

CHEMICAL & MINING CO OF CHILE INC  
Form 20-F  
June 30, 2010

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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2009

OR

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

OR

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

Date of event requiring this shell company report \_\_\_\_\_ ..

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number 33-65728

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

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

CHILE  
(Jurisdiction of incorporation or organization)

El Trovador 4285, 6th Floor, Santiago, Chile +56 2 425-2000  
(Address of principal executive offices)

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

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

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

NONE

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

NONE

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

Series A shares	142,819,552
Series B shares	120,376,972

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
 YES  NO

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

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:  
 U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

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

Indicate by check mark which financial statement item the registrant has elected to follow.  
 Item 17  Item 18

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

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## PRESENTATION OF INFORMATION

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

All references to "\$," "US\$," "U.S. dollars," "USD" and "dollars" are to United States dollars, references to "pesos," "CLP" and "Ch\$" are to Chilean pesos, references to ThUS\$ are to thousands of United States dollars, references to ThCh\$ are to thousands of Chilean pesos and references to "UF" are to Unidades de Fomento. The UF is an inflation-indexed, peso-denominated unit that is linked to, and adjusted daily to reflect changes in, the previous month's Chilean consumer price index. As of May 31, 2010, UF 1.00 was equivalent to US\$39.79 and Ch\$21,112.41.

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

Our fiscal year ends on December 31.

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

1 kilometer equals approximately 0.6214 miles

1 meter equals approximately 3.2808 feet

1 centimeter equals approximately 0.3937 inches

1 hectare equals approximately 2.4710 acres

1 metric ton equals 1,000 kilograms or approximately 2,205 pounds.

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

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

## GLOSSARY\*

"assay values" Chemical result or mineral component amount that contains the sample.

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

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

“cash and cash equivalents” The Financial Accounting Standards Board (FASB) defines cash equivalents as highly liquid securities with maturities of less than three months. Liquid securities typically are those that can be sold easily with little or no loss of value.

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

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

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

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

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

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

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

"heap leaching" A process whereby minerals are leached from a heap, or pad, of crushed ore by leaching solutions percolating down through the heap and collected from a sloping, impermeable liner below the pad.

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

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

"Indicated Mineral Resource" See "Resources—Indicated Mineral Resource."

"Inferred Mineral Resource" See "Resources—Inferred Mineral Resource."

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

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

"LIBOR" London Inter Bank Offered Rate.

"limited reconnaissance" Low or limited level of geological knowledge.

"Measured Mineral Resource" See "Resources—Measured Mineral Resource."

"metallurgical treatment" A set of chemical and physical processes applied to rocks to extract their useful minerals (or metals).

"ore depth" Depth of the mineral that may be economically exploited.

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

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

"Probable Mineral Reserve" See "Reserves—Probable Mineral Reserve."

"Proved Mineral Reserve" See "Reserves—Proved Mineral Reserve."

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

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



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

A deposit may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow the Competent Person determining the Mineral Resource to confidently interpret the geological framework and to assume continuity of mineralization. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and to enable an evaluation of economic viability.

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

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

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

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

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

"Weighted Average Age" The sum of the product of the age of each fixed asset at a given facility and its current gross book value as of December 31, 2009 divided by the total gross book value of the Company's fixed assets at such facility as of December 31, 2009.

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

\*\*The definition of a Controller Group that has been provided is the one that applies to the Company. Chilean law provides for a broader definition of a Controller Group.

SQM will provide a copy of any or all of the documents incorporated herein by reference (other than exhibits, unless such exhibits are specifically incorporated by reference in such documents), upon written or oral request. Written

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requests for such copies should be directed to Sociedad Química y Minera de Chile S.A., El Trovador 4285, 6th Floor, Santiago, Chile, Attention: Investor Relations Department. Requests may also be made by telephone (562-425-2000), facsimile (562-425-2493) or e-mail (ir@sqm.com).

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- the Company's capital investment program and development of new products;
- trends affecting the Company's financial condition or results of operations;
- level of production, quality of the ore and brines, and production levels and yields;
  - the future impact of competition; and
  - regulatory changes

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

- SQM's ability to implement its capital expenditures, including its ability to arrange financing when required;
  - the nature and extent of future competition in SQM's principal markets;
- political, economic and demographic developments in the emerging market countries of Latin America and Asia where SQM conducts a large portion of its business;
  - volatility of global prices for SQM's products;
  - changes in production capacities;
  - changes in raw material and energy prices;
  - currency and interest rate fluctuations; and
- additional factors discussed below under Item 3. Key Information—Risk Factors.

## PART I

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

## ITEM 3. KEY INFORMATION

## 3.A. Selected Financial Data

The following table presents selected consolidated financial information for SQM and one or more of its subsidiaries, as applicable, for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Audited Consolidated Financial Statements of the Company as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. The consolidated financial statements as of December 31, 2006 and 2005 and for the years then ended are not included herein. The Company's Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differs in certain material respects from U.S. GAAP. Note 30 to the Consolidated Financial Statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009 provides a description of the principal differences between Chilean GAAP and U.S. GAAP and a reconciliation of net income for the years ended December 31, 2009, 2008 and 2007 and total shareholders' equity as of December 31, 2009 and 2008 to U.S. GAAP.

Year ended December 31,	2009	2008	2007	2006	2005
Income Statement Data					
	(in millions of US\$) (1)				
<b>Chilean GAAP</b>					
Total Revenues	1,436.9	1,774.1	1,187.5	1,042.9	896.0
Operating Income	441.9	632.2	259.5	219.9	181.2
Non-operating results, net	(37.0)	(19.3)	(27.1)	(36.0)	(34.3)
Net income	327.1	501.4	180.0	141.3	113.5
Net earnings per share (2)	1.24	1.91	0.68	0.54	0.43
Net earnings per ADR (2)					
(3)	1.24	1.91	0.68	0.54	0.43
Dividend per share (4) (5)	0.81	1.24	0.44	0.35	0.28
Weighted average shares outstanding (000s) (2)	263,197	263,197	263,197	263,197	263,197
<b>US GAAP</b>					
Total Revenues	1,436.9	1,774.1	1,187.5	1,042.9	896.0
Operating Income	433.9	623.0	237.0	205.5	163.9
Non-operating results, net					
(6)	(15.2)	(26.9)	1.7	(14.1)	(6.1)
Equity participation in income (loss) of related companies, net	5.7	14.4	3.6	2.0	2.6
Net income	349.4	506.7	200.2	158.8	129.8
	347.9	500.9	192.7	154.3	125.2

Net income attributable to parent company					
Net income attributable to non-controlling interest	1.5	5.8	7.5	4.5	4.6
Basic and diluted earnings per share attributable to parent company	1.32	1.90	0.73	0.59	0.48
Basic and diluted earnings per ADR attributable to parent company (3)	1.32	1.90	0.73	0.59	0.48
Weighted average shares outstanding (000s) (2)	263,197	263,197	263,197	263,197	263,197

As of December 31,	2009	2008	2007	2006	2005
Balance Sheet Data					
	(in millions of US\$) (1)				
<b>Chilean GAAP</b>					
Total assets	3,203.1	2,567.2	1,986.3	1,871.2	1,640.6
Long-term debt	1,035.2	515.9	486.7	480.7	100.0
Total shareholders' equity	1,466.6	1,463.1	1,182.4	1,086.0	1,020.4
Capital stock	477.4	477.4	477.4	477.4	477.4
<b>US GAAP</b>					
Total assets	3,177.5	2,549.1	1,959.6	1,846.0	1,609.0
Long-term debt	1,028.9	514.5	485.0	478.7	100.0
Total shareholders' equity	1,481.2	1,415.4	1,128.1	1,033.1	957.9
Equity attributable to parent company	1,434.6	1,368.0	1,084.1	994.5	923.4
Equity attributable to non-controlling interest	46.6	47.4	44.0	38.6	34.5
Capital stock	479.3	479.3	479.3	479.3	479.3

Note: The Company is not aware of any material differences between Chilean and U.S. GAAP that are not addressed in Note 30 to the Consolidated Financial Statements of December 31, 2009.

(1) Except shares outstanding, dividend and net earnings per share and net earnings per ADR.

(2) There are no authoritative pronouncements related to the calculation of earnings per share in accordance with Chilean GAAP. For comparative purposes the calculation has been based on the same number of weighted average shares outstanding as used for the U.S. GAAP calculation.

(3) The ratio of ordinary shares to Series A ADRs was 10:1 for all periods reflected in the table. The Series A ADRs were delisted from the New York Stock Exchange on March 27, 2008. The ratio of ordinary shares to Series B ADRs changed from 10:1 to 1:1 on March 28, 2008. The calculation of earnings per ADR is based on the ratio of 1:1.

(4) Dividends per share are calculated based on 263,196,524 shares for the periods ended December 31, 2005, 2006, 2007, 2008 and 2009.

(5) Dividends may only be paid from net income before amortization of negative goodwill as determined in accordance with Chilean GAAP; see Item 8.A.8. Dividend Policy. For dividends in Ch\$ see Item 8.A.8.Dividend Policy — Dividends.

(6) Does not include equity participation in income (loss) of related companies, net.

## EXCHANGE RATES

Chile has two currency markets, the Mercado Cambiario Formal, or the "Formal Exchange Market," and the Mercado Cambiario Informal, or the "Informal Exchange Market." The Formal Exchange Market comprises banks and other entities authorized by the Banco Central de Chile (the "Chilean Central Bank"). The Informal Exchange Market comprises entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Chilean Central Bank is empowered to determine that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market.

Both the Formal Exchange Market and the Informal Exchange Market are driven by free market forces. Current regulations require that the Chilean Central Bank be informed of certain transactions and that these transactions be effected through the Formal Exchange Market.

The dólar observado, or "Observed Exchange Rate," which is reported by the Chilean Central Bank and published daily in the Chilean newspapers, is computed by taking the weighted average of the previous business day's transactions on the Formal Exchange Market. Nevertheless, the Chilean Central Bank has the power to intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the Observed Exchange Rate within a desired range.

On February 23, 2009, the Chilean Central Bank decided to intervene in the Formal Exchange Market by increasing the level of international reserves by US\$3 billion. This action took place between March, 2009 and December, 2009. The Chilean Central Bank decided to implement this program in order to strengthen the international liquidity of the Chilean economy, in the face of recent uncertainty in the global financial markets.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate, or the "Informal Exchange Rate." There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate.

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

On May 31, 2010, the Observed Exchange Rate was Ch\$530.62 = US\$1.00.

Observed Exchange Rate (1) Ch\$ per US\$				
Year/Month	Low (1)	High (1)	Average (2)(3)	Year/Month End
2005	509.70	592.75	559.86	512.50
2006	511.44	549.63	530.26	532.39
2007	493.14	548.67	522.69	496.89
2008	431.22	676.75	521.79	636.45
2009	491.09	643.87	559.67	507.10
2010:				
Jan.	489.47	531.75	500.66	523.10
Feb.	523.10	546.18	532.56	527.84
Mar.	508.66	533.87	523.16	524.46
Apr.	514.92	527.38	520.62	517.23
May	517.23	549.17	533.21	530.62

Source: Central Bank of Chile

- (1) Observed exchange rates are the actual high and low on a day-to-day basis, for each period.
- (2) The monthly average rate is calculated on a day-to-day basis for each month.

### 3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

### 3.D. Risk Factors

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



condition or results of operations could be materially affected by any of these risks.

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## Risks Relating to our Business

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

We sell our products in more than 100 countries around the world. In 2009, 42% of our sales were made in emerging market countries: 13% in Central and South America (excluding Chile); 14% in Chile; and 15% in Asia (excluding Japan). We expect to expand our sales in these and other emerging markets in the future. The results of and prospects of our operations in these regions and in other countries in which we establish operations will depend, in part, on the general level of political stability and economic activity and policies in those countries. Future developments in the political systems or economies of these countries or the implementation of future governmental policies in those countries, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations could have a material adverse effect on our sales or operations in those countries.

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

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

During 2008, world prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) increased significantly during the first nine months of the year. Towards the end of 2008, fertilizer prices generally fell as a result of the global economic and financial slowdown. During 2009, volatility in prices continued to affect commodity markets around the world. During the first three months of 2010, prices of potassium-based fertilizers have stabilized to some extent after the conclusion of important contract negotiations between major producers and buyers at the end of 2009. However, we cannot assure you that prices will not decline in the future.

Iodine prices have followed an upward trend since late 2003, reaching an average price of approximately US\$28 per kilogram in 2009. In October 2008, we announced an increase of iodine prices by 25%, and as a result prices increased during 2009. Sales volumes of iodine and its derivatives may be affected by general decreases in the use of applications that are sensitive to economic growth. For example, sales volumes declined 32% in 2009 compared to 2008. We cannot assure that prices and sales volumes will not decline in the future.

We started production of lithium carbonate from the brines extracted from Salar de Atacama in October 1996 and started selling lithium carbonate commercially in January 1997. Our entry into the market created an oversupply of lithium carbonate, resulting in a drop in prices from over US\$3,000 per ton before our entry to less than US\$2,000 per ton. At the end of 2008, prices were approximately US\$6,000 per ton and remained at this level until the fourth quarter of 2009 when prices declined to approximately US\$5,000 per ton. Before the global economic slowdown, the increase in prices was the result of market dynamics reflecting sustained growth in demand in the past few years and supply that grew only enough to match demand, and we believed this price increase was due mainly to high growth in demand, which had not been fully balanced by the supply of lithium carbonate. As a result of events in global markets during 2009, demand for lithium carbonate declined and, as expected, lithium prices and sales volumes for 2009 were lower compared to the previous year. In September 2009, we announced a 20% price cut for lithium carbonate and

lithium hydroxide as a measure to stimulate demand. As a result, we have seen a significant recovery in the lithium market during the months following the announcement. We cannot assure you that this upward trend will continue in the future. Potential decreases in sales volumes of lithium carbonate could have a material adverse effect on our business, financial condition and results of operations.

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

Our inventory levels may increase because of the global economic situation

In general, the global economic slowdown has had an impact on our inventories. Demand decreased during 2009 and, as a result, inventories increased significantly. Higher inventories carry a financial risk due to increased need for cash to fund working capital. Higher inventory levels could also imply increased risk of loss of product. We cannot assure you that inventory levels will normalize in the future. These factors could have a material adverse effect on our business, financial condition and results of operations.

Our level of and exposure to unrecoverable accounts receivable may significantly increase

The potentially negative effects of the global economic downturn on the financial condition of our customers may include the extension of the payment terms of our accounts receivable and may increase our exposure to bad debt. While we are taking measures, such as using credit insurance, letters of credits and prepayment for a portion of sales, to minimize this risk, the increase in our accounts receivable coupled with the financial condition of customers may result in losses that could have a material adverse effect on our business, financial condition and results of operations.

New production of lithium carbonate from new competitors

Potential new production of lithium carbonate from new competitors in the markets in which we operate could adversely affect prices. There is limited information on the status of new lithium carbonate production capacity expansion projects being developed by current and potential competitors and, as such, we cannot make accurate projections regarding the capacities of possible new entrants into the market and the dates on which they could become operational. If these potential projects are completed in the short term, they could adversely affect market prices and our market share, which in turn could adversely affect our business, financial position and results of operations.

We have an ambitious capital expenditure program that is subject to significant risks and uncertainties

Our business is capital intensive. Specifically, the exploration and exploitation of reserves, mining and processing costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase our exploitation levels and the amount of finished products we produce. We require environmental permits for our new projects. Obtaining permits in certain cases may cause significant delays in the execution and implementation of new projects and, consequently, may require us to reassess the related risks and economic incentives. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient investments, loans or other financing alternatives, to continue our exploration, exploitation and refining activities at or above present levels, or that we will be able to implement our projects or receive the necessary permits required for them in time. Any or all of these factors may have a material adverse impact on our business, financial condition and results of operations.

Currency fluctuations may have a negative effect on our financial performance

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our operating costs, however, is related to the Chilean peso. Therefore, an increase or decrease in the exchange rate between the Chilean peso and the U.S. dollar would affect our costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. As of December 31, 2009, the Chilean peso to U.S. dollar exchange rate was Ch\$507.10 per U.S. dollar, while as of December 31, 2008, the Chilean peso to U.S. dollar exchange rate was Ch\$636.45 per U.S. dollar. As a result, the U.S. dollar depreciated approximately 20% compared to the peso during 2009.

As an international company operating in several other countries, we also transact business and have assets and liabilities in other non-U.S. dollar currencies, such as, among others, the euro, the South African rand and the Mexican peso. As a result, fluctuations in the exchange rates of such foreign currencies to the U.S. dollar may affect our business, financial condition and results of operations.

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

We have outstanding short- and long-term debt that bears interest based on the London Interbank Offered Rate, or "LIBOR," plus a spread. As we do not have derivative instruments to hedge LIBOR, we are subject to fluctuations in this rate. As of December 31, 2009, 45% of our financial debt had LIBOR-based pricing. Thus, significant increases in the rate could impact our financial condition and results of operations.

High raw materials and energy prices could increase our production costs and cost of goods sold

We rely on certain raw materials and various sources of energy (diesel, electricity, natural gas, fuel oil and others) to manufacture our products. Purchases of raw materials that we do not produce and energy constitute a significant part of our cost of sales (24.1% in 2009). To the extent we are unable to pass on increases in raw materials and energy prices to our customers, our business, financial condition and results of operations could be materially adversely affected.

Our reserves estimates could be subject to significant changes

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

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

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

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

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

As a result of the recent major earthquake in Chile in February 2010, conditions in the insurance market may change, and as a result we may face higher premiums and reduced coverage. Additionally, we may be subject to certain events that may not be covered under the insurance policies, and that could have a material adverse effect on our business, financial condition and results of operations.



We face significantly higher energy costs as a result of a natural gas shortage in Chile

As part of a cost reduction effort, in 2001 we connected our facilities to a natural gas network. This natural gas, which originates in Argentina and is subject to a 10-year agreement terminating in 2011, is used mainly for heat generation at our industrial facilities. Due to energy shortages in Argentina, in 2004 local authorities began to restrict exports of natural gas to Chile in order to increase the supply to their domestic markets. Additionally, even though we have long-term price agreements related to natural gas, the Argentinean government has increased taxes on gas exports, which could lead our suppliers to demand pricing changes, and we cannot assure you that they will not do so again in the future.

We suffered partial shortages of natural gas during 2004, 2005 and 2006, and during 2007, 2008 and 2009 we received practically no natural gas. We believe this situation will continue and that during 2010 we will likely receive little to no natural gas from Argentina. Most of our industrial equipment that uses natural gas can also operate on fuel oil, and the remaining equipment can operate on diesel. However, the cost of fuel oil and diesel is significantly higher than the cost of natural gas, and therefore we have recently faced significantly higher energy costs. We expect this situation to continue, and, as such, we expect the reduction in our natural gas supply to continue to have a material adverse effect on our business, financial condition and results of operations.

Decline in the supply of natural gas could negatively affect the supply of electricity and our electricity contracts

The natural gas supply crisis discussed above has placed Chile's northern power grid (Sistema Interconectado del Norte Grande) under significant stress. Continued stress on the northern power grid could lead to a system failure that would then affect the supply of electricity. Restrictions on our electricity consumption could materially adversely affect our operations, potentially decreasing our production volumes and increasing our production costs. During 2009, purchases of electricity represented 6.5% of our cost of sales.

As the supply of natural gas continues to be uncertain, we are faced with the potential early termination, partial amendment or temporary suspension of our long-term electricity supply contracts. We maintain contracts with two main utilities in Chile, Electroandina S.A. and Norgener S.A., and in the past both have sought relief from the terms of their electricity supply agreements, asserting that unforeseen events have restricted the supply and increased the price of gas from Argentina. As a result of these requests, we entered into negotiations resulting in new tariffs that have had a negative effect on our results of operations. Further increases in the cost of energy could prompt these companies to once again seek to modify, terminate or suspend these contracts. If that were to happen, and these companies were to prevail in any resulting judicial proceedings, our business, financial condition and results of operations could be materially adversely affected.

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

Our products, particularly iodine, lithium and their derivatives, are preferred raw materials for certain industrial applications, such as rechargeable batteries and LCD screens. Changes in technology, the development of substitute raw materials or other developments could adversely affect demand for these and other products which we produce.

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

Approximately 70% of our permanent employees in Chile is represented by 28 labor unions. As a result, we are exposed to labor strikes that could impact our production levels. If a strike occurs and continues for a sustained period of time, we could be faced with increased costs and even disruption in our product flow that could have a material adverse effect on our business, financial condition and results of operations.



Chilean Law No. 20,123, known as the Ley de Subcontratación ("Law on Subcontracting"), provides that when a serious accident in the workplace occurs, a company must halt work at the site where the accident took place until authorities from the National Geology and Mining Service inspect the site and prescribe the measures such company must take to prevent future risks. Work may not be resumed until such company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

Pending lawsuits could adversely impact us

We are party to a range of lawsuits and arbitrations involving different matters as described in Note 23 to our consolidated financial statements. Although we intend to defend our positions vigorously, our defense of these actions may not be successful. Judgments or settlements in these lawsuits may have a material adverse effect on our business, financial condition and results of operations. In addition, our strategy of being a world leader includes entering into commercial and production alliances, joint ventures and acquisitions to improve our global competitive position. As these operations increase in complexity and are carried out in different jurisdictions, we might be subject to legal proceedings that, if settled against us, could have a material adverse effect on our business, financial condition and results of operations.

The Chilean labor code has recently established new procedures for labor matters which include oral trials conducted by specialized judges. The majority of these oral trials have found in favor of the employee. These new procedures could increase the probability of adverse judgments which could have a material adverse effect on our business, financial condition and results of operations.

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

We operate in multiple jurisdictions with complex regulatory environments subject to different interpretations by companies and respective governmental authorities. These jurisdictions may each have their own tax codes, environmental regulations, labor codes and legal framework, which could complicate efforts to comply with these regulations.

#### Risks Relating to Chile

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

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

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

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

Changes in mining or port concessions could affect our operating costs

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

We also operate port facilities at Tocopilla, Chile for the shipment of our products and the delivery of certain raw materials, pursuant to concessions granted by Chilean regulatory authorities. These concessions are renewable provided that we use such facilities as authorized and pay annual concession fees.



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

Changes in water rights laws could affect our operating costs

We hold water rights that are key to our operations. These rights were obtained from the Chilean water authority for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean water rights code (the "Water Code") is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, an amendment published on June 16, 2005 modified the Water Code, allowing under certain conditions, the granting of permanent water rights of up to two liters per second for each well built prior to June 30, 2004, in the locations where we conduct our mining operations, without considering the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. In addition, we must pay annual concession fees to maintain water rights we are not exercising. These and potential future changes to the Water Code could have a material adverse effect on our business, financial condition and results of operations.

Our water supply could be affected by geological changes

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

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

In 2005, the Chilean Congress approved Law No. 20,026 (also known as the "Royalty Law"), establishing a royalty tax to be applied to mining activities developed in Chile.

After the earthquake in February 2010 in the south of Chile, the government proposed changes to both the Royalty Law and the corporate tax rate that would raise tax rates in order to partially fund the recovery effort. Currently, these changes are in the legislature (Cámara de Diputados) awaiting approval.

We cannot assure you that the manner in which the Royalty Law is interpreted and applied will not change in the future. In addition, the Chilean government may decide to levy additional taxes on mining companies or other corporations in Chile. Such changes could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations in Chile are subject to national and local regulations relating to environmental protection. We are required to conduct environmental impact studies of any future projects or activities (or significant modifications thereto) that may affect the environment. The National Environmental Commission (the Comisión Nacional del Medio Ambiente, or "CONAMA") currently evaluates environmental impact studies submitted for its approval and oversees the implementation of projects, and private citizens, public agencies or local authorities may challenge projects that may adversely affect the environment, either before these projects are executed or once they are already operating. Enforcement remedies available include fines and temporary or permanent closure of facilities.

Chilean environmental regulations have become increasingly stringent in recent years, both with respect to the approval of new projects and in connection with the implementation and development of projects already approved. This trend is likely to continue. Furthermore, recently implemented environmental regulations have created uncertainty because rules and enforcement procedures for these regulations have not been fully developed. Given public interest in environmental enforcement matters, these regulations or their application may also be subject to political considerations that are beyond our control.

We continuously monitor the impact of our operations on the environment and have, from time to time, made modifications to our facilities to minimize any adverse impacts. We believe we are currently in compliance in all material respects with applicable environmental regulations in Chile. The only exception is for particulate matter levels that have exceeded permissible levels at the María Elena facilities. We believe that we are complying with current regulations at these facilities; however, we must complete a three-year monitoring period which ends in 2011. Future developments in the creation or implementation of environmental requirements, or in their interpretation, could result in substantially increased capital, operation or compliance costs or otherwise adversely affect our business, financial condition and results of operations.

In connection with our current investments at the Salar de Atacama, we have obtained approval for an environmental impact assessment study that allows us to increase brine and water extraction, subject to a rigorous environmental monitoring system. The success of these investments is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction.

In connection with our future investments in nitrate and iodine operations, we have submitted and expect to submit several environmental impact assessment studies. The success of these investments is dependent on the approval of such submissions by the pertinent governmental authorities.

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

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

Our financial statements will be reported in accordance with IFRS as from January 1, 2010

As required by the SVS, we adopted IFRS as from January 1, 2010. We cannot ensure that changing to IFRS accounting principles will not affect our financial statements. If our future financial statements vary significantly from those expressed under Chilean GAAP, rating agencies, banks and investors may re-evaluate the Company's financial performance, which could, in turn, adversely affect our financial costs. These changes could have a material adverse effect on our business, financial condition and results of operations. In addition, IFRS as required by the SVS differs from U.S. GAAP.

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

In 2008, Chile, a member of the International Labor Organization ("ILO"), ratified the ILO's Convention 169 (the "Indigenous Rights Convention") concerning indigenous and tribal peoples. The Indigenous Rights Convention established several rights for indigenous individuals and communities. Among other rights, the Indigenous Rights Convention outlines that (i) indigenous groups be notified of and consulted prior to the development of any project on land deemed indigenous (right to veto was not included); and (ii) indigenous groups have, to the extent possible, a stake in benefits resulting from the exploitation of natural resources in alleged indigenous land. The extent of these benefits has not been defined by the government. The new rights outlined in the Indigenous Rights Convention could

affect the development of our investment projects in alleged indigenous lands which could have a material adverse effect on our business, financial condition and results of operations.

Chile is located in a seismically active region

Although a major earthquake affected parts of southern Chile in February 2010, SQM operations were not impacted. Chile is prone to earthquakes because it is located along major fault lines. A major earthquake could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Even though we maintain insurance policies standard for this industry with earthquake coverage we cannot assure you that a future seismic event will not have a material adverse effect on our business, financial condition and results of operations.

Risks related to our shares and to our ADRs

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

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

Developments in other emerging markets could materially affect the value of our ADRs

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

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

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

Our share price may react negatively to future acquisitions and investments

As world leaders in our core businesses, part of our strategy is to constantly look for opportunities that will allow us to consolidate and strengthen our competitive position. Pursuant to this strategy, we may from time to time, evaluate and eventually carry out acquisitions relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. Depending on our capital structure at the time of such acquisitions, we may need to raise significant debt and/or equity which will affect our financial condition and future cash flows. Any change in our financial condition could affect our results of operations, negatively impacting our share price.

You may be unable to enforce rights under U.S. Securities Laws

Because we are a Chilean company subject to Chilean law, the rights of our shareholders may differ from the rights of shareholders in companies incorporated in the United States, and you may not be able to enforce or may have



difficulty enforcing rights currently in effect under U.S. Federal or State securities laws.

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

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

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

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

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

If the Company were classified as a Passive Foreign Investment Company there could be adverse consequences for U.S. investors

We believe that we were not classified as a passive foreign investment company, or PFIC, for 2010. Characterization as a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. investor in our shares or ADRs. For example, if we (or any of our subsidiaries) are a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we (or any of our subsidiaries or portfolio companies) are a PFIC is made on an annual basis and will depend on the composition of our (or their) income and assets from time to time. See Item 10.E Taxation – United States Tax Considerations.

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Historical Background

Sociedad Química y Minera de Chile S.A. "SQM" is an open stock corporation (sociedad anónima abierta) organized under the laws of the Republic of Chile. 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.

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

SQM was formed in 1968 through a joint venture between Compañía Salitrera Anglo Lautaro S.A. ("Anglo Lautaro") and Corporación de Fomento de la Producción ("Production Development Corporation" or "Corfo"), a Chilean government entity. Three years after our formation, in 1971, Anglo Lautaro sold all of its shares to Corfo, and we were wholly owned by the Chilean Government until 1983. In 1983, Corfo began a process of privatization by selling our shares to the public and subsequently listing such shares on the Santiago Stock Exchange. By 1988, all of our shares were publicly owned. Our Series B ADRs have traded on the NYSE under the ticker symbol "SQM" since 1993.

Since its inception, in addition to producing nitrates, the Company has produced iodine, which is also found in the caliche ore deposits in northern Chile.

Between the years 1994 and 1999, we invested approximately US\$300 million in the development of the Salar de Atacama project in northern Chile. The project involved the construction of a potassium chloride plant, a lithium carbonate plant, a potassium sulfate plant, and a boric acid plant.

To help finance the above projects, we accessed the international capital markets by issuing additional Series B ADRs on the New York Stock Exchange in 1995. In 1999 we issued additional Series A shares, which were also listed on the New York Stock Exchange as ADRs. Effective March 27, 2008, the Company voluntarily delisted its Series A ADR ("SQM-A") from the New York Stock Exchange.

During the period from 2000 through 2004 we principally consolidated the investments carried out in the preceding five years. We focused on reducing costs and improving efficiencies throughout the organization.

Since 2005, we have strengthened our leadership in our main businesses by increasing our capital expenditure program and making appropriate acquisitions and divestitures. During this period we acquired Kefco in Dubai and the iodine business of DSM. We also sold (i) Fertilizantes Olmeca, our Mexican subsidiary, (ii) our butyllithium plant located in Houston, Texas and (iii) our stake in Impronta S.R.L., our Italian subsidiary. These sales allowed SQM to concentrate its efforts on its core products. In 2007, we completed the construction of a new prilling and granulating plant. In 2008, we completed our lithium carbonate capacity expansion and began work on the engineering stage of a

new potassium nitrate plant. In 2009, we continued expansion of potassium-based products in the Salar de Atacama.

## Capital Expenditure Program

We are constantly reviewing different opportunities to improve our production methods, increase production capacity of existing products and develop new products and markets. Additionally, significant capital expenditures are required every year in order to sustain our production capacity. We are focused on developing new products in response to identified customer demand, as well as new products that can be derived as part of our existing production or other products that could fit our long-term development strategy. Our capital expenditures during the past five years were mainly related to the acquisition of new assets, construction of new facilities and renewal of plant and equipment.

SQM's capital expenditures in the 2007-2009 period were the following:

(in millions of US\$)	2009	2008	2007
Capital Expenditures (1)	376.2	286.6	185.0

(1) For purposes of this item, capital expenditures include investments aimed at sustaining, improving or increasing production levels, including acquisitions and investments in related companies.

We have developed a capital expenditure program calling for investments totalling US\$370 million for 2010 and a total of US\$280 million during 2011. The main purpose of our capital expenditure program is to increase the production capacities of several of our products, including expansions in natural nitrates and potassium-based products from the Salar de Atacama. In addition, part of this investment plan is intended to modernize production processes in order to improve our operating efficiency.

During 2009, we had total capital expenditures of US\$376.2 million, primarily due to:

- continued construction of a new potassium nitrate production facility at Coya Sur;
- investments related to increase production capacity of potassium-based products at the Salar de Atacama;
  - upgrade of our railroad system to handle expanded production capacity; and
  - various projects designed to maintain production capacity, increase yields and reduce costs.

We have budgeted for 2010 and 2011 total capital expenditures of approximately US\$650 million, primarily relating to:

- completion of potassium nitrate expansion at Coya Sur;
- investments related to increase production capacity of potassium-based products at the Salar de Atacama;
  - upgrade of our railroad system to handle expanded production capacity; and
  - various projects designed to maintain production capacity, increase yields and reduce costs.

## 4.B. Business Overview

### The Company

We believe that we are the world's largest integrated producer of potassium nitrate, iodine and lithium carbonate. We also produce other specialty plant nutrients, iodine and lithium derivatives, potassium chloride and certain industrial chemicals (including industrial nitrates). Our products are sold in over 100 countries through our worldwide distribution network, with 86% of our sales derived from countries outside Chile in 2009.

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.

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 a plant near the city of Antofagasta, Chile, from the solutions brought from the Salar de Atacama. We market all of these products through an established worldwide distribution network.

Our products are divided into six main categories: specialty plant nutrients; iodine and its derivatives; lithium and its derivatives; industrial chemicals; potassium chloride; and other commodity fertilizers. Specialty plant nutrients are fertilizers that enable farmers to improve yields and quality of certain crops. Iodine, lithium and their derivatives are used in human nutrition, pharmaceuticals and other industrial applications. Specifically, iodine and its derivatives are mainly used in the x-ray contrast media and biocides industries, and a growing application is in the production of polarizing film, which is an important component in liquid crystal display (“LCD”) screens. Lithium and its derivatives are mainly used in batteries, greases and frits for production of ceramics. Industrial chemicals have a wide range of applications in certain chemical processes such as the manufacturing of glass, explosives and ceramics, and, more recently, industrial nitrates are being used in solar energy plants as a means for energy storage. Potassium chloride is a commodity fertilizer that is produced and sold by the Company worldwide. During 2009, potassium chloride has begun to contribute significantly to our operations, and we expect this trend to continue in the near future. In addition, we complement our portfolio of plant nutrients through the buying and selling of other fertilizers mainly for use in Chile.

For the year ended December 31, 2009, we had revenues of US\$1,436.9 million, operating income of US\$441.9 million and net income of US\$327.1 million. Our market capitalization as of December 31, 2009 was approximately US\$9.89 billion.

Our Series A and Series B common shares are listed on the Santiago Stock Exchange. Our Series B ADRs have been listed on the NYSE since 1993. Our ticker symbols on the Santiago Stock Exchange for our Series A and Series B shares are “SQM-A” and “SQM-B,” respectively, and our ticker symbol on the NYSE for the Series B ADRs is “SQM.”

**Specialty Plant Nutrition:** We produce five principal types of specialty plant nutrients: potassium nitrate, sodium nitrate, sodium potassium nitrate, potassium sulfate and specialty blends. All of these specialty plant nutrients are used in either solid or liquid form mainly on high value crops such as fruits, vegetables, cereals and cotton, and they are widely used in crops that employ modern agricultural techniques such as hydroponics, greenhousing, fertigation (where fertilizer is dissolved in water prior to irrigation) and foliar application. According to the type of use or application the products are marketed under the brands: Ultrasol™ (fertigation), Qrop™ (field application), Speedfol™ (foliar application), Allganic™ (organic farming) and Nutrilake™ (aquaculture). Specialty plant nutrition has certain advantages over commodity fertilizers, such as rapid and effective absorption (without requiring nitrification), superior water solubility, alkaline pH (which reduces soil acidity) and low chlorine content. These advantages, plus customized specialty blends that meet specific needs along with technical service provided by us, allow us to create plant nutrition solutions that add value to crops through higher yields and better quality production. Because our products are natural or derived from natural nitrate compounds or natural potassium brines, they have certain advantages over synthetically produced fertilizers, including the presence of certain beneficial trace elements and their organic nature, which makes them more attractive to customers who prefer products of natural origin. As a result, our specialty plant nutrients enable our customers to achieve higher yields and better quality crops. Consequently, specialty plant nutrients are sold at a premium price.

**Iodine and its derivatives:** We are the world's leading producer of iodine and iodine derivatives, which are used in a wide range of medical, pharmaceutical, agricultural and industrial applications, including x-ray contrast media, polarizing films for liquid crystal displays (LCDs), antiseptics, biocides and disinfectants; in the synthesis of

pharmaceuticals, herbicides, electronics, pigments, dye components and heat stabilizers.

Lithium and its derivatives: We are the world's leading producer of lithium carbonate, which is used in a variety of applications, including batteries, frits for the ceramic and enamel industries, heat-resistant glass (ceramic glass), primary aluminum, lithium bromine for air conditioner equipment, continuous casting powder for steel extrusion, pharmaceuticals, and lithium derivatives. We are also a leading supplier of lithium hydroxide, which is used primarily as a raw material in the lubricating grease industry.



**Industrial Chemicals:** We produce four industrial chemicals: sodium nitrate, potassium nitrate, boric acid and potassium chloride. Sodium nitrate is used primarily in the production of glass, explosives, charcoal briquettes and metal treatment. Potassium nitrate is used in the manufacture of specialty glass, and it is also an important raw material for the production of frits for the ceramics and enamel industries. Also, a combination of potassium nitrate and sodium nitrate is used as a thermal storage medium in solar-based electricity generating plants. Boric acid is used in the manufacture of frits for the ceramics and enamel industries, liquid crystal displays (LCD), glass and fiberglass. Potassium chloride is used as an additive in oil drilling as well as in the production of carragenine.

**Potassium Chloride:** We produce potassium chloride from brines extracted from the Salar de Atacama. Potassium chloride is a commodity fertilizer used to fertilize a variety of crops including corn, wheat and soy.

**Other Commodity Fertilizers:** In Chile we import fertilizers that are distributed through Soquimich Comercial S.A., offering complete fertilization services to our customers.

The following table sets forth the percentage breakdown of our revenues in the 2005-2009 period according to our product lines:

	2009	2008	2007	2006	2005
Specialty Plant Nutrition	45%	55%	49%	48%	54%
Iodine and Derivatives	13%	14%	18%	21%	17%
Lithium and Derivatives	8%	10%	15%	12%	9%
Industrial Chemicals	8%	7%	7%	7%	8%
Potassium Chloride	20%	8%	4%	3%	4%
Other Commodity Fertilizers	6%	6%	7%	9%	8%
Total	100%	100%	100%	100%	100%

## Business Strategy

Our general business strategy is to:

- (1) maintain leadership in specialty plant nutrients, iodine, lithium and industrial nitrates, in terms of production capacity, costs, production, pricing and development of new products;
- (2) increase our production capacity of potassium-related fertilizers from the Salar de Atacama;
- (3) continually increase the efficiency of our production processes and reduce costs;
- (4) evaluate acquisitions, joint ventures and commercial alliances in each of our core businesses; and
- (5) maintain a solid, conservative financial position and investment grade ratings for our debt securities.

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

## Specialty Plant Nutrition

Our strategy in our specialty plant nutrients business is to: (i) continue expanding our sales of natural nitrates by continuing to leverage the advantages of our specialty products over commodity-type fertilizers; (ii) increase our sales

of higher margin specialty plant nutrients based on potassium and natural nitrates, particularly soluble potassium nitrate and NPK blends; (iii) pursue investment opportunities in complementary businesses to increase production, reduce costs, and add value to and improve the marketing of our products; (iv) develop new specialty nutrient blends produced in our mixing plants that are strategically located in or near our principal markets, in order to meet specific customer needs; (v) focus primarily on the markets for plant nutrients in soluble and foliar applications in order to establish a leadership position; (vi) further develop our global distribution and marketing system directly and through strategic alliances with other producers and global or local distributors; and (vii) reduce our production costs through improved processes and higher labor productivity so as to compete more effectively.

#### Iodine and its derivatives

Our strategy in our iodine business is to (i) maintain our leadership in the iodine market by encouraging demand growth and expanding our production capacity in line with such demand growth; (ii) develop new iodine derivatives and participate in iodine recycling projects; and (iii) reduce our production costs through improved processes and higher labor productivity in order to compete more effectively.

#### Lithium and its derivatives

Our strategy in our lithium business is to (i) maintain our leadership in the lithium industry as the largest producer and distributor of lithium carbonate and lithium hydroxide; (ii) selectively pursue opportunities in the lithium derivatives business by creating new lithium compounds; and (iii) reduce our production costs through improved processes and higher labor productivity in order to compete more effectively.

#### Industrial Chemicals

Our strategy in our industrial chemical business is to (i) maintain our leadership position in sodium nitrate and potassium nitrate; (ii) maintain our leadership position in the industrial nitrates for thermal storage market and become a long-term, reliable source for the industry; and (iii) reduce our production costs through improved processes and higher labor productivity in order to compete more effectively.

#### Potassium Chloride

Our strategy is to increase significantly our production capacity of potassium chloride. Our distribution strategy is (i) to offer a portfolio or package of products including potassium sulfate, potassium nitrate and other fertilizers to our traditional markets; and (ii) to focus in markets where we have logistical advantages.

#### New Business Ventures

From time to time we evaluate opportunities to expand our business in our current core businesses or within new businesses in which we believe we may have sustainable competitive advantages, both within and outside Chile, and we expect to continue to do so in the future. We are currently exploring concessions for certain metallic minerals. If found, we may decide to exploit, sell or enter into a joint venture to extract these resources. We may decide to acquire part or all of the equity of, or undertake joint ventures or other transactions with, other companies involved in our businesses or in other businesses.

## Main Business Lines

### Specialty Plant Nutrition

We believe we are the world's largest producer of potassium nitrate. We estimate that our sales accounted for approximately 50% of world potassium nitrate sales by volume in 2009. We also produce the following specialty plant nutrients: sodium nitrate, sodium potassium nitrate, potassium sulfate, urea phosphate and specialty blends (containing various combinations of nitrogen, phosphate and potassium and generally known as "NPK blends").

These specialty plant nutrients have specific characteristics that increase productivity and enhance quality when used on certain crops and soils. Additionally, these plant nutrients are well suited for high-yield agricultural techniques such as hydroponics, fertigation, greenhouses and foliar applications. High-value crop farmers are prompted to invest in specialty plant nutrients due to their technical advantages over commodity fertilizers (such as urea and potassium chloride). These advantages translate into products and crops with higher yields and added quality. Our specialty plant nutrients have significant advantages for certain applications over commodity fertilizers based on nitrogen and potassium, such as the aforementioned urea and potassium chloride.

In particular, our specialty plant nutrients:

- are fully water soluble, allowing their use in hydroponics, fertigation, foliar applications and other advanced agricultural techniques;
- are absorbed more rapidly by plants because they do not require nitrification, unlike ammonia-based fertilizers;
- are free of chlorine content, reducing the risk of scorching roots and other problems caused by chlorine;
- do not release hydrogen after application, thereby avoiding increased soil acidity;
- possess trace elements, which promote disease resistance in plants and have other beneficial effects;
- are more attractive to customers who prefer products of natural origin; and
- are more efficient than commodity fertilizers because they deliver more nutrients per unit of product applied.

In 2009, our sales from specialty plant nutrients were US\$648.7 million, representing 45% of our total sales for that year. Decreased sales in 2009, compared to a peak in 2008, were due to lower demand and a decrease in prices as a result of global economic conditions.

### Specialty Plant Nutrition: Market

The target market for our specialty plant nutrients is high-value crops such as fruits, vegetables, and crops grown using modern agricultural techniques. Since 1990, the international market for specialty plant nutrients has grown at a faster rate than the international market for commodity-type fertilizers. This is mostly due to: (i) the application of new agricultural technologies such as fertigation and hydroponics and increasing use of green houses; (ii) the increase in the cost of land, which has forced farmers to improve their yields; (iii) the scarcity of water; (iv) the increase of consumption of fresh fruits and vegetables per capita; and (v) the increasing demand for higher quality crops.

Worldwide scarcity of water and weather changes forces farmers to develop new agricultural techniques, such as fertigation, that minimize water requirements. These applications require fully water-soluble plant nutrients.

Increasing land costs near urban centers also force farmers to maximize their yield per surface area. Specialty plant nutrients, when applied to certain crops, help to increase productivity for various reasons. In particular, since our nitrate-based specialty plant nutrients provide nitrogen in nitric form, crops absorb them faster than they absorb urea- or ammonium-based fertilizers, which provide nitrogen in ammonium form. This is because crops absorb nitrogen in nitric form; thus nitrogen in ammonium form has to be converted into nitric form in the soil first. This process does not occur immediately as it takes time and requires special soil conditions, and it releases hydrogen into the soil,

increasing soil acidity, which in most cases is harmful to the soil and the crop. Nitric nitrogen application facilitates a more efficient application of nutrients to the plant, thereby increasing the crop's yield and improving its quality.

Our potassium-based specialty plant nutrients are chlorine free, unlike potassium chloride, which is the most commonly used potassium-based commodity fertilizer. In certain crops, chlorine has negative effects that translate into lower yield and quality.

The most important agricultural applications of sodium nitrate, potassium nitrate, potassium sulfate and sodium potassium nitrate plant nutrients are: industrial crops, vegetables, fruits, sugar beet, cotton and other high-value crops.

#### Specialty Plant Nutrition: Our Products

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

The following table shows our sales volumes of and revenues from specialty plant nutrients for the years 2005 through 2009.

	2009	2008	2007	2006	2005
<b>Sales Volume (Th. MT)</b>					
Sodium nitrate	16.5	22.8	45.9	43.3	63.3
Potassium nitrate and sodium potassium nitrate	392.1	538.2	695.3	615.0	690.2
Potassium sulfate	133.4	138.3	172.0	172.4	178.6
Blended and other specialty plant nutrients(1)	274.8	309.0	378.6	393.8	350.7
Revenues (in US\$ millions)	648.7	978.9	580.8	503.1	487.8

(1)Includes blended and other specialty plant nutrients. It also includes Yara's products sold pursuant to our commercial agreement.

#### Specialty Plant Nutrition: Marketing and Customers

In 2009, we sold our specialty plant nutrients in close to 90 countries. During the same year, sales of the Company's specialty plant nutrients sales were exported: 24% were sold to customers in Central and South America (not including Chile), 7% to customers in Chile, 26% to customers in North America, 25% to customers in Europe and 18% to customers in other regions. No single customer represented more than 7% of SQM's specialty plant nutrient sales during 2009, and our 10 largest customers accounted in the aggregate for no more than 38% of sales during that period.

Sales Breakdown	2009	2008	2007	2006	2005
Central & South America	24%	34%	28%	29%	29%
North America	26%	19%	23%	22%	22%
Europe	25%	20%	19%	19%	20%
Chile	7%	7%	10%	9%	9%
Others	18%	20%	20%	21%	20%

The amounts set forth in the table above reflect sales of SQM's specialty plant nutrients products and do not include sales by SQM of third-party specialty plant nutrients products. We sell our specialty plant nutrients products outside

Chile mainly through our own worldwide network of representative offices and through our distribution affiliates.

In November 2001, we signed an agreement with Yara. This agreement allows us to make use of Yara's distribution network in countries where its presence and commercial infrastructure are larger than ours. Similarly, in those markets where our presence is larger, both our specialty plant nutrients and Yara's are marketed through our offices. Both parties, however, maintain an active control over the marketing of their own products.

We also signed a joint venture agreement with Yara and Israel Chemicals Limited at the end of 2001. Under this joint venture agreement, SQM, Yara, and Israel Chemicals Limited are developing the liquid and soluble plant nutrient blends business through their participation in a Belgian company called NU3 N.V. ("NU3"), to which SQM and Israel Chemicals Limited contributed their blending facility in Belgium, and Yara contributed its blending facility in the Netherlands. With this joint venture agreement, important synergies have been achieved, particularly in production costs, administration and the marketing of soluble blends, strengthening the development of new products and improving customer service.

In 2005, SQM and Yara formed a joint venture called MISR Specialty Fertilizers ("MSF"), for the production of tailor-made liquid NPK (nitrogen-phosphate-potassium) fertilizers. The plant is located in Egypt and has a production capacity of 80,000 metric tons per year.

In 2005, SQM also acquired 100% of the shares of Kefco, which has a urea phosphate plant located in Dubai. Urea phosphate is a specialty plant nutrient that is used primarily in drip irrigation systems. The plant has an annual production capacity of 30,000 metric tons.

In May 2008, we signed a commitment letter for a joint venture with Migao Corporation ("Migao") for the production and distribution of specialty plant nutrients in China. In 2009, we signed a shareholders agreement in connection with this joint venture. Through the joint venture, we will construct a potassium nitrate plant with a production capacity of 40,000 metric tons per year. We expect this plant to be ready during the fourth quarter of 2010. In addition, the joint venture will distribute the potassium nitrate produced by Migao in China and imports of SQM's specialty plant nutrients to China, and it will also handle any exports of potassium nitrate produced by the joint venture or by Migao. This joint venture will enable us to increase our presence in China, which represents one of the most important and fastest-growing markets for the fertilizer industry.

In May 2009, SQM's subsidiary Soquimich European Holdings, entered into an agreement with Coromandel Fertilizers Ltd. to create a joint venture for the production and distribution of water soluble fertilizers in India. The agreement established a 50/50 contribution to the joint venture. As part of the agreement, a new 15,000 metric ton facility will be constructed in the city of Kakinada to produce water soluble fertilizers (NPK grades). This new facility will require a total investment of approximately US\$2.2 million and should be operational by the second half of 2010.

In October 2009, SQM S.A. signed an agreement with Qingdao Star Plant Protection Technology Co., Ltd., resulting in the creation of the joint venture SQM Qingdao, for the production, distribution and sale of soluble NPK specialty plant nutrients in China. The agreement, a 50/50 joint venture, entails a total investment of US\$2 million. The plant, located in the city of Jimo, province of Shangdong, is currently operational and will have an annual production capacity of 15,000 metric tons.

In December 2009, SQM signed an agreement with the French Roullier Group to form the joint venture "SQM VITAS." This agreement joins two of the largest companies in the businesses of specialty plant nutrients, specialty animal nutrition and professional hygiene. Peru, Brazil and Dubai will be the main focus of this joint venture. As part of the agreement, the SQM mixing plant located in Dubai becomes part of this joint venture.



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

In connection with our marketing efforts, we provide technical and agronomical assistance and support to our customers. By working closely with our customers, we are able to identify new, higher-value-added products and markets. Our specialty plant nutrients products are used on a wide variety of crops, particularly value-added crops, where the use of our products enables our customers to increase yield and command a premium price.

Our customers are located in both the northern and southern hemispheres. Consequently, there are no material seasonal or cyclical factors that can materially affect the sales of our specialty plant nutrient products.

#### Specialty Plant Nutrition: Fertilizer Sales in Chile

We market specialty plants nutrients in Chile through Soquimich Comercial S.A. which sells these products either alone or in blends with other imported products, mainly triple super phosphate (TSP) and diammonium phosphate (DAP), among others.

Soquimich Comercial sells imported fertilizers to farmers in Chile mainly for application in the production of sugar beets, cereals, industrial crops, potatoes, grapes and other fruits. Most of the fertilizers that Soquimich Comercial S.A. imports are purchased on a spot basis from different countries in the world.

We believe that all contracts and agreements between Soquimich Comercial S.A. and third party suppliers, with respect to imported fertilizers, contain standard and customary commercial terms and conditions. During the preceding ten years, Soquimich Comercial S.A. has experienced no material difficulties in obtaining adequate supplies of such fertilizers at satisfactory prices, and we expect continuing to do so in the future.

We estimate that Soquimich Comercial S.A.'s sales of fertilizers represented approximately 34% of total fertilizer sales in Chile during 2009. No single customer represented more than 4% of Soquimich Comercial S.A.'s total fertilizer sales revenues, and its 10 largest customers in total represented less than 10% of revenues.

Revenues generated by Soquimich Comercial S.A. represented 13.1% of the Company's 2009 consolidated revenues. Soquimich Comercial S.A.'s consolidated revenues were approximately US\$189 million, US\$249 million and US\$203 million, in 2009, 2008 and 2007 respectively.

#### Specialty Plant Nutrition: Competition

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

In the potassium nitrate market our largest competitor is Haifa Chemicals Ltd. ("Haifa"), in Israel, which is a subsidiary of Trans Resources International Inc. We estimate that sales of potassium nitrate by Haifa accounted for approximately 38% of total world sales during 2009 (excluding sales by Chinese producers who generally sell to the domestic Chinese market).

S.C.M. Virginia, a Chilean iodine producer, ultimately controlled by Inverraz S.A., also produces potassium nitrate from caliche ore and potassium chloride. ACF, another Chilean producer, mainly oriented to iodine production, began production of potassium nitrate from caliche ore and potassium chloride during 2005. Kemapco, a Jordanian producer owned by Arab Potash, produces potassium nitrate in a plant located close to the Port of Aqaba, Jordan. In addition, there are several potassium nitrate producers in China, the largest of which are Wentong and Migao. Most of the Chinese production is consumed by the Chinese domestic market.

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

In the potassium sulfate market, we have several competitors of which the most important are K+S KALI GmbH (Germany), Tessenderlo Chemie (Belgium) and Great Salt Lake Minerals Corp. (United States). We believe that those three producers account for a majority of the world production of potassium sulfate.

Through a partially owned facility, NU3, we also produce soluble and liquid fertilizers using our potassium nitrate as a raw material. Through this activity, we have acquired production technology and marketing know-how, which we believe will be useful for selling our products to greenhouse growers and for use in certain high-technology processes such as fertigation and hydroponics.

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

#### Iodine and its derivatives

We believe we are the world's largest producer of iodine. In 2009, our revenues from iodine and iodine derivatives amounted to US\$190.3 million, representing 13% of our total revenues in that year. We estimate that our sales accounted for 25% of world iodine sales by volume in 2009.

#### Iodine: Market

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

#### Iodine: Our Products

We produce iodine, and through a joint venture with Ajay North America L.L.C., ("Ajay"), a U.S.-based Company, we produce organic and inorganic iodine derivatives. Ajay-SQM Group ("ASG"), established in the mid 1990s, has production plants in the United States, Chile and France. ASG is the world's leading inorganic and organic iodine derivatives producer.

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

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

The following table sets forth our total sales and revenues from iodine and iodine derivatives in the years 2005 through 2009:

	2009	2008	2007	2006	2005
<b>Sales Volume (Th. MT)</b>					
Iodine and derivatives	7.2	10.5	9.1	9.8	8.1
<b>Revenues (in US\$ millions)</b>	<b>190.3</b>	<b>246.9</b>	<b>215.1</b>	<b>217.7</b>	<b>149.1</b>

Our sales revenues in 2009 dropped from US\$246.9 million to US\$190.3 million mainly due to significantly lower sales volumes as a consequence of the global economic slowdown, partially offset by higher prices.

#### Iodine: Marketing and Customers

In 2009, we sold our iodine products to over 300 customers in more than 70 countries. During the same year, most of our sales were exported: 31% was sold to customers in Europe, 36% to customers in North America, 3% to customers

in Central and South America and 30% to customers in Asia, Oceania and other regions. No single customer accounted for more than 6% of the Company's iodine sales in 2009, and our ten largest customers accounted in the aggregate for no more than 43% of sales.

Sales Breakdown	2009	2008	2007	2006	2005
Europe	31%	30%	31%	34%	30%
North America	36%	40%	38%	40%	37%
Central & South America	3%	2%	5%	5%	13%
Others	30%	28%	26%	21%	20%

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

#### Iodine: Competition

SQM and several producers in Chile, Japan and the United States are the world's main iodine producers. There is also production of iodine in Russia, Turkmenistan, Indonesia and China.

Iodine production in Chile starts from minerals, whereas in Japan, the United States, Russia, Turkmenistan and Indonesia producers extract iodine from underground brines which are mainly obtained together with the extraction of natural gas. In China, iodine is extracted from seaweed.

We estimate that eight Japanese iodine producers accounted for approximately 25% of world iodine sales in 2009. We estimate that the largest Japanese producer, Ise Chemicals Ltd., accounted for approximately 10% of the world iodine sales (excluding recycling).

We estimate that iodine producers in the United States (one of which is owned by Ise Chemicals Ltd.) accounted for almost 5% of world iodine sales in 2009, while four Chilean companies, including SQM, accounted for approximately 53% of such sales (25% by SQM and 28% by the other Chilean producers). Other Chilean producers include ACF Minera S.A. and Atacama Chemical S.A., which is controlled by Inverraz S.A. Additionally, Atacama Minerals Corp., a Canadian company, has its iodine operations in Chile. In 2009, a new U.S.-based player, Iofina, entered the iodine market. We believe that Iofina could become a relevant player in coming years.

Iodine recycling is an increasing trend worldwide. Several Japanese producers have recycling facilities where they recover iodine and iodine derivatives from iodine waste streams. Iodine recycling, mainly related to LCD consumption, has increased over the past few years and currently represents approximately 15% of world iodine sales. It is estimated that around 70% to 75% of the world recycling was done by Japanese iodine producers.

SQM, through ASG or alone, is also actively participating in the iodine recycling business using iodinated side-streams from a variety of chemical processes in Europe, the United States and Asia.

We estimate that worldwide sales of iodine amounted to approximately 25,500 metric tons in 2009.

The prices of our iodine and iodine derivative products are determined by world iodine prices, which are subject to market conditions. World iodine prices vary depending upon, among other things, the relationship between supply and demand at any given time. The supply of iodine varies principally depending upon the production of the few major iodine producers (including us) and their respective business strategies. As a result of a steady growing demand, iodine prices have been increasing since the end of 2003. While prices were around US\$13 per kilogram in 2003, they reached an average of approximately US\$28 per kilogram in 2009.

Demand for iodine varies depending upon overall levels of economic activity and the level of demand in the medical, pharmaceutical, industrial and other sectors that are the main users of iodine and iodine-derivative products. Prices for iodine and iodine-derivative products in the future are expected to be influenced by similar supply and demand factors and the business strategies of major producers, a few of whom either have or can acquire additional production capacity. The largest spare production capacity is currently held by us.

The main factors of competition in the sale of iodine and iodine derivative products are reliability, price, quality, customer service and the price and availability of substitutes. We believe we have competitive advantages compared to other producers due to the size of our mining reserves and the production capacity. We believe our iodine is competitive with that produced by other manufacturers in certain advanced industrial processes. We also believe we have benefited competitively from the long-term relationships we have established with our larger customers. While there are substitutes for iodine available for certain applications, such as antiseptics and disinfectants, there are no cost-effective substitutes currently available for the main nutritional, pharmaceutical, animal feed, and main chemical uses of iodine, which together account for most iodine sales.

We have a total production capacity of approximately 11,000 metric tons of iodine per year which exceeds our current production levels. Due to the decline in iodine demand during the year 2009, our sales decreased, and our inventories increased. We are planning to adjust inventory levels during 2010.

#### Lithium and its derivatives

We believe we are the world's largest producer of lithium carbonate and one of the world's largest producers of lithium hydroxide. In 2009, our revenues from lithium sales amounted to US\$117.8 million, representing 8% of our total revenues. We estimate that our sales accounted for approximately 31% of the world's demand of lithium chemicals in volume.

#### Lithium: Market

Lithium carbonate is used in a variety of applications, including batteries, ceramic and enamel frits, heat resistant glass (ceramic glass), primary aluminum, air conditioning chemicals, continuous casting powder for steel extrusion, synthesis of pharmaceuticals and lithium derivatives.

Lithium hydroxide is primarily used as a raw material in the lubricating grease industry, as well as in the dyes and battery industries.

#### Lithium: Our Products

We produce lithium carbonate at the Salar del Carmen facilities, near Antofagasta, Chile, from solutions with high concentrations of lithium coming from the potassium chloride production at the Salar de Atacama. The annual production capacity of such lithium carbonate plant is 40,000 MT per year. We believe that the technologies we use, together with the high concentrations of lithium we obtain from the Salar de Atacama, allow us to be one of the lowest cost producers worldwide.

We also produce lithium hydroxide at our facilities at the Salar del Carmen next to the lithium carbonate operation. The lithium hydroxide facility has a production capacity of 6,000 MT per year and is one of the largest plants in the world.

The following table sets forth our total sales and revenues from lithium carbonate and its derivatives during the years 2005 through 2009:

	2009	2008	2007	2006	2005
<b>Sales Volume (Th. MT)</b>					
Lithium and derivatives	21.3	27.9	28.6	30.4	27.8
<b>Revenues (in US\$ millions)</b>	117.8	172.3	179.8	128.9	81.4



Our sales revenues in 2009 reached US\$117.8 million, a decline from US\$172.3 million in 2008, mainly due to significantly lower sales volumes and lower prices, resulting from the global economic slowdown.

## Lithium: Marketing and Customers

In 2009, we sold our lithium products to approximately 270 customers in approximately 50 countries. Virtually all of our lithium products were sold overseas: 31% to customers in Europe, 14% to customers in North America, 53% to customers in Asia and Oceania and 2% to customers in other regions. No single customer accounted for more than 13% of the Company's sales in 2009, and our ten largest customers accounted in the aggregate for no more than 52% of sales.

Sales Breakdown	2009	2008	2007	2006	2005
Europe	31%	31%	34%	32%	33%
North America	14%	18%	21%	24%	25%
Asia & Oceania	53%	48%	38%	36%	31%
Others	2%	2%	7%	8%	11%

## Lithium: Competition

Our main competitors in the lithium carbonate and lithium hydroxide businesses are Chemetall GmbH ("Chemetall," a subsidiary of Rockwood Specialties Group Inc.) and FMC Corporation ("FMC"). In addition, a number of Chinese producers together accounted for approximately 29% of the world market in 2009 in volume. Chemetall produces lithium carbonate in its operations located in Chile through Sociedad Chilena del Litio Limitada and in Nevada, United States. Its production of downstream lithium products is mostly performed in the United States, Germany and Taiwan. FMC has production facilities in Argentina through Minera del Altiplano S.A., where they produce lithium chloride and lithium carbonate. Production of its downstream lithium products is mostly performed in the United States and the United Kingdom.

Lithium carbonate is being produced in China and we believe this production will increase in the near future. Other new projects to develop lithium deposits worldwide have been announced recently. We believe that some of these projects could develop into significant market players in the long term.

We estimate that worldwide sales of lithium chemicals expressed as lithium carbonate equivalent (excluding direct use for lithium minerals) amounted to approximately 68,500 metric tons in 2009.

## Industrial Chemicals

In addition to producing sodium and potassium nitrate for agricultural applications, we produce three grades of sodium and potassium nitrate for industrial applications: industrial, technical and refined grades. The three grades differ mainly in their chemical purity. Our industrial grades of sodium and potassium nitrate also differ from agricultural grade in the degree of purity. We enjoy certain operational flexibility when producing industrial sodium and potassium nitrate because they are produced from the same process as their equivalent agricultural grades, needing only an additional step of purification. We may, with certain constraints, shift production from one grade to the other depending on market conditions. This flexibility allows us to maximize yields as well as to reduce commercial risk. In addition to producing industrial nitrates, we produce and commercialize other industrial chemicals such as boric acid—a by-product of the production of potassium sulfate—and industrial-grade potassium chloride, both sold into industrial markets in crystalline form. In 2009, our revenues from industrial chemicals were US\$115.4 million, representing 8% of our total revenues for that year.

## Industrial Chemicals: Market

Industrial sodium and potassium nitrates are used in a wide range of industrial applications, including the production of glass, ceramics, explosives, charcoal briquettes and various chemical processes and metal treatments. In addition, the most significant growth potential comes from industrial nitrates for thermal storage in solar energy projects.

Boric acid is mainly used as raw material in the manufacturing of glass, fiberglass, ceramic and enamel frits, and LCD flat panel displays.

Industrial potassium chloride is mainly used as an additive in oil and gas drilling fluids as well as in the production of carragenine.

## Industrial Chemicals: Our Products

The following table sets forth our sales volumes of industrial chemicals and total revenues during the years 2005 through 2009:

	2009	2008	2007	2006	2005
<b>Sales Volume (Th. MT)</b>					
Industrial nitrates	149.2	161.9	175.2	162.0	176.3
Boric Acid	3.4	7.2	9.2	9.7	6.3
Revenues (in US\$ millions)	115.4	123.6	81.2	71.3	70.5

Sales of industrial chemicals dropped from US\$123.6 million in 2008 to US\$115.4 million, mainly due to lower sales volumes as consequence of the global economic slowdown.

Our aggregate nitrate production capacity, including potassium nitrate, sodium nitrate and sodium potassium nitrate, is approximately 1.2 million metric tons, including production capacity at the new potassium nitrate plant that will be finished by the second half of 2010 and the idle production capacity at existing nitrate plants.

## Industrial Chemicals: Marketing and Customers

We sold our industrial nitrate products in more than 50 countries in 2009. Thirty percent of our sales of industrial chemicals were made to customers in North America, 45% to customers in Europe, 18% to customers in Central and South America and 7% to customers in Asia, Oceania and other regions. No single customer accounted for more than 14% of the Company's sales of industrial chemicals in 2009, and our ten largest customers accounted in the aggregate for no more than 40% of such sales.

Sales Breakdown	2009	2008	2007	2006	2005
North America	30%	34%	40%	41%	42%
Europe	45%	38%	34%	29%	28%
Central & South America	18%	18%	17%	17%	17%
Others	7%	10%	9%	13%	13%

We sell our industrial chemical products mainly through our own worldwide network of representative offices and through our sales and distribution affiliates. We maintain inventories of our industrial sodium nitrate and potassium nitrate products at our facilities in Europe, North America, South Africa and South America to achieve prompt deliveries to customers. Industrial sodium and potassium nitrate sales are made pursuant to spot purchase orders. Our Research and Development department, together with our foreign affiliates, provide technical support to our customers and continuously work with them to develop new products or applications for our products.

## Industrial Chemicals: Competition

We believe we are the world's largest producer of industrial sodium and potassium nitrate. In the case of industrial sodium nitrate, we estimate that our sales represented 49% of world demand in 2009 (excluding China and India internal demand, for which reliable estimates are not available). Our competitors are mainly in Europe and Asia, producing sodium nitrate as a by-product of other production processes. In refined grade sodium nitrate, BASF AG, a German corporation and several producers in Japan (the largest of which is Mitsubishi & Co. Ltd.) and Eastern Europe are highly competitive in the European and Asian markets. Our industrial sodium nitrate products also compete indirectly with substitute chemicals, including sodium carbonate, sodium hydroxide, sodium sulfate, calcium nitrate and ammonium nitrate, which may be used in certain applications instead of sodium nitrate and are available

from a large number of producers worldwide.

Our main competitor in the industrial potassium nitrate market is Haifa Chemicals Ltd., which we estimate has a 34% market share in the industrial sector. We estimate our market share at approximately 39% for 2009.

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

In the boric acid market, we are a relatively small producer mainly supplying regional needs.

In the industrial potassium chloride market, we intend to increase our current minor presence.

#### Potassium Chloride

In 2009, our potassium chloride revenues amounted to US\$284.8 million, representing 20% of our total revenues in 2009. We are currently making investments in potassium chloride that will enable us to increase our production and sales of this product. We expect this trend to continue in the future.

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

Potassium chloride is the most common source of potassium found in fertilizers. Because of its high chloride content, potassium chloride is used in crops such as wheat, corn, soy and rice among others. Potassium is one of the three macronutrients that a plant needs to develop. Although potassium does not form part of a plant's structure, it is essential to the development of its basic functions.

Potassium chloride is also an important component for our specialty plant nutrients business line. It is used as a raw material to produce potassium nitrate.

#### Potassium Chloride: Market

During the last decade, the potassium chloride market has experienced rapid growth due to several key factors such as a growing world population, higher demand for protein-based diets and less arable land. All of these factors have contributed to growing demand for fertilizers, and in particular potassium chloride, as efforts are being made to maximize crop yields and use resources efficiently. During this same period, major players in this industry on the supply side have produced potassium chloride according to market demand. Historically production levels have been below market production capacity.

However, market demand and production are being pushed towards existing levels of production capacity. For much of 2008, demand outpaced production, which led to substantial increases in potassium chloride prices. During the latter part of 2008, however, demand for potassium chloride began to fall as a result of the global economic slowdown.

During 2009, demand was estimated to be approximately 40% lower than in 2008. Major producers continued their strategy of matching production to demand. These producers, however, still ended 2009 with historically high inventories. During the last quarter of 2009, important contract negotiations between major potassium chloride producers and buyers concluded, which in turn helped to stabilize prices. As a result, demand has slowly begun to recover since the fourth quarter of 2009.

#### Potassium Chloride: Our Products

Potassium chloride differs from our other specialty plant nutrient products because it is a commodity fertilizer and contains chloride. SQM offers potassium chloride in two grades: standard and granular.

The following table shows our sales volumes of and revenues from potassium chloride during the years 2005 through 2009.

	2009	2008	2007	2006	2005
<b>Sales Volume (Th. MT)</b>					
Potassium Chloride	556.5	185.6	179.0	126.4	128.8
<b>Revenues (in US\$ millions)</b>	284.8	140.0	51.3	32.1	32.4

### Potassium Chloride: Marketing and Customers

In 2009, we sold potassium chloride in approximately 44 countries. Eight percent of our sales were sold to customers in Chile, 26% to customers in Latin America and 66% to customers in other regions.

Sales Breakdown	2009	2008	2007	2006	2005
Chile	8%	58%	63%	62%	82%
Latin America	26%	23%	18%	17%	18%
Others	66%	19%	19%	21%	0%

In April of 2009, SQM announced that it had signed a supply contract with Potash Corporation of Saskatchewan (“PCS”). The agreement establishes that SQM Salar S.A., affiliate of SQM, will sell to PCS Sales (USA) Inc., affiliate of PCS, between 150,000 and 250,000 tons annually of potassium chloride to be sold by PCS in Japan, India and China. The negotiated period of the contract will be from May 1, 2009 to May 1, 2012. Sales for this contract will be made at market prices.

### Potassium Chloride: Competition

We estimate that SQM accounted for approximately 2% of global sales in 2009. We also believe that the largest producers of potassium chloride are PCS, accounting for approximately 12% of the global sales, and the companies Urakali Group and BPC Limited, which together account for 27% of global sales.

### Production Process

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

- Caliche ore deposits: contain nitrates and iodine.
- Salar brines: contain potassium, lithium, sulfate and boron.

### Caliche Ore Deposits

Caliche deposits are located in northern Chile, where during 2009 we operated four mines: Pedro de Valdivia, María Elena (El Toco), Pampa Blanca and Nueva Victoria. In March 2010, operations at the El Toco (mining site of Maria Elena production facilities) and Pampa Blanca mines were temporarily suspended due to decreased global demand for nitrates and iodine during the preceding 15 months. These operations were also suspended in an effort to optimize inventory of these products.

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

Before proper mining begins, a full exploration stage is carried out, including full geological reconnaissance, sampling and drilling caliche ore to determine the features of each deposit and its quality. Drill-hole samples properly identified are tested at our chemical laboratories. With the exploration information on a closed grid pattern of drill holes, the ore evaluation stage provides information for mine planning purpose. Mine planning is done on a long-term basis (10 years), medium-term basis (three years) and short-term basis (one year). A mine production plan is a dynamic tool that details daily, weekly and monthly production plans. After drill holes are made, information is updated to offer the most accurate ore supply schedule to the processing plants.



Generally, bulldozers first rip and remove the overburden in the mining area. This process is followed by production drilling and blasting to break the caliche seams. Front-end loaders load the ore on off-road trucks. In the Pedro de Valdivia mine, trucks deliver the ore to stockpiles next to rail loading stations. The stockpiled ore is later loaded on to railcars that take the mineral to the processing facilities. Until the suspension of the mining operations at El Toco, trucks hauled the ore and dumped it directly at a crushing installation, after which a 14-kilometer-long overland conveyor belt system delivered the ore to the processing facilities.

At the Pedro de Valdivia facility, the ore is crushed and leached to produce concentrated solutions carrying the nitrate, iodine and sodium sulfate. The crushing of the ore produces a coarse fraction that is leached in a vat system and a fine fraction that is leached by agitation. These are followed by liquid-solid separation, where solids precipitate as sediment and liquids containing nitrate and iodine are sent to be processed. This same process was followed at the El Toco mining operation until operations were suspended in March 2010.

In Nueva Victoria, the run of mine ore is loaded in heaps and leached to produce concentrated solutions. This process was also used at Pampa Blanca operations until mining operations were suspended.

#### Caliche Ore-Derived Products

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

#### Sodium Nitrate

During 2009, sodium nitrate for both agricultural and industrial applications was produced at the María Elena and Pedro de Valdivia facilities using the Guggenheim method, which was originally patented in 1921. This closed circuit method involves adding a heated leaching solution to the crushed caliche in the vats to selectively dissolve the contents. The concentrated solution is then cooled, causing the sodium nitrate to crystallize. Part of the unloaded solution is then recycled to the leaching vats. The other part of the solution is stripped of its iodine content at the treatment plants. The crystallized sodium nitrate is separated from the remaining solution by centrifuging. The residue resulting from the crushing of the caliche ore is leached at ambient temperature with water, producing a weak solution that is pumped to solar evaporation ponds at our Coya Sur facilities, near María Elena, for concentration. While the process of extracting sodium nitrate from caliche ore is well established, variations in chemical content of the ore, temperature of the leaching solutions and other operational features require a high degree of know-how to manage the process effectively and efficiently.

The remaining materials from the sodium nitrate crystallization process are vat leach tailings and a weak solution. The ore tailings are unloaded from the leaching vats and deposited at sites near the production facilities. The weak solution is re-cycled for further leaching and for the extraction of iodine.

Our total current crystallized sodium nitrate production capacity at Pedro de Valdivia facility is approximately 430,000 metric tons per year. Crystallized sodium nitrate is processed further at Coya Sur and María Elena production plants to produce prilled sodium nitrate, which is transported to our port facilities in Tocopilla for shipping to customers and distributors worldwide. A significant part of the sodium nitrate produced at María Elena, until its temporary suspension in March 2010, and Pedro de Valdivia was used in the production of potassium nitrate at Coya Sur, sodium potassium nitrate at María Elena and a highly refined industrial grade sodium nitrate at Coya Sur.

#### Potassium Nitrate

Potassium nitrate is produced at our Coya Sur facility using production methods we have developed. The solutions from the leaching of the fine fraction of the ore, once the iodine is extracted, are pumped to the Coya Sur facilities. These solutions loaded with nitrate are concentrated in solar evaporation ponds. Once an adequate level of concentration is reached, the solution is combined with potassium chloride to produce potassium nitrate and discard sodium chloride. The resulting solution, which is rich in potassium nitrate, is crystallized using a cooling and centrifuging process. The crystallized potassium nitrate is either processed further to produce prilled potassium nitrate or used for the production of sodium potassium nitrate. The weak solution of the process is re-used for further production of potassium nitrate. A portion of the potassium nitrate is used in the production of a high purity technical

grade potassium nitrate.

Concentrated nitrate salts were produced at Pampa Blanca up to March 2010, and are currently produced at Nueva Victoria by leaching caliche ore in heaps in order to extract solutions that are rich in iodine and nitrate. These solutions are sent to plants where iodine is extracted and subsequently the solutions are sent to solar evaporation ponds where the solutions are evaporated and rich nitrate salt is produced. These concentrated nitrate salts are sent to Coya Sur or another of our salt processing facilities where they are leached and the resulting rich nitrate solution is used in the production of potassium nitrate.

Our current potassium nitrate production capacity at Coya Sur is approximately 650,000 metric tons per year, including 260,000 metric tons per year of technical grade potassium nitrate. We expect to increase that production capacity by approximately 300,000 metric tons per year by mid 2010. The effective production of the new facility will depend on the availability of nitrate salts to feed the facility.

The nitrates produced in crystallized or prilled form at Coya Sur have been certified by TÜV-Rheiland under the quality standard ISO 9001:2008. Potassium nitrate produced at Coya Sur and María Elena is transported to Tocopilla for shipping to customers and distributors.

#### Sodium Potassium Nitrate

Sodium potassium nitrate is a mixture of approximately two parts sodium nitrate per one part potassium nitrate. We produce sodium potassium nitrate at our María Elena facilities using standard, non-patented production methods we have developed. Crystallized sodium nitrate is mixed with the crystallized potassium nitrate to make sodium potassium nitrate, which is then prilled. The prilled sodium potassium nitrate is transported to Tocopilla for bulk shipment to customers.

The production process for sodium potassium nitrate is basically the same as that for sodium nitrate and potassium nitrate.

With certain production restraints and following market conditions we may supply sodium nitrate, potassium nitrate or sodium potassium nitrate either in prilled or crystallized form.

#### Iodine and Iodine Derivatives

We produce iodine at our Pedro de Valdivia and Nueva Victoria facilities. We also produced iodine at our Iris facility from December 2008 until July 2009. During 2009, Iodine was produced by extracting it from the solutions resulting from the leaching of caliche ore at the Pedro de Valdivia, María Elena, Nueva Victoria and Pampa Blanca facilities. As of March 2010, mining operations at Maria Elena and Pampa Blanca were temporarily suspended. As a result of these suspensions, we expect that iodine production in 2010 will be approximately 20% lower compared to 2009. We also expect that nitrate production should decline slightly.

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

The solutions from the leaching of caliche carry iodine in iodate form. Part of the iodate solution is reduced to iodide using sulfur dioxide, which is produced by burning sulfur. The resulting iodide is combined with the rest of the untreated iodate solution to release elemental iodine. The solid iodine is then refined through a smelting process and prilled. We have obtained patents in the United States for our iodine prilling process.

Prilled iodine is tested for quality control purposes, using international standard procedures that we have implemented, then packed in 20-50 kilogram drums or 350-700 kilogram maxibags and transported by truck to Antofagasta or Iquique for export. Our iodine and iodine derivatives production facilities have qualified under the new ISO-9001:2008 program, providing third-party certification—by TÜV-Rheiland —of the quality management system.

Our total iodine production in 2009 was approximately 10.1 thousand metric tons: approximately 2.6 thousand metric tons from Pedro de Valdivia, 1.2 thousand metric tons from María Elena, 1.2 thousand metric tons from Pampa Blanca, and 5.1 thousand metric tons from Nueva Victoria and Iris. The Nueva Victoria facility is also used for recycling iodine from the potassium iodide contained in the LCD waste solutions imported mainly from Korea. Nueva Victoria is also equipped to toll iodine from iodide delivered from other SQM facilities. We have the flexibility to adjust our production according to market conditions. Our total current production capacity at our iodine production plants is approximately 11,000 MT.

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

#### Salar de Atacama Brine Deposits

The Salar de Atacama, located approximately 250 kilometers east of Antofagasta, is a salt-encrusted depression within the Atacama desert, within which lies an underground deposit of brines contained in porous sodium chloride rock fed by an underground inflow of water from the Andes mountains. The brines are estimated to cover a surface of approximately 2,800 square kilometers and contain commercially exploitable deposits of potassium, lithium, sulfates and boron. Concentrations vary at different locations throughout such Salar. Our production rights to the Salar de Atacama are pursuant to a lease contract with the Chilean government, expiring in 2030.

Brines are pumped from depths between 1.5 and 60 meters below surface, through a field of wells that are located in areas of the Salar de Atacama that contain relatively high concentrations of potassium, lithium, sulfate, boron and other minerals.

We process these brines to produce potassium chloride, lithium carbonate, lithium hydroxide, lithium chloride, potassium sulfate, boric acid and bischofite (magnesium chloride).

#### Potassium Chloride

We use potassium chloride in the production of potassium nitrate. Production of our own supplies of potassium chloride provides us with substantial raw material cost savings.

In order to produce potassium chloride, brines from the Salar de Atacama are pumped to solar evaporation ponds. Evaporation of the brines results in a complex crystallized mixture of salts of potassium chloride and sodium chloride. One portion of this mixture is harvested and stored, and the other portion is reprocessed and the remaining salts are transferred by truck to a processing facility where the potassium chloride is separated by a grinding, flotation, and filtering process. Potassium chloride is sent approximately 300 kilometers to our Coya Sur facilities via a dedicated truck transport system, where it is used in the production of potassium nitrate. We sell potassium chloride produced at the Salar de Atacama in excess of our needs to third parties. All of our potassium-related production facilities in the Salar de Atacama currently have a production capacity in excess of up to 1.5 million metric tons per year. Actual production capacity will depend on volumes and quality of the mining resources pumped from the Salar de Atacama. During 2009 actual production was higher than in 2008 and we expect that 2010 production will be higher than in 2009.

During 2009, we increased production capacity of our potassium chloride facility to approximately 1,050,000 metric tons per year. In addition, we converted our potassium sulfate facility to a dual plant, with the production capacity to produce only potassium chloride or to produce both potassium sulfate and potassium chloride. If the facility produces only potassium chloride, we have an additional 460,000 metric tons per year of production capacity of potassium chloride.

The by-products of the potassium chloride production process are (i) brines remaining after removal of the potassium chloride, which are used to produce lithium carbonate as described below, and the amount in excess of our needs is reinjected into the Salar de Atacama; (ii) sodium chloride, which is similar to the surface material of the Salar de Atacama and is deposited at sites near the production facility; and (iii) other salts containing magnesium chloride.

#### Lithium Carbonate and Lithium Chloride

A portion of the brines remaining after the production of potassium chloride is sent to additional solar concentration ponds adjacent to the potassium chloride production facility. Following additional evaporation, the remaining concentrated solution of lithium chloride is transported by truck to a production facility located near Antofagasta, approximately 230 kilometers from the Salar de Atacama. At the production facility, the solution is purified and treated with sodium carbonate to produce lithium carbonate, which is dried and then, if necessary, compacted and finally packaged for shipment. A portion of this purified lithium chloride solution is packaged and shipped to customers. The production capacity of our lithium carbonate facility is approximately 40,000 metric tons per year. Future production will depend on the actual volumes and quality of the lithium solutions sent by the Salar de Atacama operations, as well as prevailing market conditions.

Lithium carbonate production quality assurance program has been certified by TÜV-Rheiland under ISO 9001:2000 since 2005 and under ISO 9001:2008 since October 2009.

## Lithium Hydroxide

Lithium carbonate is sold to customers, and we also use it as a raw material for our lithium hydroxide monohydrate facility, which started operations at the end of 2005. This facility has a production capacity of 6,000 metric tons per year and is located in the Salar del Carmen, adjacent to our lithium carbonate operations. In the production process, lithium carbonate is reacted with a lime solution to produce lithium hydroxide brine and calcium carbonate salt, which is filtered and piled in reservoirs. The brine is evaporated in a multiple effect evaporator and crystallized to produce the lithium hydroxide monohydrate, which is dried and packaged for shipment to customers.

Lithium hydroxide production quality assurance program has been certified by TÜV-Rheiland under ISO 9001:2000 since 2007 and under ISO 9001:2008 since October 2009.

#### Potassium Sulfate and Boric Acid

Approximately 12 kilometers northeast of the potassium chloride facilities at the Salar de Atacama, we use the brines from the Salar de Atacama to produce potassium sulfate, potassium chloride (as a byproduct of potassium sulfate process) and boric acid. The plant is located in an area of the Salar de Atacama where high sulfate and potassium concentrations are found in the brines. Brines are pumped to preconcentration solar evaporation ponds where waste sodium chloride salts are removed by precipitation. After further evaporation, the sulfate and potassium salts are harvested and sent for treatment at the potassium sulfate plant. Potassium sulfate is produced using flotation, concentration and reaction processes, after which it is crystallized, dried and packaged for shipment. Production capacity for potassium sulfate is approximately 300,000 MT per year. During the next three years, this dual-plant will be used principally to produce potassium chloride. After 2012, this plant will be used to produce both potassium chloride and potassium sulfate.

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

#### Raw Materials

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

Other important raw materials are sodium carbonate (used for lithium carbonate production and for the neutralization of iodine solutions), sulfur, sulfuric acid, kerosene, anti-caking and anti-dust agents, ammonium nitrate (used for the preparation of explosives in the mining operations), woven bags for packaging our final products, electricity acquired from electric utilities, and diesel and fuel oil in heat generation. We use diesel and fuel oil as the main energy source in heat generation. Our raw material costs (excluding caliche ore, salar brines and including energy) represented 24.1% of our cost of sales in 2009.

In 1998, we entered into a long-term (15-year) electricity supply agreement with Norgener S.A., a major Chilean electricity producer. In 1999, we entered into a long-term electricity supply agreement with Electroandina S.A., also a major Chilean electricity producer. The agreement has a 10-year term, extending to 2009, with two, three-year renewal options exercisable by us. In 2009, we exercised our first extension option. Since April 2000, we have been connected to the northern power grid, which currently supplies electricity to most cities and industrial facilities in northern Chile. During 2006 and 2007, Norgener and Electroandina asked to change their contracts due to the gas restrictions from Argentina that modified their costs. Under both contracts, the price was finally adjusted upwards and the readjustment clauses were modified.

In May 2001, we entered into a 10-year gas supply contract with Distrinor S.A., which would supply a maximum of 3,850,000 million Btu per year. This gas supply was sufficient to satisfy the requirements for the facilities that are connected to a natural gas supply. However, beginning in 2004, the Argentinean government has imposed restrictions on the supply of natural gas and, in 2009, we only received from Argentina, in a non-continuous basis, approximately 25% of the gas received in a normal year. Consequently, we have had to use other higher-cost fuels as substitutes for



natural gas.

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We obtain ammonium nitrate, sulfur, sulfuric acid, kerosene and soda ash from several large suppliers, mainly in Chile and the United States, under long-term contracts or general agreements, some of which contain provisions for annual revisions of prices, quantities and deliveries. In addition to the potassium chloride produced by us, we acquire potassium chloride from

Sociedad Chilena del Litio Limitada, a local Chilean supplier. Diesel fuel is obtained under contracts that provide for sales of fuel at international market prices.

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

### Water Supply

The main sources of water for our nitrate and iodine facilities at Pedro de Valdivia, María Elena and Coya Sur are the Loa and San Salvador rivers, which run near our production facilities. Water for our Pampa Blanca, Nueva Victoria and Salar de Atacama facilities is obtained from wells near the production facilities. In the case of Pampa Blanca and the Salar del Carmen we additionally buy water from third parties for our production processes. We have permits from the Chilean Water Authority to explore for additional non-potable water and permits to use granted water rights for an indefinite period of time (based on specified maximum volumes) without charge. In addition, we purchase potable water from local utility companies. We have not experienced significant difficulties obtaining the necessary water to conduct our operations.

### Government Regulations

#### Regulations in Chile Generally

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

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

We also hold water rights obtained from the Chilean water regulatory authority for a supply of water from rivers or wells near our production facilities sufficient to meet our current and anticipated operating requirements. See Item 3. Key Information for a discussion under "Risk Factors" of how changes in mining, water rights and environmental laws could affect our operating costs. We operate port facilities at Tocopilla for shipment of products and delivery of certain raw materials pursuant to maritime concessions, under applicable Chilean laws, which are normally renewable on application, provided that such facilities are used as authorized and annual concession fees are paid.

Under Law No. 16,319, the Company has an agreement with the Chilean Commission of Nuclear Energy ("CCHEN") regarding the exploitation and sale of lithium from the Salar de Atacama. The agreement sets quotas for the tonnage of lithium authorized to be sold each year.

We hold water rights that are key to our business development. These rights were obtained from the Chilean Water Authority for a supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Water Code is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. Law No. 20,017, published on June 16, 2005, modified the Chilean laws relating to water rights. Under certain conditions, these modifications allow the constitution of permanent water rights of up to 2 liters per second for each well built prior to June 30, 2004, in the locations where we conduct our mining operations. Such rights may be constituted in favor of parties that requested water rights prior to January 1, 2000, when such request had not yet been processed as of June 16, 2005. In constituting these new water rights, the law does not consider the availability of water, or how the new rights may affect holders of existing rights. Therefore, the amount of water we can effectively extract based on our existing rights could be reduced if these additional rights are exercised. These and other potential future changes to the Water Code could have a material adverse impact on our business, financial condition and results of operations.

In 2005, the Chilean Congress approved Law No. 20,026 (also known as the “Royalty Law”) establishing a royalty tax to be applied to mining activities developed in Chile. The Chilean Government may decide to levy additional taxes on mining companies or other corporations in Chile, and such taxes could have a material adverse impact on our business, financial condition and results of operations.

In 2006, the Chilean Congress amended the Labor Code, and effective January 15, 2007, certain changes were made affecting companies that hire subcontractors to provide certain services. This new law, known as the “Law on Subcontracting”, establishes a new requirement that applies in the event of accidents in the workplace. The law states that when a serious accident occurs, the company must halt work at the site where the accident took place until authorities from the National Geology and Mining Service inspect the site and prescribe the measures the company must take to prevent future risks. Work may not be resumed until the company has taken the prescribed measures, and the period of time before work may be resumed may last for a number of hours, days, or longer. The effects of this new law could have a material adverse effect on our business, financial condition and results of operations.

On December 2, 2009, Law No. 20.393 went into effect, establishing a system of criminal liability for legal entities. The objective of the new regulation is to allow legal entities to be prosecuted for the crimes of (a) asset laundering, (b) financing terrorism, and (c) bribery, where such crimes are committed by people who hold relevant positions within a legal entity, in order to benefit that legal entity. The law establishes a prevention model that includes, among others, the designation of a person in charge of prevention and the establishment of special programs and policies. The implementation of this model can exempt the company from liability.

On January 1, 2010, Law No. 20.382 went into effect, introducing modifications to Law No. 18.045 (relating to the Securities Market) and Law No. 18.046 (relating to Corporations). The new law relates to corporate governance and in general seeks to improve such matters as the professionalization of senior management at shareholder corporations, the transparency of information, and the detection and resolution of possible conflicts of interest. The law establishes the concept of an independent director for certain corporations, including SQM S.A. Such director has a preferential right to be a member of the Directors’ Committee, which position, in turn, grants the director further powers. The new independent director may be elected by any shareholder with an ownership interest greater than 1% in the company, but he or she must satisfy a series of independence requirements with respect to the company and the company’s competition, providers, customers and majority shareholders. The Law also refines the regulations regarding the information that companies must provide to the general public and to the Superintendency of Securities and Insurance, as well as regulations relating to the use of inside information, the independence of external auditors, and procedures for the analysis of transactions with related parties.

In 2010, the Chilean Congress amended the Environmental Law to create the Ministry of Environment, the Environmental Assessment Service and the Superintendency of the Environment and to introduce important amendments to environmental regulations in terms of setting up new agencies and introducing new provisions in procedures applicable to projects which operations bear impacts in the environment. The new Ministry shall design and implement environmental policies relating to environmental conservation, sustainable growth and protection of Chile's renewable energy resources. In addition, the Ministry will be responsible for enacting emission and quality standard regulations as well as recovery and decontamination plans. The Environmental Assessment Service will pursue procedures at the Environmental Impact System where projects are environmentally approved or rejected. In procedures for obtaining the environmental license, any person, including legal entities and companies, will be allowed to file oppositions and comments. Moreover, summary procedures, such as Environmental Impact Statements, will allow such oppositions and comments under certain circumstances. Technical reports from governmental agencies would be considered bound for final decision. The Superintendency of the Environment will be an independent agency in charge of coordinating other governmental agencies in their environmental obligations. Likewise, will receive, investigate and decide complaints concerning the infringement of environmental regulations and sanction violators delivering injunction orders or levying relevant fines.



There are currently no material legal or administrative proceedings pending against the Company with respect to any regulatory matter, except as discussed under “Safety, Health and Environmental Regulations” below, and we believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business.

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

Our operations in Chile are subject to both national and local regulations related to safety, health, and environmental protection.

In Chile, the main regulations on these matters that are applicable to SQM are the Code on Safety in Mining Operations, the Health Code, the Law on Subcontracting, and the Environmental Framework Law. The latter was subjected to several important modifications that entered into effect in January 2010, including the creation of the Ministry of the Environment, the National Service of Environmental Impact Assessment, and the Environmental Enforcement Superintendence. The Environmental Enforcement Superintendence will begin operations once the complementary legislation and regulation is enacted, which is expected to occur between 2010 and 2011.

Health and safety at work are fundamental aspects in the management of mining operations, which is why SQM has made constant efforts to maintain good health and safety conditions for the people working at its mining sites. In addition to the role played by the Company in this important matter, the government has a regulatory role, enacting and enforcing regulations in order to protect and ensure the health and safety of workers. The State, acting through the Ministry of Health and the National Service for Geology and Mining (“Sernageomin”), performs health and safety inspections and oversees mining projects, among other tasks, and it has exclusive powers to enforce standards related to environmental conditions and the health and safety of the people performing activities related to mining.

The Mine Health and Safety Act of 1989 (Ministry of Mining, Code on Safety in Mining Operations or “Reglamento de Seguridad Minera,” Supreme Decree DS No. 72, amended by DS No. 132/2002) protects workers and nearby communities against health and safety hazards, and it provides for enforcement of the law where compliance has not been achieved. SQM’s Internal Mining Standards (“Reglamentos Internos Mineros”) establish our obligation to maintain a workplace that is safe and free of health risks, inasmuch as this is reasonably practicable. We must comply with the general provisions of the Health and Safety Act 1999 (Ministry of Health, Standards on Basic Sanitary and Environmental Conditions in the Workplace, or “Reglamento sobre Condiciones Sanitarias y Ambientales Básicas en los Lugares de Trabajo” DS No. 594, amended by DS No. 57/2003), our own internal standards, and the provisions of the Mine Health and Safety Act of 1989. In the event of non-compliance, the Ministry of Health and particularly the National Service for Geology and Mining are entitled to use their enforcement powers to ensure compliance with the law.

The new and modified Environmental Framework Law replaced the National Commission of the Environment (“Comisión Nacional de Medio Ambiente” or “CONAMA”) with the Ministry of the Environment, which now is the governmental agency responsible for coordinating and supervising environmental issues. Under the new Environmental Framework Law, we will continue to be required to conduct environmental impact studies of any future projects or activities (or their significant modifications) that may affect the environment. Now, with the above mentioned modifications to the Environmental Framework Law, the National Service of Environmental Impact Assessment, together with other public institutions with mandates related to the environment, evaluates environmental impact studies submitted for its approval, and also audits the environmental performance during the construction and operation of the projects. The Environmental Framework Law also promotes citizen participation in project evaluation and implementation.



On August 10, 1993, the Ministry of Health published in the Official Gazette a resolution establishing that atmospheric particulate levels at our production facilities in María Elena and Pedro de Valdivia exceeded air quality standards, affecting the nearby towns. The high particulate matter levels came principally from dust produced during the processing of caliche ore, particularly the crushing of the ore before leaching. Residents of the town of Pedro de Valdivia were relocated to the town of María Elena, practically removing Pedro de Valdivia from the scope of the determination of the Ministry of Health. In 1998, CONAMA approved a plan to reduce the atmospheric particulate levels below permissible levels by July of the same year, with certain amendments, by Decree No. 164/1999. Although we followed the plan, and reduced substantially the atmospheric particulate concentration levels at our production facilities at Maria Elena, as a result of the investments and processes implemented, we were not able to fully comply with the July 2000 timetable. A new plan was published by Decree No. 37/2004 on March 2004, and it called for an 80% reduction of the emissions of atmospheric particulate material in two years. We designed a new project to modify the milling and screening systems used in the processing of the caliche ore at María Elena facilities, in order to achieve the necessary reduction of particulate material emissions. An environmental impact study for this project was approved by CONAMA through Resolution No. 270 in October 2005. Upon issuing the approval for the environmental impact study, CONAMA issued the Decree No. 53975, authorizing this project as the one through which we would comply with the emission reductions required by Decree No. 37/2004. Construction of this project was completed in December of 2008, and currently the new plant is operating in good condition, which has allowed for the permanent closure of the old milling and screening facility at Maria Elena, reduced particulate material emissions, and consequently improved air quality in the area. Compliance of air quality standards required by law has to be assessed upon gathering air quality monitoring data for 3 consecutive years (2009 through 2011).

On March 16, 2007, the Ministry of Health published in the Official Gazette a resolution establishing that atmospheric particulate levels exceeded air quality standards in the coast-town of Tocopilla, where we have our port operations. The high particulate matter levels are caused mainly by two thermoelectric power plants that use coal and fuel oil and are located next to our port operations. Our participation in particulate matter emissions is very small (less than 0.50% of the total). However, a decontamination plan was developed by CONAMA, and its formal approval is expected during 2010. During 2008 and 2009, SQM implemented control measures for particulate emissions in our port operations according to the requirements of this plan.

We continuously monitor the impact of our operations on the environment and have made, from time to time, modifications to our facilities in an effort to eliminate any adverse impacts. Also, over time, new environmental standards and regulations have been enacted, which have required minor adjustments or modifications of our operations for full compliance. We anticipate that additional laws and regulations will be enacted over time with respect to environmental matters. While we believe that we will continue to be in compliance with all applicable environmental regulations of which we are now aware, there can be no assurance that future legislative or regulatory developments will not impose new restrictions on our operations. We are committed to both complying with all applicable environmental regulations and applying an Environmental Management System (“EMS”) to continuously improve our environmental performance.

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

#### International Regulations

In 2007, a new European Community Regulation on chemicals and their safe use went into effect. This regulation, called REACH (Regulation, Evaluation, Authorisation and Restriction of Chemical Substances), requires all manufacturers and importers of chemicals – including SQM – to identify and manage risks linked to the substances they manufacture and market. Non-compliance with this regulation would preclude the Company from commercializing its products in the European market.





## 4.C. Organizational Structure

All of our principal operating subsidiaries are essentially wholly-owned, except for Soquimich Comercial S.A., which is 61% owned by SQM and whose shares are listed and traded on the Chilean Stock Exchanges, and Ajay SQM Chile S.A., which is 51% owned by SQM. The following is a summary of our main subsidiaries as of March 31, 2010. For a list of all our consolidated subsidiaries see Note 2(e) to the Consolidated Financial Statements.

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

#### 4.D. Property, Plant and Equipment

Discussion of our mining rights is organized below according to the geographic location of our mining operations. SQM's mining interests located throughout the valley of the Tarapacá and Antofagasta regions of northern Chile (in a part of the country known as "el Norte Grande"), referred to collectively as the "Caliche Ore Mines", are discussed first. The Company's mining interests within the Atacama Desert in the eastern region of el Norte Grande (the "Salar de Atacama Brines") are discussed second.

##### Description of the Caliche Ore Mines

As of December 31, 2009, we held exploitation rights to mineral resources representing approximately 557,875 hectares, and we have applied for additional exploitation rights for approximately 1,720,000 hectares. In addition, we held exploration rights to mineral resources representing approximately 16,700 hectares, and we have applied for additional exploration rights for approximately 253,300 hectares. As part of these rights, we have four mines covering an area of approximately 574,575 hectares. These four mines are currently being exploited.

In 2007, we modified the criteria we use to define a mine. These new criteria require that a property have both reserves and the processing facilities necessary to carry out exploitation. As a result, certain properties we previously defined as mines but that do not have processing facilities are now considered part of other mines, and the number of mines has been reduced from six to four. The Nueva Victoria mine includes the mining properties Soronal, Mapocho and Iris, which were described separately in previous Company filings. The mining properties in terms of surface area and quantity of reserves have not changed as a result of the new criteria.

##### Pedro de Valdivia

The mine and facilities that we operate in Pedro de Valdivia are located 170 kilometers northeast of Antofagasta and are accessible by highway. These facilities have been in operation for approximately 78 years and were previously owned and operated by Anglo Lautaro. The areas currently being mined are located approximately 17 kilometers southeast and approximately 20 kilometers west of the Pedro de Valdivia production facilities. Our mining facilities at Pedro de Valdivia have a Weighted Average Age of approximately 11.22 years. Electricity, diesel, and fuel oil are the primary sources of power for this operation.

##### María Elena

We operated mining facilities at Maria Elena until March 2010. The Maria Elena mine and facilities are located 220 kilometers northeast of Antofagasta and are accessible by highway. These facilities were operated for approximately 83 years before operations were suspended and were previously owned and operated by Anglo Lautaro. The area mined until operations were suspended is located approximately 14 kilometers north of the María Elena production facilities. The power sources of power utilized are mainly electricity, diesel, and fuel oil. The Weighted Average Age of the Company's mining facilities at María Elena is approximately 7.83 years.

##### Pampa Blanca

We operated mining facilities in Pampa Blanca, which is located 100 kilometers northeast of Antofagasta, until operations were suspended in March 2010. Ore from the Pampa Blanca mine was transported by truck to nearby heap leaching pads where it is used to produce iodine and nitrate salts. The Weighted Average Age of the ore recovery facilities at Pampa Blanca is approximately 10.89 years. The power source utilized is mostly electricity, produced by mobile diesel generators.

##### Nueva Victoria

We currently conduct caliche ore operations in Nueva Victoria, which is located 180 kilometers north of María Elena and is accessible by highway. Since 2007, the Nueva Victoria mine includes the mining properties Soronal, Mapocho

and Iris. Ore from Nueva Victoria is transported by truck to heap leaching pads where it is then used to produce iodine. Nueva Victoria mine includes former Iris mining property acquired from DSM Minera S.A. in 2006. The Weighted Average Age of the ore recovery facilities at Nueva Victoria is approximately 6.41 years. The power source utilized is mostly electricity, obtained from the Northern Power Grid (SING).

## Description of the Salar de Atacama Brines

### Salar de Atacama Brines

We hold rights to exploit the mineral resources in an area covering approximately 228,270 hectares of land in the Salar de Atacama in northern Chile, and we have applied for additional exploitation rights covering approximately 48,805 hectares. In addition, we hold exploration rights covering approximately 947,100 hectares, and we have applied for additional exploration rights covering approximately 49,800 hectares. Exploration rights are valid for a period of two years, after which the Company can (i) request an exploitation concession for the land, (ii) request an extension of the exploration rights for an additional two years (the extension only applies to a reduced surface area equal to 50% of the initial area), or (iii) cease exploration of the zone covered by the rights. The Weighted Average Age of our mining facilities at the Salar de Atacama is approximately 10.68 years. The main source of power used by the operation is electricity.

### Additional Mining Operations Leased in the Salar de Atacama Region

SQM Salar S.A. holds exclusive rights to exploit the mineral resources in an area covering approximately 228,270 hectares of land in the Salar de Atacama in northern Chile. These rights include 147,000 hectares that are owned by Corfo and leased to SQM Salar S.A. pursuant to a lease agreement between Corfo and SQM Salar S.A. (the "Lease Agreement"). Corfo may not unilaterally amend the Lease Agreement, and the rights to exploit the resources cannot be transferred. The Lease Agreement provides that SQM Salar S.A. is responsible for the maintenance of Corfo's exploitation rights and for annual payments to the Chilean government, and it expires on December 31, 2030. SQM Salar S.A. is required to make lease-royalty payments to Corfo according to specified percentages of the value of production of minerals extracted from the Salar de Atacama brines. In the years 2009, 2008 and 2007, royalty payments amounted to approximately US\$17.5 million, US\$17.7 million and US\$13.9 million, respectively.

In addition to the mining rights leased to SQM Salar S.A. described above, Corfo has exclusive mining rights covering a total area of approximately 65,200 additional hectares in the Salar de Atacama. Under the terms of the Salar de Atacama Project Agreement between Corfo and SQM Salar S.A., (the Project Agreement), Corfo has agreed that it will not permit any other person to explore, exploit or mine any mineral resources in those 65,200 hectares of the Salar de Atacama. The Project Agreement expires on December 31, 2030.

## Concessions, Extraction Yields and Reserves for the Caliche Ore Mines and Salar Brines

### Concessions Generally

Caliche ore. We hold our mineral rights pursuant to one of two types of exclusive concessions granted pursuant to applicable law in Chile:

- (1) "Exploitation Concessions" These are concessions whereby we are legally entitled to use the land in order to exploit the mineral resources contained therein on a perpetual basis subject to annual payments to the Chilean government; or
- (2) "Exploration Concessions" These are concessions whereby we are legally entitled to use the land in order to explore for mineral resources for a period of two years, at the expiration of which the concession may be extended one time only for two additional years if the area covered by the concession is reduced by half.

An Exploration Concession is generally obtained for purposes of evaluating the mineral resources in an area. Generally, after the holder of the Exploration Concession has determined that the area contains exploitable mineral resources, such holder will apply for an Exploitation Concession for the area. Such application will give the

holder absolute priority with respect to such Exploitation Concession against third parties. If the holder of the Exploration Concession determines that the area does not contain commercially exploitable mineral resources, the concession is usually allowed to lapse, although it is our policy to convert substantially all Exploration Concessions to Exploitation Concessions. An application also can be made for an Exploitation Concession without first having obtained an Exploration Concession for the area involved.

Concessions for the Caliche Ore Mines and Salar Brines

Approximately 67% of our total mining concessions are held pursuant to Exploitation Concessions and 33% pursuant to Exploration Concessions, not including areas within the Salar de Atacama. Of the Exploitation Concessions, approximately 85% have been already granted pursuant to applicable Chilean law, and approximately 15% are in the process of being granted. Of the Exploration Concessions, approximately 90% have been already granted pursuant to applicable Chilean law, and approximately 10% are in the process of being granted. Chile owns substantially all the surface land covering our Exploration and Exploitation Concessions.

We made payments to the Chilean government for our Exploration and Exploitation Concessions of approximately US\$7.7 million in the year 2009.

The following table sets forth our exploitation and exploration concessions as of December 31, 2009:

	Exploitation concessions		Exploration concessions		Total	
	Total number	Hectares	Total number	Hectares	number	Hectares
Mines						
Pedro de Valdivia	584	148,802	1	300	585	149,102
El Toco(1)	615	182,804	25	4,900	640	187,704
Pampa Blanca(1)	464	137,112	1	200	465	137,312
Nueva Victoria	342	89,157	18	11,300	360	100,457
Salar de Atacama	447	277,075	2,502	996,900	2,949	1,273,975
Subtotal mines	2,452	834,950	2,547	1,013,600	4,999	1,848,550
Other caliche areas	7,777	1,720,000	733	253,300	8,510	1,973,300
Other salars and other areas	585	116,933	210	53,500	795	170,433
Subtotal other Areas	8,362	1,836,933	943	306,800	9,305	2,143,733
Total	10,814	2,671,883	3,490	1,320,400	14,304	3,992,283

(1) Operations at the El Toco and Pampa Blanca mines were temporarily suspended in March 2010.

## Extraction Yields

The following table sets forth certain operating data relating to each of our mines:

(values in thousands, unless otherwise stated)	2009	2008	2007
<b>Pedro de Valdivia</b>			
Metric tons of ore mined	11,631	11,003	10,670
Average grade nitrate (% by weight)	7.3	7.1	7.5
Iodine (parts per million (ppm))	363	345	354
Metric tons of crystallized nitrate produced	434	407	422
Metric tons of iodine produced	2.6	2.2	2.3
<b>María Elena(1)</b>			
Metric tons of ore mined	5,443	4,683	4,651
Average grade nitrate (% by weight)	6.8	7.1	7.4
Iodine (ppm)	375	358	363
Metric tons of crystallized nitrate produced	155	151	167
Metric tons of iodine produced	1.2	1.0	1.0
<b>Coya Sur(2)</b>			
Metric tons of crystallized nitrate produced	193	302	257
<b>Pampa Blanca(1)</b>			
Metric tons of ore mined	3,785	3,811	3,108
Iodine (ppm)	645	533	527
Metric tons of iodine produced	1.2	1.1	1.1
<b>Nueva Victoria</b>			
Metric tons of ore mined	17,326	15,760	12,285
Iodine (ppm)	463	475	495
Metric tons of iodine produced	5.1	4.0	3.7
<b>Salar de Atacama</b>			
Metric tons of lithium carbonate produced(3)	14	30	30
Metric tons of potassium chloride produced	886	700	611
Metric tons of potassium sulfate produced	189	163	157
Metric tons of boric acid produced	5	8	7

(1) Operations at the El Toco and Pampa Blanca mines were temporarily suspended in March 2010.

(2) Includes production at Coya Sur from treatment of fines from María Elena and Pedro de Valdivia, nitrates from pile treatment at Pampa Blanca and net production from NPT, or "technical (grade) potassium nitrate," plants.

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



## Reserves

### Reserves for the Caliche Ore Deposits

Our in-house staff of geologists and mining engineers prepares our estimates of caliche ore reserves. The proven and probable reserve figures presented below are estimates, and no assurance can be given that the indicated levels of recovery of nitrates and iodine will be realized.

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

According to our experience in caliche ore, the grid pattern drill-holes with spacing equal to or less than 100 meters produce data on the caliche resources that is sufficiently defined to consider them measured resources and then, adjusting for technical, economic and legal aspects, as proven reserves. These reserves are obtained using the Kriging Method and the application of operating parameters to obtain economically profitable reserves. Similarly, the information obtained from detailed geologic work and samples taken from grid pattern drill-holes with spacing equal to or less than 200 meters can be used to determine indicated resources. By adjusting such indicated resources to account for technical, economic and legal factors, it is possible to calculate probable reserves. Probable reserves are calculated by evaluating polygons and have an uncertainty or error margin greater than that of proven reserves. However, the degree of certainty of probable reserves is high enough to assume continuity between points of observation.

Probable reserves are the economically mineable part of an "indicated mineral resource" and, in some circumstances, a "measured mineral resource." An indicated mineral resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The calculation is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. A measured mineral resource is the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes.

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

The calculation of the reserves includes diluting of materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

Proven and probable reserves are determined using extensive drilling, sampling and mine modeling, in order to estimate potential restrictions on production yields, including cut-off grades, ore type, dilution, waste-to-ore ratio and ore depth. Economic feasibility is determined on the basis of this information.

Our estimates of our proven reserves of caliche ore at each of our mines as of December 31, 2009 are as follows:

Mine	Proven Reserves (1) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)
Pedro de Valdivia	166.6	7.1%	368
María Elena	137.9	7.3%	412
Pampa Blanca	71.7	5.6%	544
Nueva Victoria (2)	305.0	5.9%	458

In addition, the updated estimates of our probable reserves of caliche ore at each of our principal mines as of December 31, 2009, are as follows:

Mine	Probable Reserves (1) (3) (millions of metric tons)	Nitrate Average Grade (percentage by weight)	Iodine Average Grade (parts per million)
Pedro de Valdivia	85.2	6.9%	482
María Elena	97.8	7.3%	380
Pampa Blanca	447.8	5.8%	538
Nueva Victoria (2)	102.4	5.8%	396

#### Notes on Reserves:

- (1) The proven and probable reserves set forth in the tables above are shown before losses related to exploitation and mineral treatment. Proven and probable reserves are affected by mining exploitation methods, which result in differences between the estimated reserves that are available for exploitation in the mining plan and the recoverable material that is finally transferred to the leaching vats or heaps. The average mining exploitation factor for our different mines ranges between 80% and 90%, whereas the average global metallurgical recoveries of processes for nitrate and iodine contained in the recovered material vary between 55% and 65%.
- (2) Probable reserves can be expressed as proven reserves using a conversion factor. On average, this conversion factor is higher than 60%. This factor depends on geological conditions and caliche ore continuity, which vary from mine to mine. The difference between the probable reserve amounts and the converted probable reserve amounts is the result of the lower degree of certainty pertaining to probable reserves compared with proven reserves.
- (3) Operations at El Toco and Pampa Blanca mines were temporarily suspended in March 2010.

The proven and probable reserves shown above are the result of exploration and evaluation of approximately 16% of the total caliche-related mining property of our Company. However, we have explored those areas in which we believe there is a higher potential of finding high-grade caliche ore minerals. The remaining 84% of this area has not been explored yet or has limited reconnaissance as inferred or hypothetical resources. Reserves shown in these tables are calculated based on mining properties that are not involved in any legal disputes between SQM and other parties.

We maintain an ongoing program of exploration and resource evaluation on the land surrounding the mines at Nueva Victoria, Pedro de Valdivia, María Elena and Pampa Blanca and at other sites for which we have the appropriate concessions. In 2009, we continued a basic reconnaissance program on new mining properties including a geological

mapping of the surface and spaced drill-hole campaign covering approximately 7,992 hectares. Additionally, we conducted general explorations based on a closer grid pattern of drill-holes over a total area of approximately 296 hectares and, in addition, carried out in-depth sampling of approximately 2,384 hectares (674 hectares at Pedro de Valdivia, 33 hectares at María Elena and 1,677 hectares at Nueva Victoria). The exploration and development program in 2010 calls for a basic reconnaissance program over a total area of 2,471 hectares, general exploration over a total area of about 86 hectares and, in addition, in-depth sampling of approximately 1,642 hectares.

#### Reserves for the Salar de Atacama Brines

Our in-house staff of hydro-geologists and mining engineers prepares our estimates of potassium, sulfate, lithium and boron reserves at the Salar de Atacama. We have exploration concessions of approximately 819.2 square kilometers where we have carried out brine sampling and geostatistical analysis. We estimate that proven and probable reserves, based on economic restrictions, geostatistical analysis and brine sampling up to a depth of 30 and 50 meters in some areas and up to a depth of 200 meters in approximately 5% of our total exploration concessions, are as follows:

	Proven Reserves (1) (millions of metric tons)	Probable Reserves (1) (millions of metric tons)
Potassium (K +) (2)	50.4	11.3
Sulfate (SO <sub>4</sub> 2-) (3)	37.2	2.2
Lithium (Li +) (4)	2.7	2.7
Boron (B 3+) (5)	1.1	0.2

## Notes on Reserves:

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

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

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

(4) Recoveries for lithium vary from 28% to 37%.

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

The proven and probable reserves are based on drilling, brine sampling and geo-statistic reservoir modeling in order to estimate brine volumes and their composition. To evaluate reserves, we conduct a geostatistical study using the Kriging Method in 2D. We calculate the quality of brine effectively drainable or exploitable in each evaluation unit. We consider chemical parameters to determine the process to be applied to the brines. Based on the chemical characteristics, the volume of brine and drainable percentage, we determine the number of metric tons for each of the chemical ions. Proven reserves are defined as those geographical blocks that comply with a Kriging method estimation error of up to 15%. In the case of probable reserves, the selected blocks must comply with an estimation error between 15% and 35%. Blocks with an error greater than 35% are not considered in the evaluation of reserves. This procedure is used to estimate potential restrictions on production yields, and the economic feasibility of producing such commercial products as potassium chloride, potassium sulfate, lithium carbonate and boric acid is determined on the basis of the evaluation.

## PORTS AND WATER RIGHTS

We operate port facilities at Tocopilla in the North of Chile for shipment of products and delivery of certain raw materials pursuant to renewable concessions granted by Chilean regulatory authorities, provided that such facilities are used as authorized and annual concession fees are paid by us. We also hold water rights for a supply of water from rivers and wells near our production facilities sufficient to meet our current operational requirements.

## PRODUCTION FACILITIES

Our principal production facilities are located near our mines and extraction facilities in northern Chile. The following table sets forth the principal production facilities as of December 31, 2009:

Location	Type of Facility	Approximate Size (Hectares)
Pedro de Valdivia (1)	Nitrates and iodine production	110
María Elena (1)	Nitrates and iodine production	90

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Coya Sur (1)	Nitrates and iodine production	220
Pampa Blanca (1)	Concentrated nitrate salts and iodine production	129
Nueva Victoria (2)	Iodine production	315
Salar de Atacama (1)(3)	Potassium chloride, lithium chloride, potassium sulfate and boric acid	2,794
Salar del Carmen, Antofagasta (1)	Lithium carbonate and lithium hydroxide production	63
Tocopilla	Port facilities	22

(1) Includes production facilities, solar evaporation ponds and leaching heaps.

(2) Includes production facilities and solar evaporation ponds.

(3) We lease the exploitation rights used at the Salar de Atacama from Corfo.

We own, directly or indirectly through subsidiaries, all of the facilities free of any material liens, pledges or encumbrances, and believe that they are suitable and adequate for the business we conduct in them. As of December 31, 2009, the approximate gross book value of the property and associated plant and equipment at our locations was as follows: Pedro de Valdivia (US\$75.9 million), María Elena (US\$196.8 million), Coya Sur (US\$235.1 million), Pampa Blanca (US\$15.7 million), Nueva Victoria (US\$141.8 million), Salar de Atacama (US\$433.6 million), Salar del Carmen (US\$92.3 million) and Tocopilla (US\$58.6 million).

In addition to the above-listed facilities, we operate a computer and information system linking our principal subsidiaries to our operating facilities throughout Chile via a local area network. The computer and information system is used mainly for accounting, monitoring of supplies and inventories, billing, quality control and research activities. The system's mainframe computer equipment is located at our offices in Santiago.

The approximate Weighted Average Age of our production facilities as of December 31, 2009 was as follows: Pedro de Valdivia (11.22 years), María Elena (7.83 years), Coya Sur (8.16 years), Nueva Victoria (6.41 years), Salar de Atacama (10.68 years), and Salar del Carmen (7.49 years). Our railroad line between our production facilities and Tocopilla was originally constructed in 1890, but the rails, locomotives and rolling stock have been replaced and refurbished as needed. The Tocopilla port facilities were originally constructed in 1961 and have been refurbished and expanded since that time. The Weighted Average Age of the Tocopilla port facilities is approximately 11.03 years. We consider the condition of our principal plant and equipment to be good.

The map below shows the location of SQM's principal mining operations and land concessions which have been granted and those that are in the process of being granted.

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## TRANSPORTATION AND STORAGE FACILITIES

We own and operate railway lines and equipment, as well as port and storage facilities, for the transport and handling of finished products and consumable materials.

The main center for our production and storage of raw materials is the hub composed of the facilities in Coya Sur, Pedro de Valdivia and María Elena. Our Salar de Atacama facilities constitute the second largest concentration of plants and raw material storage. Other facilities include Nueva Victoria, Pampa Blanca, and the lithium carbonate and lithium hydroxide finishing plants. The Tocopilla port terminal (“Tocopilla Port Terminal”), which we own, is the main facility for storage and shipment of our products.

Nitrate raw materials are produced and first stored at our Pedro de Valdivia mine, and then transported by rail to the plants described in the next paragraph, for further processing. Nitrate raw material was also produced at our El Toco and Pampa Blanca mining facilities until operations were temporarily suspended in March 2010 at these locations. Nitrate raw material produced at these two facilities were transported by conveyor belt (El Toco) and trucks (Pampa Blanca) to plants for further processing.

Nitrate finished products are produced at our facilities in María Elena and Coya Sur and then transported by our rail system to Tocopilla Port Terminal, where they are stored and shipped, either bagged or in bulk.

Potassium chloride is produced at our facilities in the Salar de Atacama and transported either to Tocopilla Port Terminal or Coya Sur by truck owned by a third-party dedicated contractor. Product transported to Coya Sur is used as a raw material for the production of potassium nitrate or for potassium chloride finished product.

Potassium sulfate and boric acid are both produced at our facilities in the Salar de Atacama and are then transported by truck to the Tocopilla Port Terminal.

Lithium solutions, produced at our facilities in the Salar de Atacama, are transported to the lithium carbonate facility in the Salar del Carmen area, where finished lithium carbonate is produced. Part of the lithium carbonate is fed to the adjacent lithium hydroxide plant, where finished lithium hydroxide is produced. These two products are bagged and stored on the premises and are subsequently transported by truck to Tocopilla Port Terminal or to the Antofagasta terminal for shipment on charter vessels or container vessels.

Iodine raw material, obtained in the same mines as the nitrates, is processed, bagged and stored exclusively in the facilities of Pedro de Valdivia and Nueva Victoria, and then shipped by truck to Antofagasta or Iquique for vessel container transport or by truck to Santiago, where iodine derivatives are produced.

The facilities at Tocopilla Port Terminal are located approximately 186 kilometers north of Antofagasta and approximately 124 kilometers west of Pedro de Valdivia, 84 kilometers west of María Elena and Coya Sur and 372 kilometers west of the Salar de Atacama. Our subsidiary, Servicios Integrales de Tránsitos y Transferencias S.A. (SIT) operates the facilities under maritime concessions granted pursuant to applicable Chilean laws. The port also complies with ISPS (International Ship and Port Facility Security Code) regulation. The Tocopilla Port Terminal facilities include a railcar dumper to transfer bulk product into the conveyor belt system used to store and ship bulk product.

Storage facilities consist of a six silo system, with a total production capacity of 55,000 metric tons, and an open storage area for approximately 230,000 metric tons. Additionally, to meet future storage needs, the Company will continue to make investments in accordance with the investment plan outlined by management. Products are also bagged at port facilities in Tocopilla, where the bagging capacity is approximately 300,000 metric tons per year.

For shipping bulk product, the conveyor belt system extends over the coast line to deliver product directly inside bulk carrier hatches. Using this system, the loading capacity is 1,200 tons per hour. Bags are loaded to bulk vessels using

barges that are loaded in Tocopilla Port Terminal dock and unloaded by vessel cranes into the hatches. Both bulk and bagged trucks are loaded in Tocopilla Port Terminal for transferring product directly to customers or for container vessels shipping from other ports, mainly Antofagasta, Mejillones and Iquique.

Bulk carrier loading in the Tocopilla Port Terminal is mostly contracted to transfer product to our hubs around the world or for shipping to customers, which in limited cases use their own contracted vessels for delivery. Trucking is provided by a mix of spot, contracted and customer- owned equipment.

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

CRITICAL ACCOUNTING POLICIES

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

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

Allowance for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from a case-by-case analysis of the probability of our customers being unable to make required payments. If the financial condition of our customers were to deteriorate unexpectedly, impacting their ability to make payments, additional allowances might be required. We routinely review the financial condition of our customers and make assessments of collectability.

Deferred income tax asset valuation allowance

We and each of our subsidiaries compute and pay income tax on a separate basis, except for our U.S. subsidiaries. We estimate our tax exposure and assess temporary differences resulting from differing treatment of various items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reflected in our consolidated balance sheet.

We record a valuation allowance to reduce deferred tax assets to the amount that we believe is more likely than not to be realized. The valuation of the deferred tax asset is dependent on, among other things, our ability to generate a sufficient level of future taxable income.

Inventories

Inventories of finished products and work in process are valued at average production cost. Raw materials and goods for resale acquired from third parties are stated at average acquisition cost and materials-in-transit are valued at cost. These values do not exceed net realizable values.

Inventories of non-critical spare parts and supplies are classified as other current assets, except for those items for which we estimate a turnover period in excess of one year, which are classified as other long-term assets.

Inventories are stated net of allowances for items that cannot be sold and obsolete items determined based on technical studies of inventory conditions and usefulness.

Staff severance indemnities

We have significant staff severance indemnity liabilities, which are recognized on an accrual basis. Inherent in the valuations of these obligations are key assumptions, including discount rates. We are required to consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related benefit plan liabilities may occur in the future due to changes resulting from fluctuations in our related headcount or to

changes in the assumptions.

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### Mining development costs

Mine exploration costs and stripping costs to maintain production of mineral resources extracted from operating mines are considered variable production costs and are included in the cost of inventory produced during the period. Mine development costs at new mines, and major development costs at operating mines outside existing areas under extraction that are expected to benefit future production, are capitalized under “other long-term assets” and amortized using a units-of-production method over the associated proven and probable reserves. We determine our proven and probable reserves based on drilling, brine sampling and geostatistical reservoir modeling in order to estimate mineral volume and composition.

All other mine exploration costs, including expenses related to low grade mineral resources rendering reserves that are not economically exploitable, are charged to the results of operations in the period in which they are incurred.

### Long-lived assets and their impairment

We estimate the useful lives of property, plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. The estimated useful lives are based on historical experience with similar assets, taking into account anticipated technological or other changes. If technological changes are expected to occur more rapidly or in a different way than previously anticipated, the useful lives assigned to these assets may need to be reduced, resulting in the recognition of increased depreciation expense in future periods.

We evaluate the recoverability of our long-lived assets (other than intangibles and deferred tax assets) in accordance with Technical Bulletin No. 33, “Accounting treatment of Property, Plant and Equipment,” issued by the Chilean Association of Accountants. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The rules require recognition of impairment of long-lived assets in the event that the net book value of such assets exceeds the future undiscounted net cash flows attributable to such assets. Impairment, if any, is recognized in the period of identification to the extent the carrying amount of an asset exceeds the fair value of such asset. We believe that the accounting estimate related to asset impairment is critical because it requires us to make assumptions about future cash flows generated from the use of the assets over their estimated useful lives.

### Impairment of goodwill

We have recorded goodwill related to business acquisitions. Under Chilean GAAP, goodwill should be reviewed for impairment when events or circumstances, such as recurrent losses for two or more periods, indicate a possible inability to realize the carrying amount.

The impairment analysis requires management to make subjective judgments concerning estimates of how the assets will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behavior and attrition, changes in revenue growth trends, cost structures and technology, and changes in interest rates and specific industry or market sector conditions.

### Derivatives

The Company’s financial derivative instruments are primarily foreign currency forwards and options as well as cross currency swaps. The Company records these financial derivative contracts at fair value. Estimates of fair values of financial instruments for which no quoted prices on active markets exist are made using valuation techniques such as forward pricing models, present value of estimated future cash flows, and other modeling techniques. These estimates

of fair value include assumptions made by the Company about market variables that may change in the future.

#### ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In conformity with regulations of the Superintendency of Securities and Insurance, on January 1, 2010 we effectively adopted IFRS as issued by the IASB. As a result, balances of our assets, liabilities and equity as of January 1, 2010 were impacted. The adoption will also have an impact on the results of our operation in future years. Our first annual financial statements under IFRS will be prepared as of and for the year ended December 31, 2010 and will include comparative financial information for the year 2009 which will differ from our 2009 financial statements.



## 5.A. Operating Results

### Introduction

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included in Item 18. Certain calculations (including percentages) that appear herein have been rounded.

Our Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differ in certain material respects from U.S. GAAP. Note 30 to the Consolidated Financial Statements provides a description of the material differences between Chilean GAAP and U.S. GAAP and a reconciliation to U.S. GAAP of net income for the years ended December 31, 2009, 2008 and 2007 and of total shareholders' equity as of December 31, 2009 and 2008. Our Consolidated Financial Statements are prepared in U.S. dollars. The U.S. dollar is the primary currency in which we operate.

We operate as an independent corporation. Nonetheless we are a "controlled corporation", as that term is defined under Chilean law. See Item 6.E. Share Ownership.

Certain segment information by products group and by geographical area is provided in Note 30 –Differences between Chilean and United States Generally Accepted Accounting Principles— II. k) Industry segment and geographic area information.

### Overview of Our Results of Operations

We divide our operations into the production and sale of the following product lines:

- specialty plant nutrients
- iodine and its derivatives
- lithium and its derivatives
- industrial chemicals
- potassium chloride; and
- the purchase and sale of other commodity fertilizers for use primarily in Chile.

In 2009, our sale of potassium chloride had an important impact on our results of operations, and we expect this trend to continue in line with our plans to increase our potassium chloride production capacity and sales in the near term.

We sell our products through three primary channels: our own sales offices, a network of distributors and, with respect to our fertilizer products, through Yara International ASA pursuant to a commercial agreement.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations substantially depend on:

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trends in demand for and supply of our products, including global economic conditions, which impact prices and volumes;

- efficient operations of our facilities, particularly as some of them run at production capacity;
- our ability to accomplish our capital expenditures program in a timely manner;
  - the levels of our inventories;

• trends in the exchange rate between the U.S. dollar and peso, as a significant portion of the cost of sales is in Chilean pesos, and trends in the exchange rate between the U.S. dollar and the Euro, as a significant portion of our sales is denominated in Euros; and

- energy, logistics, raw materials and maintenance costs.

The following table sets forth our revenues (in millions of U.S. dollars) and the percentage accounted for by each of our product lines for each of the periods indicated:

	Year ended December 31,					
	2009		2008		2007	
	US\$	%	US\$	%	US\$	%
Specialty plant nutrition	648.7	45	978.9	55	580.8	49
Iodine and derivatives	190.3	13	246.9	14	215.1	18
Lithium and derivatives	117.8	8	172.3	10	179.8	15
Industrial chemicals	115.4	8	123.6	7	81.2	7
Potassium chloride	284.8	20	140.0	8	51.3	4
Other commodity fertilizers(1)	79.8	6	112.3	6	79.4	7
Total	1,436.9	100	1,774.1	100	1,187.5	100

(1) Primarily consists of imported fertilizers distributed in Chile.

The following table sets forth certain financial information of the Company under Chilean GAAP (in millions of U.S. dollars) for each of the periods indicated, as a percentage of revenues:

	Year ended December 31,					
	2009		2008		2007	
	US\$	%	US\$	%	US\$	%
Total revenues	1,436.9	100.0	1,774.1	100.0	1,187.5	100.0
Cost of goods sold	(916.1)	(63.8)	(1,056.2)	(59.5)	(857.8)	(72.2)
Gross margin	520.8	36.2	717.9	40.5	329.8	27.8
Selling and administrative expenses	(78.9)	(5.5)	(85.7)	(4.8)	(70.3)	(5.9)
Operating income	441.9	30.8	632.2	35.6	259.5	21.9
Non-operating income	40.5	2.8	40.6	2.3	25.9	2.2
Non-operating expenses	(77.5)	(5.4)	(59.9)	(3.8)	(53.0)	(4.5)
Income before income taxes	404.9	28.2	612.9	34.5	232.4	19.6
Income tax	(76.5)	(5.3)	(108.0)	(6.1)	(48.6)	(4.1)
Minority interest	(1.3)	(0.1)	(3.5)	(0.2)	(3.8)	(0.3)
Amortization of negative goodwill	0.0	0.0	0.0	0.0	0.0	0.0

Net income	327.1	22.8	501.4	28.3	180.0	15.2
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## Results of Operations – 2009 compared to 2008

During 2009, we generated total revenues of US\$1,436.9 million, which is 19.0% lower than the US\$1,774.1 million recorded for 2008.

The main factors causing the decrease in revenues and the variations in the different product lines are described below:

## Specialty Plant Nutrition

Specialty Plant Nutrition revenues for 2009 totaled US\$648.7 million, 33.7% lower than the US\$978.9 million recorded for 2008. Set forth below are sales volume data for the specified years by product category in this product line.

(in Th. MT)	2009	2008	% change
Sodium nitrate	16.5	22.8	(27)%
Potassium nitrate and sodium potassium nitrate	392.1	538.2	(27)%
Blended and other specialty fertilizers	184.5	205.9	(10)%
Other non-SQM specialty plant nutrients(1)	90.3	103.1	(12)%
Potassium sulfate	133.4	138.3	(4)%

(1) Consists of certain specialty plant nutrients products that were not produced by us which we resell primarily in Chile.

Average prices for our specialty plant nutrients decreased approximately 18% compared to 2008. Sales volume for our specialty plant nutrients decreased approximately 19%. These declines in 2009 were due to general adverse market conditions during 2009.

Much of 2009 was characterized by general market uncertainty and the global economic slowdown. During the first half of 2009, specialty fertilizer markets lagged behind 2008 market highs. Most distributors and end users preferred to buy only minimum quantities or to postpone purchases until market prices settled. Compared to the fourth quarter of 2008 when markets began to decline significantly, the last quarter of 2009 reflected in our view a shift in market conditions and market sentiment. The extreme caution observed at the end of 2008 and during the first three quarters of 2009 has led to a more optimistic outlook for demand across all of our fertilizer businesses. The important conclusion of contract negotiations between China and India and several important potassium chloride producers has reduced the lack of price visibility that was keeping buyers on the sidelines of potassium-based markets for much of 2009. As a result, during the end of 2009 and the beginning of 2010, we have observed demand recovery in potassium chloride markets. Potassium chloride is an important raw material in the production of potassium nitrate; and as a result, prices of the two products are related.

Although volumes were lower year-over-year, we observed a positive trend in volume recovery in this product line as the year progressed.

## Iodine and its derivatives

Revenues for iodine and its derivatives during 2009 totaled US\$190.3 million, a 22.9% decrease compared to the US\$246.9 million reported for 2008. Set forth below are sales volume data for the specified years.

(in Th. MT)	2009	2008	% change
Iodine and its derivatives	7.2	10.5	(32)%

In October 2008, we announced a price increase as a result of increasing global demand, mainly driven by X-ray contrast media and LCD polarizing film applications, combined with lower-than expected supply from other players in the industry.

As a result of economic conditions in 2009, together with our increased prices, volumes for our iodine and its derivative products decreased approximately 32%. Average prices in 2009 for iodine and its derivatives increased approximately 13% as compared to 2008.

The decrease in sales volumes for iodine and its derivatives reflects the general decrease in the use of applications that are sensitive to economic growth, such as biocides used in paints for construction and nylon used in the automotive industry, which were negatively affected by global economic conditions. Our iodine sales were also negatively affected by inventory optimization throughout the iodine supply chain. These declines, however, were partially offset by stable demand for principal uses of iodine, such as human and animal health and nutrition applications. Consistent with our leading position in this industry, we reduced our sales volumes, helping to stabilize the market.

Sales volumes for the fourth quarter of 2009 were, however, higher than sales during each of the first three quarters of the year, suggesting a positive trend in demand in this market.

#### Lithium and its derivatives

Revenues for lithium and its derivatives totaled US\$117.8 million during 2009, a decrease of 31.6% with respect to the US\$172.3 million recorded for 2008. Set forth below are sales volume data for the specified years.

(in Th. MT)	2009	2008	% change
Lithium and its derivatives	21.3	27.9	(24)%

Average prices for lithium and its derivatives decreased approximately 10% and sales volumes decreased approximately 24%. These declines were due to general market conditions observed during 2009.

To a large extent, lithium consumption is connected to the automotive and construction industries, which shrank as a result of the global financial crisis and economic slowdown. Additionally, many companies throughout the lithium supply chain optimized their inventory levels. As a result, after more than a decade of sustained growth, global demand for lithium in 2009 declined.

In September 2009, we reduced prices of lithium carbonate and lithium hydroxide 20% in order to accelerate demand recovery, to create incentives for research of new lithium uses, and to contribute to the sustainable long-term development of the lithium market.

Average prices for lithium and its derivatives will be lower in 2010 as a result of our 20% price reduction announced in September 2009.

Despite these declines in 2009, sales volumes were higher quarter-over-quarter throughout the year. Consistent with this tendency we have continued to observe positive signs of recovery during the first quarter of 2010 in the lithium market. A strong rebound in demand for traditional, rechargeable batteries has driven volumes during the first months of 2010.

#### Industrial chemicals

Industrial chemicals revenues for 2009 totaled US\$115.4 million, 6.6% lower than the US\$123.6 million recorded in 2008. Set forth below are sales volume data for the specified years by product category.

(in Th. MT)	2009	2008	% change
Industrial nitrates	149.2	161.9	(8)%

Boric acid	3.4	7.2	(53)%
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Average prices for industrial chemicals increased approximately 3%, while sales volume decreased approximately 10%. Higher average prices were due to an increase in sales of nitrates used for thermal storage for solar electricity generation which have higher prices on average than traditional markets for industrial chemicals. Volumes decreased as demand declined for traditional applications of industrial chemicals, which are closely tied to economic conditions.

While demand for traditional applications of industrial chemicals was weak during much of 2009, we experienced growth in demand for nitrates used in thermal storage for solar electricity generation. We expect this trend to continue in the short- to medium- term as new projects continue to be developed. In addition, we believe volumes for traditional industrial applications, especially explosives for infrastructure and civil works, are also beginning to show positive signs of recovery.

#### Potassium chloride

Potassium chloride revenues for 2009 totaled US\$284.8 million, an increase of 103.4% compared to 2008, when revenues amounted to US\$140.0 million. Set forth below are sales volume data for the specified years.

(in Th. MT)	2009	2008	% change
Potassium chloride	556.5	185.6	200%

As a result of market conditions, average prices for potassium chloride significantly decreased during 2009. Our sales volumes, however, increased approximately 200%. Although global demand for potassium chloride declined during 2009, we were able to increase our sales significantly as we were successful in further penetrating this market and gaining market share.

Much of 2009 was characterized by uncertainty in the potassium chloride market, and many buyers were reluctant to make purchases due to a lack of price visibility. During the fourth quarter of 2009 and the first three months of 2010, however, China and India settled strategic contracts which established a floor in pricing, encouraging other important buyers to return to the market for the purchase of potassium chloride. This newly established price has stirred recent demand at the distributor and farmer levels worldwide. As a result, we believe there are signs that demand has begun to increase.

Despite the difficult market conditions in 2009, demand fundamentals—such as population growth and changing diets—for this sector remain intact. Compounding the effects of these long-term fundamentals are short-term demand drivers, such as the need to refill distributor inventories and to replenish soil nutrients.

We are well-positioned as a small player in the potassium chloride market to capture future growth. Our expansion plans in this business line have progressed as anticipated, and we expect 2010 production of potassium related products from the Salar de Atacama to be higher than production recorded in 2009.

#### Other commodity fertilizers

Revenues from sales of other commodity fertilizers and other products totaled US\$79.8 during 2009, a 29% decline compared to US\$112.3 million in 2008. Revenues were impacted by lower demand for commodity fertilizers and lower average prices.

#### Costs of sales

During 2009, costs of sales fell 13% from US\$1,056.3 million (64% of revenues) in 2008 to US\$916.1 million in 2009 (60% of revenues). This decrease was mainly due to a different product mix and to lower unit costs as a result of lower energy costs and a more favorable U.S. dollar/ Chilean peso exchange rate.

Gross profit

Gross profit decreased 28% from US\$717.9 million in 2008 to US\$520.8 million in 2009. The decrease in gross profit, as described above, was mainly due to lower prices and lower volumes in most of our product lines.

### Selling and administrative expenses

Selling and administrative expenses totaled US\$78.9 million (5.5% of revenues) for 2009, compared to the US\$85.7 million (4.8% of revenues) recorded for 2008.

### Operating income

As a result of the factors described above, operating income decreased 30% to US\$441.9 million in 2009 from US\$632.2 million in 2008.

### Non-operating income and expenses

We recorded a non-operating loss of US\$37.0 million for 2009, which is higher than the US\$19.3 million loss recorded in 2008, primarily due to the following:

- in the fourth quarter of 2009, we made provisions for US\$15 million related to the suspension of operations at the El Toco and Pampa Blanca mining facilities. In March 2010, operations at the El Toco and Pampa Blanca mines were temporarily suspended due to decreased global demand for nitrates and iodine during the preceding 15 months coupled with high inventory levels of these products;
- we have increased our financial debt, as well as our cash position, since the fourth quarter of 2008, which has led to higher interest expenses due to the negative carry of debt; and
- we have obtained lower earnings from investments in related companies which also affected non-operating results, as the fertilizer business activities of our offshore affiliates were affected by lower global fertilizer prices.

### Income taxes

In 2009, income taxes were US\$76.5 million, resulting in an effective consolidated tax rate of 18.9% compared to income taxes of US\$108.0 million in 2008 and an effective consolidated tax rate of 17.6%. In accordance with Chilean law, SQM and each of its Chilean subsidiaries compute and pay taxes on an individual basis, not on a consolidated basis.

The corporate income tax rate in Chile was 17% for 2009 and 2008. Our effective tax rate is higher than the Chilean rate primarily because our foreign operations are subject to higher tax rates.

### Results of Operations – 2008 compared to 2007

During 2008, we generated total revenues of US\$1,774.1 million, which was 49.4% higher than the US\$1,187.5 million recorded for 2007.

The main factors that explain the increase in revenues and the variations in the different product lines are as discussed below:

#### Specialty Plant Nutrition

Revenues from sales of specialty plant nutrients products increased 68.6% from US\$580.8 million in 2007 to US\$978.9 million in 2008. Set forth below are sales volume data in the specified year by product category.

(in Th. MT)	2008	2007	% change
Sodium nitrate	22.8	45.9	(50)%
Potassium nitrate and sodium potassium nitrate	538.2	695.3	(23)%

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Potassium sulfate	138.3	172.0	(20)%
Blended and other specialty fertilizers	205.9	261.5	(21)%
Other non-SQM specialty plant nutrients(1)	103.1	117.1	(12)%

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(1) Consists of certain specialty plant nutrients products that were not produced by us which we resell primarily in Chile.

The year-over-year growth in revenues was due to substantially higher prices, which more than offset a decline in sales volumes. On average, specialty plant nutrients prices increased 116% compared to 2007. This increase is a result of an increase in prices for potassium-related fertilizers reflecting the long-term scarcity of production capacity. Furthermore, the specialized nature of this product line continued to command higher prices for our specialty plant nutrients products.

Sales volume for specialty plant nutrients across our main markets fell year-over-year as farmers were mainly affected by tight credit conditions generated by global financial crisis and economic slowdown.

#### Iodine and its derivatives

Revenues for iodine and its derivatives amounted to US\$246.9 million, 14.8% higher than the US\$215.1 million recorded for 2007. Set forth below are sales volume data for the specified years.

(in Th. MT)	2008	2007	% change
Iodine and its derivatives	10.5	9.1	15%

Our results from iodine and its derivatives for 2008 were driven by an increase in volumes. The increase in our volumes resulted from both market growth and our ability to capture market share. The tightness in the market prompted SQM to announce in the fourth quarter of 2008 a price increase of approximately 25%.

During the first half of 2008, demand growth in the iodine market was sustained by demand for polarizing film in LCDs, x-ray contrast media for diagnostic imaging and animal feed and human nutrition applications. In the second half of 2008, demand for iodine salts used in LCDs and nylon applications for the automotive industry began to decline. However, as mentioned above, the overall results remain positive.

#### Lithium and its derivatives

Revenues for lithium and its derivatives decreased 4% to US\$172.3 million in 2008 from US\$179.8 million in 2007. Set forth below are sales volume data for the specified years.

(in Th. MT)	2008	2007	% change
Lithium and its derivatives	27.9	28.6	(2)%

Our results for lithium and its derivatives products for 2008 were a result of lower volumes and slightly lower prices due to the global economic slowdown. Many applications for lithium are related to the construction industry, which contracted significantly during 2008 affecting sales volumes in the last part of 2008.

#### Industrial chemicals

Revenues for industrial chemicals increased 52.2% to US\$123.6 million in 2008 from US\$81.2 million in 2007. Set forth below are sales volume data for the specified years by product category.

(in Th. MT)	2008	2007	% change
Industrial nitrates	161.9	175.2	(8)%
Boric acid	7.2	9.2	(22)%

Revenues from industrial chemicals increased in 2008 largely as a result of rising prices. Prices of industrial nitrates and prices of specialty plant nutrients are indirectly related, and on average prices for this product line were approximately 66% higher than they were in 2007. With the global economic slowdown, sales volumes for industrial nitrates declined approximately 8% in 2008 as compared to 2007, with a pronounced drop in the fourth quarter.

### Potassium chloride

Revenues from potassium chloride increased 173% from US\$51.3 million in 2007 to US\$140.0 million in 2008. Set forth below are sales volume data for the specified years.

(in Th. MT)	2008	2007	% change
Potassium chloride	185.6	179.0	4%

The increase in year-over-year potassium chloride revenues was a result of a substantial increase in prices due to growing demand and tight supply in the market. Despite lower demand in the fourth quarter of 2008, we were able to sell our potassium chloride given our relatively small size in this market.

In 2008, global potassium chloride prices experienced a sustained increase in recent periods, due to the combined effect of tight supply and growing demand.

### Other commodity fertilizers

Revenues from sales of other commodity fertilizers increased from US\$79.4 million in 2007 to US\$112.3 million in 2008 as a result of better pricing conditions. We recorded losses during the fourth quarter of 2008 for inventories of nitrogen and phosphate fertilizers related to trading activities; these inventories were acquired in previous periods but were negatively impacted by the declining prices in the latter part of 2008.

### Costs of sales

During the first nine months of 2008, costs of sales increased due to the appreciation of the peso and higher costs of oil and raw materials. However, in the fourth quarter of 2008, the U.S. dollar began to strengthen against the peso, alleviating peso-denominated costs and reversing the rising cost trend that had prevailed in previous years. Furthermore, freight rates, oil prices and the cost of raw materials began to fall during the second half of 2008.

### Gross profit

Gross profit increased 118% from US\$329.8 million in 2007 to US\$717.9 million in 2008. The increase in the gross profit, as explained above, was primarily a result of higher prices in our main businesses and higher volumes in iodine which helped us to offset lower sales volumes in the specialty plant nutrients business line, and slightly higher costs.

### Selling and administrative expenses

Selling and administrative expenses totaled US\$85.7 million (4.8% of revenues) for 2008, compared to US\$70.3 million (5.9% of revenues) recorded during 2007. These higher expenses were mainly the result of increased sales commissions in the specialty plant nutrients business line.

### Operating income

As a result of the factors described above, operating income increased 144% to US\$632.2 million in 2008 from US\$259.5 million in 2007.

### Non-operating income and expenses

We recorded a non-operating loss of US\$19.3 million for 2008 which is lower than the US\$27.1 million loss recorded for 2007. The decrease in the non-operating loss was primarily a result of higher interest income, which increased

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from US\$9.3 million in 2007 to US\$13.9 million in 2008, and relatively stable interest expenses.

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## Income taxes

In 2008, income taxes were US\$108.0 million, resulting in an effective consolidated tax rate of 17.6%, compared to income taxes of US\$48.6 million and an effective consolidated tax rate of 20.9% in 2007. In accordance with Chilean law, SQM and each of its Chilean subsidiaries compute and pay taxes on an individual basis, not on a consolidated basis. We had tax loss carry-forwards of US\$16.9 million as of December 31, 2008, the majority of which have no expiration dates and are expected to be utilized in the future.

The corporate income tax rate in Chile was 17% for 2008 and 2007. The Company's effective tax rate is higher than the Chilean rate mainly because its foreign operations are subject to higher tax rates.

The 122% increase in income taxes was mainly due to the increase in our taxable income.

## Foreign Exchange Rates and Inflation

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

The following is a summary of the aggregate net monetary assets and liabilities that are subject to foreign exchange gain or loss by currency at December 31, 2009 and 2008:

	2009 Th US\$	2008 Th US\$
Chilean pesos	(271,513)	(104,605)
Brazilian real	(1,303)	(1,367)
Euro	13,821	64,627
Japanese yen	832	1,033
Mexican pesos	667	2,188
South African rand	28,868	11,584
Dirhams	22,575	15,353
Other currencies	16,968	14,971
Total, net	(189,085)	3,784

We monitor and attempt to maintain our non-dollar assets and liabilities position in balance and make use of foreign exchange contracts and other hedging instruments to try to minimize our exposure to the risks of changes in foreign exchange rates. As of December 31, 2009, for this purpose we had open forward exchange contracts and options to buy U.S. dollars and sell foreign currency for approximately 26.5 million Euros (US\$38 million), and 222 million South African Rands (US\$30.7 million), as well as forward exchange contracts to sell U.S. dollars and buy Chilean pesos for approximately 38,911 million Chilean Pesos (US\$76.7 million).

Also, we had open forward exchange contracts to buy U.S. dollars and sell Chilean pesos to hedge our time deposits in Chilean Pesos for approximately 136,487 million Chilean Pesos (US\$269.2 million) and forward contracts to buy U.S. dollars and sell Chilean pesos for approximately 25,710 million Chilean Pesos (US\$50.7 million) that we used to hedge our fertilizer trading business in Chile.

Additionally, we had open forward exchange contracts and options to buy U.S. dollars and sell foreign currency to hedge part of our future Euro cash flows for approximately 41.3 million Euros (US\$59.1 million).

The net impact of price level adjustments to non-monetary assets and liabilities and equity for those subsidiaries that maintain their accounting records in Chilean pesos is presented in the Chilean GAAP financial statements as part of the net foreign exchange gains and losses and is affected by the level of inflation in Chile. Although other income statement accounts are not affected by monetary correction adjustments, operating expenses that are denominated in UF or are linked to inflation in some manner increase their U.S. dollar values in the same way inflation increases (assuming that the exchange rate remains unchanged).

The prospects and results of operations of SQM could be adversely affected by changes in policies of the Chilean government, other political developments in or affecting Chile, and regulatory and legal changes or administrative practices of Chilean authorities, over which we have no control.

#### U.S. GAAP Reconciliation

This discussion on our operating and financial results and condition presented above is based on our primary financial statements prepared in accordance with Chilean GAAP. Chilean GAAP differs significantly in certain aspects from U.S. GAAP. The principal differences between Chilean GAAP and U.S. GAAP as they relate to our Company are (i) the elimination of the effects of the technical appraisal of property, plant and equipment undertaken in 1988, (ii) the effects of elimination of monetary correction (price-level restatement) and conversion of financial statements of subsidiaries that keep their accounting records in currencies other than U.S. dollars, (iii) the accounting for derivative contracts, (iv) the accounting for staff severance indemnities, (v) treatment of goodwill, and (vi) the elimination of deferred tax complementary accounts. For further details of these differences between Chilean GAAP and U.S. GAAP, see Note 30 to the Consolidated Financial Statements.

Net income under U.S. GAAP for 2009, 2008, and 2007 was US\$349.4 million, US\$506.7 million and US\$200.2 million, respectively, compared to that reported under Chilean GAAP of US\$327.1 million, US\$501.4 million and US\$180.0 million, respectively.

Total shareholders' equity under U.S. GAAP at December 31, 2009 and 2008 was US\$1,481.2 million and US\$1,415.3, respectively, compared to that reported under Chilean GAAP of US\$1,466.6 million and US\$1,463.1 million, respectively.

#### 5.B. Liquidity and Capital Resources

As of December 31, 2009, we had US\$545.4 million of cash and cash equivalents and time deposits. In addition, as of December 31, 2009, we had unused uncommitted credit lines amounting to US\$470.5 million and unused committed credit lines amounting to US\$40 million. We renewed part of these committed lines during 2009 for a period of 3 years.

Shareholders' equity remained relatively unchanged from US\$1,463.1 million in 2008 to US\$1,466.6 million in 2009. Our ratio of total liabilities to equity plus minority interest on a consolidated basis increased from 0.70 as of December 31, 2008 to 1.12 as of December 31, 2009.

We evaluate from time to time our cash requirements to fund capital expenditures, dividend payouts and increases in working capital. If we consider that our internally generated cash flows will not be sufficient we evaluate and choose the best financial alternative available to us. As debt requirements also depend on the level of accounts receivables and inventories, we cannot accurately determine the amount of debt we will require. However, we believe that our cash flow generated by operations, cash balances and available credit lines will enable us to meet our working capital, capital expenditure and debt service requirements for 2010, 2011 and 2012.



The table below sets forth SQM's cash flows for 2009, 2008, 2007:

(in millions of U.S. dollars)	2009	2008	2007
<b>Cash generated by (used in):</b>			
Operating activities	371.4	457.3	311.3
Financing activities	202.5	(38.4)	(157.1)
Investing activities	(373.0)	(278.8)	(174.2)
Increase (decrease) in cash and cash equivalents	226.6	139.6	(19.7)

We operate a capital-intensive business that requires significant investments in revenue-generating assets. Our growth strategy has included the purchase of production facilities and equipment and has also included the improvement and expansion of existing facilities. Funds for capital expenditures and working capital requirements have been obtained from net cash provided by operating activities, corporate borrowing under credit facilities and issuance of debt securities.

Our capital expenditures, not considering capitalized interest, amounted to US\$357.0 million in 2009.

For 2010, we expect total capital expenditures of approximately US\$370 million, and we expect total capital expenditures of approximately US\$280 million in 2011, which can be increased or decreased depending on market conditions.

Our other major use of funds is the payment of dividends. We declared US\$325.9 million, US\$217.0 million and US\$91.8 million in dividends during the years 2009, 2008 and 2007 respectively. On March 16, 2010, our Board of Directors agreed to propose a modification to our 2009 dividend policy that would lower the dividend rate from 65% to 50% of net income. This modification was approved at the annual shareholders meeting held on April 29, 2010. Under Chilean law, the minimum dividend payout is 30% of net income for each fiscal year.

#### Financing activities

Our current ratio (current assets divided by current liabilities) increased from 3.0x as of December 31, 2008 to 3.2x as of December 31, 2009. The following table sets forth key information about our outstanding debt as of December 31, 2009:

Financial instruments	Interest rate	Issue date	Maturity date	Amortization
Bond—CH\$ 21,000 million(1)	7.00%	Jan. 13, 2009	Jan. 5, 2014	Bullet
Bond—UF 1.50 million(1)	3.00%	May 8, 2009	Apr. 1, 2014	Bullet
Bond—CH\$ 52,000 million(1)	5.50%	May 8, 2009	Apr. 1, 2014	Bullet
Bond—US\$200 million	6.125%	Apr. 5, 2006	Apr. 15, 2016	Bullet
Bond—UF 2.55 million(1)	4.00%	Jan. 24, 2006	Dec. 1, 2026	Semiannual partial amortization beginning in 2007
Bond—UF 4.00 million(1)	4.90%	Jan. 13, 2009	Jan. 5, 2030	Semiannual, beginning in 2019
Syndicated loan—US\$100 million	3M LIBOR + 0.375%	Mar. 3, 2005	Feb. 25, 2010	Bullet
Bilateral loan—US\$50 million	6M LIBOR + 1.50%	Dec. 24, 2008	Dec. 24, 2010	Bullet
Bilateral loan—US\$20 million	6M LIBOR + 3.30%	Mar. 20, 2009	Mar. 20, 2011	Bullet
Bilateral loan—US\$10 million	6M LIBOR + 3.30%	Mar. 23, 2009	Mar. 23, 2011	Bullet

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Syndicated loan—US\$80 million	6M LIBOR + 0.30%	Nov. 28, 2006	Nov. 28, 2011	Bullet
Syndicated loan—US\$75 million	3M LIBOR + 3.00%	Jun. 30, 2009	Jun. 24, 2012	Bullet
Bilateral loan—US\$40 million	3M LIBOR + 2.25%	Sep. 11, 2009	Sep. 11, 2012	Bullet
Bilateral loan—US\$140 million	6M LIBOR + 2.10%	Oct. 29, 2009	Oct. 29, 2014	Bullet

(1) UF- and Ch\$- denominated bonds are fully hedged to U.S. dollars with cross-currency swaps.

As of December 31, 2009, we had total debt of US\$1,302.3 million, compared to total debt of US\$657.7 million as of December 31, 2008. Taking into account the effects of financial derivatives, total debt amounted to US\$1,238.6 million as of December 31, 2009 and US\$659.1 million as of December 31, 2008. Of the total debt as of December 31, 2009, US\$267.1 million was short-term debt. All of our long-term debt (including the current portion) as of December 31, 2009 was denominated in U.S. dollars, and all our UF and Ch\$ local bonds were hedged with cross-currency swaps to the U.S. dollar.

From December 31, 2009 to the date of this report, we repaid or renewed the following debt:

- on January 26, 2010, we paid short-term bank debt, in an amount of US\$10 million with a term of 11 months and an annual interest rate of approximately Libor + 2.4%.
- on February 12, 2010, we paid short-term bank debt, dated as of February 20, 2009, in an amount of US\$20 million with a term of 1 year and an annual interest rate of approximately Libor + 2.585%.
- on February 22, 2010, we renewed a short-term bank debt, in an amount of US\$14.5 million with a term of 6 months and an annual interest rate of approximately Libor + 0.557%.
- on February 25, 2010, we renewed a short-term bank debt, in an amount of US\$20 million with a term of 3 months and an annual interest rate of approximately Libor + 0.6%.
- on February 25, 2010, we paid a US\$100 million credit agreement, dated as of February 25, 2005, with a term of 5 years and an annual interest rate of approximately Libor + 0.375%.
- on March 17, 2010, we paid commercial papers, dated as of March 24, 2009, in an amount of Th Ch\$15,000,000 (US\$29 million) with a term of 9 months and an annual interest rate of approximately 3.3% in pesos.

The financial covenants related to our debt instruments include: (i) limitations on the ratio of total liabilities to equity (including minority interest) on a consolidated basis, (ii) limitations on the ratio of total liabilities to equity (including minority interest) on an unconsolidated basis, (iii) minimum net worth requirements, (iv) limitations on net financial debt to EBITDA (operating income plus amortization expense plus depreciation plus dividends received from investment in relate companies) ratio on a consolidated basis, (v) limitations on interest indebtedness of operating subsidiaries and (vi) minimum production assets. We believe that the terms and conditions of our debt agreements are standard and customary and that we are in compliance in all material respects with such terms and conditions.

The following table sets forth the maturities of our long-term debt by year December 31, 2009:

Maturity(1) (in millions of US\$)	Amount
2011	115.13
2012	120.13
2013	5.13
2014	327.28
2015	5.13
2016 and thereafter	402.81
<b>Total</b>	<b>975.62</b>

(1) Only the capital has been included. For the UF and Ch\$ local bonds, the amounts presented reflect the real U.S. dollar obligation resulting from the effects of the cross currency swaps that hedge these bonds to the U.S. dollar.

From December 31, 2009 to the time this report was prepared, we renewed or issued the following debt:

- on February 22, 2010, we renewed a short-term bank debt, in an amount of US\$14.5 million with a term of 6 months and an annual interest rate of approximately Libor + 0.557%.
- on February 25, 2010, we renewed a short-term bank debt, in an amount of US\$20 million with a term of 3 months and an annual interest rate of approximately Libor + 0.6%.



- on March 31, 2010, we entered into a short-term bank debt for US\$5 million, with a term of 1 month and an annual interest rate of approximately Libor + 0.55%.
- on April 21, 2010, we issued in the U.S. market a bond of US\$250 million with an annual interest rate of 5.5%. The interest will be paid semi-annually and the capital will be paid in a single amortization during April, 2020.
- on May 26, 2010, we renewed a short-term bank debt, in an amount of US\$20 million with a term of 1 month and an annual interest rate of approximately Libor - 0.2541%.

#### Environmental Projects

In 2009 we made disbursements amounting to US\$9.7 million related to environmental, safety and health projects. We have budgeted future disbursements for the year 2010 amounting to US\$11.1 million related to environmental, safety and health projects. This amount forms part of the capital expenditure program discussed above. Regarding the María Elena Project as well as our other major environmental projects see Item 4. Information on the Company—Environmental Regulations.

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

One of the main objectives of our research and development team is to develop new processes and products in order to maximize the returns obtained from the resources that we exploit. The areas of research cover topics such as chemical process design, phase chemistry, chemical analysis methodologies and physical properties of finished products.

There are four units that perform this function each of which reports to one of the Senior VP of Nitrate and Iodine Operations, to the Senior VP of Nueva Victoria Operations, to the Senior VP of Salar Operations, and to the Senior VP of Safety, Health and Environment.

Our research and development policy emphasizes the following: (i) optimization of current processes in order to decrease costs and improve product quality through the implementation of new technology, and (ii) development of higher-margin products from current products through vertical integration or different product specifications.

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

We have patented several production processes for nitrate, iodine, and lithium products. These patents have been filed mainly in the United States, Chile, and in other countries when necessary.

For the years ended December 31, 2009, 2008, and 2007, we spent US\$4.6 million, US\$2.6 million, and US\$2.8 million, respectively, on research and development activities.

#### 5.D. Trend Information

Market sentiment in general has begun to improve in the first months of 2010, and as a result we expect that in 2010 sales volumes across our business lines will be higher than sales volumes in 2009.

In 2009, the prices of our specialty plant nutrition segment decreased compared to 2008, due to general market uncertainty in potassium fertilizer markets. Although it is difficult to accurately predict prices in this segment for the

second half of 2010, we believe prices will remain relatively flat or slightly lower compared to prices observed during the first half of 2010. Sales volumes of potassium nitrate and sodium potassium nitrate decreased during 2009 with respect to 2008. We believe sales volumes could increase in 2010 compared to 2009.

Lithium prices fell slightly in 2009 compared to 2008, as a result of a price decrease announced in September of 2009. Prices were cut in late 2009 as a measure to stimulate demand, and prices have remained relatively stable in the following months. Sales volumes in 2009 were lower than 2008 as a result of the economic downturn. However, given recent signs of economic recovery in the lithium market, we expect sales volumes in 2010 to be higher than 2009.

In late 2008 we announced an increase in iodine prices, and as a result, iodine prices increased approximately 13% in 2009 compared to 2008. We expect prices in 2010 to remain relatively stable compared to average 2009 prices. Sales volumes in 2009 were lower than 2008, as a result of deteriorated economic conditions. The first months of 2010 have shown signs of improvement in the iodine industry, and we believe that our sales volumes for this business segment could increase in 2010.

Prices for industrial-grade nitrates increased in 2009 as compared to 2008. It is difficult to predict at this time what prices for industrial-grade nitrates will be in the near future given that they are to a certain extent linked to the prices of agricultural-grade nitrates.

Prices of potassium chloride during the first half of 2010 in general have been relatively stable. At this stage, the Company cannot predict what the price trends will be for 2011 onwards. Despite prevailing industry trends, sales volumes in 2009 were significantly higher than 2008. Our small size in this market allows us flexibility in making sales. We believe that our sales volumes for this segment will double in 2010.

During 2009, production costs were lower than in 2008, mainly due to a different product mix and to lower unit costs as a result of lower energy costs and a more favorable U.S. dollar/Chilean peso exchange rate. We expect that 2010 production costs will be slightly higher than in 2009 due to a less favorable U.S. dollar/Chilean peso exchange rate and higher energy costs.

#### 5.E. Off-Balance Sheet Arrangements

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

#### 5.F. Tabular Disclosure of Contractual Obligations

The following table sets forth our material expected obligations and commitments as of December 31, 2009:

	Total ThUS\$	Less Than 1 year ThUS\$	1 - 3 years ThUS\$	3 - 5 Years ThUS\$	More Than 5 years ThUS\$
Long- and short-term debt (*)	1,287,848	252,627	110,000	460,905	464,316
Capital lease obligations	487	300	187	-	—
Operating leases (**)	198,463	9,021	18,042	18,042	153,358
Purchase commitments	122,651	115,257	7,394	-	—
Staff severance indemnities	29,444	-	-	-	29,444
Total Contractual Obligations and Commitments	1,638,893	377,205	135,623	478,947	647,118

(\*) Only the Capital has been included and the effect of the cross currency swap

(\*\*) See Consolidated Financial Statements Note 30 II. e)



## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## 6.A. Directors and Senior Management

We are managed by our executive officers under the direction of our Board of Directors, which, in accordance with the Company's By-laws, consists of eight directors, seven of whom are elected by holders of Series A shares and one of whom is elected by holders of Series B shares. The entire Board of Directors is regularly elected every three years at our ordinary shareholders' meeting. Cumulative voting is allowed for the election of directors. At the annual ordinary shareholders' meeting that took place on April 30, 2008, a new Board was elected, and their terms will expire in 2011. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If a vacancy occurs, the entire Board must be elected or re-elected at the next regularly scheduled meeting of shareholders. Our Chief Executive Officer is appointed by the Board of Directors and holds office at the discretion of the Board. The Chief Executive Officer appoints our executive officers. There are regularly scheduled meetings of the Board of Directors once a month. Extraordinary meetings may be called by the Chairman when requested by (i) the director elected by holders of the Series B shares, (ii) any other director with the assent of the Chairman or (iii) an absolute majority of all directors. The Board has a Directors' Committee and its regulations are discussed below.

Our directors as of May 31, 2010 are as follows:

## Directors

Name	Position	Current position held since
Julio Ponce L. (1)	Chairman of the Board and Director Mr. Ponce is a Forestry Engineer with a degree from the Universidad de Chile. He joined the Company in 1981. He is also Chairman of the board of directors of the following corporations: Sociedad de Inversiones Pampa Calichera S.A., Sociedad de Inversiones Oro Blanco S.A., Norte Grande S.A. and Soquimich Comercial S.A. He is the brother of Eugenio Ponce.	September 1987
Wayne R. Brownlee	Vice Chairman of the Board and Director Mr. Brownlee is Executive Vice-President, Treasurer and Chief Financial Officer of Potash Corporation of Saskatchewan, Inc. Mr. Brownlee earned degrees in Arts and Science and Business Administration from the University of Saskatchewan. He is on the board of directors of Great Western Brewing Company. He became a director of SQM in December 2001.	December 2001
Hernán Büchi B.	Director Mr. Büchi is a Civil Engineer with a degree from the Universidad de Chile. He served as Vice Chairman of SQM's Board from January 2000 to April 2002. He is currently a member of the board of directors of Quiñenco S.A., S.A.C.I. Falabella and Madeco S.A., among others. He is also Chairman of the board of directors of Universidad del Desarrollo.	April 1993



José María Eyzaguirre B.	<p>Director</p> <p>Mr. Eyzaguirre is a lawyer and is a partner of the Chilean law firm Claro y Cia. He obtained his law degree from the Universidad de Chile and was admitted to the Chilean Bar in 1985. In 1987, he obtained a Master's Degree from the New York University School of Law. He was admitted to the New York Bar in 1988. He is also a member of the board of directors of D&amp;S, an affiliate of Wal-Mart, Gasoducto del Pacífico S.A., a transandean gas pipeline, Embotelladora Andina S.A., a bottler of The Coca Cola Company, and Chairman of the board of directors of Club de Golf Valle Escondido.</p>	December 2001
Daniel Yarur E.	<p>Director</p> <p>Mr. Yarur is an Information Engineer with a degree from the Universidad de Chile and holds an MSc in Finance from the London School of Economics and an AMP from Harvard Business School. He is a member of the board of directors of Banco de Crédito e Inversiones, Antofagasta P.L.C. (based in London), Antofagasta Minerals, President Fundación Chilena de Ajedrez and President Fondo de Inversiones Alekine. Mr. Yarur was Chairman of the Chilean Securities and Exchange Commission from 1994 to 2000 and was also Chairman of the Council Organization of the Securities Regulators of America. He is also a Professor in the Faculty of Economic and Administrative Sciences, Universidad de Chile.</p>	April 2003
Wolf von Appen	<p>Director</p> <p>Mr. Von Appen is an entrepreneur. He is currently a member of the board of directors of Sociedad de Fomento Fabril and Vice President of Centro de Estudios Publicos.</p>	May 2005
Eduardo Novoa C.	<p>Director</p> <p>Mr. Novoa is an economist with a degree from the Universidad de Chile and holds a Master in Business Administration from the University of Chicago. He has held positions in business development, corporate level strategic direction and asset management at a number of Chilean and multinational companies, either as a member of the board of directors, Chief Development Officer, Country Manager or CEO. Currently, Mr. Novoa provides strategic advisory services and is a member of the board of several private companies.</p>	April 2008

Kendrick T. Wallace

Director

December 2001

Mr. Wallace is a lawyer who graduated from Harvard Law School. He is currently a consultant to certain fertilizer industry companies. Until July 1, 2008 when he retired, he was Senior Vice President and General Counsel of Yara International ASA in Oslo, Norway. Prior to the spin-off of Yara International ASA from Norsk Hydro ASA, he was the chief legal counsel of Norsk Hydro ASA for North and South America in Tampa, Florida. Before that he was a partner in the law firm of Bryan Cave LLP in Kansas City, Missouri. He is also on the board of directors of Sociedad de Inversiones Pampa Calichera S.A.



Our executive officers as of May 31, 2010 are as follows:

Executive Officers

Name	Position	Current position held since
Patricio Contesse G.(2)	<p>Chief Executive Officer</p> <p>Mr. Contesse is a Forestry Engineer with a degree from the Universidad de Chile. He joined the Company in 1981 as CEO, a position he held until 1982, and again in 1988 for one year. In the past, he was CEO of Celco Limitada, Schwager S.A. and Compañía de Aceros del Pacífico S.A. He has also served as Operations Senior Executive Vice President of Codelco Chile, President of Codelco USA and Executive President of Codelco Chile. Mr. Contesse is also a member of the board of directors of Soquimich Comercial S.A.</p>	March 1990
Patricio de Solminihac T.	<p>Chief Operating Officer and Executive Vice President</p> <p>Mr. de Solminihac is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration from the University of Chicago. He joined the Company in 1988 as Business Development Vice President. Currently he is a member of the board of directors of Melon S.A. and CEM S.A. Mr. de Solminihac is also a member of the board of directors of Soquimich Comercial S.A.</p>	January 2000
Matías Astaburuaga S.	<p>General Counsel and Senior Vice President</p> <p>Mr. Astaburuaga is a lawyer with a degree from the Pontificia Universidad Católica de Chile. He joined the Company in 1989. Before that, he was Regional Counsel of The Coca Cola Export Corporation, Andean Region and Regional Counsel of American Life Insurance Company, Latin America Region.</p>	February 1989
Ricardo Ramos R.	<p>Chief Financial Officer and Business Development Senior Vice President</p> <p>Mr. Ramos is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile. He joined SQM in 1989. Mr. Ramos is also a member of the board of directors of Soquimich Comercial S.A.</p>	November 1994

Jaime San Martín L.(2)	<p>Nueva Victoria Operations Senior Vice President</p> <p>Mr. San Martín is a Transportation Engineer with a degree from the Pontificia Universidad Católica de Chile. He joined the Company in 1995 as Project Manager. He became Metallic Mining Development Manager in 1997, and Development Manager in 1998, Business Development and Mining Property Vice President in 1999, Technical Senior Vice President in 2001, and Senior Vice President of Lithium Operations and Mining Affairs in January 2007.</p>	March 2008
Eugenio Ponce L.	<p>Senior Commercial Vice President</p> <p>Mr. Ponce is a Mechanical Engineer with a degree from the Universidad Católica de Valparaíso. In 1981, he joined the Company as a Sales Manager. He became Commercial Manager in 1982, Commercial and Operations Manager in 1988 and Chief Executive Officer of SQM Nitratos S.A. in 1991. Currently he is a member of the board of Soquimich Comercial S.A. and Vice Chairman of the board of directors of Pampa Calichera. He is Julio Ponce's brother.</p>	March 1999
Mauricio Cabello C.	<p>Nitrates-Iodine Operations Senior Vice President</p> <p>Mr. Cabello is a Mechanical Engineer with a degree from the Universidad de Santiago de Chile. He joined the Company in 2000 as Maintenance Superintendent of SQM Salar. He became Maintenance Manager of SQM's nitrates and iodine operations in 2002 and Production Manager of SQM's nitrates and iodine operations in 2004. He previously worked in various engineering-related positions in Pesquera San José S.A., Pesquera Coloso S.A. and Cintac S.A.</p>	June 2005
Pauline De Vidts S.	<p>Safety, Health &amp; Environment Senior Vice President</p> <p>Mrs. De Vidts is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Ph.D. in Chemical Engineering from Texas A&amp;M University. She joined the Company in 1996 to work in process development for the Salar de Atacama Operations, becoming Development Manager for these operations in 1998, and in 2001, she became Corporate R&amp;D and Environmental Issues Vice President.</p>	June 2005

Juan Carlos Barrera P. (2)      Salar and Lithium Operations Senior Vice President      January 2007

Mr. Barrera is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration degree from Tulane University and a Master in Business Administration degree from Universidad de Chile. He joined the Company in 1991 as an advisor in the Business Development area and has served in many positions since then. In 1995, he became Business Development Manager of SQM Nitratos S.A. In 1999, he became the Corporate Quality Manager, in 2000 Corporate Supply Chain Vice President and, in 2006, General Manager of Soquimich Comercial S.A. Mr. Barrera is also a member of the board of directors of Soquimich Comercial S.A.

Daniel Jiménez Sch.      Human Resources and Corporate Affairs      May 2007

Senior Vice President

Mr. Jiménez is an Industrial Engineer with a degree from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration degree from Old Dominion University. He joined the Company in 1991, holding several positions in the finance and sales areas at SQM's headquarters and foreign subsidiaries in USA and Belgium, countries he was based in for eight years. In 2002, he became VP Sales and Marketing Iodine, Lithium and Industrial Chemicals.

(1)      Mr. Julio Ponce's ownership interest in SQM is explained in Item 6.E. Share Ownership.

(2)      The individual beneficially owns less than one percent of the Company's shares.

#### 6.B. Compensation

During 2009, directors were paid a monthly fee (UF 300 to the Chairman and UF 50 to each of the remaining seven directors), which was independent of attendance and the number of Board sessions. In addition, the directors received variable compensation (in Chilean pesos) based on a profit-sharing program approved by the shareholders. In 2009, the Chairman received the equivalent of 0.50% of 2008 net income and the remaining seven directors received the equivalent of 0.50% of 2008 net income, divided equally among those directors.

At the annual general shareholders meeting of SQM held in April 2009, shareholders approved a change in variable compensation for the 2009 fiscal year to an amount equal to 0.35% of 2009 net income for the Chairman of the Board and of 0.04% of 2009 net income for each of the remaining seven Directors. Profit-sharing payments are paid in the year following the fiscal year in which they are earned.

In addition, during 2009, members of the Directors Committee were paid 50UF each month regardless of the number of sessions held by the Committee. On April 29, 2010, the Annual General Shareholders Meeting of SQM agreed to pay a monthly remuneration of 17UF to each member of the Directors Committee, regardless of the number of sessions held by the Committee during the period between May 2010 and April 2011, both months included. Additionally, shareholders approved variable compensation for the 2010 fiscal year to an amount equal to 0.013% of 2010 net income for each Committee member. This remuneration is also independent from what the

Committee members obtain as members of the Company's Board of Directors.

During 2009, the compensation paid to each of our directors, who served on the Board during the year, was as follows (amounts in Chilean pesos):

	Meeting(Ch\$)	SQM S.A. Committee (Ch\$)	SQMC Meeting (Ch\$)	TOTAL (Ch\$)
Julio Ponce Lerou	1,588,815,774		75,552,288	1,664,368,062
Wayne R, Brownlee	226,806,182			226,806,182
Hernán Büchi Buc	226,568,058	11,306,784		237,874,842
José María Eyzaguirre Baeza	227,878,811			227,878,811
Eduardo Novoa Castellón	228,925,981	13,664,707		242,590,688
Wolf Von Appen	233,145,873			233,145,873
Kendrick T, Wallace	226,806,182			226,806,182
Daniel Yarur Elsaca	227,878,811	12,617,537		240,496,348
Total	3,186,825,672	37,589,028	75,552,288	3,299,966,988

For the year ended December 31, 2009, the aggregate compensation paid to our 105 main executives based in Chile was Ch\$12,981.5 million. We do not disclose to our shareholders or otherwise make available to the public information as to the compensation of our individual executive officers.

We maintain incentive programs for our employees, based on individual performance, company performance, and short- medium- and long-term indicators. Additionally, in order to provide incentives to key executives and to retain such executives, we maintain a long-term cash bonus compensation plan for certain senior executives, which consists of a long-term bonus linked to the our share price and is payable between 2007 and 2011

As of December 31, 2009, the provision providing a long-term bonus linked to our share price would have increased or decreased by approximately US\$800,000 per each movement of US\$1 in the Series B share price. The amount of actual cash bonuses payable under the long-term incentive program will vary depending on the market share price of the Series B shares on the date as of which the bonuses are paid.

As of December 31, 2009, we had a provision related to all of the incentive programs in an aggregate of US\$36.3 million.

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

#### 6.C. Board Practices

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

The date of expiration of the term of the current Board of Directors is April 2011. The contracts of our executive officers are indefinite.

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

Directors' Committee – Audit Committee

As required by Chilean Law, we have a Comité de Directores ("Directors' Committee") composed of three directors, which performs many of the functions of an audit committee. This Directors' Committee complies with the requirements of the NYSE corporate governance rules applicable to audit committees. Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 beginning July 31, 2005, but are not at any time required to comply with Rule 303A.07.

As of May 31, 2010, the Company's Directors' Committee comprised three Directors: Mr. Hernán Büchi B., Mr. Eduardo Novoa C. and Mr. Daniel Yarur E. Each of the three members meets the NYSE independence requirements for audit committee members. This Directors' Committee operates in accordance with article 50 bis of the Chilean Corporations Act, which provides that the Directors' Committee will, among other things:

- (a) examine and issue an opinion regarding the external auditor's report including financial statements prior to its final presentation for approval at the ordinary shareholders meeting;
- (b) propose to the Board the external auditors and the rating agencies that will be presented to the ordinary shareholders meeting;
- (c) examine and elaborate a report concerning the operations covered by Title XVI of the Chilean Corporations Act, which relates to related party transactions; and
- (d) examine the remuneration and compensation plans of the senior management.

Accordingly, the following were the main activities of our Directors' Committee during 2009:

- (a) analysis of unaudited financial reports;
- (b) analysis of audited financial reports;
- (c) analysis of reports submitted by external auditors, account inspectors and rating agencies, and formulation of proposals to the Board recommending external auditors, account inspectors and rating agencies that could be designated by the respective annual general shareholders meeting;
- (d) analysis of functions, objectives and working programs of our internal audit department;
- (e) analysis of the Company's senior executives' remuneration and compensation plans;
- (f) analysis of the records relating to the transactions referred to in Title XVI of the Chilean Corporations Act;
- (g) analysis of matters related to the U.S. "Sarbanes-Oxley Act," especially regarding Section 404 thereof;
- (h) analysis of matters related to U.S. norms, "IFRS" and "PCAOB;" and
- (i) analysis of internal control report.

On April 29, 2010, the Annual General Shareholders Meeting of SQM approved an operational budget for the Directors Committee; the operational budget is equivalent to the annual remuneration of the members of the Directors

Committee.

The activities carried out by the Committee, as well as the expenses incurred by it, are to be disclosed at the General Shareholders Meeting. During 2009, the Directors Committee did not incur any consulting expenses.

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

Considering the effective shareholder structure as of December 31, 2009, the majority of the members of the Directors Committee are independent.

#### Comparative Summary of Differences in Corporate Governance Standards

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

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

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.01	Listed companies must have a majority of independent directors.	There is no legal obligation to have a majority of independent directors on the Board but according to Chilean law, the Company's directors cannot serve as executive officers.
303A.02	No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). In addition, a director is not independent if: (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company. (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). (iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner	A Director is considered independent if he would have been elected without the vote of the controlling shareholder and related persons and entities.

of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.

(iv) The director or an immediate family member is, or has been with the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.

(v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.03	The non-management directors must meet at regularly scheduled executive sessions without management.	These meetings are not needed given that directors cannot serve as executive officers.
303A.04	<p>(a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.</p> <p>(b) The nominating/corporate governance committee must have a written charter that addresses:</p> <p>(i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and</p> <p>(ii) an annual performance evaluation of the committee.</p>	This committee is not required as such in the Chilean regulations. However, pursuant to Chilean regulations SQM has a Directors' Committee (see Board practices above).
303A.05	Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter	This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations SQM has a Director's Committee (see Board practices above) that is in charge of reviewing management's compensation.
303A.06	Listed companies must have an audit committee.	This committee is not required as such in the Chilean regulations. Pursuant to Chilean regulations, SQM has a Directors' Committee that performs the functions of an audit committee and that complies with the requirements of the NYSE corporate governance rules.
303A.07	The audit committee must have a minimum of three members. All audit committee members must satisfy requirements of independence, and the committee must have a written charter. The listed companies must have an internal audit function to provide management with ongoing assistance of the Company's risk management process and the system of internal controls	Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director's Committee (see Board practices above) that also performs the functions of an audit committee with certain requirements of independence.
303A.08	Shareholders must have the opportunity to vote on all equity-compensation plans and material	SQM does not have equity compensation plans. However, as mentioned in Item 6.B

revisions thereto.

Compensation, the Company does have a long-term cash bonus compensation plan for certain senior executives, which consists of a long-term bonus linked to the Company's share price. Directors and executives may only acquire SQM shares by individual purchases. The purchaser must give notice of such purchases to the Company and the Superintendence of Securities and Insurance.

303A.09 Listed companies must adopt and disclose corporate governance guidelines.

Chilean law does not require that corporate governance guidelines be adopted. Directors' responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors' compensation is approved at the annual meeting of shareholders, pursuant to applicable law.

Section	NYSE Standards	SQM practices pursuant to Chilean Stock Exchange regulations
303A.10	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.	Not required in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the Company's website, www.sqm.com.
303A.11	Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards.	Pursuant to 303A.11, this table sets forth a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A.
303A.12	Each listed company CEO must (a) certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards; (b) promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with any applicable provisions of Section 303A; and (c) must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation as and when required by the interim Written Affirmation form specified by the NYSE. The annual and interim Written Affirmations must be in the form specified by the NYSE.	Not required in the Chilean regulations. The CEO must only comply with Section 303A.12 (b) and (c).
303A.13	The NYSE may issue a public reprimand letter to any listed company that violates a NYSE listing standard.	Not specified in the Chilean regulations.

#### 6.D. Employees

As of December 31, 2009, we had 4,387 employees, of whom 226 were employed outside of Chile. The average tenure of our full-time employees is approximately 8.4 years.

	2009	2008	2007	2006	2005
Permanent employees	4,387	4,561	3,746	3,745	3,672
Employees in Chile	4,161	4,332	3,515	3,415	3,350
Employees outside of Chile	226	229	231	330	322

Of our permanent employees in Chile, 70% are represented by 28 labor unions, which represent their members in collective negotiations with the Company. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of most such agreements currently in effect are three years, and expiration dates of such agreements vary from contract to contract. Under these agreements, employees receive a

salary according to a scale that depends upon job function, seniority and productivity. Unionized employees also receive certain benefits provided for by law and certain benefits, which vary depending upon the terms of the collective agreement, such as housing allowances and additional death and disability benefits.

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

Non-unionized employees receive individually negotiated salaries, benefits provided for by law and certain additional benefits provided by the Company.

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

We have experienced no strikes or significant work stoppages in the last 15 years and consider the relationship with our employees to be good.

At the end of 2008, we offered the unions the possibility to negotiate in advance their collective labor contracts. To date, we have concluded negotiations with 24 labor unions, representing 87% our total unionized workers, signing new agreements which will last for three years. We expect to finish negotiations with the remaining unions during the first half of 2010.

#### 6.E. Share Ownership

As of May 31, 2010, SQM has been informed that the Canadian company Potash Corporation of Saskatchewan Inc. ("PCS") indirectly controls 100% of the shares of Inversiones el Boldo Limitada and 100% of the shares of Inversiones RAC Limitada. Through these companies PCS owns 32% of the total shares of SQM.

As of May 31, 2010, SQM has also been informed that Mr. Julio Ponce L., Chairman of the board of directors of SQM, and related persons control 100% of the total shares of Inversiones SQYA S.A., which currently and indirectly controls 30.54% of the total shares of SQM S.A. The above, considering that Inversiones SQYA S.A. controls 68.15% of the total shares of Norte Grande S.A., that Norte Grande S.A. controls 2.48% of the total shares of Sociedad de Inversiones Pampa Calichera S.A and 79.78% of the total shares of Sociedad de Inversiones Oro Blanco S.A., that Sociedad de Inversiones Oro Blanco S.A controls 80.70% of the total shares of Sociedad de Inversiones Pampa Calichera S.A. and that Sociedad de Inversiones Pampa Calichera S.A. and its subsidiary Inversiones Global Mining (Chile) Ltda. ultimately control 30.54% of the total shares of SQM.

Sociedad de Inversiones Pampa Calichera S.A. and Kowa Company Ltd. –the latter being owner, directly and indirectly, of 2.08% of the total shares of SQM as of May 31, 2010– subscribed on December 21, 2006 a Joint Performance Agreement that allows them to control 32.62% of the total shares of SQM. As a result of this Agreement, the "Group" led by Mr. Julio Ponce L. indirectly controls 32.62% of the total shares of SQM S.A. and is, therefore, the Controller of SQM S.A.

The following table shows the combined stakes that the Controller Group held in SQM as of:

	% Beneficial ownership
May 31, 2010	32.62%
December 31, 2009	32.22%
December 31, 2008	34.05%

No other director or executive officer owns more than 1% of each share class of the Company as of May 31, 2010. See Item 6. Directors, Senior Management and Employees—footnote (1). Individual ownership has not been publicly disclosed.

We do not grant stock options or other arrangements involving the capital of SQM to directors, managers or employees.



## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## 7.A. Major Shareholders

The following table sets forth certain information concerning beneficial ownership of the Series A shares and Series B shares of SQM as of May 31, 2010 with respect to each shareholder known by us to beneficially own more than 5% of the outstanding Series A shares or Series B shares. The following information is derived from our records and reports filed by certain of the persons named below with the Superintendency of Securities and Insurance and the Santiago Stock Exchange.

Shareholder	Number of series A shares beneficially owned	% series A shares	Number of series B shares beneficially owned	% series B shares	%total shares
Sociedad de Inversiones Pampa Calichera S.A.(1)(2)	57,934,256	40.56%	8,643,774	7.18%	25.30%
Inversiones El Boldo Ltda.(3)	44,679,453	31.28%	17,643,419	14.66%	23.68%
The Bank of New York	—	—	50,784,946	42.19%	19.30%
Inversiones RAC Chile Ltda.(3)	19,200,242	13.44%	2,699,773	2.24%	8.32%
Inversiones Global Mining (Chile) Limitada.(1)	13,798,539	9.66%	—	—	5.24%
Chilean AFP's(4)	10,340	0.01%	10,688,178	8.88%	4.06%

(1) Mr. Julio Ponce L., Chairman of the Board of SQM, and related persons control 100% of Inversiones SQYA S.A. ("SQYA"). SQYA indirectly controls and beneficially owns a majority of the shares of Sociedad de Inversiones Pampa Calichera S.A., ("Pampa Calichera") which, in turn, owns also 100% of Global Mining Investments (Chile) S.A. Therefore, Mr. Ponce and related persons beneficially own through the above entities 80,376,569 shares constituting 30.54% of the total shares of SQM. The stake held by Mr. Ponce and related parties as of December 31, 2009, 2008 and 2007 was respectively, 30.15%, 32.00% and 32.00% of the total shares of SQM.

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

(3) Potash Corporation of Saskatchewan ("PCS") owns 100% of Inversiones el Boldo Limitada and 100% of Inversiones RAC Ltda., and, accordingly is the beneficial owner of 84,222,887 SQM's shares that represent 32.00% of SQM's total shares. The stake held by PCS as of December 31, 2009, 2008, and 2007 was, respectively, 32.00%, 32.00%, and 32.00% of the total shares of SQM.

(4) Administradoras de Fondos de Pensiones ("AFPs") are legal entities that manage pension funds in Chile.

As of December 31, 2007, Yara owned 49% of the shares of Inversiones SQYA which in turn, indirectly owned 32.00% of the shares of SQM. On April 21, 2008, Yara sold 100% of the shares it held in Inversiones SQYA to Mr.

Julio Ponce and related persons. As a result of this sale, as of December 31, 2009, Mr. Julio Ponce and related persons owned 100% of the shares of SQYA.

On December 21, 2006, Pampa Calichera and Kowa Company Ltd. (the latter being owner, directly and indirectly, of 2.07% of the total shares of SQM as of December 31, 2009) executed a joint performance agreement that allows them to currently control 32.22% of the total shares of SQM. As a result of this agreement, the "group" led by Mr. Julio Ponce L. became the "controller group" of SQM, as that term is defined under Chilean law.

Series A and Series B shares have the same economic rights (i.e., both series are entitled to share equally in any dividends declared on the outstanding stock) and voting rights at any shareholders meeting, whether ordinary or extraordinary, with the sole exception of the election of the Board, in which the Series A shareholders elect seven members and the Series B shareholders elect one member. Additionally, Series B shares cannot exceed 50% of our issued and outstanding stock, shareholders of at least 5% of this series may call an ordinary or extraordinary shareholders' meeting and the director elected by this series may request an extraordinary Board meeting without the authorization of the Chairman of the Board. These conditions will remain in effect until 2043. Under our by-laws, the maximum individual voting power personally and/or in representation of other shareholders per series is limited to 37.5% of the subscribed shares of each series with voting rights and 32% of the total subscribed shares with voting rights. To calculate these percentages, shares that belong to the voting shareholder's related persons must be added. In addition, the director elected by the Series B shares cannot vote in the election of the Chairman of the Board if a tie vote has occurred in the prior voting process. As of December 31, 2009, there are 142,819,552 Series A shares and 120,376,972 Series B shares outstanding.

#### 7.B. Related Party Transactions

Title XVI of Law No. 18,046, or the Chilean Corporations Act (the "Law"), regulates transactions with related parties for publicly held corporations and its related parties.

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

In addition, Article 89 of the Law requires that transactions in between affiliates, subsidiaries or related parties of a sociedad anónima cerrada shall also be on terms similar to those customarily prevailing in the market. Directors and executive officers of companies that violate Article 89 are liable for losses resulting from such violations.

With respect to SQM S.A., operations with related parties include negotiations, proceedings, contracts or operations involving: (i) SQM and (ii) its controller, directors, managers and officers, and their spouses and relatives, and other companies and persons connected to the abovementioned parties or mentioned in the by-laws or by the Directors' Committee. Such operations may only be carried out if: (i) their objective is to contribute to the Company's interests and if their price, terms and conditions conform to prevailing market prices, terms and conditions at the time of their approval, and (ii) they satisfy the requirements and procedures established by the Law. Such requirements include, among others: (a) that the operation be informed to the Board of Directors prior to its execution, (b) that the Board of Directors, excluding any Directors involved in the operation, approves the operation with an absolute majority of its members, or, if an absolute majority is not feasible, with a unanimous vote by the Directors not involved in the transaction, or, if neither of these options is available, that an Extraordinary Shareholders' Meeting be held and that shareholders representing 2/3 of the outstanding shares with voting rights approve the operation. In the latter case, prior to the meeting, the shareholders must be provided with a report by an independent evaluator and with statements by the directors as to whether or not such operation is in the Company's interest, (c) that the grounds for the decision and for the exclusion be recorded in the respective minutes of the Board meeting, and (d) that the agreement and the names of the directors who approved the same be reported at the next Shareholders' Meeting. Infractions will not affect the validity of the operation but they will grant the Company or its shareholders the right to demand that the related party committing such infraction refund the amount equivalent to the benefits received by such party in the operation to the Company, and that such party indemnify the Company for any corresponding damages.

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

We believe that we have complied with the applicable requirements of the referred Articles in all transactions with related parties. Accounts receivable from and payable to related companies are stated in U.S. dollars and accrue no interest. Transactions are made under terms and conditions that are similar to those offered to unrelated third parties. We further believe that we could obtain from third parties all raw materials now being provided by related parties. The provision of such raw materials by new suppliers could initially entail additional expenses.

For additional information concerning our transactions with affiliates and other related parties, see Note 5 of the Consolidated Financial Statements.

7.C. Interests of Experts and Counsel

Not applicable

## ITEM 8. FINANCIAL INFORMATION

## 8.A. Consolidated Statements and Other Financial Information

8.A.1 See Item 18. Consolidated Financial Statements for our consolidated financial statements.

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

8.A.3 See Item 18. Consolidated Financial Statements—Report of Independent Registered Public Accounting Firm.

8.A.4 Not applicable.

8.A.5 Not applicable.

## 8.A.6 Export Sales

We derive most of our revenues from sales outside of Chile. The distribution of sales presented below reflects the regions in which the Company's subsidiaries are located and does not necessarily reflect the final destination of the products sold. The following is the composition of the consolidated sales for the periods ending on December 31:

Th. US\$	2009	2008	2007
Foreign sales	1,208,282	1,395,834	954,641
Total sales	1,436,891	1,774,119	1,187,527
% of foreign sales	84.09%	78.68%	80.39%

## 8.A.7 Legal Proceedings

The Company is party to various other lawsuits arising in the ordinary course of business. See Note 23 to the Consolidated Financial Statements for more information on these legal proceedings. We believe it is unlikely that any losses associated with such lawsuits will significantly affect the Company's results of operations, financial position, and cash flows.

## 8.A.8. Dividend Policy

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

The Board of Directors has followed a policy of paying a single dividend ranging from 50% to 65% of our consolidated net income for the year (determined on a Chilean GAAP basis), and dividends for each year have been paid not later than May of the following year. The dividend policy for 2009 established that SQM must distribute and pay in favor of its shareholders, as a final dividend, the amount in Chilean pesos equivalent to 65% of the distributable

income for 2009. This policy was partially modified on March 16, 2010 when the Board of Directors of SQM proposed modifying this policy lowering this percentage to 50%. At the Annual Shareholders' Meeting held on April 29, 2010, SQM's shareholders approved this modification of the dividend policy and approved a payment of a definitive dividend in the amount of US\$0.62131 per share. From this definitive dividend, the interim dividend amount of US\$0.37994 per share was deducted. Payments for this dividend were made on May 12, 2010.

At the Annual Shareholders' Meeting held on April 29, 2010, shareholders also agreed to pay and distribute a dividend equal to 50% of the distributable income corresponding to 2010. For this purpose, distributable income excludes (i) accrued and uncollected profits from SQM investments that are not subject to consolidation and (ii) amortization of negative goodwill. Also, at the same meeting, shareholders agreed to the payment and distribution of an interim dividend that most likely will be paid during the final quarter of 2010 in an amount not to exceed 50% of the accumulated earnings of the nine months ending September 30, 2010.

We generally declare dividends in U.S. dollars (but may declare dividends in Chilean Pesos) and pay such dividends in Chilean Pesos. When a dividend is declared in U.S. dollars, the exchange rate to be used to convert the dividend into Chilean Pesos is decided by the shareholders at the meeting that approves the dividend, which has usually been the Observed Exchange Rate on the date the dividend is declared.

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

#### Dividends

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

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

Declared for the business year	Dividends Paid in	P e r	
		Per Share Ch\$	ADR (1) US\$
2003	2004	55.05	0.088
2004	2005	106.56	0.182
2005	2006	145.11	0.279
2006	2007	183.96	0.349
2007	2008	204.14	0.445
2008 (interim)	2008	243.34	0.380
2008	2009	515.90	0.858
2009 (interim)	2009	191.32	0.380
2009	2010	126.69	0.241

(1) The ratio of ordinary shares to Series A ADRs was 10:1 for all periods reflected in the table. The Series A ADRs were delisted from the New York Stock Exchange on March 27, 2008. The ratio of ordinary shares to Series B ADRs changed from 10:1 to 1:1 on March 28, 2008. The calculation in the table for all periods is based on the ratio of 1:1.

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



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

8.B. Significant Changes

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

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## ITEM 9. THE OFFER AND LISTING

## 9.A Offer and Listing Details

## Price History

The table below sets forth, for the periods indicated, the reported high and low closing prices for our shares on the Santiago Stock Exchange and the high and low closing prices of the ADRs as reported by the NYSE, as the two main exchanges on which our shares are traded. On March 27, 2008, the Company voluntarily delisted its series A ADRs from the New York Stock Exchange. In addition, on March 28, 2008, a ratio change for the Company's series B ADRs entered into effect, modifying the ratio of ordinary shares to series B ADRs from the previous ratio of 10:1 to a new ratio of 1:1.

## (a) Last 5 years

	Santiago Stock Exchange Per Share (1)				NYSE Per ADR			
	Series A		Series B		Series A (2)		Series B (3)	
	High Ch\$	Low Ch\$	High Ch\$	Low Ch\$	High US\$	Low US\$	High US\$	Low US\$
2005	7,000	3,600	7,170	3,269	129.40	66.80	13.34	5.75
2006	7,100	5,220	7,347	5,000	137.50	93.15	13.95	8.99
2007	12,100	7,100	9,985	6,800	234.80	135.00	20.04	12.50
2008	29,300	12,100	27,012	6,750	-	-	55.74	14.77
2009	22,000	16,000	21,839	14,319	-	-	40.18	23.84

## (b) Last 10 quarters

	Santiago Stock Exchange Per Share (1)				NYSE Per ADR			
	Series A		Series B		Series A (2)		Series B (3)	
	High Ch\$	Low Ch\$	High Ch\$	Low Ch\$	High US\$	Low US\$	High US\$	Low US\$
<b>2008</b>								
First quarter	12,600	12,100	10,658	6,750	290.00	226.00	24.25	14.77
Second quarter	29,300	16,000	27,012	10,500	-	-	54.74	23.98
Third quarter	25,000	16,000	22,856	13,049	-	-	44.71	23.56
Fourth quarter	16,450	15,990	16,451	9,469	-	-	26.05	15.25
<b>2009</b>								
First quarter	19,000	16,000	18,997	14,319	-	-	31.73	23.84
Second quarter	22,000	19,000	21,839	15,969	-	-	38.88	27.75
Third quarter	22,000	20,900	21,397	18,695	-	-	40.15	33.49
Fourth quarter	21,910	20,700	21,401	18,600	-	-	40.18	36.36
<b>2010</b>								
First quarter	22,150	21,000	21,329	18,903	-	-	43.85	34.40
Second quarter (through May 31)	21,750	21,700	19,844	17,561	-	-	38.26	32.22



(c) Last 6 months

	Santiago Stock Exchange				NYSE			
	Per Share (1)				Per ADR			
	Series A		Series B		Series A (2)		Series B (3)	
High	Low	High	Low	High	Low	High	Low	
Ch\$	Ch\$	Ch\$	Ch\$	US\$	US\$	US\$	US\$	
December 2009	21,350	20,700						