on April 26th, 2002, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 37,251 of the Official Gazette, on May 6th, 2002, and registered on May 6th, 2002, on sheet 11,150 item 9,227 of the Commercial Registry for 2002, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including modifying article 13 of the By-laws in order to annul the sanction of dismissal for directors who were outside the country for more than 3 months.

19. **May 2005.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on May 25th, 2005, the minutes of which were entered into public deed on May 26th, 2005, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 38,179 of the Official Gazette, on June 7th, 2005, and registered on June 8th, 2005, on sheet 19,598 item 14,193 of the Commercial Registry for 2005, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including modifying article 31 of the By-laws in order to include the concept of "related parties" and other terms linked to that concept, which already existed in article 31 part 2 of said By-laws.

20. **April 2010.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company held on April 29th, 2010, the minutes of which were entered into public deed on April 29th, 2010, before Notary Public of Santiago Juan Ricardo San Martín Urrejola. The abstract of this deed of amendment was published in issue 39,662 of the Official Gazette, on May 17th, 2010, and registered on May 20th, 2010, on sheet 24,192 item 16,590 of the Commercial Registry for 2010, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) establishing the use of the name SQM for the Company;
- (b) noting that the corporate domicile was in the city of Santiago;
- (c) expanding the purpose of the company to include generating, producing, distributing, acquiring, marketing, and trading in geothermal power;
- (d) noting the Company's capital amounted to US\$477,385,979 divided into 142,819,552 Series A shares and 120,376,972 Series B shares, all of which were registered and fully issued, subscribed, and paid up, without modifying the privileges or rights attached to Series A and Series B shares;
- (e) incorporating a number of minor corrections of punctuation, transcription, or grammar in all articles of the By-laws;
- (f) adjusting certain articles of the By-laws to fit the applicable provisions of Laws 18,046 and 20,382, and Decree Law 3,500;
- (g) eliminating article 43 and transitory article 2 of the By-laws; and
- (h) fully replacing the By-laws and establishing a new and recast, updated text of the By-laws, containing all of the items specified above.

21. **May 2018.** The corporate By-laws were amended at the extraordinary general shareholder meetings of the Company that was held on May 17th, 2018, the minutes of which were entered into public deed on June 5th, 2018, before Notary Public of Santiago María Soledad Santos Muñoz. The abstract of this deed of amendment was published in issue 42,079 of the Official Gazette, on June 11th, 2018, and registered on June 11th, 2018, on sheet 43,641 item 22,753 of the Commercial Registry for 2018, and also annotated on the margin of the Company's corporate registration. This amendment modified a number of aspects, including:

- (a) replacing references to the "Superintendence of Securities and Insurance" in articles 27, 28, 29, and 36 with the name "Financial Market Commission";
- (b) replacing references to the "Superintendence of Securities and Insurance" in article 41 with the name "Chairman of the Council of the Financial Market Commission";
- (c) modifying the transitory article, such as to rename it as "Transitory Article One"; and
- (d) adding a second transitory article, allowing holders of Series A shares to make use of voting rights over and above 37.5% for the election of directors until the year 2030, applicable both to existing shareholders as of the date of the amendment, and to shareholders that acquire Series A shares and have voting rights, with or without agreements, totaling more than 37.5% of said Series, for the election of members of the Company's Board of Directors III. BY-LAWS

TITLE ONE,
NAME, DOMICILE, DURATION, AND PURPOSE

Article One.

An open stock company (*sociedad anónima abierta*) is hereby constituted with the corporate name Sociedad Química y Minera de Chile S.A. and which, for the purposes of publicity or advertising, may also use the fictitious names Soquimich or SQM, and which shall be governed hereunder, and under Law 18,046, the regulations of that law and any other applicable provisions and amendments thereto.

Article One, Part Two.

Notwithstanding the preceding article, the Company shall be subject to the provisions of Decreed Law 3500 and amendments thereto, as it is in the situation specified in Title 12 of that Decreed Law.

Article Two.

The domicile of the Company shall be the city of Santiago. However, this domicile does not affect the special domiciles of agencies and branches or offices that may be established in other areas of the country, or abroad.

Article Three.

The duration of the Company shall be indefinite.

Article Four.

The specific activities in which the Company shall engage in shall include:

- (a) undertaking all manner of business activities in the mining or chemical-sector, including but not limited to activities relating to research, exploration, extraction, production, implementing, benefiting from, acquisition, disposal, and trade, as applicable, in all classes of metallic and non-metallic minerals, rights, goods, fossil fuels, and articles of any type or nature that constitute or may be obtained from the same, or from any concessions or deposits, in their natural state or following processing or conversion into raw materials or manufactured items, or processed goods;
 - (b) manufacturing, producing, creating, acquiring, disposing of, importing, exporting, distributing, transporting, and marketing all classes of fertilizers, supplies, raw materials, chemical products, mineral products, agricultural products, and derivatives thereof, in any form;
 - (c) generating, producing, distributing, acquiring, disposing of, and trading in any and all forms and types of electrical, thermal, geothermal, or other energy, and water resources or water rights, in general;
 - (d) claiming, stating, requesting, forming, exploring, operating, leasing, acquiring, and disposing of all classes of mining concessions, in any way;
 - (e) acquiring, disposing of, and managing in any manner, all classes of telecommunications, railway, shipping, port, and any other transport services, and representing and acting as agent for freight, shipping, and air transport companies, or transport companies in general;
 - (f) manufacturing, producing, marketing, maintaining, repairing, assembling, building, dismantling, acquiring, and disposing of all classes of items, parts, replacement units, or components of equipment, machinery, and electromechanical structures and substructures in general, in any form, and undertaking, implementing, providing advisory services for, and marketing all electromechanical or smelter activities;
 - (g) acquiring, marketing, and developing all classes of agricultural and forestry activities, in any form;
 - (h) acquiring, marketing, leasing, and trading in all classes of urban or rural real estate, in any form;
 - (i) providing all classes of health services and managing hospitals, clinics, or similar facilities;
 - (j) building, maintaining, acquiring, marketing, and managing all classes of roads, tunnels, bridges, aqueducts, and other applicable infrastructure items, in any form, with no limitations whatsoever, regardless of whether they are privately or publicly owned, or otherwise, and taking part in tender processes, and entering into all manner of contracts, and holding concessions, as applicable; and
 - (k) acquiring, marketing, and trading in all manner of intangible property, including shares, bonds, debentures, financial assets, mercantile documents, installments, or holdings in companies, and any class of transferable securities, and managing such investments, always acting in accordance with the investment policy and financing policy that have been approved in a shareholder meeting.
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The Company may engage in these activities, acting on its own behalf or by means of other individuals or legal entities, within the country or abroad, with goods owned by itself or by third parties, and furthermore, in the aforementioned manners, areas, and with the aforementioned property and purposes, may also build or operate industrial or agricultural facilities or installations; may build, manage, acquire, dispose of, dissolve, liquidate, transform, modify, or act as a member of corporations, institutions, foundations, non-governmental organizations, or associations of any kind or nature; may undertake all actions, enter into all classes of contracts, and contractually accept all obligations that are conducive or necessary for the foregoing; may enter into any kind of business activity or operation with its goods, assets, or property, or that of its subsidiaries or related companies, and may provide financial, commercial, technical, legal, auditing, administration, advisory, and other services, as may be appropriate.

TITLE TWO, **CAPITAL AND SHARES**

Article Five.

The capital of the Company amounts to the sum of US\$ 477,385,979, divided into 142,819,552 Series A shares and 120,376,972 Series B shares. All of these shares are registered, have no face value, and have been fully issued, subscribed, and paid up.

Series B shares may not exceed 50% of all shares in the Company that have been issued, subscribed, and paid up, and hold limited voting rights in that all such shares may only appoint one member of the Board of Directors, regardless of the proportion of shareholder capital that they represent, and convey the privileges of:

- (a) requiring that an Ordinary or Extraordinary Shareholders Meeting must be held on request by the holders of Series B shares that represent at least 5% of all such shares that have been issued; and
- (b) requiring that an extraordinary meeting of the board of directors must be held, with no right held by the chairman to pronounce the need for such a request, at the request of the member of the board of directors appointed by the holders of Series B shares.

The limitations and privileges attached to the Series B shares shall have a duration of 50 calendar years, starting on June 3, 1993, and running continuously from that date.

Series A shares shall carry the privilege of being able to exclude the member of the board of directors selected by the Series B shareholders from the process of voting for the chairman of the board and of the Company, following a tied vote for appointment of said position.

The privilege attached to the Series A shares shall have a duration of 50 calendar years, starting on June 3, 1993, and running continuously from that date. The form of shareholding and the issue, exchange, annulment, loss, replacement, assignment, and other circumstances applying to the shares shall be governed under Law 18,046 and said law's regulations.

Article Five, Part Two.

No individual may, directly or by means of related entities, hold more than 32% of voting shares in the Company. Minority shareholders must possess at least 10% of voting shares in the Company, and at least 15% of said capital must be registered to more than 100 shareholders who are not related entities of one another, each of whom must possess shares equal to the value of 100 *unidad de fomento* units, at the value reported as of the latest balance sheet. The management of the Company shall be responsible for ensuring strict compliance with said requirement, as established by Decree Law 3,500.

Furthermore, on receipt of a request to register a transfer of shares, the Company may only register the name of the recipient for possession of a number of shares that remains within the share concentration limits established herein. In the event that any shareholder comes to hold more shares than may be permitted hereunder, the Company will notify that shareholder within a period of no more than 15 days, such that the shareholder in question may dispose of the excess shares. This provision does not affect the obligation of both parties to sign a share disposal agreement, under the terms specified in Decree Law 3,500. Shareholders shall not be entitled to a preferential right to register shares when such an action would lead to their exceeding the shareholding concentration margin established herein.

The Company may request its shareholders to submit background information as necessary to determine whether related parties exist, and in the case of legal entities may request the names of the main shareholders or partners, and the individuals who are associated therewith. The shareholders shall be obliged to provide said information. The terms 'minority shareholder' and 'related entities' shall be defined as per the definitions established in Decree Law 3,500 and Law 18,045.

Article Six.

The Company shall keep a record of its shareholders, indicating the domicile and number of shares held by each one.

Article Seven.

The Company does not recognize or accept fractional shareholding. In the event that two or more persons possess ownership of a share, they must appoint a designated representative for actions taken with the Company.

Article Eight.

On formal notification of the loss, theft, robbery, or destruction of a share certificate or any other similar accident, the certificates in question shall be replaced as established by Law 18,046 and the regulations of that law.

TITLE THREE,
ADMINISTRATION

Article Nine.

The Company shall be administered by a board of directors comprised of 8 members.

Holders of Series A shares shall elect 7 directors, and holders of Series B shares shall elect 1 director.

The directors may or may not be shareholders. At least 1 of these 8 directors must be classed as independent, as defined under Law 18,046, and said independent director shall be appointed and replaced as stated by that law.

The Company shall appoint a committee, which shall be allocated the powers and duties described in Article 50 part two of Law 18,046, and the membership of which shall be as established in that article. The deliberations, decisions, and organization of the committee shall be governed under the same regulations as meetings of the board of directors of the Company, to the extent said regulations are applicable.

Article Ten.

Directors shall hold their office for 3-year terms and may be reelected indefinitely. Directors shall retain their office at the end of this period if no shareholders meeting is called for the election of a person to their seat in a timely manner. In this case, the board of directors must call a meeting to make the applicable appointments, within the period established by law.

Article Eleven.

When electing members of the board of directors at a shareholders meeting, each Series A share and each Series B share shall be entitled to one vote. Series A shareholders and Series B shareholders shall vote separately, and the person or persons who receive the largest majority within each of these votes shall be elected, until the number of positions to which each series is entitled to elect has been met.

Article Twelve.

The official record of the election of members of the board of directors at a shareholders meeting shall contain the names of all Series A and Series B shareholders present, with the number of shares held by each and used to vote, on their own behalf or as representatives, as well as the final result of the vote. Said record must also indicate the names of all candidates put forward for election as independent directors, and whether or not these candidates provided the CEO of the Company with a sworn statement as specified in Article 50 part 2 of Law 18,046, in a timely manner.

Article Thirteen.

Any director who fails to attend 3 consecutive board meetings, without providing a justification that is considered adequate by the board of directors, shall be fully removed from their position as director, and must be replaced with no further proceedings required. In such a case, and in any case of conflict of interest, resignation, removal, death, bankruptcy, or any other situation that bars a director from holding that position, the board of directors shall proceed to name their replacement or replacements, as established by law, who shall retain their position on the board of directors until the following ordinary meeting of the Company, when all directors must be elected.

Article Fourteen.

During the first meeting of the board of directors following the election of the members thereof, one of the members shall be appointed as chairman, and another shall then be appointed as vice-chairman. These appointments shall be made by means of a vote in favor carried with an absolute majority of the directors in attendance, and, in the event of a tie for the election of chairman, a further vote shall be held in which only the directors who were elected by holders of Class A shares shall be entitled to vote. Each person appointed to one of these positions shall hold it for a period of 3 years and may be reappointed indefinitely. In the event that either of these positions become vacant for any reason, prior to the end of the duration specified for the position in the previous paragraph, the directors shall appoint a new person to hold the position for the remainder of the term. The same quorum and restriction shall apply in case of a tied vote. During board meetings the position of secretary shall be held by the CEO of the Company, or the person expressly appointed for that position by the directors.

Article Fifteen.

The board of directors shall meet or hold a meeting at least once per month, and the directors' committee shall meet or hold a meeting at least once every 3 months.

Meetings of the board of directors and of the directors committee may be ordinary or extraordinary. Ordinary meetings shall be held on dates that have been specified in advance by the board of directors or the directors committee itself.

Extraordinary meetings shall be held when specifically called by the chairman of the board of directors or of the directors committee, as applicable, on his own initiative or upon request by one or more of the directors, subject to the decision of the chairman regarding whether there is a need to hold such a meeting, or upon request by an absolute majority of the directors, or, solely for meetings of the board of directors, upon request by the director who is elected by the holders of Series B shares, in which cases such a meeting must be held with no prior decision. During extraordinary meetings, only the matters specifically stated in the official call to the meeting may be addressed.

Article Sixteen.

Operations conducted between the Company and its directors shall be regulated as specified in Title XVI of Law 18,046. Said provisions shall only apply when one or more of the directors is involved on their own behalf, or on behalf of third parties, or when one or more other persons or entities that are related to such members of the board of directors are involved, as stipulated in that legal provision.

Article Sixteen, Part Two.

The Company may only engage in operations with related parties in conformity with the provisions set forth in Title XVI of Law 18,046. All official actions and contracts entered into by the Company with its majority shareholders, directors, or executives, or related parties of those persons, must first receive approval from two thirds of the board of directors, which must be reported in the corresponding minutes, notwithstanding the provisions set forth in Title XVI of Law 18,046, and other applicable regulations specified in that law or its regulations, regarding the directors.

Article Seventeen.

The directors shall receive remunerations for their activities. The value of remunerations payable to the directors, and to the directors who also serve on the directors' committee, shall be decided each year at the Ordinary Shareholders' Meeting.

Article Eighteen.

In compliance with the Company's corporate purpose, which compliance need not be demonstrated to any third parties, the board of directors shall be tasked with representing the Company in judicial and extra-judicial proceedings, and shall hold all administrative and disposal powers that may be granted to it by law, including those for actions and contracts that require a special powers of representation, with the sole exception of the matters that must be decided by the shareholders, under law or as stated hereunder. Said provision does not affect the legal representation held by the CEO of the Company.

Article Eighteen, Part Two.

When making use of the powers granted under the preceding article, the board of directors must act at all times within the limits specified in the investment policy and financing policy approved at a previous ordinary shareholders' meeting, as established in Article 119 of Decree Law 3,500.

Article Nineteen.

The quorum for meetings of the board of directors shall comprise five members thereof, and agreements shall be made by a majority of the members in attendance. In the case of a tied vote, the casting vote shall be held by the person chairing the session. The quorum for meetings of the directors committee shall comprise 2 members thereof, and agreements shall be made by a majority of the members in attendance. In the case of a tied vote, the casting vote shall be held by the person chairing the session.

Article Twenty.

The board of directors may delegate some of its powers to the senior executives, managers, assistant managers, or attorneys of the Company, to a single director, to a commission of the directors, and, for specific purposes, to other persons.

Article Twenty-One.

Minutes of discussions held and agreements reached by the board of directors and the directors committee shall be kept in the corresponding book of minutes, which shall be signed by the members who attended the meeting and by the secretary. If any of these persons dies or for any reason is unable to sign the minutes, the circumstances in question shall be noted at the foot of the minutes.

The minutes shall be considered to have been approved once they have been signed by all of the aforementioned persons, and agreements adopted thereunder may be put into effect from that moment onwards. Notwithstanding the foregoing, with the unanimous agreement of all directors in attendance at a session, it may be decided that agreements adopted at that session may be put into effect without approval of the minutes, decision which shall be attested to in a document signed by said directors. In any event, the applicable approval of the minutes should be signed prior to the next ordinary meeting of the board of directors.

Article Twenty-Two.

Any director who wishes to rescind any responsibility for an act or agreement adopted by the board of directors must sign a statement of opposition, which the chairman of the board of directors must report at the next ordinary shareholders meeting.

TITLE FOUR,
CHAIRMAN AND VICE-CHAIRMAN OF THE BOARD OF DIRECTORS
CHIEF EXECUTIVE OFFICER OF THE COMPANY

Article Twenty-Three.

The chairman shall chair meetings of the board of directors and shareholder meetings, and in particular shall be responsible for:

- (a) chairing meetings of the board of directors and shareholder meetings;
- (b) calling meetings of the board of directors and shareholder meetings, in conformity herewith and with the law; and
- (c) undertaking all other functions specified herein and by law, or as tasked to undertake by the board of directors.

Article Twenty-Four.

The vice-chairman shall act as replacement for the chairman in the event of absence or temporary incapacity, with the same faculties and no requirement to demonstrate these circumstances to third parties. In the event that the vice-chairman is absent or incapacitated, their position may be taken by the longest-serving director, and if this is not possible, by the director appointed for such purposes by the board of directors.

Article Twenty-Five.

The board of directors shall appoint the chief executive officer of the Company, who shall hold all applicable trading faculties and obligations, and other faculties and obligations as specified by law or hereunder, or as specifically endowed by the board of directors. No person may hold the position of chief executive officer while also serving as the chairman or as a director, auditor, or accountant of the Company.

TITLE FIVE, **SHAREHOLDERS' MEETINGS**

Article Twenty-Six.

The shareholders may meet at ordinary or extraordinary shareholder meetings.

Article Twenty-Seven.

Ordinary meetings shall be held within the four months following the issue date of the Company's balance sheet, and shall be held at a place, date, and time specified by the board of directors, in order to address the following matters:

- (a) approving or rejecting the annual report, balance sheet, and financial statements submitted by the board of directors or liquidators of the Company, and examining the situation of the Company and its oversight reports;
- (b) deciding on the distribution of profits, if any, for each accounting period, and in particular, the distribution of dividends;
- (c) electing or removing directors, liquidators, and oversight personnel, when applicable;
- (d) appointing an external auditing company each year, to examine the accounts, inventory, balance sheet, and other financial statements of the Company, with an obligation to provide a written report to the shareholders no later than 15 days prior to the date of the following shareholders meeting, regarding compliance with its commission;
- (e) specifying the remunerations to be paid to the members of the board of directors and the directors committee, and deciding the budget for expenses of the directors' committee and its advisors; and
- (f) any other matters relating to the interests or development of the Company, that are not specified by law or hereunder for consideration at an extraordinary shareholders meeting.

Ordinary shareholder meetings shall also be held when specified by the Financial Market Commission.

Article Twenty-Seven, Part Two.

In addition to the ascriptions specified in the previous article, ordinary meetings shall be tasked with approving the investment policy and financing policy submitted by the administration, under the terms specified in Article 119 of Decree Law 3,500. Each year the ordinary meeting shall also appoint 2 comptrollers and 2 deputy comptrollers, with the faculties established in Article 51 of Law 18,046.

Article Twenty-Eight.

Extraordinary shareholder meetings shall be held when decided by the board of directors or when requested by shareholders who hold at least 10% of all voting shares issued by the Company, or 5% of all Series B shares issued, in order to address the following matters:

- (a) liquidation of the Company;
- (b) transformation, merging, or division of the Company, and amendments thereof;
- (c) issuance of bonds or debentures that may be exchanged for shares;
- (d) disposal of assets and formulation or amendments to the business plans discussed in Article 67, Item 9, of Law 18,046;
- (e) approval or ratification of acts or contracts with related parties, as established in Article 147 of Law 18,046;
- (f) issuance of individual or real guarantees to cover obligations affecting third parties, except for subsidiaries, in which case approval by the board of directors shall be sufficient; and
- (g) any other matters specified by law, or determined by the board of directors, or indicated herein.

All matters indicated in items (a), (b), (c), (d), and (e), above, may only be agreed at a meeting held before a notary public, who must certify that the minutes thereof comprise a faithful representation of the events that took place and the agreements that were adopted at the meeting. Extraordinary shareholder meetings shall also be held when specified by the Financial Market Commission. The call for an extraordinary shareholders meeting must state the purpose of the meeting, and the meeting may only address the matters mentioned in said call.

Article Twenty-Eight, Pat Two.

Notwithstanding the provisions of the previous article, extraordinary meetings shall also address:

- (a) disposal of goods or rights held by the Company and declared to be essential for the correct functioning of the Company's financing policy, and constitution of guarantees regarding the same; and
- (b) early amendment of the investment policy or financing policy, as approved at the past ordinary meeting.

Article Twenty-Nine.

Calls for both ordinary and extraordinary shareholder meetings shall be made by means of a highly visible notification that shall be published at least three times, on different dates, in a newspaper that is published in the location of the corporate domicile and has been selected at a shareholders meeting, in the form and in accordance with the conditions indicated in the regulations.

The same must also be mailed to each shareholder at least 15 days prior to the date of the meeting, specifying the matters to be discussed at the meeting, and how to obtain full versions of documents that specify the grounds for selecting each of the different options that are to be voted on.

However, meetings that are attended by representatives of all valid voting shares may be deemed to have been valid even if the requirements for calling the meeting in question have not been met.

All shareholder meetings that are held must be reported to the Financial Market Commission. at least 15 days in advance.

Article Thirty.

At the first call for both ordinary and extraordinary shareholder meetings, a meeting will be considered valid if it is attended by representatives of at least an absolute majority of all voting rights that have been issued. At the second call, such meetings shall be deemed valid regardless of how many shareholders attend.

Agreements shall be adopted by absolute majority of the represented voting rights, except in cases wherein special majorities are required hereunder or by law.

Agreements to increase the proportion of Series B shares to more than 50% of all shares in the Company shall require a vote in favor by two thirds of all voting shares that are represented at the shareholders meeting in question.

Article Thirty-One.

The only parties eligible to participate in shareholder meetings, and to speak at and vote in those meetings, shall be the holders of shares recorded in the Company's record of shareholders 5 working days in advance of the date on which the shareholders meeting in question is held. Each shareholder shall be entitled to one vote for each share that they hold or represent.

No holder of Series A or Series B shares may, acting on their own behalf or in representation of other voting shares in the same series, hold rights to more than 37.5% of all valid voting shares in either series, and when calculating this percentage, shares held by related parties of the shareholder in question must be included in the total.

Apart from the limited voting rights and privileges ascribed to holders of given shares, holders of both Series A and Series B shares shall have identical rights in the Company.

Shareholders may have other persons represent them at Meetings, whether or not their representatives are themselves shareholders or not, by means of a power of attorney addressed to the Company.

Article Thirty-One, Part Two.

Notwithstanding the provisions of the previous article, no shareholder may, acting on their own behalf or in representation of other voting shares, hold rights to more than 32% of all valid voting shares in the Company; any excess over and above 32% must be discounted for these purposes.

When calculating this percentage, shares held by related parties of the shareholder in question must be included in the total.

Similarly, nobody may represent shareholders with combined holdings amounting to 32% of all shares issued by the Company.

Article Thirty-Two.

The persons in attendance at any meeting shall sign an attendance sheet, indicating the number and series of shares held by each signatory, the number and series of the shares that they represent, and the name of the party they represent.

Article Thirty-Three.

Votes shall be conducted at meetings as established in Law 18,046, in the regulations on that law regarding discussions, votes, and agreements at meetings, and herein, and a record shall be kept in a book of minutes that shall be maintained by the secretary.

The minutes shall be signed by the person chairing the meeting, by the secretary, and by 3 shareholders selected at the meeting, or by all shareholders in attendance if this number is fewer than 3. The minutes shall be considered to have been approved once they have been signed by the persons indicated, at which time any agreements that are included therein shall come into force.

Article Thirty-Four.

The oversight personnel appointed at an ordinary shareholders meeting must examine the accounts, inventory, balance sheet, and other financial statements of the Company, and provide a written report at the next shareholders meeting, regarding their implementation of these actions.

TITLE SIX,
BALANCE SHEET AND DISTRIBUTION OF PROFITS

Article Thirty-Five.

Each annual accounting period shall close on December 31st of the year in question, and a balance sheet of the assets and liabilities of the Company as of that date shall be prepared.

Article Thirty-Six.

The board of directors must submit a report at each ordinary shareholders meeting, showing performance during the previous financial reporting period, together with its general balance sheet, statement of profit and loss, and the report issued by the oversight personnel on these statements. All of these documents must clearly reflect the financial and equity status of the Company as of the end of the corresponding year, and the profits earned or losses incurred during that period.

No later than the date of the first publication of the call for the ordinary meeting, the board of directors must provide all registered shareholders with access to a copy of the balance sheet and corporate report, including the opinion and applicable observations issued by the oversight personnel. The duly audited general balance sheet and statement of profit and loss, as well as any other information specified by the Financial Market Commission., shall be published once in a widely circulated newspaper within the corporate domicile, no less than 10 days and no more than 20 days prior to the date of the meeting that will address this information. Within the same period, said documents must also be submitted to the Financial Market Commission., in as many copies as that Commission requests, and said documents must also be published on the website of the Company. The report, balance sheet, inventory, minutes, books, and oversight personnel report must be made available to the shareholders at the offices of the Company for a period of 15 days prior to the date indicated for the meeting. If this general balance sheet and statement of profit and loss are amended at the meeting, the applicable amendments shall be made available to the shareholders within 15 days following the date of the meeting and shall be published in the same newspaper in which those documents were published, within the same time period.

Article Thirty-Six, Part Two.

Notwithstanding the provisions of the previous article, the board of directors must send all registered shareholders a copy of the investment policy and financing policy that it plans to submit at the ordinary meeting.

Article Thirty-Seven.

Dividends may only be paid from liquid profits earned during the accounting period, or profits retained from balance sheets approved at shareholder meetings and shall be distributed as agreed at the meeting in question, or as specified in Law 18,046 and the regulations on that law. In the event that the Company has incurred cumulative losses, profits accrued during the accounting period shall first of all be used to offset those losses.

Article Thirty-Eight.

Each year the shareholders shall receive a dividend, prorated depending on their number of shares, amounting to a total of at least 30% of the liquid profits earned during the previous accounting period. This provision may only be modified under an agreement to act otherwise, accepted unanimously by all votes present at the corresponding meeting.

TITLE SEVEN,
DISSOLUTION AND LIQUIDATION

Article Thirty-Nine.

The Company may be dissolved on the grounds indicated in Article 103 of Law 18,046.

Article Forty.

If the Company is dissolved, it shall then be liquidated by a liquidation commission comprising 2 members selected at a shareholders meeting, which shall also specify its powers, obligations, remunerations, and duration.

TITLE EIGHT, ARBITRATION

Article Forty-One.

Any difficulty that arises between the shareholders, or between the shareholders and the Company or its administrators, while the Company is in existence or under liquidation, shall be resolved by an arbitrator, who shall be appointed by mutual agreement between the parties. If no such agreement is reached, the arbitrator shall be appointed by the Chairman of the Council of the Financial Market Commission., or by the ordinary courts. Said arbitration does not alter the fact that, in the event that a conflict arises, the complainant may choose to forego arbitration and take the issue to the ordinary justice system. This right does not apply to the persons indicated in Article 125 of Law 18,046.

TITLE NINE, SPECIAL REGULATIONS

Article Forty-Two.

For so long as the Company is subject to the provisions specified in Title XII, and other applicable provisions of Decree Law 3,500, any modification of the requirements stipulated in Articles 1 part 2, 5 part 2, 18 part 2, 27 part 2, 28 part 2, 31 part 2, and 36 part 2, and in this Article, Article 42, shall require the quorum stipulated in Article 121 of Decree Law 3,500.

Transitory Article One.

The limitations and privileges attached to shares in the Company shall become fully invalid after a period of 50 calendar years, starting on June 3rd, 1993. Once this duration has elapsed, all shares that are valid at that time shall automatically be converted into ordinary shares in the Company, and the board of directors must call an extraordinary shareholders meeting as soon as possible in order to make all applicable adjustments and make all applicable amendments hereto.

Transitory Article Two.

Throughout the period running from the date of the extraordinary shareholders' meeting at which this transitory article is incorporated, and December 31st, 2030, the restriction against voting on behalf of more than 37.5% of any series of shares in the Company, established in Article 31 hereof, shall be subject to the following exception, applicable only to the election of board members by means of Series A shares in the Company:

If two or more persons, regardless of whether or not they are related parties to each other (the incoming shareholders), act prior to December 31st, 2030 such as to acquire a sufficient number of Series A shares to allow them to hold voting powers for the selection of directors of the Company amounting to more than 37.5% of that series, then any registered shareholder or group of shareholders holding more than 37.5% of all Series A shares in the Company shall be entitled to vote for the selection of directors of the Company amounting to whichever is less, between a number of the Series A shares that are held (i) by existing shareholders as of that date, and (ii) by the incoming shareholders with voting rights.

Similarly, if for any reason a registered shareholder in the Company as of the date hereof who holds more than 37.5% of Series A shares in the company between the date hereof and December 31st, 2030, comes to hold more voting shares for the selection of directors of the Company than the votes allocated for holding 37.5% of said Series A shares, either through a joint action agreement with other shareholders, including existing shareholders, or by any other means, then any other shareholder or group of shareholders in the Company that is not a related party to the same and holds more than 37.5% of all voting Series A shares in the Company, including both existing and incoming shareholders, shall be entitled to vote for the selection of directors of the Company in accordance with whichever number of Series A shares in the Company is the lesser, between (i) the number held by this shareholder or group of shareholders, and (ii) the existing shareholder may have the capacity to vote in excess of the restriction amounting to 37.5% of said shares.

Corporate By-laws of Sociedad Química y Minera de Chile S.A. in force as of June 5th, 2018.

**DESCRIPTION OF SECURITIES REGISTERED
UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Description of Share Capital

Sociedad Química y Minera de Chile S.A. (the “Company”) is an open stock corporation organized under the laws of the Republic of Chile.

Shares

Under the Company’s By-laws, the Company’s share capital is divided into shares of Series A common stock (“Series A Shares”) and shares of Series B common stock (“Series B Shares”). Series A Shares and Series B Shares have the same economic rights (i.e., both series are entitled to share equally in any dividends declared on the outstanding stock) and voting rights at any shareholders meeting, whether ordinary or extraordinary, with the exception of the election of the Board, in which the Series A Shareholders elect seven directors and the Series B Shareholders elect one director. However, the director elected by the Series B Shareholders cannot vote in the election of the Chairman of the Board if a tie has occurred in the first voting process. As of March 16, 2020, there were 142,819,552 Series A Shares and 120,376,972 Series B Shares outstanding.

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

Article 5 of the Company’s By-laws establishes that Series B Shares may in no case exceed 50% of SQM’s issued, outstanding and paid stock. Series B Shares have a restricted right to vote as they can only elect one director of the Company, regardless of their capital stock’s share. Series B Shares have the right to call for an Ordinary or Extraordinary Shareholders’ Meeting when the shareholders of at least 5% of the Series B Shares issued request so and for an Extraordinary Board of Directors Meeting without the Chairman’s authorization when it is requested by the director elected by the shareholders of the Series B Shares. Series A Shares have the option to exclude the director elected by Series B Shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, subject to the second transitory article described below, articles 31 and 31 bis of the Company’s By-laws establish that in General Shareholders’ Meetings each shareholder will have a right to one vote for each share he owns or represents and (a) that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B Shares representing more than 37.5% of the total outstanding shares with right to vote of each Series and (b) that no shareholder will have the right to vote for himself or on behalf of other shareholders representing more than 32% of the total outstanding shares with a right to vote, with any excess being deducted from the number of shares such shareholder may vote. In calculating a single shareholder’s ownership of Series A or B shares, the shareholder’s stock and those pertaining to third parties related to them are to be added.

The second transitory article provides as follows:

“Throughout the period running from the date of the extraordinary shareholders’ meeting at which this transitory article is incorporated, and December 31, 2030, the restriction against voting on behalf of more than 37.5% of any series of shares in the Company, established in article 31 hereof, shall be subject to the following exception, applicable only to the election of board members by means of Series A shares in the Company: If two or more persons, regardless of whether or not they are related parties to each other (the incoming shareholders), act prior to December 31, 2030 such as to acquire a sufficient number of Series A shares to allow them to hold voting powers for the selection of directors of the Company amounting to more than 37.5% of that series, then any registered shareholder or group of shareholders holding more than 37.5% of all Series A shares in the Company shall be entitled to vote for the selection of directors of the Company amounting to

whichever is less, between a number of the Series A shares that are held (i) by existing shareholders as of that date, and (ii) by the incoming shareholders with voting rights. Similarly, if for any reason a registered shareholder in the Company as of the date hereof who holds more than 37.5% of Series A shares in the company between the date hereof and December 31, 2030, comes to hold more voting shares for the selection of directors of the Company than the votes allocated for holding 37.5% of said Series A shares, either through a joint action agreement with other shareholders, including existing shareholders, or by any other means, then any other shareholder or group of shareholders in the Company that is not a related party to the same and holds more than 37.5% of all voting Series A shares in the Company, including both existing and incoming shareholders, shall be entitled to vote for the selection of directors of the Company in accordance with whichever number of Series A shares in the Company is the lesser, between (i) the number held by this shareholder or group of shareholders, and (ii) the existing shareholder may have the capacity to vote in excess of the restriction amounting to 37.5% of said shares.”

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

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

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

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

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

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

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

Shareholders’ Meetings

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

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

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

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

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

Shareholder Restrictions

There are no restrictions on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than as described above under "— Shares".

Change in Control

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

There are three conditions that would make it mandatory to initiate a public tender offer under the OPA law:

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

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

Directors

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

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

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

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

Directors cannot authorize Company loans on their behalf.

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

Independent Directors and Directors Committee

According to Chilean Law, the Company must appoint at least one Independent Director and a Directors' Committee, due to the fact that (a) the Company has a market capitalization greater than or equal to UF 1,500,000 and (b) at least 12.5% of the Company's shares with voting rights are held by shareholders who, on an individual basis, control or possess less than 10% of such shares.

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

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

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

Description of American Depositary Receipts

The following is a summary of the material terms of the Amended and Restated Deposit Agreement dated as of April 15, 2013 (the "Deposit Agreement") among the Company, The Bank of New York Mellon, as depositary (the "Depositary"), and the owners and holders from time to time of American Depositary Shares ("ADSs"). This summary does not purport to be complete and is qualified in its entirety by reference to the Deposit Agreement and the form of American Depositary Receipt ("ADR"), copies of which have been filed as an exhibit to the Registration Statement on Form F-6 (Registration Statement No. 333-187744).

An owner of ADSs becomes a party to the Deposit Agreement and therefore will be bound to its terms and to the terms of the ADR that represents the ADSs. The Deposit Agreement and the ADR specify the Company's rights and obligations, as well as the ADR holder's rights and obligations as owner of ADSs and those of the Depositary. As an ADR holder you appoint the Depositary to act on your behalf in certain circumstances. The Deposit Agreement and the ADRs are governed by New York law. However, the Company's obligations to the holders of shares of the Company's Series B common stock (the "Series B Shares") will continue to be governed by the laws of Chile, which are different from New York law.

American Depositary Receipts

ADRs evidencing ADSs are issuable by the Depositary pursuant to the Deposit Agreement. Each ADS represents, as of the date hereof, one Series B Share deposited with Banco Santander-Chile, as custodian (the “Custodian”), as agent of the Depositary. An ADR may evidence any number of ADSs.

Deposit and Withdrawal of Deposited Securities

The Depositary will, upon deposit with the Custodian of the requisite number of Series B Shares and receipt of evidence satisfactory to it that the conditions to deposit described below have been met, and subject to the terms of the Deposit Agreement, the Depositary will execute and deliver at its Corporate Trust Office (which is presently located at 101 Barclay Street, New York, New York 10286) to or upon the order of the person or persons specified by the Depositary, upon payment of the fees, charges and taxes provided in the Deposit Agreement, an ADR or ADRs registered in the name of such person or persons for the number of ADSs issuable in respect of such deposit.

The Depositary will not be required to accept for deposit any Series B Shares unless it receives evidence satisfactory to the Depositary that the deposit has been authorized by the Central Bank of Chile and that the conditions for such authorization set forth in the Foreign Investment Contract (as defined below under “Foreign Currency Conversion — The Foreign Investment Contract”) among the Depositary, the Company and the Central Bank of Chile has been satisfied.

Every person depositing Series B Shares under the Deposit Agreement will be deemed to represent and warrant that the Series B Shares are validly issued, fully paid, non-assessable and free of any preemptive rights, that the certificates for the Series B Shares have been validly authorized and issued and that the deposit of the Series B Shares and the issuance of ADRs evidencing ADSs are not restricted under the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Holders of ADRs are entitled to withdraw the deposited Series B Shares at any time, subject only to (i) temporary delays caused by dosing transfer books of the Depositary or the Company or the deposit of Series B Shares in connection with voting at a shareholders’ meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the deposited Series B Shares. Upon surrender of ADRs at the Corporate Trust Office of the Depositary and upon payment of the taxes, fees and charges provided in the Deposit Agreement and subject to the terms thereof, ADR holders are entitled to delivery, at the office of the Custodian in Santiago, Chile, of the deposited Series B Shares, any other property or documents of title at the time represented by the surrendered ADRs and a certificate of the Custodian stating that the deposited Series B Shares, are being delivered to such ADR holder in exchange for the surrendered ADRs and that the Depositary waives in favor of the ADR holder the right of access to the Formal Exchange Market relating to such withdrawn Series B Shares. In the event the Depositary determines that there is a reasonable possibility that a fee, tax or other charge will become payable by or be assessed against the Depositary or the Custodian following the delivery, transfer or surrender of ADRs or withdrawal of Series B Shares, the Depositary may, in its discretion, as a condition to consummation of such transaction, require that the ADR holder provide the Depositary with an indemnity bond in such form and amount and with such surety as it may accept as reasonably sufficient to indemnify it against such potential liabilities.

The Depositary is not authorized, in its capacity as Depositary, to deliver Series B Shares by physical delivery, book entry or otherwise, or permit Series B Shares to be withdrawn from the deposit facility except upon the receipt and cancellation of ADRs.

Dividends and Other Distributions

(1) *Cash Dividends and Distributions*

The Depositary will, as promptly as practicable, convert all cash dividends and other cash distributions received by the Depositary or the Custodian in respect of the deposited Series B Shares into U.S. dollars and, as promptly as practicable, distribute the amount thus received (net of any fees of the Depositary provided in the Deposit Agreement) to the holders of ADRs in proportion to the number of ADSs representing such Series B Shares held by each of them. The amount distributed also will be reduced by any amounts required to be withheld by the Company, the Depositary or the Custodian on account of taxes and the Depositary's foreign currency conversion expenses. Conversion of such cash amounts from Chilean pesos to U.S. dollars is subject to the terms and conditions of the Deposit Agreement, Chilean law and the Foreign Investment Contract described below under "Foreign Currency Conversion — Foreign Investment Contract".

(2) *Distributions of Series B Shares*

If a distribution by the Company consists of a dividend in, or the free distribution of, Series B Shares, the Depositary may after consultation with the Company (or if the Company so requests will) distribute to the holders of outstanding ADRs, in proportion to the number of ADSs representing such Series B Shares held by each of them, additional ADRs for an aggregate number of ADSs representing the number of Series B Shares received as such dividend or free distribution. The Depositary may withhold delivery of ADSs if it has not received satisfactory assurances from the Company that such distribution does not require registration under the Securities Act. If in the opinion of the Depositary any distribution of Series B Shares cannot be made proportionately among the holders of ADRs entitled thereto, or if for any other reason, the Depositary deems such distribution not to be feasible, it may adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the public or private sale of all or any portion of the Series B Shares received, and the distribution of the net proceeds of such sale (net of any fees of the Depositary provided in the Deposit Agreement) to the holders of ADRs entitled thereto as in the case of a distribution received in cash. If additional ADRs or such proceeds are not so distributed, each ADS will thereafter also represent the additional Series B Shares distributed in respect of the Series B Shares represented by such ADS prior to such dividend or free distribution or the net cash proceeds of any such sale.

(3) *Distributions of Rights*

If the Company offers or causes to be offered to holders of Series B Shares any rights to subscribe for additional Series B Shares or any rights of any other nature, the Depositary will, after consultation with the Company, have discretion as to the procedure to be followed in making such rights available to holders of ADRs or in disposing of such rights on behalf of the holders of ADRs and making the net proceeds available to the holders of ADRs, or if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to the holders of ADRs or dispose of such rights and make the net proceeds available to such holders of ADRs, then the Depositary will allow the rights to lapse.

If the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain holders of ADRs but not to other holders of ADRs, the Depositary may, after consultation with the Company, distribute to any holder of ADRs to whom it determines the distribution to be lawful or feasible, in proportion to the number of ADSs held by such holder of ADRs, warrants or other instruments therefor in such other forms as it deems appropriate.

If the Depositary determines in its discretion that it is not lawful or feasible to make such rights available to all or certain holders of ADRs, it may after consultation with the Company, sell the rights, warrants or other instruments in proportion to the number of ADSs held by ADR holders to whom it has determined it may not lawfully or feasibly make such rights available and allocate the net proceeds of such sales (net of fees of the Depositary provided in the Deposit Agreement and all taxes and other governmental charges payable) for the account of the holders of ADRs otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practicable basis without regard to any distinctions among such holders of ADRs because of exchange restrictions, or the date of delivery of any ADR or ADRs, or otherwise.

The Depositary will not offer any right to subscribe for or to purchase any securities, to holders of ADRs unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act with respect to a distribution to all holders of ADRs or are registered under the Securities Act. If a holder of ADRs requests the distribution of warrants or other instruments notwithstanding that there has been no such registration under the Securities Act, the Depositary will not effect such distribution unless it has received an opinion from counsel in the United States for the Company satisfactory to the Depositary that such distribution does not require registration under the Securities Act. In no event will the Company have any obligation to register such rights or any securities under the Securities Act, secure an exemption for such rights or any securities under the Securities Act or furnish the opinion described above.

(4) *Distributions Other than Cash, Series B Shares or Rights*

If the Depositary receives any distribution other than a distribution of cash, Series B Shares or rights, the Depositary will after consultation with the Company distribute to the holders of outstanding ADRs, in proportion to the number of ADSs representing such Series B Shares held by them, the securities or other property received in any manner as the Depositary deems equitable and practicable for accomplishing such distribution. If in the opinion of the Depositary such distribution cannot be made proportionately among the holders of ADRs entitled thereto, or if for any other reason, the Depositary deems such distribution not to be feasible, it may adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the public or private sale of all or any portion of the securities or other property received, and the net proceeds of such sale (net of any fees of the Depositary provided in the Deposit Agreement) will be distributed to the holders of ADRs entitled thereto as in the case of a distribution received in cash.

Record Dates

Whenever any cash dividend or other cash distribution becomes payable or any distribution other than cash is made, or whenever rights are issued with respect to Series B Shares or whenever the Depositary receives notice of any meeting of holders of Series B Shares or shareholders generally, the Depositary will fix a record date, which will be the same record date as the record date for the Series B Shares, or as near thereto as practicable, for the determination of the holders of ADRs who are entitled to receive such dividend, distribution or rights, or net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, subject to the provisions of the Deposit Agreement.

Voting of the Deposited Securities

As soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of holders of Series B Shares and any other securities or property represented by the ADSs evidenced by such holders' ADRs ("Deposited Securities"), the Depositary will mail to holders of ADRs a notice in English containing (a) such information as is contained in such notice of meeting or solicitation, (b) a statement that each holder of ADRs at the close of business on a specified record date will be entitled, subject to Chilean law and the provisions of the Company's By-laws, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities, (c) a statement as to the Deposited Securities represented by such ADR holder's ADSs and (d) a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person or persons designated by the Company. Upon the written request of an ADR holder on such record date, received on or before the date established by the Depositary for such purpose, the Depositary will endeavor insofar as practicable and permitted under Chilean law and the provisions of or governing the Deposited Securities to vote or cause to be voted (or to grant a discretionary proxy to a person or persons designated by the Company to vote) the Deposited Securities represented by such ADR holder's ADSs in accordance with any instruction set forth in such request. If no instructions are received by the Depositary from an ADR holder with respect to any of the Deposited Securities represented by such ADR holder's ADSs on or before the date established by the Depositary for such purpose, the Depositary will deem such holder to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote such Deposited Securities represented by such ADR holder's ADSs. The Depositary will not provide such discretionary proxy to vote on any matter as to which the Company informs the Depositary that (a) the Company does not wish such proxy to be given or (b) such matter materially and adversely affects the rights of holders of the Series B Shares. If any requirement of Chilean law, the Company's By-laws or any securities exchange on which the Series B Shares, other Deposited Securities, ADRs or the ADSs evidenced thereby are listed, does not permit the Depositary to vote in accordance with the instructions received from the ADR holders or in accordance with a deemed discretionary proxy, the Depositary will not vote the Series B Shares or other Deposited Securities.

Changes Affecting Deposited Securities

Upon any change in nominal or par value, split-up, consolidation or other reclassification of Deposited Securities or upon a recapitalization, reorganization, merger, consolidation or sale of assets resulting in securities being received by the Depositary or the Custodian in exchange for, in conversion of or in respect of the Deposited Securities, the ADSs will thereafter represent any new securities received in exchange or conversion, unless new ADRs are issued. The Depositary may, after consultation with the Company, and will, at the Company's request, in such circumstances deliver additional ADRs to ADS holders as in the case of a dividend in shares or call for the exchange of existing ADRs for new ADRs specifically describing the new Deposited Securities.

Inspection of Transfer Books

The Depositary will maintain at its transfer office in the Borough of Manhattan, the City of New York, facilities for the execution and delivery, registration of transfer, combination or split-up of ADRs and a register for the registration of ADRs and the registration of the transfer of ADRs that at reasonable times, will be open for inspection by the holders of ADRs and the Company, provided that such inspection will not be for the purpose of communication with holders of ADRs in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the ADRs.

Reports and Notices

The Company is subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and accordingly, files certain reports with the U.S. Securities and Exchange Commission (the "Commission"). These reports and other information are available on the Commission's website (www.sec.gov).

The Depositary will make available for inspection by ADR holders at the Corporate Trust Office of the Depositary any reports and communications, including any proxy soliciting material, received from the Company that are both (a) received by the Depositary, the Custodian or the nominee of either of them as the holder of Series B Shares and (b) made generally available to the holders of Series B Shares by the Company. The Depositary will also send to ADR holders copies of such reports when furnished by the Company as provided in the Deposit Agreement. Any such reports and communications, including any such proxy soliciting materials, furnished to the Depositary by the Company will be furnished in English to the extent such materials are required to be translated into English pursuant to the regulations of the Commission.

Amendment and Termination of the Deposit Agreement

The form of the ADRs and the Deposit Agreement may at any time be amended by agreement between the Company and the Depositary. Any amendment that imposes or increases any fees or charges (other than fees of the Depositary for the execution and delivery of ADRs and taxes and other governmental charges), or that otherwise prejudices any substantial existing right of ADR owners, will, not take effect as to outstanding ADRs until the expiration of three months after notice of such amendment has been given to the record holders of outstanding ADRs. Every holder of ADRs at the time such amendment so becomes effective, if such holder has been given such notice, will be deemed by continuing to hold such ADR to consent and agree to such amendment and to be bound by the Deposit Agreement or the ADR as amended thereby. In no event may any amendment impair the right of any ADR holder to surrender its ADR and receive therefor the Series B Shares and other property represented thereby, except in order to comply with mandatory provisions of applicable law.

Whenever so directed by the Company, the Depositary will terminate the Deposit Agreement by giving notice of such termination to the holders of ADRs at least 90 days prior to the date fixed in such notice for such termination. The Depositary may terminate the Deposit Agreement at any time 90 days after the Depositary has delivered to the Company and the holders of ADRs its written resignation provided that a successor depositary has not been appointed and accepted its appointment before the end of such 90-day period. If any ADRs remain outstanding after the date of termination, the Depositary thereafter will discontinue the registration of transfers of ADRs, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary will continue the collection of dividends and other distributions pertaining to the Series B Shares and any other property represented by such ADRs, the sale of rights as provided in the Deposit Agreement and the delivery of Series B Shares, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange, for surrendered ADRs. At any time after the expiration of four months from the date of termination, the Depositary may sell the Series B Shares and any other property represented by such ADRs and hold uninvested, the net proceeds, together with any other cash then held, unsegregated and without liability for interest, for the pro rata benefit of the holders of ADRs that have not theretofore been surrendered.

Charges of Depositary

The Depositary will charge the party to whom ADRs are issued (including issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding ADRs or Deposited Securities or a distribution of ADRs pursuant to the Deposit Agreement) and the party surrendering ADRs for delivery of deposited Series B Shares or other Deposited Securities, property and cash, a fee of up to US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs so issued or surrendered. The Depositary will also charge holders of ADRs a fee for, and will deduct such fee from, the distribution of proceeds from the sale of securities or rights pursuant to the Deposit Agreement in an amount equal to the fee that would have been charged as a result of the deposit by holders of securities or Series B Shares received in exercise of rights distributed to them had such rights not been sold by the Depositary and the net proceeds therefrom distributed. The Company will pay all other charges of the Depositary and those of the registrar, if any, under the Deposit Agreement, as agreed from time to time between the Company and the Depositary, except for taxes and other government charges, any applicable share transfer and registration fees on deposits or withdrawals of Series B Shares, certain cable, telex and facsimile transmission charges and such expenses as are incurred by the Depositary in the conversion of foreign currency into U.S. dollars, which will be for the account of the holders of ADRs.

Foreign Currency Conversion

If the Depositary or the Custodian receives Chilean pesos or other foreign currency by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights distributed and in the judgment of the Depositary the foreign currency may be converted on a reasonable basis to U.S. dollars and transferred to the United States, the Depositary will, subject to the Foreign Investment Contract and Chilean law, as promptly as practicable, convert such foreign currency into U.S. dollars and distribute the converted amounts, as promptly as practicable, to the holders of ADRs entitled thereto or, if the Depositary has distributed any warrants and/or instruments which entitle the holders thereof to such U.S. dollar amounts, to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among such holders of ADRs because of exchange restrictions, or the date of delivery of any ADR or ADRs, or otherwise and will be net of any expenses of the Depositary for the conversion of the foreign currency into U.S. dollars.

If the Depositary determines that in its judgment any foreign currency received by it cannot be converted into U.S. dollars on a reasonable basis and transferred to the United States, or if the Foreign Investment Contract ceases to be in effect or the rights of the Depositary thereunder are restricted or suspended, or any other approval or license of any government or agency required for such conversion is denied or in the Depositary's opinion, not obtainable, or any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary will (i) convert the foreign currency into U.S. dollars, to the extent permitted, and transfer such U.S. dollars to the United States for distribution to ADR holders for whom the conversion and distribution is practicable, (ii) if requested in writing by an ADR holder, distribute such foreign currency to ADR holders for whom distribution is lawful or practicable, or (iii) hold such foreign currency uninvested and without liability for interest thereon, for the respective accounts of the ADR holders entitled to receive the same.

The Company entered into a foreign investment contract (*Convención Capítulo XXVI del Título I del Compendio de Normas de Cambios Internacionales* or the "Foreign Investment Contract") with the Central Bank of Chile and the Depositary, pursuant to Article 47 of the Central Bank Act and Chapter XXVI of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile (the "Compendium"). Chapter XXVI of the Compendium governs the issuances of ADSs by a Chilean company. Pursuant to the Foreign Investment Contract, the foreign exchange for payments and distributions with respect to ADSs could be purchased in either the Formal Exchange Market or the Informal Exchange Market, but such payments needed to be remitted through the Formal Exchange Market. Foreign investors who have purchased Series B Shares and deposited them in the ADR program under the Foreign Investment Contract have access to the Formal Exchange Market for the purpose of converting from Chilean pesos into U.S. dollars and repatriating the U.S. dollars from Chile, any amounts received with respect to deposited Series B Shares or Series B Shares withdrawn from deposit on surrender of the ADSs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Series B Shares and any rights with respect thereto). As of April 19, 2001, Chapter XXVI of the Compendium was eliminated and new investments in ADSs are now governed by Chapter XIV of the Compendium. However, because the Foreign Investment Contract was entered into pursuant to Chapter XXVI of the Compendium before its elimination, the terms of Chapter XXVI continue to apply to foreign investors in the Company's ADSs.

Pre-Release of ADRs

Subject to the terms and conditions of the Deposit Agreement and any limitations established by the Depositary, the Depositary may, however, execute and deliver ADRs prior to the receipt of Series B Shares ("Pre-Release"). The Depositary may, pursuant to the Deposit Agreement, deliver Series B Shares upon the receipt and cancellation of an ADR or ADRs which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such ADR or ADRs have been Pre-Released. The Depositary may receive ADRs in lieu of Series B Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom ADRs are to be delivered that such person, or its customer, (i) owns the deposited Series B Shares or ADRs to be remitted and (ii) assigns all beneficial right, title and interest in such Series B Shares or ADRs to the Depositary for the benefit of the holders of ADRs, (b) at all times fully collateralized with cash or U.S. government securities, (c) terminable by the Depositary on not more than five business days' notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of ADRs which are outstanding at any time as a result of Pre-Releases will not normally exceed 30% of the Series B Shares deposited under the Deposit Agreement; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it reasonably deems appropriate. The Depositary will also set U.S. dollar limits with respect to the number of ADRs issued by Pre-Release in connection with transactions done in accordance with the terms of this paragraph with any one person on a case by case basis as it deems appropriate. The collateral referred to in clause (b) above will be held by the Depositary for the benefit of the holders of ADRs as security for the performance of the obligations to deliver Series B Shares set forth in clause (a) above. The Depositary may retain for its own account any compensation received by it in connection with Pre-Releases. Neither the Company nor the Custodian will incur any liability to ADR holders as a result of any such transaction.

Limitations on Obligations and Liabilities

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates will incur any liability to any ADR holder (i) if by reason of (A) any present or future law or regulation of the United States, Chile or any other country or of any stock exchange or governmental or regulatory authority (including the breach by the Central Bank of Chile of the Foreign Investment Contract), (B) any provision of the Foreign Investment Contract, or, in the case of the Depositary or its agents, any provision of the Company's By-laws, (C) any provision of any securities issued or distributed by the Company or of the deposited Series B Shares, or any offering or distribution thereof, or (D) any act of God, war, terrorism, or any other circumstance beyond its control, the Depositary, the Company or any of their agents is prevented, delayed or forbidden from, or is subject to any civil or criminal penalty on account of,

performing their obligations under the Deposit Agreement, the Foreign Investment Contract, the Company's By-laws, or the deposited Series B Shares, (ii) for any non-performance or delay, caused as described above, in the performance of its obligations under the Deposit Agreement, (iii) for any exercise of or failure to exercise any discretion provided for under the Deposit Agreement, (iv) for the inability of any holder of ADRs to benefit from any distribution, offering, right or other benefit which is made available to the holders of Series B Shares, but is not, under the terms of the Deposit Agreement made available to the holders of ADRs or (v) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement.

The obligations and liabilities of the Company and the Depositary and its agents under the Deposit Agreement are expressly limited to performing without negligence or bad faith their respective obligations specified therein.

Transfer, Combination or Split-Up of ADRs

The Depositary will act as ADR registrar or appoint a registrar or one or more co-registrars for registration of the ADRs evidencing ADSs in accordance with any requirements of the New York Stock Exchange or of any other stock exchange on which the ADSs may be listed or quoted.

The transfer of the ADRs is registrable on the books of the Depositary, provided, however, that the Depositary may close the transfer books at any time or from time to time when deemed expedient by it in connection with the performance of its duties. As a condition precedent to the execution and delivery, registration, registration of transfer, split-up or combination of any ADR or ADRs or the delivery of any distribution thereon or the withdrawal of any Series B Shares or any property represented by the ADRs, the Depositary or the Custodian may, and upon the instruction of the Company will, require from the holder or the presenter of the ADR or the depositor of the shares (a) payment of a sum sufficient to pay or reimburse the Depositary, the Custodian or the Company for any tax or other government charge and any stock transfer or registration fee or any charge of the Depositary upon delivery of the ADR or upon surrender of the ADR, as set forth in the Deposit Agreement, and (b) the production of proof satisfactory to the Depositary or Custodian of identity or genuineness of any signature and proof of citizenship, residence, exchange control approval, legal or beneficial ownership, compliance with all applicable laws and regulations, compliance with applicable conditions of the Foreign Investment Contract, compliance with all other applicable provisions of or governing the Series B Shares or any other Deposited Securities and the terms of the Deposit Agreement or other information as the Depositary may deem necessary or proper as the Company may require by written request to the Depositary or the Custodian. The delivery, registration, registration of transfer, split-up or combination of ADRs, or the deposit or withdrawal of shares or other property represented by ADRs, in particular instances or generally, may be suspended during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time.

Reporting Obligations of ADR Holders

Holders of ADRs are subject to certain provisions of the rules and regulations promulgated under the Exchange Act relating to the disclosure of interests in the Series B Shares. Any holder of ADRs who is or becomes directly or indirectly interested in 5% or such other percentage as may be prescribed by law or regulation) or more of the outstanding Series B Shares must within 10 days after becoming so interested and thereafter upon certain changes in such interests notify the Company and the SEC as required by such rules and regulations. In addition, holders of ADRs are subject to the reporting requirements contained in Articles 12 and 54 and Title XV of the Securities Market Law, which provision may apply when a holder beneficially owns an amount of ADRs that represents 10% or more of the total share capital of the Company or has the intention of taking control of the Company. See "Description of Share Capital" above.

Valuation of Underlying Shares for Chilean Law Purposes

For all purposes of valuation under Chilean law, the Deposit Agreement provides that the acquisition value of the Series B Shares delivered to any holder upon surrender of ADRs will be the highest reported sales price of the Series B Shares on the Santiago Stock Exchange for the day on which the transfer of the Series B Shares is recorded under the name of such holder. In the event that the Series B Shares are not traded on the Santiago Stock Exchange, the value will be deemed to be the highest reported sales price of the Series B Shares on the principal stock exchange or other organized securities market in Chile on which the Series B Shares are then traded. In the event that no sales price is reported on the day on which the transfer of the Series B Shares is recorded, the value will be deemed to be the highest reported sales price of the Series B Shares on the last day on which such sales price was reported. However, if 30 or more days have lapsed since the last sales price was reported, the sales price will be increased by the percentage increase over the corresponding period in the Chilean Consumer Price Index.

Significant Subsidiaries of Sociedad Química y Minera de Chile S.A.

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>
SQM Industrial S.A.	Chile
SQM Nitratos S.A.	Chile
SQM Salar S.A.	Chile
Minera Nueva Victoria S.A.	Chile
Servicios Integrales de Transito y Transferencia S.A.	Chile
Soquimich Comercial S.A.	Chile
SQM Potasios. S.A.	Chile
SQM North America Corp.	USA
SQM Europe N.V.	Belgium

For a complete list of foreign and domestic subsidiaries see Note 2.5 to our Consolidated Financial Statements.

CHIEF EXECUTIVE OFFICER CERTIFICATION
(Pursuant to Section 302)

I, Ricardo Ramos, certify that:

1. I have reviewed this annual report on Form 20-F of Sociedad Química y Minera de Chile S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Ricardo Ramos R.

Name: Ricardo Ramos R.

Title: Chief Executive Officer

Date: April 22, 2020

CHIEF FINANCIAL OFFICER CERTIFICATION
(Pursuant to Section 302)

I, Gerardo Illanes, certify that:

1. I have reviewed this annual report on Form 20-F of Sociedad Química y Minera de Chile S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Gerardo Illanes G.

Name: Gerardo Illanes G.

Title: Chief Financial Officer

Date: April 22, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ricardo Ramos, Chief Executive Officer of Sociedad Química y Minera de Chile S.A. (“SQM”), a corporation incorporated under the laws of the Republic of Chile, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Annual Report of SQM on Form 20-F for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Annual Report on Form 20-F fairly presents, in all material respects, the financial condition and results of operations of SQM.

/s/ Ricardo Ramos R.

Name: Ricardo Ramos R.

Title: Chief Executive Officer

Date: April 22, 2020

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerardo Illanes, Chief Financial Officer of Sociedad Química y Minera de Chile S.A. ("SQM"), a corporation incorporated under the laws of the Republic of Chile, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Annual Report of SQM on Form 20-F for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Annual Report on Form 20-F fairly presents, in all material respects, the financial condition and results of operations of SQM.

/s/ Gerardo Illanes G.

Name: Gerardo Illanes G.

Title: Chief Financial Officer

Date: April 22, 2020

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Caliche: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2019:

April 22, 2020

/s/ Sergio Alarcón
Sergio Alarcón
Senior Geologist
SQM

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Caliche: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2019:

April 22, 2020

/s/ Marco Lema
Marco Lema
Superintendent of Geology and Engineering
SQM

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Brines from the Salar de Atacama: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2019:

April 22, 2020

/s/ Orlando Rojas
Orlando Rojas
Partner and Chief Executive Officer
EMI-Ingenieros y Consultores S.A

CONSENT OF EXPERT

I consent to the reference to me under the headings “Item 3.A Selected Financial Data–Risks Relating To Our Business–Our Reserve Estimates Could Be Subject To Significant Changes,” “Item 4.D Property, Plant and Equipment–Brines from the Salar de Atacama: Facilities and Reserves” and “Item 19. Exhibits” in the Annual Report on Form 20-F of Sociedad Química y Minera de Chile S.A. (“SQM”) for the fiscal year ended December 31, 2019:

April 22, 2020

/s/ Andrés Fock
Andrés Fock
Superintendent of Geology and Exploration
SQM



CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Sergio Alarcón Rubilar**, National Id. Nr 8.678.370;3, Geologist, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from March 2012, under Nr. 0164, with specialization in **Geology**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Alarcón to present:

UNITED STATES - SECURITIES AND EXCHANGE COMMISSION FORM 20-F, for the fiscal year ended December 31, 2019

Gladys Hernández
Executive Secretary



Santiago, March 10, 2020
CM - 907 - 03 2020

Information:

- a. **The Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- b. **Law No. 20.235, Article 18^o:** For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties."
- c. **Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned, according to the technical criteria and ethical standards set forth in Law No. 20.235.
- d. For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested

¹ The Comisión Calificadora de Competencias en Recursos y Reservas Mineras is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations Australia (JORC), Brasil (CBRR), Canadá (CIM / NI 43-101), Colombia (CCR), Chile (Comisión Minera CH20235), EEUU (SME), Europa (PERC), India (NACRI), Indonesia (KCM), Kazakhsan (KAZRC), Mongolia (MPIGM), Rusia (OERN), Sud Africa (SAMCODES) and Turquía (UMREK), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



Luis Thayer Ojeda 166, oficina 706, Providencia - Santiago de Chile - Teléfonos (56) 222 345 134 - 222 343 016

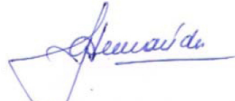


CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Marco Lema Lema**, National Id. Nr 9.026.574-1, Mining Engineer, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from January 2019, under Nr. 0375, with specialization in **Mining**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Lema to present:

**UNITED STATES - SECURITIES AND EXCHANGE COMMISSION
FORM 20-F, for the fiscal year ended December 31, 2019**


Gladys Hernández S.
Executive Secretary



Santiago, March 10, 2020
CM - 909 - 03 2020

Information:

- a. **The Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- b. **Law No. 20.235, Article 18°:** For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties."
- c. **Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned, according to the technical criteria and ethical standards set forth in Law No. 20.235.
- d. For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested

¹ The **Comisión Calificadora de Competencias en Recursos y Reservas Mineras** is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations Australia (JORC), Brasil (CBRR), Canadá (CIM / NI 43-101), Colombia (CCRR), Chile (Comisión Minera CH20235), EEUU (SME), Europa (PERC), India (NACRI), Indonesia (KCM), Kazakhstan (KAZRC), Mongolia (MPIGM), Rusia (OERN), Sud África (SAMCODES) and Turquía (UMREK), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



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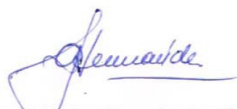


CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Orlando Rojas Vercelotti**, National Id. Nr 6.209.299-8, Mining Engineer, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from August 2011, under Nr. 0118, with specialization in **Mining**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Rojas to present:

UNITED STATES - SECURITIES AND EXCHANGE COMMISSION FORM 20-F, for the fiscal year ended December 31, 2019


Gladys Hernández S.
Executive Secretary



Santiago, March 10, 2020
CM - 908 - 03 2020

Information:

- The **Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- Law No. 20.235, Article 18^o**: For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties.⁷
- Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned, according to the technical criteria and ethical standards set forth in Law No. 20.235.
- For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested

¹ The **Comisión Calificadora de Competencias en Recursos y Reservas Mineras** is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations: Australia (JORC), Brasil (CBRR), Canada (CIM / NI 43-101), Colombia (CCRR), Chile (Comisión Minera CH20235), EEUU (SME), Europa (PERC), India (NACRI), Indonesia (KCM), Kazakhstan (KAZRC), Mongolia (MPIGM), Russia (OERN), Sud África (SAMCODES) and Turquía (UMREK), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



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CERTIFICATE OF QUALIFIED COMPETENCY

The Chilean **Comisión Calificadora de Competencias en Recursos y Reservas Mineras**¹, certifies that **Mr. Andrés Fock Kunstmann**, National Id. Nr 13.670.872-8, Geologist, is registered in the Public Registry of Competent Persons in Mining Resources and Reserves from July 2019, under Nr. 0388, with specialization in **Geology**, and that her competencies and experience as a Competent Person allow her to inform and report on mineral resources and reserves

The Chilean Mining Commission issued this certificate at the request of Mr. Fock to present:

UNITED STATES - SECURITIES AND EXCHANGE COMMISSION FORM 20-F, for the fiscal year ended December 31, 2019

Gladys Hernández
Executive Secretary



Santiago, March 10, 2020
CM-910-03 2020

Information:

- a. **The Certificate of Qualified Competency** proves the validity of the party's competencies to inform or report about a specific matter or subject in the context of mining resources and reserves in accordance with the competencies and experience of a Competent Person.
- b. **Law No. 20.235, Article 18^o**: For the preparation of the technical and public reports, the Competent Persons must adhere strictly to the rules, regulations, criteria and procedures established in the Code, and likewise to all other rules of technical character that the Mining Commission enacts using their legal faculties.²¹
- c. **Application of CH 20.235 code** and use of this certificate is the sole responsibility of the person concerned, according to the technical criteria and ethical standards set forth in Law No. 20.235.
- d. For all legal purposes, the Certificate of Good Standing shall be valid only for the management requested

¹ The **Comisión Calificadora de Competencias en Recursos y Reservas Mineras** is a member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that groups the organizations Australia (JORC), Brasil (CBRR), Canadá (CIM / NI 43-101), Colombia (CCR), Chile (Comisión Minera CH20235), EELU (SME), Europa (PERC), India (NACRI), Indonesia (KCMD), Kazakhtan (KAZRC), Mongolia (MPIGM), Rusia (OERN), Sud África (SAMCODES) and Turquía (UMREK), which respond to a common international ruling to inform and report exploration prospects, mining resources and reserves.



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