CHEMICAL & MINING CO OF CHILE INC
Form 6-K/A
October 22, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K/A

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

SECURITIES EXCHANGE ACT OF 1934

For the month of October, 2014.

Commission File Number 33-65728

CHEMICAL AND MINING COMPANY OF CHILE INC.

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F: x Form 40-F

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

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

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

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

Statement

This Form 6-K/A amends and restates in its entirety the Form 6-K filed October 20, 2014. We have prepared this report to provide our investors with disclosure and financial information regarding recent developments in our business and results of operations for the six months ended June 30, 2013. The information in this report supplements information contained in our annual report on Form 20-F/A for the year ended December 31, 2013, filed with the Securities and Exchange Commission on April 29, 2014.

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Forward-looking information

Statements contained herein that are or may constitute forward-looking statements within the meaning of the U.S. 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,” “sho “may,” “could,” “potential” and “achieve,” among other similar expressions, may identify forward-looking information. These statements include statements regarding our and our management’s intent, belief or current expectations, including, among others, statements concerning:

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

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. Factors that could cause actual results to differ materially include, among others, the following:

- volatility of global prices for our products;
- political, economic and demographic developments in certain emerging market countries, where we conduct a large portion of our business;
- changes in production capacities;
- the nature and extent of future competition in our principal markets;
- our ability to implement our capital expenditures program, including our ability to obtain financing when required;
- changes in raw material and energy prices;
- currency and interest rate fluctuations;
- risks relating to the estimation of our reserves;
- changes in quality standards or technology applications;
- adverse legal, regulatory or labor disputes or proceedings;
- changes in governmental regulations; and
- additional factors discussed under “Risk factors.”

References

All references to “SQM,” the “Company,” “we,” “our,” “ours” and “us” refer to Sociedad Química y Minera de Chile S.A. and consolidated subsidiaries, except as otherwise provided or unless the context otherwise requires. All references to “US$” and “U.S. dollars” are to United States dollars, all references to “pesos” or “Ch$” are to Chilean pesos, and all 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 June 30, 2014, UF 1.00 was equivalent to US$43.46 and Ch$24,023.61. All references to “Th. MT” are to thousand metric tons.

Adjusted EBITDA, which is not an IFRS financial measure, is defined as gross profit plus depreciation and amortization less administrative expenses. Adjusted EBITDA should not be considered as a substitute for profit, net cash from operating activities or other measures of financial performance or liquidity. Our measurements of Adjusted EBITDA may not be comparable to similarly titled measurements used by other companies.

Our consolidated financial statements as of and for the six months ended June 30, 2014 and 2013 have been prepared in accordance with International Financial Report Standards (“IFRS”).

All financial information presented in this report is on a consolidated basis, unless otherwise indicated. The basis of consolidation by SQM of other entities is set forth in note 2.5 to our unaudited consolidated financial statements.

Certain amounts (including percentage amounts) have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables or different parts of this report may vary slightly, and figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them.

Risk factors

Risks relating to our business

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.

Since 2008, world prices of potassium-based fertilizers (including some of our specialty plant nutrients and potassium chloride) have fluctuated as a result of the broader global economic and financial conditions. Although prices of potassium-based fertilizers stabilized in 2009 after the conclusion of important contract negotiations between major producers and buyers, during the second half of 2013, potassium prices declined as a result of an unexpected announcement made by the Russian company OAO Uralkali ("Uralkali") that it was terminating its participation in Belarus Potash Corporation ("BPC"). As a result of the termination of Uralkali's participation in BPC, there was increased price competition in the market. In addition, during the first half of 2014, we observed lower pricing of contracts between Chinese purchasers and major potash producers, which has increased volatility in the price of fertilizers. We cannot assure you that potassium-based fertilizer prices and sales volumes will not decline in the future.

Iodine prices followed an upward trend from late 2008 through 2012, reaching an average price of approximately US$53 per kilogram in 2012, over 40% higher than average prices in 2011. During 2013, even though iodine demand reached record highs, demand growth softened, and supply increased, causing a decline in iodine prices. The average price of iodine seen by us was approximately US$50 per kilogram in 2013, approximately 6% less than average prices seen by the Company in 2012 and approximately US$40 per kilogram for the six months ended June 30, 2014, approximately 19% less than in 2013, in line with our expectations. We cannot assure you that iodine prices or sales volumes will not continue to decline in the future.

As a result of events in global markets during 2009, demand for lithium carbonate declined, causing a drop in lithium prices and sales volumes. In September 2009, we announced a 20% price cut for lithium carbonate and lithium hydroxide as a measure to stimulate demand. As a result, in 2010, we observed demand recovery in the lithium market, which continued in 2011 and 2012. In 2013, we continued to see strong market growth, driven mostly by an increase in demand related to battery use. However, demand growth was accompanied by an increase in supply from existing competitors. The average price of lithium carbonate for the six months ended June 30, 2014 was US$5,200 per ton. We cannot assure you that this positive demand trend will continue in the future or that lithium prices and sales volumes will not decline in the future.

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

We sell our products in more than 115 countries around the world. In 2013, 49% of our sales were made in emerging market countries: 17% in Central and South America (excluding the Republic of Chile, or "Chile"); 14% in Asia and others (excluding Japan); 11% in Chile; and 7% in Africa and the Middle East. We expect to expand our sales in these and other emerging markets in the future. In addition, we may carry out acquisitions or joint ventures in jurisdictions in which we currently do not operate, relating to any of our businesses or to new businesses in which we believe we may have sustainable competitive advantages. The results of our operations and our prospects will then depend, in part, on the general level of political stability and economic activity and policies of each country. Future developments in the political systems or economies or the implementation of future governmental policies, including the imposition of withholding and other taxes, restrictions on the payment of dividends or repatriation of capital, the imposition of import duties or other restrictions, the imposition of new environmental regulations or price controls or changes in relevant laws or regulations, could have a material adverse effect on our business, financial condition and results of operations.

Our inventory levels may increase because of the global economic slowdown

In general, the global economic slowdown experienced during 2008 and 2009 had an impact on our inventories. Demand decreased during 2009 and, as a result, inventories increased significantly and continued to be high in 2013. 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 not continue to remain high or increase further 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

Potentially negative effects of the global economic slowdown on the financial condition of our customers may include the extension of the payment terms of our accounts receivable and may increase our exposure to bad debt. While we have implemented certain safe guards, such as using credit insurance, letters of credit 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 iodine or lithium carbonate from current or new competitors in the markets in which we operate could adversely affect prices

During 2013, supply of iodine and lithium carbonate increased due to new supply from existing competitors entering the market and increases in production from some of our current competitors, which affected prices for both products. Potential new production of iodine and lithium carbonate from current or new competitors in the markets in which we operate could adversely affect prices. There is limited information on the status of new iodine or 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 have a material adverse effect on our business, financial condition and results of operations.

Our capital expenditure program 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 activities at or above present levels, or that we will be able to implement our projects or receive the necessary permits required for them in time. Any or all of these factors may have a material adverse effect on our business, financial condition and results of operations.

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

We rely on certain raw materials and various sources of energy (diesel, electricity, LNG, fuel oil and others) to manufacture our products. Purchases of raw materials that we do not produce and energy constitute an important part of our cost of sales, 17.7% in 2013. In addition, we may not be able to obtain energy at any price if supplies of our sources of energy are curtailed or otherwise become unavailable. To the extent we are unable to pass on increases in raw materials and energy prices to our customers or we are unable to obtain energy, our business, financial condition and results of operations could be materially adversely affected.

Currency fluctuations may have a material effect on our financial performance

We transact a significant portion of our business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which we operate. In addition, the U.S. dollar is our functional currency for financial statement reporting purposes. A significant portion of our costs, however, is related to the peso. Therefore, an increase or decrease in the exchange rate between the peso and the U.S. dollar would affect our costs of production. The 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, 2013, the peso exchange rate was Ch$524.61 per U.S. dollar, while as of December 31, 2012, the peso exchange rate was Ch$479.96 per U.S. dollar. The peso depreciated against the U.S. dollar by 9% in 2013. As of June 30, 2014, the peso exchange rate was Ch$ 550.60 per U.S. dollar. On October 16, 2014, the Observed Exchange Rate was Ch$591.16 per U.S. dollar.

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

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 ("LIBOR"), plus a spread. Since we are currently hedging only a portion of these liabilities into fixed rates, we are exposed to interest rate risk relating to LIBOR fluctuations. As of June 30, 2014, 16% our financial debt had LIBOR-based pricing that was not hedged into fixed rates. A relative increase in the rate could materially adversely affect our business, financial condition and results of operations.

Our reserves estimates could be subject to significant changes

Our caliche ore mining reserves estimates are prepared by our own geologists, and were validated in January 2014, by Mrs. Marta Aguilera, a geologist with over 20 years of experience in the field. She is currently employed by SQM as Manager of Non-metallic Geology. Mrs. Aguilera is a Competent Person (*Persona Competente*), as the term is defined under Chilean Law No. 20,235 that Regulates the Position of Competent Person and Creates the Qualifying Committee for Competencies in Mining Resources and Reserves (*Ley que Regula la Figura de las Personas Competentes y Crea la Comisión Calificadora de Competencias de Recursos y Reservas Mineras*, or "Competent Person Law"). Our Salar de Atacama brine mining reserve estimates are prepared by our own geologists, and were validated by Mr. Orlando Rojas Vercelotti, a civil engineer currently employed by EMI-Ingenieros y Consultores S.A., an independent consulting firm, and a Competent Person (*Persona Competente*), as the term is defined under Chilean Law No. 20,235. 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 or are enacting stricter regulations for the distribution and/or use of our products. As a result, if we cannot meet such new standards or regulations, we may not be able to sell our products. In addition, our cost of production may increase in order to meet any such newly imposed or enacted standards. Failure to sell our products in one or more markets or to important customers could materially adversely affect our business, financial condition and results of operations.

Chemical and physical properties of our products could affect their commercialization

Since our products are derived from natural resources, they contain inorganic impurities that may not meet certain customer or government standards. As a result, we may not be able to sell our products if we cannot meet such requirements. In addition, our cost of production may increase in order to meet such standards. Failure to sell our products or to meet such standards 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 and business operations 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.

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

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 and consequently our business, financial condition and results of operations.

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

Over 95% of our employees are employed in Chile, of which approximately 71% were represented by 25 labor unions as of June 30, 2014. As in previous years, during 2013 we renegotiated collective labor contracts with individual unions one year before the expiration of such contracts. As of June 30, 2014, we had concluded advanced negotiations with 13 labor unions, which represent 72% of our total unionized workers, signing new agreements with each for durations of three years. We are in the process of negotiating collective labor contracts with the 12 remaining unions. We are exposed to labor strikes that could impact our production levels. If a strike occurs, 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. 16,744, known as the Law on Work Related Accidents and Professional Diseases (*Ley de Accidentes de Trabajo y Enfermedades Profesionales*, or the "Labor Accidents Law"), 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 either the National Geology and Mining Service (*Servicio Nacional de Geología y Minería*, or "SERNAGEOMIN") or the Labor Board *(Dirección del Trabajo*, or "Labor Board") or the Regional Health Service (*Secretaría Regionales Ministeriales de Salud*, or "Seremi de Salud"), 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. We cannot assure you that compliance with the Labor Accidents Law will not result in a material increase to our labor costs. The effects of this law could have a material adverse effect on our business, financial condition and results of operations.

Lawsuits and arbitrations could adversely impact us

We are party to a range of lawsuits and arbitrations involving different matters as described under "Business—Legal proceedings" and in note 19.1 of our unaudited 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 (*Código del Trabajo*, or "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 in labor lawsuits which could have a material adverse effect on our business, financial condition and results of operations.

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Our market reputation could be adversely affected by the negative outcome of certain proceedings against certain members of our Board and certain other named defendants

On September 10, 2013, the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros* or "SVS") issued a press release disclosing it had instituted certain administrative proceedings (the "Cascading Companies Proceedings") against (i) Mr. Julio Ponce L., who is Chairman of the Board of the Company, (ii) Mr. Patricio Contesse Fica, who is a director of the Company and the son of the Company's CEO, and (iii) other named defendants. The Company has been informed that Mr. Ponce and related persons beneficially owned 29.93% of SQM's total shares as of June 30, 2014. The SVS alleged breaches of Chilean corporate and securities laws in connection with entities with direct or indirect share ownership interests in the Company (the "Cascading Companies"). The allegations made in connection with the Cascading Companies Proceedings do not relate to any acts or omissions of the Company or of any of its directors, officers or employees in their capacities as such.

In connection with the Cascading Companies Proceedings, the SVS alleged the existence of a scheme, involving the named defendants, whereby, through a number of transactions occurring between 2009 and 2011, the Cascading Companies sold securities of various companies, including securities of the Company, at below-market prices to companies related to Mr. Ponce and to other named defendants, which companies, after a lapse of time, sold such securities, in most instances back to the Cascading Companies, at prices higher than those at which they were purchased. The SVS alleged violation by the defendants of a number of Chilean corporate and securities laws in furtherance of the alleged scheme.

On January 31, 2014, the SVS added a number of Chilean financial institutions, asset managers, and certain of their controlling persons, executives or other principals, as named defendants to the Cascading Companies Proceedings. On September 2, 2014, the SVS issued a decision against the defendants imposing an aggregate fine against all the defendants of UF 4,010,000 (approximately US$164.6 million), including a fine against Mr. Ponce of UF 1,700,000 (approximately US$69.5 million) and a fine against Mr. Contesse Fica of UF 60,000 (approximately US$2.4 million). The defendants are currently challenging the administrative decision of the SVS before a Chilean Civil Court.

The High Complexity Crimes Unit (*Unidad de Delitos de Alta Complejidad*) of the Metropolitan District Attorney's Office (*Fiscalía Metropolitana Centro Norte*) is also investigating various criminal complaints filed against various parties to the Cascading Companies Proceedings. In addition, the Chilean IRS (*Servicio de Impuestos Internos*) announced an investigation of the nature and characteristics of the transactions alleged to have occurred in the Cascading Companies Proceedings in order to determine whether the individuals or companies involved violated Chilean tax laws or filed false returns with the purpose of evading taxes.

In accordance with Chilean corporate law, the two directors of the Company affected by the Cascading Companies Proceedings or by the investigations described above and related matters may continue to be members of the Company's Board and continue to participate in Board matters until, and depending on, the final and non-appealable disposition by the courts of any criminal complaints made against them in the Cascading Companies Proceedings.

If, for any reason, the Company is unable to differentiate itself from the named defendants, such failure could have a material adverse effect on the Company’s market reputation and commercial dealings. In addition, during the course of the Cascadas Companies Proceedings, Mr. Ponce and Mr. Contesse Fica may devote time and energy to defending their appeals. Furthermore, we cannot assure you that a non-appealable disposition of claims in connection with the current Cascading Companies Proceedings or the investigations of the High Complexity Crimes Unit or the Chilean IRS in relation to the allegations described above that is adverse to Mr. Ponce or Mr. Contesse Fica will not have a material adverse effect on our market reputation, commercial dealings and the price of our securities, or that the Cascading Companies will not sell shares of the Company or vote to increase the dividends we pay to our shareholders.

Arbitration proceedings under the Lease Agreement for the Salar de Atacama, if determined adversely to us, would materially adversely affect our business and operations

SQM Salar S.A. (“SQM Salar”), our subsidiary, holds exclusive exploitation rights to the mineral resources existing in 81,920 hectares in the Salar de Atacama pursuant to a lease agreement entered into between SQM Salar and Corporación de Fomento de la Producción (“Corfo”), a Chilean government entity, in 1993 (the “Lease Agreement”). The exploitation mining concessions related to such rights are owned by Corfo and leased to SQM Salar in exchange for lease royalty payments to Corfo based on specified percentages of the value of the products resulting from the minerals extracted from the Salar de Atacama brines. For the six months ended June 30, 2014 and the year ended December 31, 2013, revenue related to products originating from the Salar de Atacama represented 38% and 37%, respectively, of our consolidated revenues (corresponding to revenues from our potassium and lithium and its derivatives product lines for such periods). All of our products originating from the Salar de Atacama are derived from our extraction operations under the Lease Agreement with Corfo.

In May 2014, Corfo commenced arbitration proceedings against SQM Salar by filing a claim alleging that (i) SQM Salar had incorrectly applied the formulas to determine lease royalty payments resulting in an underpayment to Corfo of at least US$8.9 million for the period from 2009 through 2013, and (ii) SQM Salar had not complied with its obligation to protect the mining rights of Corfo by failing to mark on site the “HM”, or milestones of measurement, of some of Corfo’s exploitation mining concessions. Based on such alleged breaches of the Lease Agreement, Corfo seeks (i) the payment of at least US$8.9 million plus any other amount that may be due in respect of periods after 2013, (ii) early termination of the Lease Agreement, (iii) the lease royalty payments that would have been paid through 2030 as compensation for such early termination of the Lease Agreement, and (iv) punitive damages (*daño moral*) in an amount equal to 30% of contractual damages awarded. SQM Salar asserts that both parties applied formulas in accordance with their joint understanding and in a manner consistent with the course of dealing of the parties during the term of the Lease Agreement. SQM Salar also asserts that the breaches alleged by Corfo to have occurred under the Lease Agreement would be technical breaches, and that Corfo may terminate the Lease Agreement solely based on a material breach. While SQM Salar believes that it is likely it will prevail in the arbitration proceeding, an adverse ruling against SQM Salar awarding damages in the amount sought by Corfo or permitting early termination of the Lease Agreement by Corfo would have a material adverse effect on the Company, its business, results of operations and cash flows. In addition, we cannot assure you that Corfo will not use this arbitration proceding to seek to renegotiate the terms of the Lease Agreement in a manner that is not favorable to us. See “Business—Legal proceedings—Corfo arbitral claims.” In addition, we cannot assure you that Corfo will not take other actions in the future in respect of the Lease Agreement that are contrary to our interests.

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, which could have, in turn, 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 or statements of any future projects or activities (or significant modifications thereto) that may affect the environment and we are required to obtain an environmental license for certain projects and activities. The environmental assessment service (*Servicio de Evaluación Ambiental,* or "Environmental Assessment Service") currently evaluates environmental impact studies submitted for its approval, 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, if they fail to comply with applicable regulations. Enforcement remedies available include fines up to approximately US$10 million and temporary or permanent closure of facilities and revocation of the environmental license.

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

We regularly monitor the impact of our operations on the environment and have, from time to time, made modifications to our facilities to minimize any adverse environmental impacts. 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. The success of our current investments at the Salar de Atacama and Nueva Victoria is dependent on the behavior of the ecosystem variables being monitored over time. If the behavior of these variables in future years does not meet environmental requirements, our operation may be subject to important restrictions by the authorities on the maximum allowable amounts of brine and water extraction.

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

In addition, our worldwide operations are subject to international and other local environmental regulations. We may incur liabilities and face claims in respect of such regulations. We have entered into and will continue to enter into contractual arrangements that may impose indemnity or other obligations and liabilities relating to environmental matters resulting from the conduct of our business.

In addition, environmental laws and regulations in the different jurisdictions in which we operate may change. We cannot guarantee that claims made against us or liabilities we may incur in respect of existing environmental liabilities and future environmental laws, or changes to existing environmental laws, will not materially adversely impact our business, financial condition and results of operations.

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

Our access to water may be impacted by changes in geology, climate change 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.

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

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

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

Changes in mining or port concessions could affect our operations

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. 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. SQM Salar holds exclusive exploitation rights to the mineral resources existing in 81,920 hectares in the Salar de Atacama in northern Chile. These rights are owned by Corfo, a state-owned entity, and leased to SQM Salar pursuant to the Lease Agreement between Corfo and SQM Salar. Under the regulations of the Chilean Nuclear Energy Commission (*Comisión Chilena de Energía Nuclear,* or "CCHEN"), we are limited to 180,100 tons of total lithium extraction in the aggregate for all periods. More than halfway through the term of the Lease Agreement, we have extracted approximately half of the total accumulated extraction limit of lithium. However, there can be no assurance that we will not reach the lithium extraction limit prior to the term of the Lease Agreement. In addition, we cannot assure you that Corfo will not take other actions in the future in respect of the Lease Agreement that are contrary to our interests.

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.

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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 (*Dirección General de Aguas*) for supply of water from rivers and wells near our production facilities, which we believe are sufficient to meet current operating requirements. However, the Chilean water rights code (*Código de Aguas*, or the "Water Code") is subject to changes, which could have a material adverse impact on our business, financial condition and results of operations. For example, 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.

The Tax Reform recently enacted in Chile amended the corporate tax regime and increased the corporate tax rate, and in the future the Chilean government could levy additional taxes on corporations operating in Chile

In 2005, the Chilean Congress approved Law No. 20,026 that establishes a specific tax on mining activity (*Ley que Establece un Impuesto Específico a la Actividad Minera,* or the "Royalty Law"), establishing a royalty tax to be applied to mining activities developed in Chile.

As a result of the earthquake and tsunami in February 2010, the Chilean government raised the corporate income tax rate in order to pay for reconstruction following the earthquake and tsunami. Such legislation increased the general corporate tax rate from its historic rate of 17.0% to 20.0% for the income accrued in 2011, which was declared and paid in 2012. On September 27, 2012, Law No. 20,630 introduced new amendments to existing tax legislation. Among the amendments introduced, the corporate income tax was maintained at 20% effective for 2013.

On September 29, 2014, Law No. 20,780 was published in the Chilean Official Gazette (the "Tax Reform"), introducing significant changes to the Chilean taxation system and strengthening the powers of the Chilean IRS to control and prevent tax avoidance. The Tax Reform contemplates, among other matters, changes to the corporate tax regime to create two tax regimes. Starting on January 1, 2017, Chilean companies will be able to opt between two tax regimes: (i) the partially integrated regime (*sistema parcialmente integrado*); or (ii) the attributable taxation regime (*sistema de renta atribuida*). In both regimes, the corporate tax rate will be gradually increased to 24% in 2016 (21% in 2014, 22.5% in 2015 and 24% in 2016). On or after January 1, 2017, and depending on the tax regime chosen by a company, tax rates may gradually be increased to a maximum rate of 25% in 2017 in the case of the attributable taxation regime or 27% in 2018 in the case of the partially integrated regime. See "Management's discussion and analysis of financial condition and results of operations—Impact of Chilean Tax Reform."

As a *sociedad anónima abierta*, the default regime that applies to us is the partially integrated regime, unless at a future shareholders' meeting our shareholders agree to opt for the attributable taxation regime. In accordance with IFRS, we will be required to recognize the effect of the increase in the tax rate based on the partially integrated regime on our deferred tax liability in our consolidated statements of income in our financial statements for the nine months ended September 30, 2014. We estimate that the one-time increase in deferred tax liability will be in the range of US$55 million to US$60 million. The increase will result in a charge to profit in an equivalent amount that will be reflected in our financial statements for the nine months ended September 30, 2014. The increase in deferred tax liability will adversely affect our financial condition and results of operations for the nine months ended September 30, 2014, but will not affect our cash flows. We cannot assure you that the actual amount of such increase will be consistent with our estimate for the nine months ended September 30, 2014 or that additional adjustments will not be necessary when our financial statements for the year ending December 31, 2014 are audited.

In addition, the Tax Reform may have other material adverse effects on our business, financial condition and results of operations.

Likewise, we cannot assure you that the manner in which the Royalty Law or the corporate tax rate are 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.

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

Chile, a member of the International Labor Organization ("ILO"), has ratified the ILO's Convention 169 (the "Indigenous Rights Convention") concerning indigenous and tribal 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 (without any veto or approval right) and of any legislative or administrative measure that may affect them directly; 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 Chilean 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

Chile is prone to earthquakes because it is located along major fault lines. The most recent major earthquake in Chile occurred in April 2014, offshore, and had a magnitude of 8.2 on the Richter scale. This earthquake followed one in February 2010, which caused substantial damage to some areas of the country. A major earthquake or a volcano eruption could have significant negative consequences for our operations and for the general infrastructure, such as roads, rail, and access to goods, in Chile. Although we maintain 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.

Management's discussion and analysis of
financial condition and results of operations

The following discussion should be read in conjunction with our unaudited consolidated financial statements as of and for the six months ended June 30, 2014, and the notes thereto.

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;
- potassium, including potassium chloride and potassium sulfate;
- industrial chemicals, principally industrial nitrates and solar salts; and
- the purchase and sale of other commodity fertilizers for use primarily in Chile.

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

Factors affecting our results of operations

Our results of operations substantially depend on:

- trends in demand for and supply of our products, including global economic conditions, which impact prices and 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 pesos, and trends in the exchange rate between the U.S. dollar and the euro, as a significant portion of our sales is denominated in euros; and
- energy, logistics, raw materials, labor and maintenance costs.

Results of operations and market outlook

The following table sets forth our revenues and the percentage accounted for by each of our product lines for each of the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2012		2011		2014		2013	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in millions of U.S. dollars, except for percentages)									
Specialty plant nutrients	687.5	31	675.4	28	721.7	34	379.5	36	378.6	32
Iodine and its derivatives	461.0	21	578.1	24	454.5	21	183.3	17	254.6	21
Lithium and its derivatives	196.5	9	222.2	9	183.4	9	104.1	10	92.4	8
Potassium	606.3	28	605.1	25	555.7	26	299.6	28	317.0	27
Industrial chemicals	154.0	7	245.2	10	139.5	7	60.6	6	109.8	9
Other commodity fertilizers[(1)]	97.9	4	103.2	4	90.5	4	29.2	3	37.4	3
Total	2,203.2	100	2,429.2	100	2,145.3	100	1,056.4	100	1,189.9	100

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

The following table sets forth certain of our financial information and the percentage of our revenues of such financial information for each of the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2013		2012		2011		2014		2013	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in millions of U.S. dollars, except for percentages)									
Revenue	2,203.2	100	2,429.2	100	2,145.3	100	1,056.4	100	1,189.9	100
Cost of sales	(1,481.7)	67	(1,400.6)	58	(1,290.5)	60	(756.2)	72	(763.2)	64
Gross profit	721.5	33	1,028.6	42	854.8	40	300.1	28	426.7	36
Other income	96.7	4	12.7	1	47.7	2	5.3	0	9.0	1
Administrative expenses	(105.2)	5	(106.4)	4	(91.8)	4	(44.8)	4	(50.7)	4
Other expenses	(49.4)	2	(34.6)	1	(63.0)	3	(29.9)	3	(24.6)	