CHEMICAL & MINING CO OF CHILE INC
Form 6-K
September 17, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2018.

Commission File Number 33-65728

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F: x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Santiago, Chile. September 14, 2018.- Sociedad Química y Minera de Chile S.A. (SQM) (NYSE: SQM; Santiago Stock Exchange: SQM-B, SQM-A) reports the translation of its financial statements for the six months ended June 30, 2018, the Spanish version of which was filed with the Chilean Comission for the Financial Market (Comisión para el Mercado Financiero or “CMF”) on August 22, 2018.

CONSOLIDATED FINANCIAL STATEMENTS

For the period ended

June 30, 2018

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

In Thousands of United States Dollars

This document includes:

- Independent Auditor’s Report
- Consolidated Classified Statements of Financial Position
- Consolidated Statements of Income by Function
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Consolidated Statements of Changes in Equity
- Notes to the Consolidated Financial Statements

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

Table of Contents –Consolidated Financial Statements

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

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

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

Consolidated Classified Statements of Financial Position

Assets	Note	As of June 30, 2018 ThUS$	As of December 31, 2017 ThUS$
		Not audited	Audited
Current assets			
Cash and cash equivalents	7.1	528,022	630,438
Other current financial assets	10.1	428,776	366,979
Other current non-financial assets	24	38,250	26,883
Trade and other receivables, current	10.2	442,720	446,875
Trade receivables due from related parties, current	9.5	73,303	59,132
Current inventories	8	905,767	902,074
Current tax assets	27.1	41,267	32,291
Current assets other than those classified as held for sale or disposal		2,458,105	2,464,672
Non-current assets or groups of assets classified as held for sale	30	62,305	1,589
Total current assets		2,520,410	2,466,261
Non-current assets			
Other non-current financial assets	10.1	34,930	42,879
Other non-current non-financial assets	24	28,138	19,262
Trade receivables, non-current	10.2	1,706	1,912
Investments classified using the equity method of accounting	11.1-12.3	114,195	146,425
Intangible assets other than goodwill	13.1	129,201	113,787
Goodwill	13.1	34,758	44,177
Property, plant and equipment	14.1	1,405,897	1,429,354
Tax assets, non-current	27.1	32,179	32,179
Total non-current assets		1,781,004	1,829,975
Total assets		4,301,414	4,296,236

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

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

Consolidated Classified Statements of Financial Position, (continued)

Liabilities and Equity	Note	**As of June 30, 2018**	**As of December 31, 2017**
		ThUS$	**ThUS$**
		Not audited	Audited
Current liabilities			
Other current financial liabilities	10.4	155,555	220,328
Trade and other payables, current	10.5	182,654	196,280
Trade payables due to related parties, current	9.6	135	1,365
Other current provisions	18.1	79,889	63,445
Current tax liabilities	27.2	59,046	75,402
Provisions for employee benefits, current	15.1	9,990	22,421
Other current liabilities	18.3	205,251	168,804
Total current liabilities		692,520	748,045
Non-current liabilities			
Other non-current financial liabilities	10.4	1,221,920	1,031,507
Other non-current provisions	18.1	28,202	30,001
Deferred tax liabilities	27.3	183,913	205,283
Provisions for employee benefits, non-current	15.1	35,049	33,932
Total non-current liabilities		1,469,084	1,300,723
Total liabilities		2,161,604	2,048,768
Equity	17		
Share capital		477,386	477,386
Retained earnings		1,624,784	1,724,784
Other reserves		(13,643)	(14,349)
Equity attributable to owners of the Parent		2,088,527	2,187,821
Non-controlling interests		51,283	59,647
Total equity		2,139,810	2,247,468
Total liabilities and equity		4,301,414	4,296,236

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

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

Consolidated Statements of Income by Function

	Note	January to June		**April to June**	
		2018	**2017**	**2018**	**2017**
		ThUS$	**ThUS$**	**ThUS$**	**ThUS$**
		Not audited			
Revenue	26.1	1,157,420	1,023,865	638,697	505,274
Cost of sales	26.2	(740,364)	(666,015)	(414,317)	(325,367)
Gross profit		417,056	357,850	224,380	179,907
Other income	26.3	9,477	5,862	4,916	4,467
Administrative expenses	26.4	(56,264)	(46,087)	(31,080)	(23,876)
Other expenses by function	26.5	(17,305)	(13,396)	(10,843)	(7,621)
Other gains (losses)	26.6	(462)	(991)	(184)	85
Profit (loss) from operating activities		352,502	303,238	187,189	152,962
Finance income		10,693	5,716	6,024	3,345
Finance costs	21-26.8	(28,361)	(25,546)	(15,644)	(12,908)
Share of profit of associates and joint ventures accounted for using the equity method	11-12	9,491	7,824	5,070	3,169
Foreign currency translation differences	22	(602)	(4,707)	(89)	(6,375)
Profit (loss) before taxes		343,723	286,525	182,550	140,193
Income tax expense, continuing operations	27.3	(96,155)	(82,610)	(48,864)	(39,319)
Profit (loss) from continuing operations		247,568	203,915	133,686	100,874
Profit attributable to		247,568	203,915	133,686	100,874
Owners of the Parent		247,697	204,386	133,872	101,154
Non-controlling interests		(129)	(471)	(186)	(280)
Profit for the year		247,568	203,915	133,686	100,874

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

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

Consolidated Statements of Income by Function, (continued)

		January to June		April to June	
	Note	2018	2017	2018	2017
		US$	US$	US$	US$
		Not audited			
Earnings per share					
Common shares					
Basic earnings per share (US$ per share)	20	0.9411	0.7766	0.5086	0.3843
Diluted common shares					
Diluted earnings per share (US$ per share)	20	0.9411	0.7766	0.5086	0.3843

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

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

Consolidated Statements of Comprehensive Income

Statement of comprehensive income	January to June 2018 ThUS$	2017 ThUS$	2018 ThUS$	2017 ThUS$
		Not audited		
Profit (loss) for the year	247,568	203,915	133,686	100,874
Other comprehensive income				
Items of other comprehensive income that will not be reclassified to profit for the year, before taxes				
Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans	59	(606)	484	668
Total other comprehensive income that will not be reclassified to profit for the year, before taxes	59	(606)	484	668
Items of other comprehensive income that will be reclassified to profit for the year, before taxes				
Foreign currency exchange difference				
Foreign currency exchange gains I(losses) before taxes	(5,771)	(1,498)	(4,787)	(313)
Other comprehensive income before taxes	(5,771)	(1,498)	(4,787)	(313)
Financial assets held for sale				
Gain (loss) from revaluations of financial assets held for sale, net of tax	(3,176)	(3,865)	(10,297)	(3,865)
Other comprehensive income before taxes	(3,176)	(3,865)	(10,297)	(3,865)
Financial assets measured at fair value with changes in other comprehensive income				
Gain (loss) from cash flow hedges	8,264	2,133	10,057	(2,289)
Other comprehensive income, net of tax	8,264	2,133	10,057	(2,289)
Total other comprehensive income that will be reclassified to profit for the year	(683)	(3,230)	(5,027)	(6,467)
Other items of other comprehensive income before taxes	(624)	(3,836)	(4,543)	(5,799)
Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year				
Income taxes related to new measurements of defined benefit plans in other comprehensive income	182	129	(128)	(117)
Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year	182	129	(128)	(117)
Income taxes related to items of other comprehensive income that will be reclassified to profit for the year				

Income tax related to financial assets held for sale in other comprehensive income	863	(38)	406	(38)
Income taxes related to cash flow hedges in other comprehensive income	-	24	-	24
Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year	863	(14)	406	(14)
Total other comprehensive income	421	(3,721)	(4,265)	(5,930)
Total comprehensive income	247,989	200,194	129,421	94,944
Comprehensive income attributable to				
Owners of the Parent	248,041	200,662	129,497	95,222
Non-controlling interests	(52)	(468)	(76)	(278)
Total comprehensive income	247,989	200,194	129,421	94,944

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

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

Consolidated Statements of Cash Flows

Consolidated Statements of cash flows	Note	**6/30/2018** **ThUS$**	**6/30/2017** **ThUS$**
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		1,125,188	1,002,485
Cash receipts from premiums and benefits, annuities and other benefits from policies entered		1,023	-
Cash payments to suppliers for the provision of goods and services (1)		(593,754)	(529,967)
Cash payments to and on behalf of employees		(101,418)	(71,359)
Other payments related to operating activities		(9,155)	(6,395)
Net cash generated from (used in) operating activities		421,884	394,764
Dividends received		8,223	1,481
Interest paid		(27,336)	(17,605)
Interest received		9,671	5,716
Income taxes paid		(129,753)	(33,446)
Other incomes (outflows) of cash (1)		(22,033)	(52,071)
Net cash generated from (used in) operating activities		260,656	298,839
Cash flows from (used in) investing activities			
Payments made to acquire interest in joint ventures		(19,536)	(42)
Proceeds from the sale of property, plant and equipment		23	3,924
Acquisition of property, plant and equipment		(128,761)	(48,307)
Proceeds from sales of intangible assets		6,174	1,291
Purchases of intangible assets		-	-
Proceeds from the repayment of advances and loans granted to third parties		(2,264)	21
Other inflows (outflows) of cash (2)		(37,844)	(31,602)
Net cash generated from (used in) investing activities		(182,208)	(74,715)

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

(2) Other inflows (outflows) of cash include investments and redemptions of time deposits and other financial instruments that do not qualify as cash and cash equivalent in accordance with IAS 7, paragraph 7, since they mature

in more than 90 days from the original investment date.

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

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

Consolidated Statements of Cash Flows, (continued)

	Note	6/30/2018 ThUS$	6/30/2017 ThUS$
Cash flows used in financing activities			
Proceeds from long-term loans		125,115	-
Proceeds from short-term borrowings		120,000	20,000
Repayment of borrowings		(83,000)	(83,697)
Dividends paid		(332,653)	(159,412)
Net cash generated used in financing activities		(170,538)	(223,109)
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		(92,090)	1,015
Effects of exchange rate fluctuations on cash held		(10,326)	1,941
Net (decrease) increase in cash and cash equivalents		(102,416)	2,956
Cash and cash equivalents at beginning of period		630,438	514,669
Cash and cash equivalents at end of period		528,022	517,625

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

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

Consolidated Statements of Changes in Equity

2018	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Tota
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThU
Equity at beginning of the year	477,386	(24,913)	2,248	2,937	(5,953)	11,332	(14,349)	1,724,784	2,187,821	59,647	2,2
Equity at beginning of the year	477,386	(24,913)	2,248	2,937	(5,953)	11,332	(14,349)	1,724,784	2,187,821	59,647	2,2
Profit for the year	-	-	-		-	-	-	247,697	247,697	(129)	24
Other comprehensive income	-	(5,853)	8,264	(2,313)	247	-	345	-	345	76	42
Comprehensive income	-	(5,853)	8,264	(2,313)	247	-	345	247,697	248,042	(53)	24
Dividends	-	-	-	-	-	-	-	(347,697)	(347,697)	(8,311)	(35
Increase (decrease) due to transfers and other changes	-	-	-	-	-	361	361	-	361	-	36
Increase (decrease) in equity	-	(5,853)	8,264	(2,313)	247	361	706	(100,000)	(99,294)	(8,364)	(10
	477,386	(30,766)	10,512	624	(5,706)	11,693	(13,643)	1,624,784	2,088,527	51,283	2,1

Equity as of
June 30, 2018
(Not Audited)

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

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

Consolidated Statements of Changes in Equity

2017	Share capital	Foreign currency translation difference reserves	Cash flow hedge reserves	Reserve for gains (losses) from financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) from defined benefit plans	Other miscellaneous reserves	Total Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS
Equity at beginning of the year	477,386	(19,463)	64	3,513	(4,834)	7,832	(12,888)	1,781,576	2,246,074	61,198	2,30
Equity at beginning of the year	477,386	(19,463)	64	3,513	(4,834)	7,832	(12,888)	1,781,576	2,246,074	61,198	2,30
Profit for the year	-	-	-		-	-	-	204,386	204,386	(471)	203,
Other comprehensive income	-	(1,501)	2,157	(3,903)	(477)	-	(3,724)	-	(3,724)	3	(3,7
Comprehensive income	-	(1,501)	2,157	(3,903)	(477)	-	(3,724)	204,386	200,662	(468)	200,
Dividends	-	-	-	-	-	-	-	(257,678)	(257,678)	(1,699)	(259
Increase (decrease) due to transfers and other changes	-	-	-	-	-	3,500	3,500	(3,500)	-	-	-
Increase (decrease) in equity	-	(1,501)	2,157	(3,903)	(477)	3,500	(224)	(56,792)	(57,016)	(2,167)	(59,
	477,386	(20,964)	2,221	(390)	(5,311)	11,332	(13,112)	1,724,784	2,189,058	59,031	2,24

Equity as of
June 30, 2017

(Not Audited)

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

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 1 Identification and Activities of the Company and Subsidiaries

1.1 Historical background

Sociedad Química y Minera de Chile S.A. "SQM" is an open stock corporation organized under the laws of the Republic of Chile and its Tax Identification Number is 93.007.000-9.

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

The Company is registered with the Financial Markets Commission (formerly the Chilean Superintendence of Securities and Insurance) under number 184 of March 18, 1983 and is therefore subject to oversight by that entity.

1.2 Main domicile where the Company performs its production activities

The Company's main domiciles are: Calle Dos Sur plot No. 5 - Antofagasta; Arturo Prat 1060 - Tocopilla; Administration Building w/n - Maria Elena; Administration Building w/n Pedro de Valdivia - María Elena, Anibal Pinto 3228 - Antofagasta, Kilometer 1378 Ruta 5 Norte Highway - Antofagasta, Coya Sur Plant w/n - Maria Elena, kilometer 1760 Ruta 5 Norte Highway - Pozo Almonte, Salar de Atacama (Atacama Saltpeter deposit) potassium chloride plant s/n - San Pedro de Atacama, potassium sulfate plant at Salar de Atacama s/n – San Pedro de Atacama, Minsal Mining Camp s/n CL Plant CL, Potassium– San Pedro de Atacama, formerly the Iris Saltpeter office S/N, Commune of Pozo Almonte, Iquique.

1.3 Codes of main activities

The codes of the main activities as established by the CMF, as follows:

- 1700 (Mining)

- 2200 (Chemical products)

- 1300 (Investment)

1.4 Description of the nature of operations and main activities

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

Notes to the Consolidated Financial Statements as of June 30, 2018.

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

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

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

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

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

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

Iodine: The Company is a major global producer of iodine. Iodine is widely used in the pharmaceutical industry, technology and nutrition. Additionally, iodine is used as X ray contrast media and polarizing film for LCD displays.

Lithium: The Company's lithium is mainly used for manufacturing rechargeable batteries for cellphones, cameras and laptops and electric vehicles. It is also used in industrial applications, such as the manufacture of glass, ceramics and lubricating grease. Other uses are in pharmaceuticals and the chemicals industry.

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Notes to the Consolidated Financial Statements as of June 30, 2018.

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

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

Industrial chemicals: Industrial chemicals are products used as supplies for a number of production processes. SQM participates in this line of business producing sodium nitrate, potassium nitrate and potassium chloride. Industrial nitrates have increased their importance over the last few years due to their use as storage means for thermal energy at solar energy plants, which are widely used in countries such as Spain, the United States, South Africa, Morocco and Chile.

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

Other products and services: This business line includes revenue from commodities, services, interests, royalties and dividends.

1.5 Other background

Staff

As of June 30, 2018, and December 31, 2017, the workforce was as follows:

	6/30/2018			12/31/2017		
Employees	SQM S,A	Other subsidiaries	Total	SQM S.A.	Other subsidiaries	Total
Executives	43	76	119	43	77	120
Professionals	148	1,003	1,151	143	942	1,085
Technicians and operators	248	3,260	3,508	248	3,177	3,425
Foreign employees	18	302	320	19	272	291
Overall total	457	4,641	5,098	453	4,468	4,921

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Notes to the Consolidated Financial Statements as of June 30, 2018.

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

1.5 Other background, continued

Main shareholders

The following table shows information about the main shareholders of the Company's Series A or Series B shares in circulation as of June 30, 2018 and December 31, 2017, in line with information provided by the Central Securities Depository:

The information below is taken from our records and reports controlled in the Central Securities Depository and reported to the CMF, and the Chilean Stock Exchange, whose main shareholders are as follows:

Shareholder as of June 30, 2018	No, of Series A with ownership	% of Series A shares		No, of Series B with ownership	% of Series B shares		% of total shares	
The Bank of New York Mellon, ADRs	-	-		38,090,112	31.64	%	14.47	%
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,894,152	31.43	%	4,769,106	3.96	%	18.87	%
Inversiones El Boldo Limitada	29,330,326	20.54	%	-	-		11.14	%
Potasios de Chile S.A.(*)	18,179,147	12.73	%	-	-		6.91	%
Inversiones RAC Chile Limitada	17,700,242	12.39	%	-	-		6.73	%
Inversiones PCS Chile Limitada	15,526,000	10.87	%	-	-		5.90	%
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-		3.34	%
Banco de Chile via non-resident third party accounts	53,139	0.04	%	9,655,535	8.02	%	3.69	%
Banco Itau via investor accounts	19,125	0.01	%	7,959,986	6.61	%	3.03	%
Banco Santander via foreign investor accounts	-	-		6,517,827	5.41	%	2.48	%

(*) Total Pampa Group 29,12%

Shareholder as of December 31, 2017	No, of Series A with ownership	% of Series A shares	No, of Series B with ownership	% of Series B shares	% of total shares

The Bank of New York Mellon, ADRs	-	-		54,599,961	45.36	%	20.74	%
Sociedad de Inversiones Pampa Calichera S.A.(*)	44,894,152	31.43	%	7,007,688	5.82	%	19.72	%
Inversiones El Boldo Limitada	29,330,326	20.54	%	16,363,546	13.59	%	17.36	%
Inversiones RAC Chile Limitada	19,200,242	13.44	%	2,202,773	1.83	%	8.13	%
Potasios de Chile S.A.(*)	18,179,147	12.73	%	-	-		6.91	%
Inversiones PCS Chile Limitada	15,526,000	10.87	%	1,600,000	1.33	%	6.51	%
Inversiones Global Mining (Chile) Limitada (*)	8,798,539	6.16	%	-	-		3.34	%
Banco de Chile via non-resident third party accounts	-	-		8,394,289	6.97	%	3.19	%
Banco Itau via Investor Accounts	19,125	0.01	%	7,017,504	5.83	%	2.67	%
Banco Santander via foreign investor accounts	-	-		4,593,336	3.82	%	1.75	%

(*) Total Pampa Group 29,97%

On June 30, 2018 the total number of shareholders had risen to 1,516.

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Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 2 Basis of presentation for the consolidated financial statements

2.1 Accounting period

These consolidated financial statements cover the following periods:

- Consolidated Statements of Financial Position as of June 30, 2018 and, December 31,2017.
- Consolidated Statements of Changes in Equity as of June 30, 2018 and 2017
- Consolidated Statements of Comprehensive Income as of June 30, 2018 and 2017
- Consolidated Statements of Direct-Method Cash Flows as of June 30, 2018 and 2017.

2.2 Consolidated financial statements

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

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

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

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

For the close of these consolidated financial statements, certain reclassifications were made as of December 31, 2017 for the items other non-current financial assets, investments accounted for using the equity method, intangible assets other than goodwill and property, plant and equipment, for the purpose of comparison with the figures as of June 30, 2018.

2.3 Basis of measurement

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

- Inventories are recorded at the lower of cost and net realizable value.
- Financial derivatives at fair value; and
- Staff severance indemnities and pension commitments at actuarial value
- Certain financial investments classified as available for sale measured at fair value with an offsetting entry in other comprehensive income.
- Other current and non-current assets and financial liabilities at amortized cost

Notes to the Consolidated Financial Statements as of June 30, 2018.

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

2.4 Accounting pronouncements

New accounting pronouncements

a) The following standards, interpretations and amendments are mandatory for the first time for annual periods beginning on January 1, 2018:

Amendments and improvements	**Mandatory for annual periods beginning on**
IFRS 9, "Financial Instruments"- Published in July 2014. The IASB has published a complete new version of IFRS 9, which replaces the guidance in IAS 39. This final version includes requirements regarding the classification and measurement of financial assets and liabilities and a new model for the recognition of expected credit losses that replaces the incurred loss impairment model used today. The part relating to hedge accounting that forms part of this final version of IFRS 9 was published in November 2013.	01/01/2018
IFRS 15, "Revenue from Contracts with Customers" – Published in May 2014. This established the principles that an entity must apply for presenting useful information to users of financial statements with regard to the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The basic principle is that an entity will recognize revenue representing the transfer of goods or services to customers in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services. This standard replaces the following standards and interpretations: IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programs; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue - Barter Transactions Involving Advertising Services.	01/01/2018
IFRIC 22, "Transactions in Foreign Currency and Advance Payments" -Published in December 2016. This interpretation applies to a foreign currency transaction (or part of one) if an entity recognizes a non-financial asset or non-financial liability arising from the payment or receipt of an advance consideration prior to the entity recognizing the related asset, expense or income (or the applicable portion thereof). The interpretation provides a guideline for the transaction date to be used for both single payments/receipts and situations when there are multiple payments/receipts. Its objective is to reduce diversity in practice.	01/01/2018

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Notes to the Consolidated Financial Statements as of June 30, 2018.

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

2.4 Accounting pronouncements, continued

Amendments and improvements	**Mandatory for annual periods beginning on or after**
Amendment to IFRS 2, "Share-based Payments" Published in June 2016. The amendment clarifies the measurement of share-based payments liquidated in cash and the accounting of modifications that change these payments to liquidation with equity instruments. In addition, it introduces an exception to the IFRS 2 principles that will require the treatment of awards as if they were all liquidation as an equity instrument, when the employer is required to retain taxes related to share-based payments.	*01/01/2018*
Amendment to IFRS 15 "Revenue from Contracts with Customers". Published in April 2016. The amendment provides clarifications with regard to identifying performance obligations in contracts with customers, accounting for licensing involving intellectual property and assessing principal versus agent considerations (i.e. recording revenue on a gross basis versus the net amount it retains). It includes new and modified illustrative examples as a guide, along with practical examples related to the transition to the new standard on revenue.	*01/01/2018*
Amendment to IAS 28 "Investments in Associates and Joint Ventures" in regard to measuring an associate or joint venture at fair value. Published in December 2016.	*01/01/2018*

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

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

2.4 Accounting pronouncements, continued

b) Standards, interpretations and amendments issued that had not become effective for financial statements beginning on January 1, 2018 and which the Company has not adopted early are as follows:

Standards and interpretations	**Mandatory for annual periods beginning on**
IFRS 16 "Leases" – Published in January 2016, it establishes the principle for recognizing, measuring, presenting and disclosing leases. IFRS 16 replaces IAS 17 and introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with a lease term of more than 12 months unless the underlying asset has a low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 before the initial application date of IFRS 16.	*01/01/2019*
IFRS 17 "Insurance Contracts". Published in May 2017, this replaces IFRS 4. IFRS 17 will mainly change the accounting for those entities that issue insurance contacts and investment contracts with discretionary participation features. IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied.	*01/01/2021*
IFRIC 23 "Uncertainty over Income Tax Treatments". Published in June 2016. This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.	*01/01/2019*

Notes to the Consolidated Financial Statements as of June 30, 2018.

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

2.4 Accounting pronouncements, continued

Amendments and improvements	**Mandatory for annual periods beginning on or after**
Amendment to IFRS 9 "Financial Instruments". Published in October 2017. The amendment permits more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepayable financial assets with negative compensation. The assets affected, which include some loans and debt securities, would otherwise have been measured at fair value through profit and loss (FVTPL). For them to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract."	*01/01/2019*
Amendment to IAS 28 "Investments in Associates and Joint Ventures". Published in October 2017. This amendment clarifies that companies should apply IFRS 9 to account for long-term interests in an associate or joint venture to which the equity method is not applied. The Board has published an example that illustrates how companies should apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.	*01/01/2019*
Amendment to IFRS 3 "Business Combinations" Published in December 2017. The amendment clarifies that gaining control of a company that is a joint venture is a business combination that is achieved in stages. The acquiring party must remeasure previously held interests in that business at fair value at the date of acquisition.	*01/01/2019*
Amendment to IFRS 11 "Joint Arrangements". Published in December 2017. The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	*01/01/2019*
Amendment to IAS 12 "Income Tax" Published in December 2017. This amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognized when the past transactions or events that generated distributable profits were originally recognized.	*01/01/2019*
Amendment to IAS 23 "Borrowing Costs". Published in December 2017. This amendment clarifies that the borrowing costs of specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale will be considered as part of the general borrowing costs of the entity.	*01/01/2019*
Amendment to IAS 19 "Employee Benefits" Published in February 2018. The amendment requires that the entities use updated conjectures to determine the cost of the current service and the net interest for the rest of the period after an amendment, reduction or liquidation of the plan; and recognize in profits or losses as part of the cost of the past	*01/01/2019*

service, or a profit or loss in the liquidation, any reduction in a surplus, even if this surplus was not previously recognized because it did not exceed the upper threshold of the asset.

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

2.4 Accounting pronouncements, continued

The following amendment was issued by the IASB and was originally scheduled to take effect in 2016. However, the organization has changed its position and the mandatory effective date is yet to be determined.

Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Published in September 2014. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Undetermined

For those standards to be applied as of 2019, the corresponding studies and analysis will be carried out during 2018.

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

2.5 Basis of consolidation

(a) Subsidiaries

These are all those entities where Sociedad Química y Minera de Chile S.A. has control over directing their financial and operational policies. This is generally accompanied by a share of more than half of the voting rights. Subsidiaries apply the same accounting policies of their Parent.

To account for the acquisition, the Company uses the acquisition method. Under this method the acquisition cost is the fair value of assets delivered, equity securities issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingencies assumed in a business combination are measured initially at fair value at the acquisition date. For each business combination, the Company will measure non-controlling interest of the acquiree either at fair value or as proportional share of net identifiable assets of the acquiree. For more information, please see Note 6.4.

Companies included in consolidation:

				Ownership interest			
				6/30/2018			12/31/2017
TAX ID No,	Foreign subsidiaries	Country of origin	Functional currency	Direct	Indirect	Total	Total
Foreign	Nitratos Naturais Do Chile Ltda,	Brazil	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Nitrate Corporation Of Chile Ltd,	United Kingdom	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM North America Corp,	USA	US$	40.0000	60.0000	100.0000	100.0000
Foreign	SQM Europe N,V,	Belgium	US$	0.5800	99.4200	100.0000	100.0000
Foreign	Soquimich S.R.L. Argentina	Argentina	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Soquimich European Holding B,V,	Netherlands	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Corporation N.V.	Netherlands	US$	0.0002	99.9998	100.0000	100.0000
Foreign	SQI Corporation N.V.	Netherlands	US$	0.0159	99.9841	100.0000	100.0000
Foreign	SQM Comercial De México S.A. de C.V.	Mexico	US$	0.0100	99.9900	100.0000	100.0000
Foreign		USA	US$	0.0000	100.0000	100.0000	100.0000

	North American Trading Company						
Foreign	Administración y Servicios Santiago S.A. de C.V.	Mexico	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Peru S.A.	Peru	US$	0.9800	99.0200	100.0000	100.0000
Foreign	SQM Ecuador S.A.	Ecuador	US$	0.0040	99.9960	100.0000	100.0000
Foreign	SQM Nitratos Mexico S.A. de C.V.	Mexico	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQMC Holding Corporation L.L.P.	USA	US$	0.1000	99.9000	100.0000	100.0000
Foreign	SQM Investment Corporation N.V.	Netherlands	US$	1.0000	99.0000	100.0000	100.0000
Foreign	SQM Brasil Limitada	Brazil	US$	1.0900	98.9100	100.0000	100.0000
Foreign	SQM France S.A.	France	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Japan Co. Ltd.	Japan	US$	0.1597	99.8403	100.0000	100.0000
Foreign	Royal Seed Trading Corporation A.V.V.	Aruba	US$	1.6700	98.3300	100.0000	100.0000
Foreign	SQM Oceania Pty Limited	Australia	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Rs Agro-Chemical Trading Corporation A.V.V.	Aruba	US$	98.3333	1.6667	100.0000	100.0000
Foreign	SQM Colombia SAS	Colombia	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Australia PTY	Australia	Australian dollar	0.0000	100.0000	100.0000	100.0000
Foreign	SACAL S.A.	Argentina	Argentine peso	0.0000	100.0000	100.0000	100.0000

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Notes to the Consolidated Financial Statements as of June 30, 2018.

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

2.5 Basis of consolidation, continued

				Ownership interest 6/30/2018			12/31/2017
TAX ID No,	Foreign subsidiaries	Country of origin	Functional currency	Direct	Indirect	Total	Total
Foreign	SQM Indonesia S.A.	Indonesia	US$	0.0000	80.0000	80.0000	80.0000
Foreign	SQM Virginia L.L.C.	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Italia SRL	Italy	US$	0.0000	100.0000	100.0000	100.0000
Foreign	Comercial Caimán Internacional S.A.	Panama	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Africa Pty.	South Africa	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Lithium Specialties LLC	USA	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Iberian S.A.	Spain	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Beijing Commercial Co. Ltd.	China	US$	0.0000	100.0000	100.0000	100.0000
Foreign	SQM Thailand Limited	Thailand	US$	0.0000	99.996	99.996	99.996
Foreign	SQM Internacional N.V.	Belgium	US$	0.5800	99.4200	100.0000	0.0000
Foreign	SQM (Shanghai) Chemicals Co. Ltd.	China	US$	0.0000	100.0000	100.0000	0.0000

				Ownership interest 6/30/2018			12/31/2017
TAX ID No,	Domestic subsidiaries	Country of origin	Functional currency	Direct	Indirect	Total	Total
96.801.610-5	Comercial Hydro S.A.	Chile	US$	0,0000	60,6383	60,6383	60,6383
96.651.060-9	SQM Potasio S.A.	Chile	US$	99,9999	0,0000	99,9999	99,9999
96.592.190-7	SQM Nitratos S.A.	Chile	US$	99,9999	0,0001	100,0000	100,0000
96.592.180-K	Ajay SQM Chile S.A.	Chile	US$	51,0000	0,0000	51,0000	51,0000
86.630.200-6	SQMC Internacional Ltda.	Chile	Ch$	0,0000	60,6381	60,6381	60,6381
79.947.100-0	SQM Industrial S.A.	Chile	US$	99,0470	0,9530	100,0000	100,0000
79.906.120-1	Isapre Norte Grande Ltda.	Chile	Ch$	1,0000	99,0000	100,0000	100,0000
79.876.080-7	Almacenes y Depósitos Ltda.	Chile	Ch$	1,0000	99,0000	100,0000	100,0000
79.770.780-5	Servicios Integrales de Tránsitos y Transferencias S.A.	Chile	US$	0,0003	99,9997	100,0000	100,0000
79.768.170-9	Soquimich Comercial S.A.	Chile	US$	0,0000	60,6383	60,6383	60,6383
79.626.800-K	SQM Salar S.A.	Chile	US$	18,1800	81,8200	100,0000	100,0000
78.053.910-0	Proinsa Ltda.	Chile	Ch$	0,0000	60,5800	60,5800	60,5800
76.534.490-5		Chile	Ch$	0,0000	100,0000	100,0000	100,0000

	Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.						
76.425.380-9	Exploraciones Mineras S.A.	Chile	US$	0,2691	99,7309	100,0000	100,0000
76.064.419-6	Comercial Agrorama Ltda. (a)	Chile	Ch$	0,0000	42,4468	42,4468	42,4468
76.145.229-0	Agrorama S.A.	Chile	Ch$	0,0000	60,6377	60,6377	60,6377
76.359.919-1	Orcoma Estudios SPA	Chile	US$	51,0000	0,0000	51,0000	51,0000
76.360.575-2	Orcoma SPA	Chile	US$	100,0000	0,0000	100,0000	100,0000
76.686.311-9	SQM MaG SpA.	Chile	US$	0,0000	100,0000	100,0000	100,0000

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

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

2.5 Basis of consolidation, continued

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

Profit or loss of subsidiaries acquired or divested during the year are included in profit or loss accounts consolidated from the date control is transferred to the Group, or up to the date control is lost, as applicable.

Non-controlling interest represents the equity of a subsidiary not directly or indirectly attributable to the Parent.

Note 3 Significant accounting policies

3.1 Classification of balances as current and non-current

In the attached consolidated statement of financial position, balances are classified in consideration of their recovery (maturity) dates; i.e. those maturing within a period equal to or less than 12 months are classified as current counted from the closing date of the consolidated financial statements and those with maturity dates exceeding the aforementioned period are classified as non-current.

The exception to the foregoing relates to deferred taxes, which are classified as non-current, regardless of the maturity they have.

3.2 Functional and presentation currency

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

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

The consolidated financial statements are presented in thousands of United States dollars without decimals.

3.3 Foreign currency translation

(a) Group entities:

The revenue, expenses, assets and liabilities of all entities that have a functional currency other than the presentation currency are converted to the presentation currency as follows:

- Assets and liabilities are converted at the closing exchange rate prevailing on the reporting date.

- Revenues and expenses of each profit or loss account are converted at monthly average exchange rates.

- All resulting foreign currency translation gains and losses are recognized as a separate component in translation reserves.

In consolidation, foreign currency differences arising from the translation of a net investment in foreign entities are recorded in equity (other reserves). At the date of disposal, such foreign currency translation differences are recognized in the statement of income as part of the gain or loss from the sale.

Note 3 Significant accounting policies (continued)

3.3 Foreign currency translation, continued

The main exchange rates and the adjustment unit used to translate monetary assets and liabilities, expressed in foreign currency at the end of each period in respect to U,S, dollars, are as follows:

	6/30/2018 US$	12/31/2017 US$
Brazilian real	3.86	3.02
New Peruvian sol	3.28	3.08
Argentine peso	28.90	18.40
Japanese yen	110.84	113.00
Euro	0.86	0.83
Mexican peso	19.85	19.65
Australian dollar	0.74	0.78
Pound Sterling	0.76	0.74
South African rand	13.74	12.35
Ecuadorian dollar	1.00	1.00
Chilean peso	651.21	614.75
Chinese yuan	6.64	6.51
Indian rupee	68.48	63.84
Thai baht	33.01	32.85
UF (*)	41.71	43.59

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

(b) Transactions and balances

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

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are retranslated to the functional currency at the historical exchange rate of the transaction. Non-monetary items that are measured based on fair value in a foreign currency are translated using the exchange rate at the date on which the fair value is determined.

Note 3 Significant accounting policies (continued)

3.4 Subsidiaries

SQM S.A. uses the level of control it has in subsidiaries as a basis to determine their share in the consolidated financial statements. This control consists of the Company's ability to exercise power in the subsidiary, exposure, or right, to variable performance from its share in the investee and the ability to use its power on the investee to have an influence on the amount of the investor's performance.

The Company prepares the consolidated financial statements using consistent accounting policies for the entire Group. The consolidation of a subsidiary commences when the Company has control over the subsidiary and stops when control ceases.

3.5 Consolidated statement of cash flows

Cash equivalents correspond to highly-liquid short-term investments that are easily convertible into known amounts of cash. They are subject to insignificant risk of changes in their value and mature in less than three months from the date of acquisition of the instrument.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above.

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

3.6 Financial assets

Corporate management ("Management") determines the classification of its financial assets at the time of initial recognition, on the basis of the business model for the management of financial assets and the characteristics of contractual cash flows from the financial assets. In accordance with IAS 39, financial assets are measured initially at fair value plus transaction costs that may have been incurred and are directly attributable to the acquisition of the financial asset. Subsequently, financial assets are measured at amortized cost or fair value.

The Company assesses, at each reporting date, whether there is objective evidence that an asset or group of assets is impaired. An asset or group of financial assets is impaired if and only if there is evidence of impairment as a result of one or more events occurring after the initial recognition of the asset or group of assets. For the recognition of impairment, the loss event has to have an impact on the estimate of future cash flows from the asset or groups of financial assets.

As of January 1, 2018, the Company classifies its financial assets in the following categories: at fair value (be it through other comprehensive income or through profit or loss), and at amortized cost. The classification depends on the entity's business model for managing financial assets and the contractual terms for cash flows.

Note 3 Significant accounting policies (continued)

3.7 Financial liabilities

Management determines the classification of its financial liabilities at the time of initial recognition. As established in IAS 39, financial liabilities at the time of initial recognition are measured at fair value, less transaction costs that may have been incurred and are directly attributable to the issue of the financial liability. Subsequently, these are measured at amortized cost using the effective interest method. Financial liabilities that have been initially recognized at fair value through profit or loss will be measured subsequently at fair value.

3.8 Financial instruments at fair value through profit or loss

Management will irrevocably determine, at the time of initial recognition, the designation of a financial instrument at fair value through profit or loss. By doing so, this eliminates and/or significantly reduces the measurement or recognition inconsistency that would otherwise have arisen from the measurement of assets or liabilities or from the recognition of gains and losses from them on different bases.

The Company forecasts the expected credit losses associated with its debt instruments accounted for at amortized cost. The impairment method applied depends on whether there has been a significant increase in the credit risk.

3.9 Financial instrument offsetting

The Company offsets an asset and liability if and only if it presently has a legally enforceable right of setting off the amounts recognized and has the intent of settling for the net amount of realizing the asset and settling the liability simultaneously.

3.10 Reclassification of financial instruments

At such time when the Company changes its business model for managing financial assets, it will reclassify those financial assets affected by the new business model.

Financial liabilities could not be reclassified.

3.11 Derivative and hedging financial instruments

Derivatives are recognized initially at fair value as of the date on which the derivatives contract is signed and, they are subsequently assessed at fair value. The method for recognizing the resulting gain or loss depends on whether the derivative has been designated as an accounting hedge instrument and, if so, it depends on the type of hedging, which may be as follows:

a) Fair value hedge of assets and liabilities recognized (fair value hedges);

b) Hedging of a single risk associated with an asset or liability recognized or a highly probable forecast transaction (cash flow hedge).

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 3 Significant accounting policies (continued)

3.11 Derivative and hedging financial instruments, continued

At the beginning of the transaction, the Company documents the relationship that exists between hedging instruments and those items hedged, as well as their objectives for risk management purposes and the strategy to conduct different hedging operations.

The Company also documents its evaluation both at the beginning and at the end of each period if the derivatives used in hedging transactions are highly effective to offset changes in the fair value or in cash flows of hedged items.

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

Derivatives that are not designated or do not qualify as hedging derivatives are classified as current assets or liabilities, and changes in the fair value are directly recognized through profit or loss.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps that hedge fixed rate borrowings is recognized in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity using a recalculated effective interest rate.

b) Cash flow hedges

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

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

Note 3 Significant accounting policies (continued)

3.12 Available for sale financial assets

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

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

3.13 Derecognition of financial instruments

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

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

3.14 Derivative financial instruments

The Company maintains derivative financial instruments to hedge its exposure to foreign currencies, Derivative financial instruments are recognized initially at fair value; attributable transact ion costs are recognized when incurred. Subsequent to initial recognition, any changes in the fair value of such derivatives are recognized in profit or loss as part of gains and losses.

The Company permanently assesses the existence of embedded derivatives, both in its contracts and financial instruments, As of June 30, 2018, and December 31, 2017, there were no embedded derivatives.

3.15 Fair value initial measurements

From the initial recognition, the Company measures its assets and liabilities at fair value plus or minus transaction costs incurred that are directly attributable to the acquisition of a financial asset or issuance of a financial liability.

Note 3 Significant accounting policies (continued)

3.16 Deferred acquisition costs from insurance contracts

Acquisition costs from insurance contracts are classified as prepayments and correspond to insurance contracts in force, recognized using the straight-line method and on an accrual basis, and are recognized under other non-financial assets.

(a) Lease - Finance lease

Leases are classified as finance leases when the Company substantially owns all the risks and rewards inherent in the ownership of the asset. Finance leases are capitalized at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each finance lease payment is apportioned between the liability and the finance charges so as to obtain the constant rate of interest on the remaining balance of the liability. The respective lease obligations, net of finance charges, are included in other non-current liabilities. The interest part of the finance cost is charged to the consolidated financial statements for the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

(b) Lease - Operating lease

Leases where the lessor retains a significant part of the risks and benefits derived from the property are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) should be recognized as an expense in the income statement or capitalized (as appropriate) over the lease term on a straight-line basis.

3.17 Trade and other receivables

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

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 3 Significant accounting policies (continued)

3.18 Inventory measurement

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

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

The net realizable value represents the estimated selling price, less all the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

3.19 Investments in associates and joint ventures

Interests in companies over which joint control is exercised (joint venture) or where an entity has a significant influence (associates) are recognized using the equity method of accounting. Significant influence is presumed to exist when interest greater than 20% is held in the capital of an investee.

Under this method, the investment is recognized in the statement of financial position at cost plus changes, subsequent to the acquisition, and considering the proportional share in the equity of the associate. For such purposes, the interest percentage in the ownership of the associate is used. The associated goodwill acquired is included in the carrying amount of the investee and is not amortized. The debit or credit to profit or loss reflects the proportional share in the profit or loss of the associate.

Note 3 Significant accounting policies (continued)

3.19 Investments in associates and joint ventures, continued

Unrealized gains for transactions with affiliates or associates are eliminated according to the Company's interest percentage in such entities. Unrealized losses are also eliminated, except if the transaction provides evidence of impairment loss of the transferred asset.

Changes in the equity of associates are recognized on a proportional basis with a charge or credit to "Other reserves" and classified according to their origin.

Reporting dates of the associate, the Company and related policies are similar for equivalent transactions and events under similar circumstances.

In the event that the significant influence is lost or the investment is sold or is held as available for sale, the equity method is discontinued, suspending the recognition of the proportional share of profit or loss.

If the resulting amount according to the equity method is negative, the share of profit or loss is reflected as zero in the consolidated financial statements, unless a commitment exists by the Company to reinstate the Company's equity position, in which case the related provision for risks and expenses is recorded.

Dividends received by these companies are recorded by reducing the equity value, and the proportional share of profit or loss recognized according to the equity share are included in the consolidated profit or loss accounts in the caption "Equity share of profit (loss) of associates and joint ventures that are accounted for using the equity method of accounting".

3.20 Transactions with non-controlling interests

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

3.21 Related party transactions

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

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 3 Significant accounting policies (continued)

3.22 Property, plant and equipment

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

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

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

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

Having initially recognized provisions for closure and refurbishment, the corresponding cost is capitalized as an asset in Property, plant and equipment and amortized in line with the amortization criteria for the associated assets.

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

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

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

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

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

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 3 Significant accounting policies (continued)

3.23 Depreciation of property, plant and equipment, continued

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

Fixed assets associated with the Salar de Atacama consider useful life to be the lesser value between the technical useful life and the years remaining until 2030.

In the case of mobile equipment, depreciation is performed depending on the hours of operation

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

Classes of property, plant and equipment	Minimum life or rate (years)	Maximum life or rate (years)	life or average rate in years
Mining assets	3	10	7
Energy generating assets	3	16	7
Buildings	3	30	10
Supplies and accessories	2	15	5
Office equipment	3	20	6
Transport equipment	3	20	10
Network and communication equipment	2	15	5
IT equipment	2	15	3
Machinery, plant and equipment	2	20	9
Other property, plant and equipment	1	26	7

3.24 Goodwill

Goodwill acquired represents the excess in acquisition cost on the fair value of the Company's ownership of the net identifiable assets of the subsidiary on the acquisition date. Goodwill acquired related to the acquisition of subsidiaries is included in goodwill, which is subject to impairment tests annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is stated at cost less accumulated impairment losses. Gains and losses related to the sale of an entity include the carrying value of goodwill related to the entity sold.

This intangible asset is assigned to cash-generating units with the purpose of testing impairment losses. It is allocated based on cash-generating units expected to obtain benefits from the business combination from which the aforementioned goodwill acquired arose.

Note 3 Significant accounting policies (continued)

3.25 Intangible assets other than goodwill

Intangible assets other than goodwill mainly relate to water rights, emission rights, commercial brands, costs for rights of way for electricity lines, license costs and the development of computer software and mining property and concession rights, client portfolio and commercial agent.

(a) Water rights

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

(b) Rights of way for electric lines

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

(c) Computer software

Licenses for IT programs acquired are capitalized based on their acquisition and customization costs. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of IT programs are recognized as an expense as and when incurred. Costs directly related to the production of unique and identifiable IT programs controlled by the Group, and which will probably generate economic benefits that are higher than its costs during more than a year, are recognized as intangible assets. Direct costs include the expenses of employees who develop information technology software and general expenses in accordance with corporate charges received.

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

(d) Mining property and concession rights

The Company holds mining property and concession rights from the Chilean and Australian Governments. Property rights are usually obtained at no initial cost (other than the payment of mining patents and minor recording expenses) and once the rights on these concessions have been obtained, they are retained by the Company while annual patents are paid. Such patents, which are paid annually, are recorded as prepaid assets and amortized over the following twelve months. Amounts attributable to mining concessions acquired from third parties that are not from the Chilean Government are recorded at acquisition cost within intangible assets.

Note 3 Significant accounting policies (continued)

3.25 Intangible assets other than goodwill, continued

(e) Client portfolio

The period for exploiting these portfolios is unlimited so they are considered assets with an indefinite useful life and are therefore not subject to amortization. However, they are subjected to an annual impairment test and the corresponding amounts are recorded in the profit or loss.

(f) Commercial agent

The rights obtained through the acquisition of the commercial agent of Sociedad Agrocom Ltda. corresponded to the fair value of that company's line of business. The period for exploiting these rights is unlimited so they are considered assets with an indefinite useful life and are therefore not subject to amortization. However the indefinite useful life is subject to review for every reporting period, to see whether indefinite useful life continues to apply.

No impairment of intangible assets exists as of June 30, 2018 and December 31, 2017,

Notes to the Consolidated Financial Statements as of June 30, 2018.

Note 3 Significant accounting policies (continued)

3.26 Research and development expenses

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

3.27 Prospecting expenses

The Company has mining property and concession rights from the Chilean Government and others that it has acquired from third parties other than the Chilean Government, destined to the exploitation of caliche ore and saltpeter deposits and also the exploration of these types of deposits.

Upon obtaining these rights, the Company initially records disbursements directly associated with the exploration and evaluation of deposits (associated with small deposits with trading feasibility) as asset at cost, Such disbursements include the following concepts:

- Disbursements for geological reconnaissance evaluation
- Disbursements for drilling
- Disbursements for drilling work and sampling
- Disbursements for activities related to technical assessment and trading feasibility of drilling work
- And any disbursement directly related to specific projects where its objective is finding mining resources,

Subsequently, the Company distinguishes exploration and evaluation projects according to the economic feasibility of the mineral extracted in the area or exploration, among those that finally will deliver future benefits to the Company (profitable projects) and those projects that are unlikely to bring profit to the Company in the future (i.e., when the ore grade at the site is low and its exploitation is not economically profitable).

If technical studies determine that the ore grade is not economically suitable for exploitation, the asset is directly expensed. Otherwise, it is held in the caption "other non-current assets", reclassifying the portion related to the area to be exploited in the year in the caption inventories and such amount is amortized as production cost on the basis of estimated tons to be extracted.

The technical reasons for this classification correspond to the fact that this is an identifiable non-monetary asset that is owned to be used in the production of our processes as a main raw material.

For this reason and because our disbursements correspond to reserves that have proved to be financially feasible and used as a principal raw material in our production processes, these are presented as inventories that will be exploited within the commercial year and the remainder as development expenses for small deposits and prospecting expenses in the caption "other non-current assets".