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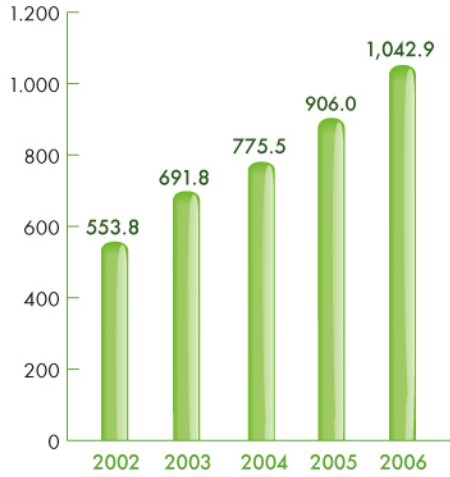


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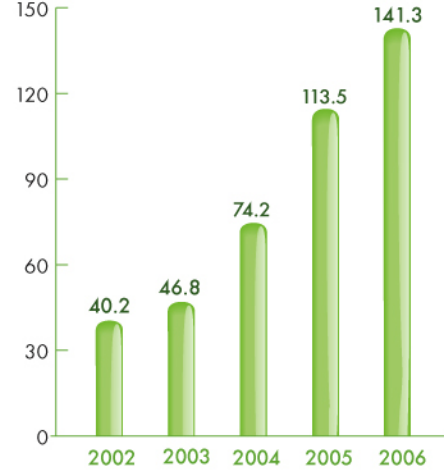
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Financial Background 2002 - 2006

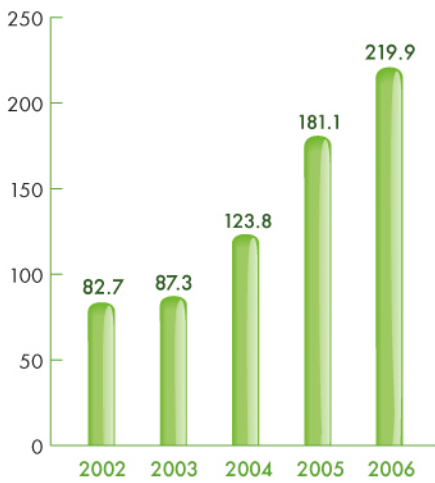
Total Revenues
(MUS\$)



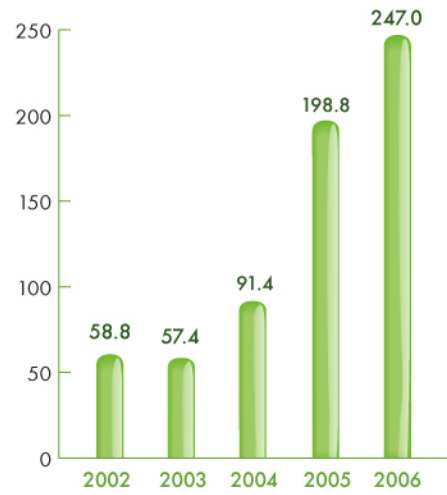
Net Income
(MUS\$)



Operating Income
(MUS\$)



Capital Expenditures
(MUS\$)



SQM'S WORLDWIDE PRESENCE



GEOGRAPHICAL SALES DISTRIBUTION

MUS\$

Northamerica	309.0	30%
Europe	225.7	21%
Asia, Oceania and Others	166.0	16%
Chile	164.8	16%
Latin America & Caribbean	133.0	13%
Africa and Middle East	44.3	4%
Total	1,042.9	100%

SALES DISTRIBUTION BY BUSINESS AREA

MUS\$

Specialty Plant Nutrition	502.8	48%
Iodine	217.7	21%
Lithium	128.9	12%
Industrial Chemicals	71.3	7%
Others	122.1	12%
Total	1,042.9	100%



Conscious of the importance of being the worldwide leader in our three main businesses lines, in SQM we are committed to maintaining the excellence in matters of production, distribution and service.

Because we know our resources, unique in the world, we manage to obtain the best from the arid desert of northern Chile, to bring our wealth to diverse industries in the five continents, supported in our wide worldwide distribution network.

To meet the increasing demands posed by the changing world in which we live, SQM has had to re-invent itself over and over again, always respecting our employees, neighboring communities and the surroundings in which we develop our activities.

It is through this commitment with our businesses, supported by the unique resources that we possess and our ability to adapt constantly that we can reinforce the commitment with our shareholders to protect and to increase the profitability of their investment in SQM, sustained by good practices of corporate governance and a policy of sustainable development.





CHAIRMAN'S LETTER

Dear Shareholders,

For the sixth consecutive year we have increased our sales and our profits. With revenues increasing 15.1% as compared to 2005, surpassing the US\$ 1 billion level for the first time, and a 24.5% increase in consolidated profits, which reached US\$ 141.3 millions (US\$0.537 per share), SQM has continued the positive growth trend of the last years in its different business areas.

In this six-year period the company has doubled its sales and increased its profits by a factor of 5, with a consistent increase in shareholder value.

The increase in 2006 results is explained principally by the increase in prices experienced in the markets for our three core businesses: specialty plant nutrition, iodine and lithium; and by increased sales volumes in the lithium and iodine businesses.

The higher prices and volumes were partially offset by increases in our production costs, that are explained mainly by a less favourable peso-dollar exchange rate and for higher energy costs related to cuts in the natural gas supply from Argentina and the increase in the cost of oil.

Although margins maintain their positive trend, we are focused in the objective of reducing our production costs. At the end of 2006 we initiated a series of concrete initiatives oriented to increase yields of our productive processes and to increase the efficiency of our energy consumption. The development strategy of SQM is based on maintaining and deepening its advantage of being a leader in costs as the key sustainable competitive element in the long run.

We hope these initiatives, together with the healthy growth of our markets, allow SQM to continue in this path of growth in the next years.

During the year 2006 a series of activities were made, confirming the commitment of the administration to the Company's strategy in its three core businesses:

During the first quarter of the year we purchased the iodine business of the dutch company DSM. This acquisition allowed SQM to consolidate its expansion plan of iodine capacity, which grew to near 11,500 tons/year.

We also sold the company "Impronta" in Italy and "Fertilizantes Olmeca", devoted principally to trade in fertilizers, in Mexico. These transactions were made with the aim of concentrating our sales efforts in specialty plant nutrients through our affiliated companies SQM Italy and SQM Mexico.

Meanwhile, having completed the expansion in the iodine business, our development plan will continue with capacity increases in nitrates and lithium, which follow their course as expected, with the startup programmed for the end of 2008. Linked to this investment programme, SQM made three important debt placements during 2006: the placement of a bond for 3 million UF in the Chilean market, the issuance of a bond for US\$ 200 million in the North American market and a syndicated credit for US\$ 80 million in the international

►► Julio Ponce - Chairman

SQM has already obtained six consecutive years in which revenues and profits have been higher to those of the previous year. One of the main objectives of the Board that I preside is to keep the company on this path, benefiting its shareholders, employees and communities.



market. These issuances will allow to refinance an important portion of the Company's debt, as well as to finance the planned investments intended to consolidate and maintain our leading position in our three principal markets. SQM maintains low debt levels with solid financial indicators, in accordance with our conservative financial policy.

During the year 2006, we achieved the goal that we proposed in the year 2004, of strengthening our internal control processes and complying with the new regulations prevailing in the US markets. This year we completed the implementation of regulation 404 of the Sarbanes-Oxley law, and we can assure you that SQM complies with US standards in respect to internal controls. This is a very important additional achievement that will reinforce the constant efforts that SQM has been making, together with our permanent task of strengthening our corporate governance policies.

Another goal accomplished during the year 2006 was the elaboration of our new Sustainable Development Policy, in which we declare the governing principles of SQM's commitment with shareholders, suppliers, employees and the community. All of SQM's employees and contractors know and apply the principles of this policy, so that we are successful in every aspect of our operations: in the scopes of security, health, environment, quality and relationship with the community.

Definitively this was a year with a very positive balance, but at the same time proposes new challenges for 2007. Productive and commercial challenges, which we hope to surpass with our employees and administration's commitment.

Finally, I would like to thank you once again for the confidence shown in this board. We understand that as shareholders you are presented with a wide range of investment opportunities, and among these you have chosen SQM. I want to assure you that we, the members of this board, are aware of our responsibility with respect to your choice and that we will continue with our efforts to make SQM sustainable in the long term, a world leader in its three core businesses, and a profitable investment for all its shareholders.

Yours sincerely

Julio Ponce L.
Chairman

BOARD OF DIRECTORS



BOARD OF DIRECTORS

As of December 31 2006, the Board of Directors was formed by:

1 Chairman

Julio Ponce L.

Forestry Engineer, Universidad de Chile

5 Director

Wolf von Appen B.

Entrepreneur

2 Vice Chairman

Wayne R. Brownlee

Economist, University of Saskatchewan

6 Director

Daniel Yarur E.

Information Engineer, Universidad de Chile

3 Director

Hernán Büchi B.

Civil Engineer, Universidad de Chile

7 Director

José María Eyzaguirre B.

Lawyer, Universidad de Chile

4 Director

Kendrick T. Wallace

Lawyer, Harvard Law School

8 Director

José Antonio Silva B.

Lawyer, Universidad Católica de Chile

The Board detailed above was elected during an Ordinary Shareholders meeting held on April 29th, 2005. The Directors' Committee and the Audit Committee are conformed by Mr. Hernán Büchi, Mr. José Antonio Silva and Mr. Daniel Yarur. The Audit Committee was elected during the Ordinary Board Session Number 570, held on June 21st, 2005.

►► Patricio Contesse - Chief Executive Officer

The good results obtained in these years have been the consequence of the continuous efforts of all the organization and to favorable commercial conditions. Perpetuating these results requires that we renew our commitment with the strengthening of our competitive advantages, keeping the focus in our leadership in costs. For this we have several initiatives related to increases in productivity and improvements of yields that will help us to be better prepared to face possible changes in market conditions.



SENIOR MANAGEMENT

As of December 31 2006, the Senior Management was formed by:

Chief Executive Officer

Patricio Contesse G.
Forestry Engineer,
Universidad de Chile
RUT: 6.356.264-5

Executive Vice President and Chief Operating Officer

Patricio de Solminihac T.
Industrial Engineer,
Universidad Católica de Chile
RUT: 6.263.302-6

Senior Commercial Vice President

Eugenio Ponce L.
Mechanical Engineer,
Universidad Católica de Valparaíso
RUT: 5.370.715-7

Chief Financial Officer and Business Development Senior Vice President

Ricardo Ramos R.
Industrial Engineer,
Universidad Católica de Chile
RUT: 8.037.690-1

General Counsel

Matías Astaburuaga S.
Lawyer,
Universidad Católica de Chile
RUT: 7.080.469-7

Salar Lithium Operations Senior Vice President

Jaime San Martín L.
Transportation Engineer,
Universidad Católica de Chile
RUT: 8.931.725-8

Nitrates Iodine Operations Senior Vice President

Mauricio Cabello C.
Mechanical Engineer
Universidad de Santiago de Chile
RUT: 10.391.635-6

Human Resources and Administration Senior Vice President

Camila Merino C.
Industrial Engineer,
Universidad Católica de Chile
RUT: 10.617.441-5

Safety, Health & Environment Senior Vice President

Pauline De Vidts S.
Industrial Engineer,
Universidad Católica de Chile
RUT: 9.668.138-0

On January 4th, 2007, the Company made the following reorganization: The Salar Lithium operations Vice-presidency is split in two, to generate the Lithium Operations and Mining Affairs Vice-presidency, under Mr. Jaime San Martín L., and the Salar Operations Vice-presidency, under Mr. Juan Carlos Barrera.

MAIN SHAREHOLDERS

As of December 31, 2006

SHAREHOLDERS SERIES A	NUMBER OF SHARES	% OWNERSHIP OF SERIES A SHARES	% OWNERSHIP OF TOTAL SHARES
Sociedad de Inversiones Pampa Calichera S.A.	52,434,256	36.71%	19.92%
Inversiones El Bordo Ltda.	43,861,795	30.71%	16.67%
Inversiones Rac Chile Ltda.	19,200,242	13.44%	7.30%
Inversiones Global Mining Investment (Chile) Ltda.	7,123,076	4.99%	2.71%
Inversiones SQYA S.A.	6,145,092	4.30%	2.33%
Larrain Vial S.A. Corredores de Bolsa	5,503,635	3.85%	2.09%
Inversiones la Esperanza (Chile) Ltda.	3,589,387	2.51%	1.36%
Kowa Co Ltda.	781,429	0.55%	0.30%
Kochi S.A.	714,084	0.50%	0.27%
Ureta y Bianchi Corredores de Bolsa S.A.	239,353	0.17%	0.09%
Banchile Corredores de Bolsa S.A.	229,815	0.16%	0.09%
La Esperanza Delaware Corporation	207,550	0.15%	0.08%
Subtotal Main Shareholders Series A	140,029,714	98.05%	53.20%
Total Series A Shares	142,819,552	100%	54.26%
Total Series A Shareholders	637		

SHAREHOLDERS SERIES B	NUMBER OF SHARES	% OWNERSHIP OF SERIES B SHARES	% OWNERSHIP OF TOTAL SHARES
The Bank of New York	34,531,570	28.69%	13.12%
Sociedad de Inversiones Pampa Calichera S.A.	13,965,995	11.60%	5.31%
Celfin Capital S.A.	12,043,526	10.00%	4.58%
AFP Habitat S.A.	8,426,384	7.00%	3.20%
AFP Provida S.A.	8,425,266	7.00%	3.20%
AFP Cuprum S.A.	5,102,145	4.24%	1.94%
AFP Santa Maria S.A.	4,594,924	3.82%	1.75%
AFP Bansander S.A.	3,921,654	3.26%	1.49%
Inversiones Rac Chile Ltda.	2,699,773	2.24%	1.03%
Citibank Chile Cia.de Terceros	2,362,585	1.96%	0.90%
Banchile Corredores de Bolsa S.A.	1,999,292	1.66%	0.76%
Larrain Vial S.A.	1,899,507	1.58%	0.72%
Subtotal Main Shareholders Series B	99,972,621	83.05%	37.98%
Total Series B Shares	120,376,972	100%	45.74%
Total Series B Shareholders	1,526		
Total Series A and B Shareholders	1,672		

Sociedad de Inversiones Pampa Calichera S.A., Global Mining Investments (Chile) S.A. and Inversiones SQYA S.A. –all of them, Pampa Group- control 30.27% of total shares of SQM. - On the other hand, Kowa Company Ltd., Inversiones La Esperanza (Chile) Limitada, Kochi S.A. and La Esperanza Delaware Corporation –all of them, Kowa Group- control 2.03% of total shares of SQM - Pampa Group and Kowa Group on December 21, 2006, signed a joint Agreement pursuant to which both groups are considered the controlling group of SQM.

Potash Corporation of Saskatchewan Inc. ("PCS") controls 100% of total shares of Inversiones el Bordo Limitada and Inversiones RAC Chile Limitada. During December 2006, Inversiones el Bordo Limitada carried out a tender offer for SQM shares, which, together with other transactions carried out in January 2007, allowed PCS to increase its indirect control to 31.62% of total shares of SQM.

Other than the aforementioned, and within the mayor shareholders, some of them have diminished or ended their participation and others have initiated or increased their participation.

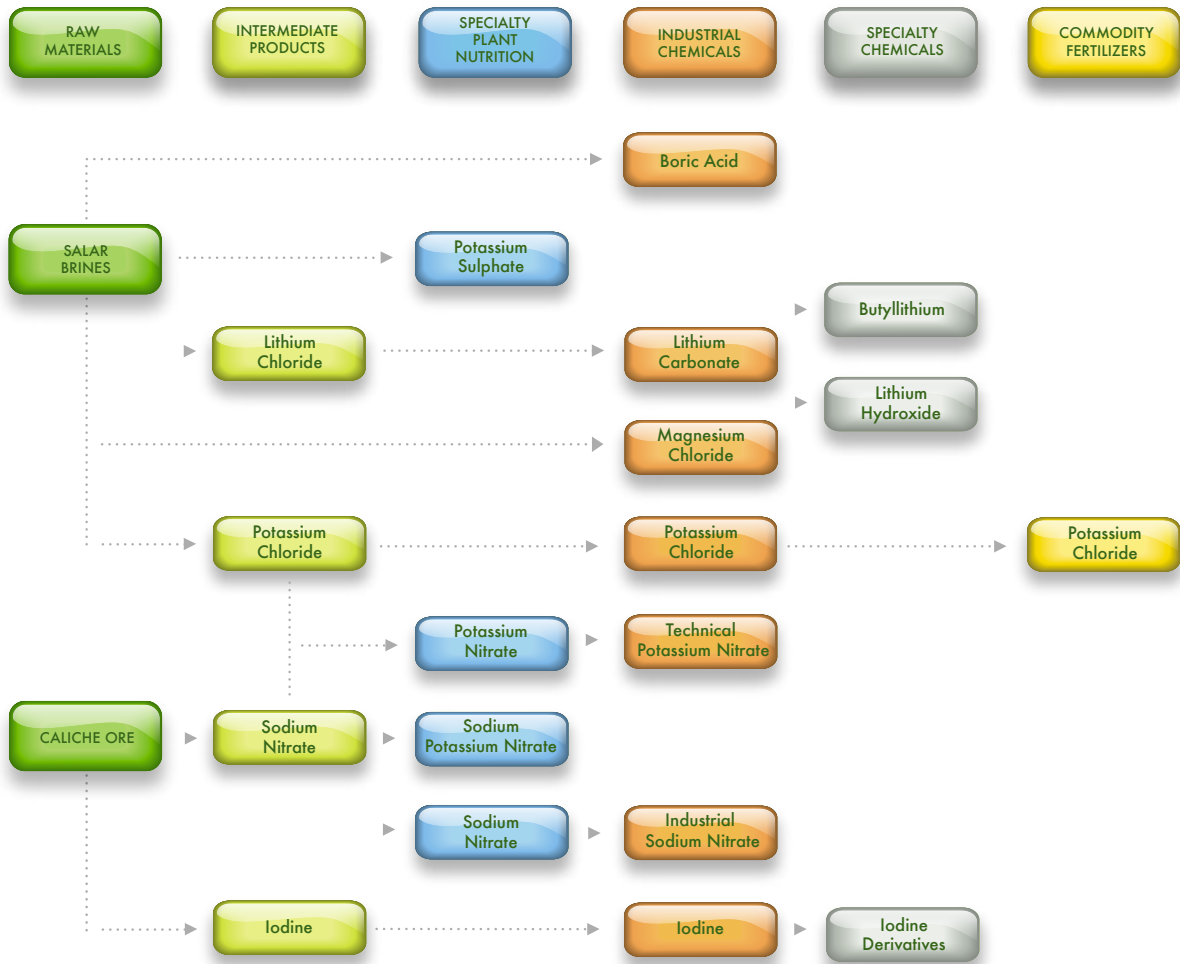
MAIN PRODUCTS



► Unique Natural Resources

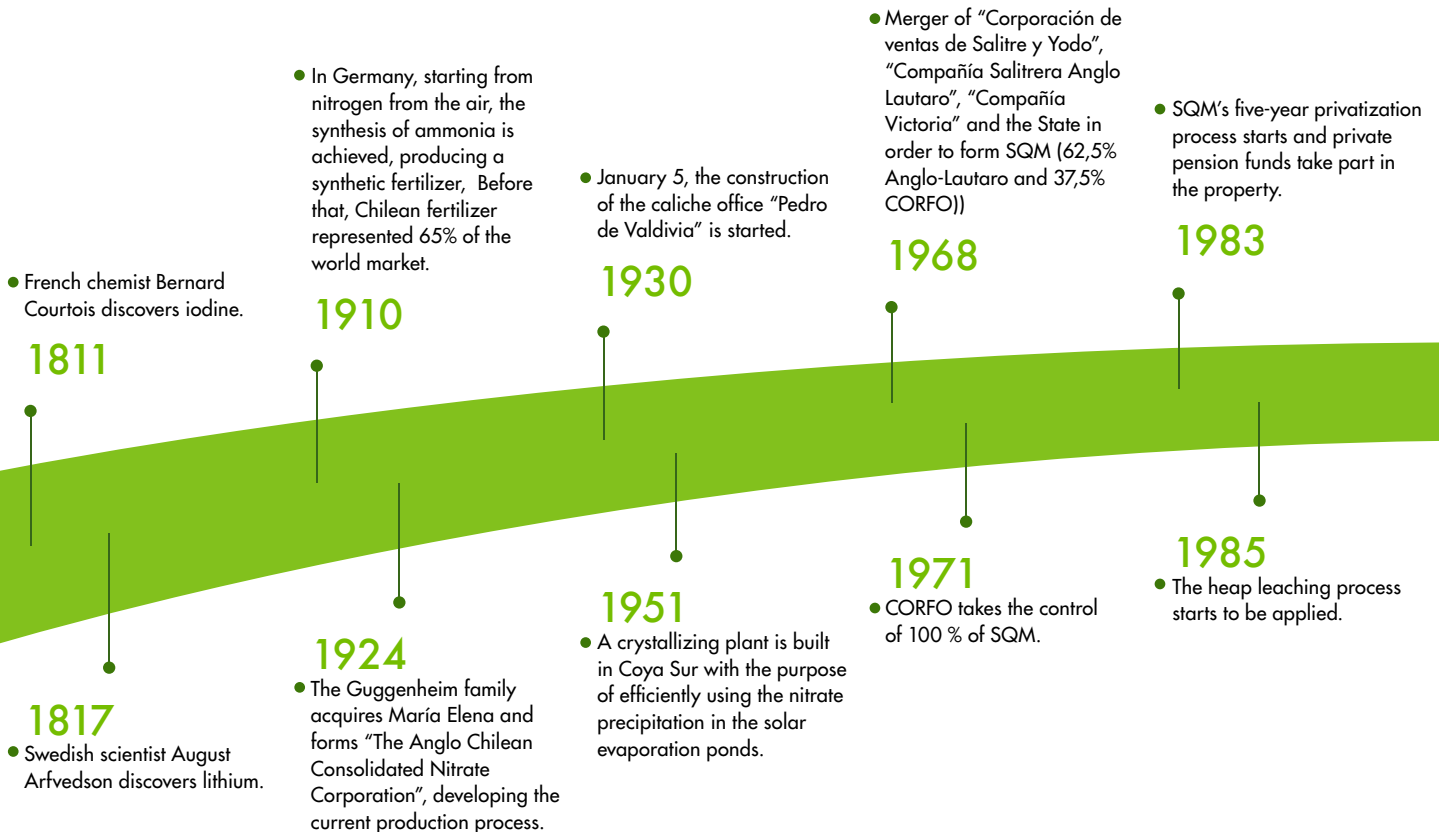
SQM products are obtained from two unique natural resources, located both in the north of Chile: Caliche Ore, in the desert of Atacama, and Salar Brines, in the Atacama Salar. Caliche Ore is the world's largest known reserve of natural nitrates and iodine. The Salar brines have the higher concentrations of lithium and potassium, in addition to sulphate and boron.

SQM, having access to these unique natural resources, counts with a competitive advantage given by the productive synergy Caliche Ore - Salar, which allows lower production costs than other players in the market.



HISTORICAL BACKGROUND

1770 • Jesuits start to use caliche as fertilizer.



1993 • Start up of the technical potassium nitrate plant.
• First offering of shares on the national and international markets through the ADR mechanism.

1986

- First potassium nitrate production in Coya Sur

- Second offering of shares with access to the international markets through the ADR mechanism, Potassium chloride production starts at the Atacama Salar.

1995

- Start up of lithium carbonate production.

1997

- Construction of a new potassium nitrate plant, Potassium chloride production capacity increase.

2000

- Construction of a butyllithium plant in Bayport Texas, USA, Lithium Carbonate production capacity increased.

2002

- Agreements to produce and distribute plant nutrients in Thailand and Turkey during 2005. Lithium Carbonate ISO 9001:2000 Certification.

2004

- Issuance of a US\$200 million public bond on the international markets.

1996

- Start up of potassium sulphate and boric acid production.

1998

- Joint venture agreement with the Norwegian company Norsk Hydro ASA, allowing SQM to achieve important cost synergies, Interconnection of productive operations to natural gas network.

2001

- Acquisition of Norsk Hydro Chile operations, allowing the company to reach close to 50% of market Share in Chile.

2003

- Cooperation agreement in the quelates and micronutrients markets with Akzo Nobel, Purchase of the Kemira Emirates Fertilizers Company (Kefco) plant, During the second term the Lithium Hydroxide plant began production work.

2005

2006

- SQM acquires the iodine business of DSM, at a cost of US\$72 million,
- As part of the financing of its expansion plan, SQM issues debt in the national and international markets,
- SQM sells its Mexican commodity trading affiliate, Fertilizantes Olmecca.



COMPANY DESCRIPTION

SQM is a company oriented towards the delivery of high quality specialty products and services to provide business solutions for all our customers.

In the first and second Regions of Chile, in the middle of the Atacama Desert, are the natural resources and the principal production facilities of SQM, a non-metallic mining company which is a world leader in the markets of specialty plant nutrients, iodine and lithium.

SQM has come a long way from its origins in 1968, when it was devoted exclusively to the nitrates industry. In this process of development it has been able to recognize the continuous changes occurring in the world in which we live and has worked intensively to respond to the needs of its customers. This work is reflected in the constant development of new products oriented towards adding value to its customers' businesses, based on its sustainable competitive advantages.

SQM's competitive advantages are based principally on:

- Its vast natural resources, which are unique in the world by virtue of their location, ease of extraction and chemical composition.
- Having the largest scale of production in the world in its various areas of business, giving it important cost advantages as compared to its competitors.
- Being capable of generating an integrated production process, obtaining various complementary natural products from a single source.
- Having an international distribution and sales network with a presence in more than 20 countries, and diversified sales in more than 100 countries.

- A leading position in the development of new products and services.
- Know-how in its unique technological processes.

Each of these advantages is unique and distinctive, and together they enable SQM to have a powerful barrier to entry, making it difficult for others to compete, and giving the company a genuinely unique position in the world.

STRATEGY

The aim of SQM's development strategy is to maintain and strengthen its world leadership in its three core businesses: specialty plant nutrition, iodine and lithium.

This development strategy is based on:

- The development of new products and applications and the opening of new markets, focusing on the three core businesses.
- Permanent focus on reducing costs and improving efficiency and productivity.
- Evaluating acquisitions, joint ventures, and commercial alliances in each of our three core businesses.
- Maintaining a conservative financial position.

►► Patricio de Solminihaç – Executive Vice President and COO

As a world-wide leader in its three main businesses, SQM is conscious of the responsibility before its customers to guarantee the uninterrupted supply of their needs for raw materials. This is why SQM is developing a plan for capacity expansion in its three business lines, assuring at the same time a healthy balance between supply and demand.



VISION

Over the next 10 years, SQM hopes to consolidate and strengthen its position as a world leader in products and services in its areas of business: specialty plant nutrition, iodine and lithium. To achieve this objective, SQM can call on vast, high quality, natural resources, which together with its other advantages make it very competitive thanks to its low production costs.

SQM will continue to pursue a strategy of matching the growth in demand with its high production capacity and the continuous development of new products and production technologies. A key element in the future development of the Company is the ability to react with speed and flexibility to sudden changes in the dynamic global market in which we live. At the same time, the management of the Company will continue to obey well defined principles, reflecting SQM's corporate culture, including a great respect for ethics, protection of the environment, care for the health and safety of our employees, good relations with the community, and looking after the satisfaction of our clients in the provision of our products and services. We shall also act responsibly in giving fair treatment to all our shareholders, employees and clients. Good attention to these areas is the responsibility of all those who work in SQM and is key to the success of our future development.

Natural Resources: One of the bases of our Business Strategy

As our natural resources form one of the pillars of SQM's strategy, the Company has highly qualified staff whose job is to continue to look for ways to make more efficient use of the resources available on a permanent basis, which are consistent with care for the neighbouring communities and for the environment.

SQM's principal products are derived from the exploitation of 2 types of natural resources, located in the First and Second Regions of Chile: caliche, and the brines of the Atacama Salar.

The caliche deposits are the largest known economically exploitable natural reserves of nitrate and iodine in the world. SQM has exploitation and exploration rights over more than 2.8 million hectares, covering approximately 75% of all existing economic deposits of caliche.

Caliche is a mineral containing high concentrations of sodium nitrate and iodine, 6-9% and 300-600 ppm respectively, occurring in layers 2 to 3 metres thick, deposited at a depth of not more than 2 metres below the surface of the desert. It can thus be extracted superficially over a wide area at relatively low cost.





Logistics and Worldwide Distribution

SQM has developed extensive scientific knowledge of the chemical properties of caliche and the techniques for mining it, and this constitutes the basis of the Company's leadership in terms of costs, making possible the sustainable development of its businesses.

The other main resource, the Atacama salt-flat is a natural source of subterranean brines believed to be formed by natural leaching from the Andes Range. Over the years, a variety of minerals has accumulated under the saline crust of the Atacama salt-flat. These deposits are characterized by their high concentrations of lithium and potassium, and the processing costs involved are low because the Atacama has lower magnesium content and higher rate of evaporation than other salt-flats in the world, and because exploitation is possible all-year round thanks to the favourable climatic characteristics of the area.

The brine is extracted from pockets beneath the saline crust by pumping and is subjected to a process of solar evaporation in ponds that cover an approximate area of 1,650 hectares. The resulting solutions are subjected to various processes, by means of which potassium chloride, lithium carbonate, potassium sulphate, boric acid and magnesium chloride are obtained.

The two resources combined give SQM a unique advantage in the production of potassium nitrate, using potassium chloride from the Salar and sodium nitrate from the caliche. The productive synergies represent one of the foundations of the company's competitive advantages.

Around 90% of SQM's production is shipped to international markets, which presents the Company with a constant challenge in the commercial field. For this reason a distribution network has been developed with commercial offices and agencies in more than 20 countries, in addition to important global distribution agreements which enable the Company to increase its scope and reduce distribution costs. Furthermore, SQM maintains warehouses and mixing plants located strategically across the five continents, making it possible to offer efficient, high quality deliveries to more than 100 countries.

This efficient logistics and distribution network, both at the level of production and internationally, is another of the pillars of SQM's strategy. The more than 30 million tons of caliche extracted, the extensive railway network for the transport of caliche and finished products, the more than one million tons of finished products shipped from Chile to more than 100 countries all over the world represent a complex challenge, requiring integrated planning from production to delivery to the final customer, in which SQM has developed a degree of knowledge and efficiency which distinguishes the Company from its competitors. This creates a platform not only for efficient distribution but also for quality control and prompt delivery of products throughout the whole chain from the production facilities to the final customer.

A fundamental part of this network is the Company's port of Tocopilla. Located 200 kilometres north of Antofagasta and linked with the production facilities by SQM's own railway network, this port is the shipping point for the majority of the Company's products. The installations include a mechanized loading arm, conveyor belts, storage silos, packing installations and cargo wharves, in other words everything required to make the distribution process as efficient and fast as possible.



Quality

SQM produces and sells its products under a Quality Management System, principally oriented towards customer satisfaction, through the delivery of products that comply with the standards promised and a level of service that ensures a long-term, mutually beneficial relationship.

The Company makes permanent efforts to achieve continuous improvements, in its products and in its manufacturing, sales and distribution processes. These efforts are aimed at ensuring that the procedures are as efficient and safe as possible. In this way the Company promotes operational excellence in all the activities involved in the value chain, to achieve the highest standards of productivity and effectiveness.

SQM is ISO certified for the following products: Iodine, Lithium carbonate, Soluble Specialty plant nutrients, sodium nitrate and potassium nitrate in technical and refined grades. These products are certified under the ISO 9001:2000 standard. The production and sale of other products also form part of the Quality Management System and are audited internally by SQM's Quality Management.

Attention to Quality as a corporate commitment is permanently reinforced by SQM's top management, to ensure that it is fully assumed by every single member of the Company.

Research and Development

In support of its objective of developing new processes and products that will maximize the Company's returns on the resources which it exploits, SQM employs top level research professionals, who also provide technical advice to the areas of production, quality and sales.

The principal areas of research are related with such matters as: design of chemical processes, chemical analysis methods, and improvements in the physical properties of finished products.

Recently the company has begun a tests phase of the new prilling plant in Coya Sur, which counts with state of the art technology, developed mainly in SQM. In parallel, in the same facilities we are developing, with an entrance in operations expected for the end of 2007, granulating capabilities also based on proprietary development.





SUSTAINABILITY REPORT

Sustainable Development

SQM is a leading company in its businesses and has therefore incorporated sustainability as an essential attribute of all the products that commercializes. Consistent with the worldwide growing concern on this subject, the Company has set itself even higher management standards towards the care for the environment, the safety of its operations, and the welfare of the community in which its production operations take place.

The Company's commitment to its shareholders, customers, suppliers, employees and the community is set forth in its Sustainable Development Policy, which sets forth the guiding principles for its actions in the fields of safety, health, the environment, quality and community relations.

SUSTAINABLE DEVELOPMENT POLICY

Every one of SQM's employees and contractors is responsible for the Company's activities with respect to health, safety, the environment, community relations and the satisfaction of our customers. Responsibility of action in these areas is a key factor for the success of our business and our future development.

SQM, the world's leading company in the production of iodine, lithium and specialty plant nutrients, with production facilities in the first and second Regions of Chile, therefore undertakes to:

- Comply with prevailing legislation and regulations applicable to its activities, products and services, in addition to any voluntary commitments that it may assume.
- Implement promptly any prevention plans and mitigation measures necessary to minimize the risk of injury to people and environmental impacts that our activities may cause.
- Prevent pollution by appropriate handling of waste and emissions, making every effort to use natural resources and raw materials for production responsibly and efficiently.
- Offer our customers quality products that comply with the standards to which we have committed ourselves, and provide service of a quality that will ensure a long-term, mutually beneficial relationship.
- Maintain good neighbourly relations with the local communities near our operational sites and contribute to their development, supporting joint projects and activities conducive to a better quality of life for such communities, with emphasis on education and the protection of the environment.
- Maintain open, permanent communication with our employees, contractors, customers, shareholders, neighbours and the authorities.
- Promote continuous improvement of our work in terms of risk prevention, the environment, quality and community relations.
- Instruct, train and evaluate our employees and staff who provide services to the Company as agents responsible for the implementation and effective maintenance of this policy.



Both SQM's employees and its service providers must be aware of and apply the principles contained in this policy. Good performance in these areas is key for the success of its business and its future development.

The Environment

SQM is conscious of the importance of caring for the environment, and has therefore created a specialized environmental unit, whose professional staff are responsible for co-ordinating the environmental management of the Company, carrying out follow-up and control of environmental variables in every operation, implementing practices for the efficient use of resources and preparing the environmental impact studies and declarations that are presented for evaluation by the competent authority.

During 2006, SQM obtained approval of its Environmental Impact Study for the project "Changes and Improvements in Mining Operations in the Atacama Salar" whose principal objective is to increase the extraction of brines to sustain present and projected production levels of potassium, lithium and boron from the Atacama Salar, under a complete and robust environmental control plan.

At the same time, the Company is working together with top level technical organizations to carry out its environmental evaluations, design follow-up plans, and evaluate the results of the environmental monitoring associated with its operations. Among the most important of these are: the agreement under which the Universidad Católica de Chile carries out hydrological studies in the Pampa del Tamarugal, the Llamara Salar and the Atacama Salar; the agreement with CONAF Antofagasta, in existence since 1995, for monitoring the bird-life of the Atacama Salar; and the agreement with the Universidad de Chile for the monitoring of Tamarugo trees in the Llamara Salar.

In addition to these, the Company has presented 3 additional projects to the SEIA (Environmental Impact Evaluations System) which expects will be approved during the course of this year.

All of these form part of SQM's Environmental Management System, which seeks to identify and control the environmental aspects associated with

the Company's production processes, in order to protect its employees, neighbouring communities, renewable resources and in general the eco-systems existing in the desert areas where it carries on its production activities.

Risk Prevention

One of the Company's central concerns is the health and safety of its employees. For this reason, SQM has implemented a Risk Prevention System with special emphasis on maintaining effective leadership by supervisors, complemented by specially designed training for all employees. The purpose is to generate and encourage in employees and contractors a preventive culture of personal care, in which everyday risk prevention is understood to be an indispensable part of their working practices.

Among the principal elements of this Risk Prevention System is the Operational Risk Control Programme (ORCP), based on the Loss Control model and the incorporation of Behaviour Based Prevention (BBP) techniques. The latter are carried out by employees who have been specially trained in techniques of the feed-back and reinforcement of safe behaviour patterns, aimed at reinforcing safe behaviour at work, and reducing risk-creating behaviour. The intention is that safety should be seen not as an imposed task but as a commitment by each employee to himself, his colleagues and his family.

The Company also applies the same model to its contractors, aimed at making safety universal within SQM, incorporating all its contractors without exception. Thus, through training and special rules for contractors, the safety standards that they practice when working in SQM's operations are raised, and the service and the quality which they bring to the Company are improved.

This organized, systematic work has resulted in a major improvement in the accident indicators of the Company, reducing the Frequency Index by more than 20% annually in the last two years. Together with the reduction in the frequency of accidents, their seriousness has also been considerably reduced.



The Community

At SQM we are aware of the need to work in harmony with neighbouring communities of our production facilities, and for this reason we work together every year with public and private organizations in a variety of projects to encourage the development of the population, mainly in the regions of Iquique and Antofagasta.

To increase the effectiveness of its efforts the Company has focused its actions on three pillars which it considers fundamental: Education and Culture, Recovery of the Heritage of the old Nitrates Industry, and Social Development.

• Education and Culture: The Basis for Development

Based on its awareness of the essential role played by education in the development of communities, SQM works together with public and private organizations in a range of education and culture development projects in the first and second Regions, and also runs an annual training programme to develop technical skills in its employees.

Thus in 2006, a total of 89,648 hours of training were given, with 1,603 employees trained in areas including risk prevention, the environment and various technical fields. In particular, 8 courses conducting to a diploma for plant operators were completed during the year.

In the context of work with communities, in 2006 the Company reinforced its programme of educational trips to the Atacama salt-flat for children in 5th grade, with 300 students taking part during the year.

In the area of technical training, last year saw work done to develop the system of joint technical-professional education, which offers improvements in technical education through a division of the students' time between classroom work and practice in companies. SQM continued to receive students in its various sites under this programme. The Company also participated in the Education & Companies Committee, promoted

by the Ministry of Education, together with SOFOFA (the society for manufacturing development). This body, which includes the Business Committee of the II Region (of which SQM is a member), was formed to enable the various actors in this educational system to participate in discussions on the best practices for strengthening technical-professional education in the country.

The Company's participation in these discussions was a result of the "Antofagasta on the Road to Quality in Education", an initiative of the Regional Ministerial Secretary of Education of the II Region and the Regional Government. SQM contributed to the financing of this event, which involved more than 800 people over 4 days of meetings, and professionals of the Company worked hard to help bring it about.

In addition to these projects, SQM opens its doors every year to around 150 university and technical-professional school students, which perform activities in various areas of the Company. This enables them not only to complete this requirement, but also to get to know, in the field, areas of their specialty that can't be learned in the classroom.

Another important contribution was made to the Hogar de Cristo charity in the II Region for the re-modelling of the Padre Hurtado Kindergarten, enabling the organization to extend its installations and make room for more children from families in need.

• Heritage of the old Nitrates Industry: Recovering History

At SQM we are aware that today's society is enriched by the knowledge and understanding of its past, and for that reason we are working in recovering the heritage of the old nitrates industry of the I and II Regions, participating actively in corporations devoted to the recovery of old nitrates "offices" and organizing diverse activities in order to make public this rich historical legacy.



Thus in 2006 a new co-operation agreement was signed with the Museo del Salitre (Nitrates Museum Corporation), the organization responsible for recovering the old “offices” of Humberstone and Santa Laura. Together with this corporation, SQM undertook the recovery of the Humberstone industrial zone, including cleaning the area in general, ordering the material found, and marking a path to facilitate tourist visits. During the months of work, valuable historical material was found, including documents of the period and pieces of tools and instruments used by the workmen of the time, which yield information about the production system used back then.

Meanwhile, an important step was taken in applying, together with the Chacabuco Corporation, for the bases of the development of an integrated management plan for the old Chacabuco nitrates office, to ensure a harmonious and orderly recovery of this historical monument located in the II Region.

In the area of publicizing this Heritage of the old Nitrates Industry, SQM concluded two important projects in 2006. Together with the newspaper La Estrella, of Iquique, the Nitrates Dictionary was published. It was issued free over a period of 4 months in collectible supplements to the principal dailies of the I and II Regions. The dictionary was an important step in the recovery and publicizing of the Pampa culture, since it describes the principal terms used by the “pampinos” in the old nitrates offices.

Another publicizing project was the “Tales of the Pampa” competition, an initiative organized together with the Mercurio newspaper of Antofagasta, to which 350 authors submitted work, most of them inspired in the life of the old nitrates industry. The 3 winning stories, plus the 4 honourable mentions, were compiled into a book “Tales of the Pampa”, which also included an unpublished story by the Chairman of the competition jury, the writer Hernan Rivera Letelier. This book will be given free to all the libraries of the I and II Regions, and the tales they contain will contribute to the knowledge of the life and culture of the old pampino workers.

- Social Development: Growing with the Community

At SQM we recognize the process of continuous change in the world in which we live, and we are working hard to adapt to these changes,

contributing responsibly through our commitment to improve the quality of life of neighbouring communities, in equilibrium with their culture and the environment.

In 2006 SQM initiated a very active approach towards the community of the first Region, supporting development initiatives such as the Entrepreneurs’ Week in Pozo Almonte and the creation of a mining cluster to strengthen production chains involving the mining companies and the service providers of the Region.

Important work was also carried out with CONAF and the Atacama Community of Toconao, on Laguna Chaxa, where financing from SQM enabled the local community’s tourism installations to be re-modelled in order to attract more visitors, increasing the resources gathered by the community.

During 2006, SQM continued to support the creation of a Free Zone in Tocopilla to encourage companies to set up in this port-city. A number of seminars were also sponsored to encourage social responsibility, to offer incentives for the improvement of education, and to work in the development of companies as service providers to the mining industry.





 SPECIALTY PLANT NUTRITION



In Ecuador, SQM products are widely utilized in greenhouse cultivation of flowers, sprouting broccoli and artichokes.

■ SPECIALTY PLANT NUTRITION

During the last 5 years, world GDP has experienced an average growth of approximately 4.5%. This growth translates into the fact that in both developed and developing countries demand for foodstuffs is growing daily, and additionally people are requesting for higher quality in their products. Simultaneously the world's population growth rate is close to 1.6%, and the current population is estimated at around 6.1 billion. This generates greater demands on the world's agricultural producers.

One way of making crops more efficient, so as to satisfy these needs while complying with the restrictions that affect agriculture, such as the scarcity of water and of arable land, is the creation of new farming techniques

such as micro-irrigation, hydroponic production and greenhouses. To be successful at both the productive and economic level, all these techniques require the use of specialty plant nutrients.

In 1986, in a strategic decision, SQM took the visionary step of entering the business of the production and sale of Potassium Nitrate, a plant nutrient which is virtually irreplaceable in its applications in modern farming.



Today, modern agriculture continues to experience constant growth due to the growing demand for good quality, fresh fruits and vegetables as well as the scarcity and ever increasing cost of arable land, plus the need to efficiently use water irrigation. These were the characteristics that SQM was able to foresee 20 years ago.

The consumption of specialty plant nutrients in the world has more than doubled when compared with other alternatives such as commodity fertilizers. In the last 5 years, the demand for Potassium Nitrate for use in fertirrigation has experienced an average annual growth of approximately 5%.

Today, SQM is the main producer of potassium nitrate, with an installed capacity of 650,000 MT per year and a market share of around 50%

worldwide. With the sustained growth in demand for potassium nitrate, the price increases that began a couple of years ago continued during 2006.

To be able to satisfy this demand, SQM is based on another important pillar: its logistics excellence, both in terms of owned facilities and world wide agreements. SQM has signed commercial agreements, joint ventures and strategic alliances around the world, being one of the most important the strategic alliance for sale and distribution with the Norwegian company Yara A.S.A., which was signed in November 2001. Thanks to these agreements, SQM enjoys the advantage of access the knowledge of key associates in specialty plant nutrition, ensuring that its products reach more than 100 countries.

THE QUALITY OF OUR SPECIALTY PLANT NUTRIENTS IS BASED ON CONCRETE TECHNICAL ADVANTAGES

- 100% water-soluble: modern farming techniques require the application of fertilizers through the irrigation water, meaning that they must be completely water-soluble to avoid damage to irrigation systems.
- Rapid absorption: SQM's specialty plant nutrients contains nitric nitrogen which is absorbed rapidly by plants, unlike other sources of nitrogen that must first be transformed, thus affecting performance.
- Chlorine-free: it has been proved that the presence of chlorine has a direct effect on the quality and yield of certain crops. Potassium nitrate and potassium sulphate are the principal sources of the chlorine-free potassic fertilizers that are used in hi-tech farming.
- Reduction and regulation of soil acidity: one problem with fertilizers that

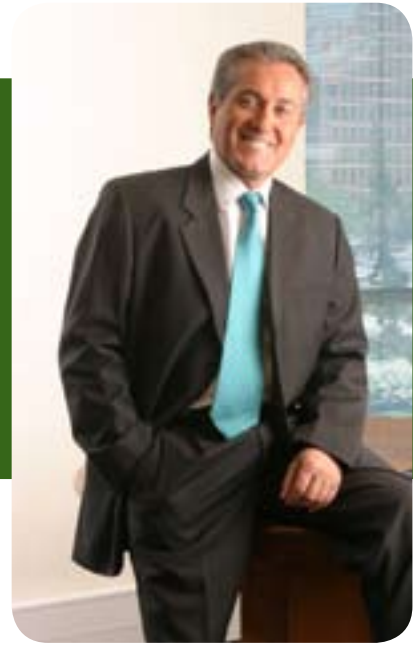
contain ammoniac nitrogen (such as urea) is that in the process by which the ammoniac nitrogen is converted to nitric nitrogen in the soil, a reaction occurs that acidifies it, making these products less suitable for sensitive crops such as fruit trees and vegetables. This does not occur with SQM's specialty plant nutrients.

- Natural origin: as they are 100% natural in origin, SQM's specialty plant nutrients contain traces of micro-nutrients (boron, calcium, magnesium) that represent an additional fertilization benefit in terms of nutrition.

Specialty plant nutrients are composed of potassium nitrate, sodium nitrate, sodium potassium nitrate and potassium sulphate. There are more than 200 specialty blends, designed to satisfy the specific needs of particular types of crops, soils and geographical areas in which they are used.

►► Eugenio Ponce- Commercial Senior Vice President

Thanks to the commercial efforts undertaken by SQM in the last years and to the favorable market conditions that we have faced, this year we have managed to reach for the first time sales exceeding US\$1 billion. Important has been the growth of our iodine and lithium lines, which have increased their contribution to the operational margin of SQM in a sustained way during the last 4 years.



As part of SQM's strategy of strengthening its leadership in its three core businesses, during 2006 the Company continued working aiming at expanding nitrates production capacity by approximately 30%. The objectives of these expansions are to strengthen the specialty plant nutrients business, offer our customers greater added value, and enter into new markets. It is expected that this increased capacity will come on stream by the end of 2008.

During 2006, SQM sold its affiliate Fertilizantes Olmecca, which was mainly devoted to commodity fertilizers, in order to focus the efforts of its local office, SQM Mexico, on the sale and distribution of specialty plant nutrients and on customer relations.

The specialty plant nutrients business, represented by the brands Ultrasol™, Qrop™, Speedfol™ and Allganic™, reported sales of approximately US\$ 503 million during 2006, representing around 48% of the Company's total sales.

SQM has consolidated its position in the specialty plant nutrients market with a broad portfolio of nutrients, composed of potassium nitrate, sodium nitrate, sodium potassium nitrate and potassium sulphate, as well as the more recently introduced phosphated urea, organic and foliar plant nutrients. Furthermore, SQM offers the market more than 200 specialty blends designed for all types of applications, in order to satisfy the specific needs of the particular types of crops, soils and geographical areas in which they are used and thus build up and maximize the investments of its customers all over the world.

To complement the strength of this wide variety of products, SQM has taken great care in the training of its agronomists, transforming them into experts in specialty plant nutrition, and thus offering its customers

the best nutritional solutions available in the market, and contributing to the improvement and profitability of their businesses.

The combination of excellent product quality and service has enabled SQM to establish itself as the world leader in the specialty plant nutrition market.





Process and principal characteristics of Nitrates

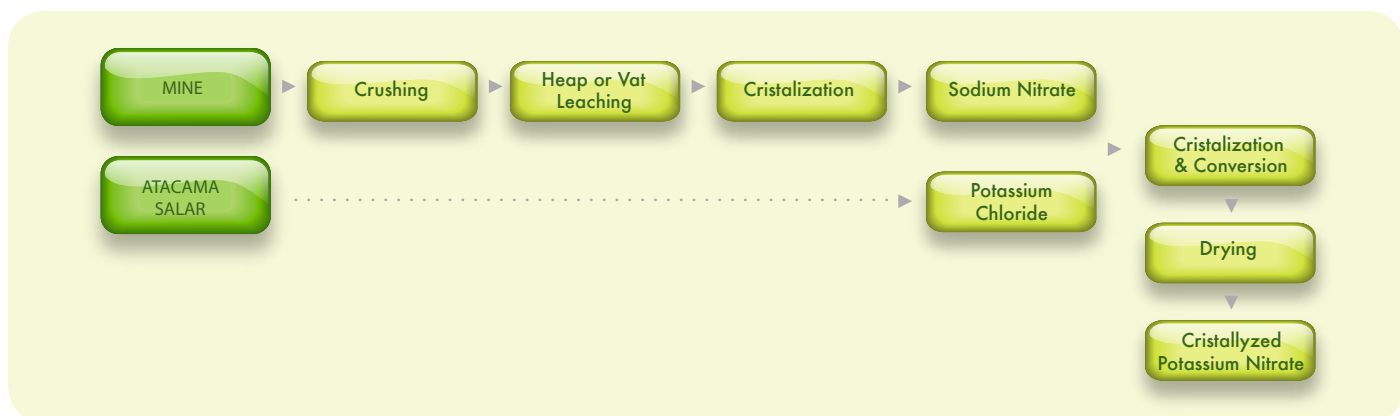
SQM's specialty plant nutrients are based on the extraction of the natural mineral known as caliche. These are the largest known deposits of nitrates in the world, and presently the only commercially exploitable natural source.

Based on the processing of this mineral, SQM produces sodium nitrate and then potassium nitrate. The caliche is crushed and then subjected to leaching process. Sodium nitrate is obtained from this leached solution by a crystallization process. Part of the sodium nitrate obtained passes

to a further stage in which potassium chloride is added, and the mixture is then subjected to processes of conversion, crystallization and drying, to produce the potassium nitrate.

The specialty plant nutrients are 100% soluble in water, rapidly absorbed and chlorine-free, all of which contribute to an efficient absorption of nutrients, maximizing the yield of the crop and optimizing the profitability of our customers' business.

Nitrate Process





NPK

There are approximately 13 mineral elements defined as essential, which the plant absorbs from the soil dissolved in water. Plant physiologists have separated these into macro-elements and micro-elements depending on their concentration in the plant.

Among those known as Primary macro-elements, because they are absorbed in the greatest quantities, we find Nitrogen (N), Phosphorus (P) and Potassium (K). These elements constitute about half of the minerals absorbed by the roots.

Nitrogen:

This element forms part of the foliage of the plant, where the chlorophyll molecule is located; it is really the factory of plants, and has a major influence on the yield of crops. It also forms part of the proteins of the plant. This element is considered to have the greatest influence on plant growth.

Phosphorus:

This element forms part of the energy structures of plants, and is therefore essential in all the growth processes. It also has a major influence on the early growth of the roots. Finally, it improves flowering in the crops.

Potassium:

This element is fundamental in crop yields, since it transports the sugars produced in the leaf by photosynthesis to the various parts of the growing plant. It also gives the plant increased resistance to drought, by inhibiting water loss. At the same time, it reduces the cold damage which a plant may suffer if exposed to low temperatures.

It improves the colour, sugar content and post-harvest characteristics of the fruit.

THE HISTORY OF SPECIALTY PLANT NUTRIENTS IN SQM.

The history of SQM since its origins has been linked to the production of plant nutrients, with sodium nitrate being the first product sold by the Company. Later, in 1986, SQM started the production of potassium nitrate, and subsequently the sale of specialty mixtures began. Today, SQM's production capacity for nitrates is close to one million tons per year.



 IODINE AND DERIVATIVES



In 2006, the market for LCD television screens grew by around 65% and a growth of approximately 50% is expected for 2007.

■ IODINE AND DERIVATIVES

During 2006, iodine and its derivatives represented 21% of SQM's total sales, making it a key business line for the development of the Company's strategic plan. Moreover, sales in this business increased by 46% as compared with 2005, which is explained by the purchase, in January 2006, of the iodine and derivatives business of the Dutch group DSM, and by an increase in prices recorded last year. SQM has worked systematically to increase and diversify its sales of iodine, and in 2006 it delivered products to around 80 countries, the principal destinations being Europe, North America and Asia. This has enabled the Company to consolidate its leading position as the biggest producer in the world, with a market share of around 34% during 2006.

Since the middle of 2003, a sustained increase has been observed in the price of iodine, partly because other producers have reached their maximum production capacity, and partly because of a sustained growth of world demand, which increased around 5% during 2006.

This growth in demand during 2006 was basically due to the increased use of iodine salts in the production of polarizing film for LCD screens. In fact, demand for this use significantly increased compared to 2005. Another application that has sustained the growth of the iodine market is the contrast-media. This market, which represents more than 20% of the total market for iodine, grew by 6% in 2006.

The applications of iodine and its derivatives are mainly concentrated in the areas of health and nutrition, and in industrial and technological applications.

THE HISTORY OF IODINE IN SQM

Iodine was discovered as an element around the year 1812 by the Frenchman Bernard Curtois, and named after the Greek word "iodes" which represents the violet colour.

In 1968, the year in which SQM was formed, there were several producers exploiting the iodine present in caliche. However, it was not until the middle of the 1980's that iodine began to play an important role in SQM, enabling the Company to diversify its dependence on fertilizers and generating new horizons for development with a great potential for growth.

Later through a joint venture with Ajay Chemicals, SQM entered to the iodine derivatives market.



Health and nutrition

A lack of iodine during pregnancy and early childhood may cause conditions such as mental retardation and abnormal growth, as well as goiters and thyroid malfunction in adults. These illnesses are fought almost everywhere in the world by the iodization of salt. Iodine is also the principal component of the contrast media injected for clinical examinations, and it is used directly or as a catalyst in the production of multiple pharmaceuticals such as: antibiotics, cortico-steroids, anti-arrhythmics etc. Iodine is considered one of the best disinfectants and is also present as an active ingredient in antiseptics, disinfectants and surgical soaps.

Industrial applications

In the industrial area, iodine and its derivatives are found in countless applications, such as disinfectants for the dairy industry, nutrients for animal feed, biocides for paints and wood treatment products, nylon fibers, photographic film, catalysts for organic synthesis, herbicides and colorants.

Technological applications

The many different uses for LCD screens such as, computer monitors, hand-held devices, televisions and others, has generated an increase in demand for iodine derivatives, which grew by more than 70% in 2006 over the previous year. Additionally, during the year the falling trend in the price of liquid crystal screens was sustained, as a result of the fierce competition in the market. This has placed this type of technology within the reach of a larger group of consumers, competing directly with (and surpassing) other technologies, such as plasma screens. It is expected that the LCD market will remain dynamic, although at a slower rate of expansion than that recorded last year. A key factor in these projections is the expected increase in the penetration of LCD screens, for televisions, which represent around 23% of the market, and it is expected that they will continue to gain ground over plasma screens.

SQM, through a joint venture with Ajay-Chemicals, with plants in Chile, United States and France, is the main producer and supplier of iodine derivatives around the world, with an approximate share in the world market of 25%.

Thanks to its long history of research and innovation in production processes, SQM's iodine and its derivatives comply with the most

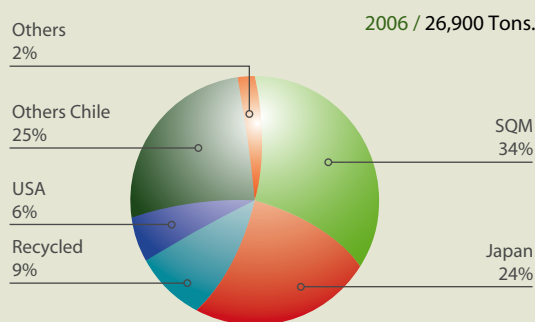
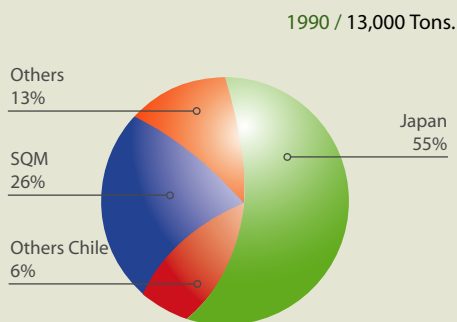
Iodine Process



MARKET EVOLUTION

The birth of the iodine industry in Chile dates from 1866. In that year, Pedro Gamboni, a Chilean nitrates entrepreneur, began the extraction of iodine from the leached brine of the nitrates in his "office", Sebastopol, in the north of Chile, using a method of his own invention. His method reduced the production cost of iodine, opening up markets in Europe,

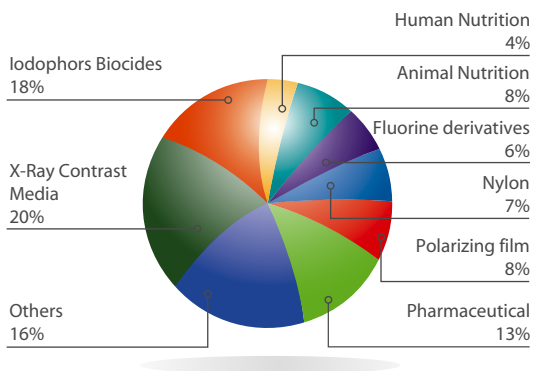
and it is, with some variations, the method still in use today in the Chilean iodine industry. Since then, the development of this industry has made Chile the biggest producer of iodine in the world, with a current world market share of around 60%.



demanding international quality standards. The production and logistics operations for iodine are certified under ISO 9001:2000, meaning that the Company can respond efficiently to the quality and service requirements of its customers, who participate in highly competitive and demanding market segments. Quality assurance and the satisfaction of its customers are part SQM's constant commitment to its leading position in its three core businesses.

The wide variety of applications, a growing market, the excellent quality of its products, the future development of specialty products based on iodine and its derivatives, in conjunction with SQM's solid presence in world markets, allow the Company to face the prospects for growth and the challenges presented by the market in the medium and long-term with optimism.

Iodine Main Uses



Promoting research

As a way of promoting research into the chemistry of iodine and its applications, SQM, in conjunction with the American Chemical Society, presents a prize for "Research and Creative Applications in the Chemistry of Iodine", with the participation of scientists from all over the world, on alternate years starting in 2005.

The purpose of this prize is to promote and motivate worldwide research into the chemistry of iodine, developing new uses and improving knowledge through a range of applications. The 2007 prize was awarded to Professor Peter J. Stang, who holds a PhD in Chemistry from the University of California, Berkeley, and a Post-doctorate from the University of Princeton, for his research work in organic iodized compounds.



 LITHIUM AND DERIVATIVES



Big car manufacturers are in the middle of a process of developing hybrid and electric vehicles with lithium ion batteries, for which SQM's lithium carbonate is an essential raw material

LITHIUM AND DERIVATIVES

During 2006, the demand for lithium chemicals rose by approximately 6%, part of an accumulated rise of 25% in the last three years. This increase in demand generated a significant increase in the prices of lithium carbonate and lithium hydroxide, which, together with the greater sales volumes, were a key factor in SQM's results in 2006. The Company's sales for this year were in the order of US\$ 129 million, and products were exported to more than 50 countries.

Lithium Market share

One important feature during 2006 is that batteries continued to be the principal application for lithium, accounting for about 20% of total demand for lithium chemicals. These batteries are preferred because they are lighter and perform better over a wide range of temperatures. They are also environmentally friendly as they contain no toxic heavy metals. For these reasons, the market for lithium batteries has grown in recent years at rates of over 20%, maintaining great potential in the medium and long-term.

In addition to their already traditional use in lap-top computers, mobile telephones, photographic and video cameras, lithium batteries are also

being used in portable tools (power tools) and in prototypes of electric and hybrid vehicles, where they can replace in part the energy generated by petroleum derivative-based internal combustion. Other applications which offer good prospects for growth are in the production of ceramic glass and in industrial air conditioning equipment, particularly in Asia.

For the coming years, the market projects that consumption of lithium will grow at an approximate annual rate of 5%, thanks to the good prospects existing in the majority of the uses of different derivatives such as lithium carbonate, lithium hydroxide and butyl-lithium.

HISTORY OF LITHIUM IN SQM

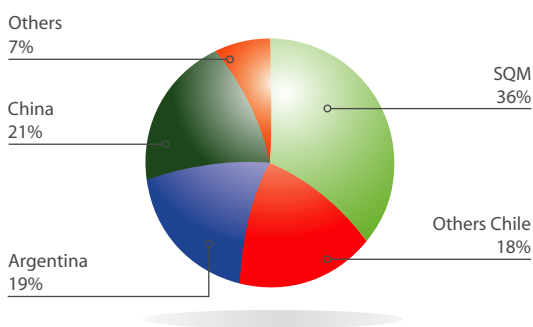
SQM entered the lithium carbonate business in 1997, and thanks to a sustained growth based on its competitive advantages in production and distribution, the Company has managed to achieve a world market share of around 36%.

Later, SQM inaugurated a butyllithium plant in Texas, USA.

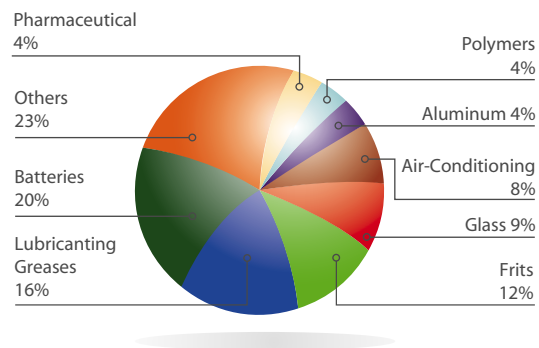
At the end of 2005, SQM started up production in its new lithium hydroxide facility in Antofagasta



Lithium Market Share



Lithium Main Uses



Lithium main uses

Given their versatility, lithium chemicals are used in diverse industries such as lubricants, electronics, pharmaceuticals and ceramics, among others. Due to its elevated electrochemical potential and that it is the lighter solid element, its main use is as cathode material in lithium-ion batteries. These secondary batteries (rechargeable) are used in portable computers, cell phones, digital cameras, and similars. Their main advantages are their high power, extended service life and to the fact that they lack the memory effect.

Also, in the last years the use of lithium in the steel industry has acquired greater importance in the "continuous casting powder" process, that seeks solidification of liquid materials. The advantage to use lithium is that its chemical characteristics allow for greater speed and fluidity during the molding process.

In addition, the lithium is the solid that has the greater caloric capacity, reason why is frequently used in applications for heat transfer. In this

Lithium is a metal of the alkalines family, broadly found in nature. It was discovered as a chemical element in Sweden in 1817, by August Arfverdson, and the name is derived from the Greek word "lithos" which means rock.

Some of the characteristics of lithium are:

- At room temperature, lithium is the lightest solid element
- Its low thermal expansion coefficient.
- Among alkaline metals, lithium has the greatest electro-negativity

In metallurgy, lithium is used to make aluminium alloys with improved properties. An aluminium alloy containing approximately 1% of lithium possesses elastic properties and a resistance to traction similar to those of medium steel. This allows the production of stronger parts that are lighter than a normal alloy.



context, an application that has shown an interesting evolution is the ceramic glass, which is used in kitchen tops due to its capacity to support high temperatures. One of the main advantages of using lithium in the manufacture of these glasses is that given its high caloric capacity, it reduces the thermal expansion coefficient, awards greater hardness and improves the appearance of the glass.

SQM has exploitation and exploration rights on these reserves, making it the largest and lowest-cost producer in the world. This, in conjunction with its specialized distribution network, gives the Company a leading position in the lithium business with sustainable competitive advantages, transforming SQM in the world's main lithium producer, not only today, but also in the future.

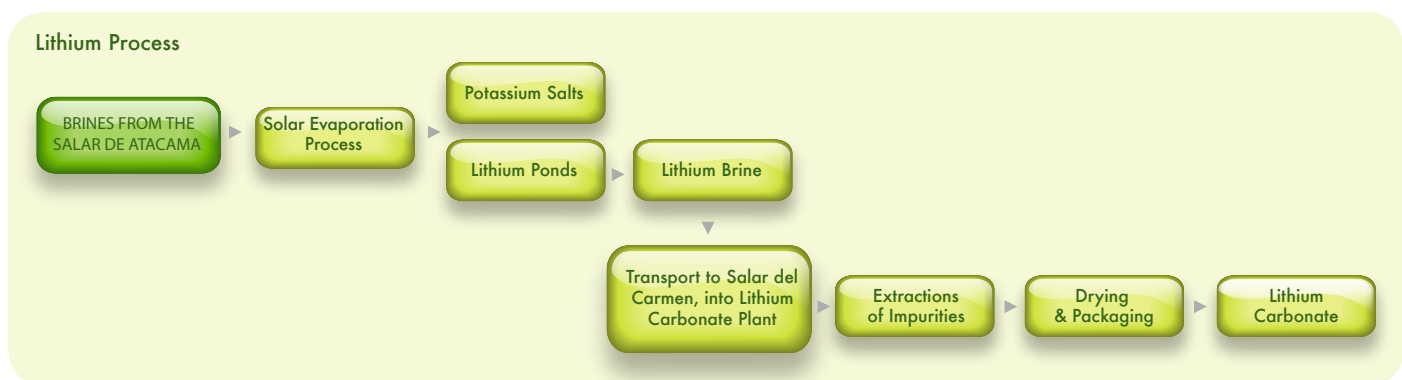
How Lithium is obtained

The production of lithium carbonate begins with solutions of lithium chloride obtained in the Atacama Salar as a by-product of the production of potassium chloride. These solutions are subsequently processed to produce lithium carbonate in a plant located in Salar del Carmen, in the vicinity of Antofagasta. The unused brine is re-injected into the Salar.

The Atacama Salar contains the largest and best reserves of lithium brine in the world. They are found in the nucleus of the Atacama salt-flat, a saline body containing brine deposits generated by the filtration of water from the sub-soil of the Andes Mountains. The brines of the Atacama salt-flat offer significant sustainable competitive advantages on a world scale, as they contain higher concentrations of potassium, lithium and boron than other natural brine deposits.

Lithium derivatives

Lithium carbonate is not only used directly in various applications, but is also a direct raw material for many of the chemicals derived from lithium. One of these, lithium hydroxide, is used in the production of lubricating greases that can be applied in conditions of extreme temperature and load. Approximately 70% of the lubricating greases produced in the world contain lithium.

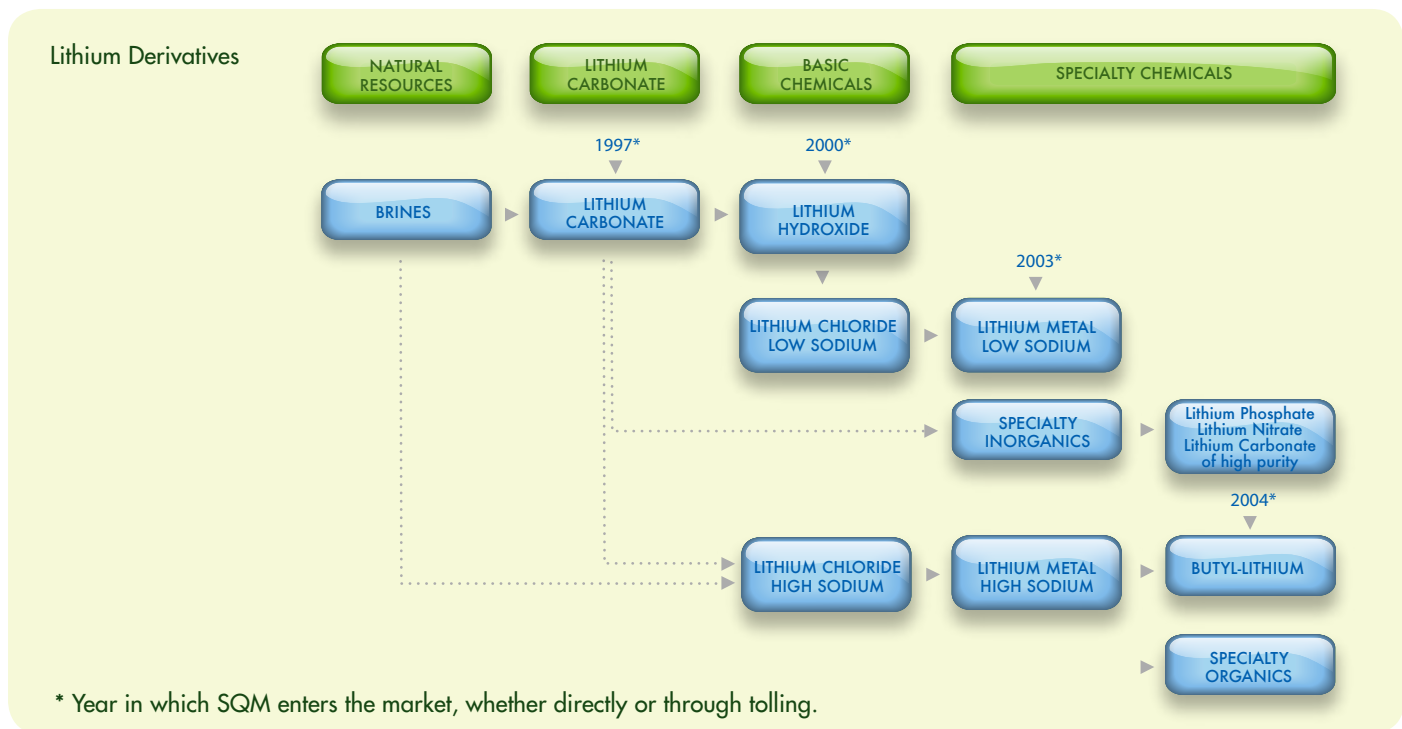




During 2006 the Company consolidated the production of lithium hydroxide that had begun by the end of 2005 at the new facility constructed by SQM in Salar del Carmen (Antofagasta), next to the lithium carbonate facility. With a production capacity of 6,000 metric tons per year this facility, the most modern in the world, has production capacity that allow us to provide close to 50% of the world requirements of lithium hydroxide

Another derivative is butyl-lithium, which is used mainly in the synthesis of organic compounds in the pharmaceutical industry and as a catalyst in the manufacture of polymers.

SQM has its own production plants for both of these lithium derivatives: butyl-lithium in Texas, USA, and lithium hydroxide in the vicinity of Antofagasta, Chile.





FOR AN UNPOLLUTED WORLD

The need to protect the environment and to reduce dependence on oil has led the automobile industry in recent years to develop prototypes of electric (EV) and hybrid (HEV) vehicles, some of which use lithium batteries. Electric vehicles (EV) work with one or more driving motors and a high capacity battery. The principal problem with this type of vehicle (which is why they have not been developed on a massive scale) is their low range, since the batteries are heavy, bulky and slow to recharge. Today the industry has focused on developing technologies which will allow to increase the efficiency of motors, and improve the performance of batteries and braking systems. General Motors recently launched two types of trial electric vehicles, and is carrying out joint studies in conjunction with electricity companies to evaluate the most efficient charging method. The company hopes that these cars will be on the market around 2010. Unlike electric vehicles, the hybrids combine the use of existing combustion engines with electric motors driven by a high

capacity battery. HEV technology, apart from optimizing the functioning of the combustion engine, is able to capture and store in the battery the kinetic energy generated by deceleration or by going downhill. Various manufacturers are presently developing models of hybrid vehicles in which the existing nickel batteries are replaced by lithium batteries, because they are lighter and hold their charge for longer. It is expected that commercial hybrid models using these new batteries will be launched in the short term. Hybrid vehicles already represent approximately 1.2% of all the vehicles in the United States market, equivalent to slightly over 200,000 units. For 2008, some estimates suggest that this percentage may rise to 7%, which would mean an important potential market at a world level. It is calculated that by 2015 there will be nearly four million HEVs in circulation. It is estimated that each HEV will use between 0.6 and 2 Kg of lithium carbonate, which would imply a demand of between 2,500 and 8,000 MT of lithium carbonate.



 INDUSTRIAL CHEMICALS



SQM's industrial potassium nitrate is used in the production of frits, the enamel coating applied to ceramic floor tiles, giving them a better finish and greater resistance to intensive use.

INDUSTRIAL CHEMICALS

During 2006 industrial chemicals contributed nearly 7% of the Company's total revenues, being the most important products the industrial nitrates. Both sodium and potassium, are nitrates which are subjected to additional refining processes to meet the needs of the various industries to which they are supplied. The most important of these include: glass, ceramics, explosives, pyrotechnics and water treatment.

The main products in this line are: sodium nitrate, of which SQM is the biggest producer in the world with a market share of 60% and four grades of purity (standard, industrial, refined and technical) and potassium nitrate with a market share of 29% and three grades of purity (industrial, technical and refined).

THE HISTORY OF INDUSTRIAL NITRATES IN SQM

Industrial nitrates appeared thanks to technological improvements made by SQM, to satisfy the needs of some customers for nitrates with higher degrees of refinement and purity. For this reason, the production process is very similar to that of the specialty plant nutrients, but they are reprocessed to obtain more refined nitrates.

SQM initiated the industrial nitrate commercialization during the 70's with industrial sodium nitrate. Later, during the 80's, SQM extended its product portfolio with technical potassium nitrate, adding boric acid in the 90's and potassium chloride at the beginning of this decade.



Uses of Sodium Nitrate

1. Glass production: sodium nitrate reduces melting temperature and acts as a refining agent, providing oxygen which oxidises organic material, in glass fibre and float glass.
2. Explosives: sodium nitrate is used as an oxidant in the production of commercial explosives, demand which is driven by the mining industry and civil works.
3. Water treatment: sodium nitrate is used to prevent the formation of odours in sewage, providing oxygen which prevents the formation of H_2S .
4. Charcoal briquettes: sodium nitrate is used as an additive to provide oxygen and help in ignition and continuous burning.

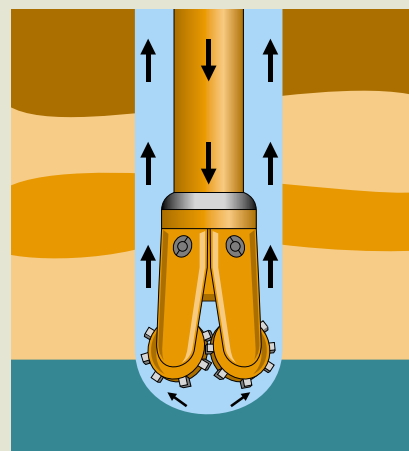
Uses of Potassium Nitrate

1. Glass production: with similar properties to sodium nitrate, potassium nitrate is used in the manufacture of glass and crystal.
2. Glazes for ceramics: potassium nitrate is used in the enamel coatings of the metal cases in refrigerators, dish-washers, bathtubs, as well as the finish on ceramic tiles.
3. The pyrotechnics industry: potassium nitrate acts as an oxidant, and is used to give colour and sound to fireworks.
4. Television screens (CRT): potassium nitrate is used to improve the fusion and refinement of the CRT screens used for both computers and televisions.

APPLICATIONS OF INDUSTRIAL POTASSIUM NITRATE AND POTASSIUM CHLORIDE

Industrial potassium nitrate and potassium chloride are used in the preparation of drilling mud. In the construction of oil wells the drilling mud is required according to the geologic conditions of the substrate in which the perforation is being done. This drilling mud has two objectives:

- It facilitates the extraction of the perforated material, since it is injected through the interior of the perforation tube right to the bottom of the well, carrying the rocky materials to the surface.
- It allows to give a greater structural resistance to the well's walls and thus to avoid problems as landslides or the blockage of the perforation reel due to the collapse of the well, which can reach a depth from 1 to 6 kilometers.





Other Products

Apart from industrial nitrates, SQM complements its range of industrial products with boric acid and potassium chloride, which are extracted from the brines of the Atacama Salar.

Thanks to its greater purity than other borates, boric acid has become an important consumable for industries such as the glass industry, where it improves the resistance to chemicals and heat, insulating materials based on wood pulp, in which it acts as a fire retardant, and it has recently been incorporated into the manufacture of LCD screens, where it improves chemical resistance.

SQM's potassium chloride is supplied in two grades: standard and granular. The main industrial applications of potassium chloride are as an agent in drilling fluids for oil wells, where it improves their stability, and in the production of potassium nitrate.

Commodity fertilizers

With the purpose of complementing the product portfolio that SQM offers to its customers in Chile, the Company imports and commercializes commodity fertilizers through its commercial affiliate Soquimich Comercial S.A.

The Chilean agriculture continues with uncertain perspective, due to the unstable conditions in markets such as wheat and other cereals, and to the constant threat that Chilean producers have, of the arrival of imported agricultural products, which generates a decrease in the hectares planted.

The year 2006 presented important challenges to Soquimich Comercial, oriented to surpass the problems observed during year 2005.

One of the policies oriented to improve results consisted in handling purchases more fit to the sales budget, that allowed to improve the rotation of inventories and simultaneously to mitigate the risks of price variations for commodity fertilizers.



FINANCIAL ANALYSIS

SQM earnings for the year 2006 reached US\$141.3 million (US\$5.37 per ADR), 24.5% higher than the US\$113.5 million (US\$4.31 per ADR) recorded last year.

The Operating income reached US\$219.9 million (21.1% of revenues), 21.4% higher than the US\$181.2 million (20.0% of revenues) recorded last year.

Revenues obtained during the year 2006 reached US\$1,042.9 million, approximately 15.1% higher than the US\$906.0 million recorded for the same period of 2005.

The analysis of the different business areas is the following:

1.- Specialty Plant Nutrition

Specialty plant nutrition revenues for the year 2006 reached US\$502.8 million, 1.3% higher than the US\$496.5 million of the same period of the previous year.

Lower sales volumes obtained during 2006 are mainly explained by the following:

- Additional production levels reached by other producers affected mainly

Specialty Plant Nutrition: volumes and revenues

		2006	2005	2006/2005	
Sodium nitrate	Th. Ton	55.0	63.3	-8.3	-13%
Potassium nitrate and sodium potassium nitrate	Th. Ton	635.0	689.4	-54.5	-8%
Blended and borate specialty plant nutrients	Th. Ton	219.2	219.8	-0.7	0%
Other non-SQM specialty plant nutrients	Th. Ton	142.3	144.6	-2.3	-2%
Potassium sulphate	Th. Ton	172.4	178.6	-6.2	-3%
Revenues Specialty Plant Nutrition	MUS\$	502.8	496.5	6.4	1%

►► Ricardo Ramos – CFO and Business Development SVP

During the year 2006 results continued with the positive trend of the past few years. The successful renewal of long term debt strengthens our financial position and it allows us to continue supporting SQM's development strategy. The investors have increased their confidence in the company's future, which implies a great challenge for 2007.



our potassium nitrate and sodium potassium nitrate sales in the Brazilian market. Our sales of sodium potassium nitrate to the Brazilian market were also affected by a reduction in the planted hectares of some of our target crops. This reduction in the planted hectares is believed to have been caused in part by the strengthening of the Real against the US dollar observed during the first half of 2006, affecting the export volumes of local producers.

- Spain, an important market for our soluble plant nutrients, was affected by one of the strongest droughts of the last years. This situation generated a decrease of 6% in the sales volumes for that market compared with the last year.
- Lower volumes of sodium nitrate sold to the Japanese market. This is the effect caused by a delay in a vessel destined to Japan that was rescheduled for the first half of 2007.

The lower sales volumes observed during this period were partially offset by better price conditions across most of our markets. Specialty plant nutrition revenues were therefore mainly driven by improved pricing conditions, increasing on average 5% as compared with the previous year. The increase in prices responds mainly to the positive pricing conditions for all potassium-related fertilizers.

Looking ahead, we expect that the problems that affected the demand

during the year 2006 will revert. Therefore, we expect an increase in sales volumes during 2007, maintaining a stable price environment.

Consistent with the company's decision of focusing in its core businesses, during the last part of 2006 SQM sold its stake in the Italian company Impronta and in the Mexican company Fertilizantes Olmecca. Sales of specialty plant nutrients in those countries will be centralized in SQM Italy and SQM Mexico, respectively.

Regarding our Chilean operation, during 2006 our subsidiary Soquimich Comercial reached revenues for US\$ 141.2 millions, with a significant increase in margins related to the trading of commodity fertilizers.

2.- Iodine and iodine derivatives

Iodine and iodine derivatives revenues for the year 2006 reached US\$217.7 million, 46% higher than the US\$149.1 million of the previous year.

The higher revenues reached in this business line are explained both by higher volumes and higher prices:

- Higher volumes were mainly due to the acquisition of DSM's iodine business and the capacity increase in Nueva Victoria, both during first quarter 2006

Iodine: volumes and revenues

		2006	2005	2006/2005	
Iodine and derivatives	Th. Ton	9.8	8.1	1.7	21%
Revenues Iodine and derivatives	MUS\$	217.7	149.1	68.6	46%



3.- Lithium and lithium derivatives

- The most important applications of iodine and derivatives that are increasing in demand are iodophors and biocides, in USA; LCD polarizing film in Asia and x-ray contrast media in Europe and USA.

On average iodine prices increased by close to US\$ 3.5 per kilogram as compared with 2005. Considering the positive price scenario that prevailed during fourth quarter 2006, we expect that average prices for 2007 should be higher than in 2006.

During the early part of 2006, SQM acquired the iodine and iodine derivatives business of the Dutch "DSM Group" for a base payment of US\$72 million plus working capital. The acquisition provided SQM with logistics, commercial and productive synergies and reaffirmed SQM's commitment with the development and strengthening of its core businesses and with the iodine industry as part of its strategy to be a long-term reliable iodine supplier.

Lithium and lithium derivatives revenues during 2006 reached US\$128.9 million, 58.4% higher than the US\$81.4 million recorded for the year 2005.

The higher revenues are mainly explained by better price conditions. The strong demand observed during the last few years, with a growth of approximately 6% during 2006, positively affected pricing conditions and we expect that a positive scenario is likely to repeat in 2007.

The higher sales volumes observed during 2006 were mainly due to the increase in consumption in markets such as batteries in Japan, Korea and China and glass in Europe. Another application with an important increase during this period was the continuous casting powder used in the steel industry in Asia.

Lithium: volumes and revenues

		2006	2005	2006/2005	
Lithium carbonate and derivatives	Th. Ton	30.4	28.2	2.2	7.5%
Revenues Lithium and derivatives	MUS\$	128.9	81.4	47.5	58.4%



4.- Industrial Chemicals

As the lithium carbonate plant is working close to nameplate capacity, the increase in volumes was limited by this fact and the use of inventories. Due to this SQM is expecting to finish the 10,000 metric tons per annum expansion of its lithium carbonate production capacity by second half of 2008.

Regarding lithium hydroxide, demand continues to increase, also generating improved pricing conditions. During 2006 prices increased by more than 30% compared to the previous year.

Industrial chemicals revenues reached US\$71.3 million during 2006, 0.8% higher than the US\$70.7 million of the previous year.

Volumes of industrial nitrates were lower than last year's. Most of the end customers using the nitrates are located in mature industries, negatively affecting future growth.

Partially offsetting the volume effect, the increase in prices observed during 2006 has allowed this business line to maintain its revenues.

Industrial Chemicals: volumes and revenues

		2006	2005	2006/2005	
Industrial nitrates	Th. Ton	162	176	-15	-8%
Boric acid	Th. Ton	10	6	4	56%
Revenues Industrial Chemicals	MUS\$	71.3	70.7	0.6	1%



5.- Others

Potassium chloride

During the year 2006 revenues reached US\$32.1 million, similar to the US\$ 32.4 million recorded in the year 2005.

Revenues remained relatively constant due to the increase in average price, which was able to offset the decrease in sales volumes.

Other commodity fertilizers

Sales of other commodity fertilizers increased from US\$76.0 million during 2005 to US\$90.1 million during 2006, significantly increasing its contribution to gross margin.

Operating Costs

Production costs during 2006 were higher than in 2005, being affected by the following factors:

- Higher energy costs. Oil, electricity and natural gas costs were higher in 2006 compared to the previous year. To the increase experienced by the prices of these raw materials we have to add the shortage in the natural gas supply coming from Argentina.
- The less favorable exchange rate scenario in Chile. The average appreciation of the Chilean peso in 5.6% had a negative effect on our peso-denominated costs.
- Depreciation costs increased by approximately US\$ 20 million during 2006.

SQM is focused on implementing several cost-reduction initiatives mainly oriented to energy savings and production yields improvements

Potassium Chloride: volumes and revenues

		2006	2005	2006/2005	
Potassium chloride	Th. Ton	126,4	128,8	-2,4	-2%
Revenues Potassium Chloride	MUS\$	32,1	32,4	-0,4	-1%



Selling and Administrative Expenses

Selling and Administrative Expenses reached US\$69.7 million (6.7% of revenues) during the year 2006 compared to the US\$63.2 million (7% of revenues) recorded during the year 2005.

Non-Operating Income

Non-operating income for the year 2006 shows a US\$36.0 million loss which compares to a US\$34.2 million loss of the previous year. The main variations in the non-operating income were the following:

- Net financial expenses ⁽¹⁾ reached US\$(16.2) million during 2006, higher than the US(11.2) million reached during the year 2005. This increase in financial expenses is related to the increase in the financial debt of the company.
- During the year 2006 the Company recorded exchange losses of approximately US\$2.3 million, lower than the US\$ 3.8 million during 2005.

Financial Debt

To finance its capital expenditures program and a 10-year bond maturing on September 2006, SQM issued the following long-term debts:

- January 2006. SQM issued in Chile a 21-year, US\$ 100 million senior unsecured bond at a re-offer yield of 4.18% in UFs (Chilean inflation-adjusted currency). Currently this debt is secured through a cross currency swap allowing the company to fix the interest rate at a US dollar rate of 5.84% for a 21-year period (average life of 10 years).
- April 2006. SQM issued in the U.S.A. a 10-year bullet, US\$ 200 million, Rule 144-A bond with a fixed annual interest rate of 6.125%.
- November 2006. SQM subscribed a 5-year bullet US\$ 80 million international credit facility, with an annual rate of Libor +0.3%.

With the above the company increased its net financial debt ⁽²⁾ to US\$ 361.5 million as of December 31, 2006, from the year-ago figure of US\$ 243.7 million. Net financial debt/EBITDA ratio at the end of 2006 was slightly lower than 1.2 times.

Notes:

⁽¹⁾ The net financial expenses correspond to the total financial expenses net of the financial income during the period.

⁽²⁾ The net financial debt corresponds to all liabilities that generate interests net of the financial assets at the end of each period.



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CONSOLIDATED FINANCIAL STATEMENTS


REPORT OF INDEPENDENT AUDITORS


**To the Shareholders and Directors of
Sociedad Química y Minera de Chile S.A.:**

■ Huérfanos 770, piso 5
Santiago, Chile

■ Fono : (56-2) 676 1000
Fax : (56-2) 676 100
Casilla : 2823

1. We have audited the accompanying consolidated balance sheets of Sociedad Química y Minera de Chile S.A. and subsidiaries ("the Company" or "SQM S.A.") as of December 31, 2006 and 2005, and the related consolidated statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

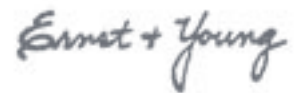
2. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries as of December 31, 2006 and 2005 and the results of its operations and cash flows for the years then ended, in accordance with generally accepted accounting principles in Chile.

4. As disclosed in Note 10 to the consolidated financial statements, on January 19, 2006 Sociedad Química y Minera de Chile S.A., acquired from the DSM Group, the companies DSM Minera S.A., DSM Minera B.V. and Exploraciones Mineras S.A. for the amount of ThUS\$114,996, recognizing goodwill for a sum of ThUS\$10,852 and negative goodwill of ThUS\$1,928. Accordingly, the assets, liabilities and results of these companies are included in consolidation for the year ended December 31, 2006.



Arturo Selle S.
Rut: 5.744.179-8



Rut: 77.802.430-6

Santiago, Chile, February 26, 2007.


CONSOLIDATED BALANCE SHEETS
As of December 31

ASSETS	NOTE	2006	2005
		ThUS\$	ThUS\$
Current assets			
Cash		20,915	13,313
Time deposits		32,706	1,545
Marketable securities	4	130,321	132,303
Accounts receivable, net	5	177,406	161,695
Other accounts receivable, net	5	4,857	9,985
Accounts receivable from related companies	6	65,640	51,846
Inventories, net	7	365,499	328,994
Recoverable taxes		32,830	31,575
Prepaid expenses		3,885	3,189
Deferred income taxes	15	–	2,528
Other current assets		11,816	9,518
Total current assets		845,875	746,491
Property, plant and equipment, net	8	916,928	794,695
Other assets			
Investments in related companies	9	18,329	20,461
Goodwill, net	10	36,331	27,209
Negative goodwill, net	10	(1,928)	(68)
Intangible assets, net		4,523	4,783
Long-term accounts receivable, net	5	388	445
Long-term accounts receivable from related companies	6	2,000	2,000
Other long-term assets	11	48,756	48,159
Total other assets		108,399	102,989
Total assets		1,871,202	1,644,175

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

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	As of December 31	
		2006	2005
		ThUS\$	ThUS\$
Current liabilities			
Short-term bank debt	12	58,350	86,841
Current portion of long-term debt	12	828	204,881
Current portion of bonds payable	13	5,540	–
Dividends payable		264	229
Accounts payable		80,810	71,761
Other accounts payable		547	1,036
Notes and accounts payable to related companies	6	5,807	7,698
Accrued liabilities	14	16,404	22,597
Withholdings		11,386	13,320
Income taxes		8,722	20,675
Deferred income taxes	15	4,088	–
Deferred income		4,065	1,262
Other current liabilities		831	368
Total current liabilities		197,642	430,668
Long-term liabilities			
Long-term bank debt	12	180,000	100,000
Long-term obligations with the public (bonds)	13	300,724	–
Other accounts payable		849	1,065
Deferred income taxes	15	47,361	38,895
Staff severance indemnities	16	19,464	17,407
Total long-term liabilities		548,398	157,367
Minority interest	17	39,213	35,724
Shareholders' equity			
Paid-in capital	18	477,386	477,386
Other reserves	18	155,190	157,287
Retained earnings	18	453,373	385,743
Total shareholders' equity		1,085,949	1,020,416
Total liabilities and shareholders' equity		1,871,202	1,644,175

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

CONSOLIDATED STATEMENTS OF INCOME

		As of December 31	
	NOTE	2006	2005
Operating Results		ThUS\$	ThUS\$
Sales		1,042,886	905,988
Cost of sales		(753,336)	(661,576)
Gross margin		289,550	244,412
Selling and administrative expenses		(69,662)	(63,244)
Operating income		219,888	181,168
Non-operating results			
Non-operating income	20	19,293	16,381
Non-operating expenses	20	(55,341)	(50,630)
Non-operating loss		(36,048)	(34,249)
Income before income taxes		183,840	146,919
Income tax expense	15	(37,916)	(32,559)
Income before minority interest		145,924	114,360
Minority interest	17	(4,715)	(1,057)
Net income before negative goodwill		141,209	113,303
Amortization of negative goodwill	10	68	203
Net income for the year		141,277	113,506

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


CONSOLIDATED STATEMENTS OF CASH FLOWS

As of December 31

	NOTE	2006	2005
Cash Flows From Operating Activities		ThUS\$	ThUS\$
Net income for the year		141,277	113,506
Charges (credits) to income not representing cash flows			
Depreciation expense	8	90,354	70,082
Amortization of intangible assets		915	498
Write-offs and accruals		16,512	17,034
Gain on equity investments in related companies		(2,314)	(3,054)
Loss on equity investments in related companies		362	476
Amortization of goodwill	10	2,229	2,070
Amortization of negative goodwill	10	(68)	(203)
(Profit) loss on sales of assets		(809)	216
Loss from sale of investments		(732)	–
Other credits to income not representing cash flows		(2,762)	(10,109)
Other charges to income not representing cash flows		82,333	87,596
Foreign exchange difference, net		2,263	3,833
Net changes in operating assets and liabilities (increase) decrease:			
Trade accounts receivable		(240)	(15,838)
Inventories		(46,730)	(58,807)
Other assets		7,917	(10,783)
Accounts payable		(23,359)	(6,520)
Interest payable		2,968	349
Net income taxes payable		(49,515)	(25,620)
Other accounts payable		(10,840)	(10,517)
Vat and taxes payable		6,724	(3,282)
Minority interest	17	4,715	1,057
Net cash provided from operating activities		221,200	151,984
Cash flows from financing activities			
Proceeds from short term bank financing		259,257	185,000
Bonds payable		299,833	–
Payment of dividends		(74,566)	(51,732)
Repayment of bank financing		(406,282)	(6,000)
Payment of expenses for the issuance and placement of bonds payable		(6,629)	–
Net cash used in financing activities		71,613	127,268
Cash flows from investing activities			
Sales of property, plant and equipment		10,289	2,546
Sales of permanent investments		5,790	–
Other investing income		24,811	1,345
Additions to property, plant and equipment		(175,788)	(185,603)
Capitalized interest		(10,948)	(5,140)
Purchase of permanent investments		(113,196)	(12,026)
Investments in financial instruments		–	(2)
Other disbursements		(504)	(666)
Net cash used in investing activities		(259,546)	(199,546)
Effect of inflation on cash and cash equivalents		2,720	1,497
Net change in cash and cash equivalents		35,987	81,203
Beginning balance of cash and cash equivalents		147,956	66,753
Ending balance of cash and cash equivalents		183,943	147,956

The accompanying notes form an integral part of these consolidated financial

NOTE 1. COMPANY BACKGROUND

Sociedad Química y Minera de Chile S.A. (the "Company") was registered with the Chilean Superintendency of Securities and Insurance ("SVS") on March 18, 1983.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Basis for the preparation of the consolidated financial statements**

The accompanying consolidated financial statements have been prepared in U.S. dollars in accordance with accounting principles generally accepted in Chile ("Chilean GAAP") and the regulations of the SVS. Certain accounting practices applied by the Company that conform with Chilean GAAP may not conform with generally accepted accounting principles in the United States ("US GAAP"). For the convenience of the reader, the consolidated financial statements and their accompanying notes have been translated from Spanish into English.

The consolidated financial statements include the accounts of Sociedad Química y Minera de Chile S.A. (the "Parent Company") and subsidiaries (companies in which the Parent Company holds a controlling participation, generally equal to direct or indirect ownership of more than 50%). The Parent Company and its subsidiaries are referred to as the "Company".

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

In accordance SVS Circular No. 1,697 and Technical Bulletins Nos. 64 and 72 of the Chilean Association of Accountants, the consolidated financial statements include the following subsidiaries:

FOREIGN SUBSIDIARIES:	DIRECT OR INDIRECT OWNERSHIP	
	2006 %	2005 %
Nitrate Corp. of Chile Limited (United Kingdom)	100.00	100.00
Soquimich SRL – Argentina	100.00	100.00
Nitratos Naturais do Chile Ltda. (Brazil)	100.00	100.00
SQM Europe NV (Belgium)	100.00	100.00
SQM North America Corp. (USA)	100.00	100.00
North American Trading Company (USA)	100.00	100.00
SQM Peru S.A.	100.00	100.00
SQM Corporation NV (Dutch Antilles)	100.00	100.00
S.Q.I. Corporation NV (Dutch Antilles)	100.00	100.00
Soquimich European Holding BV (Holland)	100.00	100.00
PTM – SQM Ibérica S.A. (Spain)	100.00	100.00
SQMC Holding Corporation LLP (USA)	100.00	100.00
SQM Ecuador S.A.	100.00	100.00
Cape Fear Bulk LLC (USA)	51.00	51.00
SQM Investment Corporation NV (Dutch Antilles)	100.00	100.00
SQM Brasil Ltda.	100.00	100.00
Royal Seed Trading Corporation AVV (Aruba)	100.00	100.00
SQM Japon Co. Ltda.	100.00	100.00
SQM Oceanía PTY Limited (Australia)	100.00	100.00
SQM France S.A.	100.00	100.00
RS Agro-Chemical Trading AVV (Aruba)	100.00	100.00
SQM Comercial de México S.A. de C.V.	100.00	100.00
SQM Indonesia	80.00	80.00
SQM Virginia LLC (USA)	100.00	100.00
Agricolima S.A. de C.V. (Mexico)	100.00	100.00
SQM Venezuela S.A.	100.00	100.00
SQM Italia SRL (Italy)	100.00	95.00
Comercial Caiman Internacional S.A. (Cayman Islands)	100.00	100.00
Mineag SQM África Limited (South Africa)	100.00	100.00
Fertilizantes Olmeca y SQM S.A. de C.V. (Mexico)	0.00	100.00
Administración y Servicios Santiago S.A. de C.V. (Mexico)	100.00	100.00
SQM Lithium Specialties LLC (USA)	100.00	100.00
SQM Nitratos México S.A. de C.V. (México)	51.00	51.00
Fertilizantes Naturales S.A.	66.67	50.00
Iodine Minera B.V.	100.00	0.00
SQM Dubai – FZCO.	100.00	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DOMESTIC SUBSIDIARIES:	DIRECT OR INDIRECT OWNERSHIP	
	2006 %	2005 %
Servicios Integrales de Tránsitos y Transferencias S.A.	100.00	100.00
Soquimich Comercial S.A.	60.64	60.64
Isapre Norte Grande Ltda.	100.00	100.00
Almacenes y Depósitos Ltda.	100.00	100.00
Ajay SQM Chile S.A.	51.00	51.00
SQM Nitratos S.A.	99.99	99.99
Proinsa Ltda.	60.58	60.58
SQM Potasio S.A.	100.00	100.00
SQMC International Limitada.	60.64	60.64
SQM Salar S.A.	100.00	100.00
SQM Industrial S.A.	100.00	100.00
Minera Nueva Victoria S.A.	100.00	0.00
Exploraciones Mineras S.A.	100.00	0.00
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	100.00	0.00
Comercial Hydro S.A.	60.64	60.64

All significant inter-company balances, transactions and unrealized gains and losses arising from transactions between these companies have been eliminated in consolidation.

b) Period

These consolidated financial statements have been prepared as of December 31, 2006 and 2005 and for the years then ended.

c) Reporting currency and monetary correction

The financial statements of the Company are prepared in U.S. dollars. As a significant portion of the Company's operations are transacted in U.S. dollars, the U.S. dollar is considered the currency of the primary economic environment in which the Company operates.

The Parent Company and those subsidiaries which maintain their accounting records in U.S. dollars are not required, or permitted, to restate the historical dollar amounts for the effects of inflation.

The financial statements of domestic subsidiaries, which maintain their accounting records in Chilean pesos have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the year. For this purpose, and in accordance with Chilean regulations, non-monetary assets and liabilities, equity and income statement accounts have been restated in terms of year-end constant pesos based on the change in the consumer price index during the year (2.1% and 3.6% in 2006 and 2005, respectively). The resulting net charge or credit to income arises as a result of the gain or loss in purchasing power from the holding of non-U.S. dollar denominated monetary assets and liabilities exposed to the effects of inflation.

Prior period financial statements presented for comparative purposes have not been restated to reflect the change in the purchasing power of the Chilean pesos during the most recent year-end. In accordance with Chilean GAAP, amounts expressed in U.S. dollars, including amounts included in the consolidated financial statements as determined in prior years from the translation of financial statements of those Chilean subsidiaries which maintain their accounting records in Chilean pesos, are not adjusted for price-level changes.

d) Foreign currency

i) Foreign currency transactions

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to U.S. dollars at the observed exchange rates determined by the Central Bank of Chile in effect at each year-end of Ch\$ 532.39 per US\$1 at December 31, 2006 and Ch\$ 512.50 per US\$1 at December 31, 2005.

ii) Translation of non-U.S. dollar financial statements

In accordance with Chilean GAAP, the financial statements of foreign and domestic subsidiaries that do not maintain their accounting records in U.S. dollars are translated from the respective local currencies to U.S. dollars in accordance with Technical Bulletin No. 64 and No. 72 of the Chilean Association of Accountants ("BT 64-BT 72") as follows:

a) For those subsidiaries and affiliates located in Chile which keep their accounting records in price-level adjusted Chilean pesos:

Balance sheet accounts are translated to U.S. dollars at the year-end exchange rate without eliminating the effects of price-level restatement. Income statement accounts are translated to U.S. dollars at the average exchange rate each month. The monetary correction account on the income statement, which is generated by the inclusion of price-level restatement on the non-monetary assets and liabilities and shareholders' equity, is translated to U.S. dollars at the average exchange rate for each month. Translation gains and losses, as well as the price-level restatement to the balance sheet mentioned above, are included as an adjustment in shareholders' equity, in conformity with Circular No. 1,697 of the SVS.

b) The financial statements of those foreign subsidiaries that keep their accounting records in currencies other than the U.S. dollar have been translated at historical exchange rates as follows:

Monetary assets and liabilities are translated at year-end exchange rates between the US dollar and the local currency. All non-monetary assets and liabilities and shareholders' equity are translated at historical exchange rates between the US dollar and the local currency. Income and expense accounts are translated at average exchange rates between the US dollar and the local currency. Any exchange differences are included in the results of operations for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign exchange differences for the period ended December 31, 2006 and 2005 generated net earnings (loss) of ThUS\$ (2,263) and ThUS\$ (3,833) respectively, which have been charged to the consolidated statements of income in each respective period.

The monetary assets and liabilities of foreign subsidiaries were translated into US dollars at the exchange rates per US dollar prevailing at December 31, as follows:

	2006	2005
	US\$	US\$
Brazilian Real	2.14	2.34
New Peruvian Sol	3.19	3.34
Argentine Peso	3.06	3.03
Japanese Yen	119.11	118.07
Euro	0.76	0.85
Mexican Peso	10.88	10.71
Indonesian Rupee	9,830.04	9,290.00
Australian Dollar	1.27	1.36
Pound Sterling	0.51	0.52
Ecuadorian Sucre	1.00	1.00
South African Rand	6.99	6.33

The Company uses the "observed exchange rate", which is the rate determined daily by the Chilean Central Bank based on the average exchange rates at which bankers conduct authorized transactions.

e) Cash and cash equivalents

The Company considers all highly liquid investments with a remaining maturity of less than 90 days as of the closing date of the financial statements to be cash equivalents.

f) Time Deposits

Time deposits are recorded at cost plus accrued interest.

g) Marketable securities

Marketable securities are recorded at the lower of cost plus accrued interest or market value.

h) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts based on estimated probable losses.

i) Inventories and materials

Inventories of finished products and products in process are stated at average production cost, which is presented net of provisions. Provisions have been made based on a technical study which covers the different variances which affect our products (density, moist, among others).

Materials and supplies received are stated at average acquisition and inventories in transit are stated at cost incurred at the end of the period.

The cost of inventories does not exceed its net realizable value.

j) Income taxes and deferred income taxes

In conformity with current Chilean tax regulations, the Company recognizes the provision for corporate income tax expense and the income tax for the mining activity on an accrual basis.

Prior to 2000, income taxes were charged to results in the same period in which the income and expenses were recorded and were calculated in accordance with the enacted tax laws in Chile and the other jurisdictions in which the Company operated.

Under Chilean law, the Parent Company and its subsidiaries are required to file separate tax declarations.

Beginning January 1, 2000, the Company records deferred income taxes in accordance with Technical Bulletin Nos. 60, 69, 71 and 73 of the Chilean Association of Accountants, and with Circular No. 1466 issued on January 27, 2000 by the SVS, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities, using the liability method. The effect of the temporary differences at March 31, 1999 were recorded in complementary asset and liability accounts, which are recognized in the statement of operations over the estimated period in which they reverse.

k) Property, plant and equipment

Property, plant, equipment and property rights are recorded at acquisition cost, considering in general an average residual value of 5%, except for certain assets that were restated in accordance with a technical appraisal in 1989. Depreciation for the period is calculated according to the straight-line method based on the remaining technical useful lives of assets, estimated by management.

Property, plant and equipment acquired through financial lease agreements are accounted for at the present value of the minimum lease payments plus the purchase option based on the interest rate included in each contract. The Company does not legally own these assets and therefore cannot freely dispose of them.

In conformity with Technical Bulletin No. 31 and 33 of the Chilean Association of Accountants, the Company capitalizes interest cost associated with the financing of new assets during the construction period of such assets.

Maintenance costs of plant and equipment are charged to expenses as incurred.

The Company obtains property rights and mining concessions from the Chilean state. Other than minor filing fees, the property rights are usually obtained without initial cost, and once obtained, are retained by the Company as long as the annual fees are paid. Such fees, which are paid annually in March, are recorded as prepaid assets to be amortized over the following twelve months. Values attributable to these original mining concessions are recorded in property, plant and equipment.

l) Investments in related companies

Investments in related companies over which the Company has significant influence, are included in other assets and are recorded using the equity method of accounting, in accordance with SVS Circulars Nos. 368 and 1,697 and Technical Bulletins Nos. 64 and 72 issued by the Chilean Association of Accountants. Accordingly, the Company's proportional share in the net income or loss of each investee is recognized in the non-operating income and expense classification in the consolidated statements of income on an accrual basis, after eliminating any unrealized profits from transactions with the related companies.

The translation adjustment to U.S. dollars of investments in domestic subsidiaries that maintain their accounting records and are controlled in Chilean pesos is recognized in other reserves within shareholders' equity. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

m) Goodwill and negative goodwill

Goodwill is calculated as the excess of the purchase price of companies acquired over their net book value, whereas negative goodwill occurs when the net book value exceeds the purchase price of companies acquired. Goodwill and negative goodwill resulting from equity method investments are maintained in the same currency in which the investment was made and are amortized based on the estimated period of investment return, generally 20 and 10 years for goodwill and negative goodwill, respectively.

Beginning on January 1, 2004, goodwill and negative goodwill represents the difference between the acquisition cost of the investment in a related company and the fair value of this investment at the acquisition date, which is amortized with a charge or credit to income in the expected period of return of the investment, which does not exceed 20 years.

n) Intangible assets

Intangible assets are stated at cost plus acquisition expenses and are amortized over a period of up to a maximum of 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants.

o) Mining development cost

Mining development costs are recorded in other long-term assets and are amortized utilizing the unit of production basis.

p) Accrued employee severance

The Company calculates the liability for staff severance indemnities based on the present value of the accrued benefits for the actual years of service worked assuming average employee tenure of 24 years and a real annual discount rate of 8%.

q) Vacations

The cost of employee vacations is recognized in the financial statements on an accrual basis.

r) Saleback operations

These operations are registered in Other Current Assets at the amount of the purchase. Starting at the purchase date, the respective interest is recorded in accordance with SVS Circular 768.

s) Dividends

Dividends are generally declared in U.S. dollars but are paid in Chilean pesos.

t) Derivative Contracts

The Company maintains derivative contracts to hedge against movements in foreign currencies, which are recorded in conformity with Technical Bulletin No. 57 of the Chilean Association of Accountants. Such contracts are recorded at fair value with net losses recognized on the accrual basis and gains recognized when realized.

u) Reclassifications

For comparison purposes, certain reclassifications have been made to the 2005 financial statements.

v) Revenue recognition

Revenue is recognized on the date goods are physically delivered or when they are considered delivered according to the terms of the contract.

w) Computer software

Computational systems developed internally using the Company's personnel and materials are charged to income during the year in which the expenses are incurred. In accordance with Circular No. 981 dated December 28, 1990 of the SVS, computer systems acquired by the Company are recorded at cost.

x) Research and development expenses

Research and development cost are charged to the income statement in the period in which they are incurred. Property, plant and equipment that are acquired for use in research and development activities and determined to provide additional benefits to the Company are recorded in property, plant and equipment.

y) Obligations with the public (Bonds payable)

Bonds are stated at the principal amount plus interest accrued. The difference between the carrying value and the placement value is capitalized and amortized in the period of expiration of these.

z) Provisions for mine closure costs

The Company has made a provision to cover those costs associated with mine closure and mining facilities and mitigation of environmental damage, which has been recorded at its present value. The amount determined is presented under accrued expenses in long-term liabilities.

aa) Deferred income

Deferred income relate to the recognition of document sales, the delivery of which occurs subsequent to the closing date of the financial statements.

NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES

a) Changes in Accounting Principles

Beginning in January 2006, the subsidiary Soquimich European Holding B.V. and Nutrisi Holding N.V. increased their ownership in Fertilizantes Naturales S.A. and therefore it was included in consolidation, in accordance with letters a) to d) of No. 6 in Attachment 1 to the Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

During the period ended December 31, 2006, there were no other changes in the application of generally accepted accounting principles in Chile compared to the prior year.

b) Restatement of 2005 Financial Statements

Only for comparative purposes, the financial statements as of December 31 have been restated including the assets and liabilities of Fertilizantes Naturales S.A.. Accordingly, the assets and liabilities included are as follows:

	Fertilizantes Naturales S.A.
	ThUS\$
Current assets	9,595
Property, plant and equipment	47
Other assets	67
Current liabilities	9,279
Net income for the year	37

NOTE 4. MARKETABLE SECURITIES

As of December 31 marketable securities are detailed as follows:

	2006	2005
	ThUS\$	ThUS\$
Mutual funds	130,321	132,303
Total	130,321	132,303

Mutual funds consist of investments with Citibank in highly liquid funds invested in fixed-rate debt in the United States.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. SHORT-TERM AND LONG-TERM ACCOUNTS RECEIVABLE

a) Short term and long-term accounts receivable and other accounts receivable as of December 31 are detailed as follows:

	UP TO 90 DAYS		BETWEEN 90 DAYS AND 1 YEAR		TOTAL SHORT-TERM (NET)	
	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
Short-term						
Trade accounts receivable	95,111	112,751	41,743	12,570	136,854	125,321
Allowance for doubtful accounts					(7,419)	(7,737)
Notes receivable	50,859	33,675	354	14,772	51,213	48,447
Allowance for doubtful accounts					(3,242)	(4,336)
Accounts receivable, net					177,406	161,695
Other accounts receivable	5,582	9,701	407	999	5,989	10,700
Allowance for doubtful accounts					(1,132)	(715)
Other accounts receivable, net					4,857	9,985
Long-term receivables					388	445

Consolidated Short-term and Long-term Receivables by Geographic Location

RUBROS	Chile		Europe, Africa and the Middle East		Asia and Oceania		USA, Mexico and Canada		Latin America and the Caribbean		Total	
	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
Net short-term trade accounts receivable												
Balance	42,375	35,860	43,402	33,478	4,575	7,069	28,730	27,433	10,353	13,744	129,435	117,584
% of total	32.74%	30.50%	33.53%	28.47%	3.53%	6.01%	22.20%	23.33%	8.00%	11.69%	100.00%	100.00%
Net short-term notes receivable												
Balance	41,270	38,016	2,093	1,552	340	563	994	357	3,274	3,623	47,971	44,111
% of total	86.03%	86.18%	4.36%	3.52%	0.71%	1.28%	2.08%	0.81%	6.82%	8.21%	100.00%	100.00%
Net short-term other accounts receivable												
Balance	2,815	4,631	585	1,752	9	11	1,277	3,064	171	527	4,857	9,985
% of total	57.96%	46.38%	12.04%	17.55%	0.19%	0.11%	26.29%	30.68%	3.52%	5.28%	100.00%	100.00%
Subtotal short-term accounts receivable, net												
Balance	86,460	78,507	46,080	36,782	4,924	7,643	31,001	30,854	13,798	17,894	182,263	171,680
% of total	47.44%	45.73%	25.28%	21.42%	2.70%	4.45%	17.01%	17.97%	7.57%	10.42%	100.00%	100.00%
Long-term accounts receivable, net												
Balance	368	316	-	67	-	42	-	-	20	20	388	445
% of total	94.85%	69.63%	-	15.06%	-	10.82%	-	-	5.15%	4.49%	100.00%	100.00%
Total short and long-term accounts receivable, net												
Balance	86,828	78,823	46,080	36,849	4,924	7,685	31,001	30,854	13,818	17,914	182,651	172,125
% of total	47.54%	45.79%	25.23%	21.41%	2.70%	4.46%	16.96%	17.93%	7.57%	10.41%	100.00%	100.00%

NOTE 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related companies are generated by commercial transactions which accrue no interest under normal conditions in force for this type of operations in respect to term and market price.

Expiration conditions for each case vary depending on the transaction which generated it.

In addition, all those significant transactions with related parties with an amount exceeding 1% of net income for the year are disclosed.

a) Amounts included in balances with related parties as of December 31, 2006 and 2005 are as follows:

ACCOUNTS RECEIVABLE	SHORT-TERM		LONG-TERM	
	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
Doktor Tarsa –SQM Turkey	8,446	12,688	–	–
Nutrisi Holding N.V.	1,603	1,432	–	–
Generale de Nutrition Vegetale S.A.	–	132	–	–
Ajay Europe S.A.R.L.	8,617	3,222	–	–
Ajay North America LLC	3,271	2,420	–	–
Abu Dhabi Fertilizer Ind. WLL	3,732	3,354	2,000	2,000
Impronta SRL	1,094	5,042	–	–
NU3 B.V.	413	467	–	–
Sales de Magnesio S.A.	86	72	–	–
SQM Agro India	113	–	–	–
Misir Specialty Fertilizers	462	–	–	–
Soc.Inv.Pampa Calichera Ltda.	8	4	–	–
Sac S.A.	–	4	–	–
Kowa (Japan)	8,609	–	–	–
PCS Sales Inc	10	–	–	–
Yara AB	2	–	–	–
Yara Benelux B.V	78	223	–	–
Yara Hellas S.A.	310	116	–	–
Yara International Australia PTY.	642	670	–	–
Yara Poland SP	85	103	–	–
Yara UK Ltd.	285	132	–	–
Yara CZECH Republic	2	–	–	–
Yara GMBH & CO KG	95	148	–	–
Yara Iberian S.A.	1,317	1,958	–	–
Yara Argentina S.A.	125	43	–	–
Yara Colombia Ltda..	2,938	1,480	–	–
Adubo Trevo S.A. (Yara)	252	16	–	–
Yara North America LLC	6,331	7,727	–	–
Yara Fertilizantes Ltda (Brasil)	715	–	–	–
Yara France BU Latin America	1,794	–	–	–
Yara France BU Africa	1,030	1,025	–	–
Yara Internacional ASA	7,884	7,098	–	–
Yara International Asia Trade Pte Ltd	1,227	1,358	–	–
Yara East Africa Limited	504	681	–	–
Yara Fertilizers (Philippines)	–	60	–	–
Yara Fertilizers (New Zealand)	157	171	–	–
FOS (Yara)	3,365	–	–	–
Yara Phosyn Ltda	38	–	–	–
Total	65,640	51,846	2,000	2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTS PAYABLE	SHORT-TERM	
	2006 ThUS\$	2005 ThUS\$
NU3 N.V.	847	850
SQM Thailand Co	182	89
SQM East Med Turkey	15	–
Yara AB	–	1
Yara France S.A.	–	190
Yara Fertilizantes Ltda. (Brazil)	–	575
Yara France BU Latin America	–	1,501
Yara Business Support	4,363	4,130
Yara Nederland B.V.	400	–
Yara Int. Wholesale Sudafric	–	362
Total	5,807	7,698

There were no outstanding long-term accounts payable with related parties as of December 31, 2006 and 2005

b) During 2006 and 2005, principal transactions with related parties were as follows:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION		IMPACT ON INCOME (CHARGE) CREDIT	
			2006	2005	2006	2005
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
NU3 N.V. (Belgium)	Indirect	Sales of products	6,079	5,018	2,008	1,892
Doktor Tarsa	Indirect	Sales of products	8,868	14,977	2,409	3,872
Abu Dhabi Fertilizer WLL	Indirect	Sales of products	3,551	3,834	992	1,222
Impronta SRL	Indirect	Sales of products	4,887	4,471	1,566	1,613
Ajay Europe S.A.R.L.	Indirect	Sales of products	16,931	8,017	6,424	4,743
NU3 B.V.	Indirect	Sales of products	7,212	6,035	2,488	2,846
Ajay North America LLC	Indirect	Sales of products	16,215	12,401	7,605	7,031
Fertilizantes Naturales S.A.	Indirect	Sales of products	–	19,916	–	6,663
Yara UK Ltd.	Shareholder	Sales of products	1,388	1,276	403	485
Yara International Asia Trade Pte Ltd.	Shareholder	Sales of products	6,703	6,782	2,061	1,984
Yara France BU Africa	Shareholder	Sales of products	2,826	8,748	661	2,640
Yara Benelux B.V.	Shareholder	Sales of products	7,081	6,698	1,554	2,385
Yara Business Support	Shareholder	Services	4,364	4,130	(4,364)	(4,130)
Yara International Australia Pty Ltd.	Shareholder	Sales of products	2,688	2,853	787	999
Yara Iberian S.A.	Shareholder	Sales of products	8,277	8,900	2,767	3,060
Yara Colombia Ltda.	Shareholder	Sales of products	6,285	5,004	1,982	1,543
Yara Poland SP	Shareholder	Sales of products	1,752	1,623	593	703
Yara GMBH & Co Kg	Shareholder	Sales of products	1,741	1,603	548	635
Yara France	Shareholder	Sales of products	7,246	7,622	2,091	2,458
Yara Fertilizers Brazil	Shareholder	Sales of products	8,489	–	3,631	–
Yara Hellas S.A.	Shareholder	Sales of products	1,892	1,448	530	473
Yara France BU Latin America	Shareholder	Sales of products	2,014	–	595	–
Yara Argentina S.A.	Shareholder	Sales of products	10,912	9,441	3,151	2,658
Adubo Trevo S.A.	Shareholder	Sales of products	1,573	3,991	560	1,743
Yara East Africa Ltd	Shareholder	Sales of products	1,255	1,311	344	474
Yara Internacional ASA	Shareholder	Sales of products	32,296	8,250	7,997	2,120
Yara North America	Shareholder	Sales of products	45,407	43,386	12,422	13,137
Yara International Wholesale	Shareholder	Sales of products	–	20,013	–	5,733
Kowa (Japan)	Shareholder	Sales of products	8,019	–	3,671	–

NOTE 7. INVENTORIES

Net inventories are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Finished products	209,112	209,277
Work in process	136,734	101,827
Supplies	19,653	17,890
Total	365,499	328,994

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Land		
Land	81,153	33,570
Mining concessions	30,793	31,217
Total	111,946	64,787
Buildings and infrastructure		
Buildings	155,542	174,843
Installations	263,175	173,326
Construction-in-progress	159,516	136,225
Other	197,108	177,218
Total	775,341	661,612
Machinery and equipment		
Machinery	495,426	445,683
Equipment	114,101	121,086
Project-in-progress	5,236	9,832
Other	18,893	17,937
Total	633,656	594,538
Other fixed assets		
Tools	8,937	8,804
Furniture and office equipment	29,958	12,315
Project-in-progress	15,708	14,180
Other	10,925	7,711
Total	65,528	43,010

	2006	2005
	ThUS\$	ThUS\$
Amounts relating to technical revaluation of fixed assets		
Land	7,839	7,839
Buildings and infrastructure	41,439	41,439
Machinery and equipment	12,048	12,091
Other assets	53	53
Total	61,379	61,422
Total property, plant and equipment	1,647,850	1,425,369
Less: Accumulated depreciation		
Buildings and infrastructure	(308,192)	(257,124)
Machinery and equipment	(358,008)	(319,496)
Other fixed assets	(27,746)	(18,512)
Technical appraisal	(36,976)	(35,542)
Total accumulated depreciation	(730,922)	(630,674)
Net property, plant and equipment	916,928	794,695
Depreciation for the year ended december 31:		
Buildings and infrastructure	(41,259)	(30,294)
Machinery and equipment	(43,290)	(37,122)
Other fixed assets	(4,328)	(1,468)
Technical revaluation	(1,477)	(1,198)
Total depreciation	(90,354)	(70,082)

The Company has capitalized assets obtained through leasing, which are included in other fixed assets and are as follows:

	2006	2005
	ThUS\$	ThUS\$
Administrative office buildings	1,988	2,086
Accumulated depreciation	(489)	(525)
Total assets in leasing	1,499	1,561

The administrative office buildings were acquired for 230 installments of UF 663.75 each and an annual, contractually established interest rate of 8.5%.

The vehicles were acquired for 36 installments of ThUS\$ 98 each.

NOTE 9. INVESTMENTS IN AND RECEIVABLES FROM RELATED PARTIES
a) Information on foreign investments

There are no plans for the foreign investments to pay dividends, as it is the Company's policy to reinvest those earnings.

The Company has not designated their foreign investments as net investment hedges.

b) Transactions executed in 2006

– At the First General Extraordinary Shareholders' Meeting of SQM Industrial S.A. held on January 9, 2006, the shareholders approved the merger of SQM Procesos S.A. (dissolved) to the successor company SQM Industrial S.A., which acquires all the rights, shares, exceptions, assets, liabilities, obligations, shareholders' equity, shareholders and remaining assets and expectations of SQM Procesos S.A. This merger generates each and every of its effects beginning on January 1, 2006.

– On January 19, 2006, Sociedad Química y Minera de Chile S.A. and SQM Potosio S.A. acquired 7,021,169 and 70,921 shares, respectively of DSM Minera S.A. and its subsidiary Exploraciones Minera S.A. for the sum of ThUS\$100,067 in cash (equivalent to ownership of 99% and 1%, respectively).

This investment has been stated using the equity method under the acquisition method in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the standards established in Circular No. 1,697 issued by the SVS. Accordingly, the Company conducted a preliminary evaluation of assets and liabilities in the consolidated financial statements of DSM Minera S.A. as of December 31, 2005. This generated goodwill of ThUS\$1,928, which will be amortized over a period of 20 years.

The Company will continue to review the valuation at fair value using the term allowed to refine the adjustment as provided in paragraph No. 66 in Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

In this manner, assets and liabilities and shareholders' equity included in consolidation at their respective fair values as of December 31, 2006 are as follows:

	MINERA NUEVA VICTORIA S.A.	EXPLORACIONES MINERAS S.A.
	ThUS\$	ThUS\$
Current assets	66,951	400
Property, plant and equipment	23,327	31,567
Other assets	7,220	–
Current liabilities	4,516	7,126
Long-term liabilities	5,718	–
Shareholders' equity	112,105	–

– On January 19, 2006, Soquimich European Holding B.V. acquired 100% of the 20,403 shares of DSM Minera BV. For a sum of ThUS\$13,840 in cash.

This investment has been stated using the equity method under the acquisition method in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the standards established in Circular No. 1,697 issued by the SVS. Accordingly, the Company conducted a preliminary evaluation of assets and liabilities in the consolidated financial statements of DSM Minera B.V. as of December 31, 2005. This generated goodwill of ThUS\$11,373, which will be amortized over a period of 20 years.

The Company will continue to review the valuation at fair value using the term allowed to refine the adjustment as provided in paragraph No. 66 in Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

In this manner, assets and liabilities and shareholders' equity included in consolidation at their respective fair values as of December 31, 2006 are as follows:

	ThUS\$
Current assets	4,581
Current liabilities	1,153
Shareholders' equity	3,428

- On January 31, 2006, DSM Minera S.A. changed its name to Minera Nueva Victoria S.A.
- On January 24, 2006, Soquimich European Holding B.V. and Nutrisi Holding N.V. acquired 334 and 666 shares, respectively of Fenasa S.A. for a sum of ThEuro 75,100, thereby increasing their ownership to 33.35% and 66.65%, respectively.
- During February 2006, DSM Minera B.V. changed its name to Iodine Minera BV.
- On May 9, 2006, SQM Industrial S.A. and SQM Potasio S.A. formed Prestadora de Servicios de Salud Cruz del Norte S.A.

The company's capital amounts to Ch\$50,000,000 divided into 5,000 single shares with no par value, no privileges or preferences, which are paid in full upon subscription of shares and through subscription and payment by SQM Industrial S.A. of 4,950 shares for a sum of Ch\$49,500,000 paid upon subscription in cash and the subscription and payment by SQM Potasio S.A. of 50 shares for a sum of Ch\$500,000 paid upon subscription in cash. The Company's share capital and the total number of shares in which capital is divided is subscribed and paid in full in the company's social fund.

- On September 14, 2006, Soquimich European Holding B.V.(SEH) sold to Yara Italia SPA all the rights that SEH had in Impronta SRL for a sum of ThUS\$ 902, thereby generating a loss from sale of investments of ThUS\$ 308.
- On October 27, 2006, SQM Comercial de México S.A. de C.V. and SQM Industrial S.A. sold all the shares they had in Fertilizantes Olmeca y SQM S.A. de C.V. to Yara Nederland B.V. and Yara Holdings Netherlands B.V. for a sum of ThUS\$ 4,888 and obtained a gain from this sale of 1,040.
- On December 19, 2006, SQM Salar S.A., distributed dividends for a sum of ThUS\$ 68,000 to its shareholders SQM Potasio S.A.(81.82%) and SQM S.A.(18.18%).
- On December 19, 2006, SQM Potasio S.A. distributed dividends for a sum of ThUS\$ 60,000 to its shareholders SQM S.A.(99.9974%) and Inversiones Pascuala S.A.(0.0026%)

c) Transactions executed in 2005

- Up to December 31, 2004, the financial statements of the subsidiary Fertilizantes Naturales S.A. were considered in consolidation given that the Company maintained the control of this subsidiary (due to its right to manage this subsidiary's financial and operating policies). Beginning on January 1, 2005, the Company no longer controls this subsidiary and therefore the aforementioned subsidiary has been excluded from consolidation in accordance with letters a) to d) of No.6 in Attachment 1 to Technical Bulletin No. 72 issued by the Chilean Association of Accountants.
- On February 28, 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$484 to SQM Corporation N.V., with which it obtained participation of 99.9794% in this subsidiary . SQM S.A. did not concur to this contribution thereby reducing its participation to 0.0002% and ownership held by SQI Corporation N.V. by 0.0204%. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was stated using the pooling-of-interests method. This operation gave rise to no goodwill or negative goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

– In March 2005, the subsidiary Soquimich European Holding B.V. made a capital increase of ThUS\$ 411 in its related company Misr Specialty Fertilizers. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the regulations in Circular No. 1,697 issued by the Chilean Superintendency of Securities and Insurance, the valuation was performed in consideration of the book value of the equity of Misr Specialty Fertilizers as of December 31, 2004, which does not significantly differ from its fair value determined at that date. This operation gave rise to no goodwill or negative goodwill.

– On March 10, 2005, the subsidiary PCS Yumbes SCM, changed its name to Yumbes SCM.

– In April 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$ 5,641 in SQM Corporation N.V., thereby obtaining ownership interest of 99.99835% in that subsidiary. SQM S.A. did not participate in this increase and reduced its ownership interest to 0.00002% and that of SQI Corporation N.V. by 0.00163%. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method. This operation gave rise to no goodwill or negative goodwill.

– In April 2005, the subsidiary SQM Corporation N.V. acquired 13% of the affiliate Abu Dhabi Fertilizers for a sum of ThUS\$ 484. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance (SVS) the Company valued this investment in consideration of the book value of equity of Abu Dhabi Fertilizers as of December 31, 2004, which does not significantly differ from its fair value at that date. This operation gave rise to no goodwill or negative goodwill.

– In April 2005, the subsidiary SQM Corporation N.V. made a capital increase of ThUS\$ 5,641 in its subsidiary Soquimich European Holding B.V., the owner of 100% of the shares of this company. This capital increase was valued in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance (SVS). This operation gave rise to no goodwill or negative goodwill.

– On May 11, 2005, SQM Salar S.A. distributed dividends for a sum of ThUS\$ 21,500 to its shareholders SQM Potasio S.A. (81.82%) and SQM S.A.(18.18%).

– On May 11, 2005, SQM Potasio S.A. distributed dividends for a sum of ThUS\$ 15,000 to its shareholders SQM S.A. (99.98%) and SQM Nitratos S.A.(0.02%).

– On May 11, 2005, SQM Nitratos S.A. distributed dividends for a sum of ThUS\$ 16,900 to its shareholders SQM S.A. (99.99%) and Inversiones Pascuala S.A.(0.01%).

– On July 12, 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$ 100 in SQM Brazil Ltda. This operation gave rise to no goodwill or negative goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method.

– On July 12, 2005, SQM Brazil Ltda. made a capital increase of ThUS\$100. This capital was contributed by SQM Nitratos S.A. thereby obtaining ownership of 96.99% and 3.01 % by SQM S.A. SQM S.A. did not participate in this capital increase and this transaction generated no goodwill or negative goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method.

– On August 9, 2005, SQM Nitratos S.A. and SQM S.A. acquired 99 and 1 shares, respectively of Kemira Emirates Fertilizer Company – Fzco in ThUS\$ 9,282 paid at the date of the acquisition. In accordance with the provisions of Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance, the preliminary valuation was conducted by identifying the assets and liabilities in the individual financial statements of Kemira Emirates Fertilizer Company – Fzco as of July 31, 2005, by valuing them at their respective fair values, which do not significantly differ from their carrying values determined at that date. Goodwill determined for the purchase of this company amounted to ThUS\$2,058, which is amortized over a period of 20 years.

For the acquisition of Kemira Emirates Fertilizer Company – Fzco. the Company used the acquisition method.

The Company will continue to review valuation at fair value and applies the term provided to refine the adjustment established in paragraph 66 of Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

– In September 2005, the subsidiary Soquimich European Holding B.V. and Charlee Industries Co, Ltd. incorporated Charlee SQM (Thailand) Co. Ltd. through a contribution by Soquimich European Holding B.V of ThUS\$ 800, which represents ownership of 40% in Charlee SQM (Thailand) Co. Ltd. This operation did not generate any negative goodwill or goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method

– On September 17, 2005, Kemira Emirates Fertilizer Company – Fzco change its name to SQM Dubai – Fzco.

– At the Fifth General Extraordinary Shareholders’ Meeting of SQM Nitratos S.A. held on October 31, 2005, the shareholders unanimously agreed the following:

– Change the line of business of SQM Nitratos S.A. with the purpose of limiting it to mining exploitation operations.

– Spin-off SQM Nitratos S.A. in two companies, SQM Nitratos S.A., which maintains its name and a new company is incorporated, SQM Procesos S.A.

This spin-off will be effective on January 1, 2006.

– At the Twenty-Second General Extraordinary Shareholders’ Meeting of Yumbes Sociedad Contractual Minera held on December 19, 2005, the shareholders agreed to the transformation of this company to SQM Industrial S.A.

– Assets, liabilities and equity of SQM Industrial S.A. included in consolidation at their respective fair values as of December 31, 2005 are detailed as follows:

	ThUS\$
Current assets	28,495
Property, plant and equipment	9,710
Other assets	672
Current liabilities	26,795
Long-term liabilities	23
Equity	12,059

In accordance with the provisions of Technical Bulletin No. 72 issued by the Chilean Association of Accountants and regulations contained in Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance, the company made the valuation by identifying assets and liabilities in the stand-alone financial statements of SQM Industrial S.A. (formerly – PCS Yumbes SCM) as of December 31, 2004, by valuing them at their respective fair values. The methodology applied for the acquisition of SQM Industrial S.A. (formerly – PCS Yumbes SCM), was the acquisition method.

The Company continued to review the valuation during 2005 in accordance with the term allowed to refine the adjustment established in paragraph 66 of Technical Bulletin No. 72 issued by the Chilean Association of Accountants. Accounts that presented the principal variations were property, plant and equipment, the previous valuation of which had been conducted related to the observed or reported status of the asset, in consideration that not all productive processes in plans were working. Therefore and in consideration of background information provided by external experts and our company’s personnel a full review was conducted of the status of these assets, which gave rise to a new evaluation of the fair value of the company’s assets.

This generated goodwill for a sum of ThUS\$ 22,255, mainly generated by valuation adjustments explained in the preceding paragraphs, which were made in accordance with generally accepted accounting principles in Chile and specific regulations and instructions provided by the Chilean Superintendency of Securities and Insurance. Goodwill determined will be amortized over a term of 20 years. As of December 31, 2005, the amortized balance amounts to ThUS\$ 1,072.

– On December 28, 2005, SQM Nitratos S.A. sold the 2,000 shares it had of SQM Industrial S.A., equivalent to 0.0046% to SQM Potasio S.A..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Investments with less than 20% participation

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

d)Detail of investments in related companies

Tax Registration Number	Company	Country of origin	Controlling currency	Number of shares	Ownership interest		Equity of companies		Book value of investment		Net income (loss)		Equity participation in net income (loss)	
					2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
					%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
0-E	Ajay North America LLC	USA	US\$	-	49.00	49.00	11,282	13,372	3,998	6,272	291	2,810	142	1,377
0-E	Nutrisi Holding N.V.	Belgium	US\$	-	50.00	50.00	8,290	6,658	4,025	3,221	846	1,609	423	795
0-E	Doktor Tarsa	Turkey	Euros	-	50.00	50.00	5,813	4,876	2,906	2,438	1,291	429	646	214
0-E	Ajay Europe S.A.R.L.	France	US\$	36,700	50.00	50.00	6,561	5,086	1,915	2,258	993	1,063	497	531
0-E	Misir Specialty Fertilizers	Egypt	US\$	-	47.00	47.00	4,361	4,504	2,071	2,139	(446)	(708)	(212)	(336)
0-E	Abu Dhabi Fertilizer Industries WLL	UAE	US\$	1,961	50.00	37.00	3,886	3,520	1,943	1,760	366	13	183	6
0-E	Impronta SRL	Italia	Euros	-	50.00	50.00	-	1,778	-	889	-	(281)	141	(141)
77557430-5	Sales de Magnesio Ltda.	Chile	Pesos	-	50.00	50.00	946	844	473	422	428	259	214	130
0-E	SQM Eastmed Turkey	Turkey	Euros	-	50.00	50.00	184	464	92	232	(210)	-	(105)	-
81767200-0	Asoc. Garantizadora Pensiones	Chile	Pesos	-	3.31	3.31	874	908	29	30	-	-	-	-
0-E	SQM Thailand Co. Ltd.	Thailand	US\$	-	40.00	40.00	2,167	2,000	867	800	167	-	67	-
0-E	Agro India Limitada	India	US\$	-	49.00	-	19	-	10	-	(94)	-	(46)	-
0-E	Rui Xin Packaging Materials Sanhe Co.Ltd	China	US\$	-	25.00	25.00	-	-	-	-	-	-	-	-
Total									18,329	20,461				

NOTE 10. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill and the related amortization is summarized as follows:

a) Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2006		DECEMBER 31, 2005	
		Amount amortized during the period	Goodwill Balance	Amount amortized during the period	Goodwill balance
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
96864750-4	SQM Potassium S.A.	144	1,447	144	1,591
96801610-5	Comercial Hydro S.A.	174	1,153	176	1,294
79947100-0	SQM Industrial S.A.	1,154	20,029	1,072	21,183
79768170-9	Soquimich Comercial S.A.	-	-	122	-
79626800-K	SQM Salar S.A.	-	-	40	-
0-E	Doktor Tarsa	-	-	18	-
0-E	SQM México S.A. de C.V.	56	835	56	891
0-E	Comercial Caiman Internacional S.A.	23	131	23	154
0-E	Fertilizantes Olmeca S.A. de C.V.	56	-	56	111
0-E	Saffnits Pty Ltd.	-	-	290	-
0-E	SQM Dubai- Fzco	101	1,884	73	1,985
0-E	Iodine Minera B.V	521	10,852	-	-
Total		2,229	36,331	2,070	27,209

b) Negative Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2006		DECEMBER 31, 2005	
		Amount amortized during the period	Goodwill Balance	Amount amortized during the period	Goodwill balance
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
96575300-1	Minera Mapocho S.A.	68	-	203	68
78602530-3	Minera Nueva Victoria S.A.	-	1,928	-	-
Total		68	1,928	203	68

NOTE 11. OTHER LONG-TERM ASSETS

Other long-term assets are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Engine and equipment spare-parts, net (1)	13,222	19,289
Mine development costs	26,545	24,282
Pension plan	–	1,133
Construction of Salar-Baquedano road	1,290	1,410
Deferred loan issuance costs (2)	521	323
Cost of issuance and placement of bonds (3)	5,737	–
Other	1,441	1,722
Total	48,756	48,159

(1) According to analyses conducted, at each year-end, this item includes non-current warehouse spare-parts and materials. In addition, an allowance for obsolescence has been made and included in this item.

(2) Relates to the portion to be accrued of negotiation costs of long-term loans.

(3) Refer to the explanation of these expenses in Note 23.

NOTE 12. BANK DEBT

a) Short-term bank debt is detailed as follows:

	2006	2005
BANK OR FINANCIAL INSTITUTION	ThUS\$	ThUS\$
Banco de Credito e Inversiones	30,022	65,017
Banco Santander Santiago	–	20,005
Corpbanca	15,216	–
BBVA Banco Bilbao Vizcaya Argentaria	10,137	–
Other	2,975	1,819
Total	58,350	86,841
Annual average interest rate	5.32%	4.62%

b) Long-term bank debt is detailed as follows:

BANK OR FINANCIAL INSTITUTION	2006 ThUS\$	2005 ThUS\$
Union Bank of Switzerland (1)	–	204,577
BBVA Banco Bilbao Vizcaya Argentaria (2)	100,412	100,304
ING Capital LLC (3)	80,416	–
Total	180,828	304,881
Less: Current portion	(828)	(204,881)
Long-term portion	180,000	100,000

(1) U.S. dollar-denominated loan without guarantee, interest rate of 7.7% per annum, paid semi-annually. The principal is due on September 15, 2006.

(2) U.S. dollar-denominated loan without guarantee, interest rate of Libor + 0.325% per annum, quarterly payment. The principal is due on March 3, 2010.

(3) U.S. dollar-denominated loan without guarantee, interest rate of Libor + 0.300% per annum, semi-annually payment. The principal is due on November 28, 2011.

c) The maturity of long-term debt is as follows:

	2006 ThUS\$	2005 ThUS\$
Years to maturity		
Current portion	828	204,881
1 to 2 years		–
2 to 3 years	100,000	–
3 to 5 years	80,000	100,000
Total	180,828	304,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. SHORT AND LONG-TERM OBLIGATIONS WITH THE PUBLIC (PROMISSORY NOTES AND BONDS PAYABLE)

Additional Information

On January 25, 2006, the Company made a placement of Series C bonds for an amount of UF 3,000,000 at an annual rate of 4.00%. This placement achieved collection equivalent to 100% of par value.

On April 5, 2006, the Company made a placement of single-series bonds for an amount of ThUS\$200,000 at an annual rate of 6.125%, under the regulations contained in "Rule 144 and regulation S of the U.S. Securities Act of 1933".

As of December 31, 2006, the short-term portion includes a balance of ThUS\$5,540 related to interest accrued at that date. The long-term portion includes an amount of ThUS\$300,724 related to principal installments for the Series C bonds and the single - series Bonds.

No. of Registration of the Instrument	Series	Nominal Amount	Adjustment Unit	Interest Rate	Final Period	Payment of Interest	Payment of Amortization	12.31.06 ThUS\$	12.31.05 ThUS\$	Placement in Chile or abroad
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Current portion of long-term bonds payable

446	C	75,000	UF	4.00%	06/01/2007	Semi-annual	Semi-annual	2,920	-	In Chile
184	Single	-	US\$	6.125%	10/15/2006	Semi-annual	Semi-annual	2,620	-	Abroad
Total current portion								5,540	-	

Long-term bonds payable

446	C	2,925,000	UF	4.00%	12/01/2026	Semi-annual	Semi-annual	100,724	-	In Chile
184	Single	200,000,000	Us\$	6.125%	04/15/2016	Semi-annual	Semi-annual	200,000	-	Abroad
Total long-term								300,724	-	

NOTE 14. ACCRUED LIABILITIES

As of December 31, 2006 and 2005, accrued liabilities are summarized as follows:

	2006 ThUS\$	2005 ThUS\$
Provision for royalties Corfo	2,358	1,855
Provision for employee compensation and legal costs	504	7,145
Taxes and monthly income tax installment payments	3,309	2,909
Vacation accrual	8,478	8,126
Marketing expenses	109	246
Other accruals	1,646	2,316
Total current liabilities	16,404	22,597

NOTE 15. INCOME AND DEFERRED TAXES

a) At December 31, 2006 and 2005 the Company has the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

	2006 ThUS\$	2005 ThUS\$
Accumulated tax basis retained earnings with tax credit	278,515	206,777
Accumulated tax basis retained earnings without tax credit	97,140	93,732
Tax loss carry-forwards (1)	171,249	232,644
Credit for shareholders	56,759	42,046

(1) Income tax losses in Chile can be carried forward indefinitely.

The Company has recognized deferred income taxes for tax losses and the related valuation allowance, where applicable, in accordance with Technical Bulletin No. 60 issued by the Chilean Association of Accountants.

The deferred taxes as of December 31, 2006 and 2005 represented a net liability of ThUS\$ 51,449 and ThUS\$ 36,367 respectively, and consisted of:

2006	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	Short-term ThUS\$	Long-term ThUS\$	Short-term ThUS\$	Long-term ThUS\$
Temporary differences				
Allowance for doubtful accounts	1,814	594	-	-
Vacation accrual	1,411	-	-	-
Unrealized gain on sale of products	13,308	-	-	-
Provision for obsolescence	-	2,283	-	-
Production expenses	-	-	18,613	-
Accelerated depreciation	-	-	-	61,046
Exploration expenses	-	-	-	4,712
Capitalized interest	-	-	-	7,052
Staff severance indemnities	-	-	-	1,796
Fair value recognition	-	841	-	-
Provision for claim expense	-	88	-	-
Capitalized expenses	-	-	-	1,055
Tax loss carry-forwards	-	31,969	-	-
Accrued gain from exchange insurance	-	-	182	-
Deferred revenue	144	-	-	-
Provision for energy tariff difference	765	-	-	-
Accrued interest	159	-	-	-
Other	1,091	3,955	-	497
Total gross deferred taxes	18,692	39,730	18,795	76,158
Total complementary accounts	-	-	(566)	(20,551)
Valuation allowance	(4,551)	(31,484)	-	-
Total deferred taxes	14,141	8,246	18,229	55,607


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2005	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Allowance for doubtful accounts	1,345	620	-	-
Vacation accrual	1,322	-	-	-
Unrealized gain on sale of products	15,053	-	-	-
Provision for obsolescence	-	2,075	-	-
Production expenses	-	-	18,123	-
Accelerated depreciation	-	-	-	58,031
Exploration expenses	-	-	-	5,375
Capitalized interest	-	-	-	6,040
Staff severance indemnities	-	-	-	2,448
Fair value recognition	-	2,535	-	-
Capitalized expenses	-	-	-	147
Tax loss carry-forwards	-	40,624	-	-
Accrued interest	149	-	-	-
Other	1,462	3,834	-	182
Total gross deferred taxes	19,331	49,688	18,123	72,223
Total complementary accounts	-	(221)	(1,508)	(23,850)
Valuation allowance	(188)	(39,989)	-	-
Total deferred taxes	19,143	9,478	16,615	48,373

c) Income tax expense is summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Tax expense adjustment (prior year)	238	(945)
Provision for current income tax	(24,797)	(37,428)
Effect of deferred tax assets and liabilities	(13,447)	10,844
Effect of amortization of complementary accounts	(4,021)	(3,084)
Effect on deferred tax assets and liabilities due to changes in valuation allowance	4,420	(1,350)
Other tax charges and credits	(309)	(596)
Total income tax expense	(37,916)	(32,559)

NOTE 16. STAFF SEVERANCE INDEMNITIES

Staff severance indemnities are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Opening balance	16,415	11,875
Increases in obligation	3,253	5,193
Payments	(1,546)	(3,379)
Exchange difference	(640)	1,000
Other difference	(10)	1,726
Balance as of december 31	17,472	16,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. MINORITY INTEREST

Minority interest is summarized as follows:

	EQUITY		NET INCOME/(LOSS)	
	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
Soquimich Comercial S.A.	35,138	32,234	(3,500)	(84)
Ajay SQM Chile S.A.	3,717	3,200	(912)	(827)
Cape Fear Bulk LLC	219	93	(248)	(118)
SQM Italia S.R.L.	–	23	–	(3)
SQM Nitratos México S.A. de C.V.	45	(39)	(84)	(7)
Fertilizantes Naturales S.A.	120	215	2	(18)
SQM Indonesia S.A.	(31)	(2)	29	–
SQM Potasio S.A.	5	–	(2)	–
Total	39,213	35,724	(4,715)	(1,057)

NOTE 18. SHAREHOLDERS' EQUITY

a) Changes to shareholders' equity consisted of:

	Number Of shares	Paid-in Capital ThUS\$	Other Reserves ThUS\$	Accumulated deficit Of subsidiaries in Development stage ThUS\$	Retained Earnings ThUS\$	Net Income ThUS\$	Total ThUS\$
Balance as of January 1, 2005	263,196,524	477,386	150,887	(8,370)	254,493	74,232	948,628
Transfer 2004 net income to retained earnings	–	–	–	–	74,232	(74,232)	–
Declared dividends 2005	–	–	–	–	(48,118)	–	(48,118)
Accumulated deficit from subsidiaries in development stage	–	–	–	–	–	–	–
Other comprehensive income	–	–	6,400	–	–	–	6,400
Net income for the year	–	–	–	–	–	113,506	113,506
Balance as of december 31, 2005	263,196,524	477,386	157,287	(8,370)	280,607	113,506	1,020,416
Balance January 1, 2006	263,196,524	477,386	157,287	(8,370)	280,607	113,506	1,020,416
Transfer 2005 net income to retained earnings	–	–	–	–	113,506	(113,506)	–
Declared dividends 2006	–	–	–	–	(73,647)	–	(73,647)
Other comprehensive income	–	–	(2,097)	–	–	–	(2,097)
Net income for the year	–	–	–	–	–	141,277	141,277
Balance as of december 31, 2006	263,196,524	477,386	155,190	(8,370)	320,466	141,277	1,085,949

b) The composition of other comprehensive income as of December 31, 2006 is as follows:

DETAIL		FOR THE YEAR ENDED	AS OF DECEMBER 31,
		DECEMBER 31, 2006	2006
		ThUS\$	ThUS\$
Technical appraisal		–	151,345
Changes to other comprehensive income from equity method investments:			
Soquimich Comercial S.A.	(1)	(871)	5,398
Isapre Norte Grande Ltda.	(1)	–	(83)
Inversiones Augusta S.A.	(1)	–	(761)
SQM Ecuador S.A.	(2)	–	(270)
Almacenes y Depósitos Ltda.	(1)	–	22
Asociación Garantizadora de Pensiones	(1)	(1)	(12)
Sales de Magnesio Ltda.	(1)	(7)	52
SQM North America Corp.	(3)	(1,218)	(1,218)
Other Companies	(1)	–	717
Total other comprehensive income		(2,097)	155,190

(1) Corresponds to translation adjustments and monetary correction

(2) Corresponds to the translation adjustment produced by the application of a new law implemented by the Ecuadorian Government

(3) Relates to valuation differences generated in the pensions plan of the subsidiary SQM North America Corp..

c) Capital consists of 263,196,524 fully authorized, subscribed and paid shares with no par value, divided into 142,819,552 Series A shares and 120,376,972 Series B shares.

The preferential voting rights of each series are as follows:

Series A : If the election of the president of the Company results in a tied vote, the Company's directors may vote once again, without the vote of the director elected by the Series B shareholders.

Series B: 1) A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.

2) An extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's president, at the request of a director elected by Series B shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. DERIVATIVES INSTRUMENTS

Derivative instruments are recorded at their fair value at year-end. Changes in fair value are recognized in income with the liability recorded in other current liabilities. Losses from options relate to fees paid by the Company to enter into such contracts. As of December 31, 2006 the Company's derivative instruments are as follows:

2006 TYPE OF DERIVATIVE	Notional or covered amount ThUS\$	Expiration	Description of the contract type	Position purchase/sale	(Liability)Asset amount ThUS\$	Income (loss) recorded ThUS\$	Income (not) recorded ThUS\$
US dollar PUT	6,436	1st trimester of 2007	Exchange rate	P	(150)	-	(150)
US dollar Forward	7,079	1st trimester of 2007	Exchange rate	P	(69)	-	(69)
US dollar Forward	10,000	1st trimester of 2007	Exchange rate	P	100	-	100
Swap	102,630	1st trimester of 2007	Interest rate	P	5,398	564	4,834
	127,984				5,279	564	4,715

NOTE 20 – NON-OPERATING INCOME AND EXPENSES

Amounts included in non-operating income and expenses are summarized as follows:

a) Non-operating income

	2006 ThUS\$	2005 ThUS\$
Interest income	11,410	5,530
Reversal of allowance for doubtful accounts	238	2,204
Insurance recoveries	307	213
Sales of services	75	199
Equity participation in net income of unconsolidated subsidiaries	2,314	3,054
Gain on sale of investments in related companies	732	-
Sale of mining concessions	499	298
Rental of property, plant and equipment	1,023	1,015
Compensation obtained from third parties	-	737
Prior year variation in Proportional equity value	-	1,143
Fines collected from third parties	159	-
Discounts obtained	690	1,026
Sale of Antucoya	753	-
Other income	1,093	962
Total	19,293	16,381

b) Non-operating expenses

	2006	2005
	ThUS\$	ThUS\$
Write-off of investments	11,387	13,489
Interest expense	27,593	16,708
Equity participation in net losses of unconsolidated subsidiaries	362	476
Amortization of goodwill	2,229	2,070
Net foreign exchange losses	2,263	3,833
Work disruption expenses	2,534	584
Provision for sale of materials, spare-parts and supplies	2,685	1,188
Allowance for doubtful accounts	129	151
Non-recoverable taxes	508	538
Provision for legal expenses and third party compensation	1,010	5,462
Other expenses	4,641	6,131
Total	55,341	50,630

NOTE 21. PRICE-LEVEL RESTATEMENT

Amounts charged or credited to income relating to price-level restatement are summarized as follows:

	(CHARGE) CREDIT TO	
	INCOME FROM OPERATIONS	
	2006	2005
	ThUS\$	ThUS\$
Property, plant and equipment	142	239
Other assets and liabilities	285	(248)
Shareholders' equity	(1,734)	(2,846)
Net price-level restatement	(1,307)	(2,855)

NOTE 22. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

ASSETS	2006 ThUS\$	2005 ThUS\$
Chilean pesos	100,614	81,583
US dollars	1,636,721	1,430,563
Euros	37,092	34,723
Japanese Yen	975	854
Brazilian Real	330	304
Mexican pesos	4,783	7,000
UF	55,108	57,906
South African Rand	13,374	9,321
Dirhams	14,225	13,714
Other currencies	7,980	8,207
Current liabilities		
Chilean pesos	75,190	68,293
US dollars	101,549	345,989
Euros	9,925	8,921
Japanese Yen	93	133
Brazilian Real	1,662	1,245
Mexican pesos	3,196	3,230
UF	3,541	606
South African Rand	1,698	1,792
Dirhams	671	411
Other currencies	117	48
Long-term liabilities		
Chilean pesos	17,340	17,350
US dollars	429,324	138,950
Japanese Yen	152	-
UF	101,573	1,065
Other currencies	9	2

NOTE 23 – EXPENSES INCURRED IN THE ISSUANCE SHARES AND DEBT TITLES

Expenses incurred in the issuance and placement of bonds are presented under Other long-term assets, the portion to be amortized within one year is presented within Other current assets, which are amortized using the straight-line method, in accordance with the period for issuance of documents. This amortization is presented as interest expense.

As of December 31, 2006, issuance expenses net of amortization amount to ThUS\$6,629. Issuance expenses include disbursements related to reports issued by risk classifiers, legal and financial advisories, taxes, printing and placement fees. Amortization for the three-month period ended December 31, 2006 amounted to ThUS\$424.

NOTE 24. CASH FLOW STATEMENT

Amounts included in other investing income are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Cash included in cash equivalents	24,312	836
Sale of mining concessions	499	509
Income from sale of mining concessions	-	-
Total	24,811	1,345

NOTE 25. COMMITMENTS AND CONTINGENCIES

I. Contingencies:

(a) Material lawsuits or other legal actions of which the Company is party to:

- 1. Plaintiff:** Compañía Salitre y Yodo Soledad S.A.
Defendants: Sociedad Química y Minera de Chile S.A.
Date of lawsuit: December 1994
Court: Civil Court of Pozo Almonte
Cause: Partial annulment of mining property, Cesard 1 to 29
Instance: Evidence provided
Nominal amount: ThUS\$ 211

- 2. Plaintiff:** Compañía Productora de Yodo y Sales S.A.
Defendants: SQM Químicos S.A.
Date of lawsuit: November 1999
Court: Civil Court of Pozo Almonte
Cause: Partial annulment of mining property, Paz II 1 to 25
Instance: Evidence provided
Nominal amount: ThUS\$ 162

- 3. Plaintiff:** Compañía Productora de Yodo y Sales S.A.
Defendants: SQM Químicos S.A.
Date of lawsuit: November 1999
Court: Civil Court of Pozo Almonte
Cause: Partial annulment of mining property, Paz III 1 to 25
Instance: Evidence provided
Nominal amount: ThUS\$ 204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 4. Plaintiff:** Compañía Salitre y Yodo Soledad S.A.
Defendants: Sociedad Química y Minera de Chile S.A.
Date of lawsuit: November 1999
Court: Civil Court of Pozo Almonte
Cause: Partial annulment of mining property, Paz IV 1 to 30
Instance: Evidence provided
Nominal amount: ThUS\$ 193
- 5. Plaintiff:** Miguel Negrete Ubeda
Defendants: Marco Antonio Ortiz Castillo y SQM Nitratos S.A. and its insurers
Date of lawsuit: May 2004
Court: First Civil Court of Antofagasta
Cause: Work accident
Instance: First instance sentence. Fine of ThCh\$ 15,000 The appeal is pending.
Nominal amount: ThUS\$ 150
- 6. Plaintiff:** Gabriela Véliz Huanchicay
Defendants: Gilberto Mercado Barreda and subsidiary and jointly and severally SQM Nitratos S.A. and its insurers
Date of lawsuit: August 2005
Court: 4th Civil Court of Santiago
Cause: Work accident
Instance: Observations to the evidence
Nominal amount: ThUS\$ 1,350
- 7. Plaintiff:** Electroandina S.A.
Defendants: Sociedad Química y Minera de Chile S.A.
Date of lawsuit: September 2005
Court: Court of arbitration
Cause: Early termination or partial modification or temporary suspension of the Electrical Supply Agreement entered on February 12, 1999 by virtue of supposedly unforeseen events that would result in an increase in the cost of or restricted the supply of natural gas from Argentina
Instance: Evidentiary stage
Nominal amount: The amount has not been determined yet
- 8. Plaintiff:** Juana Muraña Quispe
Defendants: Intro Ingeniería Limitada and subsidiary and jointly and severally SQM S.A. and its insurers
Date of lawsuit: October 2005
Court: 25th Civil Court of Santiago
Cause: Work accident
Instance: Evidentiary stage
Nominal amount: ThUS\$1,500

- 9. Plaintiff:** Norgener S.A.
Defendant: Sociedad Química y Minera de Chile S.A.
Date of lawsuit: April 2006
Court: Arbitration Court
Cause: Modification of the price of energy sold and of the indexation system indicated in the Electrical Energy Supply Agreement entered on January 13, 1998, by Virtue of that indicated, in the plaintiff's opinion, in this agreement.
Instance: Rejoinder
Nominal amount: Amount not determined.
- 10. Plaintiff:** Marina Arnéz Valencia
Defendant: SQM S.A. and its insurance companies
Date of lawsuit: April 2006
Court: 2nd Civil Court of Santiago
Cause: Work accident
Instance: Conciliation audience
Nominal amount: ThUS\$ 500
- 11. Plaintiff:** Empresa de Servicios de Montaje Ltda.
Plaintiff: SQM S.A.
Date of lawsuit: May 2006
Court: 4th Civil Court of Antofagasta
Cause: Divergences related to the agreement for the improvement of compressors and of assembly of capacitors in Pedro de Valdivia crystallization plant and compensation for damage.
Instance: Response
Nominal amount: ThUS\$ 270
- 12. Plaintiff:** ESAOL Limitada
Defendants: Sociedad Química y Minera de Chile S.A.
Date of lawsuit: September 2006
Court: Arbitration Court of Antofagasta
Cause: Fees allegedly owed for urban cleaning services at Maria Elena.
Instance: Order for appearance, filing of commitment
Nominal amount: ThUS\$170
- 13. Plaintiff:** Sociedad de Servicios Tacora Limitada
Defendants: SQM Nitratos S.A.
Date of lawsuit: December 2006
Court: 25th Civil Court of Antofagasta
Cause: Collection of securities which SQM Nitratos S.A., by virtue of a mandate conferred in its favor, used to pay the plaintiff's employees who have not received their salary pay and contributions for transportation and machinery services rendered indirectly to SQM Nitratos S.A.
Instance: Response.
Nominal amount: ThUS\$266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Other

The Company and its subsidiaries are involved in litigation in the ordinary course of business. Based on the advice of counsel, management believes the litigation will not have a material effect on the consolidated financial statements.

II. Commitments:

(a) The subsidiary SQM Salar S.A. maintains an agreement with a government agency, whereby the Company must make annual payments until 2030 based on the Company's annual sales. This amount, which has been paid since the beginning of the agreement in 1996, was ThUS\$ 9,193 in 2006 (ThUS\$ 6,752 in 2005).

(b) Bank loans assumed by SQM S.A. and its subsidiaries contain similar restrictions to loans of the same nature which have been effective at pertinent dates and which, among others, relate to maximum indebtedness and minimum shareholders' equity. In respect to this, main covenants in force are: i) shareholders' equity of SQM S.A. should not be lower than US\$ 984,522,000, ii) the net financial debt to EBITDA ratio should not be greater than 3:1, and iii) the ratio between financial debt of operating subsidiaries and the consolidated current assets should not be greater than 0.3:1.

Expt for this, SQM is not exposed to any restrictions to its management activities or financial indicator limits related to agreements or covenants with creditors.

(c) Bank debt of SQM and its subsidiaries has no restrictions or terms other than those that might usually be found in identical debt in the financial markets, such as maximum indebtedness and minimum equity among others

NOTE 26. THIRD PARTY GUARANTEES

As of December 31, 2006 and 2005 the Company has the following indirect guarantees outstanding:

BENEFICIARY	DEBTOR		BALANCES OUTSTANDING	
	NAME	RELATIONSHIP	2006 ThUS\$	2005 ThUS\$
BBVA Banco Bilbao Vizcaya Argentaria	Royal Seed Trading Corp. A.V.V.	Subsidiary	100,412	100,303
ING Capital LLC	Royal Seed Trading Corp. A.V.V.	Subsidiary	80,416	–

NOTE 27 – SURETIES OBTAINED FROM THIRD PARTIES

Joint and several guarantee of up to ThUS\$ 1,000 made by Tattersall Comercial S.A. to secure to Soquimich Comercial S.A. compliance with obligations contained in the commercial mandate agreement for the distribution and sale of fertilizers.

NOTE 28. SANCTIONS

During 2006 and 2005, the SVS did not apply sanctions to the Company, its directors or managers.

NOTE 29. ENVIRONMENTAL PROJECTS

Disbursements incurred by the Company as of December 31, 2006 relating to its investments in production processes and compliance with regulations related to industrial processes and facilities are as follows:

	2006	FUTURE
	ThUS\$	DISBURSEMENTS
		ThUS\$
Projects		
Environmental department	748	134
Dust emission control	823	8
Light normalization	919	92
Exchange bank authorization	279	21
Environmental studies – Region I of Chile project	605	–
María Elena archeology	870	130
Waste water treatment plant, washing surface P. Valdivia. N. Victoria. P. Blanca.	4	236
Equipment washing system	184	–
Implementation of waste water line for María Elena Treatment Plant.	25	25
Infrastructure, equipment New Offices María Elena Environment	14	–
Hospital Monitoring Station Project	12	9
Atacama Salt Deposit Hydrologic Model	176	–
Tourist Support in Salt Deposit (Soncor)	80	–
EIA Salar	992	2,286
Environmental assessment for the KNO3 Plant	21	4
Environmental commitments Region I of Chile	152	159
Regularization of drinking water 2	46	–
Plumbing equipment at ME prilling plant	11	19
Normalization of lighting at FFCC yard, PV Mill	123	42
Improvements in M. Elena Camp – Streets	296	154
The Environment MOP/SOP 2	142	95
Study of dust control at SOP–SC plant	1	29
Waste dump for dangerous waste	15	349
Cleaning of rescue yards	–	1,188
Equipment elimination using PCB	304	204
Total	6,842	5,184

Protecting the environment, both in regards to the Company's productive processes and the manufactured goods, is a constant concern for SQM.

SQM is currently implementing an Environmental Management System, which is based on the ISO 14000 standard, with which the Company will improve its environmental performance. The implementation program stipulates that all the operations maintained by the Company in Regions I and II of Chile, will have a fully implemented Environmental Management System by late 2005.

Processes where sodium nitrate is used as a raw material are carried out in geographical areas such as the desert with favorable weather conditions for drying solid materials and evaporating liquids used in solar energy. The extraction of minerals in open pit mines, given their low waste-to-mineral ratio, gives rise to waste deposits that have little impact on the environment. The extraction process and ore crushing produce particles that are consistent with the industry of operation.

On August 10, 1993, the Ministry of Health published a resolution under the Sanitary Code that established that the levels of breathable particles present at Maria Elena Plant exceeded the level allowed for air quality and, consequently, affected the nearby city of Maria Elena. Particles mainly come from dust that results from processing the sodium nitrate, particularly at the crushing process prior to leaching. The Company has implemented a series of measures that have shown notable improvement in air quality at Maria Elena. A new decontamination plan for this area, released on March 13, 2004, is intended to meet air quality standards by April 1, 2006. On December 31, 2004, the Company submitted a proposal entitled "Technological Change at Maria Elena", which intends to reduce particle emission, to the government's Environmental Impact Evaluation System. The project will commence its activities during 2007.

Ore treatment operations, as they are controlled processes, produce solid residual materials that are the non-soluble by product and a certain degree of moisture.

SQM entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Atacama Salt Mine lagoons. Such research includes a population count of the birds and wildlife, breeding research, additional behavior research and the climate phenomena of the area.

Consistent with the Company's ongoing commitment with the environmental authorities, the Company actively participates in the Joint Monitoring Research project for the Atacama Salt Mine watershed along with other mining companies that make use of the water resources that supply the Atacama Salt Mine. To perform this study, SQM has involved diverse scientists from prestigious research institutions such as Dictuc of Pontificia Universidad Católica, the University of Nevada, Cornell University and the University of Binghamton in New York.

Together with this, SQM in its ongoing commitment with regional environmental management had active participation in the Joint Study of Monitoring of the Atacama Saltpeter Deposit Basin where other mining companies who use water resources in that basin were also involved.

NOTE 30. SIGNIFICANT EVENTS

1. On January 17, 2006, the Company informed the Superintendency of Securities and Insurance that Mr. Bernard Descazeaux Aribit resigned to his position of General Manager of Soquimich Comercial S.A. and assumed responsibility for the operations of SQM S.A. in Mexico and Central America. The Board of Directors accepted his resignation.

Likewise, at the Ordinary Board of Directors' Meeting held on January 16, 2006, the directors accepted the appointment of Mr. Juan Carlos Barrera Pacheco as replacement and new General Manager of Soquimich Comercial S.A. These changes will be effective beginning on March 1, 2006.

2. On January 19, 2006, the Company informed the SVS that Sociedad Química y Minera de Chile S.A. and certain of its subsidiaries have acquired, on this same date from the DSM Company Group from the Netherlands, all the shares of certain companies that participate in the markets for the production and commercialization of iodine and iodine by-products in Chile and abroad. Accordingly, SQM has acquired the mining and water rights, industrial plants, regulating permits and remaining assets pertaining to these companies, which will allow it have in the future proper installed capacity to produce 2,200 additional tons of iodine per year in Chile.

The purchase and sale price was ThUS\$ 72,000 and this was paid in cash. This, with no prejudice of certain minor adjustments that should be made in respect to this price in the short-term and with no prejudice of the purchase of accounts receivable and finished products and of the charge to the values of these accounts and products of certain liabilities that were a part of the accounting of such three new subsidiaries of SQM S.A., namely, DSM Minera S.A., DSM Minera B.V. and Exploraciones Mineras S.A.

3. On January 24, 2006, Sociedad Química y Minera de Chile S.A has placed in the domestic market one bond with no guarantee for the nominal amount of UF 3 million. This placement is paid within a term of 21 years with an annual interest rate of 4.18% to refinance liabilities and to fund investment projects for the year 2006.

4. On March 29, 2006, the Company informed the SVS that the Board of Directors of Sociedad Química y Minera de Chile (SQM), at their meeting held on April 28, 2006, unanimously agreed to propose the payment of a final dividend of US\$0.27981 per share in favor of those shareholders of SQM that are registered in the related Shareholders' Registry during the fifth business day prior to the date in which the bond will be paid.

This proposal, upon approval by the shareholders at the next General Ordinary Shareholders' Meeting that will be held on April 28, 2006, will allow that the Company be able to effectively pay and distribute, in conformity that provided in the related dividend policy, an annual dividend equivalent to 65% of net income distributable obtained during 2005.

5. On March 29, 2006, the Company informed the SVS that Sociedad Química y Minera de Chile S.A. is negotiating the possible placement abroad of a new bond issuance for an approximate amount of US\$ 200 million that will be paid in a single installment at the expiration of the ten-year period and which will be used to pay liabilities for the same sum which expire in September 2006

6.- On April, 5, 2006, the Company communicated to the Chilean Superintendency of Securities and Insurance (SVS) that Sociedad Química y Minera de Chile S.A. has placed abroad and under the regulations contained in "Rule 144 A and regulation S of the U.S. Securities Act of 1933", a new bond issuance for a sum of US\$ 200 million at an annual interest rate of 6.125%. Interest will be paid semi-annually and principal will be paid in a single installment in April 2016.

7.- On September 15, 2006, the Company informed to the Chilean Superintendency of Securities and Insurance (SVS) that Soquimich European Holdings B.V. (SEH), a subsidiary of Sociedad Química y Minera de Chile S.A. and Yara Italia S.P.A., a subsidiary of Yara International ASA, which, in its turn, is a part of the Controlling Group of SQM have entered in Italy a Right Transfer Agreement through which SEH has sold to Yara all the rights which SEH had in the Italian company Impronta S.R.L., which are equivalent to 50% of the total sum of social rights of the latter.

8.- On October 30, 2006, the Company informed to the SVS that SQM Comercial de México S.A. de C.V. (SQMM) and SQM Industrial S.A. (SQMI), both subsidiaries of Sociedad Química y Minera de Chile S.A. and Yara Nederland B.V. and (YN) Yara Holdings Netherlands B.V. (YH), subsidiaries of Yara International ASA which, in its turn, is a part of the Controlling Group of SQM, on October 27, 2006 entered in Mexico a Share Purchase and Sale Agreement through which SQMM and SQMI sold to YN and to YH all the shares which SQMM and SQMI had in Fertilizantes Olmeca y SQM S.A. de C.V.

9.- On November 28, 2006, the Company informed to the SVS that Royal Seed Trading Corp. A.V.V., a subsidiary of Sociedad Química y Minera de Chile S.A. and with a guarantee for the latter and by the banks ING Bank N.V., Curacao Branch, Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas and Santander Overseas Bank Inc., entered on November 22, 2006 a loan agreement abroad for a sum of ThUS\$ 80,000, which was agreed for a period of 5 years with initial annual interest rate of "Libor + 0.3%" on principal owed, which may vary depending on the possible future modifications experienced in the classification of the guarantor's external debt, with no actual guarantees and with semi-annual payments of interest.

NOTE 31. SUBSEQUENT EVENTS

Management is not aware of any significant subsequent events that have occurred after December 31, 2006 and that may affect the Company's financial position or the interpretation of these financial statements, (February 26, 2007).



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 FINANCIAL STATEMENTS


REPORT OF INDEPENDENT AUDITORS


**To the Shareholders and Directors of
Sociedad Química y Minera de Chile S.A.:**

■ Huérfanos 770, piso 5
Santiago, Chile

■ Phone : (56-2) 676 1000
Fax : (56-2) 676 100
Casilla : 2823

- 1.** We have audited the accompanying balance sheets of Sociedad Química y Minera de Chile S.A. ("the Company") as of December 31, 2006 and 2005 and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.
- 2.** We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
- 3.** These financial statements have been prepared to reflect the individual financial position of Sociedad Química y Minera de Chile S.A., on the basis of the criteria described in Note 2, before the line-by-line consolidation of the financial statements of the subsidiaries detailed in Note 8. Therefore, for their adequate interpretation, these individual financial statements must be read and analyzed in conjunction with the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and its subsidiaries, which are required by generally accepted accounting principles in Chile. This report is presented solely for the information of and use by the board of directors and management of Sociedad Química y Minera de Chile S.A. and the Superintendency of Securities and Insurance.
- 4.** In our opinion, these financial statements present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in accordance with the principles described in Note 2.
- 5.** As disclosed in Note 8 to the financial statements, on January 19, 2006 Sociedad Química y Minera de Chile S.A., acquired from the DSM Group, the companies DSM Minera S.A., DSM Minera B.V. and Exploraciones Mineras S.A. for the amount of ThUS\$114,996, recognizing goodwill for a sum of ThUS\$10,852 and negative goodwill of ThUS\$1,928.



Arturo Selle S.
I. D. Number: 5.744.179-8



ERNST & YOUNG LTDA.
Taxpayer No.: 77.802.430-6

Santiago, Chile, February 26, 2007.

BALANCE SHEETS

ASSETS	NOTE	As of December 31	
		2006 ThUS\$	2005 ThUS\$
Current assets			
Cash		433	88
Time deposits		10,478	–
Marketable securities	4	16,011	67,577
Accounts receivable, net		812	54
Other accounts receivable, net		490	1,876
Accounts receivable from related companies	5	433,701	316,297
Inventories		31,367	7,605
Recoverable taxes		8,751	4,063
Prepaid expenses		940	808
Deferred income taxes	12	10,437	12,249
Other current assets		1,170	1,831
Total current assets		514,590	412,448
Property, plant, and equipment, net		148,825	147,345
Other Assets			
Investments in related companies	7	529,881	390,667
Goodwill	8	20,029	21,183
Negative goodwill, net	8	(1,908)	–
Intangible assets, net		2,784	3,186
Long-term accounts receivable from related companies	5	488,843	464,030
Long-term accounts receivable		30	29
Other long-term assets		23,296	16,763
Total Other Assets		1,062,955	895,858
Total Assets		1,726,370	1,455,651

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

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	As of December 31	
		2006 ThUS\$	2005 ThUS\$
Current liabilities			
Short-term bank debt	9	25,087	55,014
Current portion of long-term bank debt	9	–	204,577
Current portion of bonds payable		5,540	–
Dividends payable	10	224	201
Accounts payable		4,576	8,180
Other accounts payable		196	838
Notes and accounts payable to related companies	5	284,085	140,769
Accrued liabilities	11	3,182	3,964
Withholdings		2,769	5,354
Income taxes		435	6,309
Other current liabilities		521	42
Total current liabilities		326,615	425,248
Long-term liabilities			
Long-term Obligations with the Public (Bonds)		300,724	–
Other accounts payable		850	1,064
Long-term accrued liabilities	11	2,775	2,235
Deferred income taxes	12	9,457	6,688
Total long-term liabilities		313,806	9,987
Shareholders' equity			
Paid-in capital	13	477,386	477,386
Other reserves	13	155,190	157,287
Retained earnings	13	453,373	385,743
Total shareholders' equity		1,085,949	1,020,416
Total liabilities and shareholders' equity		1,726,370	1,455,651

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



STATEMENTS OF INCOME

STATEMENTS OF INCOME	NOTE	As of December 31	
		2006 ThUS\$	2005 ThUS\$
Operating income			
Sales		192,797	174,381
Cost of sales		(141,751)	(120,353)
Gross margin		51,046	54,028
Selling and administrative expenses		(16,637)	(14,271)
Operating income		34,409	39,757
Non-operating income			
Non-operating income		157,969	115,993
Non-operating expenses		(42,514)	(38,163)
Non-operating income, net		115,455	77,830
Income before income taxes		149,864	117,587
Income tax expense	12	(8,587)	(4,081)
Net income		141,277	113,506

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


STATEMENTS OF CASH FLOWS

	As of December 31	
CASH FLOWS FROM OPERATING ACTIVITIES:	2006	2005
	ThUS\$	ThUS\$
Cash flows from operating activities:		
Net income	141,277	113,506
Charges (credits) to income not representing cash flows		
Depreciation expense	10,870	5,811
Amortization of intangible assets	402	411
Write-offs and accruals	1,130	89
Gain on equity investments in related companies	(108,544)	(82,514)
Loss on equity investments in related companies	688	5,397
Amortization of goodwill	1,154	1,132
Loss on sales of property, plant and equipment		
Gain on sale of investments	(913)	38
Other credits to income not representing cash flows	(47,154)	(31,378)
Other charges to income not representing cash flows	30,869	35,257
Foreign currency translation, net	1,322	(355)
Net changes in operating assets and liabilities:		
(Increase) decrease in trade accounts receivable	(66,211)	(157,921)
Increase in inventories	(23,762)	2,274
Increase in other assets	49,780	259,454
Increase (decrease) in accounts payable	127,468	(20,661)
Decrease in interest payable	(1,772)	(5)
(Decrease) increase in net income taxes payable	(13,719)	(5,435)
(Decrease) in other accounts payable	(6,838)	(2,764)
Increase (decrease) in VAT and taxes payable	(69)	(757)
Net cash provided from operating activities	95,978	121,579
Cash flows from financing activities		
Proceeds from bank financing	156,281	55,000
Obligations with the public (Bonds payable)	299,833	-
Payment of dividends	(74,139)	(48,827)
Payment of bank financing	(386,281)	(6,000)
Payment of expenses for the issuance and placement of bonds payable	(6,629)	-
Net cash provided from (used in) financial activities	(10,935)	173
Cash flows provided from investing activities		
Sales of property, plant and equipment	9,192	260
Other income	499	550
Additions to property, plant and equipment	(35,390)	(66,315)
Capitalized interest	(4,021)	(1,751)
Purchase of investments in related companies	(99,067)	(93)
Other loans granted to related companies	-	(10,692)
Net cash used in investing activities	(128,787)	(78,041)
Net cash flows for the year	(43,744)	43,711
Effect of inflation on cash and cash equivalents	2,105	(1,635)
Net change in cash and cash equivalents	(41,639)	42,076
Beginning balance of cash and cash equivalents	68,561	26,485
Ending balance of cash and cash equivalents	26,922	68,561

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

NOTE 1. COMPANY BACKGROUND

Sociedad Química y Minera de Chile S.A. (the "Company") was registered with the Chilean Superintendency of Securities and Insurance ("SVS") on March 18, 1983.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
a) Period and basis of preparation

These financial statements have been prepared as of December 31, 2006 and 2005 and for the years then ended.

The financial statements have been prepared in accordance with accounting principles generally accepted in Chile ("Chilean GAAP") and specific criteria required by the SVS. Certain accounting practices applied by the Company that conform to Chilean GAAP may not conform to generally accepted accounting principles in the United States ("US GAAP"). For the convenience of the reader, the financial statements and their accompanying notes have been translated from Spanish into English.

These financial statements were prepared in order to analyze the Company as a stand-alone entity, therefore, all of the asset, liability and income accounts of its subsidiaries have been recorded in one line as investments in related companies. This accounting treatment does not affect net income. Consequentially, these financial statements should be read in conjunction with the consolidated financial statements.

b) Reporting currency

The financial statements of the Company are prepared in U.S. dollars. As a significant portion of the Company's operations are transacted in U.S. dollars, the U.S. dollar is considered the currency of the primary economic environment in which the Company operates.

c) Translation of non-U.S. dollar assets, liabilities and financial statements
i) Domestic subsidiaries and affiliates

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to U.S. dollars at the observed exchange rates determined by the Central Bank of Chile as of each year-end, which were Ch\$532.39 in 2006 and Ch\$512.50 in 2005.

The value of the UF as of December 31, 2006 and 2005 was Ch\$ 18.336,38 (US\$ 34.44) and Ch\$ 17,974.81 (US\$ 35.07), respectively.

ii) Foreign subsidiaries and affiliates

In accordance with Chilean GAAP, the financial statements of foreign subsidiaries that do not maintain their accounting records in U.S. dollars are translated from the respective local currencies to U.S. dollars in accordance with Technical Bulletin No. 64 and 72 of the Chilean Association of Accountants ("BT 64 and BT 72").

The monetary assets and liabilities of foreign subsidiaries were translated into U.S. dollars at the exchange rates per US\$ prevailing as of December 31, as follows:

	2006	2005
	US\$	US\$
Brazilian Real	2.14	2.34
Euro	0.76	0.85
Pound Sterling	0.51	0.52
South African Rand	6.99	6.33

d) Time deposits

Time deposits are recorded at cost plus accrued interest.

e) Marketable securities

Marketable securities are recorded at the lower of cost plus accrued interest or market value.

f) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts based on estimated probable losses.

g) Inventories and materials

Inventories of finished products and products in process are stated at average production cost, which is presented net of provisions. Provisions have been made based on a technical study which covers the different variances which affect our products (density, moist, among others).

Materials and supplies received are stated at average acquisition and inventories in transit are stated at cost incurred at the end of the period.

The cost of inventories does not exceed its net realizable value.

h) Current and deferred income taxes

In conformity with current Chilean tax regulations, the Company recognizes the provision for corporate income tax expense and the income tax for the mining activity on an accrual basis.

Prior to 2000, income taxes were charged to results in the same period in which the income and expenses were recorded and were calculated in accordance with tax laws in Chile and other jurisdictions in which the Company operated.

Under Chilean law, the Parent Company and its subsidiaries are required to file separate tax declarations.

Beginning January 1, 2000, the Company records deferred income taxes in accordance with Technical Bulletin Nos. 60, 69, 71 and 73 of the Chilean Association of Accountants, and with Circular No. 1466 issued on January 27, 2000 by the SVS, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities, using the liability method. The effect of the temporary differences as of December 31, 1999 was recorded in complementary asset and liability accounts, which are recognized in the statement of operations over the estimated time in which they are reversed.

i) Property, plant, equipment

Property, plant, equipment and property rights are recorded at acquisition cost, considering in general an average residual value of 5%, except for certain assets that were restated in accordance with a technical appraisal in 1989. Depreciation expense has been calculated using the straight-line method based on the estimated useful lives of the assets and is charged directly to expenses.

Property, plant and equipment acquired through financial lease agreements are accounted for at the present value of the minimum lease payments plus the purchase option based on the interest rate included in each contract. The Company does not legally own these assets and therefore cannot freely dispose of them.

In conformity with Technical Bulletin No. 31 and 33 of the Chilean Association of Accountants, the Company capitalizes interest cost associated with the financing of new assets during the construction period of such assets.

Maintenance costs of plant and equipment are charged to expenses as incurred.

The Company obtains property rights and mining concessions from the Chilean state. Other than minor filing fees, the property rights are usually obtained without initial cost, and once obtained, are retained by the Company as long as the annual fees are paid. Such fees, which are paid annually in March, are recorded as prepaid assets to be amortized over the following twelve months. Values attributable to these original mining concessions received are being amortized on a straight-line basis over 50 years and are recorded in property, plant and equipment.

j) Investments in related companies

Investments in related companies over which the Company has significant influence, are included in other assets and are recorded using the equity method of accounting, in accordance with SVS Circulars Nos. 368 and 1,697 and Technical Bulletins Nos. 64 and 72 issued by the Chilean Association of Accountants. Accordingly, the Company's proportional share in the net income or loss of each investee is recognized in the non-operating income and expense classification in the statements of income on an accrual basis, after eliminating any unrealized profits from transactions with the related companies.

The translation adjustment to U.S. dollars of investments in domestic subsidiaries that maintain their accounting records and are controlled in Chilean pesos is recognized in other reserves within shareholders' equity. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

k) Goodwill and negative goodwill

Goodwill is calculated as the excess of the purchase price of companies acquired over their net book value, whereas negative goodwill occurs when the net book value exceeds the purchase price of companies acquired. Goodwill and negative goodwill resulting from equity method investments are maintained in the same currency in which the investment was made and are amortized based on the estimated period of investment return, generally 20 and 10 years for goodwill and negative goodwill, respectively.

Beginning on January 1, 2004, goodwill and negative goodwill represents the difference between the acquisition cost of the investment in a related company and the fair value of this investment at the acquisition date, which is amortized with a charge or credit to income in the expected period of return of the investment, which does not exceed 20 years.

l) Intangible assets

Intangible assets are stated at cost plus acquisition expenses and are amortized over a maximum period of 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants.

m) Mining development cost

Mining development costs are recorded in other long-term assets and are amortized utilizing the unit of production basis.

n) Accrued employee severance

The Company calculates the liability for staff severance indemnities based on the present value of the accrued benefits for the actual years of service worked assuming average employee tenure of 24 years and using a real annual discount rate of 8%.

o) Vacations

The cost of employee vacations is recognized in the financial statements on an accrual basis.

p) Sellback operations

These operations are registered in Other Current Assets at the amount of the purchase. Starting at the purchase date, the respective interest is recorded in accordance with SVS Circular 768.

q) Dividends

Dividends are generally declared in U.S. dollars but are paid in Chilean pesos.

r) Derivative Contracts

The Company maintains derivative contracts to hedge against movements in foreign currencies, which are recorded in conformity with Chilean Technical Bulletin No. 57 of the Chilean Association of Accountants. Such contracts are recorded at fair value with net losses recognized on the accrual basis and gains recognized when realized.

s) Reclassifications

For comparison purposes, certain reclassifications have been made to the 2005 financial statements.

t) Revenue recognition

Revenue is recognized on the date goods are physically delivered or when they are considered delivered according to the terms of the contract.

u) Computer software

Computational systems developed internally using the Company's personnel and materials are charged to income during the year in which the expenses are incurred.

In accordance with Circular No. 981 dated December 28, 1990 of the SVS, computer systems acquired by the Company are capitalized at cost.

v) Research and development expenses

Research and development costs are charged to the income statement in the period in which they are incurred. Property, plant and equipment that are acquired for use in research and development activities and determined to provide additional benefits to the Company are recorded in property, plant and equipment.

w) Obligations with the public (Bonds payable)

Bonds are stated at the principal amount plus interest accrued. The difference between the carrying value and the placement value is capitalized and amortized in the period of expiration of these.

x) Deferred income

Deferred income relate to the recognition of documented sales, the delivery of which occurs subsequent to the closing date of the closing date of the financial statements.

NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES

During the period ended December 31, 2006, the Company there were no other changes in the application of generally accepted accounting principles in Chile compared to the prior year.

NOTE 4. MARKETABLE SECURITIES

As of December 31 marketable securities are detailed as follows:

	2006	2005
	ThUS\$	ThUS\$
Mutual funds	16,011	67,577
Total	16,011	67,577

As of December 31, 2006 and 2005, mutual funds relate to investments made in the 'Citifunds Institutional Liquid Reserve Limited'. This institution is a high liquidity fund and is mainly dedicated to invest in fixed income instruments in the US market.

NOTE 5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related companies in which SQM S.A. maintains direct or indirect participation has no effect on income given that unrealized gains and losses from related companies are recognized directly or indirectly in full through the Proportional equity value method.

The exception to this as of December 31 of each period relates to Soquimich Comercial S.A. and therefore transactions for the period generated an effect on income.

Transactions with subsidiaries are conducted under terms and conditions similar to those offered to third parties.

In addition, the Company discloses all significant transactions with related parties which exceed 1% of net income for the year.

Conditions are those normally in force for this type of operations in respect to term and market price. Expiration conditions for each case vary depending on the transaction which generated them.

Operations with the following subsidiaries are accrued at an annual interest rate of 5.5% by age of balances: SQM Potasio S.A., SQM Nitratos S.A., SQM Industrial S.A., SIT S.A., SQM Salar S.A., Exploraciones Mineras S.A. The remaining subsidiaries accrue no interest.

a) Amounts included in balances with related parties as of December 31, 2006 and 2005 are as follows:

ACCOUNTS RECEIVABLE	SHORT-TERM		LONG-TERM	
	2006	2005	2006	2005
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
AJAY SQM CHILE S.A.	12,773	5,160		
SERVICIOS INTEGRALES DE TRÁNSITO Y TRANSFERENCIAS S.A.	93,049	67,575		
SQM POTASIO S.A.	–	–	488,843	462,249
SQM SALAR S.A.	172,346	155,896		
SQM NITRATOS S.A.	114,866	–		–
SQM INDUSTRIAL S.A.	–	11,090	–	–
SOQUIMICH COMERCIAL S.A.	443	462		
EXPLORACIONES MINERAS S.A.	7,105	–	–	–
SQM COMERCIAL DE MÉXICO S.A. DE C.V.	2,499	8,518	–	–
SQM NORTH AMERICA CORP.	2,384	23,483	–	1,781
SQM EUROPE N.V	21,524	35,848	–	–
NITRATOS NATURAIS DO CHILE LTDA.	1,140	1,041	–	–
SQM LITHIUM SPECIALTIES LLP	1,077	1,077	–	–
SQMC HOLDING CORPORATION	153	308	–	–
SQM OCEANÍA PTY LIMITED	257	507	–	–
SQM JAPAN K.K.	4,077	5,332	–	–
ROYAL SEED TRADING CORPORATION A.V.V.	8	–	–	–
Total	433,701	316,297	488,843	464,030

ACCOUNTS PAYABLE	SHORT-TERM		LONG-TERM	
	2006	2005	2006	2005
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
ALMACENES Y DEPÓSITOS LTDA.	371	387		
SQM NITRATOS S.A.	-	132,058	-	-
SQM INDUSTRIAL S.A.	219,168	-	-	-
MINERA NUEVA VICTORIA S.A.	57,381	-	-	-
ISAPRE NORTE GRANDE LTDA.	295	-	-	-
SOC. PREST. DE SERV. SALUD CRUZ DEL NORTE S.A.	360	-	-	-
NITRATE CORP. OF CHILE	5,076	5,076	-	-
YARA FERTILIZANTES LTDA.	-	1	-	-
SQM BRASIL LIMITADA	87	87	-	-
SQM INVESTMENT CORPORATION N.V.	1,347	3,160	-	-
Total	284,085	140,769	-	-

There were no outstanding long-term accounts payable with related parties as of December 31, 2006 and 2005.

b) During 2006 and 2005, principal transactions with related parties were as follows:

COMPANY	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION		IMPACT ON INCOME (CHARGES) CREDITS	
		2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
SQM Potasio S.A.	Interest in current account	25,484	24,331	--	
	Dividends received	59,998	112,997	-	-
SQM Nitratos S.A.	Purchase of products	-	56,950	-	-
	Services provided	20,718	9,523	-	-
	Sales of products	-	1,329	-	-
	Purchase of property, plant and equipment	35	3,223	-	-
	Interest in current account	3,362	10,597	-	-
	Dividends received	-	122,400	-	-
	Sale of PP&E	824	-	-	-
Ajay SQM Chile S.A.	Sales of products	27,614	18,484	2,508	2,804
	Dividends received	411	976	-	-
Servicios Integrales de Tránsito y Transferencias S.A.	Interest in current account	4,311	3,102	-	-
	Sale of PP&E	273	-	-	-
SQM Salar S.A.	Interest in current account	6,722	2,946	-	-
	Dividends received	12,362	-	-	-
	Purchase of property, plant and equipment	824	-	-	-
	Services provided	149	-	-	-
SQM Europe N.V.	Sale of products	42,215	58,130	-	-
	Legal expenses	1,149	-	-	-
SQM North America Corporation	Sale of products	66,609	55,286	-	-
	Purchase of products	2,448	2,850	-	-
	Discount in sale of portfolio	506	-	-	-
	Sale of materials	26	-	-	-
SQM Comercial de Mexico S.A. de C.V.	Sale of products	4,455	5,760	-	-
SQM Japan K.K.	Sale of products	14,945	18,739	-	-
SQM Industrial S.A.	Services rendered	5,011	-	-	-
	Services rendered	493	-	-	-
	Purchase of products	120,733	-	-	-
	Purchase of property, plant and equipment	1,341	-	-	-
	Sale of PP&E	9,073	-	-	-
	Interest in current account	8,371	-	-	-
	Services rendered	1,331	-	-	-
Exploraciones Mineras S.A.	Interest in current account	267	-	-	-
	Interest in current account	1,796	-	-	-
Minera Nueva Victoria S.A.	Services rendered	29	-	-	-
	Purchase of products	1,103	-	-	-

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Land		
Land	1,208	803
Project-in-progress	-	883
Mining Concessions	42,995	49,792
Total	44,203	51,478
Buildings and infrastructure		
Buildings	25,769	18,944
Installations	77,948	33,443
Construction-in-progress	6,053	68,540
Other	19	20
Total	109,789	120,947
Machinery and Equipment		
Machinery	41,536	31,454
Equipment	3,477	3,279
Project-in-progress	721	349
Other	12,960	12,751
Total	58,694	47,833
Other fixed assets		
Tools	736	650
Furniture and office equipment	19,415	3,294
Project-in-progress	3,881	4,660
Other	1,988	2,081
Total	26,020	10,685
Amounts relating to technical revaluation of fixed assets		
Buildings and infrastructure	785	785
Machinery and equipment	546	546
Other assets	5	5
Total	1,336	1,336
Total property, plant and equipment	240,042	232,279
Less: accumulated depreciation		
Mining Concessions	(10,296)	(10,030)
Buildings and infrastructure	(38,854)	(35,291)
Machinery and equipment	(36,912)	(34,671)
Other fixed assets	(3,909)	(3,710)
Technical appraisal	(1,246)	(1,232)
Total accumulated depreciation	(91,217)	(84,934)
Net property, plant and equipment	148,825	147,345

	2006	2005
	ThUS\$	ThUS\$
Depreciation for the year ended December 31:		
Mining Concessions	(265)	(265)
Buildings and infrastructure	(6,720)	(2,640)
Machinery and equipment	(3,671)	(2,599)
Other fixed assets	(199)	(292)
Technical revaluation	(15)	(15)
Total depreciation	(10,870)	(5,811)

The Company has capitalized assets obtained through leasing, which are included in other fixed assets and are as follows:

	2006	2005
	ThUS\$	ThUS\$
Administrative office buildings	1,988	1,988
Accumulated depreciation	(489)	(458)
Total assets in leasing	1,499	1,530

The administrative office buildings were acquired for 230 installments of UF 663.75 each and an annual, contractually established interest rate of 8.5%.

NOTE 7. INVESTMENTS IN AND RECEIVABLES FROM RELATED PARTIES

a) Information on foreign investments

There are no plans for the foreign investments to pay dividends, as it is the Company's policy to reinvest those earnings.

The Company has not designated their foreign investments as net investment hedges.

b) Transactions executed in 2006

– At the First General Extraordinary Shareholders' Meeting of SQM Industrial S.A. held on January 9, 2006, the shareholders approved the merger of SQM Procesos S.A. (dissolved) to the successor company SQM Industrial S.A., which acquires all the rights, shares, exceptions, assets, liabilities, obligations, shareholders' equity, shareholders and remaining assets and expectations of SQM Procesos S.A. This merger generates each and every of its effects beginning on January 1, 2006.

– On January 19, 2006, Sociedad Química y Minera de Chile S.A. and SQM Potasio S.A. acquired 7,021,169 and 70,921 shares, respectively of DSM Minera S.A. and its subsidiary Exploraciones Minera S.A. for the sum of ThUS\$100,067 in cash (equivalent to ownership of 99% and 1%, respectively).

This investment has been stated using the equity method under the acquisition method in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the standards established in Circular No. 1,697 issued by the SVS. Accordingly, the Company conducted a preliminary evaluation of assets and liabilities in the consolidated financial statements of DSM Minera S.A. as of December 31, 2005. This generated goodwill of ThUS\$1,928, which will be amortized over a period of 20 years.

The Company will continue to review the valuation at fair value using the term allowed to refine the adjustment as provided in paragraph No. 66 in Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

In this manner, assets and liabilities and shareholders' equity included in consolidation at their respective fair values as of December 31, 2006 are as follows:

	MINERA NUEVA VICTORIA S.A.	EXPLORACIONES MINERAS S.A.
	ThUS\$	ThUS\$
Current assets	66,951	400
Property, plant and equipment	23,327	31,567
Other assets	7,220	-
Current liabilities	4,516	7,126
Long-term liabilities	5,718	-
Shareholders' equity	112,105	-

– On January 19, 2006, Soquimich European Holding B.V. acquired 100% of the 20,403 shares of DSM Minera BV. For a sum of ThUS\$13,840 in cash.

This investment has been stated using the equity method under the acquisition method in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the standards established in Circular No. 1,697 issued by the SVS. Accordingly, the Company conducted a preliminary evaluation of assets and liabilities in the consolidated financial statements of DSM Minera B.V. as of December 31, 2005. This generated goodwill of ThUS\$11,373, which will be amortized over a period of 20 years.

The Company will continue to review the valuation at fair value using the term allowed to refine the adjustment as provided in paragraph No. 66 in Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

In this manner, assets and liabilities and shareholders' equity included in consolidation at their respective fair values as of December 31, 2006 are as follows:

	ThUS\$
Current assets	4,581
Current liabilities	1,153
Shareholders' equity	3,428

– On January 31, 2006, DSM Minera S.A. changed its name to Minera Nueva Victoria S.A.

– On January 24, 2006, Soquimich European Holding B.V. and Nutrisi Holding N.V. acquired 334 and 666 shares, respectively of Fenasa S.A. for a sum of ThEU 75,100, thereby increasing their ownership to 33.35% and 66.65%, respectively.

– During February 2006, DSM Minera B.V. changed its name to Iodine Minera BV.

– On May 9, 2006, SQM Industrial S.A. and SQM Potasio S.A. formed Prestadora de Servicios de Salud Cruz del Norte S.A.

The company's capital amounts to Ch\$50,000,000 divided into 5,000 single shares with no par value, no privileges or preferences, which are paid in full upon subscription of shares and through subscription and payment by SQM Industrial S.A. of 4,950 shares for a sum of Ch\$49,500,000 paid upon subscription in cash and the subscription and payment by SQM Potasio S.A. of 50 shares for a sum of Ch\$500,000 paid upon subscription in cash. The Company's share capital and the total number of shares in which capital is divided is subscribed and paid in full in the company's social fund.

– On September 14, 2006, Soquimich European Holding B.V.(SQH) sold to Yara Italia SPA all the rights that SQH had in Impronta SRL for a sum of ThUS\$ 902, thereby generating a loss from sale of investments of ThUS\$ 308.

– On October 27, 2006, SQM Comercial de México S.A. de C.V. and SQM Industrial S.A. sold all the shares they had in SQM Comercial de México S.A. de C.V. to Yara Nederland B.V. and Yara Holdings Netherlands B.V. for a sum of ThUS\$ 4,888 and obtained a gain from this sale of 1,040.

– On December 19, 2006, SQM Salar S.A., distributed dividends for a sum of ThUS\$ 68,000 to its shareholders SQM Potasio S.A.(81.82%) and SQM S.A.(18.18%).

– On December 19, 2006, SQM Potasio S.A. distributed dividends for a sum of ThUS\$ 60,000 to its shareholders SQM S.A.(99.9974%) and Inversiones Pascuala S.A.(0.0026%)

c) Transactions executed in 2005

– Up to December 31, 2004, the financial statements of the subsidiary Fertilizantes Naturales S.A. were considered in consolidation given that the Company maintained the control of this subsidiary (due to its right to manage this subsidiary's financial and operating policies). Beginning on January 1, 2005, the Company no longer controls this subsidiary and therefore the aforementioned subsidiary has been excluded from consolidation in accordance with letters a) to d) of No.6 in Attachment 1 to Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

– On February 28, 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$484 to SQM Corporation N.V., with which it obtained participation of 99.9794% in this subsidiary. SQM S.A. did not concur to this contribution thereby reducing its participation to 0.0002% and ownership held by SQI Corporation N.V. by 0.0204%. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was stated using the pooling-of-interests method. This operation gave rise to no goodwill or negative goodwill.

– In March 2005, the subsidiary Soquimich European Holding B.V. made a capital increase of ThUS\$ 411 in its related company Misr Specialty Fertilizers. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and the regulations in Circular No. 1,697 issued by the Chilean Superintendency of Securities and Insurance, the valuation was performed in consideration of the book value of the equity of Misr Specialty Fertilizers as of December 31, 2004, which does not significantly differ from its fair value determined at that date. This operation gave rise to no goodwill or negative goodwill.

– On March 10, 2005, the subsidiary PCS Yumbes SCM, changed its name to Yumbes SCM.

– In April 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$ 5,641 in SQM Corporation N.V., thereby obtaining ownership interest of 99.99835% in that subsidiary. SQM S.A. did not participate in this increase and reduced its ownership interest to 0.00002% and that of SQI Corporation N.V. by 0.00163%. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method. This operation gave rise to no goodwill or negative goodwill.

– In April 2005, the subsidiary SQM Corporation N.V. acquired 13% of the affiliate Abu Dhabi Fertilizers for a sum of ThUS\$ 484. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance (SVS) the Company valued this investment in consideration of the book value of equity of Abu Dhabi Fertilizers as of December 31, 2004, which does not significantly differ from its fair value at that date. This operation gave rise to no goodwill or negative goodwill.

– In April 2005, the subsidiary SQM Corporation N.V. made a capital increase of ThUS\$ 5,641 in its subsidiary Soquimich European Holding B.V., the owner of 100% of the shares of this company. This capital increase was valued in accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance (SVS). This operation gave rise to no goodwill or negative goodwill.

– On May 11, 2005, SQM Salar S.A. distributed dividends for a sum of ThUS\$ 21,500 to its shareholders SQM Potasio S.A. (81.82%) and SQM S.A.(18.18%).

* On May 11, 2005, SQM Potasio S.A. distributed dividends for a sum of ThUS\$ 15,000 to its shareholders SQM S.A. (99.98%) and SQM Nitratos S.A.(0.02%).

* On May 11, 2005, SQM Nitratos S.A. distributed dividends for a sum of ThUS\$ 16,900 to its shareholders SQM S.A. (99.99%) and Inversiones Pascuala S.A.(0.01%).

* On July 12, 2005, SQM Nitratos S.A. made a capital contribution of ThUS\$ 100 in SQM Brasil Ltda. This operation gave rise to no goodwill or negative goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method.

* On July 12, 2005, SQM Brasil Ltda. made a capital increase of ThUS\$100. This capital was contributed by SQM Nitratos S.A. thereby obtaining ownership of 96.99% and 3.01 % by SQM S.A. SQM S.A. did not participate in this capital increase and this transaction generated no goodwill or negative goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method.

* On August 9, 2005, SQM Nitratos S.A. and SQM S.A. acquired 99 and 1 shares, respectively of Kemira Emirates Fertilizar Company - Fzco in ThUS\$ 9,282 paid at the date of the acquisition. In accordance with the provisions of Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance, the preliminary valuation was conducted by identifying the assets and liabilities in the individual financial statements of Kemira Emirates Fertilizar Company - Fzco as of July 31, 2005, by valuing them at their respective fair values, which do not significantly differ from their carrying values determined at that date. Goodwill determined for the purchase of this company amounted to ThUS\$2,058, which is amortized over a period of 20 years.

For the acquisition of Kemira Emirates Fertilizar Company - Fzco. the Company used the acquisition method.

The Company will continue to review valuation at fair value and applies the term provided to refine the adjustment established in paragraph 66 of Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

* In September 2005, the subsidiary Soquimich European Holding B.V. and Charlee Industries Co, Ltd. incorporated Charlee SQM (Thailand) Co. Ltd. through a contribution by Soquimich European Holding B.V of ThUS\$ 800, which represents ownership of 40% in Charlee SQM (Thailand) Co. Ltd. This operation did not generate any negative goodwill or goodwill. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants, this investment was valued using the pooling of interest method

* On September 17, 2005, Kemira Emirates Fertilizar Company - Fzco change its name to SQM Dubai - Fzco.

* At the Fifth General Extraordinary Shareholders' Meeting of SQM Nitratos S.A. held on October 31, 2005, the shareholders unanimously agreed the following:

- Change the line of business of SQM Nitratos S.A. with the purpose of limiting it to mining exploitation operations.

- Spin-off SQM Nitratos S.A. in two companies, SQM Nitratos S.A., which maintains its name and a new company is incorporated, SQM Procesos S.A.

This spin-off will be effective on January 1, 2006.

* At the Twenty-Second General Extraordinary Shareholders' Meeting of Yumbes Sociedad Contractual Minera held on December 19, 2005, the shareholders agreed to the transformation of this company to SQM Industrial S.A.

– Assets, liabilities and equity of SQM Industrial S.A. included in consolidation at their respective fair values as of December 31, 2005 are detailed as follows

	ThUS\$
Current assets	28,495
Property, plant and equipment	9,710
Other assets	672
Current liabilities	26,795
Long-term liabilities	23
Equity	12,059

In accordance with the provisions of Technical Bulletin No. 72 issued by the Chilean Association of Accountants and regulations contained in Circular No. 1697 issued by the Chilean Superintendency of Securities and Insurance, the company made the valuation by identifying assets and liabilities in the stand-alone financial statements of SQM Industrial S.A. (formerly - PCS Yumbes SCM) as of December 31, 2004, by valuing them at their respective fair values. The methodology applied for the acquisition of SQM Industrial S.A. (formerly - PCS Yumbes SCM), was the acquisition method.

The Company continued to review the valuation during 2005 in accordance with the term allowed to refine the adjustment established in paragraph 66 of Technical Bulletin No. 72 issued by the Chilean Association of Accountants. Accounts that presented the principal variations were property, plant and equipment, the previous valuation of which had been conducted related to the observed or reported status of the asset, in consideration that not all productive processes in plans were working. Therefore and in consideration of background information provided by external experts and our company's personnel a full review was conducted of the status of these assets, which gave rise to a new evaluation of the fair value of the company's assets.

Additionally, for the purpose of the balance at fair value of SQM Industrial S.A. (formerly - PCS Yumbes SCM) in accordance with paragraph 22 of Technical Bulletin No. 33 issued by the Chilean Association of Accountants, the company has defined property, plant and equipment that will be considered not in use for an indefinite period with the purpose of making a decision as to the future destination of these assets (sales or auction). For these assets, depreciation was suspended and were adjusted at the net estimated realizable value. This valuation was conducted in consideration of background information obtained in a valuation survey conducted by external experts and qualified personnel from our company, who conducted a full review of the status of these assets and determined the net realizable value of these assets. This adjustment generated a decrease in shareholders' equity of ThUS\$17,362, which was considered in the company's fair value.

This generated goodwill for a sum of ThUS\$ 22,255, mainly generated by valuation adjustments explained in the preceding paragraphs, which were made in accordance with generally accepted accounting principles in Chile and specific regulations and instructions provided by the Chilean Superintendency of Securities and Insurance. Goodwill determined will be amortized over a term of 20 years. As of December 31, 2005, the amortized balance amounts to ThUS\$ 1,072.

– On December 28, 2005, SQM Nitratos S.A. sold the 2,000 shares it had of SQM Industrial S.A., equivalent to 0.0046% to SQM Potasio S.A..

d) Investments with less than 20% participation

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

e) Detail of investments in related companies

TAX REGISTRATION NUMBER	COMPANY	COUNTRY OF ORIGIN	CONTROLLING CURRENCY	NUMBER OF SHARES	OWNERSHIP INTEREST		EQUITY OF COMPANIES		BOOK VALUE OF INVESTMENT		NET INCOME (LOSS) FOR THE PERIOD	
					2006 %	2005 %	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$	2006 ThUS\$	2005 ThUS\$
79947100-0	SQM Industrial S.A.	Chile	-	43,733,165	99.99	99.99	219,414	26,149	188,358	12,058	36,905	(8,054)
96651060-9	SQM Potasio S.A.	Chile	-	153,015,608	99.99	99.99	185,563	176,674	185,230	174,347	68,882	43,761
78602530-3	Minera Nueva Victoria S.A.	Chile	-	7,021,169	99.99	-	112,105	-	106,297	-	10,110	-
96592190-7	SQM Nitratos S.A.	Chile	-	45,827,672	99.99	99.99	40,640	204,604	26,065	174,198	8,081	56,932
O-E	SQM North America Corp.	U.S.A.	US\$	430	40.00	40.00	27,233	30,162	10,893	11,611	(1,712)	951
79626800-k	SQM Salar S.A.	Chile	-	69,084,000	18.18	18.18	221,307	212,222	5,507	11,097	77,095	44,415
O-E	RS Agro Chemical Trading A.V.V.	Aruba	US\$	59	98.33	98.33	5,237	5,239	5,150	5,151	(2)	(4)
96592180-k	Ajay SQM Chile S.A.	Chile	-	486,310,041	51.00	51.00	7,585	6,531	2,049	1,911	1,861	1,687
O-E	SQM Investment Corporation N.V.	Dutch Antilles	US\$	5	1.00	1.00	15,818	12,165	158	122	3,654	5,191
O-E	SQM Dubai - FZCO	UAE	DIRHAM	1	1.00	1.00	7,526	7,620	75	76	(90)	508
O-E	SQMC de México S.A. de C.V.	México	US\$	-	1.00	1.00	5,196	4,319	51	43	957	854
81767200-0	Asociación Garantizadora de Pensiones	Chile	-	-	3.31	3.31	874	908	29	30	-	-
O-E	SQM Japan K.K.	Japan	US\$	2	1.00	1.00	555	475	6	5	81	16
O-E	SQMC Holding Corporation L.L.P.	U.S.A.	US\$	3	0.10	0.10	5,959	6,265	6	6	(287)	1,267
79876080-7	Almacenes y Depósitos Ltda.	Chile	-	-	1.00	1.00	409	458	4	5	(40)	(6)
79906120-1	Isapre Cruz del Norte Ltda.	Chile	-	-	1.00	1.00	260	234	3	2	30	24
O-E	SQM Peru S.A.	Peru	US\$	340	0.98	0.98	(198)	509	-	5	(707)	2
O-E	SQM Corporation N.V.	Dutch Antilles	US\$	1	0.0001	0.0001	14,110	72,265	-	-	(8,046)	8,286
O-E	SQI Corporation N.V.	U.S.A.	US\$	1	0.02	0.02	(48)	(43)	-	-	(5)	(127)
79770780-5	SIT S.A.	Chile	-	1	0.0003	0.0003	10,351	10,562	-	-	(211)	1,045
76425380-9	Exploraciones Mineras S.A.	Chile	-	1	0.00	0.00	920	-	-	-	820	-
O-E	SQM Brasil Ltda.	Brasil	-	-	0.00	0.00	(676)	-	-	-	(210)	-
Total									529,881	390,667		

NOTE 8. GOODWILL AND NEGATIVE GOODWILL

Goodwill, negative goodwill and the related amortization is summarized as follows:

a) Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2006		DECEMBER 31, 2005	
		Amount amortized during the period	Goodwill balance	Amount amortized during the period	Goodwill balance
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
79626800-K	SQM Salar S.A.	-	-	40	-
79947100-0	SQM Industrial S.A.	1,154	20,029	1,071	21,183
0-E	SQM Dubai - FZCO	-	-	21	-
Total		1,154	20,029	1,132	21,183

b) Negative Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2006		DECEMBER 31, 2005	
		Amount amortized during the period	Goodwill balance	Amount amortized during the period	Goodwill balance
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
78602530-3	Minera Nueva Victoria S.A.	--	1,908-	--	--
Total		-	1,908	-	-

NOTE 9. BANK DEBT
a) Short-term bank debt:

BANK OR FINANCIAL INSTITUTION	2006	2005
	ThUS\$	ThUS\$
Corpbanca	5,072	-
BBVA Banco	20,015	35,009
Banco Santander Santiago	-	20,005
Total	25,087	55,014
Annual average interest rate	5,32%	4,61%

b) Long-term bank debt:

	2006	2005
	ThUS\$	ThUS\$
Union Bank of Switzerland (1)	-	204,577
Total	-	204,577
Less: Current portion	-	(204,577)
Long-term portion	-	-

(1) U.S. dollar-denominated loan without guarantee, interest rate of 7.7% per annum, paid semi-annually. The principal is due on September 15, 2006.

The maturity of long-term debt is as follows:

YEARS TO MATURITY	2006	2005
	ThUS\$	ThUS\$
Current portion	-	204,577
1 to 2 years	-	-
2 to 3 years	-	-
Total	-	204,577

NOTE 10 - SHORT AND LONG-TERM OBLIGATIONS WITH THE PUBLIC (PROMISSORY NOTES AND BONDS PAYABLE)**Additional Information**

On January 25, 2006, the Company made a placement of Series C bonds for an amount of UF 3,000,000 at an annual rate of 4.00%. This placement achieved collection equivalent to 100% of par value.

On April 5, 2006, the Company made a placement of single-series bonds for an amount of ThUS\$200,000 at an annual rate of 6.125%, under the regulations contained in "Rule 144 and regulation S of the U.S. Securities Act of 1933".

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2006, the short-term portion includes a balance of ThUS\$5,540 related to interest accrued at that date. The long-term portion includes an amount of ThUS\$300,724 related to principal installments for the Series C bonds and the single - series bonds.

No. of Registration of the Instrument	Series	Nominal Amount	Adjustment Unit	Interest Rate	Final Period	Payment of Interest	Payment of Amortization	12/31/06 ThUS\$	12/31/05 ThUS\$	Placement in Chile or abroad
Current portion of long-term bonds payable										
446	C	75,000	UF	4.00%	06/01/2007	Semi-annual	Semi-annual	2,920	-	In Chile
184	Single	-	US\$	6.125%	10/15/2006	Semi-annual	Semi-annual	2,620	-	Abroad
Total Current Portion						5,540	-			
Long-term bonds payable										
446	C	2,925,000	UF	4.00%	12/01/2026	Semi-annual	Semi-annual	100,724	-	In Chile
184	Single	200,000,000	US\$	6.125%	04/15/2016	Semi-annual	Semi-annual	200,000	-	Abroad
Total Long-term						300,724	-			

NOTE 11. ACCRUED LIABILITIES

As of December 31, 2006 and 2005, short-term accrued liabilities are detailed as follows:

	2006 ThUS\$	2005 ThUS\$
Taxes and monthly tax provisional payments	1,071	793
Vacation accrual	1,257	1,411
Provision for employee compensation and legal costs	327	1,476
Other accruals	527	284
Total accrued liabilities	3,182	3,964

As of December 31, 2006 and 2005 long-term accrued liabilities are detailed as follows:

	2006 ThUS\$	2005 ThUS\$
Staff severance indemnities (i)	2,739	2,189
Provision of investment in SQM Brasil Ltda.	36	46
Total accrued liabilities	2,775	2,235

(i) Staff severance indemnities are summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Opening balance	2,189	1,657
Increases (decreases) in obligation	759	812
Payments	(117)	(499)
Exchange difference	(92)	162
Change in rate	-	25
Other changes	-	32
Balance as of December 31	2,739	2,189

NOTE 12. CURRENT AND DEFERRED INCOME TAXES

a) As of December 31, 2006 and 2005, the Company has the following balances for retained tax earnings and credit for shareholders:

	2006	2005
	ThUS\$	ThUS\$
Accumulated tax basis retained earnings with tax credit	196,435	55,716
Credit for shareholders	40,230	35,544

b) The deferred taxes as of December 31, 2006 and 2005 represented a net asset of ThUS\$ 980 and ThUS\$ 5,561 respectively, and consisted of:

2006	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
TEMPORARY DIFFERENCES				
Vacation accrual	214	-	-	-
Production expenses	-	-	966	-
Accelerated depreciation	-	-	-	5,211
Staff severance indemnities	-	-	-	598
Other	27	60	195	21
Unrealized gain of sale of products	11,539	-	-	-
Gains and losses from derivative transactions	-	-	182	-
Exploration expenses	-	-	-	3,169
Long-term financing costs	-	-	-	1,055
Capitalized interest	-	-	-	1,276
Total gross deferred taxes	11,780	60	1,343	11,330
Total complementary accounts	-	-	-	(1,813)
Total deferred taxes	11,780	60	1,343	9,517

2005 TEMPORARY DIFFERENCES	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Vacation accrual	240	-	-	-
Production expenses	-	-	243	-
Accelerated depreciation	-	-	-	3,983
Staff severance indemnities	-	-	-	576
Other	-	3	57	18
Unrealized gain of sale of products	12,309	-	-	-
Exploration expenses	-	-	-	3,417
Long-term financing costs	-	-	-	148
Capitalized interest	-	-	-	734
Total gross deferred taxes	12,549	3	300	8,876
Total complementary	-	-	-	(2,185)
Total deferred taxes	12,549	3	300	6,691

b) Income tax credit (expense) is summarized as follows:

	2006	2005
	ThUS\$	ThUS\$
Provision for current income tax	(3,996)	(9,496)
Effect of assets and liabilities of deferred taxes, net	(4,209)	6,116
Adjustment for tax expense (previous year)	(10)	(180)
Effect of amortization of complementary accounts	(372)	(615)
Other tax charges and credits	-	94
Total income tax credit (expense)	(8,587)	(4,081)

NOTE 13. SHAREHOLDERS' EQUITY

a) Changes to shareholders' equity are detailed as follows:

	Number of shares	Paid-in capital	Other reserves	Accumulated deficit from subsidiary in development stage	Retained earnings	Net income	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance January 1, 2005	263,196,524	477,386	150,887	(8,370)	254,493	74,232	948,628
Transfer December 31, 2004 net income to retained earnings	-	-	-	-	74,232	(74,232)	-
Declared dividends 2005	-	-	-	-	(48,118)	-	(48,118)
Other comprehensive income (1)	-	-	6,400	-	-	-	6,400
Net income	-	-	-	-	-	113,506	113,506
Balance as of December 31, 2005	263,196,524	477,386	157,287	(8,370)	280,607	113,506	1,020,416
Transfer December 31, 2005 net income to retained earnings	-	-	-	-	113,506	(113,506)	-
Declared dividends 2006	-	-	-	-	(73,647)	-	(73,647)
Other comprehensive income (1)	-	-	(2,097)	-	-	-	(2,097)
Net income	-	-	-	-	-	141,277	141,277
Balance as of December 31, 2006	263,196,524	477,386	155,190	(8,370)	320,466	141,277	1,085,949

(1) Other comprehensive income includes translation adjustments and the effect of the recognition of an additional liability for the Company's under-funded pension as of December 31, 2006 and 2005.

b) Other comprehensive income as of December 31, 2006 is as follows:

		For the year ended December 31, 2006	As of December 31, 2006
		ThUS\$	ThUS\$
Technical appraisal	-	-	151,345
Changes to other comprehensive income from equity method investments:			
Soquimich Comercial S.A.	(1)	(871)	5,398
Isapre Norte Grande Ltda.	(1)	-	(83)
Inversiones Augusta S.A.	(1)	-	(761)
SQM Ecuador S.A.	(3)	-	(270)
Almacenes y Depósitos Ltda.	(1)	-	22
Asociación Garantizadora de Pensiones	(1)	(1)	(12)
Sales de Magnesio Ltda.	(1)	(7)	52
SQM North America Corp.	(2)	(1,218)	(1,218)
Other Companies	(1)	-	717
Total other comprehensive income		(2,097)	155,190

(1) Corresponds to translation adjustments and price-level restatement.

(2) Corresponds to a change in the valuation of the Company's under-funded pension.

(3) Corresponds with the translation adjustment produced by the application of a new law implemented by the Ecuadorian Government.

c) Capital consists of 263,196,524 fully authorized, subscribed and paid shares with no par value, divided into 142,819,552 Series A shares and 120,376,972 Series B shares. Capital paid for Series A and B shares was ThUS\$ 134,750 and ThUS\$ 342,636, respectively.

NOTE 14. DERIVATIVES INSTRUMENTS

Derivative instruments are recorded at their fair value at year-end. Changes in fair value are recognized in income with the liability recorded in other current liabilities. Losses from options relate to fees paid by the Company to enter into such contracts. As of December 31, 2006 the Company's derivative instruments are as follows:

Type of derivative	Notional or covered amount ThUS\$	Expiration	Description of the contract type	Position purchase/sale	(Liability)Asset amount ThUS\$	Income (loss) recorded ThUS\$	Income (not) recorded ThUS\$
US dollar Forward	10,000	1st trimester of 2007	Exchange rate	P	100	-	100
Swap	102,630	1st trimester of 2007	Interest rate	P	5,398	564	4,834
	127,984			5,279	564	4,715	

NOTE 15. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	2006 ThUS\$	2005 ThUS\$
Total assets		
Chilean pesos	9,768	6,580
US dollars	1,685,149	1,410,798
UF	8,781	1,384
Euros	21,532	35,848
Brazilian Real	1,140	1,041
Current liabilities		
Chilean pesos	9,875	13,484
US dollars	308,546	405,774
UF	3,116	731
Euros	2	183
Other currencies	5,076	5,076
Long-term liabilities		
US dollars	209,457	6,688
UF	101,574	3,299
Chilean pesos	2,775	-

NOTE 16. EXPENSES INCURRED IN THE ISSUANCE SHARES AND DEBT TITLES

Expenses incurred in the issuance and placement of bonds are presented under Other long-term assets, the portion to be amortized within one year is presented within Other current assets, which are amortized using the straight-line method, in accordance with the period for issuance of documents. This amortization is presented as interest expense.

As of December 31, 2006, issuance expenses net of amortization amount to ThUS\$6,629. Issuance expenses include disbursements related to reports issued by risk classifiers, legal and financial advisories, taxes, printing and placement fees. Amortization for the three-month period ended December 31, 2006 amounted to ThUS\$424.

NOTE 17. CASH FLOW STATEMENT

Amounts included in other investing income that are greater than 10% of investing income are detailed as follows:

	2006	2005
	ThUS\$	ThUS\$
Sale of mining concessions	499	509
Repayment of employee loans	-	41
Total	499	550

NOTE 18. SURETIES OBTAINED FROM THIRD PARTIES

Joint and several guarantee of up to ThUS\$ 1,000 made by Tattersall Comercial S.A. to secure to Soquimich Comercial S.A. compliance with obligations contained in the commercial mandate agreement for the distribution and sale of fertilizers.

NOTE 19. COMMITMENTS AND CONTINGENCIES
I. Contingencies:

(a) Material lawsuits or other legal actions of which the Company is party to:

- 1. Plaintiff** : Compañía Salitre y Yodo Soledad S.A.
Defendants : Sociedad Química y Minera de Chile S.A.
Date of lawsuit : December 1994
Court : Civil Court of Pozo Almonte
Cause : Partial annulment of mining property, Cesard 1 to 29
Instance : Evidence provided
Nominal amount : ThUS\$ 211
- 2. Plaintiff** : Compañía Productora de Yodo y Sales S.A.
Defendants : SQM Químicos S.A.
Date of lawsuit : November 1999
Court : Civil Court of Pozo Almonte
Cause : Partial annulment of mining property, Paz II 1 to 25
Instance : Evidence provided
Nominal amount : ThUS\$ 162
- 3. Plaintiff** : Compañía Productora de Yodo y Sales S.A.
Defendants : SQM Químicos S.A.
Date of lawsuit : November 1999
Court : Civil Court of Pozo Almonte
Cause : Partial annulment of mining property, Paz III 1 to 25
Instance : Evidence provided
Nominal amount : ThUS\$ 204
- 4. Plaintiff** : Compañía Salitre y Yodo Soledad S.A.
Defendants : Sociedad Química y Minera de Chile S.A.
Date of lawsuit : November 1999
Court : Civil Court of Pozo Almonte
Cause : Partial annulment of mining property, Paz IV 1 to 30
Instance : Evidence provided
Nominal amount : ThUS\$ 193
- 5. Plaintiff** : Miguel Negrete Ubeda
Defendants : Marco Antonio Ortiz Castillo y SQM Nitratos S.A. and its insurers
Date of lawsuit : May 2004
Court : First Civil Court of Antofagasta
Cause : Work accident
Instance : First instance sentence. Fine of ThCh\$ 15,000
The appeal is pending.
Nominal amount : ThUS\$ 150

- 6. Plaintiff** : Gabriela Véliz Huanchicay
Defendants : Gilberto Mercado Barrera and subsidiary and jointly and severally SQM Nitratos S.A. and its insurers
Date of lawsuit : August 2005
Court : 4th Civil Court of Santiago
Cause : Work accident
Instance : Observations to the evidence
Nominal amount : ThUS\$ 1,350
- 7. Plaintiff** : Electroandina S.A.
Defendants : Sociedad Química y Minera de Chile S.A.
Date of lawsuit : September 2005
Court : Court of arbitration
Cause : Early termination or partial modification or temporary suspension of the Electrical Supply Agreement entered on February 12, 1999 by virtue of supposedly unforeseen events that would result in an increase in the cost of or restricted the supply of natural gas from Argentina
Instance : Evidentiary stage
Nominal amount : The amount has not been determined yet
- 8. Plaintiff** : Juana Muraña Quispe
Defendants : Intro Ingeniería Limitada and subsidiary and jointly and severally SQM S.A. and its insurers
Date of lawsuit : October 2005
Court : 25th Civil Court of Santiago
Cause : Work accident
Instance : Evidentiary stage
Nominal amount : ThUS\$1,500
- 9. Plaintiff** : Norgener S.A.
Defendant : Sociedad Química y Minera de Chile S.A.
Date of lawsuit : April 2006
Court : Arbitration Court
Cause : Modification of the price of energy sold and of the indexation system indicated in the Electrical Energy Supply Agreement entered on January 13, 1998, by Virtue of that indicated, in the plaintiff's opinion, in this agreement.
Instance : Rejoinder
Nominal amount : Amount not determined.

- 10. Plaintiff** : Marina Arnéz Valencia
Defendant : SQM S.A. and its insurance companies
Date of lawsuit : April 2006
Court : 2nd Civil Court of Santiago
Cause : Work accident
Instance : Conciliation audience
Nominal amount : ThUS\$ 500
- 11. Plaintiff** : Empresa de Servicios de Montaje Ltda.
Plaintiff : SQM S.A.
Date of lawsuit : May 2006
Court : 4th Civil Court of Antofagasta
Cause : Divergences related to the agreement for the improvement of compressors and of assembly of capacitors in Pedro de Valdivia crystallization plant and compensation For damage.
Instance : Response
Nominal amount : ThUS\$ 270
- 12. Plaintiff** : ESAOL Limitada
Defendants : Sociedad Química y Minera de Chile S.A.
Date of lawsuit : September 2006
Court : Arbitration Court of Antofagasta
Cause : Fees allegedly owed for urban cleaning services at Maria Elena.
Instance : Order for appearance, filing of commitment
Nominal amount : ThUS\$170
- 13. Plaintiff** : Sociedad de Servicios Tacora Limitada
Defendants : SQM Nitratos S.A.
Date of lawsuit : December 2006
Court : 25th Civil Court of Antofagasta
Cause : Collection of securities which SQM Nitratos S.A., by virtue of a mandate conferred in its favor, used to pay the plaintiff's employees who have not received their salary pay and contributions for transportation and machinery services rendered indirectly to SQM Nitratos S.A.
Instance : Response.
Nominal amount : ThUS\$266

(b) Models for the Production of the María Elena Site

The Company is currently implementing different projects related to the María Elena Site Decontamination Plan (Note 22).

Projects that are being implemented in the María Elena site, a priori, do not generate any significant changes in the current mining reserves or forecasted production volumes.

The final execution of these projects is subject to the approval of environmental impact studies presented last December to the respective authorities.

(c) Other

The Company and its subsidiaries are involved in litigation in the ordinary course of business. Based on the advice of counsel, management believes the litigation will not have a material effect on the consolidated financial statements.

II. Commitments:

a) The subsidiary SQM Salar S.A. maintains an agreement with a government agency, whereby the Company must make annual payments until 2030 based on the Company's annual sales. This amount, which has been paid since the beginning of the agreement in 1996, was ThUS\$ 9,193 in 2006 (ThUS\$ 6,752 in 2005).

b) Banks loans assumed by SQM S.A. and its subsidiaries contain similar restrictions to loans of the same nature which have been effective at pertinent dates and which, among others, relate to maximum indebtedness and minimum shareholders' equity. In respect to this, main covenants in force are: i) shareholders' equity of SQM S.A. should not be lower than US\$ 948.522, ii) the net financial debt to EBITDA ratio should not be greater than 3:1, and iii) the ratio between financial debt of operating subsidiaries and the consolidated current assets should not be greater than 0.3:1.

Except for this, SQM S.A. is not exposed to any restrictions to its management activities or financial indicator limits related to agreements or covenants with creditors.

c) Bank debt of SQM S.A. and its subsidiaries has no restrictions or terms other than those that might usually be found in identical debt in the financial markets, such as maximum indebtedness and minimum equity among others.

NOTE 20. THIRD PARTY GUARANTEES

As of December 31, 2006 and 2005 the Company has the following indirect guarantees outstanding:

BENEFICIARY	NAME	DEBTOR		BALANCES OUTSTANDING	
			RELATIONSHIP	2006 ThUS\$	2005 ThUS\$
BBVA Banco Bilbao Vizcaya Argentaria	Royal Seed Trading Corp. A.V.V.		Subsidiary	100,412	100,303
ING Capital LLC	Royal Seed Trading Corp. A.V.V.		Subsidiary	80,416	-

NOTE 21. SANCTIONS

During 2006 and 2005, the SVS did not apply sanctions to the Company, its directors or managers.

NOTE 22. ENVIRONMENTAL PROJECTS

Disbursements incurred by the Company as of December 31, 2006 relating to its investments in production processes and compliance with regulations related to industrial processes and facilities are as follows:

PROJECTS	2006 FUTURE DISBURSEMENTS	
	ThUS\$	ThUS\$
Environmental department	748	134
Dust emission control	823	8
Sanitary installation ME prilling plant	11	19
Light normalization	919	92
Exchange bank authorization	279	21
Environmental studies – Region I of Chile project	605	-
Environmental evaluation of KNO ₃ plant	21	4
Maria Elena archeology	870	130
Plant for treatment of waste water, PV NV PB washing surface	4	236
Equipment washing system	184	-
Normalization of lighting in FFCC yard, in PV Mill	123	42
Implementation of sewage line to ME treatment plant	25	25
Infrastructure, equipment, new environmental offices at ME	14	-
Hospital monitoring station project	12	9
Improvements in M. Elena – Streets camp	296	154
Atacama salt deposit hydrology studies	176	-
Tourist support, salt deposit	80	-
Environmental impact study for the salt deposit	992	2,286
Regularization of P2 drinking water	46	-
Environmental commitments I Region of Chile	152	159
MOP/SOP 2 Environment	142	95
Study of dust control, SOP-SC plant	1	29
Hardazous waste dump	15	349
Cleaning of rescue yards	-	1,188
Equipment elimination using PCB	304	204
Total	6,842	5,184

Protecting the environment, both in regards to the Company's productive processes and the manufactured goods, is a constant concern for SQM.

SQM is currently implementing an Environmental Management System, which is based on the ISO 14000 standard, with which the Company will improve its environmental performance. The implementation program stipulates that all the operations maintained by the Company in Regions I and II of Chile, will have a fully implemented Environmental Management System by late 2006.

Processes where sodium nitrate is used as a raw material are carried out in geographical areas such as the desert with favorable weather conditions for drying solid materials and evaporating liquids used in solar energy. The extraction of minerals in open pit mines, given their low waste-to-mineral ratio, gives rise to waste deposits that have little impact on the environment. The extraction process and ore crushing produce particles that are consistent with the industry of operation.

On August 10, 1993, the Ministry of Health published a resolution under the Sanitary Code that established that the levels of breathable particles present at María Elena Plant exceeded the level allowed for air quality and, consequently, affected the nearby city of María Elena. Particles mainly come from dust that results from processing the sodium nitrate, particularly at the crushing process prior to leaching. The Company has implemented a series of measures that have shown notable improvement in air quality at María Elena. A new decontamination plan for this area, released on March 13, 2004, is intended to meet air quality standards by April 1, 2006. On December 30, 2004, the Company submitted a proposal entitled "Technological Change at María Elena", which intends to reduce particle emission, to the government's Environmental Impact Evaluation System. The project will commence its activities during 2007.

Ore treatment operations, as they are controlled processes, produce solid residual materials that are the non-soluble by product and a certain degree of moisture.

SQM entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Atacama Salt Mine lagoons. Such research includes a population count of the birds and wildlife, breeding research, additional behavior research and the climate phenomena of the area.

Consistent with the Company's ongoing commitment with the environmental authorities, the Company actively participates in the Joint Monitoring Research project for the Atacama Salt Mine watershed along with other mining companies that make use of the water resources that supply the Atacama Salt Mine. To perform this study, SQM has involved diverse scientists from prestigious research institutions such as Dictuc of Pontificia Universidad Católica, the University of Nevada, Cornell University and the University of Binghamton in New York.

Together with this, SQM in its ongoing commitment with regional environmental management had active participation in the Joint Study of Monitoring of the Atacama Saltpeter Deposit Basin where other mining companies who use water resources in that basin were also involved.

NOTE 23. SIGNIFICANT EVENTS

1. On January 17, 2006, the Company informed the Superintendency of Securities and Insurance that Mr. Bernard Descazeaux Aribit resigned to his position of General Manager of Soquimich Comercial S.A. and assumed responsibility for the operations of SQM S.A. in Mexico and Central America. The Board of Directors accepted his resignation.

Likewise, at the Ordinary Board of Directors' Meeting held on January 16, 2006, the directors accepted the appointment of Mr. Juan Carlos Barrera Pacheco as replacement and new General Manager of Soquimich Comercial S.A. These changes will be effective beginning on March 1, 2006.

2. On January 19, 2006, the Company informed the SVS that Sociedad Química y Minera de Chile S.A. and certain of its subsidiaries have acquired, on this same date from the DSM Company Group from the Netherlands, all the shares of certain companies that participate in the markets for the production and commercialization of iodine and iodine by-products in Chile and abroad. Accordingly, SQM has acquired the mining and water rights, industrial plants, regulating permits and remaining assets pertaining to these companies, which will allow it have in the future proper installed capacity to produce 2,200 additional tons of iodine per year in Chile.

The purchase and sale price was ThUS\$ 72,000 and this was paid in cash. This, with no prejudice of certain minor adjustments that should be made in respect to this price in the short-term and with no prejudice of the purchase of accounts receivable and finished products and of the charge to the values of these accounts and products of certain liabilities that were a part of the accounting of such three new subsidiaries of SQM S.A., namely, DSM Minera S.A., DSM Minera B.V. and Exploraciones Mineras S.A.

3. On January 24, 2006, Sociedad Química y Minera de Chile S.A. has placed in the domestic market one bond with no guarantee for the nominal amount of UF 3 million. This placement is paid within a term of 21 years with an annual interest rate of 4.18% to refinance liabilities and to fund investment projects for the year 2006.

4. On March 29, 2006, the Company informed the SVS that the Board of Directors of Sociedad Química y Minera de Chile (SQM), at their meeting held on April 28, 2006, unanimously agreed to propose the payment of a final dividend of US\$0.27981 per share in favor of those shareholders of SQM that are registered in the related Shareholders' Registry during the fifth business day prior to the date in which the bond will be paid.

This proposal, upon approval by the shareholders at the next General Ordinary Shareholders' Meeting that will be held on April 28, 2006, will allow that the Company be able to effectively pay and distribute, in conformity that provided in the related dividend policy, an annual dividend equivalent to 65% of net income distributable obtained during 2005.

5. On March 29, 2006, the Company informed the SVS that Sociedad Química y Minera de Chile S.A. is negotiating the possible placement abroad of a new bond issuance for an approximate amount of US\$ 200 million that will be paid in a single installment at the expiration of the ten-year period and which will be used to pay liabilities for the same sum which expire in September 2006.

6.- On April, 5, 2006, the Company communicated to the Chilean Superintendency of Securities and Insurance (SVS) that Sociedad Química y Minera de Chile S.A. has placed abroad and under the regulations contained in "Rule 144 A and regulation S of the U.S. Securities Act of 1933", a new bond issuance for a sum of US\$ 200 million at an annual interest rate of 6.125%. Interest will be paid semi-annually and principal will be paid in a single installment in April 2016.

7.- On September 15, 2006, the Company informed to the Chilean Suprintendency of Securities and Insurance (SVS) that Soquimich European Holdings B.V. (SEH), a subsidiary of Sociedad Química y Minera de Chile S.A. and Yara Italia S.P.A., a subsidiary of Yara International ASA, which, in its turn, is a part of the Controlling Group of SQM have entered in Italy a Right Transfer Agreement through which SEH has sold to Yara all the rights which SEH had in the Italian company Impronta S.R.L., which are equivalent to 50% of the total sum of social rights of the latter.

8.- On October 30, 2006, the Company informed to the SVS that SQM Comercial de México S.A. de C.V. (SQMM) and SQM Industrial S.A. (SQMI), both subsidiaries of Sociedad Química y Minera de Chile S.A. and Yara Nederland B.V. and (YN) Yara Holdings Netherlands B.V. (YH), subsidiaries of Yara International ASA which, in its turn, is a part of the Controlling Group of SQM, on October 27, 2006 entered in Mexico a Share Purchase and Sale Agreement through which SQMM and SQMI sold to YN and to YH all the shares which SQMM and SQMI had in Fertilizantes Olmea y SQM S.A. de C.V.

9.- On November 28, 2006, the Company informed to the SVS that Royal Seed Trading Corp. A.V.V., a subsidiary of Sociedad Química y Minera de Chile S.A. and with a guarantee for the latter and by the banks ING Bank N.V., Curacao Branch, Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas and Santander Overseas Bank Inc., entered on November 22, 2006 a loan agreement abroad for a sum of ThUS\$ 80,000, which was agreed for a period of 5 years with initial annual interest rate of "Libor + 0.3%" on principal owed, which may vary depending on the possible future modifications experienced in the classification of the guarantor's external debt, with no actual guarantees and with semi-annual payments of interest.

NOTE 24. SUBSEQUENT EVENTS

Management is not aware of any significant subsequent events that have occurred after December 31, 2006 and that may affect the Company's financial position or the interpretation of these financial statements, (February 26, 2007).



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ONDENSED FINANCIAL STATEMENTS


CONDENSED BALANCE SHEETS

	SQM INDUSTRIAL S.A.		SQM POTASIO S.A.		MINERA NUEVA VICTORIA S.A.	
	2006 THUS\$	2005 THUS\$	2006 THUS\$	2005 THUS\$	2006 THUS\$	2005 THUS\$
Assets						
Cash	73,158	1	83,485	67,279	31	23,824
Debtors	159,043	9	17,612	19,950	20	157
Related Companies	169,908	0	600,004	534,699	54,646	24,963
Inventory	328,896	19,438	78,413	78,571	5,519	5,907
Others	25,691	9,047	7,627	5,179	379	528
Total current assets	756,696	28,495	787,141	705,678	60,595	55,379
Property	4,740	587	7,588	6,695	14,873	16,406
Construction and Infrastructure	353,075	16,191	268,925	252,414	13,090	16,980
Machinery and Equipment	272,504	1,645	204,147	192,904	182	2,263
Other Fixed Assets	80,179	547	9,403	6,632	369	769
Depreciation (less)	(360,111)	(9,967)	(180,022)	(153,145)	(13,306)	(14,013)
Total fixed assets	350,387	9,003	310,041	305,500	15,208	22,405
Other assets	48,044	672	73,132	55,796	10,626	4,331
Total assets	1,155,127	38,170	1,170,314	1,066,974	86,429	82,115
Liabilities						
Related Companies	714,863	25,008	193,696	212,417	2,255	0
Others	93,086	966	56,007	54,780	2,282	9,246
Total current liabilities	807,949	25,974	249,703	267,197	4,537	9,246
Related Companies	64,223	0	488,843	462,249	0	0
Provisions	13,184	845	843	709	0	0
Others	5,119	0	204,657	121,414	3,360	0
Total long Term liabilities	82,526	845	694,343	584,372	3,360	0
Minority interest	46,345	0	40,493	38,731	0	0
Shareholders equity	218,307	11,351	185,775	176,674	78,532	72,869
Total liabilities and Shareholders equity	1,155,127	38,170	1,170,314	1,066,974	86,429	82,115


CONDENSED STATEMENTS OF INCOME

	SQM INDUSTRIAL S.A.		SQM POTASIO S.A.		MINERA NUEVA VICTORIA S.A.	
	2006 THUS\$	2005 THUS\$	2006 THUS\$	2005 THUS\$	2006 THUS\$	2005 THUS\$
Revenues	997,474	21,533	447,392	308,325	26,104	40,327
Cost of Sales	(863,524)	(27,233)	(330,274)	(220,774)	(18,218)	(26,959)
Operating margin	133,950	(5,700)	117,118	87,551	7,886	13,368
Selling and Administrative Expenses	(45,558)	(26)	(7,815)	(5,345)	(19)	(3,021)
Operating income	88,392	(5,726)	109,303	82,206	7,867	10,347
Non-Operating Income	13,558	944	34,805	16,017	3,006	786
Non-Operating Expenses	(57,760)	(18,891)	(41,157)	(33,507)	(3,319)	(307)
Net income before taxes	44,190	(23,673)	102,951	64,716	7,554	10,826
Income Taxes	(4,902)	0	(19,730)	(12,850)	(1,891)	(1,879)
Minority Interest	(2,851)	0	(14,127)	(8,105)	0	0
Amortization of Negative Goodwill	68	0	0	0	0	0
Net income	36,505	(23,673)	69,094	43,761	5,663	8,947

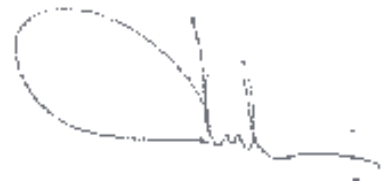
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

- 1.** The Financial Statements of the Companies are prepared according to generally accepted accounting principles and rules imparted by the Superintendencia de Valores y Seguros.
- 2.** The financial Statements are prepared in U.S. dollars, being each of the local currencies converted to the closing exchange rate for each of them (532.29 and 512.50 respectively).
- 3.** The fixed assets are priced at cost, depreciation is calculated linearly with a residual value of 5% in average based on the remaining useful life of assets.
- 4.** The inventories of end products and in process, are valorized at average production cost and at acquisition cost for products acquired from third parties, which don't exceed the respective net realization values. As for supplies in storage, they are valorized at average monthly cost, and in -transit materials at paid cost at the end of each period.
- 5.** Investment in Related Companies have been valorized according to the proportional equity value method, eliminating non-realized results between subsidiaries, giving credit to the participation on the results over the accumulated basis.

The people signing bellow declare themselves responsible of the information contained in the present Financial Statement and explanatory notes therefore assuming the corresponding legal responsibility.



Macarena Briseño Correa
Controller



Patricio Contesse González
Chief Executive Officer

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ADDITIONAL INFORMATION

FINANCIAL INFORMATION
a) Financial Ratios

Liquidity	31/12/2006	31/12/2005
	%	%
Current Ratio	4.28	1.73
Acid Test Ratio	2.24	0.88

Indebtedness	31/12/2006	31/12/2005
Indebtedness Ratio	68.70	57.63
Short Term Debt/Total Debt	26.49	73.24
Long Term Debt/Total Debt	73.51	26.76
Interest Coverage Ratio	7.25	9.46

Activity	31/12/2006	31/12/2005
Total Assets (THUS\$)	1,871,202	1,644,175
Inventory Rotation	2.17	2.20
Inventory Permanency	166	164

b) Operating Results

2006

	Chile	Latam. Caribbean	Europe	U.S.A.	Asia and others	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sales	164,820	128,541	323,249	308,215	118,061	1,042,886
Cost of Sales	149,230	98,529	204,770	223,554	77,253	753,336

2005

	Chile	Latam. Caribbean	Europe	U.S.A.	Asia and others	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sales	156,086	128,187	268,314	270,006	83,395	905,988
Cost of Sales	138,829	98,852	173,672	193,537	56,686	661,576

c) Others

	31/12/2006	31/12/2005
	ThUS\$	ThUS\$
Operating Income	219,888	181,168
Financial Expenses	(27,593)	(16,708)
Non-Operating Income	(36,048)	(34,249)
E.B.I.T.D.A.E.I.	293,521	230,747
Net Income After Taxes	141,277	113,506

d) Returns

	31/12/2006	31/12/2005
	%	%
ROE	13.41	11.53
ROA	8.04	7.56
Return on Operational Assets (1)	13.25	12.76
EPS (Earnings per Share US\$)	0.54	0.43
Dividend Return on Series A (2)	2.04	1.90
Dividend Return on Series B (2)	2.03	1.89

(1) Operating Assets Calculation

	31/12/2006	31/12/2005
	ThUS\$	ThUS\$
Total Assets	1,871,202	1,644,175
Minus:		
Short-term accounts receivable. net	(4,857)	(9,985)
Long-term accounts receivable. net	(388)	(445)
Recoverable taxes	(32,830)	(31,575)
Short Term Deferred Income taxes	-	(2,528)
Other Non-Operational Current Assets	(2,021)	(1,758)
Investment in Related Companies	(18,329)	(20,461)
Goodwill	(36,331)	(27,209)
Negative Goodwill	1,928	68
Other Long Term Non-Operational Assets	(7,059)	(2491)
Total operating assets	1,771,477	1,547,791

(2) The paid dividend return (per share) during the period is calculated by dividing the dividend per share by the closing price per share for the year. Series A and B shares dividends are the same; there is no economical difference between both series.

STATEMENTS OF CASH FLOWS

STATEMENTS OF CASH FLOWS

During the period 2006 the Company generated a net positive cash flow from operating activities of Th US\$ 221,200 (positive flow of Th US\$ 151,984 in 2005), a net positive cash flow provided from financing activities of Th US\$ 71,613 (positive flow of Th US\$ 127,268 in 2005) and a net negative flow originated from investing activities of Th US\$ 259,546 (negative flow of Th US\$ 199,546 in 2005) that is described by the following:

Cash flow provided from operating activities

	31/12/2006	31/12/2005
	ThUS\$	ThUS\$
Net income (loss) for the period	141,277	113,506
Loss on sales of assets	(1,541)	216
Depreciation	90,354	16,482
Other credits (less)	(5,144)	(13,366)
Other charges	104,614	165,107
Changes in assets that affect the cash flow	(39,215)	(85,428)
Changes in liabilities that affect the cash flow	(73,860)	(45,590)
Gain (loss) of minority interest	4,715	1,057
Positive net cash provided operating activities	221,200	151,984

Cash flow provided from financing activities

	31/12/2006	31/12/2005
	ThUS\$	ThUS\$
Proceeds form Bank Financing	259,257	185,000
Other account payable	299,833	-
Repayment of bank financing	(406,282)	(6,000)
Payment of Dividends (less)	(74,566)	(51,732)
Payment of expenses	(6,629)	-
Net positive (negative) cash flow provided from financing activities	71,613	127,268

Cash Flow Provided From Investing Activities

	31/12/2006	31/12/2005
	ThUS\$	ThUS\$
Sales of property, plant and equipment	10,289	2,546
Sales of permanent investing	5,790	-
Other Income	24,811	1,345
Additions to property, plant and equipment	(175,788)	(185,603)
Payment of capitalized interests	(10,948)	(5,140)
Capitalized Interest	(113,196)	(12,026)
Purchase of permanent investments	-	(2)
Purchase of investments	(504)	(666)
Net positive (negative) cash flow provided from investing activities	(259,546)	(199,546)


MANAGEMENT AND DIRECTORS COMPENSATION
MANAGEMENT AND DIRECTORS COMPENSATION**a) Summary of Directors Compensation January/December 2006**

DIRECTOR	SQM S.A.		SQMC		Total Ch\$
	Board Meetings	Committee Meetings	Board Meetings	Board Meetings	
Julio Ponce Lerou	425,547,389	–	65,431,746	–	490,979,135
Hernan Büchi Buc	64,552,485	3,678,762	–	–	68,231,247
Kendrick Taylor Wallace	64,552,485	–	–	–	64,552,485
Wayne Brownlee	64,552,485	–	–	–	64,552,485
José María Eyzaguirre Baeza	63,628,710	–	–	–	63,628,710
José Antonio Silva Bafalluy	63,654,098	9,090,088	–	–	72,744,186
Daniel Yarur Elsaca	64,552,485	9,988,475	–	–	74,540,960
Wolf Von Appen Behrmann	62,712,649	–	–	–	62,712,649
	873,752,786	22,757,325	65,431,746		961,941,857

b) The board of Directors expenses grouped in relevant items were the following

CONCEPT	US\$
Travel	67,343
Rental, services and consulting	4,009
General expenses	1,049
Total	72,401

c) Management Compensation

For the years 2005 and 2006 the remuneration received by the management in aggregate was the following

Year	EXECUTIVES	TOTAL CH\$
2005	82	5,405,184,047
2006	93	7,137,804,558

During 2006, the Company made severance payments to members of the management team that left the Company in the amount of Ch\$ 595,758,285

d) Human Resources

As of December 31, 2006, SQM and its subsidiaries had 3,745 employees, distributed as follows:

PROFESSIONAL CONDITION	HOLDING	OTHER SUBSIDIARIES	TOTAL
Executives	19	60	79
Professionals	74	600	674
Technical and Operative	275	2,387	2,662
Foreign		330	330
	368	3,377	3,745

DIRECTORS COMMITTEE, ACTIVITIES AND CONSULTING EXPENSES

DIRECTORS COMMITTEE, ACTIVITIES AND CONSULTING EXPENSES

As of December 31, 2006, the Company's Directors Committee was formed by the SQM Directors: Mr. Hernán Büchi B., Mr. José Antonio Silva B. and Mr. Daniel Yarur E. This Committee acts in accordance with section 50 bis of law N°18.046 and some of the activities carried out during the year 2006 relate to:

- a) Analysis of un-audited financial reports.
- b) Analysis of audited financial reports.
- c) Analysis of reports submitted by external auditors, accounts inspectors and rating agencies, and formulation of proposals to the Board of Directors recommending external auditors, accounts inspectors and rating agencies that could be designated by the respective Annual General Shareholders Meeting.
- d) Analysis of functions, objectives and working programs of the Internal Audit Department.
- e) Analysis of the Company's Senior Executives remuneration and compensation plans.
- f) Analysis of contracts with related people, subsidiaries and related companies in Chile and abroad.
- g) Analysis of matters related to the "Sarbanes-Oxley Act" of the U.S.A., specially regarding Section 404.
- h) Analysis of future investments.
- i) Approval of the minutes of previous meetings

The Directors Committee examined the following records in connection with operations related to section 44 of law N° 18.046.:

- In the session of April 24, 2006, the Directors Committee analyzed the selling of all of SQM's rights over the Italian company Impronta SRL to the Yara Group (an important indirect shareholder of SQM), and recommended the implementation of the agreement.
- In the session of September 26, 2006, the Committee analyzed the selling of all of SQM's rights over the Mexican company Fertilizantes Olmeca y SQM S.A. de C.V. to the Yara Group (an important indirect shareholder of SQM S.A.), and recommended the implementation of the agreement.
- In the session of December 18, 2006, the Committee analyzed certain Sea Freight Contracts between the "group SQM" and the "group Ultramar" (linked to Mr. Wolf von Appen, Director at SQM), and recommended the implementation of the agreements.

In the session on April 24, 2006, the Committee examined the operations referring to the section 89 of law N°18.046.

On April 28, 2006, the Annual General Shareholders Meeting of SQM agreed to pay a monthly remuneration of 50UF to each member of the Directors Committee, regardless of the number of sessions held by the Committee during the period between May 2006 and April 2007, both months included. This remuneration is also independent from what the Committee members obtain as members of the Company's Board of Directors. In this same meeting, an operational budget for the Directors Committee of 1.800UF was approved.

During 2006, the Directors Committee did not incur in any consulting expenses.

Sociedad de Inversiones Pampa Calichera S.A. and Kowa Company Ltd., subscribed on December 21, 2006, a Joint Action Agreement, that allows them to have the quality of Controller of SQM S.A.

The Joint Performance Agreement in connection with Sociedad de Inversiones Pampa Calichera S.A., includes directly and indirectly Global Mining Investments Chile S.A. and Inversiones SQYA. S.A.

Additionally, the Joint Performance Agreement in connection with Kowa Company Ltd. includes directly and indirectly the companies: Kochi S.A., Inversiones la Esperanza (Chile) Ltda. and Inversiones la Esperanza Delaware Corp.

Considering the above and the effective shareholder structure as of December 31, 2006, the Company has a controller; and the three members of the Directors Committee stand as independents.



DIVIDEND

a) Dividend Policy

In accordance with the matters informed to the General Shareholders Meeting on April 28 2006, the Board of Directors agreed to propose to the General Shareholders Meeting to pay as the dividend and in favor of its shareholders, an amount equivalent to 65% of the distributable income for the period corresponding to the commercial year 2006.

b) Distributable Income

The distributable income of the Company reported for the period ended December 31, 2006 is obtained as described:

	ThUS\$
Net income (loss)	141,277
Amortization of negative goodwill	68
Distributable income	141,209

c) 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. During the last three years, the Company has reported the following dividends:

YEAR	US\$/Share
2004	0,08811
2005	0,18282
2006	0,27981

SHARE TRANSACTIONS

a) Related Transactions

Purchase and sales of company stock by members of SQM's Board of Directors, Management and main Shareholders during 2006 (price in Chilean pesos)

NAME	BUY	SELL	SERIES	PRICE CH\$	DATE	AMOUNT TRADED CH\$
Contesse Fica Bernardita	991		B	5,700	25-04-2006	5,648,700
Contesse Fica Patricio	747		B	5,700	25-04-2006	4,257,900
Contesse Fica Felipe	650		B	5,700	25-04-2006	3,705,000
Contesse Fica Francisco	572		B	5,700	25-04-2006	3,260,400
Contesse Fica Cristóbal	482		B	5,700	25-04-2006	2,747,400
Ramos Rodríguez Ricardo		36,385	B	5,640	06-07-2006	205,211,400
Sociedad de Inversiones Pampa Calichera S.A.	6,207,539		B	5,650	12-07-2006	35,072,595,350
Sociedad de Inversiones Cerro Largo	31,205		B	6,100	25-09-2006	190,625,000
Sociedad de Inversiones Cerro Largo		31,205	B	6,120	29-09-2006	190,974,600
De Solminihac Tampier Patricio		10,000	B	6,330	31-10-2006	63,300,000
Inversiones Sagitario Ltda.		17,963	B	6,320	21-10-2006	113,526,160
Sociedad de Inversiones Cerro Largo S.A.		903,795	B	6,909	27-11-2006	6,244,319,655
Contesse Fica Bernardita		14,421	B	6,950	28-11-2006	100,225,950
Contesse Fica Patricio		747	B	7,005	30-11-2006	5,232,735
Contesse Fica Felipe		10,081	B	6,942	30-11-2006	69,982,302
Contesse Fica Francisco		8,369	B	6,942	30-11-2006	58,097,598
Contesse Fica Cristóbal		6,374	B	6,942	30-11-2006	44,248,308
Contesse Fica Patricio		11,503	B	7,020	14-12-2006	80,751,060
Sociedad de Inversiones Cerro Largo S.A.		65,000	B	6,946	18-12-2006	451,490,000
Sociedad de Inversiones Pampa Calichera S.A.	2,793,851		B	6,947	21-12-2006	19,408,882,897
Sociedad de Inversiones Pampa Calichera S.A.	937,156		B	7,100	21-12-2006	6,653,376,508
Sociedad de Inversiones Pampa Calichera S.A.	1,250,364		B	7,300	21-12-2006	9,127,657,200
Sociedad de Inversiones Pampa Calichera S.A.	724,000		B	7,350	21-12-2006	5,321,400,000
Sociedad de Inversiones Pampa Calichera S.A.	699,930		B	7,199	22-12-2006	5,038,796,070
Sociedad de Inversiones Pampa Calichera S.A.	687,511		B	7,329	22-12-2006	5,038,768,119
Sociedad de Inversiones Pampa Calichera S.A.	624,012		B	7,199	22-12-2006	4,492,262,388
Sociedad de Inversiones Pampa Calichera S.A.	41,632		B	7,335	22-12-2006	305,370,720

B) SQM's share price and sales volumes.

		SANTIAGO STOCK EXCHANGE					
		Average Price (Ch\$)		Number of shares traded		Amount Traded (M Ch\$)	
		SQM A	SQM B	SQM A	SQM B	SQM A	SQM B
2004	I Q	\$ 2.483,2	\$ 2.428,9	577,222	12,200,649	\$ 1,462	\$ 29,894
	II Q	\$ 2.477,8	\$ 2.325,9	168,041	18,890,878	\$ 410	\$ 44,980
	III Q	\$ 2.764,7	\$ 2.678,3	346,401	16,744,396	\$ 659	\$ 45,281
	IV Q	\$ 3.386,1	\$ 3.265,9	9,163,634	15,931,613	\$ 36,006	\$ 52,196
2005	I Q	\$ 4.198,7	\$ 3.901,5	9,140,331	18,104,381	\$ 36,927	\$ 72,202
	II Q	\$ 5.430,9	\$ 5.119,0	237,857	33,665,190	\$ 1,293	\$ 172,559
	III Q	\$ 6.581,5	\$ 6.539,6	146,592	23,098,715	\$ 972	\$ 152,417
	IV Q	\$ 6.318,7	\$ 6.163,3	34,368	25,098,797	\$ 209	\$ 154,845
2006	I Q	\$ 5.906,0	\$ 6.125,7	44,772	20,575,069	\$ 265	\$ 126,094
	II Q	\$ 5.642,3	\$ 5.617,6	231,335	28,878,481	\$ 4,453	\$ 165,058
	III Q	\$ 5.624,0	\$ 5.768,9	84,360	16,523,180	\$ 6,082	\$ 95,754
	IV Q	\$ 6.566,6	\$ 6.790,5	124,766	54,266,386	\$ 10,219	\$ 376,166

		NYSE					
		Average Price (US\$)		Number of shares traded		Amount Traded (ThUS\$)	
		ADR A	ADR B	ADR A	ADR B	ADR A	ADR B
2004	I Q	\$ 42.7	\$ 41.2	21,500	845,600	\$ 917	\$ 34,848
	II Q	\$ 39.8	\$ 36.9	12,000	933,300	\$ 468	\$ 35,057
	III Q	\$ 44.2	\$ 42.8	28,100	898,100	\$ 1,289	\$ 38,766
	IV Q	\$ 55.3	\$ 55.4	54,500	961,100	\$ 3,187	\$ 53,602
2005	I Q	\$ 73.8	\$ 67.4	72,200	1,601,800	\$ 5,298	\$ 111,829
	II Q	\$ 93.6	\$ 88.0	37,800	2,941,100	\$ 3,466	\$ 256,705
	III Q	\$ 118.1	\$ 119.2	17,700	2,920,400	\$ 2,105	\$ 351,040
	IV Q	\$ 114.3	\$ 117.3	7,700	3,387,200	\$ 893	\$ 401,726
2006	I Q	\$ 109.5	\$ 116.3	3,900	1,929,300	\$ 431	\$ 224,287
	II Q	\$ 99.8	\$ 106.4	7,400	2,382,500	\$ 740	\$ 248,747
	III Q	\$ 102.3	\$ 107.0	1,400	1,746,900	\$ 143	\$ 187,575
	IV Q	\$ 123.4	\$ 128.4	14,700	3,100,900	\$ 1,797	\$ 400,491

OTHER GENERAL INFORMATION

Investment Policies

The Ordinary General Shareholders meeting, celebrated on April 28 2006, authorized SQM S.A. to invest on everything that relates to its business purpose, in the activities and purposes described in the respective by-laws and at the time, amount and within what is necessary to maintain or increment its operations and interests. Accordingly, SQM S.A. can particularly invest in projects that allow to maintain, improve or increase its production capacity, commercialization, startup and diversification of products or markets and in fixed assets or other assets such as stock or rights on partnerships that relate to its business purpose, and that allow it to increase the income, operations or returns of SQM S.A.

The maximum investment limit will be determined by the financing possibilities of the respective investment. The resources needed for that purpose may come from internal sources (Dividend Policies) and external (Financing Policies). Therefore, the maximum investment limit will be determined by the capacity of such investments according to the aforementioned policies. The Company is not subject to any special control in the Investment areas. The latter, independent of the Management's responsibility of aiming for a higher return on those Areas.

Financing Policies

The Ordinary General Shareholders meeting of April 28 2006 established the maximum consolidated debt of SQM S.A. will be determined by the Debt/(Shareholders Equity) ratio of 1.0. This limit can only be exceeded as long as the Management has the previous authorization granted by the respective Extraordinary General Shareholders Meeting.

Infrastructure

The Company, directly or through its subsidiaries, actually owns or has exclusive concession of the assets essential or necessary for the management, extraction, production, processing, mineral transportation and other products that it produces.

Customers and Suppliers

No single customer accounted for more than 2% of SQM S.A. consolidated sales. In the same manner, SQM S.A. has not entered into contracts with suppliers that, individually considered, account for more than 5.4% of its consolidated purchases.

Insurance

The insured assets are the totality of the productive plants, machinery, vehicles, offices, supplies, processed products, end products, in transit securities and strike problems. It is an all-risk coverage.

Contracts

SQM's productive facilities in the north of Chile were connected to the northern power grid, SING -Sistema Interconectado del Norte Grande- with the purpose of reducing power generation related costs. As a result, there are long term supply contracts with two electric power companies: Electroandina S.A. and Norgener S.A. Additionally, we replaced the fuel oil used in heat generation and in fusion processes by connecting our facilities to international natural gas pipelines, for which there is also a long term supply contract. We believe that the terms and conditions of these contracts are standard for the industry.

The following table describes the main agreements:

AGREEMENT DESCRIPTION	DUE DATE	COMPANY
50 and 60 HZ Electrical Energy Supply	February 12, 2009	Electroandina S.A.
Electricity Supply	July 31, 2017	Norgener S.A.
50 HZ Electrical Energy Supply	January 31, 2013	Norgener S.A.
Natural Gas Supply	May 21, 2011	Distrinor S.A.
50HZ Nueva Victoria Energy Supply	December 31, 2013	Electroandina S.A.

SQM maintains contracts with clients in its different business areas. These agreements can be of varied nature depending on the industry conditions, clients, the amounts involved and the prevailing conditions in the markets at the time of the agreement signature. With the exception of the joint venture agreement with Yara International ASA, through which the Company reached sales for US\$47.9 million during 2006 -equivalent approximately to 5% of consolidated revenues- no single customer accounted for more than 2% of the consolidated revenues, and the ten biggest customers accounted in the aggregate for less than 13.4% of these revenues during 2006.

In addition, during the normal course of business, SQM has entered into different contracts –some of which have been described herein– basically related to its productive and commercial operations. All of these contracts are standard for this type of industry and none of them is expected to have a material effect on the Company's results of operations.

Brands and Patents

The company owns the brands it utilizes for its products, it has also registered its own and exclusive productive processes used in the productive areas. The Company does not hold any contracts for the utilization of brands, processes or others.

Financial Assets

The financial assets of the Company are mainly constituted by readjustable time deposits in first category banks.

Risk Factors

Considering the different business in which SQM participates, the Company is subject to certain risks, being its policy to diminish these risks with the objective of keeping the operative flexibility that its business requires. The main risks are:

- A significant part of our sales to emerging markets expose us to risks related to economic conditions and trends 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 taxes or restrictions on the payment of dividends or repatriation of capital or the imposition of new environmental regulations or price controls, 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 operation
- SQM has an ambitious capital expenditure program that is subject to risks and uncertainties related with amounts, term and effectiveness of the investment.
- Currency fluctuations may have a negative effect on our financial results. Although the U.S. dollar is the primary currency in which SQM transacts its businesses, a significant part of its operational costs are related to the Chilean peso. Fluctuations in the exchange rate of such local currency may affect SQM's financial condition and results of operations.
- Sustained high raw material and energy prices increase our production costs and cost of goods sold. SQM relies on certain raw materials and various sources of energy (diesel, electricity, natural gas and others) to manufacture its products. If the increase is prolonged and SQM is unable to pass on increases in raw material and energy prices to its customers, its financial results could be adversely affected.

OTHER GENERAL INFORMATION

f) Reserves estimates could significantly vary. The mining reserves estimates are prepared by our geologists. Estimation methods involve numerous uncertainties as to the quantity and quality of the reserves, and these could change, up or down.

g) Quality standards in markets where SQM sell its products could become stricter over time. Governments and customers in several of the markets where we do business may impose quality standards for products that we sell.

h) SQM's businesses are subject to many operational and other risks for which we may not be fully covered in our insurance policies. Our facilities located in Chile and abroad are insured by insurance policies that are standard for the industry. Nonetheless, we may be subject to certain catastrophic events, including fires, major equipment failures, natural disasters, accidents, terrorist acts, war, and others, that may not be covered under insurance policies.

i) The continuity of our natural gas supply is dependent on Argentinean authorities policy. As part of a cost reduction effort, we interconnected our facilities to a natural gas network. The natural gas comes from Argentina and is subject to a 10-year agreement. Due to energy shortages in Argentina, local authorities decided to restrict exports of natural gas to Chile in order to increase the supply to their domestic markets.

j) Declines in the supply of natural gas and increasing global oil prices could negatively affect our electricity contracts. As natural gas supply continues to be uncertain and world oil prices continue to increase, we are faced with potential revisions to our long-term electricity supply agreements.

k) Water supply could be affected by regulatory changes and/or natural problems. Even though we have not experienced significant difficulties obtaining the necessary water to conduct our operations, there can be no assurance that we will not face problems in the water supply due to new environmental regulations or natural depletion of water resources.

l) Changes in mining and water rights laws or in regulations affecting port concessions could affect our operating costs. We conduct our mining operations under exploitation and exploration concessions granted pursuant to judicial proceedings in accordance with provisions of the Chilean Constitution and the Constitutional Mining Law and related statutes. 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. 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, which we believe is sufficient to meet current and anticipated operational requirements. We operate port facilities at Tocopilla, Chile, for the shipment of our products and the delivery of certain raw materials.

m) 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 a variety of national and local regulations relating to environmental protection. Under the Chilean Environmental Law, we are required to conduct environmental impact studies of any future projects or activities (or their significant modifications) that may affect the environment. CONAMA and COREMA evaluate environmental impact studies submitted for their approval and also oversee the implementation of projects.

n) SQM, due to the nature of its business, is or will be in the future part of legal proceedings

Legal Constitution

The Company was constituted in public legal writing dated June 17 1968 before the Santiago Notary Mr. Sergio Rodríguez Garcés. The extract of the said writing was inscribed in *fojas* 4533 N° 1991 with date June 29 1968 on the official Commerce Register of Santiago. Its existence was approved through Supreme Decree N°1164 of the State Department of Chile of June 22 1968, which was equally inscribed on June 29 of the same year on the official Commerce Register of Santiago in *fojas* 4537 N° 1992 and was noted at the margin of the social inscription.

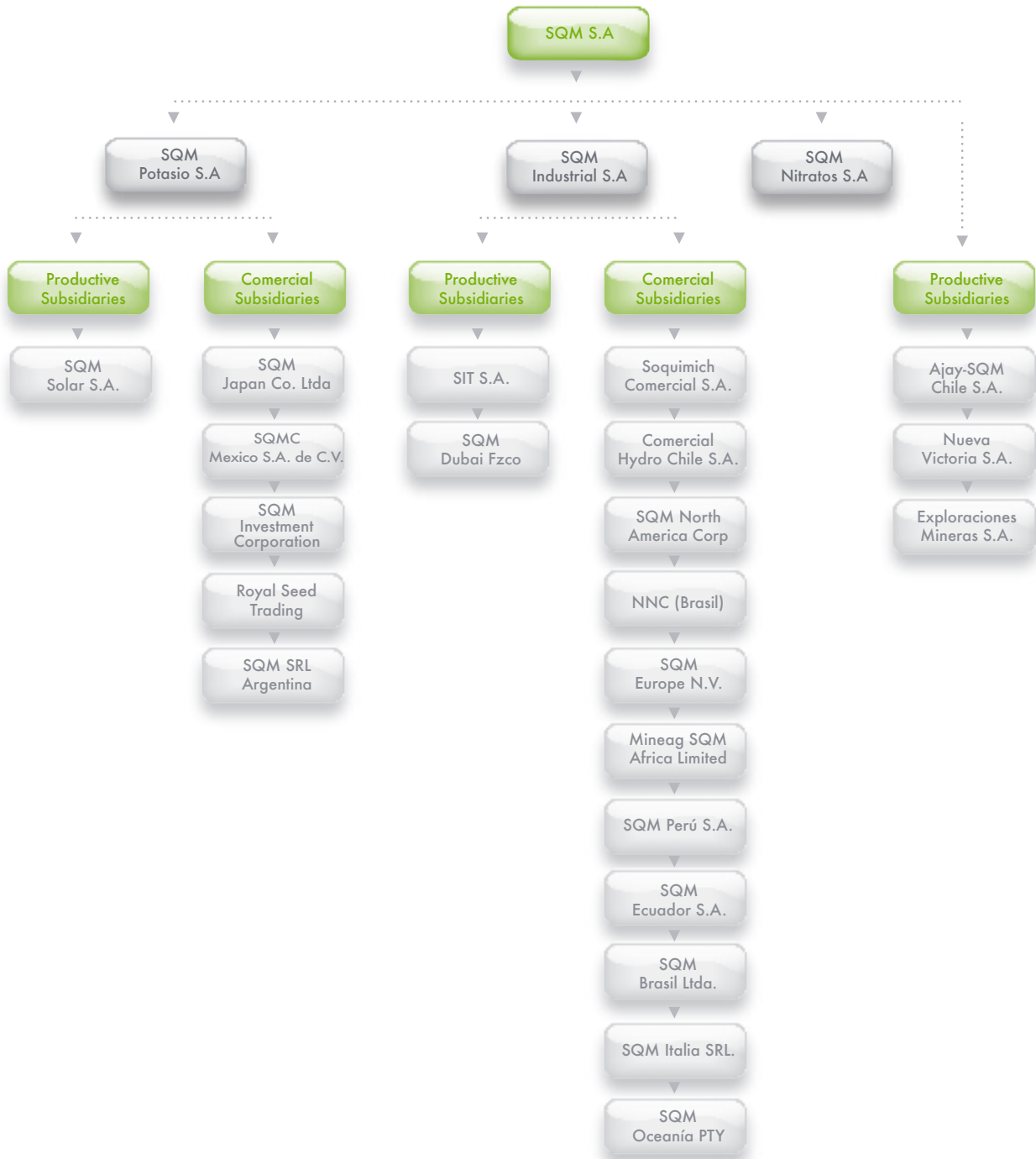
The extract of the legal constitution writing, approved by the Superintendencia de Compañías de Seguros, Sociedades Anónimas y Bolsas de Comercio and the Supreme decree that authorized the existence of the Company were published in the Official Paper N° 27080 of June 29 1968.

Participation of Major Shareholders

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. During the month of December 2006, Inversiones el Boldo Limitada carried out a Public Tender for SQM shares, that concluded during January of year 2007 and that allowed PCS, together with other transactions made in the stock market, to increase its indirect stake in SQM to 31.62% of the total shares.

SQM has also been informed -i- that Mr. Julio Ponce L. and related persons control 100% of the total shares of Inversiones SQ S.A. -ii- that Inversiones SQ S.A. with Yara International ASA control, respectively, 51% and 49% of the total shares of Inversiones SQYA S.A. and -iii- that Inversiones SQYA S.A. currently, and indirectly, controls 30.27% of the total shares of SQM. The above, considering -a- that Inversiones SQYA S.A. controls 90% of the total shares of Norte Grande S.A., that Norte Grande S.A. controls 78.35% of the total shares of Sociedad de Inversiones Oro Blanco S.A., that Sociedad de Inversiones Oro Blanco S.A. controls 68.57% of the total shares of Sociedad de Inversiones Pampa Calichera S.A. and that Sociedad de Inversiones Pampa Calichera S.A. ultimately controls 27.935% of the total shares of SQM, and -b- that Inversiones SQYA S.A. directly controls 2.335% of the total shares of SQM.

Sociedad de Inversiones Pampa Calichera S.A. and Kowa Company Ltd. -the latter, owner, directly and indirectly, of a 2.03% of the total shares of SQM- subscribed during december 21, 2006 a Joint Performance Agreement that allows them to control 29.97% of the total shares of SQM. As a result of this Agreement -and adding to such shares those that are directly owned by Inversiones SQYA S.A.- the "group" led by Mr. Julio Ponce L. indirectly controls 32.31% of the total shares of SQM and becomes, therefore, Controller of SQM.



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LOCAL AND FOREIGN SUBSIDIARIES

LOCAL SUBSIDIARIES AND AFFILIATES

LOCAL SUBSIDIARIES AND AFFILIATES

SQM NITRATOS S.A.:

Capital	US\$ 30,349,981
Ownership	99.99999782% SQM S.A. 0.00000218% SQM Potasio S.A.
Corporate Purpose	Production and sales of fertilizers
Board of Directors	Jaime San Martín L. Patricio Contesse G.* Patricio de Solminihac T. Camila Merino C. Ricardo Ramos R. Patricio Contesse G.*
CEO	Patricio Contesse G.*
Relationship to Headquarters	Of property. Maintains with it a market bank account and rents industrial facilities
Address	El Trovador 4285
Phone	(2) 425 2000
Fax	(2) 425 2268

SERVICIOS INTEGRALES DE TRANSITO Y TRANSFERENCIAS:

Capital	US \$ 9,873,573
Ownership	99.99966% SQM Industrial S.A. 0.00034% SQM S.A.
Corporate Purpose	Transportation and storage of products.
Board of Directors	Eugenio Ponce L. Ricardo Ramos R. Patricio de Solminihac T. Jaime San Martín L.. Camila Merino C. Patricio Contesse G.*
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	Arturo Prat N° 1060, Tocopilla.
Phone	(55) 414452
Fax	(55) 414488

AJAY-SQM CHILE S.A.:

Capital	US \$5,313,794
Ownership	51% SQM S.A. 49% Other non related
Corporate Purpose	Lodine Processing.
Board of Directors	Eugenio Ponce L. Daniel Jiménez S. Alan Shipp Charles Pittard Patricio Covarrubias G.
CEO	Patricio Covarrubias G.
Relationship to Headquarters	Basically of property.
Address	Avda Pdte. Eduardo Frei N° 4900, Santiago.
Phone	(2) 443 7110
Fax	(2) 443 7114

SOQUIMICH COMERCIAL S.A.:

Capital	US\$ 53,431,450
Ownership	SQM Industrial S.A. 60.64% SQM S.A. 0.0000004% Other non related 39.36%
Corporate Purpose	Commercialization and distribution of fertilizers
Board of Directors	Julio Ponce L* Eugenio Ponce L. Andrés Rojas S. Patricio de Solminihac Patricio Contesse* Enrique Olivares Ricardo Ramos R. Juan Carlos Barrera
CEO	Juan Carlos Barrera
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2525
Fax	(2) 425 2268

SQM SALAR S.A.:

Capital	US\$ 38,000,000
Ownership	81.82% SQM Potasio S.A. 18.18% SQM S.A.
Corporate Purpose	Exploitation and commercialization of potassium, boron, lithium and other products.
Board of Directors	Patricio De Solminihac T. Eugenio Ponce L.. Camila Merino C. Ricardo Ramos R. Jaime San Martín L. Patricio Contesse G.*
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2000
Fax	(2) 425 2268

SQM POTASIO S.A.:

Capital	US \$ 39,020,000
Ownership	99.9974% SQM S.A. 0.0026% Other non related
Corporate Purpose	Extraction of Minerals for the manufacture of chemical agents and fertilizers
Board of Directors	Patricio de Solminihac T. Camila Merino C. Eugenio Ponce L. Ricardo Ramos R. Jaime San Martín L. Patricio Contesse G.*
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2000
Fax	(2) 425 2268

(*) CEO or Director of SQM S.A.

INSTITUCIÓN DE SALUD PREVISIONAL NORTE GRANDE LTDA.:

Capital	US \$347,948
Ownership	99% SQM Industrial S.A. 1% SQM S.A.
Corporate Purpose	Manage health matters for SQM S.A. and its subsidiaries.
CEO	Militza Saguas G.
Relationship to Headquarters	Basically of property.
Address	Anibal Pinto N° 3228, Antofagasta.
Phone	(55) 412621
Fax	(55) 412632

ALMACENES Y DEPÓSITOS LTDA.:

Capital	US \$ 1,458,933
Ownership	99% SQM Potasio S.A. 1% SQM S.A.
Corporate Purpose	General depot
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2000
Fax	(2) 425 2268

PROINSA LTDA.:

Capital	US \$ 66,090
Ownership	99.9% SQMC S.A. 0.1% Other non related
Corporate Purpose	Commercialization and production of fertilizers
CEO	Juan Carlos Barrera
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2525
Fax	(2) 425 2268

SQMC INTERNACIONAL LTDA.:

Capital	US \$ 911,615
Ownership	99.7423% SQMC S.A. 0.2577% Proinsa Ltda.
Corporate Purpose	Commercialization, import and export of fertilizers
CEO	Juan Carlos Barrera
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2525
Fax	(2) 425 2268

COMERCIAL HYDRO S.A.:

Capital	US \$ 3,629,793
Ownership	99.9999% SQMC S.A. 0.0001% SQMC Internacional Ltda.
Corporate Purpose	Commercialization and importation of fertilizers
CEO	Bernard Descazeaux A.
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2525
Fax	(2) 425 2268

SQM INDUSTRIAL S.A.:

Capital	US \$ 415,066,287
Ownership	99.9954% SQM S.A. 0.0046% SQM Potasio S.A.
Corporate Purpose	Operation of extraction plants, benefit and transference of mining substances and raw materials.
CEO	Patricio Contesse G.*
Board of Directors	Jaime San Martín Patricio de Solminihac Ricardo Ramos
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2525
Fax	(2) 425 2268

SALES DE MAGNESIO LTDA.:

Capital	US \$ 188,259
Ownership	50% SQM Salar S.A. 50% Others non related.
Corporate Purpose	Commercialization of magnesium salts
CEO	José Tomás Ovalle
Relationship to Headquarters	Basically of property.
Address	Sector La Negra Lotes 1 y 2 Antofagasta
Address (Sales)	El Trovador 4285
Phone	(2) 425 2428
Fax	(2) 425 2434

MINERA NUEVA VICTORIA S.A.

Capital	US\$ 93,679,169
Ownership	99 % SQM S.A. 1 % SQM Potasio S.A.
Corporate Purpose	Production and commercialization of no metallic mineral
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	Ex oficina Salitrera Iris s/n, Pozo al Monte, Iquique
Phone	(2) 425 2000
Fax	(2) 425 2268

EXPLORACIONES MINERAS S.A.

Capital	US\$ 100,000
Ownership	99,99 % Minera Nueva Victoria S.A. 0,01 % SQM S.A.
Corporate Purpose	Operation of other mines and quarries
CEO	Patricio Contesse G.*
Relationship to Headquarters	Basically of property.
Address	Los Militares 4290 Las Condes, Santiago
Phone	(2) 4252000

SOCIEDAD SERVICIOS DE SALUD

Capital	US\$ 93,900
Ownership	99 % SQM Industrial S.A. 1 % SQM Potasio S.A.
Relationship to Headquarters	Basically of property.
Address	El Trovador 4285
Phone	(2) 425 2000
Fax	(2) 425 2268

(*) CEO or Director of SQM S.A.

FOREIGN SUBSIDIARIES AND AFFILIATES

FOREIGN SUBSIDIARIES AND AFFILIATES

SQM COMERCIAL DE MÉXICO S.A. DE C.V.:

Capital	US\$ 27,805
Ownership	99% SQM Potasio S.A. 1% SQM S.A.
Corporate Purpose	Import, export and commercialization of fertilizers
CEO	Bernard Descazeaux Aribit.
Relationship to Headquarters	Basically of property
Address	Calle Industria Eléctrica s/n, Lote 30, Manzana A, Parque Industrial Bugambilias CP 45645, Tlajomulco de Zúñiga, Jalisco, México (52-33) 35401100
Phone	(52-33) 35401100
Fax	(52-33) 35401101
Postal Code	45645

SOQUIMICH SRL ARGENTINA:

Capital	US\$ 1,656,500
Ownership	99.96% SQM INVESTMENT CORP. 0.04% SQM Industrial S.A.
Corporate Purpose	Import, export and commercialization of fertilizers, saltpepper, iodine, iodized salts, sodium sulfate, potassium nitrate and all class of supplies for agriculture and industry
CEO	Carlos Balter
Relationship to Headquarters	Basically of property
Address	Espejo 65, Oficina 6, 5500 Mendoza, Argentina 54 261 434 0301
Phone	54 261 434 0301
Fax	54 261 434 0301

SQM PERÚ S.A.:

Capital	US\$ 17,427
Ownership	99.02% SQM Industrial S.A. 0.98% SQM S.A.
Corporate Purpose	Commercialization of agricultural and industrial supplies
Board of Directors	Jaime Contesse G. Claudio Morales G. José Labarca M.
CEO	Enrique Olivares Carlini
Relationship to Headquarters	Basically of property.
Address	Avda. Camino Real N° 348 off 701, San Isidro, Lima, Perú. (511) 6112121
Phone	(511) 6112121
Fax	(511) 6112122

SQM EUROPE N.V.:

Capital	EUR\$3,373,407
Ownership	100 % Soquimich European Holding (S.E.H)
Corporate Purpose	Commercialization of fertilizers and technical products in Europe, Africa, Middle and Far East
Board of Directors	Julio Ponce L.* Eugenio Ponce L. Patricio de Solminihac T. Camila Merino C. Daniel Jiménez S. Frank Biot
CEO	Frank Biot
Relationship to Headquarters	Basically of property
Address	Sint Pietersvliet 7 bus 8, 2000 Amberes, Belgium 32-3-2039700
Phone	32-3-2039700
Fax	32-3-2312782

SQM NORTH AMERICA CORPORATION:

Capital	US \$30,140,100
Ownership	51% SQM Industrial S.A. 40% SQM S.A. 9% S.E.H
Corporate Purpose	Commercialization of nitrates, boron, iodine and lithium in the U.S.A. and Canada.
Board of Directors	Patricio Contesse G.* Patricio de Solminihac T. Eugenio Ponce L. Ricardo Ramos R. Matías Astaburuaga S. Ignacio Ruiz
Manager	Ignacio Ruiz
Relationship to Headquarters	Basically of property.
Address	3101 Towercreek Pkwy., Suite 450, Atlanta, GA 30339 1-770-9169417
Phone	1-770-9169417
Fax	1-770-9169401

SQM BRASIL LTDA.:

Capital	US\$ 1,660,000
Ownership	96.99% SQM Industrial S.A. 3.01% SQM S.A.
Corporate Purpose	Commercialization of Chemical products and Fertilizers
Legal Representatives	Martim De Almeida Sampaio
Relationship to Headquarters	Basically of property.
Address	Al. Tocantins 75, 6 Andar, Edif. West Gate, Alphaville, Barueri, CEP 06455-020, Sao Paulo, Brazil (55-11) 4133.7200
Phone	(55-11) 4133.7200
Fax	(55-11) 4133.7203

(*) CEO or Director of SQM S.A.

NITRATOS NATURAIS DO CHILE LTDA.:

Capital	US\$ 202,567
Ownership	99.9999% SQM Industrial S.A. 0.0001% SQM Brasil Ltda.
Corporate Purpose	Commercialization of agricultural and industrial supplies.
Legal Representatives	Martim De Almeida Sampaio.
Relationship to Headquarters	Basically of property.
Address	Al. Tocantins 75, 6 Andar, Edif. West Gate, Alphaville,Barueri, CEP 06455-020, Sao Paulo, Brazil
Phone	(55-11) 4133.7200
Fax	(55-11) 4133.7203

SQM ECUADOR S.A.:

Capital	US\$ 416,900
Ownership	99.996% SQM Industrial S.A. 0.004% SQM S.A.
Corporate Purpose	Commercialization of agricultural and industrial supplies.
CEO	Enrique Olivares Carlini
Relationship to Headquarters	Basically of property.
Address	Ave. José Orrantía y Ave. Juan Tanca Marengo Edificio Executive Center Piso 3 Oficina 303 (frente al Mall del Sol) Guayaquil - Ecuador
Phone	(593-4) 2690639
Fax	(593-4) 269 0639

ROYAL SEED TRADING A.V.V.:

Capital	US\$ 6,000
Ownership	98.33% SQM Potasio S.A. 1.67% SQM S.A.
Corporate Purpose	Investment and commercialization of goods
CEO	CMS Corporate Magnament Services N.V.
Relationship to Headquarters	Basically of property.
Address	Caya Ernesto O.Petronia 17, Orangestad, Aruba.
Fax	297-8-26548

SQM CORPORATION N.V.:

Capital	US \$ 6,131,261
Ownership	99.97940% SQMN S.A. 0.02040% SQI Corporation N.V. 0.00020% SQM S.A.
Corporate Purpose	Investment in goods
CEO	N.V. Interpark
Relationship to Headquarters	Basically of property.
Address	Pietermaai 123, P.O.Box 897, Willemstad, Curacao,Dutch Antilles.
Phone	(59) (99) 4612544
Fax	(59) (99) 4612647

SQI CORPORATION N.V.:

Capital	US \$ 6,300
Ownership	99.9841% SQM Potasio S.A. 0.0159% SQM S.A.
Corporate Purpose	Investment in goods.
CEO	N.V. Interpark
Relationship to Headquarters	Basically of property.
Address	Pietermaai 123, P.O.Box 897, Willemstad, Curacao, Dutch Antilles.
Phone	(59) (99) 4612544
Fax	(59) (99) 4612647

R-S AGRO CHEMICAL TRADING A.V.V.:

Capital	US\$ 6,000
Ownership	98.3333% SQM S.A. 1.6667% SQM Potasio S.A
Corporate Purpose	Investment and commercialization of goods
CEO	CMS Corporate Magnament Services N.V.
Relationship to Headquarters	Basically of property.
Address	Caya Ernesto O.Petronia 17, Orangestad, Aruba.
Fax	297-8-26548

SQM INVESTMENT CORPORATION N.V.:

Capital	US\$ 50,000
Ownership	99.00% SQM Potasio S.A. 1.00% SQM S.A.
Corporate Purpose	Investment and commercialization in goods
CEO	N.V. Interpark
Relationship to Headquarters	Basically of property
Address	Pietermaai 123, P.O.Box 897, Willemstad, Curacao, Dutch Antilles
Phone	(59) (99) 4612544
Fax	(59) (99) 4612647

ADMINISTRADORA Y SERV. SANTIAGO:

Capital	US\$ 6,612
Ownership	99.998% SQMN S.A. 0.002% SQM North American C.
Corporate Purpose	To lend services
CEO	Bernard Descazeaux Aribit.
Relationship to Headquarters	Basically of property.
Address	Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Tlajomulco de Zúñiga, Jalisco, México
Phone	(52-33) 35401100
Fax	(52-33) 35401101

(*) CEO or Director of SQM S.A.

FOREIGN SUBSIDIARIES AND AFFILIATES

AGRICOLIMA S.A.:

Capital	US\$ 14,689
Ownership	100% SQM Comercial de México S.A.de C.V.
Corporate Purpose	Management of goods
CEO	Bernard Descazeaux Aribit.
Relationship to Headquarters	Basically of property.
Address	Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Tlajomulco de Zúñiga, Jalisco, México
Phone	(52-33) 35401100
Fax	(52-33) 35401101

NITRATE CORPORATION OF CHILE LIMITED:

Capital	US\$ 5,190,228
Ownership	100% SQMN S.A.
Corporate Purpose	Commercialization of nitrates and chilean iodine
Relationship to Headquarters	Basically of property.
Fax	(44) (58) 2763546

SQM AFRICA (PTY) LTD:

Capital	ZAR\$ 663,802
Ownership	100% Soquimich European Holding
Corporate Purpose	Commercialization of fertilizers in Sub-Sahara
Board of Directors	Frank Biot Peter Van Coillie Piet Stroobants
General Manager	Ettienne Strydom
Relationship to Headquarters	Basically of property.
Address	Waterford Office Park, Unit 3 Waterford Drive, Tramore House, 2191 Fourways, Johannesburg, South Africa
Phone	(27 11) 658 0008/18
Fax	(27 11) 658 1101

NORTH AMERICAN TRADING CO.:

Capital	US\$ 338,124
Ownership	100% SQM North America Corp.
Corporate Purpose	Investment and commercialization of goods
Manager	Ignacio Ruiz
Relationship to Headquarters	Basically of property.
Address	3101 Towercreek Pkwy., Suite 450, Atlanta, GA 30339
Phone	1 - (770) 916 9400
Fax	1 - (770) 916 9401

SOQUIMICH EUROPEAN HOLDINGS B.V.:

Capital	EUR\$ 9,700,625
Ownership	100% SQM Corp. N.V.
Corporate Purpose	Holding company
Directors	Frank Biot Patrick Vanbeneden Daniel Jimenez Collin Longhurst
Relationship to Headquarters	Basically of property.
Address	Localellikade 1 Parnassustoren 1076 AZ Amsterdam, The Netherlands
Phone	31 20 540 89 55
Fax	31 20 540 89 09

SQM ITALIA SRL:

Capital	EUR\$ 255,000
Ownership	100% Soquimich European Holdings
Corporate Purpose	Commercialization of industrial products in Italy
Directors	Frank Biot Patrick Vanbeneden Piet Stroobants
Relationship to Headquarters	Basically of property.
Address	Via A. Meucci, 550015 Grassano, Firenze Italy
Phone	00 39055 6462732
Fax	00 39055 644419

SQM JAPAN CO. LTDA.:

Capital	US\$ 87,413
Ownership	99% SQM Potasio S.A. 0.1% SQM S.A.
Corporate Purpose	Commercialization of Industrial products in Asia/Oceania and marketing assistance/commercialization of Speciality plant nutrients in Japan.
CEO	Mayo Shibazaki
Relationship to Headquarters	Basically of property.
Address	From 1st. Bldg. # 207, 5-3-10 Minami-Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone	81-3-5778-3311
Fax	81-3-5778-3312

SQM NITRATOS MÉXICO S.A.:

Capital	US\$ 5,636
Ownership	51% SQMN S.A. 49% Others non related
Corporate Purpose	To lend services
CEO	Bernard Descazeaux Aribit.
Relationship to Headquarters	Basically of property.
Address	Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambilias CP 45645, Tlajomulco de Zúñiga, Jalisco, México
Phone	(52-33) 35401100
Fax	(52-33) 35401101

(*) CEO or Director of SQM S.A.

SQM OCEANIA PTY:

Capital	US\$ 2
Ownership	100% Soquimich European Holding
Corporate Purpose	Import, export and distributes industrial products and fertilizers
CEO	Carlos Díaz.
Relationship to Headquarters	Basically of property.
Address	Level 15, 321 Kent ST. Sydney, NSW CP2000
Phone	61 412 558911
Fax	61 293 479221

SQM VENEZUELA S.A.:

Capital	US\$ 55,395
Ownership	50% SQM Industrial S.A. 50% SQM North America Corp.
Corporate Purpose	Commercialization of agriculture and industrial supplies
CEO	José Manuel Ortega
Relationship to Headquarters	Basically of property.
Address	Calle Guaicaipuro, torre Forum piso 6, UBR.El Rosal Apartado 1423 Caracas 1010-A-Venezuela
Phone	58-212-9513333
Fax	58-212-9512851

SQM VIRGINIA LLC:

Capital	US\$ 33,375,305
Ownership	100% SQM North America Corp.
Corporate Purpose	Investment and commercialization of goods
Manager	Alvaro Araya
Relationship to Headquarters	Basically of property.
Address	3101 Towercreek Pkwy., Suite 450, Atlanta, GA 30339
Phone	1 - (770) 916 9400
Fax	1 - (770) 916 9401

SQMC HOLDING:

Capital	US\$ 3,000,000
Ownership	99.9% SQM North America C., 0.1% SQM S.A.
Corporate Purpose	Investment and commercialization of goods
Board of Directors	Eugenio Ponce L. Daniel Jiménez S.
Manager	Ignacio Ruiz
Relationship to Headquarters	Basically of property.
Address	3101 Towercreek Pkwy., Suite 450, Atlanta, GA 30339
Phone	1 - (770) 916 9400
Fax	1 - (770) 916 9401

SQM LITHIUM SPECIALTIES LIMITED PARTNERSHIP, LLP:

Capital	US\$ 33,712,430
Ownership	99% SQM Virginia LLC, 1% North American Trading Corp.
Corporate Purpose	Investment and commercialization of goods
General Partner	Ignacio Ruiz
Relationship to Headquarters	Basically of property.
Address	3101 Towercreek Pkwy., Suite 450, Atlanta, GA 30339
Phone	1 - (770) 916 9400
Fax	1 - (770) 916 9401

FERTILIZANTES NATURALES S.A.:

Capital	US\$ 163,724
Ownership	66,65% NutriSI Holding 33,35% Soquimich European Holdings
Corporate Purpose	Commercialization of fertilizers and technical products in Spain
CEO	Jorge Lutken
Relationship to Headquarters	Basically of property.
Address	Provenza 251 Principal 1º, CP 08008 Barcelona, Spain
Phone	34 93 4877806
Fax	34 93 4872344

SQM DUBAI FZCO

Capital	AED\$10,000,000
Ownership	99 % SQM Industrial SA 1 % SQM SA
Corporate Purpose	Production of urea phosphate
Board of Directors	Alfredo Doberti Patrick Vanbeneden Piet Stroobants
Relationship to Headquarters	Basically of property.
Address	Jebel Ali Free Zone PO Box 18222, Dubai, United Arab Emirates
Phone	(971 4) 883 8506
Fax	(971 4) 883 8507

ABU DHABI FERTILIZER INDUSTRIES CO. W.L.L.:

Capital	AED\$5,300,000
Ownership	50% SQM Corp. N.V. 50% Others non related
Corporate Purpose	Commercialization and production of middle east
Directors:	Yousef Al Tawil Frank Biot Patrick Vanbeneden
Relationship to Headquarters	Basically of property.
Address:	Po Box 71871 Abu Dhabi United Arab Emirates
Phone	00 971 255 11700
Fax	00 971 255 11702

(*) CEO or Director of SQM S.A.

FOREIGN SUBSIDIARIES AND AFFILIATES

AJAY EUROPE SARL:

Capital	EUR\$3,475,584
Ownership	50% SQM Corp. 50% Other non related
Corporate Purpose	Production and distribution of iodine derivatives
CEO	Michel Pichon
Relationship to Headquarters	Basically of property.
Address	Z.I. du Grand Verger BP 227 53602, Evron Cedex, France
Phone	33 24 301 3535
Fax	33 24 301 7618

AJAY NORTH AMERICA L.L.C.:

Capital	US\$ 10,383,786
Ownership	51% Other non related 49% SQMC Holding
Corporate Purpose	Production and distribution of iodine derivatives
CEO	Alan Shipp
Relationship to Headquarters	Basically of property.
Address	1.400 Indry RD Power Springs GA 30129
Phone	1 (770) 943 6202
Fax	1 (770) 439 0369

DOKTOR TARSA TARIM SANAYI A.S.:

Capital	YTL\$5,780,000
Ownership	50% Soquimich European Holdings 50% Others non related
Corporate Purpose	Commercialization and production of fertilizers in Turkey
CEO	Ali B. Ozman
Relationship to Headquarters	Basically of property.
Address	Karsiyaka Mah. Yildirim Beyazit Cad. No 52 Antalya Turkey
Phone	00 90 242 32 66 866
Fax	00 90 242 32 66 860

NUTRISI HOLDING:

Capital	EUR\$ 570,155
Ownership	50% Soquimich European Holdings 50% Eurocil (ICL)
Corporate Purpose	Holding company
CEO	Patrick Vanbeneden
Relationship to Headquarters	Basically of property.
Address	St Pietersvliet 7 bus 8 2000 Antwerpen Belgium
Phone	00 32 3 203 97 00
Fax	00 32 3 231 27 82

NU3 N.V.:

Capital	EUR\$ 10,995,963
Ownership	50% NutriSI Holding 50% Yara Nederland B.V.
Corporate Purpose	Production of solid an liquid specialty fertilizers
CEO	Patrick Vanbeneden
Relationship to Headquarters	Basically of property.
Address	Industrieweg 20, 2280 Grobbendonk,
Phone	00 32 3 203 97 00
Fax	00 32 3 203 97 69

MISR SPECIALTY FERTILIZER:

MSF	
Capital	EGP\$ 34,338,050
Ownership	47.49% Soquimich European Holdings 47.49% Yara Nederland B.V. 5.02% Others non related
Corporate Purpose	Production of liquid specialty fertilizers for Egypt
CEO	Assem Doss
Relationship to Headquarters	Basically of property.
Address	Tiba Building, B3 Zahraa el Maadi, Cairo, Egypt
Tel	00 20 2 51 99447
Fax	00 20 2 51 93775

SQM EASTMED TURKEY:

Capital	YTL\$ 738,000
Ownership	50% Soquimich European Holdings 50% Others non related
Corporate Purpose	Production of solid and liquid specialty fertilizers
CEO	Ali Özman
Relationship to Headquarters	Basically of property.
Address	Karsiyaka Mh. Yildirim Beyazit cd. Num. 52 Antalya - Turkey
Tel	00 90 242 326 68 66
Fax	00 90 242 326 68 60

IODINE MINERA S.A.

Capital	EUR\$ 9,258,876
Ownership	100 % Soquimich European Holding
Board of Directors	Patricio Lagos Patrick Vanbeneden Collin Longhurst D.Beets
Corporate Purpose	Iodine commercialization and derivatives in Europe and North America
Relationship to Headquarters	Basically of property.
Address	Locatellikade 1, Parnassustoren, 1076 AZ Amsterdam, Netherlands
Phone	31 20 5408989
Fax	31 20 5408909

(*) CEO or Director of SQM S.A.

Liability Statement

The Directors and Chief Executive Officer of SQM S.A., hereby declare that we have performed our respective duties of Administrators and of Main Executive of the Company in compliance with the practices generally applied for these duties in Chile and, pursuant to that, we hereby declare, liable under oath, that the information provided in this Annual Report 2006 is true and we assume the responsibilities that may arise from this statement.



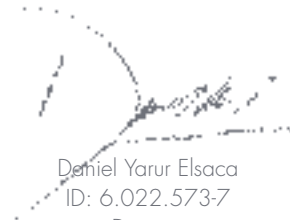
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Chairman



Wayne R. Brownlee
ID: BD 108168
Vice Chairman



Hernán Büchi Buc
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Director



Daniel Yarur Elsaca
ID: 6.022.573-7
Director



José Antonio Silva B.
ID: 7.055.443-7
Director



José María Eyzaguirre B.
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Director



Wolf von Appen B.
ID: 2.884.455-7
Director



Kendrick T. Wallace
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Director



Patricio Contesse González
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Chief Executive Officer

DESIGN AND PRODUCTION

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Ograma S.A.

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93.007.000-9

External Auditors

Ernst & Young (Chile) Limitada

Rating Agencies

Fitch Chile Clasificadora de Riesgo Ltda.

Feller & Rate Clasificadora de Riesgo Ltda.

Chilean stock exchange ticker symbol

"SQM-A" for Series A Shares

"SQM-B" for Series B Shares

NYSE ticker symbol

"SQMA" for Series A Shares

"SQM" for Series B Shares

Depository Bank

The Bank of New York

Shareholder Relations

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