CHEMICAL & MINING CO OF CHILE INC
Form 6-K
December 07, 2012

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

OF THE SECURITIES AND EXCHANGE ACT OF 1934

Includes financial statements and their related notes for the six-month period ended June 30, 2012 filed by Sociedad Química y Minera de Chile S.A. before the Superintendencia de Valores y Seguros de Chile on August 27, 2012.

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)

El Trovador 4285, Santiago, Chile (562) 425-2000

(Address and phone number of principal executive offices)

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

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82_________

On August 27, 2012, the Registrant filed with the Superintendencia de Valores y Seguros of Chile (the "SVS") a report that included information as to the Registrant's consolidated financial condition and results of operations for the six-month period ended June 30, 2012. Attached is a summary of such consolidated financial information included in the summary and in the report filed with the Superintendencia de Valores y Seguros of Chile. This financial information was prepared on the basis of International Financial Reporting Standards (“IFRS”).

THIS REPORT IS AN ENGLISH TRANSLATION OF, AND AN INTERNATIONAL FINANCIAL REPORTING STANDARDS PRESENTATION OF, THE SIX-MONTH PERIOD ENDED JUNE 30, 2011 REPORT FILED WITH THE SUPERINTENDENCIA DE VALORES Y SEGUROS (SVS) IN CHILE, AND UNLESS OTHERWISE INDICATED, FIGURES ARE IN US DOLLARS.

CONSOLIDATED FINANCIAL STATEMENTS

For the period ended June 30, 2012

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

In Thousands of United States Dollars

This document includes:

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

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CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION

ASSETS	Note	As of June 30, 2012 ThUS$	As of December 31, 2011 ThUS$
Current assets			
Cash and cash equivalents	7.1	415,279	444,992
Other current financial assets	10.1	375,704	169,261
Other current non-financial assets	25	48,265	63,792
Trade and other receivables, current	10.2	488,347	412,062
Trade receivables due from related parties, current	9.6	109,779	117,139
Current inventories	8.0	794,179	744,402
Current tax assets	28.1	3,642	4,765
Total current assets		2,235,195	1,956,413
Non-current assets			
Other non-current financial assets	10.1	38,397	30,488
Other non-current non-financial assets	25	27,957	24,651
Trade receivables, non-current	10.2	1,335	1,070
Investments in equity-accounted investees	11.1	66,780	60,694
Intangible assets other than goodwill	13.1	4,041	4,316
Goodwill	13.1	38,605	38,605
Property, plant and equipment	14.1	1,847,832	1,755,042
Deferred tax assets	28.4	260	304
Total non-current assets		2,025,207	1,915,170
Total assets		4,260,402	3,871,583

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

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION, (continued)

Liabilities and Equity	Note	As of June 30, 2012 ThUS$	As of December 31, 2011 ThUS$
Liabilities			
Current liabilities			
Other current financial liabilities	10.4	186,083	161,008
Trade and other payables, current	10.5	180,686	183,032
Trade payables due to related parties, current	9.7	-	873
Other current provisions	18.1	16,430	16,937
Current tax liabilities	28.2	38,663	75,418
Provisions for employee benefits, current	15.1	21,838	30,074
Other current non-financial liabilities	18.3	95,846	161,961
Total current liabilities		539,546	629,303
Non-current liabilities			
Other non-current financial liabilities	10.4	1,367,093	1,237,027
Other non-current provisions	18.1	6,814	8,595
Deferred tax liabilities	28.4	103,194	98,594
Provisions for employee benefits, non-current	15.1	36,440	33,684
Total non-current liabilities		1,513,541	1,377,900
Total liabilities		2,053,087	2,007,203
Equity	17		
Share capital		477,386	477,386
Retained earnings		1,693,822	1,351,560
Other reserves		(17,096)	(16,112)
Equity attributable to owners of the Parent		2,154,112	1,812,834
Non-controlling interest		53,203	51,546
Total equity		2,207,315	1,864,380
Total liabilities and equity		4,260,402	3,871,583

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

CONSOLIDATED STATEMENTS OF INCOME BY FUNCTION

		January to June		April to June	
		2012	2011	2012	2011
	Note	ThUS$	ThUS$	ThUS$	ThUS$
Revenue	20	1,.212,956	1,031,700	683,330	551,665
Cost of sales	27.2	(681,027)	(634,520)	(387,665)	(342,090)
Gross profit		531,929	397.180	295,665	209,575
Other income	27.3	9,453	5,377	4,790	2,041
Administrative expenses	27.4	(48,287)	(43,148)	(25,301)	(22,580)
Other expenses by function	27.5	(15,523)	(26,863)	(5,432)	(11,898)
Other gains (losses)	27.6	20	4,712	(29)	4,821
Gain (loss) from operating activities		477,592	337,258	269,693	181,959
Finance income		12,784	11,492	7,247	5,835
Finance costs	22	(26,458)	(22,618)	(14,395)	(11,991)
Share of profit of associates and joint ventures accounted for using the equity method		13,300	10,039	5,236	6,382
Foreign currency exchange differences	23	(15,305)	(7,141)	(10,392)	(4,242)
Gain (loss) before taxes		461,913	329,030	257,389	177,943
Income tax expense, continuing operations	28.4	(116,288)	(83,393)	(63,518)	(44.437)
Profit (loss) from continuing operations		345,625	245,637	193,871	133,506
Profit for the period		345,625	245,637	193,871	133,506
Profit attributable to					
Owners of the Parent		342.237	243,616	192,208	132,221
Non-controlling interest		3,388	2,021	1,663	1,285
Profit for the period		345,625	245,637	193,871	133,506

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

CONSOLIDATED STATEMENTS OF INCOME BY FUNCTION (continued)

	Note	January to June 2012 ThUS$	2011 ThUS$	April to June 2012 ThUS$	2011 ThUS$
Earnings per share					
Common shares					
Basic earnings per share (US$ per share)	21	1.3003	0.9256	0.7303	0.5024
Basic earnings per share (US$ per share) from continuing operations		1.3003	0.9256	0.7303	0.5024
Diluted common shares					
Diluted earnings per share (US$ per share)	21	1.3003	0.9256	0,7303	0.5024
Diluted earnings per share (US$ per share) from continuing operations		1.3003	0.9256	0,7303	0.5024

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Statements of comprehensive income	January to June 2012 ThUS$	January to June 2011 ThUS$	April to June 2012 ThUS$	April to June 2011 ThUS$
Profit for the period	345,625	245,637	193,871	133,506
Components of other comprehensive income before taxes and foreign currency translation difference				
Gain (loss) from foreign currency translation difference, before taxes	676	10	(761)	110
Other comprehensive income before taxes and foreign currency translation differences	676	10	(761)	110
Cash flow hedges				
(Gain) loss from cash flow hedges before taxes	(1,820)	(3,962)	1,888	(1,062)
Other comprehensive income before taxes and cash flow hedges	(1,820)	(3,962)	1,888	(1,062)
Other comprehensive income before taxes and actuarial gains (losses) from defined benefit plans		(75)		(75)
Other reserves		-		
Other components of other comprehensive income before taxes	(1,144)	(4,027)	1,127	(1,027)
Income taxes associated with components of other comprehensive income				
Income taxes associated with cash flow hedges in other comprehensive income	193	793	(556)	213
Income taxes associated with components of other comp0rehensive income	193	793	(556)	213
Other comprehensive income	(951)	(3,234)	571	(814)
Total comprehensive income	344,674	242,403	194,442	132,692
Comprehensive income attributable to				
Owners of the Parent	341,253	240,382	192,809	131,384
Non-controlling interest	3,421	2,021	1,633	1,308
Total comprehensive income	344,674	242,403	194,442	132,692

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Statement of Cash Flows	Note	06/30/2012 ThUS$	06/30/2011 ThUS$
Cash flows from (used in) operating activities			
Profit for the period		345,625	245,637
Adjustment to reconcile profit for the period			
Adjustment for decreases (increases) in inventories		(61,876)	(36,352)
Adjustment for decreases (increases) in trade receivables		(36,386)	(34,706)
Adjustment for decreases (increases) in other receivables from operating activities		(28,423)	(26,793)
Adjustment for decreases (increases) in trade payables		(61,724)	(49,538)
Adjustment for decreases (increases) in other payables from operating activities		(93,820)	12,822
Adjustment for depreciation and amortization		94,241	88,890
Adjustment for provisions		21,613	52,974
Adjustment for income tax expense		116,289	83,393
Adjustment for unrealized foreign currency translation loss (gain)		15,305	7,141
Adjustment for undistributed profit from associates		(13,300)	(10,039)
Other adjustments for items other than cash		40,590	11,106
Other adjustments for the effects on cash from investing or financing activities		(242)	(112)
Reconciling adjustments		(7,733)	98,786
Net cash from (used in) operating activities		337,892	344,423
Dividends received		10,857	2,269
Interest paid		(15,849)	(230)
Income tax paid		-	(39,328)
Net cash from (used in) operating activities		332,900	307,134
Cash flows from (used in) investing activities			
Cash flows from loss of control of subsidiaries or other businesses		961	-
Payments to acquire interest in joint ventures		(4,197)	(2,500)
Proceeds from the sale of property, plant and equipment		1,626	1,255
Acquisition of property, plant and equipment		(188,904)	(238,324)
Cash advances and loans granted to third parties		(686)	-
Third parties payment of loans		-	410
Other cash inflows (outflows)		(199,125)	(41,820)
Net cash from (used in) investing activities		(390,325)	(280,979)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Note	06/30/2012 ThUS$	06/30/2011 ThUS$
Cash flows from (used in) financing activities			
Proceeds from long-term loans		296,502	200,000
Repayment of loans		(160,000)	(170,000)
Dividends paid		(83,064)	(83,050)
Other cash inflows (outflows)		(18,316)	(3,520)
Net cash from (used in) financing activities		35,122	(56,570)
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		(22,303)	(30,415)
Effects of exchange rate fluctuations on cash held		(7,410)	(19,326)
Net increase (decrease) in cash and cash equivalents		(29,713)	(49,741)
Cash and cash equivalents at beginning of period		444,992	524,652
Cash and cash equivalents at end of period	7	415,279	474,911

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

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STATEMENTS OF CHANGES IN EQUITY

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other reserves	Subtotal other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity at beginning of the period	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380
Restated opening balance of equity	477,386	(1,251)	(10,230)	(2,954)	(1,677)	(16,112)	1,351,560	1,812,834	51,546	1,864,380
Profit (loss)							342,237	342,237	3,388	345,625
Other comprehensive income		643	(1,627)			(984)		(984)	33	(951)
Comprehensive income		643	(1,627)	-	-	(984)	342,237	341,253	3,421	344,674
Dividends							25	25		25
Increase (decrease) in transfers and other changes									(1,764)	(1,764)
Increase (decrease) in equity	-	643	(1,627)	-	-	(984)	342,262	341,278	1,657	342,935
Equity as of June 30, 2012	477,386	(608)	(11,857)	(2,954)	(1,677)	(17,096)	1,693,822	2,154,112	53,203	2,207,315

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

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STATEMENTS OF CHANGES IN EQUITY

	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Actuarial gains (losses) from defined benefit plans	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interest	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity at beginning of the period	477,386	1,530	(9,207)	(2,036)	(9,713)	1,155,131	1,622,804	48,016	1,670,820
Restated opening balance of equity	477,386	1,530	(9,207)	(2,036)	(9,713)	1,155,131	1,622,804	48,016	1,670,820
Profit (loss)	-	-	-	-	-	243,616	243,616	2,021	245,637
Other comprehensive income	-	10	(3,169)	(75)	(3,234)	-	(3,234)	-	(3,234)
Comprehensive income	-	10	(3,169)	(75)	(3,234)	243,616	240,382	2,021	242,403
Dividends declared	-	-	-	-	-	(76,425)	(76,425)	-	(76,425)
Increase (decrease) from transfers and other changes	-	-	-	-	-	-	-	(794)	(794)
Total changes in equity	-	10	(3,169)	(75)	(3,234)	167,191	163,957	1,227	165,184
Equity as of June 30, 2011	477,386	1,540	(12,376)	(2,111)	(12,947)	1,322,322	1,786,761	49,243	1,836,004

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

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

Notes to the Consolidated Financial Statements

as of June 30, 2012

Sociedad Química y Minera de Chile S.A.

and Subsidiaries

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Notes to the consolidated financial statements as of June 30, 2012

Note 1 – Identification and Activities of the Company and Subsidiaries

1.1 Historical background

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

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

1.2 Main domicile where the Company performs its production activities

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

1.3 Codes of main activities

The codes of the main activities as established by the Chilean Superintendence of Securities and Insurance are as follows:

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

1.4 Description of the nature of operations and main activities

Our products are mainly derived from mineral deposits found in northern Chile. We mine and process caliche ore and brine deposits. The 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 within the Atacama desert in northern Chile, contain high concentrations of lithium and potassium as well as significant concentrations of sulfate and boron.

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Notes to the consolidated financial statements as of June 30, 2012

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

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

From 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, boric acid 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.

We sell our products in more than 100 countries worldwide through a worldwide distribution network and generate our mainly revenue from foreign countries.

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

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

Iodine: is the biggest producer of iodine at worldwide level, which is a product which is widely used in the pharmaceutical industry, technology and nutrition. Additionally, iodine is used as X ray contrast media and polarizing film for LCD displays.

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

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Notes to the consolidated financial statements as of June 30, 2012

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

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

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

Potassium: The potassium is a primary essential macro-nutrient, and even though does not form part of the plant's structure, has a significant role for the developing of its basic functions, validating the quality of a crop, increasing post-crop life, improving the crop flavor, its amount in vitamins and its physical appearance. Within this business line, SQM has also potassium chlorate and potassium sulfate, both extracted from the salt layer located under the Salar de Atacama (the Atacama Saltpeter Deposit.)

Other products and services: This operating segment includes revenue from commodities, provision of services, interest, royalties and dividends.

1.5 Other background

Employees

As of June 30, 2012 and December 3, 2011, the Company's employees were as follows:

	06/30/2012	12/31/2011
Permanent employees	5,372	4,902

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Notes to the consolidated financial statements as of June 30, 2012

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

1.5 Other background, continued

Main shareholders

The table below establishes certain information about the beneficial property of Series A and Series B shares of SQM as of June 30, 2012 and December 31, 2011. In respect to each shareholder which has interest of more than 5% of outstanding Series A or B shares. The information below is taken from our records and reports controlled in the Central Securities Depository and reported to the Superintendence of Securities and Insurance (SVS) and the Chilean Stock Exchange, whose main shareholders are as follows

Shareholder 06/30/2012	Number of Series A shares with ownership	% of Series A shares		Number of Series B shares with ownership	% of Series B shares B		Total % of shares	
Inversiones El Boldo Limitada	44,751,196	31.33	%	17,571,676	14.60	%	23.68	%
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,558,830	31.20	%	10,741,799	8.92	%	21.01	%
The Bank of New York	-	-		41,457,862	34.44	%	15.75	%
Inversiones RAC Chile Limitada	19,200,242	13.44	%	2,699,773	2.24	%	8.32	%
Potasios de Chile S.A.(*)	18,179,147	12.73	%	156,780	0.13	%	6.97	%
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-		3.34	%
Banchile Corredores de Bolsa S.A.	140,591	0.10	%	4,394,173	3.65	%	1.72	%
Corpbanca Corredores de Bolsa S.A.	11,191	0.01	%	4,289,993	3.56	%	1.63	%
Banco Itau on behalf of investors	-	-		3,878,905	3.22	%	1.47	%
Inversiones La Esperanza Limitada	3,693,977	2.59	%	-	-		1.40	%

(*) Total Pampa Group 31.32%

Shareholder as of 12/31/2011	**Number of Series**	**Number of**	**% of Series B**

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

(*) Total Pampa Group 31.97%

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Notes to the consolidated financial statements as of June 30, 2012

Note 2 - Bases of presentation for consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following period:

- Consolidated Statements of Financial Position for the period ended June 30, 2012 and the year ended December 31, 2011.
- Consolidated Statements of Changes in Equity for the period ended June 30, 2012 and 2011.
- Consolidated Statements of Comprehensive Income for the period between January 1 and June 30, 2012 and 2011.
- Consolidated Statements of Cash Flows, indirect method for the periods ended June 30, 2012 and 2011.

Notes to the consolidated financial statements as of June 30, 2012

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

2.2 Financial statements

Interim and annual consolidated financial statements of Sociedad Química y Minera de Chile S.A. and Subsidiaries, have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") and represent the full, explicit and unreserved application of the aforementioned international standards issued by the International Accounting Oversight Board (IASB).

These interim and annual consolidated financial statements reflect fairly the Company's equity and financial position and the results of its operations, changes in the statement of recognized revenue and expenses and cash flows, which have occurred during the periods then ended.

IFRS establish certain alternatives for their application. Those applied by the Company and its subsidiaries are included in detail in this Note.

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

2.3 Basis of measurement

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

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

Notes to the consolidated financial statements as of June 30, 2012

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

2.4 Accounting pronouncements

Accounting pronouncements

At the date of these consolidated financial statements, the following accounting pronouncements had been issued by the IASB but its application date is not effective.

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

IAS 19 Revised "Employee Benefits"

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

IAS 27 "Separate Financial Statements"

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

IFRS 9 "Financial Instruments"

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

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

IFRS 10 "Consolidated Financial Statements"

Issued in May 2011, supersedes SIC 12 "Consolidation – Special Purpose Entities" and portions of IAS27 "Consolidated Financial Statements". It establishes clarifications and new parameters for the definition of control, as well as the preparation of consolidated financial statements. Its early adoption is permitted together with IFRS 11, IFRS 12 and amendments to IAS 27 and IAS 28.

Notes to the consolidated financial statements as of June 30, 2012

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

2.4 Accounting pronouncements, continued

NIIF 11 "Joint Arrangements"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IFRS 13 "Fair Value Measurement"

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

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

IAS 1 "Presentation of Financial Statements"

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

IFRS 7 “Financial Instruments: Information to be disclosed”

Issued on December 2011. Requires to improve the present disclosures of compensation of financial assets and liabilities, in order to increase the convergence between IFRS and USGAAP. These disclosures are centered in quantitative information about the acknowledged financial instruments which are compensated Financial Situation Status. Its anticipated adoption is allowed.

IAS 32 “Financial Instruments: Presentation”

Issued on December 2011. Explains the requirements for the compensation of financial assets and liabilities in the Financial Situation Status. Specifically, it indicates that the right to compensation must be available as of the date of the financial statement and not depend on a future event. Specifically, it states that the right to compensation must be available as of the date of the financial statement and not depend on a future event. It also indicates that it must be legally binding for the counterparts, in the normal course of the business as well as in the case of unpaid, insolvency, or bankruptcy. Its anticipated adoption is allowed.

Notes to the consolidated financial statements as of June 30, 2012

Improvements to the International Regulations of Financial Information, issued on May 2012.

IAS 16 "Property, Plant, and Equipment"

Clarifies that the spare parts and the service equipment will be classified as Property, Plant, and Equipment, instead of inventories, whenever it meets the definition of Property, Plant, and Equipment.

IAS 32 "Presentation of Financial Instruments"

Clarifies that the treatment of the capital gains tax related with the distribution and transaction costs.

IAS 34 "Intermediate Financial Information"

Clarifies the requirements to expose assets and liabilities by segments, during interim periods, confirming the same requirements applicable to the annual financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 11 "Joint Agreements"

IFRS 12 "Disclosures of participation in other entities"

Issued on June 2012. Clarifies the transitory dispositions for IFRS 10, pointing out that it is necessary to apply it the first day of the annual period in which the regulation is adopted. Therefore, it could be necessary to make modifications to the comparative information presented in such period, if the evaluation of the control over investments defers of that recognized according to IAS 27/SIC 12.

The Company's management estimates that the adoption of standards, amendments and interpretations described above are under evaluation and it is expected that they will not have a significant impact on the Consolidated Financial Statements of the Company.

Notes to the consolidated financial statements as of June 30, 2012

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

2.5 Transactions in foreign currency

(a) Functional and presentation currency

The Company's quarter consolidated financial statements are presented in United States dollars ("U.S. dollars" or "USD"), 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 U.S. dollar.

The consolidated financial statements are presented without decimals.

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

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

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

(b) Basis of conversion

Domestic subsidiaries:

Assets and liabilities denominated in Chilean pesos and other currencies other than the functional currency (U.S. dollar) as of June 30, 2012 and December 31, 2011 have been translated to U.S. dollars at the exchange rates prevailing at those dates. The corresponding Chilean pesos were converted at Ch$501.84 per US$1.00 as of June 30, 2012, and Ch$519.20 per US$1.00 as of December 31, 2011.

The values of the UF (a Chilean peso-denominated, inflation-indexed monetary unit) used to convert the UF denominated assets and liabilities as of June 30, 2012 amounted to Ch$22,627.36 (US$45,09), and as of December 31, 2011 amounted to Ch$22,294.03 (US$42.94).

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Notes to the consolidated financial statements as of June 30, 2012

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

2.5 Transactions in foreign currency, (continued)

Foreign subsidiaries

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

	06/30/2012 US$	12/31/2011 US$
Brazilian Real	2.02	1.88
New Peruvian Sol	2.75	2.77
Argentinean Peso	4.50	4.30
Japanese Yen	79.31	77.74
Euro	0.79	0.77
Mexican Peso	13.65	13.98
Australian Dollar	1.02	1.03
Pound Sterling	0.64	0.64
South African Rand	8.23	8.10
Ecuadorian Dollar	1.00	1.00
Chilean Peso	501.84	519.20
UF	45.09	42.94

(c) Transactions and balances

Non-monetary transaction balances denominated in a currency other than the functional currency (U.S. dollar) are translated using the exchange rate in force for the functional currency at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate of the functional currency prevailing at the closing date of the consolidated classified statement of financial position. All differences are taken to the statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These items are recognized in other comprehensive income upon the disposal of the investment, at which time they are recognized in the statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

Notes to the consolidated financial statements as of June 30, 2012

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

2.5 Transactions in foreign currency, continued

(d) Group entities

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

- Assets and liabilities are translated at the closing date exchange rate as of the date of the consolidated statement of financial position.
- Revenue and expenses in each profit or loss account are translated at average exchange rates for the year.
- All resulting foreign currency exchange differences are recognized as a component separate in the foreign currency translation difference reserve

In consolidation, foreign currency exchange differences which arise from the conversion of a net investment in foreign entities are taken to net equity (other reserves). At the disposal date, these exchange differences are recognized in the statement of comprehensive income as part of the loss or gain from the sale.

2.6 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all those entities on which Sociedad Química y Minera de Chile S.A. has the control to lead the financial and operating policies, which, in general, is accompanied by participation greater than half the voting rights. Subsidiaries are consolidated from the date in which control is transferred to the Company and are excluded from consolidation on the date in which this control ceases to exist. Subsidiaries apply the same accounting policies that its Parent.

In order to recognize the acquisition of an investment, the Company uses the acquisition method. Under this method, the acquisition cost is the fair value of assets delivered, of equity instruments issued and of liabilities incurred or assumed at the exchange date plus costs directly attributable to acquisition. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially stated at their fair value at the acquisition date. For each business combination, the acquirer measures the non-controlling interests in the acquiree at fair value or as a proportional part of the acquiree's net identifiable assets.

Notes to the consolidated financial statements as of June 30, 2012

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

2.6 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Foreign subsidiaries	Country of origin	Functional currency	Ownership interest 06/30/2012 Direct	Indirect	Total	12/31/2011 Total
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp.	USA	US$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N.V.	Belgium	US$	0.8600	99.1400	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B.V.	The Netherlands	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Dutch Antilles	US$	0.0002	99.9998	100.0000	100.0000
Foreign	SQI Corporation N.V.	Dutch Antilles	US$	0.0159	99.9841	100.0000	100.0000
Foreign	SQM Comercial De México S.A. De C.V.	Mexico	US$	0.0013	99.9987	100.0000	100.0000
Foreign	North American Trading Company	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Administración Y Servicios Santiago S.A. De C.V.	Mexico	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Perú S.A.	Peru	US$	0.9800	99.0200	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos Mexico S.A. De C.V.	Mexico	US$	0.0000	51.0000	51.0000	51.0000
Foreign	SQMC Holding Corporation L.L.P.	USA.	US$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	US$	1.0000	99.0000	100.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US$	2.7900	97.2100	100.0000	100.0000
Foreign	SQM France S.A.	France	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US$	1.0000	99.0000	100.0000	100.0000
Foreign		Aruba	US$	1.6700	98.3300	100.0000	100.0000

	Royal Seed Trading Corporation A.V.V.						
Foreign	SQM Oceania Pty Limited	Australia	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Rs Agro-Chemical Trading A.V.V.	Aruba	US$	98.3333	1.6667	100.0000	100.0000
Foreign	SQM Indonesia S.A.	Indonesia	US$	0.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Venezuela S.A.	Venezuela	US$	-	-	-	100.0000
Foreign	SQM Italia SRL	Italy	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Cayman Islands	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.(**)	Spain	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Iodine Minera B.V.	The Netherlands	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Agro India Pvt. Ltd.	India	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US$	0.0000	100.0000	100.0000	100.0000

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Notes to the consolidated financial statements as of June 30, 2012

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

2.6 Basis of consolidation, continued

Companies included in consolidation:

TAX ID No.	Domestic subsidiaries	Country of origin	Functional currency	Ownership interest 06/30/2012 Direct	Indirect	Total	12/31/2011 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$	99.9974	0.0000	99.9974	99.9974
96.592.190-7	SQM Nitratos S.A.	Chile	US$	99.9999	0.0001	100.0000	100.0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US$	51.0000	0.0000	51.0000	51.0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Chilean peso	0.0000	60.6381	60.6381	60.6381
79.947.100-0	SQM Industrial S.A.	Chile	US$	99.0470	0.9530	100.0000	100.0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Chilean peso	1.0000	99.0000	100.0000	100.0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	1.0000	99.0000	100.0000	100.0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US$	0.0003	99.9997	100.0000	100.0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US$	0.0000	60.6383	60.6383	60.6383
79.626.800-K	SQM Salar S.A.	Chile	US$	18.1800	81.8200	100.0000	100.0000
78.602.530-3	Minera Nueva Victoria Ltda.	Chile	US$	99.0000	1.0000	100.0000	100.0000
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	0.0000	60.5800	60.5800	60.5800
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	0.0000	100.0000	100.0000	100.0000
76.425.380-9	Exploraciones Mineras S.A.	Chile	US$	0.2691	99.7309	100.0000	100.0000
76.064.419-6	Comercial Agrorama Ltda. (*)	Chile	Chilean peso	0.0000	42.4468	42.4468	42.4468
76.145.229-0	Agrorama S.A. (***)	Chile	Chilean peso	0.0000	60.6377	60.6377	60.6377

(*) Comercial Agrorama Ltda. was consolidated given that the Company has control through subsidiary Soquimich Comercial S.A.

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

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

Subsidiaries are consolidated on a line by line basis by including in the consolidated financial statements all of their assets, liabilities, revenues, expenses and cash flows upon making the respective adjustments and eliminations of intragroup operations.

The results from subsidiary companies acquired or disposed of during the year are included in consolidated statement of income accounts from the effective date of acquisition or up to the effective date of disposal, as applicable.

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

Notes to the consolidated financial statements as of June 30, 2012

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

2.7 Significant accounting judgments, estimates and assumptions

The information contained in these consolidated financial statements is the responsibility of the Company's management, who expressly indicate that they have applied all the principles and criteria included in IFRS, issued by the IASB.

In the accompanying consolidated financial statements, judgments and estimates have been made by management to quantify certain assets, liabilities, revenues, expenses and commitments recorded and or disclosed therein. Basically, these estimates refer to the following:

- The useful lives of tangible and intangible assets and their residual values.
- Impairment evaluations of certain assets, including trade receivables.
- Assumptions used for the actuarial calculation of commitments for employee pensions and staff severance indemnities.
- Provisions for commitments assumed with third parties and contingent liabilities.
- Inventory provisions based on technical studies which cover the different variables affecting products in stock (density. humidity. among others) and allowances on slow-moving spare parts in inventory.
- Future costs for the closure of mining facilities.
- The determination of the fair value of certain financial and non-financial assets and derivative instruments.
- The determination and allocation of fair values in business combinations

Although these estimates have been made considering information available as of the date of preparation of these consolidated financial statements, it is possible that events that may occur in the future could make their modification necessary in future years. Changes would be recorded prospectively, recognizing the effects of the change in estimates in the respective future consolidated financial statements.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies

3.1 Inventory

The Company states inventories for the lower of cost and net realizable value. The cost price of finished products and products in progress includes direct costs of materials and; as applicable, labor costs, indirect costs incurred to transform raw materials into finished products and general expenses incurred in carrying inventories to their current location and conditions. The method used to determine the cost of inventories is weighted average cost.

The net realizable value represents the estimate of the sales price less all finishing estimated costs and costs which will be incurred in commercialization, sales and distribution processes.

Commercial discounts, rebates obtained and other similar entries are deducted in the determination of the acquisition price.

The Company conducts an evaluation of the net realizable value of inventories at the end of each year recording an estimate with a charge to income when these are overstated. When the circumstances, which previously caused the rebate ceased to exist, or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances or prices of main raw materials, the estimate made previously is modified.

The valuation of obsolete, impaired or slow-moving products relates to their net estimated net realizable value.

Provisions on the Company's inventories have been made based on a technical study which covers the different variables which affect products in stock (density, humidity, among others.)

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.2 Trade and other receivables

Trade and other receivables relate to non-derivative financial assets with fixed and determinable payments and are not quoted in any active market. These arise from sales operations involving the products and/or services which the Company commercializes directly to its customers

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

Implicit interest in installment sales is recognized as interest income when interest is accrued over the term of the operation.

3.3 Investments recognized using the equity method

Interests in companies in which control is exercised together with another company (joint ventures) or in which the Company has significant influence (associated companies) are recorded using the equity method. Significant influence is assumed to exist when the Company has interest exceeding 20% of the investee's equity.

Under this method, the investment is recognized in the consolidated classified statement of financial position at cost plus changes subsequent to the acquisition in an amount proportional to the net associated company's equity using the ownership interest in the associate. The associated goodwill is included at the carrying value of the investee, and it is not subject to amortization. The debit or credit to profit or loss reflects the proportional amount in the associated companies' results for the reporting period.

Unrealized profit on transactions with associates and subsidiaries are eliminated in consolidation of the ownership percentage that the Company has on these entities. Unrealized losses are also eliminated unless the transaction provided evidence of loss from impairment of the assets transferred.

Changes in equity of the associates are recognized proportionally with a debit or credit to “Other reserves” and classified according to their origin.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.3 Investments recognized using the equity method, continued

The associated companies and the Company's reporting dates and policies are similar for equivalent transactions and events under similar circumstances.

In the event that significant influence is lost or the investment is sold or is available-for-sale, the equity value method is discontinued, suspending the recognition of proportional income.

If the resulting amount according to the equity method is negative, the Company's equity interest is reduced to zero in the consolidated classified statement of financial position unless the Company has a contractual commitment to resolve the equity position. In this case, the respective provision for risks and expenses is recorded.

Dividends received in these companies are recorded by reducing the equity value and proportional profit or loss recognized in conformity with their interest, and are included in the consolidated statement of income under the caption "Equity in income (losses) of associates and joint ventures accounted for using the equity method".

3.4 Property, plant and equipment

Tangible property, plant and equipment assets are stated at acquisition cost, net of the related accumulated depreciation, amortization and impairment losses that they might have experienced.

In addition to the price paid for the acquisition of tangible property, plant and equipment, the Company has considered the following concepts as part of the acquisition cost, as applicable:

1. Accrued interest expenses during the construction period which are directly attributable to the acquisition, construction or production of qualifying assets, which are those that require a substantial period prior to being ready for use. The interest rate used is that related to the project's specific financing or, should this not exist, the average

financing rate of the investor company. The amount capitalized for this concept is ThUS$7,077 as of June 30, 2012 and ThUS$22,249 as of December 31, 2011.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.4Property, plant and equipment, continued

2. The future costs that the Company will have to experience related to the closure of its facilities at the end of their useful life are included at the present value of disbursements expected to be required to settle the obligation.

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

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

Property, plant and equipment, net in the case of their residual values are depreciated using thee straight-line method over its estimated useful lives. When portions of a property, plant and equipment item have different useful lives, these portions are recorded as separate items. The useful life is reviewed annually, and revised if necessary.

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment are presented below.

The replacement of full assets which increase the asset's useful life or its economic capacity, are recorded as a higher value of property, plant and equipment with the related derecognition of replaced or renewed elements.

Based on the impairment analysis conducted by the Company's management it has been considered that the carrying value of assets does not exceed the net recoverable value of such assets.

Property, plant and equipment, net in the case of their residual values are depreciated using thee straight-line method over its estimated useful lives, which constitute the period in which the Company expects to use them.. When portions of a property, plant and equipment item have different useful lives, these portions are recorded as separate items. The useful life is reviewed regularly (annually).

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.4 Property, plant and equipment, continued

The useful lives used for the depreciation and amortization of assets included in property, plant and equipment are presented below.

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

Gains or losses 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.

The Company obtains property rights and mining concessions from the Chilean State Government. Property rights are usually obtained without any initial cost (other than the payment of mining licenses and minor registration expenses) and when rights are obtained on these concessions, the Company retains them while it pays the related annual license fees. Such license fees, which are paid annually, are recorded as prepaid expenses and amortized over the following twelve month period. Amounts attributable to mining concessions acquired from third parties, which are not from the Chilean State, are recorded at their acquisition cost in property, plant and equipment.

Costs derived from daily maintenance of property, plant and equipment are recognized when incurred.

3.5 Investment properties

The Company recognizes as investment properties the net values of land, buildings and other properties held which it intends to commercialize under lease agreements, or to obtain proceeds from their sale as a result of those increases generated in the future in the respective market prices. These assets are not used in the activities and are not destined for the Company's own use.

Investment properties are initially stated at acquisition cost, which includes the acquisition price or production cost plus directly assignable expenses. Subsequently, investment properties are stated at their acquisition cost less accumulated depreciation, and the possible accrued provisions for value impairment.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.6 Financial information by operating segment

IFRS 8 requires that companies adopt a "management approach" to disclose information on the operations generated by its operating segments. In general, this is the information that management uses internally for the evaluation of segment performance and making the decision on how to allocate resources for this purpose.

An operating segment is a group of assets and operations responsible for providing products or services subject to risks and performance different from those of other business segments. A geographical segment is responsible for providing products or services in a given economic environment subject to risks and performance different from those of other segments that operate in other economic environments.

For assets and liabilities the allocation to each segment is not possible given that these are associated with more than one segment, except for depreciation, amortization and impairment of assets, which are directly allocated to the applicable segments, in accordance with the criteria established in the costing process for product inventories.

The following operating segments have been identified by the Company:

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

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.7 Revenue recognition

Revenue includes the fair value of considerations received or receivable for the sale of goods and services during performance of the Company's activities. Revenue is presented net of value added tax, estimated returns, rebates and discounts and after the elimination of sales among subsidiaries.

Revenue is recognized when its amount can be stated reliably, it is possible that the future economic rewards will flow to the entity and the specific conditions for each type of activity -related revenue are complied with, as follows:

(a) Sale of goods

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

Sales are recognized in consideration of the price set in the sales agreement, net of volume discounts and 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) Sales 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.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.7 Revenue recognition, continued

(c) Interest income

Interest income is recognized when interest is accrued in consideration of the principal pending payment using the effective interest rate method.

(d) Income from dividends

Income from dividends is recognized when the right to receive the payment is established.

3.8 Income tax and deferred taxes

Corporate income tax for the year is determined as the sum of current taxes from the different consolidated companies. Current taxes are based on the application of the various types of taxes attributable to taxable income for the year.

Differences between the book value of assets and liabilities and their tax basis generate the balance of deferred tax assets or liabilities, which are calculated using the tax rates expected to be applicable when the assets and liabilities are realized.

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

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

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.8 Income tax and deferred taxes, continued

As of the date of these consolidated financial statements, the carrying value of deferred tax assets has been reviewed and reduced to the extent there will not be sufficient taxable income to allow the recovery of all or a portion of the deferred tax assets. Likewise, as of the date of the consolidated financial statements, deferred tax assets that are not recognized were evaluated and not recognized as it was not 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.

3.9 Earnings per share

The basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

The Company has not conducted any type of operation of potential dilutive effect that assumes diluted earnings per share other than the basic earnings per share.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.10 Impairment of non-financial assets

Assets subject to depreciation and amortization are subject to impairment testing, provided that an event or change in the circumstances indicates that the amounts in the accounting records may not be recoverable. An impairment loss is recognized for the excess of the book value of the asset over its recoverable amount.

The recoverable amount of an asset is the higher between the fair value of an asset or cash generating unit ("CGU") less costs of sales and its value in use, and is determined for an individual asset unless the asset does not generate any cash inflows that are clearly independent from other assets or groups of assets.

When the carrying value of an asset exceeds its recoverable amount, the asset is considered an impaired asset and is reduced to its net recoverable amount.

In evaluating value in use, estimated future cash flows are discounted using a discount rate before taxes which reflects current market evaluation on the time value of money and specific asset risks.

An appropriate valuation model is used to determine the fair value less selling costs. These calculations are confirmed by valuation multiples, quoted share prices for subsidiaries quoted publicly or other available fair value indicators.

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. In this case impairment is also recognized with a debit to equity up to the amount of any previous revaluation.

As of June 30, 2012 and December 31, 2011, the Company is unaware of any indication of impairment with regard to its assets.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.10 Impairment of non-financial assets, continued

For assets other than acquired goodwill, an annual evaluation is conducted of whether there is impairment loss indicators recognized previously that might have already ceased to exist or decreased. The recoverable amount is estimated if such indicators exist. An impairment loss previously recognized is reversed only if there have been changes in estimates used to determine the asset's recoverable amount from the last time in which an impairment loss was recognized. If this is the case, the carrying value of the asset is increased to its recoverable amount. This increased amount cannot exceed the carrying value that would have been determined net of depreciation if an asset impairment loss would have not been recognized in prior years. This reversal is recognized with a credit to profit or loss unless an asset is recorded at the revalued amount. Should this be the case, the reversal is treated as an increase in revaluation

3.11 Financial assets

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short-term. Derivatives are also classified as acquired for trading unless they are designated as hedge accounts. Assets under this category are classified as current assets and variations generated in fair value are directly recognized in profit or loss.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.11 Financial assets, continued

(b) Loans and trade receivables

Loans and trade receivables are non-derivative financial assets with fixed o determinable payments not quoted in any active market. These are included in current assets, except for those with maturities exceeding 12 months from the closing date, which are classified as non-current assets. Loans and trade receivables are included under the caption "Trade and other receivables" in the consolidated classified statement of financial position and are stated at amortized cost. The subsequent measurement at amortized cost is calculated using the effective interest rate method less impairment.

(c) Financial assets held-to-maturity

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

(d) Financial assets available for sale

Financial assets available for sale are non-derivative instruments that have been designated in this category or are not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment in the 12 months following the closing date. These assets are stated at fair value, recognizing in other comprehensive income those variations in fair value, if any.

3.12 Financial liabilities

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

The Company’s management determines the classification of its financial liabilities at the time of initial recognition.

Financial debt obligations are recorded at face value and as non-current when maturity is over twelve months and as current when maturity is less than twelve months. Interest expenses are recorded the year in which they are accrued under a financial approach.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.12 Financial liabilities, continued

In accordance with IAS 32 and 39, debt-related expenses are accounted for in the accompanying consolidated classified statements of financial position, deducting the associated debt and are imputed to the results of the year within the life of the debt using the effective interest rate method.

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

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

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

(b) Trade payables

Trade payables to suppliers are subsequently stated at their amortized cost using the effective interest rate method.

(c) Interest-bearing loans

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

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.13 The environment

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

3.14 Minimum dividend

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

3.15 Consolidated statements of cash flows

Cash equivalents relate to short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to low risk of change in value, and expire in less than three months from the date of acquisition of the instrument

For the purposes of the consolidated statements of cash flows, cash and cash equivalents comprise the balance of cash and cash equivalents as defined previously.

The statement of cash flows includes cash movements performed during the year, determined using the indirect method.

3.16 Obligations related to employee termination benefits and pension commitments

Obligations with the Company’s employees are in accordance with that established in the collective bargaining agreements in force formalized through collective employment agreements and individual employment contracts. In the case of the United States employees, certain obligations are in accordance with the related pension plan, valid until the year 2002.

These obligations are valued using actuarial calculations, which consider 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.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.16 Obligations related to employee termination benefits and pension commitments, continued

Actuarial losses and gains that may be generated by variations in previously defined obligations are directly recorded in profit or loss for the year.

Actuarial losses and gains 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 6% for the periods ended June 30, 2012 and December 31, 2011.

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 6.5% interest rate, for 2012 and 2011. The net balance of this obligation is presented under the non-current provisions for employee benefits.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.17 Financial derivatives and hedge transactions

Derivatives are recognized initially at fair value as of the date in which the derivatives contract is signed and subsequently they are valued at fair value. The method for recognizing the resulting loss or gain 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 possible foreseen transaction (cash flow hedge);

At the beginning of the transaction, the Company documents the relationship existing between hedging instruments and those entries 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 the end of each period of whether derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged entries.

The fair value of derivative instruments used for hedging purposes is shown in Note 10.3. (Hedge assets) Movements in the cash flow hedge reserve are classified as a non-current asset or liability if the remaining expiration period of the hedged item is higher than 12 months and as a current asset or liability if the remaining expiration period of the entry is lower than 12 months.

Investing derivatives are classified as a current asset or liability, and the change in their fair value is recognized directly in profit or loss.

(a) Fair value hedge

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.17 Financial derivatives and hedge transactions, continued

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

If the hedged entry is derecognized, the fair value not amortized is immediately recognized with a debit or credit to profit or loss.

(b) Cash flow hedges

The effective portion of gains or losses from the hedge instrument is initially recognized with a debit or credit to other reserves, whereas any ineffective portion is immediately recognized with a debit or credit to profit or loss, as applicable.

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

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.18 Leases

(a) Lease – Finance lease

Leases are classified as finance leases when the Company holds substantially all the risks and rewards derived from the ownership. Finance leases are capitalized at the beginning of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments.

Each lease payment is distributed between the liability and the interest expenses to obtain ongoing interest on the pending balance of the debt. The respective lease obligations, net of interest expense, are included in other non-current liabilities. The interest element of finance cost is debited in the consolidated statement of income during the lease period so that a regular ongoing interest rate is obtained on the remaining balance of the liability for each year. The asset acquired through a finance lease is subject to depreciation over the lower of its useful life or the life of the agreement.

(b) Lease – Operating lease

Leases in which the lessor maintains a significant part of the risks and rewards derived from the ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are debited to the statement of income or capitalized (as applicable) on a straight-line basis over the lease period.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.19 Prospecting expenses

Those prospecting expenses associated with mineral reserves being exploited are included under Inventory and amortized according to the estimated mineral content reserves. Prospecting expenses associated with future mineral reserves are presented under other non-financial assets as and when minerals included in the future reserve have caliche ore-grade, which makes the mining property economically commercializable.

Those expenses incurred on mining properties in which the product has a low caliche ore-grade that is not economically commercializable, are directly charged to profit or loss.

3.20 Other provisions

Provisions are recognized when:

- The Company has a present obligation as the result of a past event.
- It is more likely than not that certain resources must be used, including benefits, to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In the event that the provision or a portion of it is reimbursed, the reimbursement is recognized as a separate asset solely if there is certainty of income.

In the consolidated statement of income, the expense for any provision is presented net of any reimbursement.

Should the effect of the time value of money be significant, provisions are discounted using a discount rate before taxes 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 maintaining provisions to cover risks and expenses based on a better estimate to deal with possible or certain and quantifiable responsibilities from current litigation, compensations or obligations, pending expenses for which the amount has not yet been determined, collaterals and other similar guarantees for which the Company is responsible. These are recorded at the time the responsibility or the obligation that determines the compensation or payment is generated.

The Company determines and recognizes the cost related to employee vacation on an accrual basis.

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.21 Compensation plans

Compensation plans implemented through benefits in share-based payments settled in cash, which have been provided, are recognized in the financial statements at their fair value, in accordance with International Financial Reporting Standard No. 2 “Share-based payments”. Variations 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 No.16).

3.22 Good and service insurance expenses

Payments for the different insurance policies which the Company contracts are recognized in expenses considering the proportional amount related to the time that they cover, regardless of payment terms. Amounts paid and not consumed are recognized as prepayments within current assets.

Costs of claims are recognized in profit or loss immediately after they become known, net of recoverable amounts from insurance companies. Recoverable amounts are recorded as a reimbursable asset from the insurance company under “Trade and other receivables", calculated as established in the respective insurance policies.

3.23 Intangible assets

Intangible assets mainly relate to goodwill acquired, water rights, trademarks, and rights of way related to electric lines, development expenses, and computer software licenses.

(a) Goodwill acquired

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 acquisitions of subsidiaries is included in goodwill, which is subject to impairment tests every time consolidated financial statements are issued 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.

Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.23 Intangible assets, continued

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.

(b) 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 rights granted on a perpetual basis to the Company, these are not amortized. However, they are subject to an impairment assessment on an annual basis.

(c) Right of way for electric lines

As required for the operation of industrial plants, the Company has paid rights of way in order to install wires for the different electric lines in third party land. These rights are presented under Intangible assets. Amounts paid are capitalized at the date of the agreement and charged to income according to the life of the right of way.

(d) Computer software

Licenses for IT programs acquired are capitalized based on costs that have been incurred to acquire them and prepare them to use the specific program. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group and which probably will generate economic benefits that are higher than costs during more than a year, are recognized as intangible assets. Direct costs include expenses incurred for employees who develop IT programs and an adequate percentage of general expenses.

The costs of development for IT programs recognized as assets are amortized over their estimated useful lives.

No impairment of intangible assets exists as of June 30, 2012 and December 31, 2011

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Notes to the consolidated financial statements as of June 30, 2012

Note 3 – Significant accounting policies (continued)

3.24 Research and development expenses

Research and development expenses are expensed in the period in which the disbursement is made, with the exception of property, plant and equipment acquired for use in research and development, which are recognized in the accounting under the respective item within property, plant and equipment.

3.25 Classification of balances as current and non-current

In the attached statement of financial position, balances are classified in consideration of their remaining recovery (maturity) dates; i.e., those maturing on a date equal to or lower than twelve months are classified as current and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of the anticipated recovery date.

Notes to the consolidated financial statements as of June 30, 2012

Note 4 – Financial risk management

4.1 Risk management policy

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

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

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

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

Notes to the consolidated financial statements as of June 30, 2012

Note 4 – Financial risk management (continued)

4.2 Risk factors

4.2.1 Market risk

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

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

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

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

At present, the Company has a direct annual expense close to US$110 million on account of petrol, gas and equivalents and close to US$ 60 million on account of electricity. Variations of 10% in the prices of energy the Company required to operate, may involve in the short-term movements in costs of approximately US$17 million.

4.2.2 Doubtful accounts risk

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

As a way to mitigate these risks, SQM actively controls debt collection and uses measures such as, loan insurance, letters of credit, and prepayments with regard to some receivables.

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Notes to the consolidated financial statements as of June 30, 2012

Note 4 – Financial risk management (continued)

4.2.3 Currency risk

As a result of the influence in the price determination, of its relationship with sales costs and since a significant part of the business of the Company is carried out in that foreign currency, the functional currency of SQM is the United States dollar. However, the global business activities of the Company expose the same to the foreign exchange fluctuations of several currencies with respect to the US dollar. Therefore, SQM has hedge contracts to ensure its main mismatches (assets net of liabilities) in currencies other than the US dollar against the foreign exchange fluctuation. Those contracts are periodically up-dated depending upon the mismatch amount to be covered in these currencies. Occasionally and subject to the Board of Directors' approval, the Company insures cash flows from certain specific items in currency other tan U.S. dollar at short-term.

A significant portion of the costs of the Company, particularly payroll, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate against the dollar would affect the net income of SQM. Approximately US$ 400 million cost of the Company are related to the Chilean peso. The effect of such obligations in the consolidated condensed statements of financial position is covered by operations of derivative instruments that hedge the mismatch of balance in this currency.

As of December 31, 2011, the Company had derivative instruments classified as hedging currency and interest rate associated with all the obligations denominated bonds both in Chilean pesos and UF, with a fair value of US$ 56.1 million. As of June 2012, this value amounts to US$ 74.4 million, both for SQM.

As of June 30, 2012, the Chilean peso to US dollar Exchange rate was Ch$ 501.84 per US$ 1.00, and as of December 31, 2011 it was Ch$ 519.20 per US$ 1.00.

Notes to the consolidated financial statements as of June 30, 2012

Note 4 – Financial risk management (continued)

4.2.4 Interest rate risk

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

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

As of June 30, 2012, approximately 24% of the Company's financial obligations are valued at LIBOR, therefore significant increases in the rate may impact its financial position. A 100 point variation in this rate may trigger variations in the financial expenses close to US$ 3.5 million. Notwithstanding, this effect is significantly counterbalanced by the returns of the Company's investments that also relate to LIBOR.

In addition, as of June 30, 2012, the Company's financial debt is mainly in the long-term, with 11% with maturities under 12 months which decreases the exposure to changes in the interest rates.

Notes to the consolidated financial statements as of June 30, 2012

Note 4 – Financial risk management (continued)

4.2.5 Liquidity risk

Liquidity risk is related to the fund requirements to comply with payment obligations. The object of the Company is to keep financial flexibility by comfortably balancing the fund requirements and the flows from the regular business conduct, bank loans, public bonds, short term investments, and negotiable instruments, amongst other.

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

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

SQM constantly monitors that its obligations and investments match, taking care as part of its financial risk management strategy of the obligations and investments maturities from a conservative perspective. As of June 30, 2012, the Company had non-committed and available bank credit lines for a total of approximately US$ 657 million, in addition to committed bank lines for US$ 40 million, available in case additional resources are needed.

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

4.3 Risk measurement

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

Notes to the consolidated financial statements as of June 30, 2012

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

5.1 Changes in accounting estimates

There are no changes in accounting estimates as of the closing date of the consolidated financial statements..

5.2 Changes in accounting policies

As of June 30, 2012, the Company's consolidated financial statements present no changes in accounting policies or estimates compared to the prior period.

The consolidated classified statements of financial position as of June 30, 2012 and December 31, 2011 and the statements of comprehensive income, equity and cash flows for the periods ended June 30, 2012 and June 30, 2011, have been prepared in accordance with IFRS, and accounting principles and criteria have been applied consistently.

Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies

6.1 Parent's separate assets and liabilities

	06/30/2012 ThUS$	12/31/2011 ThUS$
Assets	4,206,362	3,626,748
Liabilities	(2,052,250)	(1,813,914)
Assets (liabilities)	2,154,112	1,812,834

6.2 Controlling entity

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

6.3 Joint arrangements of the controlling interest

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A. and Global Mining Investments (Chile) S.A. together, the Pampa Group, are the owners of a number of shares equivalent to 31.32% as of June 30, 2012 of all the shares currently issued, subscribed and fully-paid shares of SQM S.A. On the other hand, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation together the Kowa Group, are the owners of a number of shares equivalent to 2.08% of all the shares currently issued, subscribed and fully-paid of SQM S.A.

The Pampa Group as well as the Kowa Group have informed SQM S.A., the Chilean Superintendence of Securities and Insurance, the relevant stock markets in Chile and abroad that they are not and have never been related parties among themselves. This despite the fact that both "Groups" entered into a Joint Venture Agreement (JVA) on December 21, 2006 in regard to these shares. Consequently, Pampa Group, for itself, does not concentrate more than 32% of the voting right shares of SQM S.A. and nor does the Kowa Group concentrate more than 32% of the voting right shares of SQM S.A.

Likewise, the Joint Venture Agreement has not transformed the Pampa Group and Kowa Group into related parties among themselves. The JVA has transformed the Pampa Group and Kowa Group, as controlling interest holders of SQM S.A., into parties related to SQM S.A.

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.3 Joint arrangements of the controlling interest, continued

Detail of effective concentration

Tax ID Number	Name	Ownership interest %
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	21.01
96.863.960-9	Global Mining Investments (Chile) S.A.	3.34
76.165.311-5	Potasios de Chile S.A.	6.97
Total Pampa Group		31.32
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.40
59.046.730-8	Kowa Co Ltd.	0.30
96.518.570-4	Kochi S.A.	0.29
59.023.690-k	La Esperanza Delaware Corporation	0.09
Total Kowa Group		2.08

Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries

Financial information as of June 30, 2012 of the companies in which the group exerts control and significant influence is as follows:

06/30/2012

		Country of	**Functional**	**Ownership interest**			**Assets**	**Liabilities**	**Total equity**
Subsidiary	Tax ID No.	incorporation	currency	Direct	Indirect	Total	ThUS$	ThUS$	ThUS$
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	1,068,481	834,015	234,466
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	211	-	211
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	279	-	279
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9974	896,788	126,438	770,350
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	312,976	284,673	28,303
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,252	822	430
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	25,344	5,589	19,755
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	433	1	432
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,541,389	566,358	975,031
	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	2,247,313	1,398,371	848,942

SQM Industrial S.A.									
Minera Nueva Victoria Ltda.	78.602.530-3	Chile	US$	99.000	1.0000	100.0000	114,566	4,636	109,930
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31,924	4,235	27,689
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	76.534.490-5	Chile	Chilean peso	-	100.0000	100.0000	840	756	84
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	217,157	107,584	109,573
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	11,064	9,847	1,217
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	7,774	128	7,646
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	11,012	10,764	248
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	225,196	203,074	22,122

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries, continued

06/30/2012

		Country of	**Functional**	**Ownership interest**			**Assets**	**Liabilities**	**Total equity**	Net profit **(loss)**
Subsidiary	Tax ID No.	incorporation	currency	Direct	Indirect	Total	ThUS$	ThUS$	ThUS$	ThUS
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,215	-	5,215	(8
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	2,330	6,613	(4,283)	149
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	-	5,076	-
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	87,936	3,721	84,215	(2,22
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	1,850	2,123	(273)	(128
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	9,393	8,915	478	(69
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	412	1,045	(633)	64
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17	41	(24)	(5
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	24,078	2,115	21,963	1,44
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,510	675	1,835	(55
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	395,876	368,347	27,529	(10,1

SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,298	17	1,281	-
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	1	4	-
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	306	39	267	-
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,206	14,830	14,376	-
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	68,835	47,143	21,692	1,526

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries, continued

06/30/2012

Subsidiary	Tax ID No.	**Country of** incorporation	**Functional** currency	**Ownership interest** Direct	Indirect	Total	**Assets** ThUS$	**Liabilities** ThUS$	**Total equity** ThUS$
SQM investment Corporation N.V.	Foreign	Dutch Antilles	US$	1.0000	99.0000	100.0000	65,710	39,539	26,171
Royal Seed Trading Corporation A.V.V.	Foreign	Aruba	US$	1.6700	98.3300	100.0000	193,290	203,601	(10,311
SQM Lithium Specialties LLP	Foreign	United States	US$	-	100.0000	100.0000	15,786	1,265	14,521
Soquimich SRL Argentina	Foreign	Argentina	US$	-	100.0000	100.0000	429	165	264
Comercial Caimán Internacional S.A.	Foreign	Panama	US$	-	100.0000	100.0000	373	1,139	(766
SQM France S.A.	Foreign	France	US$	-	100.0000	100.0000	351	114	237
Administración y Servicios Santiago S.A. de C.V.	Foreign	Mexico	US$	-	100.0000	100.0000	74	900	(826
SQM Nitratos México S.A. de C.V.	Foreign	Mexico	US$	-	51.0000	51.0000	33	19	14
Soquimich European Holding B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	148,136	70,483	77,653
SQM Iberian S.A	Foreign	Spain	US$	-	100.0000	100.0000	94,161	90,509	3,652

Iodine Minera B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	14,478	-	14,478
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	63,320	55,824	7,496
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	4,927	1,382	3,545
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	28	6	22
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	1,526	256	1,270
Total							7,950,964	4,478,118	3,472,846

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries, continued

12/31/2011

Subsidiary	Tax ID No.	**Country of** incorporation	**Functional** currency	**Ownership interest** Direct	Indirect	Total	**Assets** ThUS$	**Liabilities** ThUS$	**Total equity** ThUS$
SQM Nitratos S.A.	96.592.190-7	Chile	US$	99.9999	0.0001	100.0000	819,424	665,515	153,909
Proinsa Ltda.	78.053.910-0	Chile	Chilean peso	-	60.5800	60.5800	204	-	204
SQMC Internacional Ltda.	86.630.200-6	Chile	Chilean peso	-	60.6381	60.6381	268	-	268
SQM Potasio S.A.	96.651.060-9	Chile	US$	99.9974	-	99.9974	771,112	120,138	650,974
Serv. Integrales de Tránsito y Transf. S.A.	79.770.780-5	Chile	US$	0.0003	99.9997	100.0000	277,296	250,558	26,738
Isapre Norte Grande Ltda.	79.906.120-1	Chile	Chilean peso	1.0000	99.0000	100.0000	1,127	716	411
Ajay SQM Chile S.A.	96.592.180-K	Chile	US$	51.0000	-	51.0000	26,977	9,855	17,122
Almacenes y Depósitos Ltda.	79.876.080-7	Chile	Chilean peso	1.0000	99.0000	100.0000	419	1	418
SQM Salar S.A.	79.626.800-K	Chile	US$	18.1800	81.8200	100.0000	1,438,672	610,538	828,134
SQM Industrial S.A.	79.947.100-0	Chile	US$	99.0470	0.9530	100.0000	1,889,981	1,066,598	823,383
Minera Nueva Victoria S.A..	78.602.530-3	Chile	US$	99.000	1.0000	100.0000	112,628	4,527	108,101
Exploraciones Mineras S.A.	76.425.380-9	Chile	US$	0.2691	99.7309	100.0000	31,878	4,082	27,796
	76.534.490-5	Chile		-	100.0000	100.0000	757	648	109

Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.			Chilean peso						
Soquimich Comercial S.A.	79.768.170-9	Chile	US$	-	60.6383	60.6383	191,346	82,750	108,596
Comercial Agrorama Ltda.	76.064.419-6	Chile	Chilean peso	-	42.4468	42.4468	11,555	10,264	1,291
Comercial Hydro S.A.	96.801.610-5	Chile	Chilean peso	-	60.6383	60.6383	7,681	241	7,440
Agrorama S.A.	76.145.229-0	Chile	Chilean peso	-	60.6377	60.6377	328	226	102
SQM North America Corp.	Foreign	United States	US$	40.0000	60.0000	100.0000	188,554	176,816	11,738

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries, continued

12/31/2011

		Country of	**Functional**	**Ownership interest**			**Assets**	**Liabilities**	**Total equity**	Net profit (loss)
Subsidiary	Tax ID No.	incorporation	currency	Direct	Indirect	Total	ThUS$	ThUS$	ThUS$	ThUS
RS Agro Chemical Trading A.V.V.	Foreign	Aruba	US$	98.3333	1.6667	100.0000	5,224	-	5,224	(4
Nitratos Naturais do Chile Ltda.	Foreign	Brazil	US$	-	100.0000	100.0000	2,349	6,804	(4,455)	271
Nitrate Corporation of Chile Ltd.	Foreign	United Kingdom	US$	-	100.0000	100.0000	5,076	-	5,076	-
SQM Corporation N.V.	Foreign	Dutch Antilles	US$	0.0002	99.9998	100.0000	89,469	3,715	85,754	40,34
SQM Perú S.A.	Foreign	Peru	US$	0.9800	99.0200	100.0000	6,466	6,611	(145)	(759
SQM Ecuador S.A.	Foreign	Ecuador	US$	0.0040	99.9960	100.0000	9,724	9,176	548	(83
SQM Brasil Ltda.	Foreign	Brazil	US$	2.7900	97.2100	100.0000	354	1,050	(696)	113
SQI Corporation N.V.	Foreign	Dutch Antilles	US$	0.0159	99.9841	100.0000	17	36	(19)	6
SQMC Holding Corporation L.L.P.	Foreign	Aruba	US$	0.1000	99.9000	100.0000	21,131	614	20,517	10,92
SQM Japan Co. Ltd.	Foreign	Japan	US$	1.0000	99.0000	100.0000	2,968	1,078	1,890	518
SQM Europe N.V.	Foreign	Belgium	US$	0.8600	99.1400	100.0000	430,994	393,419	37,575	20,13

SQM Italia SRL	Foreign	Italy	US$	-	100.0000	100.0000	1,333	17	1,316	-
SQM Indonesia S.A.	Foreign	Indonesia	US$	-	80.0000	80.0000	5	1	4	(1
North American Trading Company	Foreign	United States	US$	-	100.0000	100.0000	306	39	267	-
SQM Virginia LLC	Foreign	United States	US$	-	100.0000	100.0000	29,207	14,830	14,377	(3
SQM Comercial de México S.A. de C.V.	Foreign	Mexico	US$	0.0013	99.9987	100.0000	68,572	48,406	20,166	(1,06

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.4 Information on consolidated subsidiaries, continued

12/31/2011

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

Iodine Minera B.V.	Foreign	The Netherlands	US$	-	100.0000	100.0000	13,228	7	13,221
SQM Africa Pty Ltd.	Foreign	South Africa	US$	-	100.0000	100.0000	62,335	52,657	9,678
SQM Venezuela S.A.	Foreign	Venezuela	US$	-	100.0000	100.0000	5	328	(323
SQM Oceania Pty Ltd.	Foreign	Australia	US$	-	100.0000	100.0000	4,349	1,042	3,307
SQM Agro India Pvt. Ltd.	Foreign	India	US$	-	100.0000	100.0000	63	18	45
SQM Beijing Commercial Co. Ltd.	Foreign	China	US$	-	100.0000	100.0000	2,147	1,910	237
Total							6,984,905	3,893,058	3,091,847

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Notes to the consolidated financial statements as of June 30, 2012

Note 6 – Background of consolidated companies (continued)

6.5 Detail of transactions between consolidated companies

a) Transactions conducted in 2012

During the second quarter of 2012, there were no transactions between subsidiaries.

b) Transactions conducted in 2011

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

On August 30, 2011, SQM Industrial S.A. made a capital contribution of ThUS$8,000 in its subsidiary SQMC Mexico S.A. de CV.

During September 2011, SQM Industrial S.A. made a capital contribution of ThUS$14,017 to its subsidiary, SQMC México S.A. de CV, increasing its ownership interest to 99.8739% .

During September 2011, the subsidiary, Soquimich European Holding B.V., acquires from its associate, Nutrisi Holding N.V. ownership interest of 66.6% which it maintained in the subsidiary, Fertilizantes Naturales S.A. for ThUS$3,179.

On December 12, 2011, the subsidiary, Comercial Agrorama Callegari Ltda. changed its name to “Comercial Agrorama Limitada”.

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

During December 2011, the subsidiary, Soquimich European Holding B.V. sell its ownership interest of 50% in Nutrisi Holding N.V. for ThUS$5,736.

Notes to the consolidated financial statements as of June 30, 2012

Note 7 – Cash and cash equivalents

7.1 Types of cash and cash equivalents

As of June 30, 2012 and December 31, 2011, cash and cash equivalents are detailed as follows:

a) Cash	06/30/2012 ThUS$	12/31/2011 ThUS$
Cash on hand	119	73
Cash in banks	43,774	21,398
Other demand deposits	6,260	16,552
Total cash	50,153	38,023

b) Cash equivalents	06/30/2012 ThUS$	12/31/2011 ThUS$
Short-term deposits, classified as cash equivalents	169,231	263,396
Short-term investments, classified as cash equivalents	195,895	143,573
Total cash equivalents	365,126	406,969
Total cash and cash equivalents	415,279	444,992

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Notes to the consolidated financial statements as of June 30, 2012

Note 7 – Cash and cash equivalents (continued)

7.2 Short-term investments, classified as cash equivalents

As of June 30, 2012 and December 31, 2011, short-term investments, classified as cash and cash equivalents relate to mutual funds (investment liquidity funds) for investments in:

Institution	06/30/2012 ThUS$	12/31/2011 ThUS$
Legg Mason - Western Asset Institutional Liquid Reserves	65,329	47,162
BlackRock - Institutional cash series PLC	65,448	48,025
JP Morgan US dollar Liquidity Fund Institutional	65,118	48,386
Total	195,895	143,573

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

7.3 Information on cash and cash equivalents by currency

Cash and equivalent to cash of the balances in cash, Banks, and financial instruments as of June 30 of 2012 and December 31 of 2011, classified by currency, is the following:

Original currency	06/30/2012 ThUS$	12/31/2011 ThUS$
Chilean Peso (*)	37,541	123,265
US Dollar	351,913	297,257
Euro	16,788	16,343
Mexican Peso	63	29
South African Rand	6,985	5,450
Argentinean Peso	2	-
Japanese Yen	1,547	2,292
Peruvian Sol	16	16
Brazilian Real	37	21
Chinese Yuan	367	300

Indonesian rupee	5	5
Pound sterling	15	14
Total	415,279	444,992

(*) The Company maintains financial derivative policies which allow dollarizing these term deposits in Chilean pesos.

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Notes to the consolidated financial statements as of June 30, 2012

Note 7 – Cash and cash equivalents (continued)

7.4 Amount of significant restricted (unavailable) cash balances

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

As of June 30, 2012 and December 31, 2011, the Company has no significant cash balances with any type of restriction.

Notes to the consolidated financial statements as of June 30, 2012

Note 7 – Cash and cash equivalents (continued)

7.5 Short-term deposits, classified as cash equivalents

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

Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Principal ThUS$	Interest accrued to-date ThUS	06/30/2012 ThUS$	2 Th
Banco Crédito e Inversiones	Fixed term	Chilean peso	0.50	06/29/2012	09/27/2012	20,070	3	20,073	9
Banco Crédito e Inversiones	Fixed term	Chilean peso	0.45	06/29/2012	07/09/2012	6,577	1	6,578	9
Banco Crédito e Inversiones	Fixed term	US$	0.87	05/11/2012	07/10/2012	15,000	18	15,018	2
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20
Banco Crédito e Inversiones	-	-	-	-	-	-	-	-	20
Banco de Chile	Fixed term	Chilean peso	0.52	04/10/2012	07/09/2012	9,691	136	9,827	-
Banco Estado	Fixed term	US$	0.95	05/16/2012	07/19/2012	20,343	24	20,367	-
Banco Santander-Santiago	Fixed term	US$	1.01	06/22/2012	08/23/2012	10,000	2	10,002	1
Banco Santander-Santiago	Fixed term	US$	1.10	06/22/2012	09/11/2012	20,000	5	20,005	20
Banco Santander-Santiago	-	-	-	-	-	-	-	-	20
Banco Santander-Santiago	-	-	-	-	-	-	-	-	20
Banco Santander-Santiago	Fixed term	US$	0.80	06/18/2012	07/26/2012	15,020	4	15,024	3
Banco Santander-Santiago	Fixed term	US$	0.83	06/18/2012	08/02/2012	5,000	1	5,001	-
	Fixed term	US$	1.00	05/14/2012	08/09/2012	20,063	26	20,089	-

Banco Santander-Santiago									
Banco Santander-Santiago	Fixed term	US$	0.93	06/19/2012	08/16/2012	10,000	3	10,003	-
Citibank New – York	Overnight	US$	0.01	06/29/2012	07/02/2012	410	-	410	1
Citibank New – York	Overnight	US$	0.01	06/28/2012	07/02/2012	1,948	-	1,948	1
Citibank New – York	Overnight	US$	0.01	06/29/2012	07/02/2012	4,765	-	4,765	-

Notes to the consolidated financial statements as of June 30, 2012

Note 7 – Cash and cash equivalents (continued)

7.5 Short-term deposits, classified as cash equivalents

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

Receiver of the deposit	Type of deposit	Original Currency	Interest rate	Placement date	Expiration date	Principal ThUS$	Interest accrued to-date ThUS$	**06/30/2012 ThUS$**	**12/31/2011 ThUS$**
Citibank New - York	Overnight	US$	0,01	06/29/2012	07/02/2012	118	-	118	-
Corpbanca	-	-	-	-	-	-	-	-	16,043
Corpbanca	-	-	-	-	-	-	-	-	20,016
Corpbanca	-	-	-	-	-	-	-	-	10,032
Corpbanca	-	-	-	-	-	-	-	-	10,008
IDBI Bank	Fixed term	Indian rupee	-	06/30/2012	07/31/2012	2	-	2	2
Banco BBVA Chile	Fixed term	US$	0,75	06/26/2012	07/12/2012	10,000	1	10,001	5,042
Total								169,231	263,396

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Notes to the consolidated financial statements as of June 30, 2012

Note 8 - Inventory

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

Type of inventory	06/30/2012 ThUS$	12/31/2011 ThUS$
Raw materials	9,827	10,111
Supplies for production	37,896	31,602
Products-in-progress	372,075	355,894
Finished products	374,381	346,795
Total	794,179	744,402

Inventory reserves recognized as of June 30, 2012 amount to ThUS$66,787, as of December 31, 2011 amounted to ThUS$58,220. Inventory reserves have been made based on a technical study that covers the different variables affecting products in stock (density, humidity, among others). Additionally, reserves are recognized if goods are sold cheaper than the related cost, and for differences that arise from inventory counts.

As of June 30, 2012, the sum registered as cost of sale related to inventory in the statement of income amounts to ThUS$522,356 and as of June 30, 2011 to ThUS$483,368.

The breakdown of inventory reserves is detailed as follows:

Type of inventory	06/30/2012 ThUS$	12/31/2011 ThUS$
Raw material reserves	593	593
Supplies for production reserves	-	500
Products-in-progress reserves	39,542	33,811
Finished product reserves	26,652	23,316
Total	66,787	58,220

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures

9.1 Related party disclosures

Balances pending at period-end are not guaranteed, accrue no interest and are settled in cash. No guarantees have been delivered or received for trade and other receivables due from related parties or trade and other payables due to related parties. For the period ended June 30, 2012, the Company has not recorded any impairment in accounts receivable related to amounts owed by related parties. This evaluation is conducted every year through an examination of the financial position of the related party in the market in which it operates.

9.2 Relationships between the parent and the entity

According to the Company's by-laws, no shareholder can own more than 32% of the Company's voting right shares.

Sociedad de Inversiones Pampa Calichera S.A., Potasios de Chile S.A., and Global Mining Investments (Chile) S.A., collectively the Pampa Group, are the owners of a number of shares that are equivalent to 31.32% as of June 30, 2012 of the current total amount of shares issued, subscribed and fully-paid of the Company. In addition, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation, collectively the Kowa Group, are the owners of a number of shares equivalent to 2.08% of the total amount of shares of SQM S.A. issued, subscribed and fully-paid.

The Pampa Group and the Kowa Group have informed SQM S.A., the Chilean SVS and the relevant stock exchanges in Chile and abroad that they are not and have never been related parties between them. In addition, this is regardless of the fact that both Groups on December 21, 2006 have entered into a Joint Action Agreement (JAA) related to those shares. Consequently, the Pampa Group, by itself, does not concentrate more than 32% of the voting right capital of SQM S.A., and the Kowa Group does not concentrate by itself more than 32% of the voting right capital of SQM S.A.

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.2 Relationships between the parent and the entity

Detail of effective concentration

Tax ID No.	Name	Ownership interest %
96.511.530-7	Sociedad de Inversiones Pampa Calichera S.A.	21.01
96.863.960-9	Global Mining Investments (Chile) S.A.	3.34
76.165.311-5	Potasios de Chile S.A.	6.97
Total Pampa Group		31.32
79.798.650-k	Inversiones la Esperanza (Chile) Ltda.	1.40
59.046.730-8	Kowa Co Ltd.	0.30
96.518.570-4	Kochi S.A.	0.29
59.023.690-k	La Esperanza Delaware Corporation	0.09
Total Kowa Group		2.08

9.3 Intermediate parent that publicly issues financial statements

The following intermediate parent of Sociedad Química y Minera de Chile S.A publicly issues financial statements:

Soquimich Comercial S.A.

9.4 Detailed identification of the link between the parent and the subsidiary

As of June 30, 2012 and December 31, 2011, the detail is as follows:

Tax ID No.	Name	Country of origin	Functional currency	Nature
Foreign	Nitratos Naturais Do Chile Ltda.	Brazil	US$	Subsidiary

Foreign	Nitrate Corporation Of Chile Ltd.	United Kingdom	US$	Subsidiary
Foreign	SQM North America Corp.	United States	US$	Subsidiary
Foreign	SQM Europe N.V.	Belgium	US$	Subsidiary
Foreign	Soquimich S.R.L. Argentina	Argentina	US$	Subsidiary
Foreign	Soquimich European Holding B.V.	The Netherlands	US$	Subsidiary
Foreign	SQM Corporation N.V.	Dutch Antilles	US$	Subsidiary
Foreign	SQI Corporation N.V.	Dutch Antilles	US$	Subsidiary
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US$	Subsidiary
Foreign	North American Trading Company	United States	US$	Subsidiary
Foreign	Administración y Servicios Santiago S.A. de C.V.	Mexico	US$	Subsidiary
Foreign	SQM Perú S.A.	Peru	US$	Subsidiary
Foreign	SQM Ecuador S.A.	Ecuador	US$	Subsidiary
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US$	Subsidiary
Foreign	SQMC Holding Corporation L.L.P.	United States	US$	Subsidiary
Foreign	SQM Investment Corporation N.V.	Dutch Antilles	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 A.V.V.	Aruba	US$	Subsidiary
Foreign	SQM Indonesia S.A.	Indonesia	US$	Subsidiary
Foreign	SQM Virginia L.L.C.	United States	US$	Subsidiary
Foreign	SQM Venezuela S.A.	Venezuela	US$	Subsidiary
Foreign	SQM Italia SRL	Italy	US$	Subsidiary

Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.4 Detailed identification of the link between the parent and the subsidiary, continued

As of June 30, 2012 and December 31, 2011, the detail is as follows:

Tax ID no.	Name	**Country of origin**	Functional currency	Nature
Foreign	Comercial Caimán Internacional S.A.	Cayman Islands	US$	Subsidiary
Foreign	SQM Africa Pty. Ltd.	South Africa	US$	Subsidiary
Foreign	SQM Lithium Specialties LLC	United States	US$	Subsidiary
Foreign	SQM Iberian S.A.	Spain	US$	Subsidiary
Foreign	Iodine Minera B.V.	The Netherlands	US$	Subsidiary
Foreign	SQM Agro India Pvt. Ltd.	India	US$	Subsidiary
Foreign	SQM Beijing Commercial Co. Ltd.	China	US$	Subsidiary
96.801.610-5	Comercial Hydro S.A.	Chile	US$	Subsidiary
96.651.060-9	SQM Potasio S.A.	Chile	US$	Subsidiary
96.592.190-7	SQM Nitratos S.A.	Chile	US$	Subsidiary
96.592.180-K	Ajay SQM Chile S.A.	Chile	US$	Subsidiary
86.630.200-6	SQMC Internacional Ltda.	Chile	Chilean peso	Subsidiary
79.947.100-0	SQM Industrial S.A.	Chile	US$	Subsidiary
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Chilean peso	Subsidiary
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Chilean peso	Subsidiary
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US$	Subsidiary
79.768.170-9	Soquimich Comercial S.A.	Chile	US$	Subsidiary
79.626.800-K	SQM Salar S.A.	Chile	US$	Subsidiary
78.602.530-3	Minera Nueva Victoria Ltda.	Chile	US$	Subsidiary
78.053.910-0	Proinsa Ltda.	Chile	Chilean peso	Subsidiary
76.534.490-5	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	Chile	Chilean peso	Subsidiary
76.425.380-9	Exploraciones Mineras S.A.	Chile	US$	Subsidiary
76.064.419-6	Comercial Agrorama Ltda.	Chile	Chilean peso	Subsidiary
76.145.229-0	Agrorama S.A.	Chile	Chilean peso	Subsidiary
77.557.430-5	Sales de Magnesio Ltda.	Chile	Chilean peso	Associate
Foreingn	Abu Dhabi Fertilizer Industries WWL	Arabia	Dirham de los Emiratos Arabes	Associate
Foreingn	Doktor Tarsa Tarim Sanayi AS	Turkey	Turkish lira	Associate
Foreingn	Ajay North America	United States	US$	Associate
Foreingn	Ajay Europe SARL	France	Euro	Associate

Foreingn	SQM Eastmed Turkey	Turkey	Euro	Associate
Foreingn	SQM Thailand Co. Ltd.	Thailand	Bath Tailandés	Associate
Foreingn	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	China	US$	Joint business
Foreingn	Coromandel SQM	India	Indian rupee	Joint business
Foreingn	SQM Vitas Fzco.	Arab Emirates	Arab Emirates dirham	Joint business
Foreingn	SQM Star Qingdao Crop Nutrition Co., Ltd.	China	US$	Joint business
Foreingn	Kowa Company Ltd.	Japan	US$	Other related parties
96.511.530-7	Sociedad de Inversiones Pampa Calichera	Chile	US$	Other related parties
79.049.778-9	Callegari Agricola S.A.	Chile	Chilean peso	Other related parties
Foreingn	Coromandel Internacional	India	Indian rupee	Other related parties
Foreingn	Vitas Roullier SAS	France	Euro	Other related parties
Foreingn	SQM Vitas Brasil Agroindustria	Brazil	US$	Joint business or significant influence
Extanjero	SQM Vitas Perú S.A.C.	Peru	US$	Joint business or significant influence
Foreingn	SQM Vitas Southem Africa Pty.	South Africa	US$	Joint business or significant influence
Foreingn	Misr Speciality Fertilizers(*)	Egypt	Egyptian pound	Associate
Foreingn	NU3 N.V. (*)	Belgium	Euro	Associate
Foreingn	NU3 B.V. (*)	The Netherlands	Euro	Associate

(*) Ownership relationship up to 2011

Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.5 Detail of related parties and transactions with related parties

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

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

As of June 30, 2012 and December 31, 2011, there are no allowances for doubtful accounts related to balances pending of transactions with related parties as there is no impairment in them.

Here below you will find detail of the transactions with parts related to June 30th, 2012, and December 31st, 2011:

Tax ID No.	Company	Nature	Country of origin
Foreign	Doktor Tarsa Tarim Sanayi As	Associate	Turkey
Foreign	Ajay Europe S.A.R.L.	Associate	France
Foreign	Ajay North America LLC.	Associate	United States
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates
Foreign	Kowa Company Ltd.	Other related parties	Japan
Foreign	NU3 B.V.	Associate	The Netherlands
Foreign	NU3 N.V.	Associate	Belgium
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand
Foreign	SQM Vitas Brasil Agroindustria	Joint control or significant influence	Brazil

Foreign	SQM Vitas Perú S.A.C.	Joint control or significant influence	Peru
Foreign	SQM Vitas Southern Africa Pty.	Joint control or significant influence	South Africa
Foreign	SQM Vitas Fzco.	Joint venture	United Arab Emirates
Foreign	SQM Star Qingdao Crop Nutrition Co., Ltd.	Joint venture	China
Foreing	Coromandel SQM	Joint Venture	India
Foreing	Sichuan SQM Migao Chemical Fertilizers Co Ltda.	Joint Venture	China

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.6 Trade receivables due from related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency
77.557.430-5	Sales de Magnesio Ltda.	Associate	Chile	Chilean peso
96.511.530-7	Soc.de Inversiones Pampa Calichera	Jointly controlled entity	Chile	US$
79.049.778-9	Callegari Agrícola S.A.	Other related party	Chile	Chilean peso
Foreign	Doktor Tarsa Tarim Sanayi AS	Associate	Turkey	US$
Foreign	Ajay Europe S.A.R. L.	Associate	France	US$
Foreign	Ajay North America LLC.	Associate	United States	US$
Foreign	Abu Dhabi Fertilizer Industries WWL	Associate	United Arab Emirates	US$
Foreign	Misr Speciality Fertilizers	Associate	Egypt	US$
Foreign	Kowa Company Ltd.	Jointly controlled entity	Japan	US$
Foreign	SQM Thailand Co. Ltd.	Associate	Thailand	US$
Foreign	Qingdao SQM-Star Corp	Joint venture	China	US$
Foreign	SQM Vitas Brasil Agroindustria	Joint venture	Brazil	US$
Foreign	SQM Vitas Perú S.A.C.	Joint venture	Peru	US$
Foreign	SQM Vitas Southern Africa PTY	Joint venture	South Africa	US$
Foreign	Coromandel Fertilizers Limited	Joint venture	India	Indian rupee
Foreing	SQM Vitas Fzco.	Other Related parties	United Arab Emirates	Arab Emirates dirham
Foreing	Coromandel Internacional	Other related parties	India	Indian rupee
Total to-date				

Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.7 Trade payables due to related parties, current:

Tax ID No.	Name	Nature	Country of origin	Currency	06/30/2012 ThUS$	12/31/2011 ThUS$
Foreign	SQM Vitas Fzco	Joint venture	United Arab Emirates	Arab Emirates dirham	-	873
Total to-date					-	873

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.8 Board of directors and senior management

1) Board of directors

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

As of June 30, 2012, the Company has an Audit Committee made up of three members of the Board of Directors. This Committee performs those duties provided in Article 50 bis of Law No. 18,046 on Shareholders Company, the Shareholders' Company Act.

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

2) Directors' Compensation

2.1 2012

2.1.1 Board of Directors

Directors' compensation is detailed as follows:

a)

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

b) A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.35% of profit for the period effectively earned by the Company during fiscal year 2012.

c) A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.04% of profit for the period effectively earned by the Company during fiscal year 2012.

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.8 Board of directors and senior management, continued

d) The fixed and variable amounts indicated above will not be subject to any charge between them, and those expressed as a percentage will be paid immediately after the shareholders at the respective Annual General Shareholders' Meeting of the Company approve the statement of financial position (balance sheet), the financial statements, the annual report, the report by the account inspectors and the report of external auditors for the fiscal year ending December 31, 2012.

e) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2012 amount to ThUS$3,813.

2.1.2 Audit Committee

The remuneration of the Audit Committee is detailed as follows:

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

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

Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.8 Board of directors and senior management, continued

2.2J011

2.2.1 Board of directors

Directors' compensation is detailed as follows:

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

b) A payment in domestic currency in favor of the Chairman of the Company's Board of Directors consisting of a variable and gross amount equivalent to 0.35% of profit for the period effectively earned by the Company during fiscal year 2011.

c) A payment in domestic currency in favor of each Company's directors excluding the Chairman of the Board, consisting of a variable and gross amount equivalent to 0.04% of profit for the period effectively earned by the Company during fiscal year 2011.

d) The fixed and variable amounts indicated above will not be subject to any charge between them, and those expressed as a percentage will be paid immediately after the shareholders at the respective Annual General Shareholders' Meeting of the Company approve the statement of financial position (balance sheet), the financial statements, the annual report, the report by the account inspectors and the report of external auditors for the fiscal year ending December 31, 2011.

e) Therefore, the remunerations and profit sharing paid to members of the Board of Directors and Audit Committee during 2011 amount to ThUS$3,030.

2.2.2 Audit Committee

The remuneration of Directors Committee is composed of:

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

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

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Notes to the consolidated financial statements as of June 30, 2012

Note 9 – Related party disclosures (continued)

9.8 Board of directors and senior management, continued

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

4) Senior management compensation

As of June 30, 2012, the global compensation paid to the 121 main executives amounts to ThUS$ 20,720 (ThUS$ 22,509 as of December 31, 2011). This includes monthly fixed salary and variable performance bonuses.

The Company has a bonuses intermediate and bi-intermediate plan for compliance target and level of individual contribution to the Company's profit or loss. These benefits are structured in a minimum and maximum of gross remunerations which are paid once a year or every two years.

5) Additionally, the Company has retention bonuses for the Company's executives. The amount of these bonuses is linked to the price of the Company's share and is payable in cash between 2012 and 2016 (See Note 16).

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

7) The Company's Managers and Directors do not receive or have not received any benefit during the period ended June 30,2012 and December 31, 2011 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.

8) In accordance with IAS 24, we should report that one of the Company's Board of Directors is member of the Ultramar Group. During the period ended June 30, 2012, the amount of operations with this Group is approximately ThUS$6,319 (ThUS$13,751 as of December 31, 2011).

9.9 Compensation of key management personnel

06/30/2012 12/31/2011

	ThUS$	ThUS$
Compensation of key management personnel	20,720	22,509

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments

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

10.1 Types of other financial assets

Types of other financial assets	06/30/2012 ThUS$	12/31/2011 ThUS$
Other current financial assets (1)	328,193	129,069
Derivatives (2)	11,435	14,455
Hedging assets, current	36,076	25,737
Total other current financial assets	375,704	169,261
Other non-current financial assets (3)	115	117
Hedging assets, non-current	38,282	30,371
Total other non-current financial assets	38,397	30,488

(1) Relates to term deposits with maturities exceeding 90 days from the investment date.

(2) Relate to forwards and options that were not classified as hedging instruments (see detail in Note 10.3).

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

Detail of other current financial assets

Institution	06/30/2012 ThUS$	12/31/2011 ThUS$
Banco Santander	70,068	13,753
BBVA	33,258	33,528
Banco de Crédito e Inversiones	87,070	17,739
Banco de Chile	100,390	44,849
Corpbanca	37,407	19,200

Total	328,193	129,069

10.2 Trade and other receivables, current and non-current

	06/30/2012			12/31/2011		
	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Total ThUS$
Trade receivables, current	467,536	-	467,536	387,607	-	387,607
Prepayments, current	10,774	-	10,774	10,706	-	10,706
Other receivables, current	10,037	1,335	11,372	13,749	1,070	14,819
Total trade and other receivables, current	488,347	1,335	489,682	412,062	1,070	413,132

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments, (continued)

10.2 Trade and other receivables, continued

	06/30/2012			12/31/2011		
	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net	Assets before allowances	Allowance for doubtful trade receivables	Assets for trade receivables, net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Receivables related to credit operations, current	484,297	(16,761)	467,536	404,320	(16,713)	387,607
Trade receivables, current	484,297	(16,761)	467,536	404,320	(16,713)	387,607
Prepayments, current	10,774	-	10,774	10,706	-	10,706
Other receivables, current	12,015	(1,978)	10,037	15,709	(1,960)	13,749
Trade and other receivables, current	507,086	(18,739)	488,347	430,735	(18,673)	412,062
Other receivables, non-current	1,335	-	1,335	1,070	-	1,070
Non-current receivables	1,335	-	1,335	1,070	-	1,070
Total trade and other receivables	508,421	(18,739)	489,682	431,805	(18,673)	413,132

Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments (continued)

10.2 Trade and other receivables, continued

Portfolio stratification, continued

The Company's policy is to require guarantees (such as letters of credit, guarantee clauses and others) and/or maintaining insurance policies for certain accounts as deemed necessary by management.

Unsecuritized portfolio

As of June 30, 2012 and December 31, 2011, the detail of the unsecuritized portfolio is as follows:

06/30/2012

	Not overdue	1 - 30 days	31 and 60 days	61 - 90 days	91 - 120 days	121 - 150 days	151 - 180 days	181 - 210 days	211 - 250 days	Over 250 days	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Number of customers, non-renegotiated portfolio	5,883	8,716	181	92	2,081	2,081	4,120	24	2,084	2,745	28,007
Non-renegotiated portfolio, gross	405,723	37,421	7,287	2,245	10,445	922	2,479	260	411	16,509	483,702
Number of customers, renegotiated portfolio	3	-	-	-	-	-	-	-	-	-	3
Renegotiated portfolio, gross	595	-	-	-	-	-	-	-	-	-	595
Total portfolio, gross	406,318	37,421	7,287	2,245	10,445	922	2,479	260	411	16,509	484,297

12/31/2011

	Not overdue ThUS$	1 - 30 days ThUS$	31 and 60 days ThUS$	61 - 90 days ThUS$	91 - 120 days ThUS$	121 - 150 days ThUS$	151 - 180 days ThUS$	181 - 210 days ThUS$	211 - 250 days ThUS$	Over 250 days ThUS$	Total ThUS$
Number of customers, non-renegotiated portfolio	5,369	1,701	640	401	340	340	332	335	340	2,147	11,945
Non-renegotiated portfolio, gross	348,299	27,945	4,778	12,058	817	87	407	103	299	8,673	403,466
Number of customers, renegotiated portfolio	1	2	-	-	-	-	-	-	-	-	3
Renegotiated portfolio, gross	504	350	-	-	-	-	-	-	-	-	854
Total portfolio, gross	348,803	28,295	4,778	12,058	817	87	407	103	299	8,673	404,320

Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments (continued)

10.2 Trade and other receivables, continued

The detail of allowance is as follows:

Allowance and write-offs	06/30/2012 ThUS$	12/31/2011 ThUS$
Allowance for non-renegotiated portfolio	19,274	21,961
Write-offs for the period	(535)	(3,288)

a) Credit risk concentration

Credit risk concentrations with respect to trade receivables are reduced due to the great number of entities included in the Company's client database and their distribution throughout the world.

Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments (continued)

10.3 Hedging assets and liabilities

The balance represents derivative instruments measured at fair value which have been classified as hedges from exchange and interest rate risks related to the total obligations relating to bonds of the Company in Chilean pesos and UF (and the exchange risk in Chilean pesos of the Company's investment plans). As of June 30, 2012 the face value of cash flows in Cross Currency Swap contracts agreed upon in US dollars amounted to ThUS$517,722 and as of December 31, 2011 such contracts amounted to ThUS$ 405,486.

Hedging assets	Derivative instruments (CCS)	Effect on profit or loss for the period, derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
June 30, 2012	74,355	18,738	(13,152)	2,298	(10,854)
December 31, 2011	56,108	(39,718)	(12,184)	2,104	(10,080)

Hedging assets	Derivative instruments (IRS)	Effect on profit or loss for the period, derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
June 30, 2012	3	-	3	-	3
December 31, 2011	-	-	-	-	-

Hedging liabilities	Derivative instruments (IRS)	Effect on profit or loss for the period, derivative instruments	Hedging reserve in gross equity	Deferred tax hedging reserve in equity	Hedging reserve in equity
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
June 30, 2012	1,072	53	(1,005)	-	(1,005)

December 31, 2011	270	(120)	(150)	-	(150)

The balances in the effect on profit or loss column consider the interim effects of the contracts in force as of June 30, 2012 and December 31, 2011.

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 – Financial instruments (continued)

10.3 Hedging assets and liabilities, continued

Derivative contract maturities are detailed as follows:

Series	Contract amount ThUS$	Currency	Maturity date
C	74,407	UF	12/01/2026
G	33,673	Chilean peso	01/05/2014
H	146,360	UF	01/05/2013
I	56,041	UF	04/01/2014
J	92,440	Chilean peso	04/01/2014
M	46,463	UF	02/01/2017
O	68,338	UF	02/01/2017

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

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

Hedge Accounting

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

a) Fair value hedge

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

The Company documents the relationship between hedge instruments and the hedged item along with the objectives of its risk management and strategy to carry out different hedging transactions. In addition, upon commencement of the period hedged and then on a quarterly basis the Company documents whether hedge instruments have been efficient and met the objective of hedging market fluctuations for the purpose of which we use the effectiveness test. A hedge instrument is deemed effective if the effectiveness test result is between 80% to 120%.

The hedge instruments are classified as effective or not effective on the basis of the effectiveness test results. This note includes the detail of fair values of derivatives classified as hedging instruments.

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 - Financial instruments (continued)

10.3 Hedging assets and liabilities, continued

b) Cash flow hedges

Cash flow hedges cover exposure to the cash flow variations attributable to a risk associated with a specific transaction that is very likely to be executed, that may have material effects on the results of the Company.

c) Hedging of the net investment in a business abroad:

To-date, the Company has not classified hedges for the amount related to the entity's share as presented in its financial statements, in the business net assets.

10.4 Financial liabilities

Other current and non-current financial liabilities

As of June 30, 2012 and December 31, 2011, the detail is as follows:

	06/30/2012			12/31/2011		
	Current ThUS$	Non-current ThUS$	Total ThUS$	Current ThUS$	Non-current ThUS$	Total ThUS$
Bank loans	161,482	329,278	490,760	141,436	329,150	470,586
Obligations with the public (bonds payable)	19,146	1,037,815	1,056,961	17,129	907,877	925,006
Other financial liabilities	5,455	-	5,455	2,443	-	2,443
Total	186,083	1,367,093	1,553,176	161,008	1,237,027	1,398,035

Current and non-current loans assumed

As of June 30, 2012 and December 31, 2011, the detail is as follows:

	06/30/2012 ThUS$	12/31/2011 ThUS$
Long-term loans	329,278	329,150
Short-term loans	160,490	140,538
Current portion of long-term loans	992	898
Short-term loans and current portion of long-term loans	161,482	141,436
Total loans assumed	490,760	470,586

Notes to the consolidated financial statements as of June 30, 2012

Note 10 - Financial instruments (continued)

10.4 Financial liabilities, continued

a) Bank loans, current:

As of June 30, 2012 and December 31, 2011, the detail of this caption is as follows:

Debtor			Creditor			Currency		
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	or adjustment index	Amortization	Ef rat
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.
93.007.000-9	SQM.S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	2.
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.
93.007.000-9	SQM S.A.	Chile	Foreign	JP Morgan Chase Bank	United States	US$	Upon maturity	1.
79.626.800-K	SQM Salar S.A.	Chile	97.032.000-8	Banco BBVA Chile	Chile	US$	Upon maturity	1.
79.626.800-K	SQM Salar S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	1.
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	United States	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.
Foreign		Aruba	Foreign		United States	US$	Upon maturity	1.

	Royal Seed Trading Corporation A.V.V.			The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)				
79.947.100-0	SQM Industrial S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.
79.947.100-0	SQM Industrial S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	1.
Total								
Borrowing costs								
Total								

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 - Financial instruments (continued)

10.4 Financial liabilities, continued

Debtor			Creditor			Currency		
Tax ID No.	Subsidiary	Country	Tax ID No.	Financial institution	Country	or adjustment index	Amortization	Eff rat
93.007.000-9	SQM.S.A.	Chile	97.032.000-8	Banco BBVA Chile	United States	US$	Upon maturity	1.
93.007.000-9	SQM.S.A.	Chile	97.030.000-7	Banco Estado	United States	US$	Upon maturity	0.
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	2.
79.626.800-K	SQM Salar S.A.	Chile	97.030.000-7	Banco Estado	Chile	US$	Upon maturity	1.
79.626.800-K	SQM Salar S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	1.
79.626.800-K	SQM Salar S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	0.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development Canada	United States	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Lda. (New York)	United States	US$	Upon maturity	1.
79.947.100-0	SQM Industrial S.A.	Chile	97.004.000-5	Banco de Chile	Chile	US$	Upon maturity	1.
79.947.100-0	SQM Industrial S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	US$	Upon maturity	0.

Total
Borrowing costs
Total

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Notes to the consolidated financial statements as of June 30, 2012

Note 10 - Financial instruments (continued)

10.4 Financial liabilities, continued

b) Unsecured obligations, current:

As of June 30, 2012 and December 31, 2011, the detail of current unsecured interest-bearing obligations is composed of promissory notes and bonds, as follows:

Bonds

Debtor							Periodicity			
TAX ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Adjustment index for the bond	Payment of interest	Repayment	Effective rate	Nom rate
93.007.000-9	SQM S.A	Chile	184	Single	10/15/2012	US$	Semi-annual	Upon maturity	6.78%	6.13
93.007.000-9	SQM S.A	Chile	184	Single	10/21/2012	US$	Semi-annual	Upon maturity	5.94%	5.50
93.007.000-9	SQM S.A	Chile	446	C	12/01/2012	UF	Semi-annual	Semi-annual	6.55%	4.00
93.007.000-9	SQM S.A	Chile	563	G	07/05/2012	Ch$	Semi-annual	Upon maturity	7.76%	7.00
93.007.000-9	SQM S.A	Chile	564	H	07/05/2012	UF	Semi-annual	Semi-annual	5.96%	4.90
93.007.000-9	SQM S.A	Chile	563	I	10/01/2012	UF	Semi-annual	Upon maturity	6.35%	3.00
93.007.000-9	SQM S.A	Chile	563	J	10/01/2012	Ch$	Semi-annual	Upon maturity	5.94%	5.50
93.007.000-9	SQM S.A.	Chile	700	M	08/01/2012	UF	Semi-annual	Upon maturity	3.56%	3.30
93.007.000-9	SQM S.A.	Chile	699	O	08/01/2012	UF	Semi-annual	Upon maturity	3.89%	3,80
			Total							
			Bond issue costs							
			Total							

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.

Notes to the consolidated financial statements as of June 30, 2012

Note 10 - Financial instruments (continued)

10.4 Financial liabilities, continued

Debtor							Periodicity			
Tax ID No.	Subsidiary	Country	Number of registration or ID of the instrument	Series	Maturity date	Adjustment index for the bond	Payment of interest	Repayment	Effective rate	Nominal rate
93.007.000-9	SQM S.A	Chile	184	Single	04/15/2012	US$	Semi-annual	Upon maturity	6.75%	6.13%
93.007.000-9	SQM S.A	Chile	184	Single	04/21/2012	US$	Semi-annual	Upon maturity	5.94%	5.50%
93.007.000-9	SQM S.A	Chile	446	C	06/01/2012	UF	Semi-annual	Semi-annual	6.59%	4.00%
93.007.000-9	SQM S.A	Chile	563	G	01/05/2012	Ch$	Semi-annual	Upon maturity	7.10%	7.00%
93.007.000-9	SQM S.A	Chile	564	H	01/05/2012	UF	Semi-annual	Semi-annual	6.01%	4.90%
93.007.000-9	SQM S.A	Chile	563	I	04/01/2012	UF	Semi-annual	Upon maturity	6.22%	3.00%
93.007.000-9	SQM S.A	Chile	563	J	04/01/2012	Ch$	Semi-annual	Upon maturity	5.81%	5.50%
			Total							
			Bond issue costs							
			Total							

c) Types of non-current interest-bearing loans

Non-current interest-bearing loans as of June 30, 2012 and December 31, 2011 are detailed as follows:

Non-current interest-bearing bank loans

Debtor			Creditor		Currency	
Tax ID No.	Subsidiary	Country	Financial institution	Country		Repayment

			Tax ID No.			or adjustment index		Effective rate	Nor rate
93.007.000-9	SQM S.A.	Chile	Foreign	Banco Estado NY Branch	United States	US$	Upon maturity	3.11 %	2.8
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Scotiabank & Trust (Cayman) Ltd.	Cayman Islands	US$	Upon maturity	1.98 %	1.5
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Bank of America	United States	US$	Upon maturity	1.93 %	1.6
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	Export Development	Cayman Islands	US$	Upon maturity	1.89 %	1.6
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd (New York)	United States	US$	Upon maturity	1.69 %	1.3
Total									
Borrowing costs									
Total									