TRUDELL CYNTHIA
Form 4
February 04, 2005

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
TRUDELL CYNTHIA

(Last) (First) (Middle)

BRUNSWICK CORPORATION, 1 N FIELD COURT

(Street)

LAKE FOREST, IL 60045

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BRUNSWICK CORP [BC]

3. Date of Earliest Transaction (Month/Day/Year)
02/03/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP & PRES SEA RAY DIVISION

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/03/2005		S		805	D	$ 46.19	53,833	D	
Common Stock	02/03/2005		S		1,800	D	$ 46.18	52,033	D	
Common Stock								19,236	I	By Restoration Plan
Common Stock								373	I	By Svgs Plan Trustee

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TRUDELL CYNTHIA BRUNSWICK CORPORATION 1 N FIELD COURT LAKE FOREST, IL 60045			VP & PRES SEA RAY DIVISION	

Signatures

By: Power of Attorney For: /s/ Cynthia Trudell	02/03/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Amortization of negative goodwill

0.2

0.0

0.2

0.0

0.4

0.1

Net income

113.5

12.7

74.2

9.4

46.8

6.8

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Results of Operations - 2005 compared to 2004

During 2005, we generated total revenues of approximately US$896.0 million, which is approximately 14% higher than the US$788.5 million recorded for the year ended December 31, 2004.

The main factors that explain the increase in revenues and the operational variations in the different product lines are the following:

Specialty Plant Nutrition

Revenues from sales of specialty plant nutrition products increased 14.3% to US$487.8 million in 2005 from US$426.8 million in 2004. Set forth below are sales volume data in the specified year by product category.

		Year 2005	Year 2004 (1)	% Change
Sodium nitrate	Th. Ton	63.3	58.9	8%
Potassium nitrate and sodium potassium nitrate	Th. Ton	690.2	707.6	-3%
Blended and other specialty fertilizers	Th. Ton	217.5	243.3	-11%
Other non - SQM Specialty plant nutrients (2)	Th. Ton	133.2	131.1	2%
Potassium sulfate	Th. Ton	178.6	157.7	13%

(1) 2004 figures have been restated to reflect a reclassification affecting specialty plant nutrients. Products that used to be included under Specialty Plant Nutrition were relocated to reflect their industrial status.

(2) Includes resales of purchased products.

The 14.3% increase in specialty plant nutrition product revenues was mainly driven by improved pricing conditions. The increase in prices resulted from two main factors: increased demand and the favorable pricing conditions for potassium-related fertilizers.

Potassium nitrate and sodium potassium nitrate sales volumes were slightly lower than in the previous year with a different product mix increasing soluble potassium nitrate sales volumes, consistent with our strategy of focusing on more profitable markets.

The lower sales volume of blended fertilizers was mainly related to the lower sales in the Chilean market.

Demand for specialty plant nutrition products continues to be strong, but our sales volume is constrained by current production capacity. SQM expects to increase its nitrate production capacity between 20% and 30% from the second half of 2007 onwards.

Iodine and iodine derivatives

Revenues for iodine and iodine derivatives increased 34.9% to US$149.1 million in 2005 from US$110.5 million in 2004. Set forth below are sales volume data in the specified year by product category.

		Year 2005	Year 2004	% Change
Iodine and derivatives	Th. Ton	8.1	7.7	5%

The increase in revenue is due primarily to higher prices related to growing demand combined with the high capacity utilization rates in the industry, which put an upward pressure on prices.

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The applications of iodine and iodine derivatives that contributed to a significant portion of the growth in demand are: x-ray contrast media, the utilization of iodine in the production of polarizing film, which is an important component in LCD screens and iodo-fluoride compounds used in the synthetic fiber industry.

During 2005, SQM increased its volume sales in proportion to the market's growth, which allowed SQM to preserve its market share at approximately 30%.

On average, prices for iodine increased by approximately US$4.00 per kilogram as compared with the previous year. Considering the tight supply situation, we believe that these positive pricing trends will continue during 2006.

In January 2006, SQM acquired the iodine and iodine derivatives business of the Dutch company DSM N.V., or DSM. The transaction included the iodine and iodine derivatives facilities and the mining reserves located in northern Chile. Additionally, SQM acquired DSM's iodine and iodine derivatives commercial operations in Europe. Currently, DSM's iodine production capacity is higher than 2.0 th. metric tons per year.

This acquisition will provide SQM with logistics, commercial and productive synergies and reflects SQM's commitment to the development and strengthening of its core businesses and its strategy to be a long-term reliable iodine supplier.

The agreement involved a base payment of US$72.0 million plus all the cash, accounts receivable and final product inventories minus the total liabilities of the Chilean and Dutch companies involved in the transaction.

Lithium and lithium derivatives

Revenues for lithium and lithium derivatives increased 29.9% to US$81.4 million in 2005 from US$62.6 million in 2004. Set forth below are sales volume data in the specified year by product category.

		Year 2005	**Year 2004**	**% Change**
Lithium carbonate and derivatives	Th. Ton	27.8	31.2*	-11%

* 2004 volumes have been restated to reflect a reclassification from lithium brines to lithium carbonate. Revenues were not affected by this change.

The increase in revenues in this business line was mainly due to better price conditions. The strong demand during the last few years, with a growth of approximately 5% during 2005, positively affected pricing conditions and we expect this trend to continue.

During 2005 the most important applications driving market growth were batteries, greases and frits. Regarding lithium-ion batteries, during 2004 certain producers overstocked, leading to a lower demand at the beginning of 2005. This situation was reversed during the first half of 2005.

The lower sales volume during 2005 was due to production capacity constraints. Current production capacity is approximately 28.5 th. metric tons per year. SQM expects to increase its lithium carbonate production capacity from 2008 onwards.

Demand continued to increase for lithium hydroxide. Our new lithium hydroxide plant has a total capacity to satisfy approximately 50% of that market.

Industrial Chemicals

Revenues for industrial chemicals increased 1.2% to US$74.0 million in 2005 from US$73.1 million in 2004. Set forth below are sales volume data in the specified year by product category.

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		Year 2005	Year 2004(1)	% Change
Industrial nitrates	Th. Ton	176.3	192.9	-9%
Soum Sulfate	Th. Ton	25.3	29.9	-15%
Boric acid	Th. Ton	6.3	6.1	3%

(1) 2004 figures have been restated to reflect a reclassification affecting Industrial nitrates. Products that used to be included under Specialty Plant Nutrition were relocated to reflect their industrial status. 2004 boric acid volumes have been restated to reflect a reclassification from Industrial Chemicals to Specialty Plant Nutrition. Revenues were also reclassified.

The slight increase in revenues from sales of industrial chemicals was mainly due to a continued increase in prices for most of our industrial products, which more than offset lower sales volumes during this period.

Industrial nitrates saw a reduction in sales volume in 2005, mainly due to lower demand for potassium nitrate from the CRT industry (TV screens). In spite of a 9% decrease in volume, the increased price for industrial nitrates led to higher revenues in this product line.

Other Products

Potassium chloride

Revenues from sales of potassium chloride decreased 12.9% to US$32.4 million in 2005 from US$37.2 million in 2004. Set forth below are sales volume data in the specified year by product category.

		Year 2005	Year 2004	% Change
Potassium Chloride	Th. Ton	128.7	211.9	-39%

Lower revenues from potassium chloride are mainly due to the acquisition of PCS Yumbes S.C.M. (today, SQM Industrial S.A.) at the end of 2004, which led to a decrease in third party sales of potassium chloride and an increase in internal consumption for the production of potassium nitrate.

We plan to continue using potassium chloride internally for the production of potassium nitrate.

Other commodity fertilizers

Sales of other commodity fertilizers decreased to US$71.3 million in 2005 from US$78.3 million in 2004.

The 2005 results of SQM’s subsidiary in charge of the trading of special plant nutrients and commodity fertilizer in Chile were negatively affected by lower sales volumes and lower margins than in 2004. The continuous rains that affected the fertilizer season in Chile and the high inventory of commodity fertilizers put a downward pressure, significantly affecting its trading margins.

Production Costs

Production costs during 2005 were higher than 2004, mainly in iodine and nitrate production. The main factors that affected the production costs were the following:

- higher energy and raw materials costs;
- less favorable exchange rates; and
- maintenance and depreciation cost increase.

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Gross Profit

As a result of the factors described above, gross profit increased 35.2% to US$243.1 million in 2005 from US$179.8 million in 2004.

Selling and Administrative Expenses

Selling and administrative expenses increased to US$61.9 million (6.9% of revenues) during 2005 compared to US$55.7 million (7.1% of revenues) recorded during 2004.

Operating Income

As a result of the factors described above, operating income increased 46% to US$181.2 million in 2005 from US$124.1 million in 2004.

Non-Operating Income and Expenses

For 2005, net non-operating expenses amounted to US$34.4 million, compared to US$17.6 million during 2004. The main changes in non-operating income and expenses were due to the following:

- During 2004, SQM sold its 14.05% stake in Empresas Melón S.A., or Empresas Melón, at a public auction carried out in the Santiago Stock Exchange on August 18, 2004. The transaction resulted in a before-tax profit of approximately US$8.2 million.

- The income derived from the investments in related companies decreased to US$2.6 million in the year 2005 from US$4.5 million during 2004 (including Empresas Melón).

- During 2005 there were exchange losses of approximately US$3.8 million compared to approximately US$0.5 million during 2004. This was due to the Chilean peso exchange rate and Euro exchange rate.

- Other losses were approximately US$4.0 million greater in 2005 than those of 2004, including writeoff of investments, amortization of goodwill and others.

Income Taxes

In 2005, income taxes were US$32.5 million, resulting in an effective consolidated tax rate of 22.1%, compared to income taxes of US$27.3 million and an effective consolidated tax rate of 25.6% in 2004. In accordance with Chilean law, SQM and each of its Chilean subsidiaries compute and pay taxes on an individual basis, not on a consolidated basis. We had tax loss carry-forwards of US$232.6 million at December 31, 2005, the majority of which have no expiration dates and are expected to be utilized in the future.

The corporate income tax rate in Chile was 17% for 2005 and 2004.

The 19.1% increase in income taxes is mainly due to the increase in our taxable income.

For a more detailed analysis of the Company’s income and deferred taxes see Note 13 to the Consolidated Financial Statements.

Explanation of Responses:

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Results of Operations - 2004 compared to 2003

During 2004, we generated total revenues of US$788.5 million, which is approximately 14% higher than the US$691.8 million recorded for the year 2003.

The main factors that explain the increase in revenues and the operational variations in the different product lines are the following:

Specialty Plant Nutrition

Revenues from sales of specialty plant nutrition increased 18% to US$426.8 million in 2004 from US$362.8 million in 2003. Set forth below are sales volume data by product category.

		Year 2004(1)	Year 2003 (2)	% Change
Sodium nitrate	Th. Ton	58.9	62.5	-6%
Potassium nitrate and sodium potassium nitrate	Th. Ton	707.6	696.5	2%
Blended and other specialty fertilizers	Th. Ton	243.3	252.1	-3%
Other non- SQM specialty plant nutrients (3)	Th. Ton	131.1	125.0	5%
Potassium sulfate	Th. Ton	157.7	143.2	10%

(1) 2004 figures have been restated to reflect a reclassification affecting specialty plant nutrients. Products that used to be included under Specialty Plant Nutrition were relocated to reflect their industrial status.

(2) 2003 figures have been restated to reflect a reclassification affecting specialty plant nutrients. Products that used to be included under *Other Products* were reallocated to reflect their specialty status.

(3) Includes resales of purchased products.

The increase in specialty plant nutrition revenues was mainly driven by a different product mix, our strategy to increase our sales volume in markets that offer higher returns, and generally improved pricing conditions in the market.

The increase in prices responds mainly to two factors: the strong demand, which for the last five years has experienced annual growth of approximately 7%, and the tight conditions on the supply side. Considering this, we are actively carrying out the necessary investments to increase our production capacity.

Changes in sales volume were due to the following:

- The decrease in sodium nitrate sales only reflects the availability of this product to be sold as agricultural sodium nitrate, as we have the alternative of using it to produce potassium nitrate or industrial sodium nitrate. During 2004 more of this product was destined to produce potassium nitrate.

- The increase in potassium-related plant nutrients reflects an increase in shipments to Europe, North America and Latin America, especially to Brazil, which was partially offset by lower volumes delivered to China. The decrease in shipments to China is the result of our decision, facing a tight supply situation, to focus on markets with higher returns.

- The increase in non-SQM product sales reflects an overall increase in market demand.

- The increase in potassium sulfate shipments was due to our ability to produce greater quantities and thereby keep pace with growing market demand.

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Iodine and derivatives

Revenues from sales of iodine and derivatives increased 30.7% to $110.5 million in 2004 from US$84.6 million in 2003. Set forth below are sales volume data.

		Year 2004	Year 2003	% Change
Iodine and derivatives	Th. Ton	7.7	6.6	17%

The increase both in revenues and sales volume was mainly due to the following:

- Sales of iodine to the x-ray contrast media, biocides and pharmaceutical markets on average experienced growth of approximately 7%.
  - We increased sales to the Chinese markets, mainly to the pharmaceutical and disinfectant industries.
- We increased our sales of iodine for use in LCD screens, a relatively new development in iodine applications. Iodine destined to this market increased by approximately 50% in 2004. Though iodine sales to this market constituted only approximately 3% of iodine sales volume in 2004, we expect that the demand for iodine for use in LCD screens may contribute significantly to the worldwide demand for iodine in the next few years.

During 2004, we slightly increased our market share of iodine and derivatives. We are currently expanding our iodine production capacity.

Full year average prices for iodine, excluding iodine salts that react somewhat slower to iodine pricing, increased by approximately US$1.9 per kilogram, or approximately 14%.

Lithium and derivatives

Revenues from sales of lithium and derivatives increased 26.0% to US$62.6 million in 2004 from US$49.7 in 2003. Set forth below are sales volume data.

		Year 2004	Year 2003	% Change
Lithium carbonate and derivatives	Th. Ton	31.2*	27.4	14%

* 2004 volumes have been restated to reflect a reclassification from lithium brines to lithium carbonate. Revenues were not affected by this change.

The increase both in revenues and sales volume was mainly due to the following:

- The increase in revenues in 2004 was mainly due to a strong increase in sales to the lithium ion battery market, continuing the trend of the previous two years. Lithium carbonate sales destined to this market accounted for approximately 20% of volume sales.
- Other important lithium carbonate markets were the Asia-Pacific markets, where uses related to infrastructure growth, such as glass, frits and air conditioning, have been growing at higher rates than the world economy growth.

- Our lithium hydroxide sales grew in volume by approximately 20% during 2004, as a consequence of the increased global demand for lithium-based lubricating greases.

- Pricing conditions also improved in 2004. The average increase in lithium carbonate sales prices was approximately 8% during 2004. Similarly, lithium hydroxide sales prices increased by approximately 10% during the year 2004.

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Industrial Chemicals

Revenues from sales of industrial chemicals decreased by 3.4% to US$73.1 million in 2004 from US$73.7 million in 2003. Set forth below are sales volume data by product category.

		Year 2004(1)	Year 2003	% Change
Industrial nitrates	Th. Ton	192.9	193.2	0%
Sodium sulfate	Th. Ton	29.9	54.2	-45%
Boric acid	Th. Ton	6.1	10.7	-43%

(1) 2004 figures have been restated to reflect a reclassification affecting Industrial nitrates. Products that used to be included under Specialty Plant Nutrition were relocated to reflect their industrial status. 2004 boric acid volumes have been restated to reflect a reclassification from Industrial Chemicals to Specialty Plant Nutrition. Revenues were also reclassified.

The decrease in revenues from sales of industrial chemicals in 2004 was mainly due to the following:

· Industrial nitrates have seen a slight reduction in sales volumes, mainly in Asia, due to high logistical costs and low prices. Despite a decrease in volumes of industrial nitrates, an increase by approximately 10% in industrial nitrates prices allowed us to obtain higher revenues for this product.

· The significant decrease in sodium sulfate and boric acid sales was due to lower production. Prices for these two product lines have increased on average by approximately 7% due to increased demand for raw materials in the pulp and paper and detergent industries.

· World demand for industrial chemicals is growing at a moderate pace of 2%, mainly driven by increased mining activity and infrastructure development.

Other Products

Revenues from other products were US$115.5 million, including US$37.2 million from potassium chloride and US$78.3 million from commodity fertilizers.

Total revenues from other products decreased 4.6% from US$121.0 million in 2003.

Potassium Chloride revenues decreased by 7.1% to US$37.2 million in 2004 from US$40.0 million in 2003.

		Year 2004	Year 2003	% Change
Potassium Chloride	Th. Ton	211.9	284.1	-25%

As sales of potassium chloride are directly related to its consumption as raw material in the production of potassium nitrate, the 25% decrease in third party sales volumes was mainly due to the increase in its use in potassium nitrate production. The significant increase in prices partially offset this decrease.

Sales of commodity fertilizers remained relatively constant during the year, reaching US$78.3 million compared to the US$81.0 million in 2003.

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Cost of Sales

Cost of sales during 2004 was approximately US$608.7 million, an increase of 9.9% compared to the US$554.0 million recorded during 2003. Cost of sales consists primarily of production related expenses, depreciation, raw material costs, logistics expenses and the cost of imported fertilizers and blends used both for resale and in the production of other products. As a percentage of revenues, cost of sales were 77.2% in the year 2004 compared to 80.1% in 2003.

The higher costs of sales in 2004 reflect the increased trading of commodity and specialty fertilizers as well as the trading of lithium hydroxide. We expect to replace the trading of certain specialty fertilizers and lithium hydroxide with our own production within the next few years, increasing the gross margin derived from those operations.

The main factors affecting our costs of sales were the following:

· Logistics costs increased by approximately 15% due to a worldwide low shipping capacity in the world and higher oil prices;

· The Chilean peso strengthened against the U.S. dollar by approximately 13% on average (calculated as the percentage change between the average exchange rates for the years 2004 and 2003), thereby increasing the U.S. dollar amount of our costs denominated in Chilean pesos, mainly salaries and certain local contracts;

· Natural gas shortages, extending through a period of approximately six weeks in 2004, increased our operation costs because we had to replace the natural gas with higher cost diesel.

Gross Profit

As a result of the factors described above, gross profit increased 30.4% to US$179.8 million in 2004 from US$137.8 million in 2003.

Selling and Administrative Expenses

Selling and administrative expenses (SG&A) were US$55.7 million (7.1% of revenues) in 2004 compared to US$50.6 million (7.3% of revenues) in 2003. The decrease of SG&A as a percentage of sales responds to our efforts to optimize the use of our sales affiliates, especially those acquired during 2003, SQM Mexico and Mineag.

Operating Income

As a result of the factors described above, operating income increased 42.3% to US$124.1 million in 2004 from US$87.2 million in 2003.

Non-Operating Results (net)

The principal components of our non-operating results were as follows:

	Year ended December 31,	
	2004	**2003**
	(in millions of US$)	

Net Financial income (expense) (1)	-15.1	-18.8
Exchange gain (loss)	-0.5	6.6
Others	-1.9	-8.9
Total Non-Operating	**-17.6**	**-21.2**

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During 2004, we had non-operating expenses of US$17.6 million, 17% lower than the US$21.2 million of expenses in 2003. The main reasons for this reduction in non-operating expenses were:

- On August 18, 2004, we sold our 14.05% stake in Empresas Melón at a public auction carried out on the Santiago Stock Exchange. We recorded a pretax profit of approximately US$8.2 million. This non-core asset had been held by us since 1998 when we sold our cement project to Empresas Melón. The sale of our investment in Empresas Melón is consistent with our strategy to focus on our core businesses.

- Net financial expenses decreased from US$(21.0) million in 2003 to US$(16.8) million in 2004. The Company reduced its net financial debt by approximately US$106.7 million, partly as a result of the sale of our stake in Empresas Melón S.A.

- Partially offsetting the positive effects of the foregoing, during 2003 we recorded exchange gains of approximately US$6.6 million, whereas during 2004 we recorded exchange losses of approximately US$0.5 million.

Income Taxes

In 2004 income taxes were US$27.3 million, resulting in an effective consolidated tax rate of 25.6%, compared to income taxes of US$16.0 million and an effective consolidated tax rate of 24.3% in 2003. In accordance with Chilean law, SQM and each of its chilean subsidiaries compute and pay taxes on an individual basis, not on a consolidated basis. We had tax loss carry-forwards of US$198.2 million at December 31, 2004, the majority of which have no expiration dates and are expected to be utilized in the future.

The corporate income tax rates in Chile were 17 % and 16.5% for 2004 and 2003 respectively.

The 71% increase in income taxes is mainly due to the increase in our net profits.

For a more detailed analysis of the company's income and deferred taxes see Note 13 to the Consolidated Financial Statements

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Foreign Exchange Rates - Inflation

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

The following is a summary of the aggregate net monetary assets and liabilities that are subject to foreign exchange gain or loss by currency at December 31, 2005 and 2004:

	2005 Th US$	**2004 Th US$**
Chilean pesos	53,167	66,980
Brazilian real	(941)	(448)
Euro	19,373	20,069
Japanese yen	6,333	3,693
Mexican pesos	8,101	(2,770)
South African rand	7,529	7,074
Dirhams	11,543	
Other currencies	3,282	2,224

We monitor and attempt to maintain our non-dollar assets and liabilities position in balance and make use of foreign exchange contracts and other hedging instruments to try to minimize our exposure to the risks of changes in foreign exchange rates. As of December 31, 2005, for this purpose we had open forward exchange contracts and options to buy U.S. dollars and sell foreign currency for approximately Euros 26 million (US$30.6 million), South African Rands 50 million (US$ 7.9 million) and Mexican Pesos 60 million (US$5.6 million).

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

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

U.S. GAAP Reconciliation

This discussion on our operating and financial results and condition presented above is based on our primary financial statements prepared in accordance with Chilean GAAP. Chilean GAAP differs significantly in certain aspects from U. S. GAAP. The principal differences between Chilean GAAP and U.S. GAAP as they relate to our Company are (i) the elimination of the effects of reappraisal of property, plant and equipment undertaken in 1988, (ii) the effects of elimination of monetary correction (price-level restatement) and conversion of financial statements of subsidiaries that keep their accounting records in currencies other than U.S. dollars, (iii) the accounting for derivative contracts, (iv) the treatment of the investment in Empresas Melón S.A., (v) the treatment of companies in development stage, (vi) the accounting for staff severance indemnities, (vii) tratament of goodwill, and (viii) the elimination of deferred tax complementary accounts. For further details of these differences between Chilean GAAP and U.S. GAAP, see Note 29 to the Consolidated Financial Statements.

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Net income under U.S. GAAP for 2005, 2004 and 2003 was US$125.2 million, US$86.8 million and US$57.8 million, respectively, compared to that reported under Chilean GAAP of US$113.5 million, US$74.2 million and US$46.8 million, respectively.

Total shareholders' equity under U.S. GAAP at December 31, 2005 and 2004 was US$923.4 million and US$856.9 million, respectively, compared to that reported under Chilean GAAP of US$1,020.4 million and US$948.6 million, respectively.

5.B. Liquidity and Capital Resources

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

The current ratio (current assets divided by current liabilities) decreased from 4.4 as of December 31, 2004 to 1.7 as of December 31, 2005, primarily due to an increase in short-term borrowings and the reclassification from long-term to short-term of the US$200 million debt to be repaid in September 2006.

As of December 31, 2005, we had total debt (short-term borrowings, current portion of long-term bank debt and long-term bank debt) of US$390.9 million, as compared to total debt of US$213.6 million as of December 31, 2004. Of the total debt of US$390.9 million at December 31, 2005, US$289.9 million was short-term debt plus the current portion of long-term bank debt. All of our long-term bank debt (including the current portion) as of December 31, 2005 was denominated in U.S. dollars. The following table sets forth the maturities of our long-term bank debt as of December 31, 2005:

Years	**Amount** (millions of US$)
2006	200.0
2010	100.0

We borrowed US$200 million in September 1996, which is due in September 2006 and bears interest at a fixed rate of 7.7%.

In February 2005, our wholly-owned Aruban subsidiary, Royal Seed Trading Corporation A.V.V., entered into a loan agreement with Banco BBVA to refinance future debt maturities and part of the capital expenditures program. The 5-year loan is for US$100 million and bears interest at an initial rate of Libor + 0.325%. SQM is guarantor of the borrower’s obligations under the loan agreement. The financial covenants include: (i) minimum net worth, (ii) limitation on net financial debt to EBITDA ratio on a consolidated basis, and (iii) limitation on interest indebtedness of operating subsidiaries.

In January 2006 we issued a Chilean bond at a re-offer yield 4.18% in UF, for a nominal amount of UF3 million (approximately US$102.6 million), due 2026, amortizing on a semi-annual basis from year 2 onwards. The principal and interest payable on the bond are fully hedged in U.S. dollars for both principal and interest (approximately 5.4%). The financial covenants include: (i) limitation on the ratio of total liabilities to equity (including minority interest) on a consolidated basis, and (ii) limitation on the ratio of total liabilities to equity (including minority interest) on an individual basis.

In April 2006 we issued in the US market a bond of US$ 200 million with an annual interest rate of 6.125%. The interest will be paid semi-annually and the capital will be paid in a single amortization during April, 2016. This amount will be used by SQM to refinance existing indebtedness at maturity in September 2006.

We believe that the terms and conditions of our debt agreements are standard and customary and that we are in compliance in all material respects with such terms and conditions.

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As of December 31, 2005, we had US$148.0 million of cash and cash equivalents, including marketable securities. In addition, as of December 31, 2005, we had unused uncommitted credit lines amounting to approximately US$469 million.

Shareholders' equity increased from US$948.6 million in 2004 to US$1,020.4 million in 2005. Our ratio of total liabilities to equity (including minority interest) increased from 0.44:1 in December 31, 2004 to 0.61:1 as of December 31, 2005 due to the increase in our consolidated debt.

Our capital expenditures in 2005, defined as net cash used in investing activities, amounted to US$188.8 million (excluding the acquisition of Kefco in Dubai described in "Business-Capital Expenditure Program").

For 2006, we expect total capital expenditures of approximately US$210 million, plus the acquisition of DSM's iodine business for US$72.0 million. We have currently budgeted capital expenditures of a total of US$260 million for 2007 and 2008 that can be increased depending on market conditions.

Our other major use of funds is the payment of dividends. Our current dividend policy, as adopted by the shareholders' meeting, is to pay 65% of our net income for each fiscal year in dividends. Under Chilean law, the minimum dividend payout is 30% of net income for each fiscal year.

For a description of the items included in our capital expenditures in previous years as well as future plans, see Item 4. Information on the Company—Capital expenditure program.

We evaluate from time to time our cash requirements to fund capital expenditures, dividend payouts and increases in working capital. If we find that resources coming from our internally generated cash flows (including depreciation and retained earnings) will not be enough, we evaluate and choose the best financial alternative available for the company. As debt requirements also depend on the increase or decrease of accounts receivables and inventories, we cannot accurately determine the amount of debt we will require, but we believe that cash flow generated by internal operations, cash balances and available credit lines, will enable us to meet our working capital, capital expenditure and debt services requirements for 2006, 2007 and 2008.

Pension Plan

Our wholly owned subsidiary SQM North America Corporation has a defined benefit, noncontributory pension plan covering substantially all employees who qualify as to age and length of service. Plan benefits are based on years of service and the employee's highest five-year average compensation during the last ten years of employment. The plan's assets consist primarily of equity mutual funds and group annuity contracts. Assumptions used in determining the actuarial present value of the projected benefit obligation as of December 31 are as follows:

	2005	**2004**
Weighted-average discount rate	7.5%	7.5.%
Rate of increase in compensation levels	0.0%	0.0%
Cost of living	2.5%	2.5%
Long-term rate of return on plan assets	8.5%	8.5%

For further discussion see Note 29 Differences between Chilean and United States Generally Accepted Accounting Principles—II.m) Post retirement obligations and staff severance indemnities.

Environmental Projects

In 2006 we plan to make disbursements amounting to US$5.3 million related to environmental projects. This amout forms part of capital expenditure program discussed above. Regarding the María Elena Project as well as our other major environmental projects see Item 4. Information on the Company—Environmental Regulations.

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

One of the main objectives of our Research and Development team consists of developing new processes and products in order to maximize the returns obtained from the resources that we exploit. The areas of research cover topics such as chemical process design, phase chemistry, chemical analysis methodologies and physical properties of finished products. This unit, which reports to VP of Technology, provides technical advice to productive, quality and commercial areas.

Our research and development activities are conducted principally at our Antofagasta Research and Development Center. The center has a total staff of 41 people, including seven Ph.Ds, three MScs, and three professionals in the fields of engineering and chemistry conducting research on various projects. Our research and development policy emphasizes the following: (i) optimization of current processes in order to decrease costs and improve product quality through the implementation of new technology, (ii) development of higher-margin products from current products through vertical integration or different product specifications, (iii) development of new products.

Our research and development activities have been instrumental in improving our production processes and developing new value added products. As a result of research and development activities new methods of extraction and finishing have been developed, including methods for heap leaching nitrates and a method to produce mono-granular blends of fertilizers that permit the incorporation of different nutrients (including micro-nutrients) into one grain. In recent years, we have also been focusing on the development of processes for lithium compounds coming out of the brines from the Atacama Salar.

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

For the years ended December 31, 2005, 2004, and 2003, we spent approximately US$ 2.4 million, US$1.8 million and US$1.4 million respectively, on research and development activities.

5.D. Trend Information

In 2005, iodine prices continued to increase following the positive trend of the previous year. We expect this trend to continue during 2006 due to sustained growth in demand accompanied by the relative equilibrium between production and demand. Additionally, we expect higher sales volume due to the acquisition of DSM's iodine business in January 2006.

We expect the increased demand for lithium carbonate observed in the past years to continue. Demand is mostly driven by lithium batteries. Further price increases are forecasted during 2006. We are restrained, however, from increasing our sales volume due to the Company's production capacity constraint.

Potassium nitrate and sodium potassium nitrate sales volumes slightly decreased during 2005 compared with 2004. However, prices increased during 2005, and we expect higher average prices during 2006.

During 2005, production costs were higher than 2004, mainly due to the higher cost of energy and raw materials, together with the increase in maintenance and depreciation costs. Additionally, since a significant portion of our costs is related to the Chilean peso, production costs were negatively affected by the appreciation of the Chilean peso. Considering the current energy market and exchange rate expectations, we expect that 2006 production costs will be higher than in 2005.

5.E. Off-Balance Sheet Arrangements

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

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5.F. Tabular Disclosure Of Contractual Obligations

The following table sets forth our material expected obligations and commitments as of December 31, 2005:

	Total ThUS$	Less Than 1 year ThUS$	1 - 3 years ThUS$	3 - 5 years ThUS$	More Than 5 years ThUS$
Long- and Short-Term Debt	389,902	289,902	—	100,000	—
Capital lease obligations	1,249	184	416	490	159
Operating leases	98,630	3,945	7,890	7,890	78,905
Purchase commitments	64,046	64,046	—	—	—
Staff severance indemnities	16,415	—	—	—	16,415
Total Contractual Obligations and Commitments	**570,242**	**358,077**	**8,306**	**108,380**	**95,479**

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors And Senior Management

We are managed by our executive officers under the direction of our Board, which, in accordance with the Company's By-laws, consists of eight directors who are elected at the annual ordinary shareholders' meeting. The Board consists of seven members elected by shareholders of the Series A shares, and one member elected by shareholders of the Series B shares. The entire Board of Directors is regularly elected every three years at our ordinary shareholders meeting. Cumulative voting is allowed for the election of directors. The current members of the Board of Directors were elected on April 29, 2005 and their terms expire in 2008. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If a vacancy occurs, the entire Board must be elected or re-elected at the next regularly scheduled meeting of shareholders. Our Chief Executive Officer is appointed by the Board of Directors and holds office at the discretion of the Board. The Chief Executive Officer appoints our executive officers. There are regularly scheduled meetings of the Board of Directors once a month. Extraordinary meeting may be called by the Chairman when requested by (i) the director elected by holders of the Series B shares, (ii) any other director with the assent of the Chairman or (iii) an absolute majority of all directors. The Board has a Directors' Committee and its regulations are discussed below.

Our directors and executive officers as of June 20, 2006 are as follows:

Directors Name	**Position**	**Current position held since**
Julio Ponce L. (1)	Chairman of the Board and Director *Mr. Ponce is a Forestry Engineer from the Universidad de Chile. He joined the Company in 1981. He is also Chairman of the Board of the following corporations: Sociedad de Inversiones Pampa Calichera S.A., Sociedad de Inversiones Oro Blanco S.A., Norte Grande S.A. and Soquimich Comercial S.A. He is the brother of Luis Eugenio Ponce.*	September 1987
Wayne R. Brownlee	Vice Chairman of the Board and Director *Mr. Brownlee is Executive Vice-President, Treasurer and Chief Financial Officer of Potash Corporation of Saskatchewan, Inc. Mr. Brownlee earned degrees in Science and Business Administration from the University of Saskatchewan. He is on the Board of Great Western Brewing Company as well as PhilomBios, an agricultural biotechnology company. He became director at SQM on December 2001.*	May 2002
Hernán Büchi B.	Director *Mr. Büchi is a Civil Engineer from the Universidad de Chile. He served as Vice*	April 1993

Chairman of SQM's Board from January 2000 to April 2002. He is currently a Board member in Quiñenco S.A., P y S S.A., Alto Palermo S.A., S.A.C.I. Falabella and Madeco S.A., among others.

Explanation of Responses:

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José María Eyzaguirre B.	Director *Mr. Eyzaguirre is a lawyer, partner of the Chilean law firm Claro y Cia. He obtained his law degree from the Universidad de Chile and was admitted to the Chilean Bar in 1985. In 1987, he obtained a Master's Degree from New York University School of Law. He was admitted to the New York Bar in 1988. He is also a member of the board of directors of Gasoducto del Pacífico S.A., a transandean gas pipeline, and Chairman of the Board of directors of Club de Golf Valle Escondido.*	December 2001
Daniel Yarur E. (2)	Director *Mr. Yarur is an Information Engineer from the Universidad de Chile and holds an MSc in Finance at the London School of Economics and an AMP at Harvard Business School. He is a member of the Board of Banco de Credito e Inversiones, Antofagasta P.L.C. (based in London), Antogasta Minerals and Invertec Pesquera Mar de Chiloe S.A. Mr Yarur was Chairman of the Chilean Securities and Exchange Commission from 1994 to 2000 and was also Chairman of the Council Organization of the Securities Regulators of America. He is also a Professor at the Faculty of Economic and Administrative Sciences, Universidad de Chile.*	April 2003
Wolf von Appen	Director *Mr. Von Appen is an entrepreneur. He is currently a Board member of Sociedad de Fomento Fabril and Vice president of Centro de Estudios Publicos.*	May 2005
José Antonio Silva B.	Director *Mr. Silva is a lawyer from the Pontificia Universidad Católica de Chile and holds a Master's Degree in law at Harvard Law School. Currently, he is Senior Partner of the Chilean law firm Silva, Rencoret, Schultz & Lehuedé Abogados. He is also a sustitute member of the board of directors of HQI Transelec Chile S.A. and Embotelladora*	December 2001

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Kendrick T. Wallace	Director *Mr. Wallace is a lawyer who graduated from Harvard Law School. He is now Senior Vice President and General Counsel of Yara International ASA in Oslo, Norway. Prior to the spin-off of Yara International ASA from Norsk Hydro ASA, he was the chief legal counsel of Norsk Hydro ASA for North and South America in Tampa, Florida. Before that he was a partner in the law firm of Bryan Cave LLP in Kansas City, Missouri. Mr. Wallace is a member of the Board of Directors of Adubos Trevo S.A. in Brasil, OAO Minudobreniya (Rossosh) in Russia and of a number of subsidiaries of Yara International ASA. He is also on the Board of Directors of Norte Grande S.A., Sociedad de Inversiones Oro Blanco S.A. and Sociedad de Inversiones Pampa Calichera S.A.*	December 2001

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

Mr. Ramos is an Industrial Engineer from the Pontificia Universidad Católica de Chile. He joined SQM in 1989 as an advisor in the Finance area. In 1991, he moved to the Sales department, where he was in charge of the coordination between operations and sales. In 1993, he returned to the Finance department and became deputy CFO. Mr. Ramos is also a member of the Board of Soquimich Comercial.

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Jaime San Martín L. (2)	Mine Affairs and Internal Audit Senior Vice President *Mr. San Martín is a Transportation Engineer from the Pontificia Universidad Católica de Chile. He joined the Company in 1995 as Project Manager. He became Metallic Mining Development Manager in 1997, and Development Manager in 1998, Business Development and Mining Property Vice President in 1999 and Technical Senior Vice President in 2001.*	June 2005
Luis Eugenio Ponce L.	Corporate Commercial Senior Vice President *Mr. Ponce is a Mechanical Engineer from the Universidad Católica de Valparaíso. In 1981, he joined the Company as a Sales Manager. He became Commercial Manager in 1982, Commercial and Operations Manager in 1988 and Chief Executive Officer of SQM Nitratos S.A. in 1991. In the past he was member of the Board of IANSA. Currently he is a member of the board of Cerámicas Florencia S.A. Mr. Ponce is also a member of the Board of Soquimich Comercial. He is the brother of Julio Ponce.*	March 1999
Carlos Nakousi S. (2)	Salar-Lithium Operations Senior Vice President *Mr. Nakousi is an Industrial Engineer from the Pontificia Universidad Católica de Chile and a Harvard Business School alumni, after completing the Advanced Management Program in 2002. He joined the Company in 1989 as Head of Process Development. He became Deputy Development Manager in 1993, Development Manager of SQM Salar S.A. in 1995, Senior Vice President Salar Operations of SQM in 1999 and Operations Senior Vice President in 2003*	May 2003
Camila Merino C. (2)	Human Resources and Administration Senior Vice President Senior Vice President *Mrs. Merino is an Industrial Engineer from the Pontificia Universidad Católica de Chile and holds a Master in Business Administration degree from the Sloan School of Management at MIT. She joined the Company in 1991, and after a two-year*	March 2001

period at MIT, she re-joined the Company in 1998 as Nitrates Operations Manager. In the same year she became Finance and Administration Manager of SQM Nitratos S.A. and later on, in 1999, Corporate Services Manager.

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Mauricio Cabello.	Nitrates-Iodine Operations Senior Vice President *Mr. Cabello is a Mechanical Engineer from the Universidad de Santiago de Chile. He joined the Company in 2000 as Maintenance Superintendent of SQM Salar. He became Maintenance Manager of SQM Nitratos-Yodo in 2002 and Production Manager of SQM Nitratos-Yodo in 2004. He previously worked in various engineering-related positions in Pesquera San José S.A., Pesquera Coloso S.A. and Cintac S.A.*	June 2005
Pauline de Vidts S. (2)	Safety, Health & Environment and Technology Senior Vice President *Mrs. De Vidts is an Industrial Engineer from the Pontificia Universidad Católica de Chile and holds a Ph.D. in Chemical Engineering from Texas A&M University. She joined the company in 1996 to work in process development for the Salar de Atacama Operations, becoming Development Manager for this operations in 1998, and later on, in 2001, she became Corporate R&D and Environmental Issues Vice President.*	June 2005

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

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

6.B. Compensation

Directors are paid a monthly fee (UF 300 to the Chairman and UF 50 to each of the remaining seven Directors), which is independent of the number of Board sessions held per month. In addition, the Directors receive additional compensation (in Chilean pesos) each year based on a profit-sharing program approved by the shareholders in an amount equal to 0.65% of the net income (after amortization of negative goodwill) for the Chairman of the Board and of 0.65% of the net income (after amortization of negative goodwill) for the remaining seven Directors, divided equally among those Directors. Profit-sharing payments are paid in the year following the fiscal year in respect of which they are earned.

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During 2005, the total compensation paid to each of our directors under the foregoing was as follows:

	Total per subsidiaries Ch$				Annual Total Ch$
	SQM S.A.		SQMC		
Name	**Meeting**	**Committee**	**Meeting**	**Committee**	
Ponce Lerou, Julio	343,650,861		63,194,463		406,845,324
Büchi Buc, Hernán	50,597,279				50,597,279
Brownlee, Wayne R.	50,597,279	10,530,061			61,127,340
Eyzaguirre, José María	50,597,279				50,597,279
Silva, José Antonio	50,597,279	10,530,061			61,127,340
Wallace, Kendrick T.	50,597,279				50,597,279
Yarur, Daniel	50,597,279	8,804,534			59,401,813
Von Appen Wolf	7,081,298				7,081,298
Milstein, Avi (1)	40,931,363	864,145			41,795,508
Total	**695,247,196**	**30,728,801**	**63,194,463**	**0**	**789,170,460**

(1) On January 18, 2005 Mr. Avi Milstein presented his resignation to the Board of Directors.

For the year ended December 31, 2005, the aggregate compensation paid to our 82 main executives based in Chile was approximately Ch$ 5,405.2 million. We do not disclose to our shareholders or otherwise make available public information as to the compensation of our individual executive officers.

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

6.C. Board Practices

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

The date of expiration of the term of the current Board of Directors is April 2008. The contracts of our executive officers are indefinite.

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

Directors' Committee - Audit Committee

As required by Chilean Law, we have a Comité de Directores (Directors' Committee) composed of three directors, which performs many of the functions of an Audit Committee.

The members of our Directors' Committee are Hernán Büchi B., José Antonio Silva B. and Daniel Yarur E.. This Committee operates in accordance with article 50 bis of Law Nº18.046, which provides that the Committee shall:

(a) Examine and issue an opinion regarding the external auditor's report including financial statements prior to its final presentation for approval at the Ordinary Shareholders Meeting

(b) Propose to the Board of Directors the external auditors and the rating agencies that will be presented to the Ordinary Shareholders Meeting

(c) Examine and elaborate a report concerning the operations covered by articles 44 and 89 of Law Nº18.046

(d) Examine the remuneration and compensation plans of the senior management

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Pursuant to the above, these were the main activities of our Directors' Committee during 2005:

a) Analysis of un-audited reports and financial conditions.

b) Analysis of audited reports and financial conditions.

c) Analysis of external auditors', accounts inspectors' and risk analysts' reports, and the proposal to the Board of Directors of the external auditors and risk analysts that could be designated by the respective Shareholders Meeting.

d) Analysis of functions, objectives and working programs of the Internal Auditing Department.

e) Analysis of the Company's Top Executives remuneration and compensation plans.

f) Analysis of contracts with related people, subsidiary and allied companies in Chile and abroad.

g) Analysis of subjects related to the rules of the "Sarbanes-Oxley Act" of the U.S.A., especially to Section 404.

h) Investment Analysis.

On April 29 2005, the SQM S.A. Shareholders General Meeting agreed to pay a monthly remuneration of 50UF to each member of the Directors Committee. That, independent of the number of sessions held by the Board of Directors during the period between the months of May 2005 and April 2006, both months included. This remuneration is also independent from what the Board members obtain as members of the Company's Directory. In this same meeting, an operational budget for the Board of Directors of 1.800UF was approved.

Article 50 bis states that the Committee should consist of three directors, of which the majority should preferably be independent from the controller (i.e. any person or entity who "controls" the company for Chilean law purposes), if any, and that their functions are remunerated. Considering the effective share structure up to December 31st, 2005, the Company does not have a controller; therefore, the three members of the Directors Committee stand as independents.

The activities carried out by the Committee, as well as the expenses incurred by it, are to be disclosed at the General Shareholders Meeting. During year 2005, the Directors Committee did not incur any consulting expenses.

On June 21, 2005, the Board of Directors approved the establishment of an audit committee to comply with the requirements of the NYSE corporate governance rules.

The members of the audit committee are Hernán Büchi B., José Antonio Silva B. and Daniel Yarur E. Each of the three members meets the NYSE independence requirements for audit committee members.

Under the NYSE corporate governance rules, the audit committee of a U.S. company must perform the functions detailed in the NYSE Listed Company Manual Rules 303A.06 and 303A.07. Non-U.S. companies are required to comply with Rule 303A.06 beginning July 31, 2005, but are not at any time required to comply with Rule 303A.07.

Comparative Summary Of Differences In Corporate Governance Standards

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

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

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Section	NYSE Standards	SQM practices pursuant to Chilean regulations
303A.01	The majority of the listed company directors must be independent.	There is no legal obligation to have a majority of independent directors on the Board.
303A.02	Independence Test	A Director is considered independent if he would have been elected without the vote of the controlling shareholder and related persons and entities.
303A.03	Non-management directors must meet at regularly scheduled executive sessions without management.	These meetings are not needed given that directors do not also serve as executive officers.
303A.04	Listed companies must have a nominating/corporate governance committee composed entirely of independent directors, and must have a written charter.	This committee is not contemplated as such in the Chilean regulations. Pursuant to Chilean regulations SQM has a Directors' Committee (see Board practices above).
303A.05	Listed companies must have a compensation committee composed entirely of independent directors, and must have a written charter	This committee is not contemplated as such in the Chilean regulations. Pursuant to chilena regulations SQM has a Director’s Committee (see Board practices above) that is in charge of reviewing management’s compensation.
303A.06	Listed companies must have an audit committee.	This committee is not contemplated as such in the Chilean regulations. On june 21, 2005, the Board of directors approved the establishment of an audit committee to comply with the requirements of the NYSE corporate governance rules.
303A.07	The audit committe must have a minimum of three members. Each of them must satisfy requirements of independence and the committee must have a written charter.	Pursuant to Section 303A.00, SQM is not required to comply with requirements in 303A.07. Pursuant to Chilean Regulations SQM has a Director’ Committee(see Board practices above) with Certain requirements of independence.
303A.08	Shareholders must have the opportunity to vote on all equity-compensation plans involving directors, executives,	SQM does not have equity compensation plans. Directors and executives may only acquire SQM shares by individual

	employees, or other service providers.	purchases. The purchaser must give notice of such purchases to the Company and the Superintendence of Securities and Insurance.
303A.09	Listed companies must adopt and disclose corporate governance guidelines.	Chilean law does not require that corporate governance guidelines be adopted. Directors' responsibilities and access to management and independent advisors are directly provided for by applicable law. Directors' compensation is approved at the annual meeting of shareholders, pursuant to applicable law.
303A.10	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees.	Not contemplated in the Chilean regulations. SQM has adopted and disclosed a Code of Business Conduct and Ethics, available at the company's website, www.sqm.com.
303A.11	Listed foreing private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listed standards.	Pursuant to 303A.11, This table sets forth a comparative summary of differences in corporate governance practices followed by SQM under Chilean regulations and those applicable to U.S. domestic issuers pursuant to Section 303A.
303A.12	Each listed company CEO must (a) certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards.(b) promptly notify the NYSE in writing after any executive officer becomes aware of any material non- compliance with any applicable provisions of Section 303A; (c) must submit an executed Written Affirmation annually to the NYSE.	Not contemplated in the Chilean regulations. The CEO must only comply with Section 303A.12 (b) and (c).

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6.D. Employees

As of December 31, 2005, we had 3,672 permanent employees, of whom 322 were employed outside of Chile. The average tenure of our full time employees is approximately 8.6 years.

	2005	2004	2003	2002
Permanent employees	3,672	3,418	3,455	3,050
Employees in Chile	3,350	3,138	3,154	2,869
Employees outside of Chile	322	280	301	181

Of our permanent employees in Chile, 72.2% are represented by 31 labor unions, which represent their members in collective bargaining negotiations with the Company. Compensation for unionized personnel is established in accordance with the relevant collective bargaining agreements. The terms of most such agreements currently in effect are three years, and expiration dates of such agreements vary from contract to contract. Under these agreements, employees receive a salary according to a scale that depends upon job function, seniority and productivity. Unionized employees also receive certain benefits provided for by law and certain benefits, which vary depending upon the terms of the collective bargaining agreement, such as housing allowances and additional death and disability benefits.

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

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

We provide housing and other facilities and services for employees and their families at the María Elena site.

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

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

6.E. Share Ownership

Mr. Julio Ponce L., Chairman of the Board of SQM, and related persons control Inversiones SQ Holding S.A. Inversiones SQ Holding S.A. and Yara International ASA beneficially own 51% and 49%, respectively, of Inversiones SQYA S.A. Inversiones SQYA S.A. indirectly controls and beneficially owns Sociedad de Inversiones Pampa Calichera S.A., which in turn owns 100% of Global Mining Investments (Chile) S.A. Therefore, Mr. Ponce and related persons beneficially own through the above entities 65,702,424 Series A Shares, constituting 46% of the outstanding Series A Shares and 24.96% of the total shares of SQM. See Item 7.A. Major Shareholders.

Pursuant to the Company's By-laws, as amended, as of May 25, 2005, no holder of Series A or Series B shares will have the right to exercise for itself or on behalf of other holders of Series A or Series B shares the right to vote more than 37.5% of the outstanding shares of each such class entitled to vote. For purposes of calculating such percentage, shares owned by persons related to such shareholder shall be added to shares held by such shareholder.

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The following table shows the combined stakes that Mr. Julio Ponce and Yara International ASA have held in SQM as of December 31:

	% Beneficial ownership
2006 (1)	24.96%
2005	24.96%
2004	22.63%
2003	20.35%

(1) As of June 15 2006

On June 3, 2006, Sociedad de Inversiones Pampa Calichera S.A. announced its intention to acquire up to 2% of the series B shares (approximately 0.91% of the total shares) in a public tender offer. As the outcome of the tender offer will be known in July, we may not anticipate whether it will succeed or not. Nevertheless, should the tender offer be carried out in the amount publicly announced, Mr. Julio Ponce and Yara International ASA would have a combined beneficial ownership of approximately 25.87%. In addition, pursuant to Chilean law, Sociedad de Inversiones Pampa Calichera S.A. would be deemed to control SQM.

No other director or executive officer owns more than 1% of each share class of the Company as of June 15, 2006. See Item 6. Directors, Senior Management and Employees—footnote (1). Individual ownership has not been publicly disclosed. Directors and executive officers as a group own 0,453% of total shares

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

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

Taking into account the ownership structure of the stockholders, the Company does not have a controlling entity. The following table sets forth certain information concerning beneficial ownership of the Series A shares and Series B shares of SQM as of June 15, 2006 with respect to each shareholder known by us to beneficially own more than 5% of the outstanding Series A shares or Series B shares and with respect to all of our directors and executives officers as a group. The following information is derived from our records and reports filed by certain of the persons named below with the Superintendencia de Valores y Seguros (the Superintendency of Securities and Insurance or SVS) and the Chilean Stock Exchange.

Shareholder	Number of Series A Shares Beneficially Owned	% Series A Shares	Number of Series B Shares Beneficially Owned	% Series B Shares	% Total Shares
Sociedad de Inversiones Pampa Calichera S.A. (1) (2)	52,434,256	36.71%	—	0.00%	19.92%
Inversiones El Boldo Ltda. (3)	43,861,795	30.71%	—	0.00%	16.67%
The Bank of New York	146,370	0.10%	32,924,920	27.35%	12.57%
Inversiones RAC Chile Ltda. (3)	19,200,242	13.44%	2,699,773	2.24%	8.32%
A.F.P. Habitat S.A. (4)	—	0.00%	8,426,384	7.00%	3.20%
A.F.P. Provida S.A. (4)	—	0.00%	8,325,985	6.92%	3.16%
Larrain Vial S.A.	3,005,558	2.10%	4,725,709	3.93%	2.94%
Global Mining Investments (Chile) S.A.	7,123,076	4.99%	—	0.00%	2.71%
Inversiones SQYA S.A. (1)	6,145,092	4.30%	—	0.00%	2.33%
A.F.P. Cuprum S.A. (4)	—	0.00%	5,167,609	4.29%	1.96%

(1) Mr. Julio Ponce L., Chairman of the Board of SQM, and related persons control Inversiones SQ Holding S.A, which in turn, together with Yara International ASA beneficially own 51% and 49%, respectively, of Inversiones SQYA S.A. Inversiones SQYA S.A. indirectly controls and beneficially owns Sociedad de Inversiones Pampa Calichera S.A., which in turn owns 100% of Global Mining Investments (Chile) S.A. Therefore, Mr. Ponce and related persons beneficially own through the above entities 65,702,424 Series A Shares, constituting 46% of the outstanding Series A Shares and 24.96% of the total shares of SQM. This stake resulted from successive purchases carried out in the Santiago Stock Exchange during the last part of 2004 and the first months of 2005. The stake held by Mr. Ponce and related parties as of December 31, 2004, 2003, and 2002 was, respectively, 24.96%, 20.35% and 20.35% of the total shares of SQM.

(2) Pampa Calichera is an open stock corporation whose shares are traded on the Santiago Stock Exchange. Originally, the shareholders of Pampa Calichera were employees of SQM. Pampa Calichera was formed to hold the capital stock of SQM contributed by such employees or later acquired in the open market. Approximately 53 of our employees are shareholders of Pampa Calichera, either directly or indirectly.

(3) Potash Corporation of Saskatchewan Inc. owns 100% of Inversiones el Boldo Limitada and 100% of Inversiones RAC Ltda., being therefore the beneficial owner of 65,761,810 SMQ's shares that represent 24.99% of SQM's total shares. This stake resulted from successive purchases carried out in the Santiago Stock Exchange during the last

part of 2004 and the first months of 2005. The stake held by Potash Corporation of Saskatchewan as of December 31, 2004, 2003, and 2002 was respectively 24.99%, 20. 35%, and 20.35% of the total shares of SQM.

(4) A.F.P.s are legal entities that manage pension funds and are the registered holders of Series A shares and Series B shares acquired with pension funds resources.

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

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7.B. Related Party Transactions

Article 89 of Law No. 18,046, or the Chilean Corporations Act requires that our transactions with related parties be on a market basis or on terms similar to those customarily prevailing in the market. Directors and executive officers of companies that violate Article 89 are liable for losses resulting from such violations. In addition, Article 44 of the Chilean Corporations Act provides that any transaction in which a director has a personal interest or is acting on behalf of a third party may be implemented only after the same is approved by the Board of Directors under terms similar to those prevailing in the market. Resolutions approving such transactions must be reported to the Company's shareholders at the next shareholders' meeting. Violation of Article 44 may result in administrative or criminal sanctions and civil liability may be sought by the Company, shareholders or interested third parties that suffer losses as a result of such violations. We believe that we have complied with the requirements of Article 89 and Article 44 in all transactions with related parties.

Accounts receivable from and payable to related companies are stated in U.S. dollars and accrue no interest. Transactions are made under terms and conditions that are similar to those offered to unrelated third parties.

We further believe that we could obtain from third parties all raw materials now being provided by related parties. The provision of such raw materials by new suppliers could initially entail additional expenses.

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

7.C. Interests Of Experts And Counsel

Not applicable

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements And Other Financial Information

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

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

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

8.A.4 Not applicable.

8.A.5 Not applicable.

8.A.6 **Export Sales**

We derive most of our revenues from sales outside of Chile. The following is the composition of the consolidated sales for the periods ending on December 31:

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Th. US$	2005	2004	2003
Foreign sales	739,924	629,671	534,651
Total sales	895,970	788,516	691,806
% of foreign sales	**82.6**	**79.9**	**77.3**

8.A.7 Legal Proceedings

We are or were during 2005 a party to the following legal proceedings:

During the first quarter of 2001, the Company filed an arbitration claim against its insurers, ACE Seguros S.A. and Chubb de Chile Compañía de Seguros Generales S.A., for payment of ThUS$36,316 in indemnifications related to the leak of brines from the pre-concentration ponds that were built by the Company in the Salar de Atacama, which caused losses to the Company of boron, lithium, potassium sulfate and other salts that were to be obtained from such ponds and used in production. The insurance companies argued that the leak was caused by a defect in the design of the ponds attributable to SQM and, therefore, have denied payment of all amounts. During 2005, the Santiago Court of Appeals ruled in favor of the insurance companies. This litigation is not subject to further appeal.

During the last quarter of 2002, the French companies Compagnie Du Guano de Poisson Angibaud S.A. ("Angibaud") and Generale de Nutrition Vegetale SAS ("GNV" -in which Angibaud and the Company had a 50% share ownership-) filed an arbitration claim under French arbitration laws (Association Francaise d'Arbitrage) against the Company requesting indemnification for the alleged early termination of a contract with GNV, through which the latter held the distribution rights to certain of the Company's products in France. Angibaud -GNV have since then filed additional claims against the Company for payment of GNV's debts, recovery of invoiced amounts and other matters. The total amount demanded was Euro$ 30.3 million, approximately US$40 million. On July 27, 2005 SQM was notified about the ruling of the French Arbitration Association, wich requested SQM to make a net total payment to Angibaud and GNV, including the costs and expenses of the process, of approximately US$6 million. As SQM had provisioned expenses associated to this judgement for approximately US$1.5 million, the net non-operating accounting charge before tax, which was reflected during the second quarter of 2005, was approximately US$4.5million.

In October 2004, Tallepsen Services Company L.P. commenced an arbitration proceeding against SQM Lithium Specialties Limited Partnership LLP seeking an award of Th. US$900 for professional fees allegedly owed. In June 2005 the three-member arbitration court designated by both parties ruled that SQM was not required to make any payment to Tallepsen.

In September 2005, Electroandina, one of our main electricity suppliers, commenced an arbitration proceeding against us. The complaint mainly seeks the early termination, partial amendment or temporary suspension of the electricity supply agreement entered into between Electroandina and SQM on February 12, 1999, and the revision of the tariffs agreed to in such electricity supply agreement. The basis of Electroandina’s claim is that certain unforeseen events have restricted the supply of and increased the price of gas from Argentina. Currently, this proceeding is in the stage of evidence collection.

A similar claim was announced by Norgener at the end of 2005, our other main electricity supplier, and the related arbitration proceeding has begun early in 2006.

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The Company is party to various other lawsuits arising in the ordinary course of business. We believe it is unlikely that any losses associated with such lawsuits will significantly affect the Company's results of operations, financial position, and cash flows.

8.A.8. Dividend Policy

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

The Board of Directors has followed a policy of paying a single dividend ranging from 50 to 65% of our consolidated net income for the year (determined on a Chilean GAAP basis), and dividends for each year have been paid not later than May of the following year. During 2006, and considering our capacity to deliver increasing cash flows, at the Annual Ordinary Shareholders' Meeting held on April 28, 2006, the shareholders approved a single dividend with respect to 2005 of US$0.27981 per share, equal to 65% of the net income, before amortization of negative goodwill for that year, which was paid on May 11, 2006. The Board of Directors also reaffirmed for 2006 a dividend policy that authorizes distribution of cash dividends in an amount equal to 65% of our net income before amortization of negative goodwill for the year. The Board of Directors currently expects to recommend that such dividend be paid in a single distribution in May 2007.

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

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

Dividends are paid to shareholders of record on the fifth business day preceding the date set for payment of the dividend. The applicable record dates for the payment of dividends to holders of ADRs will be determined by the Depositary.

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.

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

Dividends		Per Share	Per ADS	Per Share	Per ADS
Declared for the business year	Paid on	Ch$	Ch$	US$	US$
2001	2002	37.03	370.3	0.056	0.56
2002	2003	53.31	533.1	0.076	0.76
2003	2004	55.05	550.5	0.088	0.88
2004	2005	106.56	1,065.6	0.182	1.82
2005	2006	145.11	1,451.1	0.279	2.79

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

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

8.B. Significant Changes

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

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ITEM 9. THE OFFER AND LISTING

9.A Offer And Listing Details

Price History

The table below sets forth, for the periods indicated, the reported high and low closing prices for our shares on the Santiago Stock Exchange and the high and low closing prices of the ADSs as reported by the NYSE, as the two main Exchanges on which our shares are traded.

(a) Last 5 years

	Santiago Stock Exchange Per Share (2)				NYSE per ADS			
	Series A		Series B (1)		Series A (3)		Series B (1)	
	High Ch$	Low Ch$	High Ch$	Low Ch$	High US$	Low US$	High US$	Low US$
2001	1,940	1,310	1,635	1,150	28.55	22.60	24.20	16.00
2002	3,000	1,620	1,660	1,305	44.75	23.00	24.44	18.41
2003	3,050	1,630	2,995	1,580	47.10	22.00	46.26	21.60
2004	3,900	2,350	3,580	2,160	68.00	37.05	62.75	32.98
2005	7,000	3,600	7,170	3,269	129.40	66.80	133.37	57.50

(b) Last 10 quarters

	Santiago Stock Exchange Per Share (2)				NYSE per ADS			
	Series A		Series B (1)		Series A (3)		Series B (1)	
	High Ch$	Low Ch$	High Ch$	Low Ch$	High US$	Low US$	High US$	Low US$
2004								
First quarter	2,500	2,350	2,610	2,229	43.99	40.25	44.10	37.25
Second quarter	2,600	2,380	2,590	2,160	42.75	37.05	41.10	32.98
Third quarter	3,000	2,575	2,935	2,530	48.25	40.90	48.20	39.23
Fourth quarter	3,900	3,000	3,580	2,955	68.00	48.75	62.75	43.51
2005								
First quarter	4,900	3,600	4,760	3,269	83.50	66.80	80.55	57.50
Second quarter	6,010	4,900	5,900	4,597	103.00	84.95	101.75	78.98
Third quarter	7,000	6,000	7,170	5,889	127.25	101.50	128.38	101.45
Fourth quarter	6,800	5,600	6,989	5,382	129.40	103.18	133.37	104.23

2006								
First quarter	6,000	5,599	6,390	5,540	115.50	105.02	122.53	109.88
Second quarter (through May 31)	5,950	5,599	6,001	5,390	109.01	95.70	120.31	100.58

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c) **Last 6 months**

	Santiago Stock Exchange Per Share (2)				NYSE per ADS			
	Series A		Series B (1)		Series A (3)		Series B (1)	
	High	Low	High	Low	High	Low	High	Low
	Ch$	Ch$	Ch$	Ch$	US$	US$	US$	US$
December 2005	6,450	5,600	6,168	5,382	115.05	103.18	120.10	104.23
January 2006	6,000	5,599	6,251	5,540	112.02	105.02	119.82	109.88
February 2006	5,901	5,860	6,390	6,050	115.50	108.04	122.53	114.28
March 2006	5,955	5,901	6,300	6,050	113.51	109.53	120.95	113.50
April 2006	5,950	5,730	6,001	5,640	109.01	103.01	116.25	109.30
May-06	5,800	5,680	5,951	5,390	104.10	95.70	116.03	100.58

(1) Series B shares began trading on the New York Stock Exchange on September 1993.
(2) Pesos per share of Common Stock reflect nominal price at trade date.
(3) Series A shares started trading on the New York Stock Exchange in April 9, 1999.

As of June 15, 2006, there were 14,637 Series A and 3,292,492 Series B ADSs (equivalent to 146,370 Series A shares and 32,924,920 Series B shares respectively) outstanding held by 3 holders of record for Series A ADSs and 11 holders of record for the Series B ADSs. As of June 15, such ADSs represented approximately 12.57% of the total number of issued and outstanding shares of our Company.

9.B ***Plan Of Distribution***

Not Applicable

9.C ***Markets***

The Series A shares and the Series B shares are currently traded on the Santiago Stock Exchange, the Bolsa Electrónica de Chile Bolsa de Valores S.A., (the Electronic Stock Exchange), and the Bolsa de Corredores Bolsa de Valores S.A., (the Valparaíso Stock Exchange). Each series also is traded on the New York Stock Exchange in the form of ADSs, each representing 10 Series B and 10 Series A shares respectively. The Bank of New York (the Depositary) is the Depositary of both Series. The ADSs representing Series A shares have traded on the NYSE since April 9, 1999; the ADSs representing Series B shares have traded on the NYSE since September 21, 1993.

9.D ***Selling Shareholders***

Not applicable

9.E ***Dilution***

Not applicable

9.F ***Expenses Of The Issue***

Not applicable

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable

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10.B. Memorandum And Articles Of Association

SQM, headquartered at El Trovador Nº 4285, Piso 6, Santiago, Chile, is an open stock corporation (*sociedad anónima, abierta*) organized under the laws of the Republic of Chile. The Company was constituted by public deed issued on June 17, 1968 by the Notary Public of Santiago Mr. Sergio Rodríguez Garcés. Its existence was approved by Decree No. 1.164 of June 22, 1968 of the Ministry of Finance, and it was registered on June 29, 1968 in the Business Registry of Santiago, on page 4.537 Nº 1.992.

Corporate purposes

Our specific purposes, which appear on article 4 of our By-laws, are to: **(a)** perform all kinds of chemical or mining activities and businesses and, among others, those related to researching, prospecting, extracting, producing, working, processing, purchasing, disposing of, and commercializing properties, as applicable, of all metallic and non-metallic and fossil mining substances and elements of any type or nature, to be obtained from them or from one or more concessions or mining deposits, and in their natural or converted state, or transformed into different raw materials or manufactured or partially manufactured products, and of all rights and properties thereon; **(b)** manufacture, produce, work, purchase, transfer ownership, import, export, distribute, transport, and commercialize in any way, all kinds of fertilizers, components, raw materials, chemical, mining, agricultural, and industrial products, and their by-products; **(c)** generate, produce, distribute, purchase, transfer ownership, and commercialize, in any way, all kinds of electrical, thermal, or other type of power, and hydric resources or water rights in general; **(d)** request, manifest, claim, constitute, explore, work, lease, transfer ownership, and purchase, in any way, all kinds of mining concessions; **(e)** purchase, transfer ownership, and administer, in any way, any kind of telecommunications, railroads, ships, ports, and any means of transport, and represent and manage shipping companies, common carriers by water, airlines, and carries in general; **(f)** manufacture, produce, commercialize, maintain, repair, assemble, construct, disassemble, purchase and transfer ownership, and in any way, any kind of electromechanical structure, and substructure in general, components, parts, spares, or parts of equipment, and machines, and execute, develop, advice, and commercialize, any kind of electromechanical or smelting activities; **(g)** purchase, transfer ownership, lease, and commercialize any kind of agroindustrial and farm forestry activities, in any way; **(h)** purchase, transfer ownership, lease, and commercialize, in any way, any kind of urban or rural real estates; **(i)** render any kind of health services and manage hospitals, private clinics, or similar facilities; **(j)** construct, maintain, purchase, transfer ownership, and manage, in any way, any kind of roads, tunnels, bridges, water supply systems, and other required infrastructure works, without any limitation, regardless of whether they may be public or private, among others, to participate in bids and enter into any kind of contracts, and to be the legal owner of the applicable concessions; and **(k)** purchase, transfer ownership, and commercialize, in any way, any kind of intangible properties such as stocks, bonds, debentures, financial assets, commercial papers, shares or rights in corporations, and any kind of bearer securities or instruments, and to administer such investments, acting always within the Investment and Financing Policies approved by the applicable General Shareholders Meeting. We may comply with the foregoing acting ourselves or through or with other different legal entities or natural persons, within the country or abroad, with properties of our own or owned by third parties, and additionally, in the ways and territories, and with the aforementioned properties and purposes, we may also construct and operate industrial or agricultural facilities or installations; constitute, administer, purchase, transfer ownership, dissolve, liquidate, transform, modify, or form part of partnerships, institutions, foundations, corporations, or associations of any kind or nature; perform all actions, enter into all contracts, and incur in all obligations convenient or necessary for the foregoing; perform any business or activity related to its properties, assets, or patrimony, or with that of its affiliates, associated companies, or related companies, and render financial, commercial, technical, legal, auditing, administrative, advisory, and other pertinent services.

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Directors

The Company's By-laws, in articles 16 and 16 bis, essentially establishes that the transactions in which a Director has a material interest must comply with the provisions set forth in articles 44 and 136 of Law Nº 18.046 and the applicable regulations of such Law. Notwithstanding the above, the said operations must be approved by two thirds of the Board of Directors.

The Board of Directors' duties are remunerated, as stated in article 17 of the Company's By-laws, and the amount of that compensation is fixed yearly by the General Ordinary Shareholders Meeting. Therefore, Directors can neither determine nor modify their compensation.

Directors cannot authorize Company loans on their behalf.

As stated in article 10 of the Company's By-laws, Directors can be reelected indefinitely; thus, there is no age limit for their retirement.

As stated in article 9 of the Company's By-laws, the possession of shares is not a necessary condition to become a Director of our Company.

Shares

Dividends are annually distributed to the Series A and Series B shareholders of record on the fifth business day prior to the date for payment of the dividends. The By-laws do not specify a time limit after which dividend entitlement elapses but Chilean regulations establish that after 5 years, unclaimed dividends are to be donated to the Fire Department.

Article 5 of the Company's By-laws establishes that Series B shares may in no case exceed fifty percent of our issued, outstanding and paid shares. Series B shares have a restricted right to vote as they can only elect one Director of the Company, regardless of its capital stock's share and the preferences. An Ordinary or Extraordinary Shareholders Meeting may be called when the shareholders of at least 5% of Series B issued shares request so and an Extraordinary Board of Directors Meeting may be called without the Chairman's authorization when it is requested by the Director elected by the shareholders of the Series B shares. Series A shares have the option to exclude the Director elected by Series B shareholders from the voting process in which the Chairman of the Board is to be elected, if there is a tie in the first voting process. However, articles 31 and 31 bis establish that in General Shareholders Meetings each shareholder will have a right to one vote for each share he owns or represents and that no shareholder will have the right to vote for himself or on behalf of other shareholders of the same Series A or Series B shares representing more than 37.5% of the outstanding shares with right to vote of each Series. In calculating a single shareholder's ownership of Series A or B shares, the shareholder's stock and those pertaining to third parties related to them are to be added.

Article 5 bis of the Company's By-laws establishes that no person may directly or by means of related third persons, state-owned companies, decentralized, autonomous, municipal, or other institutions, concentrate more than 32% of our total shares with right to vote.

Each Series A Share and Series B Share is entitled to share equally in the Company's profits, i.e., they have the same rights on any dividends declared on the outstanding shares of SQM.

Our By-laws do not contain any provision relating to: (i) redemption provisions, (ii) sinking funds or (iii) liability to capital calls by the Company.

As established in Article 103 of Law 18.046, a company subject to the supervision of the Chilean Securities and Exchange Commission may be liquidated in the following cases:

(a) Expiration of the duration term, if any, as established in its By-laws;

(b) All the shares end up in the possession of one individual;

(c) By agreement of an Extraordinary Shareholders Meeting;

(d) By abolition, pursuant to applicable laws, of the decree that authorized its existence;

(e) Any other reason contemplated in its By-laws.

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Article 40 of the Company's By-laws states that in the event of liquidation, the Shareholders Meeting will appoint a three-member receiver committee that will have the authority to carry out the liquidation process. Any surplus will be distributed equally among the shareholders.

The only way to change the rights of the holders of our shares is by modifying the By-laws, which can only be carried out by an Extraordinary Shareholders Meeting, as set forth in article 28 of the Company By-laws.

Shareholders meetings

Article 29 of the Company's By-laws states that the call to a Shareholders Meetings, either Ordinary or Extraordinary, will be by means of a highlighted public notice that will be published at least three times, and on different days, in the newspaper of the legal address determined by the Shareholders Meeting, and in the way and under the conditions indicated by the Regulations. Additionally, a notice will be sent by mail to each shareholder at least fifteen days prior to the date of the Meeting, which note shall include a reference of the matters to be addressed thereat. However, those meetings with the full attendance of the shares with right to vote may be legally held, even if the foregoing formal notice requirements are not met. Notice of any Shareholders Meeting shall be delivered to the Chilean Securities Commission (SVS), at least fifteen days in advance of such meeting.

Any holder of Series A and/or Series B shares registered in the Company's shareholder registry on or before the fifth business day prior to the date of the meeting will have a right to participate at that meeting.

Foreign shareholders

There exists no restriction on ownership or share concentration, or limiting the exercise of the related right to vote, by local or foreign shareholders other than those discussed under Item 10.B. Memorandum and Articles of Association -Shares above.

Change in Control

Our Company By-laws provide that no shareholder may concentrate more than 32% of our shares, unless the by-laws are modified at an extraordinary shareholders meeting. Moreover, on December 12, 2000, the government published the Ley de Oferta Pública de Acciones (Public Share Offering law) or (OPA law) that seeks to protect the interests of minority shareholders of open stock corporations in transactions involving a change in control, by requiring that the potential new controller purchase the shares owned by the remaining shareholders either in total or pro rata. The law applies to those transactions in which the controlling party would receive a material premium price compared with the price that would be received by the minority shareholders.

There are three conditions that would make it mandatory to operate under the OPA law:

(1) When an investor wants to take control of a company's stock.

(2) When a controlling shareholder holds two-thirds of the company's stock. If such shareholder buys one more share, it will be mandatory to offer to acquire the rest of the outstanding stock within 30 days of surpassing that threshold.

(3) When an investor wants to take control of a corporation, which, in turn, controls an open stock corporation that represents 75% or more of the consolidated assets of the former corporation.

Parties interested in taking control of a company must (i) notify the company of such intention in writing, and notify its controllers, the companies controlled by it, the SVS and the markets where its stocks are traded and (ii) publish a highlighted public notice in two newspapers of national circulation at least 10 business days prior to the date of materialization of the OPA.

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Disclosure of share ownership

The Company's By-laws do not provide for a minimum threshold at which share ownership must be disclosed.

10.C. Material Contracts

As mentioned elsewhere in this document, we connected our production facilities in the north of Chile to the SING power grid with the purpose of reducing our power generation related costs. As a result, we entered into three 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 summarizes the terms and conditions of the main contracts to which SQM or any subsidiary is a party:

· On February 12, 1999, SQM S.A. entered into an Electrical Energy Supply contract with Electroandina S.A. The term of this contract runs through February 12, 2009 and the anticipated termination is subject to payment of non amortized investments.

· On March 21, 1997, SQM Salar S.A. entered into an Electricity Supply agreement with Norgener S.A. The term of this contract runs through July 31, 2017, and anticipated termination is subject to fines for un-received income.

· On January 13, 1998, SQM Nitratos S.A. entered into an Electrical Energy Supply agreement with Norgener S.A. The term of this contract runs through January 31, 2013 and the anticipated termination is subject to payment of non amortized investments.

· On May 22, 2001, SQM S.A. entered into a Natural Gas Supply agreement with Distrinor S.A. The term of this contract runs through May 21, 2011 and the anticipated termination is subject to payment of non amortized investments.

We are currently in arbitration processes with Electroandina and Norgener and face risks regarding the continuity of natural gas supply. For further information see Item 3. D. Risk factors.

In addition, our Company, during the normal course of business, has entered into different contracts - some of which have been described herein - related to its production, commercial and legal 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.

10.D. Exchange Controls

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law Nº600 of 1974 or can be registered with the Central Bank of Chile under the Central Bank Act, Law Nº18840 of October 1989. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be modified.

Our 1993, 1995 and 1998 capital increases were carried out under and subject to the then current legal regulations, whose summary is hereafter included:

A *'Convención Capítulo XXVI del Título I del Compendio de Normas de Cambios Internacionales'* or Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Foreign Investment Contract" was entered into and among the Central Bank of Chile, our Company and the Depositary, pursuant to Article 47 of the Central Bank Act and to Chapter XXVI of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile, "Chapter XXVI", which addresses the issuance of ADSs by a Chilean company. Absent the Foreign Investment Contract, under applicable Chilean exchange controls, investors would not be granted access to the Formal Exchange Market for the purposes of converting from Chilean Pesos to U.S. dollars and repatriating from Chile amounts received in respect to deposited Series A or B shares or Series A or B shares withdrawn from deposit on surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Series A and Series B shares and any rights arising therefrom). The following is a summary of the material provisions contained in the Foreign Investment Contract. This summary does not purport to be complete and is qualified in its entirety by reference to Chapter XXVI and the Foreign Investment Contract.

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Under Chapter XXVI and the Foreign Investment Contract, the Central Bank of Chile has agreed to grant to the Depositary, on behalf of ADR holders, and to any investor not residing or not domiciled in Chile who withdraws Series A or Series B shares upon delivery of ADRs (such Series A and Series B shares being referred to herein as "Withdrawn shares") access to the Formal Exchange Market to convert Chilean Pesos to U.S. dollars (and remit such U.S. dollars outside of Chile) in respect of Series A and Series B shares represented by ADSs or Withdrawn shares, including amounts received as (a) cash dividends, (b) proceeds from the sale in Chile of Withdrawn shares, or from shares distributed because of the liquidation, merger or consolidation of the Company, subject to receipt by the Central Bank of Chile of a certificate from the holder of such shares (or from an institution authorized by the Central Bank of Chile) that such holder's residence and domicile are outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such shares were sold on a Chilean Exchange, (c) proceeds from the sale in Chile of preemptive rights to subscribe for additional Series A and Series B shares, (d) proceeds from the liquidation, merger or consolidation of the Company and (e) other distributions, including without limitation those resulting from any recapitalization, as a result of holding Series A and Series B shares represented by ADSs or Withdrawn shares. Transferees of Withdrawn Shares will not be entitled to any of the foregoing rights under Chapter XXVI unless the Withdrawn Shares are redeposited with the Depositary. Investors receiving Withdrawn Shares in exchange for ADRs will have the right to redeposit such shares in exchange for ADRs, provided that the conditions to redeposit described hereunder are satisfied.

Chapter XXVI provided that access to the Formal Exchange Market in connection with dividend payments will be conditioned upon certification by the Company to the Central Bank of Chile that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also provides that access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon will be conditioned upon receipt by the Central Bank of Chile of certification by the Depositary that such shares have been withdrawn in exchange for ADRs and receipt of a waiver of the benefit of the Foreign Investment Contract with respect thereto until such Withdrawn Shares are redeposited.

Chapter XXVI and the Foreign Investment Contract provided that a person who brings certain types of foreign currency into Chile, including U.S. dollars, to purchase Series A shares and/or Series B shares with the benefit of the Foreign Investment Contract must convert it into Chilean Pesos on the same date and has 5 banking business days within which to invest in Series A shares and/or Series B shares in order to receive the benefits of the Foreign Investment Contract. If such person decides within such period not to acquire Series A shares and/or Series B shares, he can access the Formal Exchange Market to reacquire foreign currency, provided that the applicable request is presented to the Central Bank within 7 banking business days of the initial conversion into pesos. Series A shares and/or Series B shares acquired as described above may be deposited for ADSs and receive the benefits of the Foreign Investment Contract, subject to receipt by the Central Bank of Chile of a certificate from the Depositary that such deposit has been effected and that the related ADRs have been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited Series A shares and/or Series B shares.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Pursuant to Chapter XXVI, such access required approval of the Central Bank of Chile based on a request presented through a banking institution established in Chile. The Foreign Investment Contract will provide that if the Central Bank of Chile has not acted on such request within seven banking days, the request will be deemed approved.

Under current Chilean law, foreign investments abiding by the Foreign Investment Contract cannot be changed unilaterally by the Central Bank of Chile. No assurance can be given, however, that additional Chilean restrictions applicable to the holders of ADRs, the disposition of underlying Series A shares and/or Series B shares or the repatriation of the proceeds from such disposition could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

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As of April 19, 2001, Chapter XXVI of Title I of the *Compendio de Normas de Cambios Internacionales* of the Central Bank of Chile was eliminated and new investments in ADR's by non-residents of Chile, are now governed by Chapter XIV of the Compendio de Normas de Cambios Internacionales of the Central Bank of Chile. This was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. According to the new regulations, such investments must be carried out through Chile's Formal Exchange Market and only reported to the Central Bank of Chile. Foreign investments may still be registered with the Foreign Investment Committee under Decree Law 600 of 1974, as amended, and obtain the benefits of the contract executed under Decree Law 600.

The Central Bank is also responsible for controlling incurrence of loan obligations to be paid from Chile and by a Chilean borrower to banks and certain other financial institutions outside Chile. The following is a summary of the relevant portions of Chapter XIV regarding the incurrence of loan obligations and does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV.

The Central Bank must be informed of any incurrence of loan obligations to be paid from Chile and by a Chilean borrower to banks and certain other financial institutions outside of Chile. As of December 31, 2005, we had one long-term loan outstanding obtained in the international markets (through a Rule 144A offering of US$200 million). Additionally Royal Seed Trading Corporation, a wholly owned subsidiary fully guaranteed by us, has a US$100.0 million syndicated loan outstanding that is fully guaranted by us.

The Central Bank authorized our 144A long-term loan, and was duly informed about the guaranty given to Royal Seed. Additionally, on April 2006 we informed the Central Bank about the issuance of new Rule 144A bonds for an amount of US$200 million. Accordingly, all purchases of U.S. dollars in connection with payments on these loans will occur in the Formal Exchange Market. There can be no assurance, however, that restrictions applicable to payments in respect of the loans could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

10.E. Taxation

Chilean Tax Considerations

The following describes the material Chilean income tax consequences of an investment in the ADRs by an individual who is not domiciled or resident in Chile or any legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile, a "foreign holder." This discussion is based upon Chilean income tax laws presently in force, including Ruling No. 324 (1990) of the Chilean Internal Revenue Service and other applicable regulations and rulings. The discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change said rulings, regulations and interpretations prospectively.

Cash Dividends and Other Distributions

Cash dividends paid by the Company with respect to the shares, including shares represented by ADSs held by a U.S. holder will be subject to a 35% Chilean withholding tax, which is withheld and paid by the Company, the "Withholding Tax." If the Company has paid corporate income tax, the "First Category Tax", on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on the pre-tax income. Under Chilean income tax law, dividends are assumed to have been paid out of our oldest retained tax profits for purposes of determining the rate at which the First Category Tax was paid.

The effective Withholding Tax rate, after giving effect to the credit for First Category Tax, generally is:

$$\frac{\text{(Withholding Tax rate) - (First Category Tax effective rate)}}{\text{1 - (First Category Tax effective rate)}}$$

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The effective rate of Withholding Tax to be imposed on dividends paid by the Company will vary depending upon the amount of the First Category Tax paid by the Company on the earnings to which the dividends are attributed. From 1992 through 1997, the Company paid First Category Tax at an effective rate below the 15% statutory rate then valid. The effective rate of the Withholding Tax on dividends paid from income attributable to those years therefore will be higher. During the years 1999 and 2000, the Company distributed dividends from income qualified under Chilean law as non-taxable, which is why the Company did not withhold any taxes. The dividends distributed by the Company corresponding to the business year 2005 were dividends considered taxable, and the total tax retention rate was approximately 22%.

Dividend distributions made in property (such as distribution of cash equivalents) would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation.

Capital Gains

Gains from the sale or other disposition by a foreign holder of ADR outside Chile will not be subject to Chilean taxation . The deposit and withdrawal of the shares in exchange for ADSs will not be subject to any Chilean taxes.

The tax basis of the shares received in exchange for ADSs (repatriation) will be the acquisition value of the shares. The shares exchanged for ADSs are valued at the highest price at which they trade on the Chilean Stock Exchange on the date of the exchange or on either of the two business days preceding the exchange. Consequently, the conversion of ADSs into the shares and the immediate sale of such shares at a price equal to or less than the highest price for Series A shares or Series B shares on the Chilean Stock Exchange on such dates will not generate a gain subject to Chilean taxation.

Gain recognized on a sale or exchange of shares (as distinguished from sales or exchanges of ADSs representing such shares) will be subject to both the First Category Tax and the Withholding Tax if either (i) the foreign holder has held the shares for less than one year since exchanging the ADSs for the shares, (ii) the foreign holder acquired and disposed of the shares in the ordinary course of its business or as a regular trader of shares, or (iii) the foreign holder and the purchaser of the shares are related parties within the meaning of Chilean tax law. The amount of the First Category Tax may be credited against the amount of the Withholding Tax. In all other cases, gain on the disposition of the shares will be subject only to a capital gains tax, which is assessed at the same rate as the First Category Tax. Gain recognized in the transfer of common shares that have a high presence in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the common shares are transferred in a local exchange, in other authorized stock exchanges, or within the process of a public tender of common shares governed by the Chilean Securities Market Act. The common shares must also have been acquired either in a stock exchange , within the referred process of a public tender of a common shares governed by the Chilean Securities Market Act, in an initial public offer of common shares resulting from the formation of a corporation or a capital increase of the same, or in an exchange of convertible bonds. Common shares are considered to have a high presence in the stock exchange when they: a) are registered in the Securities Registry b) are registered in a Chilean Stock Exchange, c) have an adjusted presence equal to or above 25%.

As of June 19, 2001 capital gains obtained in the sale of common shares that are publicly traded in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by "foreign institutional investors" such as mutual funds and pension funds, provided that the sale is made in a stock exchange or in accordance with the provisions of the securities market law (law 18.045), or in any other form authorized by the SVS. To qualify as foreign institutional investors, the referred entities must be formed outside of Chile, not have domicile in Chile, and they must be an "investment fund" in according with the Chilean tax law

The exercise of preemptive rights relating to shares will not be subject to Chilean taxation. Any gain on the sale or assignment of preemptive rights relating to shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

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Other Chilean Taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder, but such taxes generally will apply to the transfer at death or by gift of the shares by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or shares.

Withholding Tax Certificates

Upon request, the Company will provide to foreign holders appropriate documentation evidencing the payment of Chilean withholding taxes.

United States Tax Considerations

The following discussion summarizes the material U.S. federal income tax consequences to beneficial owners arising from the acquisition, ownership and disposition of the Series A shares and the Series B shares (together the "shares" and the ADSs. The discussion which follows is based on the United States Internal Revenue Code of 1986, as amended, the "Code", the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws occurring after such date. In addition, the summary is based in part on representations of the depositary and assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement or any other related document will be performed in accordance with its terms.

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes, (a) an individual who is a United States citizen or resident, (b) a corporation or partnership (other than a partnership that is not treated as a U.S. person under any applicable Treasury regulations and certain partnerships that have one or more partners who are not U.S. persons) created or organized under the laws of the United States or any political subdivision thereof, or (c) an estate or trust that is subject to United States federal income tax on a net basis with respect to its worldwide income. The term "Non-U.S. Holder" means a beneficial owner of shares or ADSs that is, for U.S. federal income tax purposes, a (a) nonresident alien individual, (b) foreign corporation, or (c) nonresident alien fiduciary of a foreign estate or trust.

The discussion that follows is not intended as tax advice to any particular investor and is limited to investors who will hold the shares or ADSs as "capital assets" within the meaning of Section 1221 of the Code and whose functional currency is the United States dollar. The summary does not address the tax treatment of U.S. Holders and Non-U.S. Holders that may be subject to special U.S. federal income tax rules, such as insurance companies, tax-exempt organizations, banks, U.S. Holders who are subject to the alternative minimum tax, or U.S. Holders and Non-U.S. Holders who are broker-dealers in securities, who hold the shares or ADSs as a hedge against currency risks, as a position in a "straddle" for tax purposes, or as part of a conversion or other integrated transaction, or who own (directly, indirectly or by attribution) 10% or more of the total combined voting power of all classes of the Company's capital stock entitled to vote or 10% or more of the value of the outstanding capital stock of the Company.

There exist no reciprocal tax treaties between the Republic of Chile and the United States.

The discussion below does not address the effect of any United States state, local, estate or gift tax law or foreign tax law on a U.S. Holder or Non-U.S. Holder of the shares or ADSs. U.S. HOLDERS AND NON-U.S. HOLDERS OF SHARES OR ADSs SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE CONSEQUENCES UNDER ANY SUCH LAW OF INVESTING IN THE SHARES OR ADSs.

For purposes of applying U.S. federal income tax law, any beneficial owner of an ADS will be treated as the owner of the underlying shares represented thereby.

Cash Dividends and Other Distributions

The gross amount of a distribution with respect to shares or ADSs (other than distributions in redemption or liquidation) will be treated as a taxable dividend to the extent of the Company's current and accumulated earnings and profits, computed in accordance with U.S. federal income tax principles. A dividend distribution will be so included in gross income when received by (or otherwise made available to) (i) the U.S. Holder in the case of the shares or (ii) the depositary in the case of the ADSs, and in either case will be characterized as ordinary income for U.S. federal income tax purposes. Distributions in excess of the Company's current and accumulated earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in the shares or ADSs and, to the extent distributions exceed such tax basis, the excess will be treated as gain from a sale or exchange of such shares or ADSs. U.S. Holders that are corporations will not be allowed a deduction for dividends received in respect of distributions on the shares or the ADSs. For example, if the gross amount of a distribution with respect to the shares or ADSs exceeds the Company's current and accumulated earnings and profits by US$10.00, such excess will generally not be subject to a U.S. tax to the extent the U.S. Holder's tax basis in the shares or ADSs equals or exceeds US$10.00.

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If a dividend distribution is paid in Chilean pesos, the amount includable in income will generally be the U.S. dollar value, on the date of receipt by the U.S. Holder in the case of the shares or by the depositary in the case of the ADSs, of the peso amount distributed, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date the pesos are converted into U.S. dollars will be treated as ordinary income or loss.

A dividend distribution will be treated as foreign source income and will generally be classified as "passive income" or "financial services income" for U.S. foreign tax credit purposes. If Chilean withholding taxes are imposed on a dividend, U.S. Holders will be treated as having actually received the amount of such taxes (net of any credit for the First Category Tax) and as having paid such amount to the Chilean taxing authorities. As a result, the amount of dividend income included in gross income by a U.S. Holder will be greater than the amount of cash actually received by the U.S. Holder with respect to such dividend income. A U.S. Holder may be able, subject to certain generally applicable limitations, to claim a foreign tax credit or a deduction for Chilean withholding taxes (net of any credit for the First Category Tax) imposed on dividend payments. The rules relating to the determination of the U.S. foreign tax credit are complex, and the calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involve the application of rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to dividend income on the shares or ADSs.

Non-U.S. Holders generally will not be subject to U.S. tax on a distribution with respect to shares or ADSs unless such Non-U.S. Holder has certain connections to the United States.

Capital Gains

A U.S. Holder will generally recognize gain or loss on the sale, redemption or other disposition of the shares or ADSs in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Holder's adjusted basis in such shares or ADSs. Thus, if the U.S. Holder sells the shares for US$40.00 and such U.S. Holder's tax basis in such shares is US$30.00, such U.S. Holder will generally recognize a gain of US$10.00 for U.S. federal income tax purposes. Gain or loss upon the sale of the shares or ADSs will be capital gain or loss if the shares or ADSs are capital assets in the hands of the U.S. Holder. Capital gains on the sale of capital assets held for one year or less are subject to U.S. federal income tax at ordinary income tax rates. Net capital gains derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. Gain or loss realized by a U.S. Holder on the sale or exchange of shares or ADSs will be U.S.-source income. In addition, certain limitations exist on the deductibility of capital losses by both corporate and individual taxpayers. Any tax imposed by Chile directly on the gain from such a sale would generally be eligible for the U.S. foreign tax credit; however, because the gain would generally be U.S.-source, a U.S. Holder might not be able to use the credit otherwise available. U.S. Holders should consult their own tax advisors regarding the foreign tax credit implications of the sale, redemption or other disposition of a Share or ADS.

A Non-U.S. Holder of ADSs or shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ADSs or shares unless, in general (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

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Information Reporting and Backup Withholding

Payments of dividends on the shares or ADSs and the proceeds of sale or other disposition of the shares or ADSs within the United States by certain non-corporate holders may be subject to U.S. information reporting and backup withholding. A U.S. Holder generally will be subject to U.S. information reporting and backup withholding at a rate of 30% unless the recipient of such payment supplies an accurate taxpayer identification number, as well as certain other information, or otherwise establishes an exemption, in the manner prescribed by law. U.S. information reporting and backup withholding of U.S. federal income tax at a rate of 30% may also apply to Non-U.S. Holders that are not "exempt recipients" and that fail to provide certain information as may be required by United States law and applicable regulations. Any amount withheld under U.S. backup withholding is not an additional tax and is generally allowable as a credit against the U.S. Holder's federal income tax liability upon furnishing the required information to the IRS.

HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. INFORMATION REPORTING AND BACKUP WITHHOLDING RULES TO THEIR PARTICULAR CIRCUMSTANCES

10.F. Dividends And Paying Agents

Not applicable

10.G. Statement By Experts

Not applicable

10.H. Documents On Display

Documents referred to in this form 20-F are available to the public at:

http://www.sec.gov/edgar/searchedgar/companysearch.html, CIK: 909037.

10.I. Subsidiary Information

See Item 4.C. Organizational Structure.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As explained elsewhere in this Annual Report, we transact our businesses in more than 100 countries, thereby rendering our market risk dependent upon the fluctuations of foreign currencies and local and international interest rates. These fluctuations may generate losses in the value of financial instruments taken in the normal course of business.

We, from time to time and depending upon then current market conditions, review and re-establish our financial policies to protect our operations. Management is authorized by our Board of Directors to engage in certain derivative contracts such as forwards and swaps to specifically hedge the fluctuations in interest rates and in currencies other than the U.S. dollar.

Derivative instruments used by us are transaction-specific so that a specific debt instrument or contract determines the amount, maturity and other terms of the hedge. We do not use derivative instruments for speculative purposes.

Interest Rate Risk. As of December 31, 2004, we had a total financial debt of US$ 213.6 million where approximately 96% was priced at a fixed rate. During 2005 until March 31st 2006, we issued US$ 100 million long-term and US$ 61.7 million short-term bank debt priced at a variable rate plus US$ 102.1 million long-term bond priced at a fixed rate. During April 2006, we issued US$ 200 million long-term notes under Rule 144A bonds at a fixed rate. Therefore as of May 31, 2006, 25% of our financial debt was exposed to fluctuations in Libor.

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On Balance Sheet Financial Instruments	Expected Maturity Date						
	2006	2007	2008	2009	2010 and thereafter	Total	Fair Value
	(in thousands of U.S. dollars)						
Fixed Rate ($US)	207,700	—	—	—	—	207,700	208,154
Average interest rate: 7.7%	207,700	—	—	—	—	207,700	208,154
Variable Rate ($US)	72,910	5,200	5,200	5,200	101,300	189,810	167,710
Average interest rate: 5.2%	5,200	5,200	5,200	5,200	101,300	122,100	101,221
Average Interest rate: 4.7% (*)	67,710	—	—	—	—	67,710	67,710
Total	**280,610**	**5,200**	**5,200**	**5,200**	**101,300**	**397,510**	**375,864**

(*) Short-term debt.

We maintain the majority of our short-term financial debt priced at Libor plus a spread for which we do not have any kind of derivative contract.

Exchange Rate Risk. Although the U.S. dollar is the primary currency in which we transact our businesses, our operations throughout the world expose us to exchange rate variations for non-U.S. dollar currencies. Therefore, fluctuations in the exchange rate of such local currencies may affect our financial condition and results of operations. To lessen these effects, we maintain derivatives contracts to protect the net difference between our principal assets and liabilities for currencies other than the U.S. dollar. These contracts are renewed periodically depending on the amount to cover in each currency. Aside from this, we do not hedge potential future income and expenses in currencies other than the U.S. dollar with the exception of the Euro and Chilean Peso. We estimate annual sales in Euro and expenses in Chilean Peso and secure the exchange difference with derivatives contracts.

As of December 31, 2005 and 2004 we had the following net monetary assets and liabilities that are subject to foreign exchange gain or loss fluctuation:

	2005 Th US$	2004 Th US$
Chilean pesos	53,167	66,980
Brazilian real	(941)	(448)
Euro	19,373	20,069
Japanese yen	6,333	3,693
Mexican pesos	8,101	(2,770)
South African rand	7,529	7,074
Dirhams	11,543	
Other currencies	3,282	2,224

As of December 31, 2005, we had open forward currency exchange contracts and options contracts to buy ans sell U.S. dollars in exchange for foreign currencies for approximately Euros 26 million (US$30.6 million), South African Rands 50 million (US$ 7.9 million) and Mexican Pesos $ 60 million (US$5.6 million).. These contracts are all short-term and a summary of them is shown in Note 17 to the Consolidated Financial Statements.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

In May of 2005, SQM's by-laws were amended at an extraordinary shareholders meeting in order to change the method of calculating the total percentage of shares held by a single individual for voting purposes. As a result of the amendment, shares that are held directly and shares held indirectly by related third parties are included in each shareholders total percentage of ownership. This calculation is used for determining whether a shareholder's voting influence exceeds certain limits which are set forth in Article 31 of the By-laws. For further information see Item 10.B Memorandum and Articles of Association - Shares

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Control and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rules 13(a)-15(b), as of the end of the period covered by this Annual Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that material information is made known to management and that financial and non-financial information is properly recorded, processed, summarized and reported.

The procedures associated to our internal controls are designed to provide reasonable assurance that our transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. However, through the same design and evaluation period of the disclosure controls and procedures, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, recognized that there are inherent limitations to the effectiveness of any internal control system regardless of how well designed and operated. In such a way they can provide only reasonable assurance of achieving the desired control objectives and no evaluation can provide absolute assurance that all control issues or instances of fraud, if any, within the Company have been detected.

There were no significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weaknesses in our internal controls and procedures requiring corrective actions.

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ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

On June 21, 2005, the Board of Directors approved the establishment of an audit committee to comply with the requirements of the NYSE corporate governance rules. At that meeting, the Board of Directors determined that the Company does not have an audit committee financial expert within the meaning of the regulations adopted under Sarbanes-Oxley Act of 2002.

Pursuant to Chilean regulations, the Company has a Directors' Committee whose main duties are similar to those of an audit committee. Each of the members of the Directors' Committee is a member of the audit committee. See 6.C. Board Practices.

Our Board believes that the members of the Directors' Committee have the necessary expertise and experience to perform the functions of the Directors' Committee pursuant to Chilean regulations.

ITEM 16B. CODE OF ETHICS

We adopted at the beginning of 2003 a Code of Business Conduct that applies to the Chief Executive Officer, the Chief Financial Officer and the Internal Auditor, as well as to all our officers and employees. Our Code adheres to the definition set forth in Item 16B of Form 20F under the Exchange Act.

No waivers have been granted therefrom to the officers mentioned above.

The full text of the code is available on our website at http://www.sqm.com in the Investor Relations section under "Corporate Governance Framework."

Amendments to, or waivers from one or more provisions of the code will be disclosed on our website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table sets forth the amount of fees billed for each of the last two fiscal years by our independent auditors, Ernst & Young, in relation to audit services, audit-related services, tax and other services provided to us (in thousands of U.S. dollars).

	Year ended December 31,	
	2005	**2004**
Audit fees	523.0	446.9
Audit-related fees		11.8
Tax fees	94.4	16.0
Other fees	106.7	—
Total fees	724.1	474.7

Audit fees in the above table are the aggregate fees billed by Ernst & Young in connection with the audit of our annual Consolidated Financial Statements, as well as the review of other statutory filings.

Audit-related fees in the above table are fees billed by Ernst & Young for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees."

Tax fees in the above table are fees billed by Ernst & Young for tax advice and tax planning services.

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Directors' Committee Pre-Approval Policies and Procedures

Chilean law states that public companies are subject to "pre-approval" requirements under which all audit and non-audit services provided by the independent auditor must be pre-approved by the Directors' Committee. Our Directors' Committee approves all audit, audit-related, tax and other services provided by Ernst & Young.

Any services provided by Ernst & Young that are not specifically included within the scope of the audit must be pre-approved by the Directors' Committee prior to any engagement.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable

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PART III

ITEM 17. FINANCIAL STATEMENTS`

Not applicable

ITEM 18. FINANCIAL STATEMENTS

See Item 19(a) for a list of all financial statements filed as part of this Form 20-F annual report.

ITEM 19. EXHIBITS

(a) Index to Financial Statements

*All other schedules have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(b) Exhibits

Exhibit No.	Exhibit
1.1	By-laws (Estatutos) of the Company**
8.1	Significant subsidiaries of the Company
12.1	Section 302 Chief Executive Officer Certification
12.2	Section 302 Chief

	Financial Officer Certification
13.1	Section 906 Chief Executive Officer Certification
13.2	Section 906 Chief Financial Officer Certification

** Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2004 filed with the Securities and Exchange Commission on June 30, 2005.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

(CHEMICAL AND MINING COMPANY OF CHILE INC.)

/s/ Ricardo Ramos

Ricardo Ramos R.
Chief Financial Officer and
Business Development Senior Vice President

Date: June 30, 2006

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Consolidated Financial Statements

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

As of December 31, 2005 and 2004
and for the three years in the period ended December 31, 2005

Contents

Ch$	-	Chilean pesos
ThCh$	-	Thousands of Chilean pesos
US$	-	United States dollars
ThUS$	-	Thousands of United States dollars
UF	-	“Unidad de Fomento”. The UF is an inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the Consumer Price Index of the previous month

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Sociedad Química y Minera de Chile S.A. and subsidiaries (“the Company”) as of December 31, 2004 and 2005, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 2005. 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.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries at December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 29 to the consolidated financial statements).

ERNST & YOUNG LTDA.
Santiago, Chile

February 17, 2006

(Except for Notes 28 and 29 for which the date is June 20, 2006)

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Audited Consolidated Balance Sheets
(Expressed in thousands of US dollars, except as stated)

	Note	**As of December 31, 2005 ThUS$**	**As of December 31, 2004 ThUS$**
ASSETS			
Current assets			
Cash and cash equivalents	2 (e)	147,956	66,753
Accounts receivable, net	4	155,836	169,840
Other accounts receivable, net	4	9,737	8,343
Accounts receivable from related companies	5	56,459	26,029
Inventories, net	6	327,232	274,602
Recoverable taxes		31,212	19,185
Prepaid expenses		3,189	2,735
Deferred income taxes	13	2,528	—
Other current assets		8,634	7,963
Total current assets		742,783	575,450
Property, plant and equipment, net	7	794,647	694,762
Other Assets			
Investments in related companies	8	20,676	15,987
Goodwill, net	9	27,209	17,470
Negative goodwill, net	9	(68)	(271)
Intangible assets, net		4,783	4,544
Long-term accounts receivable, net	4	379	289
Long-term accounts receivable from related companies	5	2,000	—
Other long-term assets	10	48,159	53,141
Total other assets		103,138	91,160
Total assets Total assets		1,640,568	1,361,372

The accompanying notes form an integral part of these consolidated financial statements.
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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Audited Consolidated Balance Sheets
(Expressed in thousands of US dollars, except as stated)

		As of December 31,	
	Note	**2005**	**2004**
		ThUS$	**ThUS$**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term bank debt	11	85,022	7,955
Current portion of long-term bank debt	11	204,880	4,577
Dividends payable		229	183
Accounts payable		70,292	57,859
Other accounts payable		1,036	2,054
Notes and accounts payable to related companies	5	7,662	14,025
Accrued liabilities and provisions	12	23,750	12,267
Withholdings		13,092	11,103
Income taxes		20,675	11,641
Deferred income taxes	13	—	7,933
Deferred income		1,262	441
Other current liabilities		368	1,206
Total current liabilities		428,268	131,244
Long-term liabilities			
Long-term bank debt	11	100,000	200,000
Other accounts payable		1,065	1,106
Deferred income taxes	13	38,895	34,089
Staff severance indemnities	14	16,415	11,875
Total long-term liabilities		156,375	247,070
Minority interest	15	35,509	34,430
Commitments and contingencies	22	—	—
Shareholders' equity	16		
Paid-in capital		477,386	477,386
Other reserves		157,287	150,887
Retained earnings		385,743	320,355
Total shareholders’ equity		1,020,416	948,628

Total liabilities and shareholders' equity	1,640,568	1361,372

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

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Audited Consolidated Statements of Income
(Expressed in thousands of US dollars, except as stated)

	Note	2005	2004	2003
		For the years ended December 31,		
		ThUS$	**ThUS$**	**ThUS$**
Operating income				
Sales		895,970	788,516	691,806
Cost of sales		(652,901)	(608,744)	(553,964)
Gross margin		243,069	179,772	137,842
Selling and administrative expenses		(61,878)	(55,705)	(50,590)
Operating income		181,191	124,067	87,252
Non-operating income and expense				
Non-operating income	18	16,433	20,829	18,654
Non-operating expenses	18	(50,755)	(38,420)	(39,813)
Non-operating loss		(34,322)	(17,591)	(21,159)
Income before income taxes, minority interest and amortization of negative goodwill		146,869	106,476	66,093
Income tax expense	13	(32,527)	(27,308)	(16,056)
Income before minority interest and amortization of negative goodwill		114,342	79,168	50,037
Minority interest	15	(1,039)	(5,139)	(3,654)
Income before amortization of negative goodwill		113,303	74,029	46,383
Amortization of negative goodwill	9	203	203	370

Net income for the year	113,506	74,232	46,753

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

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Cash Flow
(Expressed in thousands of US dollars, except as stated)

		For the years ended December 31		
	Note	**2005**	**2004**	**2003**
		ThUS$	**ThUS$**	**ThUS$**
Cash flows from operating activities				
Net income		113,506	74,232	46,753
Charges (credits) to income not representing cash flows				
Depreciation expense	7	70,054	62,690	61,728
Amortization of intangible assets		498	173	298
Write-offs and accruals		17,034	23,584	25,230
Equity participation in net income of unconsolidated investees		(3,073)	(4,897)	(5,529)
Equity participation in net losses of unconsolidated investees		477	387	1
Amortization of goodwill	9	2,070	1,073	1,134
Amortization of negative goodwill	9	(203)	(203)	(370)
(Gains) losses on sales of assets		216	283	(13)
Gain on sale of investment		—	(8,820)	—
Foreign currency translation, net	18	3,804	475	(6,590)
Other credits to income not representing cash flows		(10,109)	(1,919)	(2,793)
Other charges to income not representing cash flows		87,689	59,092	29,433
Net changes in operating assets and liabilities:				
(Increase) decrease in trade accounts receivable		(15,838)	(9,447)	(18,124)
Increase in inventories		(58,807)	(40,665)	(12,578)
(Increase) decrease in other assets		(10,783)	(770)	15,534
Increase (decrease) in accounts payable		(6,520)	(6,829)	(16,236)
Increase (decrease) in interest payable		349	(38)	134
Increase (decrease) in net income taxes payable		(25,620)	1,284	(2,246)
Increase (decrease) in other accounts payable		(10,517)	(2,935)	(1,062)
Increase (decrease) in VAT and taxes payable		(3,282)	137	(2,215)
Minority interest	15	1,039	5,139	3,654
Net cash provided from operating activities		151,984	152,026	116,143
Cash flows from financing activities				
Proceeds from short term bank financing		185,000	83,307	57,324
Loans to related companies		—	—	(5,275)

Payment of dividends		(51,732)	(25,706)	(21,361)
Repayment of bank financing		(6,000)	(192,696)	(82,559)
Net cash used in financing activities		127,268	(135,095)	(51,871)
Cash flows from investing activities				
Sales of property, plant and equipment		2,546	741	264
Sales of investments in related companies		—	69,337	—
Sales of other investments		—	210	542
Other investing income		1,345	877	7,699
Additions to property, plant and equipment		(185,603)	(51,758)	(55,084)
Capitalized interest		(5,140)	(1,708)	(2,149)
Purchase of investments in related companies, net of cash acquired		(12,026)	(37,079)	(11,150)
Purchase of other investments		(2)	(13)	(210)
Other disbursements		(666)	—	(56)
Net cash used in investing activities		(199,546)	(19,393)	(60,144)
Effect of inflation on cash and cash equivalents		1,497	(58)	(59)
Net change in cash and cash equivalents		81,203	(2,520)	4,069
Beginning balance of cash and cash equivalents		66,753	69,273	65,204
Ending balance of cash and cash equivalents	2e)	**147,956**	**66,753**	**69,273**
Supplemental cash flow information:				
Interest paid		20,315	18,986	22,379
Income taxes paid		22,330	2,466	2,347
apital lease obligations incurred during the year		—	—	98

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Financial Statements
(Expressed in thousands of US dollars, except as stated)

Note 1 – Company Background

Sociedad Química y Minera de Chile S.A. (the "Company") was registered with the Chilean Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros* - "SVS") on March 18, 1983. The Company is regulated by the SVS as well as by the United States Securities and Exchange Commission ("SEC") since issuing American Depositary Receipts ("ADRs") in December 1995.

References herein to "Parent Company" are to Sociedad Química y Minera de Chile S.A. and references herein to the "Company" or "SQM" are to Sociedad Química y Minera de Chile S.A. together with its consolidated subsidiaries and the companies in which Sociedad Química y Minera de Chile S.A. holds significant equity interests.

The Company is an integrated producer and distributor of specialty fertilizers, iodine, lithium and other industrial chemicals. The Company extracts natural resources and develops them into products, which it then distributes to more than 100 countries.

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 US 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 accounting Chilean GAAP do not conform with accounting principles generally accepted in the United States ("US GAAP") or International Financial Reporting Standards ("IFRS").

The consolidated financial statements include the accounts of Sociedad Química y Minera de Chile S.A. and subsidiaries (companies in which the Parent Company holds a controlling participation, generally equal to direct or indirect ownership of more than 50%). All significant inter-company transactions and balances have been eliminated in the consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Financial Statements
(Expressed in thousands of US dollars, except as stated)

Note 2 - Summary of Significant Accounting Policies (continued)

a) Basis for the preparation of the consolidated financial statements (continued)

The majority-owned subsidiaries of the SQM S.A. as of December 31, 2005, 2004 and 2003 are as follows:

	Direct or indirect ownership		
	2005	**2004**	**2003**
Foreign subsidiaries:	%	%	%
Nitrate Corp. of Chile Limited (United Kingdom)	100.00	100.00	100.00
Soquimich SRL (Argentina)	100.00	100.00	100.00
Nitratos Naturais do Chile Ltda. (Brazil)	100.00	100.00	100.00
SQM Europe NV (Belgium)	100.00	100.00	100.00
SQM North America Corp. (USA)	100.00	100.00	100.00
North American Trading Company (USA)	100.00	100.00	100.00
SQM Peru S.A.	100.00	100.00	100.00
SQM Corporation NV (Dutch Antilles)	100.00	100.00	100.00
S.Q.I. Corporation NV (Dutch Antilles)	100.00	100.00	100.00
Soquimich European Holding BV (Holland)	100.00	100.00	100.00
PTM - SQM Ibérica S.A. (Spain)	100.00	100.00	100.00
SQMC Holding Corporation LLP (USA)	100.00	100.00	100.00
SQM Ecuador S.A.	100.00	100.00	100.00
Cape Fear Bulk LLC (USA)	51.00	51.00	51.00
SQM Investment Corporation NV (Dutch Antilles)	100.00	100.00	100.00
SQM Brasil Ltda.	100.00	100.00	100.00
Royal Seed Trading Corporation AVV (Aruba)	100.00	100.00	100.00
SQM Japan K.K.	100.00	100.00	100.00
SQM Oceanía PTY Limited (Australia)	100.00	100.00	100.00
SQM France S.A.	100.00	100.00	100.00
RS Agro-Chemical Trading AVV (Aruba)	100.00	100.00	100.00
SQM Comercial de México S.A. de C.V.	100.00	100.00	100.00
SQM Indonesia	80.00	80.00	80.00
SQM Virginia LLC (USA)	100.00	100.00	100.00
Agricolima S.A. de C.V. (Mexico)	100.00	100.00	100.00
SQM Venezuela S.A.	100.00	100.00	100.00
SQM Italia SRL (Italy)	95.00	95.00	95.00
Comercial Caiman Internacional S.A. (Cayman Islands)	100.00	100.00	100.00
Mineag SQM Africa Limited (South Africa)	100.00	100.00	100.00
Fertilizantes Olmeca y SQM S.A. de C.V. (Mexico)	100.00	100.00	100.00
Administración y Servicios Santiago S.A. de C.V. (Mexico)	100.00	100.00	100.00
SQM Lithium Specialties LLC (USA)	100.00	100.00	100.00

SQM Nitratos México S.A. de C.V. (Mexico)	51.00	51.00	51.00
SQM Dubai - Fzco (United Arab Emirates).	100.00	—	—
Fertilizantes Naturales S.A. (Spain) (1)	—	50.00	50.00

(1) Up to December 31, 2004 the Company exerted control over Fertilizantes Naturales S.A. and that entity was included in the consolidation for the years ended December 31, 2004 and 2003. Beginning January 1, 2005, the Company no longer controls this entity and therefore it has been excluded from consolidation for the year ended December 31, 2005.

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Financial Statements
(Expressed in thousands of US dollars, except as stated)

Note 2 - Summary of Significant Accounting Policies (continued)

a) Basis for the preparation of the consolidated financial statements (continued)

	Direct or indirect ownership	
	2005	**2004**
	%	%
Domestic subsidiaries:		
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.(ex-PCS Yumbes)	100.00	100.00
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) Periods presented

These consolidated financial statements are presented as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005.

c) Reporting currency and price-level restatement

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

Under Chilean GAAP, the Parent Company and those subsidiaries which maintain their accounting records in US dollars are not required, or permitted, to restate the historical dollar amounts for the effects of inflation in Chile.

In accordance with Chilean GAAP the financial statements of domestic subsidiaries that 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 (3.6% and 2.5% in 2005 and 2004, 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-US dollar denominated monetary assets and liabilities exposed to the effects of inflation.

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Financial Statements
(Expressed in thousands of US dollars, except as stated)

Note 2 - Summary of Significant Accounting Policies (continued)

c) Reporting currency and price-level restatement (continued)

Index-linked assets and liabilities

Assets and liabilities that are denominated in index-linked units of account are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the *Unidad de Fomento* ("UF"), which is adjusted daily to reflect the changes in Chile's CPI. Values for the UF are as follows (historical Chilean pesos per UF):

	US$
December 31, 2003	28.28
December 31, 2004	31.07
December 31, 2005	35.07

d) Foreign currency translations

(i) Foreign currency transactions

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to US dollars at the observed exchange rates determined by the Central Bank of Chile as of each year-end. The observed exchange rates of Chilean pesos were Ch$ 512.50 per US$ 1 at December 31, 2005 and Ch$ 557.40 per US$ 1 at December 31, 2004.

(ii) Translation of non-US dollar financial statements

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

a) Domestic subsidiaries

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

- Balance sheet accounts are translated to US dollars at the year-end exchange rate without eliminating the effects of price-level restatement. The assets and liabilities were translated into US dollars at the exchange rates as of the respective balance sheet dates of Ch$ 512.50 and Ch$ 557.40 per US$ 1 as of December 31, 2005 and 2004, respectively.

- Income statement accounts are translated to US 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 US dollars at the average exchange rate for each month.

- Translation gains and losses, as well as price-level restatement, are included as an adjustment in shareholders' equity, in conformity with Circular No. 1697 of the SVS.

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
Notes to the Audited Consolidated Financial Statements
(Expressed in thousands of US dollars, except as stated)

Note 2 - Summary of Significant Accounting Policies (continued)

d) Foreign currency (continued)

(ii) Translation of non-US dollar financial statements (continued)

b) Foreign subsidiaries

The financial statements of those foreign subsidiaries that keep their accounting records in currencies other than the US dollar have been translated 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, except for such accounts that are calculated using historical rates (e.g. depreciation and amortization) are translated at average exchange rates between the US dollar and the local currency.

- Any foreign currency translation differences are included in the results of operations for the period.

Foreign exchange gains (losses) for the years ended December 31, 2005, 2004 and 2003 amounted to ThUS$ (3,804), ThUS$ (475) and ThUS$ 6,590, respectively and 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 as of December 31, as follows:

	As of December 31,		
	2005	**2004**	**2003**
Brazilian Real	2.34	2.65	2.89
New Peruvian Sol	3.34	3.47	3.46
Argentine Peso	3.03	2.98	2.96
Japanese Yen	118.07	104.21	107.13
Euro	0.85	0.73	0.79
Mexican Peso	10.71	11.22	11.20
Indonesian Rupee	9,290.00	9,289.97	8,465.00
Australian Dollar	1.36	1.28	1.33
Pound Sterling	0.52	0.52	0.58
South African Rand	6.33	5.80	6.59

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.

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Note 2 - Summary of Significant Accounting Policies (continued)

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. As of December 31, cash and cash equivalent are as follows:

	As of December 31,		
	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Cash	13,273	18,559	15,251
Time deposits	1,483	15,854	13,203
Mutual funds	132,303	30,797	38,629
Repurchase agreements	897	1,543	2,190
Total	147,956	66,753	69,273

f) Time deposits

Time deposits are recorded at cost plus accrued interest and UF indexation adjustments, as applicable.

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 probability of unrecoverability of accounts receivable.

This allowance is presented as a deduction from Trade accounts receivable, Notes receivable and Other accounts receivables.

i) Inventories

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

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

j) Income taxes and deferred income taxes

Current income tax provisions are recognized by the group companies on the basis of respective tax regulations in each jurisdiction where the Company operates.

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.

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Note 2 - Summary of Significant Accounting Policies (continued)

j) Income taxes and deferred income taxes (continued)

Beginning January 1, 2000, the Company records deferred income taxes in accordance with Technical Bulletin No. 60 ("BT 60") and complementary technical bulletins thereto issued by the Chilean Association of Accountants, and with SVS Circulars No. 1466 and No. 1560, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision at the date of adoption of BT 60, a contra asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates calculated using the tax rates that will be in effect at the time of reversal.

Deferred tax assets are further reduced by a valuation allowance, if based on the weight of available evidence it is more-likely-than-not that some portion of the deferred tax assets will not be realized.

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 1988. 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.

	Estimated years of useful life
Mining Concessions	7 – 13
Building and infrastructure	3 – 80
Machinery and equipment	3 – 35
Other	2 – 30

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. The property rights are usually obtained without initial cost (other than minor filing fees) 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 and are amortized on a straight-line basis over the following twelve months. Values attributable to mining concessions are recorded in property, plant and equipment.

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Note 2 - Summary of Significant Accounting Policies (continued)

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 No. 368 and 1697 and Technical Bulletins No. 64 and 72 issued by the Chilean Association of Accountants. Accordingly, the Company's proportional equity share in the net income or net loss of each investee is recognized in non-operating income and expenses in the consolidated statements of income on an accrual basis, after eliminating any unrealized profits from transactions with the related companies.

The translation adjustment resulting from conversions of investments in domestic subsidiaries that maintain their accounting records and are controlled in Chilean pesos to US dollars is recognized in other reserves within shareholders' equity (cumulative translation adjustment). Direct and indirect investments in foreign subsidiaries or affiliates are controlled in US dollars.

Investments in which the Company has less than 20% participation, but it has the capacity to exert significant influence over the investment, because SQM's nominee form part of its Board of Directors, have been valued using the equity method.

m) Goodwill and negative goodwill

Until December 31, 2003, goodwill was calculated as the excess of the purchase price of companies acquired over book value of their net assets, whereas negative goodwill arose when the net assets acquired exceeded the purchase price. Beginning January 1, 2004, the Company adopted Technical Bulletin No. 72 of the Chilean Association of Accountants that changes the basis for accounting for goodwill and negative goodwill, introducing the fair value of the acquired net assets as the basis to be compared with purchase price in a business combination in order to determine goodwill or negative goodwill.

Goodwill and negative goodwill resulting from acquisitions of equity method investments are controlled in the same currency in which the investment to which it relates is measured.

Both goodwill and negative goodwill are amortized based on the estimated period of investment return, which is generally 20 and 10 years for goodwill and negative goodwill, respectively.

n) 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.

o) Mining development cost

Expenses associated with mineral reserves under exploitation are capitalized as part of production cost to inventories. Expenses associated with future reserves are presented within Other long-term assets and are amortized according to estimated reserves of minerals.

p) Staff severance indemnities

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 based on average employee tenure of 24 years and a real annual discount rate of 8% (9% in 2004 and 2003).

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Note 2 - Summary of Significant Accounting Policies (continued)

q) Vacations

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

r) Reverse repurchase agreements

These operations are registered in Other Current Assets at the amount of the purchase. Since the purchase date, the respective interest is recognized on accrual basis in accordance with SVS Circular No. 768.

s) Dividends

Dividends are generally declared in US 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 generally recorded at fair value with net gain or losses recognized in results.

u) 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.

v) 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 issued by the SVS, computer systems acquired by the Company are recorded at cost.

w) 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.

x) Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Note 3 - Accounting Changes

During the year ended December 31, 2005, the Company changed the discount rate used for the determination of staff severance indemnities provision from 9% applied in the years ended December 31, 2003 and 2004 to 8%. This change gave rise to a higher charge to income for the year ended December 31, 2005 of ThUS$ 678.

During the year ended December 31, 2005, the subsidiary SQM Industrial S.A. (formerly PCS Yumbes SCM acquired in December 2004) changed the method of depreciation of certain assets from the unit of production to the straight-line method based on the estimated remaining technical useful lives of the different classes of assets.

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
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Note 4 - Current and Long-term Accounts Receivable

a) Current 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)	
	2005	2004	2005	2004	2005	2004
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Short-term						
Trade accounts receivable	105,618	124,724	12,570	7,137	118,188	131,861
Allowance for doubtful accounts					(7,737)	(6,970)
Notes receivable	34,950	38,439	14,772	10,517	48,844	48,192
Allowance for doubtful accounts					(3,459)	(3,243)
Accounts receivable, net					155,836	169,840
Other accounts receivable	9,454	8,908	999	113	10,453	9,021
Allowance for doubtful accounts					(716)	(678)
Other accounts receivable, net					9,737	8,343
Long-term receivables					379	289

b) Changes in the allowance for doubtful accounts for the years ended December 31 are as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
At January 1,	10,891	9,985	8,568
Charged to expenses	1,741	3,537	2,216
Deductions (release)	(1,097)	(2,937)	(1,372)
Exchange rate differences	377	306	332

Companies not previously consolidated	—	—	241
At December 31,	11,912	10,891	9,985

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
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Note 4 - Current and Long-term Accounts Receivable (continued)

(c) Consolidated Current and Long-term Receivables – by Geographic Location as of December 31, are detailed as follows:

	Chile		Europe, Africa and the Middle East		Asia and Oceania		USA, Mexico and Canada		Latin America and the Caribbean		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
Net current trade accounts receivable Balance	35,860	31,490	26,345	40,914	7,069	3,489	27,433	36,273	13,744	12,725	110,451	12
% of total	32.47%	25.21%	23.85%	32.76%	6.40%	2.79%	24.84%	29.05%	12.44%	10.19%	100.00%	1
Net current notes receivable balance	38,016	39,065	2,826	2,524	563	515	357	120	3,623	2,725	45,385	4
% of total	83.76%	86.91%	6.23%	5.62%	1.24%	1.15%	0.79%	0.26%	7.98%	6.06%	100.00%	1
Net current other accounts receivable Balance	4,631	3,558	1,504	1,943	11	2	3,064	2,591	527	249	9,737	
% of total	47.56%	42.65%	15.45%	23.29%	0.11%	0.02%	31.47%	31.06%	5.41%	2.98%	100.00%	1
Total net current accounts receivable Balance	78,507	74,113	30,675	45,381	7,643	4,006	30,854	38,984	17,894	15,699	165,573	17
% of total	47.42%	41.59%	18.53%	25.47%	4.62%	2.25%	18.62%	21.88%	10.81%	8.81%	100.00%	1
	322	199	—	75	42	—	—	—	15	15	379	

Long-term accounts receivable, net												
Balance												
% of total	84.96%	68.86%	—	25.95%	11.08%	—	—	—	3.96%	5.19%	100.00%	1
Total current and long-term accounts receivable, net												
Balance	78,829	74,312	30,675	45,456	7,685	4,006	30,854	38,984	17,909	15,714	165,952	17
% of total	47.50%	41.64%	18.48%	25.47%	4.63%	2.24%	18.60%	21.84%	10.79%	8.81%	100.00%	1

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Sociedad Química y Minera De Chile S.A. and Subsidiaries
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Note 5 - Balances and Transactions with Related Parties

Accounts receivable from and payable to related companies are stated in US dollars and accrue no interest.

Transactions are made under terms and conditions that are similar to those offered to unrelated third parties.

a) Amounts included in balances with related parties as of December 31, 2005 and 2004 are as follows:

	Short-term		Long-term	
	2005	2004	2005	2004
Accounts receivable	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Ajay Europe S.A.R.L.	1,948	3,583	—	—
Nutrisi Holding N.V.	1,432	1,653	—	—
Generale de Nutrition Vegetale S.A.	132	132	—	—
Abu Dhabi Fertilizer Ind. WLL	3,354	5,284	2,000	—
NU3 B.V.	467	607	—	—
Doktor Tarsa - SQM Turkey	12,688	4,813	—	—
Fertilizantes Naturales S.A.	5,887	—	—	—
Sales de Magnesio S.A.	72	52	—	—
Soc.Inv. Pampa Calichera S.A.	4	—	—	—
Sac S.A.	4	—	—	—
Ajay North America LLC	2,420	—	—	—
PCS Sales Inc.	—	31	—	—
Impronta SRL	5,042	2,568	—	—
Adubo Trevo S.A.	16	16	—	—
Yara International Asia Trade	1,359	1,682	—	—
Yara East Africa Limited	681	—	—	—
Yara Poland Sp. z o.o.	103	45	—	—
Yara Benelux B.V.	222	237	—	—
Yara Hellas S.A.	116	80	—	—
Yara International Australia PTY.	670	829	—	—
Yara UK Ltd.	132	144	—	—
Yara GMBH & CO KG	148	96	—	—
Yara Colombia Ltda.	1,480	355	—	—
Yara Fertilizers (Philippines)	60	—	—	—
Yara Fertilizers (New Zealand)	171	—	—	—
Yara Iberian S.A.	1,958	1,565	—	—
Yara North America LLC	7,727	218	—	—
Yara France BU Africa	1,025	743	—	—
Yara France BU Latin America	—	1,296	—	—
Yara Argentina S.A.	43	—	—	—

Yara Internacional ASA	7,098	—	—	—
Total	56,459	26,029	2,000	—

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Note 5 - Balances and Transactions with Related Parties (continued)

a) Amounts included in balances with related parties as of December 31, 2005 and 2004, continued:

	Short-term	
	2005	**2004**
Accounts payable	**ThUS$**	**ThUS$**
SQM Industrial S.A.	—	6,645
Charlee SQM Thailand CO.	88	—
NU3 N.V.	813	1,319
Rotem Amfert Negev Limited	—	1,424
Yara Int. Wholesale Sudafrica (South Africa)	362	—
Yara Argentina S.A.	—	4
Yara AB	1	14
Yara Business Suport	4,130	2,761
Yara Internacional ASA	—	446
Yara Fertilizantes Ltda.	575	—
Yara France S.A.	191	1,412
Yara France BU Latin America	1,502	—
Total	7,662	14,025

There were no outstanding long-term accounts payable with related parties as of December 31, 2005 and 2004.

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Note 5 - Balances and Transactions with Related Parties (continued)

a) During 2005, 2004 and 2003, principal transactions with related parties were as follows:

Company	Relationship	Type of Transaction	Amount of Transaction			Impact in income (charge) credit		
			2005	2004	2003	2005	2004	2003
			ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
NU3 N.V.	Indirect	Sales of products	5,018	5,036	4,054	1,892	1,521	1,023
Doktor Tarsa	Indirect	Sales of products	14,977	6,718	5,086	3,872	1,416	1,299
Abu Dhabi Fertilizer WLL	Indirect	Sales of products	3,834	3,932	3,463	1,222	1,126	619
Impronta SRL	Indirect	Sales of products	4,471	4,282	—	1,613	970	—
Ajay Europe S.A.R.L	Indirect	Sales of products	8,017	5,964	6,836	4,743	2,937	2,485
NU3 B.V.	Indirect	Sales of products	6,035	5,904	4,735	2,846	2,276	1,944
Fertilizantes Naturales S.A.	Indirect	Sales of products	19,916	—	—	6,663	—	—
Ajay North America LLC.	Indirect	Sales of products	12,401	8,519	6,909	7,031	4,009	1,921
Sales de Magnesio Ltda.	Indirect	Sales of products	—	333	—	—	152	—
Yara UK Ltd.	Shareholder	Sales of products	1,276	1,060		485	315	—
Yara International Asia Trade Pte Ltd.	Shareholder	Sales of products	6,782	6,035	5,370	1,984	1,284	1,029
Yara France BU Africa	Shareholder	Sales of products	8,748	917		2,640	253	—
Yara Benelux B.V.	Shareholder	Sales of products	6,698	5,593	5,384	2,385	1,345	1,002
Yara AB Sweden	Shareholder	Sales of products	808	705	561	284	184	165
Yara International Australia Pty Ltd.	Shareholder	Sales of products	2,853	2,530	1,722	999	682	456
Yara Iberian S.A.	Shareholder		8,900	6,665	4,739	3,060	1,638	801

		Sales of products						
Yara Colombia Ltda.	Shareholder	Sales of products	5,004	3,537	2,760	1,543	777	715
Yara Poland Sp. z o.o.	Shareholder	Sales of products	1,623	1,525		703	512	—
Yara GMBH & Co Kg	Shareholder	Sales of products	1,603	1,381	1,082	635	417	305
Yara France	Shareholder	Sales of products	7,622	7,755		2,458	1,908	—
Yara France S.A.	Shareholder	Sales of products	209	1,729	6,054	73	478	1,222
Yara Hellas S.A.	Shareholder	Sales of products	1,448	1,022	1,138	473	252	225
Yara France BU Latin America	Shareholder	Sales of products	1,192	2,296	—	288	680	—
Yara Argentina S.A.	Shareholder	Sales of products	9,441	7,724	6,425	2,658	1,629	1,271
Adubo Trevo S.A.	Shareholder	Sales of products	3,991	5,564	5,148	1,746	1,512	1,816
PCS Yumbes SCM (currently SQM Industrial S.A.) (1)	Shareholder	Sales of products	—	7,221	13,617	—	3,414	8,463
PCS Yumbes SCM (currently SQM Industrial S.A.) (1)	Shareholder	Purchases of products	—	29,466	25,558	—	—	—
Yara Internacional ASA.	Shareholder	Sales of products	8,250	340	2,991	2,120	120	195
Yara North America	Shareholder	Sales of products	43,386	40,491		13,137	8,317	—
Yara International Wholesale	Shareholder	Sales of products	20,013	—		5,733	—	—
Yara Business Support	Shareholder	Services	4,129	2,761	2,093	(4,129)	(2,761)	(2,093)
Yara Planta Nutrition, Cis Reg.	Shareholder	Sales of products	—	—	1,070	—	—	449
Yara East Africa	Shareholder	Sales of products	1,311	—		474	—	—

(1) On December 23, 2004, SQM acquired 100% participation in PCS Yumbes SCM (currently SQM Industrial S.A.) (see Note 8) and consequently that entity ceased to be related party and instead is included in consolidated financial statements of SQM.

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Note 6 - Inventories

Inventories are summarized as follows:

	As of December 31,	
	2005	**2004**
	ThUS$	**ThUS$**
Finished products	207,195	165,436
Work in process	102,187	96,616
Supplies	17,850	12,550
Total	327,232	274,602

Note 7 - Property, Plant and Equipment

Property, plant and equipment as of December 31, are summarized as follows:

	2005	**2004**
	ThUS$	**ThUS$**
Land		
Land	20,003	20,003
Mining Concessions	44,784	44,223
	64,787	64,226
Buildings and infrastructure		
Buildings	174,843	163,075
Installations	173,326	343,168
Construction-in-progress	136,225	47,727
Other	177,141	587
	661,535	554,557
Machinery and Equipment		
Machinery	445,683	415,801

Equipment	121,086	99,417
Project-in-progress	9,832	16,278
Other	17,809	18,671
	594,410	550,167
Other property, plant and equipment		
Tools	8,804	8,019
Furniture and office equipment	12,315	12,339
Projects in progress	14,180	10,876
Other	7,653	12,836
	42,952	44,070
Amounts relating to technical revaluation of property, plant and equipment		
Land	7,839	7,839
Buildings and infrastructure	41,439	41,439
Machinery and equipment	12,091	12,091
Other assets	53	53
	61,422	61,422
Total property, plant and equipment	1,425,106	1,274,442

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Note 7 - Property, Plant and Equipment (continued)

Less: Accumulated depreciation		
Buildings and infrastructure	(257,063)	(230,740)
Machinery and equipment	(319,388)	(295,584)
Other property, plant and equipment	(18,466)	(19,012)
Technical appraisal	(35,542)	(34,344)
Total accumulated depreciation	(630,459)	(579,680)
Net property, plant and equipment	794,647	694,762

Depreciation expense for the years ended December 31, 2005, 2004 and 2003 was as follows:

	For the year ended December 31,		
	2005	**2004**	**2003**
	ThUS$	**ThUS$**	**ThUS$**
Buildings and infrastructure	(30,286)	(26,547)	(26,492)
Machinery and equipment	(37,108)	(33,552)	(32,022)
Other property, plant and equipment	(1,462)	(1,300)	(1,471)
Technical revaluation	(1,198)	(1,291)	(1,743)
Total depreciation	(70,054)	(62,690)	(61,728)

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

	As of December 31,	
	2005	**2004**
	ThUS$	**ThUS$**
Administrative office buildings	1,988	1,988
Leased vehicles	98	98

Accumulated depreciation	(525)	(468)
Total assets in leasing	1,561	1,618

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 totaling to ThUS$ 98.

Note 8 - Investments in Related Companies

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 any instruments as net investment hedges of its foreign investments.

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Note 8 - Investments in Related Companies (continued)

b) Significant events and transactions involving related companies in the years 2003-2005

· Up to December 31, 2004, the financial statements of Fertilizantes Naturales S.A. ("Fenasa") in which SQM has 50% participation were included in consolidation given that the Company maintained the control over that entity (managed its financial and operating policies) based on ability to appoint General Manager. Beginning January 2005, the Company lost its ability to control Fenasa and consequently it has been excluded from consolidation. The Company accounted for its investment in that entity for the year ended December 31, 2005 using equity method.

· 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. 1697 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.

· In April 2005, the subsidiary SQM Corporation N.V. acquired additional 13% participation in 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 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.

· On August 9, 2005, SQM Nitratos S.A. and SQM S.A. acquired 99 and 1 shares, respectively of Kemira Emirates Fertilizer Company - Fzco for ThUS$ 9,282 paid in cash at the date of the acquisition. Acquired shares represent in total 100% of the capital of that entity. In accordance with the provisions of Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1697 issued by the SVS, the preliminary valuation of identifiable assets and liabilities of Kemira Emirates Fertilizer Company - Fzco as of July 31, 2005 was performed. Such valuation indicated that those fair values do not significantly differ from assets' and liabilities' carrying amounts at that date. Goodwill determined on the acquisition amounted to ThUS$ 2,058 and will be amortized over a period of 20 years.

The Company will continue to review valuation of assets acquired and liabilities assumed and may make adjustments to the purchase accounting within 1 year from the date of the acquisition in accordance with paragraph 66 of Technical Bulletin No. 72 issued by the Chilean Association of Accountants.

Subsequent to the acquisition Kemira Emirates Fertilizer Company - Fzco changed its name to SQM Dubai - Fzco.

· In September 2005, the subsidiary Soquimich European Holding B.V. and Charlee Industries Co, Ltd. incorporated Charlee SQM (Thailand) Co. Ltd. Soquimich European Holding B.V. contributed ThUS$ 800 for 40% participation in Charlee SQM (Thailand) Co. Ltd. This operation did not generate any negative goodwill or goodwill.

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Note 8 - Investments in Related Companies (continued)

b) Significant events and transactions involving related companies in the years 2003-2005

· 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 newly incorporated company SQM Procesos S.A.
- This spin-off will be effective on January 1, 2006.

· On December 23, 2004, SQM S.A. and SQM Nitratos S.A. acquired 43,733,165 and 2,000 shares, respectively (equivalent to 99.9954% and 0.0046% participation, respectively), of PCS Yumbes SCM for ThUS$ 39,707. Subsequent to the acquisition (in December 2005) PCS Yumbes SCM changed its name to SQM Industrial S.A.

In accordance with BT 72 the Company began preliminary assignation of acquisition costs to assets acquired and liabilities assumed based on their fair values. For the purposes of preparation of financial statements as of December 31, 2004 the Company estimated fair values of net assets acquired at ThUS$ 27,070 as presented in the table below and recorded goodwill on acquisition amounting to ThUS$ 12,637. Therefore, the assets, liabilities and equity incorporated in the consolidation at their respective fair values as of December 31, 2004 were as follows:

	Book value	**Adjustments**	**Fair value**
	ThUS$	**ThUS$**	**ThUS$**
Current assets	10,958	—	10,958
Property, plant and equipment	25,708	(7,954)	17,754
Other assets	293	—	293
Current liabilities	1,935	—	1,935
Equity	35,024	(7,954)	27,070

The Company continued to review the valuation during 2005 in accordance with the term allowed to adjust effects of purchase accounting established in paragraph 66 of Technical Bulletin No. 72. Accounts that presented major differences comparing to preliminary valuation were property, plant and equipment. This resulted from the determination that certain assets were in poorer operating conditions that was previously thought. In addition, in accordance with paragraph 22 of Technical Bulletin No. 33 issued by the Chilean Association of Accountants, the Company has determined that certain property, plant and equipment acquired will be disposed of. For these assets, depreciation was suspended and they were adjusted to net estimated realizable value where applicable. The new valuation considered background information obtained in a valuation survey conducted by external experts and qualified personnel from the Company, who conducted a full review of the status of the assets and determined fair and the net realizable values.

Adjustments made to assets' values resulted in increase of goodwill to US$ 22,255. Goodwill determined will be amortized over a term of 20 years. The amortization expense for the year ended December 31, 2005 amounted to

ThUS$ 1,072.

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Note 8 - Investments in Related Companies (continued)

b) Significant events and transactions involving related companies in the years 2003-2005

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:

	Book value
	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 January, April and October 2004, the subsidiary Soquimich European Holding B.V. made a capital contributions totaling to ThUS$ 1,425 to its affiliate Misr Specialty Fertilizers. In accordance with BT 72 of the Chilean Association of Accountants and SVS Circular No. 1697, the investment in Misr Specialty Fertilizers was valued using the book value of net assets as of the dates of contributions, which did not differ significantly from its fair value determined as of that dates.

- At the shareholders' meeting of Empresas Melón S.A. held on February 25, 2004, the shareholders agreed its spin-off in 2 companies, Empresas Melón S.A. and Inmobiliaria San Patricio S.A. As a result, SQM S.A. maintained its ownership of 14.05% in Empresas Melón S.A. and received the same ownership percentage in the new company.

On August 13, 2004, SQM S.A. transferred all 653,748,837 shares held in Inmobiliaria San Patricio S.A. to Blue Circle South American Holding S.A. This transfer was performed in accordance with the contract for acquiring shares of Empresas Melón in 1998.

On August 18, 2004, 653,748,837 shares of Empresas Melón S.A. representing all the shares held at the time by the Company (14.05% participation) were sold in a public auction on the Santiago Stock Exchange for ThUS$ 69,337. The proceeds were received in cash and a gain on sale of ThUS$ 8,179 was recorded in income (includes also effect of the transfer of shares in Inmobiliaria San Patricio S.A. to Blue Circle South American Holding S.A.).

- On November 18, 2004, the subsidiary Soquimich European Holding B.V. contributed ThUS$ 268 to a joint venture with SQM Eastmed Turkey.

- On January 27, 2003, SQM Comercial de México S.A. de C.V. and SQM Nitratos S.A. acquired 8,750 shares of the related company Fertilizantes Olmeca y SQM S.A. de C.V. which represented 50% of its share capital. Consequently, Fertilizantes Olmeca y SQM S.A. de C.V. became a 100% subsidiary of SQM. This transaction generated goodwill of ThUS$ 279. Subsequently, SQM Nitratos S.A. acquired from SQM Comercial de México S.A. de C.V. 8,749 shares in Fertilizantes Olmeca y SQM S.A. de C.V. This transaction did not produce goodwill.

· On March 30, 2003, Soquimich European Holding acquired 50% ownership of Mineag SQM Africa Ltd. from Ravlin Investment Limited for ThUS$ 990. Consequently, Mineag SQM Africa Ltd. became a subsidiary of SQM. This transaction did not produce goodwill.

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Note 8 - Investments in Related Companies (continued)

b) Significant events and transactions involving related companies in the years 2003-2005

· On April 28, 2003, SQM Comercial S.A. ("SQMC") acquired from Norsk Hydro ASA, 819,999 shares in Norsk Hydro Chile S.A. Simultaneously SQM Comercial Internacional Ltda., a subsidiary of SQMC, acquired the one remaining share in Norsk Hydro Chile S.A. and SQMC became the sole owner of 100% ownership of Norsk Hydro Chile S.A. This transaction generated goodwill of ThUS$ 1,282. Subsequently Norsk Hydro Chile changed its name to Comercial Hydro S.A.

· On June 30, 2003, SQM Nitratos S.A. acquired the shares owned by SQM S.A. in Sociedad Energía y Servicios S.A. The shares amounted to ThUS$ 2,422. This transaction resulted in the consolidation of all the shares of Energía y Servicios S.A. by one shareolder, SQM Nitratos S.A. Consequently under Chilean law, Energía y Servicios S.A. was dissolved and SQM Nitratos S.A. assumed all its assets and liabilities.

· On November 10, 2003, SQM Nitratos S.A. and SQM S.A. liquidated the subsidiary SQM Colombia Limitada.

· On November 18, 2003, the subsidiary Soquimich European Holding BV, provided capital of ThUS$ 676 to initiate a joint venture with the company Misr Specialty Fertilizer in Egypt.

c) Investments with less than 20% participation

Investments in which the Company has less than 20% participation but the capacity to exert significant influence, because SQM forms part of Board of Directors, have been accounted for using the equity method.

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Note 8 - Investments in Related Companies (continued)

d) Detail of investments in related companies

Company			**Ownership interest as of December 31,**			**Equity of investment as of December 31,**		**Net income (loss) for the year ended**			**Carrying value as of December 31,**		**Equity in net the y**
		Currency of origin	**2005**	**2004**	**2003**	**2005**	**2004**	**2005**	**2004**	**2003**	**2005**	**2004**	**2005**
			%	**%**	**%**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Ajay North America LLC	USA	US$	49.00	49.00	49.00	13,372	11,726	2,810	940	378	6,271	5,746	1,377
SQM Lithium Specialties LLC (1)	USA	US$	—	—	100.00	—	—	—	—	(2,858)	—	—	
Nutrisi Holding N.V.	Belgium	US$	50.00	50.00	50.00	6,658	5,559	1,609	1,480	1,104	3,329	2,649	805
Misr Specialty Fertilizers	Egypt	US$	47.49	47.49	25.00	4,504	3,803	(708)	(789)	—	2,139	1,806	(336
Ajay Europe S.A.R.L.	France	US$	50.00	50.00	50.00	5,086	4,646	1,063	140	—	2,258	2,323	532
Doktor Tarsa	Turkey	Euros$	50.00	50.00	50.00	4,876	2,170	429	590	738	2,438	1,085	214
Abu Dhabi Fertilizer Industries WLL Industries WLL	UAE	US$	50.00	37.00	37.00	3,520	3,227	13	84	174	1,760	1,194	6
Charlee SQM Thailand Co. Ltd.	Thailand	US$	40.00	—		2,000	—	—	—	—	800	—	
Impronta SRL	Italia	Euros$	50.00	50.00	50.00	1,778	1,016	(281)	342	755	889	508	(141
Sales de Magnesio Ltda.	Chile	Ch$	50.00	50.00	50.00	844	518	259	480	155	422	259	130
SQM Eastmed Turkey	Turkey	Euros$	50.00	50.00	—	464	536	—	—	—	232	268	
Rui Xin Packaging	China	US$	25.00	25.00	25.00	—	482	—	—	—	—	121	

Materials Sanhe Co.Ltd.													
Fertilizantes Naturales S.A.	Spain	Euros$	25.00	—		430	—	37	—	—	108	—	9
Empresas Melón S.A.	Chile	—	—	—	14.05	—	—	—	—	28,005	—	—	
Inmobiliaria San Patricio S.A.	Chile	—	—	—	—	—	—	—	—	—	—	—	
Asociación Garantizadora dePensiones	Chile	Ch$	3.31	3.31	3.31	908	835	—	—	—	30	28	
											20,676	15,987	2,596

(1) SQM Lithium Specialties LLC was company in development stage up to June 2004 and its net loss for the year 2003 was included directly in Other reserves in equity.

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Note 9 - Goodwill and Negative Goodwill

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

a) Goodwill

	Amortization for the year ended December 31,			**Net Balance as of December 31,**	
Company	**2005**	**2004**	**2003**	**2005**	**2004**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Doktor Tarsa	18	76	69	—	23
Soquimich Comercial S.A.	122	150	150	—	122
Empresas Melón S.A.	—	324	503	—	—
SQM Salar S.A.	40	43	43	—	40
SQM México S.A. de C.V.	56	56	56	891	947
SQM Potassium S.A.	144	144	144	1,591	1,735
Comercial Caiman Internacional S.A.	23	23	23	154	177
Fertilizantes Olmeca S.A. de C.V.	56	56	56	111	167
Comercial Hydro S.A.	176	140	90	1,294	1,305
Saftnits Pty Ltd.	290	61	—	—	317
SQM Dubai – FZCO	73	—	—	1,985	—
SQM Industrial S.A. (1)	1,072	—	—	21,183	12,637
Total	2,070	1,073	1,134	27,209	17,470

(1) As described in note 8 b), review of preliminary estimation of fair values of assets acquired and liabilities assumed in transaction of purchase of PCS Yumbes SCM (currently SQM Industrial S.A.) performed during 2005 resulted in adjustments to amounts previously determined and in consequence increase in value of goodwill.

b) Negative Goodwill

	Amortization for the year ended December 31,			**Net Balance as of December 31,**	
Company	**2005**	**2004**	**2003**	**2005**	**2004**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
SQM Salar S.A.	—	—	167	—	—

Minera Mapocho S.A.	203	203	203	68	271
Total	203	203	370	68	271

Note 10 - Other Long-term Assets

Other long-term assets are summarized as follows as of December 31, 2005 and 2004:

	2005	**2004**
	ThUS$	**ThUS$**
Engine and equipment spare-parts, net	19,289	24,734
Mine development costs	24,282	23,208
Pension plan	1,133	1,165
Construction of Salar-Baquedano road (1)	1,410	1,650
Deferred loan issuance costs	323	866
Other	1,722	1,518
Total	48,159	53,141

(1) Amortized on a straight line basis over a period of 30- years.

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Note 11 - Bank Debt

a) Short-term bank debt as of December 31, is detailed as follows:

	2005	2004
Bank or financial institution	**ThUS$**	**ThUS$**
Banco de Crédito e Inversiones	65,017	—
Banco Santander Santiago	20,005	—
Banco de Chile	—	6,019
CAM Caja Ahorros Mediterráneo	—	698
Fortis Bank	—	836
BBVA banco Bilbao Vizcaya Argentaria	—	240
Banco Atlántico	—	162
Total	85,022	7,955
Annual average interest rate	4.65%	2.48%

b) Long-term bank debt as of December 31, is detailed as follows:

	2005	2004
Bank or financial institution	**ThUS$**	**ThUS$**
Union Bank of Switzerland (1)	204,577	204,577
BBVA Banco Bilbao Vizcaya Argentaria (2)	100,303	—
Total	304,880	204,577
Less: current portion	(204,880)	(4,577)
Long-term portion	100,000	200,000

(1) US dollar-denominated loan, interest rate of 7.7% per annum, paid semi-annually. The principal is due on September 15, 2006.

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

c) The maturity of long-term debt as of December 31, is as follows:

	2005	2004

Years to maturity	**ThUS$**	**ThUS$**
Current portion (due within 1 year)	204,880	4,577
1 to 2 years	—	200,000
2 to 3 years	—	—
3 to 5 years	100,000	—
Total	304,880	204,577

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Note 12 - Accrued Liabilities and Provisions

As of December 31, 2005 and 2004, accrued liabilities are summarized as follows:

	2005	2004
	ThUS$	ThUS$
Provision for royalties	1,855	1,360
Provision for employee compensation and legal costs	7,145	1,570
Taxes and monthly income tax installment payments	2,909	861
Vacation accrual	8,126	6,932
Accrued employee benefits	186	216
Marketing expenses	246	246
Other accruals	3,283	1,082
Total current liabilities	23,750	12,267

Note 13 - Current and Deferred Income Taxes

a) As of December 31, 2005 and 2004, the Company has the following consolidated balances for distributable retained taxed earnings, income not subject to taxes, tax loss carry-forwards and credits for shareholders:

	2005	2004
	ThUS$	ThUS$
Accumulated tax basis retained earnings with tax credit	206,777	86,518
Accumulated tax basis retained earnings without tax credit	93,732	—
Tax loss carry-forwards (1)	232,644	225,638
Credit for shareholders	42,046	17,355

(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 corporate income tax rate in Chile was 17% in 2005 and 2004 and 16.5% in 2003.

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Note 13 - Current and Deferred Income Taxes (continued)

b) Deferred taxes

The deferred taxes as of December 31, 2005 and 2004 represented a net liability of ThUS$ 36,367 and ThUS$ 42,022, respectively, and consisted of:

As of December 31, 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	—	—	—
Other long-term provisions	—	620	—	—
Vacation accrual	1,322	—	—	—
Unrealized gain on sale of products	15,053	—	—	—
Provision for obsolescence of long-term assets	—	2,075	—	—
Production expenses	—	—	18,123	—
Accelerated depreciation	—	—	—	58,031
Exploration expenses	—	—	—	5,375
Capitalized interest	—	—	—	6,040
Staff severance indemnities	—	—	—	2,448
Accrued expenses	—	—	—	147
Tax losses carry-forwards	—	40,624	—	—
Accrued interest	149	—	—	—
Fair value acquisition adjustments	—	2,535	—	—
Other	1,462	3,834	—	182
Total gross deferred taxes	19,331	49,688	18,123	72,223
Complementary accounts	—	(4,692)	(1,508)	(23,850)
Valuation allowance	(188)	(35,518)	—	—
Deferred taxes	19,143	9,478	16,615	48,373
Total deferred taxes, net	2,528	—	—	38,895

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Note 13 – Current and Deferred Income Taxes (continued)

b) Deferred taxes (continued)

As of December 31, 2004	**Deferred tax asset**		**Deferred tax liability**	
	Short-term	**Long-term**	**Short-term**	**Long-term**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**
Temporary differences				
Allowance for doubtful accounts	1,324	—	—	—
Other long-term provisions	—	386	—	—
Vacation accrual	1,165	—	—	—
Unrealized gain on sale of products	8,748	—	—	—
Provision for obsolescence of long-term assets	—	1,835	—	—
Production expenses	7,872	—	23,044	—
Accelerated depreciation	—	—	—	53,890
Exploration expenses	—	—	—	5,336
Capitalized interest	—	—	—	5,849
Staff severance indemnities	—	467	—	2,028
Capitalized expenses	—	—	—	344
Tax losses carry-forwards	—	36,472	—	—
Losses on derivative transactions	85	—	—	—
Accrued interest	130	—	—	—
Other	1,466	1,856	217	179
Total gross deferred taxes	20,790	41,016	23,261	67,626
Complementary accounts	—	(5,815)	(2,584)	(25,955)
Valuation allowance	(8,046)	(27,619)	—	—
Deferred taxes	12,744	7,582	20,677	41,671
Total deferred taxes, net	—	—	7,933	34,089

c) Income tax expense for the years ended December 31, 2003, 2004 and 2005 is summarized as follows:

	2005	**2004**	**2003**
	ThUS$	**ThUS$**	**ThUS$**

Provision for current income tax	(37,428)	(14,435)	(2,829)
Effect of deferred tax assets and liabilities	10,844	(6,613)	(7,731)
Adjustment for tax expense (previous year)	(945)	(144)	56
Effect of amortization of complementary accounts	(3,084)	(6,022)	(5,917)
Effect on deferred tax assets and liabilities due to changes in valuation allowance	(1,350)	—	236
Other tax charges and credits	(564)	(94)	129
Total income tax expense	(32,527)	(27,308)	(16,056)

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Note 14 – Staff Severance Indemnities

Staff severance indemnities as of December 31, are summarized as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Opening balance	11,875	10,127	9,143
Increases in obligation	5,193	3,301	2,283
Benefits paid	(3,379)	(2,245)	(2,802)
Foreign currency translation	1,000	692	1,503
Other changes	1,726	—	—
Balance as of December 31	16,415	11,875	10,127

Note 15 – Minority Interest

Minority shareholders' participation in the shareholders' equity and results of the Company's subsidiaries as of each year-end is as follows:

	Participation in equity as of December 31,		Participation in income (loss) for the years ended December 31,		
	2005	2004	2005	2004	2003
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Soquimich Comercial S.A.	32,234	30,741	(84)	(4,442)	(3,107)
Ajay SQM Chile S.A.	3,200	3,313	(827)	(488)	(250)
Cape Fear Bulk LLC	93	146	(118)	(144)	(94)
SQM Italia S.R.L	23	20	(3)	2	—
SQM Nitratos México S.A. de C.V.	(39)	(46)	(7)	(37)	86
Fertilizantes Naturales S.A.	—	258	—	(32)	(63)
SQM Indonesia S.A.	(2)	(2)	—	2	(1)
Mineag SQM Africa Ltda.	—	—	—	—	(225)
Total	35,509	34,430	(1,039)	(5,139)	(3,654)

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Note 16 – 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, 2003	263,196,524	477,386	125,111	(3,661)	210,624	40,202	849,662
Transfer 2001 net income to retained earnings	—	—	—	—	40,202	(40,202)	—
Declared dividends 2003	—	—	—	—	(19,894)	—	(19,894)
Accumulated deficit from subsidiaries in development stage (1)	—	—	—	(2,858)	—	—	(2,858)
Other comprehensive income (2)	—	—	16,309	—	—	—	16,309
Net income	—	—	—	—	—	46,753	46,753
Balance as of December 31, 2003	263,196,524	477,386	141,420	(6,519)	230,932	46,753	889,972
Balance as of January 1, 2004	263,196,524	477,386	141,420	(6,519)	230,932	46,753	889,972
Transfer 2003 net income to retained earnings	—	—	—	—	46,753	(46,753)	—
Declared dividends 2004	—	—	—	—	(23,192)	—	(23,192)
Accumulated deficit from subsidiaries in development stage (1)	—	—	—	(1,851)	—	—	(1,851)
Other comprehensive income (2)	—	—	9,467	—	—	—	9,467
Net income for the year	—	—	—	—	—	74,232	74,232
Balance as of December 31, 2004	263,196,524	477,386	150,887	(8,370)	254,493	74,232	948,628

Balance 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)
Other comprehensive income (2)	—	—	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

(1) The only subsidiary that was in a development stage during 2003 and 2004 was SQM Lithium Specialties LLC and therefore was not included in the consolidation. The equity value of this investment was recorded under caption Investments in related companies and the proportional share of the accumulated deficit during the development stage was included in Other reserves within shareholders' equity. Since July, 2004 results of this entity are included in the consolidated financial statements.

(2) Movements of Other comprehensive income during the years ended December 31, 2003, 2004 and 2005 include cumulative translation adjustment related to Chilean investments measured in Chilean pesos, foreign investments and the effect of changes in the valuation of the Company's pension plan. Details are presented in point b) below.

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Note 16 – Shareholders' Equity (continued)

b) Other comprehensive income in the years ended December 31, 2003, 2004 and 2005 and other reserves balance as of December 31, 2004 and 2005 are as follows:

	For the year ended December 31,			As of December 31,	
	2005	2004	2003	2005	2004
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Technical appraisal	—	—	—	151,345	151,345
Changes in other comprehensive income related to investments:					
Soquimich Comercial S.A. (1)	5,522	3,242	6,421	6,268	746
Isapre Norte Grande Ltda. (1)	—	14	—	(83)	(83)
Inversiones Augusta S.A. (1)	—	—	—	(761)	(761)
SQM Ecuador S.A.1	—	—	—	(271)	(271)
Almacenes y Depósitos Ltda.(1)	78	34	1	22	(56)
Asociación Garantizadora de Pensiones (1)	2	2	2	(11)	(13)
Empresas Melón S.A. (1)	—	6,190	9,446	—	—
Sales de Magnesio Ltda. (1)	7	—	69	59	52
SQM North America Corp. (2)	792	(15)	370	—	(792)
Other Companies (1)	(1)	—	—	719	720
Total other comprehensive income	6,400	9,467	16,309	157,287	150,887

(1) Corresponds to translation adjustments and price-level restatement
(2) Corresponds to a change in the valuation of the Company's pension plan.

c) Paid-in 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.

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Note 17 – Derivatives Instruments

Derivative instruments are recorded at their fair value as of year-end. Changes in fair value are recognized in income with the asset or liability recorded in Other current assets or liabilities. Losses from options relate to fees paid by the Company to enter into such contracts. As of December 31, 2005 and 2004, the Company's derivative instruments are as follows:

2005

Type of derivative	Notional or covered amount ThUS$	Expiration	Risk type	Position Purchase/Sale (P/S)	(Liability)Asset amount ThUS$	Income (loss) effect ThUS$
Currency Option	31,279	1st quarter of 2006	Exchange rate	P	62	62
Currency Option Option	5,747	1st quarter of 2006	Exchange rate	P	(49)	(49)
US dollar Forward	7,726	1st quarter of 2006	Exchange rate	P	(176)	(176)
	44,752				(163)	(163)

2004

Type of derivative	Notional or covered amount ThUS$	Expiration	Risk type	Position Purchase/Sale (P/S)	(Liability)Asset amount ThUS$	Income (loss) effect ThUS$
US dollar Forward	1,013	1st quarter of 2005	Exchange rate	P	(108)	(108)
US dollar Forward	4,629	1st quarter of 2005	Exchange rate	S	110	110
US dollar Forward	399	2nd quarter of 2005	Exchange rate	S	42	42
US dollar Forward	10,004	1st quarter of 2005	Arbitration	P	(539)	(539)
US dollar Forward	5,187	1st quarter of 2005	Exchange rate	S	(207)	(207)
Currency Option	38,721	1st quarter of 2005	Exchange rate	P	(893)	(893)

Currency Option	43,884	2nd quarter of 2005	Exchange rate	P	(1,012)	(1,012)
Currency Option	25,814	3nd quarter of 2005	Exchange rate	P	(595)	(595)
Currency Option	20,651	4st quarter of 2005	Exchange rate	P	(476)	(476)
	150,302				(3,678)	(3,678)

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Note 18 – Non-Operating Income and Expenses

a) Details of non-operating income for the years ended December 31, 2003, 2004 and 2005 are as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Interest income	5,530	3,650	2,957
Equity participation in net income of unconsolidated investees	3,073	4,897	5,529
Insurance recoveries	213	546	154
Write-off of liabilities	2,204	388	422
Net foreign exchange gain and price-level restatement	—	—	6,590
Sale of mining concessions	298	635	135
Sale of materials and services	438	190	628
Gain on sale of investments in related companies	—	8,179	—
Rental of property, plant and equipment	1,015	774	736
Compensation obtained from third parties	737	—	—
Payment discounts obtained from suppliers	1,026	452	606
Other income	1,899	1,118	897
Total	16,433	20,829	18,654

b) Details of non-operating expenses for the years ended December 31, 2003, 2004 and 2005 are as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Interest expense	16,663	18,782	21,777
Net foreign currency exchange loss and price-level restatement	3,804	475	—
Non-capitalizable exploration project expenses and provisions for damages and liquidation of assets	13,489	9,262	8,965
Equity participation in net losses of unconsolidated investees	477	387	1
Amortization of goodwill	2,070	1,073	1,134
Work disruption expenses	584	568	1,640
Increase in provision for employee compensation and legal costs	7,986	533	1,442
	678	—	—

Change of discount rate for staff severance indemnities provision			
Allowances for materials, spare parts and supplies	1,188	1,628	881
Allowance for doubtful accounts	151	2,500	687
Non-recoverable taxes	647	531	690
Consulting services	314	175	282
Donations	896	533	235
Penalties	238	161	415
Other expenses	1,570	1,812	1,664
Total	50,755	38,420	39,813

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Note 19 – Price-level Restatement

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

	(Charge) credit to income from operations for the year ended December 31,		
	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Property, plant and equipment	239	173	60
Other assets and liabilities	(248)	(286)	193
Shareholders' equity	(2,846)	(1,577)	(459)
Subtotal price-level restatement	(2,855)	(1,690)	(206)
Net adjustment of assets and liabilities denominated in UF	—	(23)	188
Net price-level restatement	(2,855)	(1,713)	(18)

Note 20 – Assets and Liabilities Denominated in Foreign Currencies and Indexation Units

As of December 31, 2004 and 2005, assets and liabilities denominated in foreign currency and indexation units are as follows:

	As of December 31,	
	2005	2004
	ThUS$	ThUS$
Assets		
Chilean pesos	81,583	81,886
US dollars	1,433,629	1,175,983
Euros	24,742	30,996
Japanese Yen	6,466	3,889
Brazilian Real	304	348
Mexican pesos	11,331	6,926
UF	57,906	49,785
South African Rand	9,321	9,214
Dirhams	11,954	—
Other currencies	3,332	2,345
Current liabilities		
Chilean pesos	65,355	51,877

US dollars	347,141	54,437
Euros	5,369	10,927
Japanese Yen	133	75
Brazilian Real	1,245	796
Mexican pesos	3,230	9,696
UF	3,544	1,177
South African Rand	1,792	2,140
Dirhams	411	—
Other currencies	48	119
Long-term liabilities		
Chilean pesos	16,358	10,531
US dollars	138,950	235,310
Japanese Yen	—	121
UF	1,065	1,106
Other currencies	2	2

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Note 21 – Additional cash flow statement information

Amounts included in other investing income in Statements of cash flows are summarized as follows:

	For the years ended December 31,		
	2005	**2004**	**2003**
	ThUS$	**ThUS$**	**ThUS$**
Loans to employees (made) received, net	(75)	219	3,221
Cash of acquired and newly consolidated entities (1)	911	23	4,343
Sale of mining concessions	509	635	135
Total	1,345	877	7,699

(1) In 2003 corresponds to the consolidation of newly acquired subsidiaries Mineag SQM Africa Limited, Fertilizantes Olmeca SQM S.A. de C.V. and Comercial Hydro S.A. In 2004 corresponds to consolidation of subsidiary previously being in development stage (SQM Lithium Specialities LLP) and acquisition of PCS Yumbes SCM (currently SQM Industrial S.A.). In 2005 corresponds to acquisition of SQM Dubai - Fzco.

Note 22 – Commitments and Contingencies

I. Contingencies:

a) Lawsuits and other legal actions

The Company and its subsidiaries are involved in litigations in the ordinary course of business. Based on the advice of legal counsel, management believes that the results of these litigations will not have a material effect on the consolidated financial statements. Details of the most important litigations of which the Company is party to are provided below:

1. 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: Evidence provided
   Nominal amount: ThUS$ 150

2. Plaintiff: Mario Miles Andrade
   Defendants: Constructora Fe Grande S.A. and subsidiary and jointly and severally SQM S.A. and its insurers
   Date of lawsuit: June 2005
   Court: Labor Court of Antofagasta

	Cause:	Work accident
	Instance:	The demand has been contested
	Nominal amount:	ThUS$ 270
3.	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:	The demand has been contested
	Nominal amount:	ThUS$ 1,350

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Note 22 – Commitments and Contingencies (continued)

I. Contingencies (continued)

a) Lawsuits and other legal actions (continued):

4. Plaintiff: Marina Arnéz Valencia
Defendants: Intro Ingeniería Limitada and subsidiary and joint and severally SQM S.A. and its insurers
Date of lawsuit: September 2005
Court: Labor Court of Antofagasta
Cause: Work accident
Instance: Evidence provided
Nominal amount: ThUS$ 475

5. 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

6. Plaintiff: Juana Muraña Quispe
Defendants: Intro Ingenieria 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: Rejoinder
Nominal amount: ThUS$ 1,500

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 26).

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 in December 2005 to the respective authorities.

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Note 22 – Commitments and Contingencies (continued)

II. Commitments:

1. 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 fee that is being paid since the beginning of the agreement in 1996 amounted to ThUS$ 6,752 in 2005 (ThUS$ 4,910 in 2004 and ThUS$ 4,024 in 2003).

2. The Company has certain indirect guarantees, which relate to agreements with no remaining payments pending. These guarantees are still in effect and have been approved by the Company's Board of Directors; however, they have not been used by the subsidiaries.

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

Note 23 – Third Party Guarantees

As of December 31, 2005 and 2004 the Company has the following indirect guarantees outstanding:

	Debtor		Balances outstanding	
Beneficiary	**Name**	**Relationship**	**2005**	**2004**
			ThUS$	**ThUS$**
Phelps Dodge Corporation	SQM Potasio S.A.	Subsidiary	—	957
BBVA Banco Bilbao Vizcaya Argentaria	Royal Seed Trading Corp. A.V.V.	Subsidiary	100,303	—

Note 24 – Guarantees obtained from third parties

Tattersall Comercial S.A. has made several guarantees of up to ThUS$ 1,000 to assure compliance of its obligations related to commercial mandate agreement for the distribution and sale of fertilizers with Soquimich Comercial S.A.

Note 25 – Sanctions

During 2005, 2004 and 2003, the SVS did not apply sanctions to the Company, its directors or managers.

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Note 26 – Environmental Projects

Disbursements incurred by the Company during the years ended December 31, 2005, 2004 and 2003 relating to investments in production processes and compliance with environmental regulations related to industrial processes and facilities are as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Project			
Environmental department	596	544	383
Risk and security management	424	—	—
Dust emission control	962	—	—
Light normalization	378	—	—
Improvement of mining operations	220	—	—
Boratos sewage treatment plant	—	281	555
Tocopilla project	—	615	792
Engineering and building of María Elena piles	—	2,667	2,014
Treatment plant MOP	—	208	208
Other	811	1,242	408
Total	3,391	5,557	4,360

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 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 was published in Decree No. 37/2004 in March 2004, and it demands to reduce 80% of the emissions for atmospheric particulate material in two years. We design a new project that modifies the milling and screening systems used in the processing of the caliche ore at María Elena facilities, which should allow for the necessary reduction of particulate material emissions. An environmental impact study for the project was presented to the Environment Commission and it was approved through Resolution No. 270 in October 2005, with a construction program of nine months. Upon issuing the approval for the environmental impact study, the Environmental Commission issued Decree N°53975, which authorizes this project as the one through which we will comply with the emission reductions asked for in Decree No. 37/2004. The project is under construction and its start up is scheduled for August 2006.

Company's 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.

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Note 26 – Environmental Projects (continued)

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.

Note 27 – Significant Events

- On January 19, 2005, the Company's Board of Directors informed the SVS that, in an Ordinary Session of the Board on January 18, 2005, they accepted the voluntary and irrevocable resignation of Mr. Avi Milstein as Director and appointed Mr. Daniel Yarur E. in his place.

- On February 25, 2005, Royal Seed Trading Corp A.V.V., a subsidiary of Sociedad Química y Minera de Chile S.A., entered into a syndicated loan for ThUS$ 100,000, guaranteed by its Parent Company, with the following banks: BBVA Securities Inc., BNP Paribas and Rabobank Curacao N.V. The loan matures in 5 years, with quarterly interest payments at an initial annual interest rate of Libor + 0.325%, which could vary depending on any possible future modifications in the subsidiary's external debt classification. There are no real guarantees associated with this loan.

- Inversiones El Boldo Limitada, owner of more than 10% of voting right shares issued of SQM S.A. and subsidiary of Potash Corporation of Saskatchewan Inc., on April 25, 2005 requested from the Board of directors of SQM S.A. that it requests an Extraordinary Shareholders' Meeting of the Company to vote as to the convenience of either eliminating or not Series A and B shares - and preferences related to these series - in which the Company's capital is currently divided through the amendment of the pertinent articles of the Company's by-laws required to reflect this possible elimination and; alternately, and provided that the shareholders do not approve this elimination, to modify article 31 of these by-laws with the purpose of incorporating in this article the concept of "related persons" already included in Article 31 Bis of the aforementioned by-laws. The Company's Board of Directors unanimously agreed on its meeting held on April 26, 2005 to summon such a meeting for May 25, 2005.

- At the General Ordinary Shareholders' Meeting of April 29, 2005, the shareholders, among others, agreed the following:

(i) Approved the distribution and payment of a final dividend from 2004 net income for a total of Ch$ 106.56029 per share in one single payment from May 12, 2005.

(ii) Approved the payment of UF 50 to each member of the Board of Directors' Committee regardless of the number of meetings that this Committee may or not have during the respective month and establish an annual budget for expenses for this Committee and its advisors of UF 1,800.

(iii) Appoint Wayne R. Brownlee, Hernán Büchi B., José María Eyzaguirre B., Julio Ponce L., José Antonio Silva B., Wolf von Appen, Kendrick T. Wallace and Daniel Yarur E. as new directors of SQM S.A. and approved remuneration payable to these members of the Board during the next twelve months, which are the same as those approved at the Company's previous General Ordinary Shareholders' Meeting.

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Note 27 – Significant Events (continued)

- During July 2005, the French Arbitrage Association ("AFA") pronounced its sentence in the process that Compagnie du Guano de Poisson Angibaud S.A. and Generale de Nutrition Vegetales SAS, which are member companies of the Angibaud Group ("Angibaud"), filed in Paris, France during 2002 a lawsuit against Soquimich European Holdings B.V., NU3 and SQM France S.A., all of which are subsidiaries of SQM for damages that Angibaud would have experienced due to the termination of business relationships between both groups of companies.

Angibaud filed a lawsuit for the amount of ThEuro 30,295 and the AFA in a sentence that partially accepted this claim ordered that SQM pays the amount of approximately ThUS$ 6,000, including expenses and interest to Compagnie du Guano de Poisson Angibaud S.A. and Generale de Nutrition Vegetales SAS.

With no prejudice of the foregoing, SQM has made an accrual of ThUS$ 6,000 to pay the amounts indicated in the aforementioned sentence.

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Note 28 – Subsequent Events

- 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. into SQM Industrial S.A. through the dissolution of SQM Procesos S.A. and its incorporation into SQM Industrial S.A., which in effect acquires all assets and liabilities of SQM Procesos S.A.

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

The purchase price was ThUS$ 72,000 and it was paid in cash. This, with no prejudice of certain minor adjustments that will have to 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 the charge to the values of these accounts and products of certain liabilities that were part of the accounting records of these three new subsidiaries of SQM S.A. - DSM Minera S.A., DSM Minera B.V. and Exploraciones Mineras S.A.

- On January 24, 2006, Sociedad Química y Minera de Chile S.A has placed in the Chilean market an unguaranteed bond for the nominal amount of UF 3 million with a term of 21 years and an annual interest rate of 4.18% to refinance liabilities and fund investments projects for the year 2006.

- On January 24, 2006, Soquimich European Holding B.V. and Nutrisi Holding N.V. acquired 334 and 666 shares, respectively of Fertilizantes Naturales S.A. in ThEuro 75,100 thereby increasing their ownership to 33.35% and 66.65%, respectively.

- On April 15, 2006, SQM placed in the US market a bond, of US$ 200 million with an annual interest rate of 6.125%. The interest will be paid semi-annually and the capital will be paid in a single amortization in April 2016. The Funds obtained will be used to refinance existing indebtedness maturing in September 2006.

Management is not aware of any other significant subsequent events that have occurred after December 31, 2005 and that may affect the Company's financial position or the interpretation of these financial statements.

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles

Accounting principles generally accepted in Chile vary in certain important respects from accounting principles generally accepted in the United States. Such differences involve certain methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP.

The principal differences Between Chilean GAAP and US GAAP are described below together with explanations, where appropriate, of the method used in the determination of the adjustments that affect net income and total shareholders' equity. References below to "SFAS" are to Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board of the United States of America.

The preparation of financial statements in conformity with Chilean GAAP, along with the reconciliation to US GAAP, 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.

I. Differences in measurement methods

The principal methods applied in the preparation of the accompanying financial statements, which have resulted in amounts that differ from those that would have otherwise been determined under US GAAP, are as follows:

a) Revaluation of property, plant and equipment

As described in Note 2 k), certain property, plant and equipment are reported in the financial statements at amounts determined in accordance with a technical appraisal performed in 1988. US GAAP does not allow the revaluation of property, plant and equipment. The effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation charge for each year are set-forth under paragraph I o) below.

b) Deferred income taxes

On January 1, 2000 the Company began applying Technical Bulletin No. 60 ("BT 60"), and related amendments, of the Chilean Association of Accountants concerning deferred income taxes. These regulations require the recognition of deferred income taxes for all temporary differences arising after January 1, 2000, using the liability method. Prior to implementation of BT 60 and related amendments, no deferred income taxes were recorded under Chilean GAAP if the related timing differences were expected to be offset in the year that they were projected to reverse by new timing differences of a similar nature. In order to mitigate the effects of not recording deferred income taxes under the prior deferred income tax accounting standard, BT 60 provided for a period of transition whereby a transitional provision, a contra asset or liability (referred to as "complementary") was recorded, offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra assets or liabilities must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates.

For US GAAP purposes, the Company applies SFAS 109 Accounting for Income Taxes, whereby income taxes are also recognized using the same asset and liability approach with deferred income tax assets and liabilities established for temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities based on enacted tax rates.

The primary differences between Chilean GAAP and US GAAP relates to the reversal of complementary accounts and their amortization recorded in accordance with the transition provisions of BT 60 as well as to the recognition of the deferred income tax effect of US GAAP adjustments, the effect of which is set-forth under paragraph I o) below. Additional disclosures required under SFAS 109 are set forth under paragraph II b) below.

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c) Translation of foreign currency financial statements and price-level restatement

In accordance with Chilean GAAP, the financial statements of subsidiaries which do not maintain their accounting records in US dollars, are translated from local currency to US dollars as described in Note 2 d).

For the purposes of reconciling to US GAAP, the Company applies SFAS 52 Foreign Currency Translation ("SFAS 52"), which requires a functional currency translation approach. Under SFAS 52 the Company has determined that the US dollar is the functional currency of all domestic and foreign subsidiaries. Accordingly, financial statements of subsidiaries, which do not maintain their accounting records in US dollars, are remeasured into US dollars, after the elimination of price-level adjustments, if any, as follows:

(i) Balance sheet accounts:

· Monetary assets and liabilities are translated at the year-end exchange rate; and

· Non-monetary assets and liabilities and shareholders' equity are translated at historical exchange rates.

(ii) Income statement accounts:

· Depreciation and amortization expense and other accounts derived from non-monetary assets and liabilities are translated at historical rates; and

· All other accounts are translated at monthly-average exchange rates, which approximate the actual rates of exchange at the date the transactions occurred.

Remeasurement gains and losses are included in the determination of net income for the period.

As described in the Note 2 c) under Chilean GAAP financial statements of domestic subsidiaries that maintain their records in Chilean pesos include effects of the inflation (price-level-restatement) in Chile. Under US GAAP Chile does not meet definition of highly inflationary economy and consequently effects of inflation accounting needs to be reversed.

The effect of eliminating price-level restatement and the effects of translation of financial statements of subsidiaries that maintain their records in currencies other than US dollar are included in paragraph I o) below.

d) Investment in Empresas Melón S.A.

During 1998, the Company purchased a 14.05% participation in Empresas Melón S.A., ("Melón") cement manufacturing company. Pursuant to a shareholders agreement, until August of 2004 the Company exerted significant influence over Melón and thus it accounted for this investment for both Chilean GAAP and US GAAP under the equity method. As mentioned in Note 8 this investment was sold during 2004. Significant adjustments between Chilean GAAP and US GAAP relating to the investment in Melón are described below.

d-1) Purchase accounting adjustments

At the time of acquisition of participation in Melón, under Chilean GAAP, the Company recorded goodwill on the transaction, calculated as the difference between the purchase price and the proportionate share in the net assets acquired at their book values. Such goodwill was being amortized over a period of 20 years.

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d) Investment in Empresas Melón S.A. (continued)

Under US GAAP, the Company calculated goodwill as the difference between the purchase price and the proportionate participation in the fair values of the assets acquired and liabilities assumed. As a result proportionate share in the Melón's net assets measured at fair values exceeded acquisition cost. In accordance with US GAAP such difference was allocated to property, plant and equipment acquired, reducing the accounting base, and consequently the depreciation of those assets.

The effects of reversing goodwill and its related amortization recorded under Chilean GAAP and the recognition of the new basis of assets and liabilities and subsequent depreciation are set forth in paragraph I o) below.

d-2) Accounting for participation in Melón on US GAAP basis

Within the period in which SQM exerted significant influence over Melón it recognized its participation of income (loss) and net assets of that entity using equity method. For the purposes of the Company's US GAAP reconciliation US GAAP information of Melón was prepared. The principle differences between Chilean GAAP and US GAAP in Melón related to deferred taxes and the elimination of price-level restatement.

In addition under US GAAP the financial statements of Melón were converted into dollars in accordance with SFAS 52 as described in paragraph c) above. The effect of recognizing income and net assets under the equity method under US GAAP and effects of conversion to US dollars in accordance with SFAS 52 are set forth in paragraph I o) below.

d-3) Sale of investment in Melón on US GAAP basis

As discussed above in 2004 the Company sold its participation in Melón. As a result of differences in purchase accounting and subsequent measuring of income from the investment as discussed in points d-1) and d-2) above value of investment sold was different for Chilean GAAP and for US GAAP. Consequently adjustment to the result of the sale of participation in Melón is included in the reconciliation to US GAAP in paragraph I o) below.

e) Consolidation of subsidiaries in the development stage

Under Chilean GAAP subsidiaries in the development stage are not consolidated and their results from operations are not included in the consolidated income statement. For purposes of US GAAP, these subsidiaries must be consolidated and their results should be recorded in the income statement. Until June 30, 2004, SQM Lithium Specialties LLP was the development stage company. The effects of recognizing its net loss for the years ended December 31, 2003 and 2004 is set forth in paragraph I o) below.

f) Minimum Dividend

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of the holders of issued and subscribed shares, an open stock corporation must distribute a cash dividend in an amount equal to at least 30% of the company's net income before amortization of negative goodwill for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Company has unabsorbed prior year losses. Since the payment of the 30% dividend out of each year's income is a legal requirement in Chile, a provision has been made in the accompanying US GAAP reconciliation in paragraph I o) below to recognize the corresponding decrease in net equity at December 31 for each year for the difference between 30% of net income and interim dividends paid during the year.

Net income related to the amortization of negative goodwill can only be distributed as an additional dividend by the approval of the shareholders, and accordingly, is not included in the calculation of the minimum dividend to be distributed.

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g) Loans to Employees

During 1989, 1995 and 2000, the Company loaned, in the aggregate, ThUS$ 1,452, ThUS$ 8,224 and ThUS$ 6,435, respectively, at market interest rates, to certain employees for the purpose of acquiring shares of the Company in the open market. In accordance with US GAAP, the remaining unpaid balance of such loans, amounting to ThUS$ 288, ThUS$ 764 and ThUS$ 1,102 at December 31, 2005, 2004 and 2003, respectively, has been treated as a reduction of shareholders' equity under paragraph I o) below.

h) Staff Severance Indemnities

The Company has negotiated certain collective bargaining agreements with employees for staff severance indemnities. Under Chilean GAAP the liability has been recorded at the present value of the accrued benefits which are calculated by applying a real discount rate to the benefit accrued over the estimated average remaining service period.

h) Staff Severance Indemnities (continued)

Under US GAAP, termination indemnity employee benefits should be accounted for in accordance with SFAS 87 consistent with that of a defined benefit pension plan, measuring the liability by projecting the future expected severance payments using an assumed salary progression rate, net of inflation adjustments, mortality and turnover assumptions, and discounting the resulting amounts to their present value using real interest rates. The effect of accounting for the indemnities in accordance with SFAS 87 is set forth under paragraph I o) below. Additional disclosure requirements are presented in paragraph II m) below.

i) Marketable securities

The Company’s marketable securities may be sold in the short term if appropriate based on market conditions. Under Chilean GAAP, these securities are valued at the lower of cost or market value. Under US GAAP such securities are classified as available-for-sale and are shown at market value in the balance sheet with any unrealized gains or losses recognized in other comprehensive income. The unrealized gains and losses related to these securities are not material for the periods presented.

j) Derivatives

In June 1998, the Financial Accounting Standards Board issued SFAS 133 *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”). SFAS 133 requires that all of a company’s derivative instruments be recorded in the balance sheet at fair value and that changes in a derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting

j-1) Sale of swaps

During 2000, the Company sold three interest rate swap contracts with original expiration dates in 2001 and 2003, which generated a gain of ThUS$3,213. Under Chilean GAAP, the gain was recognized in income at the time of sale. Under US GAAP, the gain is deferred and amortized over the effective life of the instruments that it hedged. The effect of deferring the gain is set forth under paragraph I p) below.

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j) Derivatives (continued)

j-2) Fair value accounting of derivatives

The Company enters into forward exchange and currency option contracts principally to mitigate the risk associated with maintaining certain accounts receivable in foreign currencies. The purpose of the Company's foreign currency-hedging activities is to protect the Company from the risk that cash flows will be adversely affected by changes in exchange rates resulting from the collection of receivables from international customers. The effects of accounting for derivatives under Chilean GAAP are recorded in income.

The Company periodically uses interest rate swap agreements to manage interest rate risk on its floating rate debt portfolio. Interest rate swap agreements are generally entered into at the time floating rate debt is issued, in order to convert the floating rate debt to a fixed rate. As of December 31, 2005 the Company had no interest rate swap contracts in place.

The Company does not have the documentation and hedge effectiveness to qualify for hedge accounting, as required under SFAS 133. Therefore all derivatives have been accounted at fair value with changes in fair value recorded in income.

The effect of measuring the derivative instruments at their fair value and the corresponding effect in income is set forth under paragraph I o) below.

k) Business combinations and Goodwill

Under Chilean GAAP, goodwill is amortized over the estimated period of return of the investment made. Impairment tests are only performed if there is evidence of impairment. No impairment has been recognized for any of the periods presented under either Chilean GAAP or US GAAP.

For US GAAP purposes, the Company adopted SFAS 142 Goodwill and Other Intangible Assets (“SFAS 142”), as of January 1, 2002, and did not amortize goodwill related to acquisitions made after June 30, 2001.

The Company has performed the required annual impairment test, which did not result in any impairment.

The effect of reversing the amortization of goodwill under Chilean GAAP is set forth under paragraph I o) below.

l) Negative goodwill

Under Chilean GAAP until December 31, 2003, negative goodwill was calculated as the excess of the net assets acquired in a business combination transaction over the purchase price. Beginning January 1, 2004, the Company adopted Technical Bulletin No. 72 of the Chilean Association of Accountants that changes the basis for accounting for negative goodwill, introducing the fair value of the acquired net assets as the basis to be compared with purchase price in order to determine goodwill or negative goodwill.

Negative goodwill recognized under Chilean GAAP was generated on the acquisition of the investments in SQM Salar S.A. and Minera Mapocho S.A. Under Chilean GAAP, such negative goodwill was capitalized as a credit to the balance sheet and is being amortized over a period of 10 years.

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l) Negative goodwill (continued)

Under US GAAP, prior to the adoption of SFAS 142, negative goodwill was considered as a reduction of the long-term assets of the acquired company, and if a credit remained after reducing those assets to zero, negative goodwill was recorded and amortized over the period of expected benefit. However, in the period of adoption, SFAS 141, Business Combinations requires that unamortized negative goodwill be written off and the resulting gain be recognized as an effect of a change in accounting principle. The effects of reversing goodwill recorded and its related amortization, the recognition of the new basis of assets and liabilities and subsequent depreciation and writing off the remaining balance of negative goodwill are set-forth in paragraph I o) below as follows:

l-1: The reversal of negative goodwill amortization recorded under Chilean GAAP.

l-2: The effects of reducing depreciation expense, due to the allocation of the excess purchase price to property, plant and equipment;

m) Capitalized interest

In accordance with Chilean GAAP, only those legal entities that have financial expenses may capitalize interests on debt related to property, plant, equipment under construction and other projects.

Under US GAAP, the capitalization of interest on qualifying assets under construction is required, regardless of whether interest is associated with debt directly related to a project. The accounting differences between Chilean and US GAAP for financing costs and the related depreciation expense are included in the reconciliation to US GAAP under paragraph I o) below.

n) Minority interest

The effects on the minority interest of the US GAAP adjustments in subsidiaries that are not wholly-owned by the Company have been reflected in Minority interest and are included in paragraph I o) below.

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

o) Effects of conforming to US GAAP

The adjustments to reported net income required to conform to US GAAP are as follows:

	For the years ended December 31,		
	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Net income in accordance with Chilean GAAP	**113,506**	**74,232**	**46,753**
Revaluation of property, plant and equipment (paragraph a)	2,132	4,367	4,580
Deferred income taxes (paragraph b)	2,236	6,022	5,917
Translation of foreign currency financial statements (paragraph c)	8,994	5,318	7,455
Purchase accounting adjustments - Empresas Melón S.A. (paragraph d-1)	—	(34)	(264)
Accounting for participation in Melón on US GAAP basis (paragraph d-2)	—	(467)	250
Cost of sale of Empresas Melón S.A. on US GAAP basis (paragraph d)	—	2,336	—
Consolidation of subsidiaries in the development stage (paragraph e)	—	(1,851)	(2,858)
Staff severance indemnities (paragraph h)	(836)	(618)	(1,902)
Derivatives - sale of swaps (paragraph j-1)	—	—	175
Derivatives - fair value accounting of derivatives (paragraph j-2)	1,483	(1,483)	309
Goodwill (paragraph k)	1,718	749	631
Negative goodwill (paragraph l)			
l-1: Reversal of negative goodwill amortization	(203)	(213)	(370)
l-2: Depreciation of property, plant and equipment	113	123	104
Capitalized interest (paragraph m)	(91)	(91)	—
Minority interest (paragraph n)	(3,576)	(2,115)	(3,041)
Deferred income tax effect of the above US GAAP adjustments	(272)	551	35
Net income under US GAAP	**125,204**	**86,826**	**57,774**
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment	792	(15)	370
Translation adjustment	—	6,460	8,802
Deferred gain from sale of swaps (paragraph j-1)	—	—	(146)

Total comprehensive income under US GAAP	**125,996**	**93,271**	**66,800**

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

o) Effects of conforming to US GAAP (continued)

The adjustments required to conform shareholders' equity amounts under Chilean GAAP to US GAAP are as follows:

	As of December 31,	
	2005	**2004**
	ThUS$	**ThUS$**
Shareholders' equity in accordance with Chilean GAAP	**1,020,416**	**948,628**
Revaluation of property, plant and equipment: (paragraph a)		
a-1: Property, plant and equipment	(133,768)	(133,768)
a-2: Accumulated depreciation	99,729	97,597
Deferred income taxes (paragraph b)	(26,648)	(28,884)
Translation of foreign currency financial statements (paragraph c)		
c-1: Property, plant and equipment, net	(2,377)	(1,637)
c-2: Accumulated depreciation	921	722
c-3: Inventory	(728)	(1,198)
c-4: Goodwill, net	(408)	(297)
Minimum dividend (paragraph f)	(34,053)	(22,270)
Employer loans used to purchase shares (paragraph g)	(288)	(764)
Staff severance indemnities (paragraph h)	(4,926)	(4,090)
Fair value of derivatives (paragraph j-2)	—	(1,483)
Goodwill (paragraph k)	3,813	2,094
Negative goodwill: (paragraph l)		
l-1: Property, plant and equipment	(3,156)	(3,156)
l-1: Accumulated depreciation of property, plant and equipment	1,796	1,683
l-2: Negative goodwill	3,156	3,156
l-2: Accumulated amortization of negative goodwill	(3,088)	(2,885)
Capitalized interest (paragraph m)		
m-1: Property, plant and equipment	1,643	1,643
m-2: Accumulated depreciation	(182)	(91)
Effect of minority interest on US GAAP adjustments (paragraph n)	1,001	1,009
Deferred income tax effect of the above US GAAP adjustments	589	862
Shareholders' equity in accordance with US GAAP	**923,442**	**856,871**

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

o) Effects of conforming to US GAAP, continued

The changes in the Shareholders' equity accounts determined under US GAAP are summarized as follows:

	ThUS$
Balance at January 1, 2003	747,332
Reversal of accrued minimum divided at December 31, 2002	11,685
Distribution of final 2002 dividend	(19,894)
Accrued minimum dividend at December 31, 2003	(14,026)
Employer loans used to purchase shares	2,801
Other comprehensive income	9,026
Net income for the year	57,774
Balance at December 31, 2003	**794,698**
Reversal of accrued minimum divided at December 31, 2003	14,026
Distribution of final 2003 dividend	(23,192)
Accrued minimum dividend at December 31, 2004	(22,270)
Employer loans used to purchase shares	338
Other comprehensive income	6,445
Net income for the year	86,826
Balance at December 31, 2004	**856,871**
Reversal of accrued minimum divided at December 31, 2004	22,270
Distribution of final 2004 dividend	(48,118)
Accrued minimum dividend at December 31, 2005	(34,053)
Employer loans used to purchase shares	476
Other comprehensive income	792
Net income for the year	125,204
Balance at December 31, 2005	**923,442**

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

II. Additional Disclosure Requirements

The following disclosures are not generally required or recommended for presentation in the financial statements under Chilean GAAP, but are required under US GAAP:

a) Earnings per share

The following disclosure of earnings per share information is not generally required for presentation in financial statements under Chilean accounting principles but is required under US GAAP:

	2005	**2004**	**2003**
	(Expressed in single US dollars)		
Basic and diluted earnings per share under Chilean GAAP	0.43	0.28	0.18
Basic and diluted earnings per share under US GAAP	0.48	0.33	0.22
Dividends declared per share (1)	0.28	0.18	0.09
Weighted average number of common shares outstanding (thousands)	263,197	263,197	263,197

(1) Represents dividends declared and paid in accordance with Chilean GAAP.

The earnings per share data shown above is determined by dividing net income for both Chilean GAAP and US GAAP purposes by the weighted average number of shares of common stock outstanding during each year. For the years presented the Company did not have convertible securities outstanding.

b) Income taxes

The provision for income taxes differs from the amount of income tax determined by applying the applicable Chilean statutory income tax rate to pretax accounting income on a US GAAP basis as a result of the following differences:

	2005	**2004**	**2003**
	ThUS$	**ThUS$**	**ThUS$**
Consolidated pretax income under US GAAP	160,382	114,815	74,573
Statutory tax rate	17%	17%	16.5%
Theoretical tax at statutory rate	27,265	19,519	12,305
Non-deductible items	892	91	(2,325)
Difference in tax rates in foreign jurisdictions	1,056	553	360
Valuation allowance	1,350	572	(236)

Other		—	—
Total income tax under US GAAP	30,563	20,735	10,104

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

b) Income taxes (continued)

Deferred tax assets (liabilities) are summarized as follows at December 31 under US GAAP.:

	2005	2004
	ThUS$	ThUS$
Deferred Tax Assets		
Allowance for doubtful debts	1,965	1,710
Vacation accrual	1,322	1,165
Unrealized gains on sales of products	15,053	8,749
Provision for obsolescence	2,075	1,836
Losses from derivative transactions	—	336
Tax loss carryforwards (1)	40,624	36,472
Fair value acquisition adjustments	2,535	—
Other accruals	5,445	3,451
Gross deferred tax assets	69,019	53,719
Valuation allowance	(35,706)	(35,665)
Total deferred tax assets	33,313	18,054
Deferred Tax Liabilities		
Production expenses	(18,123)	(15,172)
Accelerated depreciation	(58,031)	(53,890)
Staff severance indemnities	(1,611)	(866)
Exploration expenses	(5,375)	(5,336)
Capitalized interest	(6,288)	(6,113)
Other	(329)	(740)
Total deferred tax liabilities	(89,757)	(82,117)

(1) The Company’s tax loss carry forwards were primarily generated from losses incurred in Chile and Mexico. In accordance with current laws, in Chile tax losses may be carried forward indefinitely and in Mexico they expire after 10 years. For the years ended December 31, 2005, 2004 and 2003 the Company realized benefits from the use of tax loss carry forwards amounting to ThUS$ 3,541, ThUS$ 9,324 and ThUS$ 6,567, respectively.

Tax loss carry forwards relate to the following countries as of December 31:

	2005	2004

	ThUS$	ThUS$
Chile	38,385	31,081
Mexico	—	3,833
Other	2,239	1,558
Total	40,624	36,472

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

b) Income taxes (continued)

The classification of the net deferred tax assets and liabilities detailed above is as follows:

	2005	2004
	ThUS$	ThUS$
Short-term	1,020	(10,264)
Long-term	(57,464)	(53,799)
Net deferred tax liabilities	(56,444)	(64,063)

The provision for income taxes in accordance with US GAAP is as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Income tax expense under Chilean GAAP (Note 13)	32,527	27,308	16,056
Additional deferred tax under US GAAP	272	(551)	(35)
Reversal of amortization of complementary accounts	(2,236)	(6,022)	(5,917)
Total tax provision US GAAP	30,563	20,735	10,104

In accordance with Chilean Law No, 19,753, which was issued on September 28, 2001, the corporate income tax rate was 16.5% for the year 2003, and 17% for the year 2004 and thereafter.

US GAAP before tax income related to Chile and foreign operations for the years ended December 31 is as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Chile	134,411	113,683	59,625
Foreign	25,972	1,132	14,948
Total	160,382	114,815	74,573

The portion of current and deferred income taxes charged to income statements that related to Chile and foreign operations for the years ended December 31 in accordance with US GAAP is as follows:

	2005			2004			2003		
	Deferred	Current	Total	Deferred	Current	Total	Deferred	Current	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Chile	(5,777)	33,537	27,760	5,045	14,001	19,046	7,193	1,301	8,494
Foreign	(1,088)	3,891	2,803	1,255	434	1,689	711	899	1,610
Total	(6,865)	37,428	30,563	6,300	14,435	20,735	7,904	2,200	10,104

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

c) Other Comprehensive Income

In accordance with SFAS No. 130 *Reporting Comprehensive Income*, the Company reports a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity,

The following represents accumulated other comprehensive income balances, net of tax, as of December 31, 2003, 2004 and 2005:

	Year ended December 31, 2003		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	ThUS$	ThUS$	ThUS$
Beginning balance	(16,934)	671	(16,263)
Translation adjustment	8,802	—	8,802
Deferred gain on sale of swaps	(175)	29	(146)
Minimum pension liability adjustment	597	(227)	370
Net change	9,224	(198)	9,026
Ending balance	(7,710)	473	(7,237)

	Year ended December 31, 2004		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	ThUS$	ThUS$	ThUS$
Beginning balance	(7,710)	473	(7,237)
Translation adjustment	6,460	—	6,460
Minimum pension liability adjustment	(24)	9	(15)
Net change	6,436	9	6,445

Ending balance	(1,274)	482	(792)

	Year ended December 31, 2005		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	ThUS$	ThUS$	ThUS$
Beginning balance	(1,274)	482	(792)
Translation adjustment	—	—	—
Minimum pension liability adjustment	1,274	(482)	792
Net change	1,274	(482)	792
Ending balance	—	—	—

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

d) Credit Agreements

The Company has renewable lines of credit arrangements for short-term US dollar borrowings with various Chilean and foreign banks totaling, in the aggregate to ThUS$ 554,000 and ThUS$ 449,000 at December 31, 2005 and 2004, respectively. There was US$ 469 million and US$ 435 million available as of December 31, 2005 and 2004, respectively. The Company pays no commitment fees on such credit lines and the average rate was LIBOR plus 0,40%.

e) Lease commitments

The Company leases office facilities by way of a capital lease payable in installments through 2011, with a bargain purchase option at the end of the lease.

Minimum lease payments under capital leases are recorded in Other accounts payable and are as follows:

	Minimum lease payments
Year ended December 31,	**ThUS$**
2006	279
2007	455
2008	455
2009	175
2010	175
Thereafter	21
Total future minimum lease payments	1,560
Interest	(311)
Present value of net minimum lease payments	1,249

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

e) Lease commitments (continued)

SQM Salar S.A., a consolidated subsidiary of the Company, entered into a contract with a government agency for the rental of land for the purpose of exploration and exploitation of certain minerals. Rental payments are stated in US dollars and are determined based on actual mineral sales through 2030 in accordance with specified rates in the agreement. Based on the agreement the Company paid ThUS$ 6,752, ThUS$ 4,910 and ThUS$ 4,024 in 2005, 2004 and 2003 respectively, including the minimum annual rental, which was ThUS$ 4,172, ThUS$ 3,477 and ThUS$ 2,995 for 2005, 2004 and 2003, respectively. Future minimum annual rentals are as follows:

Year ended December 31,	Minimum annual rentals ThUS$
2006	3,945
2007	3,945
2008	3,945
2009	3,945
2010	3,945
Thereafter	78,905
Total	98,630

f) Foreign exchange gain and losses

For US GAAP presentation purposes, the net foreign exchange gains and losses on transactions in foreign currencies and UF amounted to ThUS$ 5,391, ThUS$ 3,000 and ThUS$ 14,036 in 2005, 2004 and 2003, respectively.

g) Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash, investments and trade accounts receivable.

The Company maintains cash and cash equivalents, marketable securities, and certain other financial instruments with various financial institutions, These financial institutions are located in Chile and other parts of the world, and the Company’s policy is designed to limit exposure to any one institution, The Company performs periodic evaluations of the relative credit standing of these financial institutions as part of the Company's investment strategy.

Concentrations of credit risk with respect to trade accounts receivable are limited because of the large number of entities comprising the Company's customer base and their dispersion around the world. The Company’s policy is to require collateral (such as letters of credit, guarantee clause or others) and/or maintain credit insurances for certain accounts as deemed necessary by management.

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

h) Advertising and Research and development costs

Advertising costs are expensed as incurred and amounted to ThUS$ 1,389 , ThUS$ 1,719 and ThUS$ 1,346 for the years ended December 31, 2005, 2004 and 2003, respectively.

Research and development costs are expensed as incurred and amounted to ThUS$ 2,480 , ThUS$ 1,803 and ThUS$ 1,444 for the years ended December 31, 2005, 2004 and 2003.

i) Business combinations and goodwill

As described in paragraph I k) above the Company adopted SFAS 142 as of January 1, 2002, SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination.

Goodwill under US GAAP as of December 31 is summarized as follows:

	2005	2004
	ThUS$	ThUS$
Goodwill	30,528	19,181
Accumulated amortization and impairment	(1,425)	(1,425)
Goodwill, net	29,103	17,756

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

j) Reclassification differences between Chilean GAAP and US GAAP

(i) Non-operating income and expense under US GAAP calculated in accordance with Chilean GAAP

The following reclassifications are required to conform the presentation of Chilean GAAP income statement information to that required under US GAAP. The reclassification amounts are determined in accordance with Chilean GAAP.

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Non-operating income under Chilean GAAP	16,433	20,829	18,654
Less:			
Sale of mining concessions	298	635	135
Sale of material and services	438	190	628
Insurance recoveries	213	546	154
Write-off of liabilities	2,204	388	422
Payment discount obtained from suppliers	1,026	452	606
Rental of property, plant and equipment	1,015	774	736
Compensation obtained from third parties	737	—	—
Other income	1,899	1,118	897
Non-operating income as classified under US GAAP, but calculated in accordance with Chilean GAAP	8,603	16,726	15,076
Non-operating expenses under Chilean GAAP	50,755	38,420	39,813
Less:			
Amortization of goodwill	2,070	1,073	1,134
Work disruption expenses	584	568	1,640
Increase in allowance for doubtful accounts	151	2,500	687
Non-capitalizable exploration project expenses and provisions for damages and liquidation of assets	13,489	9,262	8,965
Unrecoverable taxes	647	531	690
Provision for compensation and legal costs	7,986	533	1,442
Change of discount rate for staff severance indemnities provision	678	—	—
Allowances for materials, spare parts and supplies	1,188	1,628	881
Consulting services	314	175	282
Donations	896	533	235
Penalties	238	161	415

Other expenses	1,570	1,812	1,664
Non-operating expense as classified under US GAAP, but calculated in accordance with Chilean GAAP	20,944	19,644	21,778

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

j) Reclassification differences between Chilean GAAP and US GAAP (continued)

(ii) Condensed financial statements under US GAAP

The following are summarized balance sheets of the Company using a US GAAP presentation and amounts determined in accordance with US GAAP:

	As of December 31,	
	2005	**2004**
Assets	**ThUS$**	**ThUS$**
Current assets	743,692	573,524
Property, plant and equipment	1,287,448	1,137,524
Accumulated depreciation	(528,195)	(479,769)
Property plant and equipment, net	759,253	657,755
Goodwill	29,103	17,756
Other assets	76,947	69,368
Total assets	1,608,995	1,318,403
Liabilities and shareholders' equity		
Current liabilities	464,852	157,328
Long-term liabilities	186,193	270,783
Minority interest	34,508	33,421
Shareholders' equity	923,442	856,871
Total liabilities and shareholders' equity	1,608,995	1,318,403

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

j) Reclassification differences between Chilean GAAP and US GAAP (continued)

The condensed consolidated statements of income for the years ended December 31 under US GAAP and classified in accordance with US GAAP are presented as follows:

	For the years ended December 31,		
	2005	**2004**	**2003**
Operating income	**ThUS$**	**ThUS$**	**ThUS$**
Sales	895,970	788,516	691,806
Cost of sales	(670,213)	(618,213)	(564,495)
Gross margin	225,757	170,303	127,311
Selling and administrative expense	(61,878)	(55,705)	(50,590)
Operating income	163,879	114,598	76,721
Non-operating income and expense, net	(6,093)	(1,618)	(4,301)
Income taxes	(30,563)	(20,735)	(10,104)
Minority interest	(4,615)	(7,254)	(6,695)
Equity participation in income (loss) of related companies, net	2,596	1,835	2,153
Net income	125,204	86,826	57,774
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment	792	(15)	370
Translation adjustment	—	6,460	8,802
Deferred gain from sale of swap	—	—	(146)
Total comprehensive income under US GAAP	125,996	93,271	66,800

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

k) Industry segment and geographic area information

The Company provides disclosures in accordance with SFAS 131, *Disclosures About Segments of an Enterprise and Related Information* ("SFAS 131"), which establishes standards for reporting information about operating segments in annual financial statements as well as related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate financial statement information available is evaluated regularly by the chief operating decision maker in making decisions about allocating resources and assessing performance, In accordance with SFAS 131, the Company has five segments, which are split into geographical areas: Chile, Latin American and Caribbean except Chile, Europe, USA and Asia and other.

The accounting policies of each segment are the same as those described in the "Summary of Significant Accounting Policies" (Note 2).

The following segment information is presented in accordance with US GAAP reporting requirements, however, the amounts have been determined in accordance with Chilean GAAP.

For the year ended December 31, 2005	Chile	Latin America and Caribbean except Chile	Europe	North America	Asia and other	Elimination	Consolidated
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Sales to unaffiliated customers	156,086	128,187	258,296	270,006	83,395	—	895,970
Transfers between geographic areas	278,325	15,604	287,129	224,714	38,389	(844,161)	—
Total revenues	434,411	143,791	545,425	494,720	121,784	(844,161)	895,970
Exports by region	—	116,427	243,964	172,060	51,908	—	584,359
Net assets	1,731,058	33,188	39,107	91,241	338	(874,516)	1,020,416
Goodwill	27,055	154	—	—	—	—	27,209
Long-lived assets	2,342,510	71,670	30,870	85,219	237	(1,632,720)	897,786
Expenditures on long-lived assets	199,242	102	2,159	1,268	—	—	202,771

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

k) Industry segment and geographic area information (continued)

	Chile	Latin America and Caribbean except Chile	Europe	North America	Asia and other	Elimination	Consolidated
For the year ended December 31, 2004	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Sales to unaffiliated customers	158,846	111,066	228,287	233,506	56,811	—	788,516
Transfers between geographic areas	202,293	11,231	245,585	175,859	36,689	(671,657)	—
Total revenues	361,139	122,297	473,872	409,365	93,500	(671,657)	788,516
Exports by region	—	102,266	171,861	142,970	43,124	—	460,221
Net assets	1,862,554	16,005	12,519	92,582	332	(1,035,364)	948,628
Goodwill	16,952	177	341	—	—	—	17,470
Long-lived assets	2,478,562	15,255	11,615	91,597	228	(1,811,335)	785,922
Expenditures on long-lived assets	87,309	132	2,488	616	13	—	90,558

	Chile	Latin America and Caribbean except Chile	Europe	North America	Asia and other	Elimination	Consolidated
For the year ended December 31, 2003	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Sales to unaffiliated customers	216,820	36,433	219,239	185,224	34,090	—	691,806
Transfers between geographic areas	167,098	11,671	236,119	129,760	22,614	(567,262)	—

Total revenues	383,918	48,104	455,358	314,984	56,704	(567,262)	691,806
Exports by region	—	79,400	164,072	110,834	31,169	—	385,475
Net assets	1,682,653	69,481	14,931	66,084	(100)	(943,077)	889,972
Goodwill	13,289	200	98	—	—	—	13,587
Long-lived assets	2,448,591	17,686	12,853	65,991	134	(1,716,249)	829,006
Expenditures on long-lived assets	58,765	1,614	2,856	5,358	—	—	68,593

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

k) Industry segment and geographic area information (continued)

Sales by product type to unaffiliated customers for the years ended December 31 are as follows:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Specialty plant nutrition	487,802	426,836	362,791
Iodine and derivatives	149,103	110,495	84,557
Lithium and derivatives	81,360	62,623	49,695
Industrial chemicals	73,983	73,050	73,748
Others	103,722	115,512	121,015
Sales to unaffiliated customers	895,970	788,516	691,806

l) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments

The accompanying tables provide disclosure of the estimated fair value of financial instruments owned by the Company. Various limitations are inherent in the presentation, including the following:

- The data excludes non-financial assets and liabilities, such as property, plant and equipment, and goodwill.

- While the data represents management's best estimates, the data is subjective and involves significant estimates regarding current economic and market conditions and risk characteristics,

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

- Cash and time deposits approximate fair value because of the short-term maturity of these instruments.

- Marketable securities with a readily determinable market value are recorded at fair value,

- Current liabilities that are contracted at variable interest rates, are considered to have a fair value equal to book value.

- For interest-bearing liabilities with an original contractual maturity of greater than one year, the fair values are calculated by discounting contractual cash flows at current market origination rates with similar terms.

- For forward contracts and swap agreements, fair value is determined using quoted market prices of financial instruments with similar characteristics.

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

l) Estimated Fair Value of Financial Instruments and Derivative Financial Instruments (continued)

The following is a detail of the Company's financial instruments' US GAAP carrying amount and estimated fair value:

	As of December 31,			
	2005		2004	
	US GAAP Carrying Amount	Estimated Fair Value	US GAAP Carrying Amount	Estimated Fair Value
	ThUS$	ThUS$	ThUS$	ThUS$
Assets:				
Cash and cash equivalents	147,956	147,956	66,753	66,753
Short-term accounts receivable	222,032	222,032	204,213	204,213
Long-term accounts receivable	2,379	2,379	289	289
Liabilities:				
Short-term bank debt	85,022	85,022	(7,955)	(7,955)
Short-term notes and accounts payable	78,990	78,990	(73,938)	(73,938)
Derivative instruments	163	163	(702)	(2,185)
Current and long-term portions of long-term bank debt	304,881	306,102	(204,577)	(216,965)
Long-term other accounts payable	1,065	1,065	(1,106)	(1,106)

m) Post-retirement obligations and staff severance indemnities

The Company's subsidiary SQM North America Corporation has a defined benefit, noncontributory pension plan covering substantially all employees who qualify as to age and length of service. Plan benefits are based on years of service and the employee's highest five-year average compensation during the last ten years of employment. The plan's assets consist primarily of equity mutual funds and group annuity contracts.

In September 2002, the Board of Directors of SQM North America Corporation voted to suspend the plan and as a result after December 31, 2002, participants do not earn additional benefits for future services. Such action resulted in a curtailment loss (equal to the amount of unrecognized prior service cost) of approximately US$1.3 million for the year ended December 31, 2002.

Assumptions used in determining the actuarial present value of the projected benefit obligation as of December 31 are as follows:

	2005	2004
Weighted-average discount rate	7.5%	7.5%
Rate of increase in compensation levels	0.0%	0.0%
Long-term rate of return on plan assets	8.5%	8.5%

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

m) Post-retirement obligations and staff severance indemnities (continued)

The long-term rate of return on assets was determined based upon past investment experience and the expectation for future experience.

The following table sets forth the plan's funded status and amounts recognized in the consolidated balance sheet as of December 31:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Change in benefit obligation:			
Benefit obligation at beginning of year	5,080	4,831	4,903
Service cost	16	15	13
Interest cost	369	362	345
Actuarial loss	(37)	115	(186)
Benefits paid	(244)	(243)	(244)
Benefit obligation at end of the year	5,184	5,080	4,831
Change in plan assets:			
Fair value of plan assets at beginning of year	4,966	4,713	4,049
Employer contributions	—	82	—
Actual return (loss) on plan assets	501	414	908
Benefits paid	(244)	(243)	(244)
Fair value of plan assets at end of year	5,223	4,966	4,713
Funded status	39	(114)	(118)
Unrecognized transitional asset		—	—
Unrecognized net actuarial loss	1,133	1,165	1,137
Adjustment to recognize minimum pension liability	(1,094)	(1,279)	(1,255)
Accrued pension (liability)/ prepaid pension cost	39	(114)	(118)

Net periodic pension expense was comprised of the following components for the years ended December 31, 2003, 2004 and 2005:

	2005	2004	2003
	ThUS$	ThUS$	ThUS$
Service cost or benefits earned during the period	16	15	13
Interest cost on benefit obligation	369	362	345
Actual return on plan assets	(501)	(414)	(908)
Amortization of unrecognized transitional asset	—	—	(45)
Other	148	91	682
Net periodic pension expense	32	54	87

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

m) Post-retirement obligations and staff severance indemnities (continued)

The plan's asset allocations by asset category as of December 31 are as follows:

	2004	2005
Growth securities	69%	68%
Treasury securities	2%	1%
International securities	14%	15%
Growth & income securities	14%	15%
Money market funds	1%	1%
Total	100%	100%

The transition liability (asset) re-established on January 1, 1992 is being amortized in level amounts over 11.66 years. As of January 1, 2003, the transition asset has been fully amortized.

The excess of the unrecognized (gain) or loss (if any) over the larger of 10% of the projected benefit obligation or 10% of the market related value of assets is amortized in level amounts over 12-48 years.

All unrecognized prior service costs have been considered fully amortized as a result of the December 31, 2002 curtailment brought about as the result of the December 31, 2002 cessation of benefit accruals.

The Company expects the plan to be fully funded for 2005. As a result no contribution is anticipated during this period.
As of December 31, 2005 the pension plan benefits expected to be paid in the future are as follows:

	US$
2006	260,500
2007	269,500
2008	288,200
2009	354,600
2010	371,400
Years 2011-2015	2,384,900

n) Cash and cash equivalents

Under Chilean GAAP cash and cash equivalents are considered to be all highly liquid investments with a remaining maturity of less than 90 days as of the closing date of the financial statements, whereas, US GAAP considers cash and cash equivalents to be all highly liquid investments with an original maturity date of less than 90 days. The difference between the balance under US GAAP and Chilean GAAP of cash and cash equivalents is not material for the periods presented.

Under US GAAP, the cash movements of subsidiaries in the development stage would be included in the consolidated statement of cash flows, as described in paragraph I e). The effect on the consolidated statement of cash flows is not material for the periods presented.

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Note 29 – Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

o) Recently issued accounting pronouncements

Inventory costs

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, *Inventory Costs - an amendment of ARB No. 43, Chapter 4* (“SFAS 151”), which clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as a current period expense. In addition, SFAS 151 requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after 15 June 2005. The Company is in process of analyzing the impact of this Statement on its results of operations and financial position.

Stripping costs

In March 2005, the FASB Emerging Issues Task Force ("EITF") issued EITF No. 04-06 *Accounting for Stripping Costs in the Mining Industry* and concluded that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. EITF No. 04-06 does not address the accounting for stripping costs incurred during the pre-production phase of a mine. EITF 04-06 is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. The effect of initially applying this consensus should be accounted for in a manner similar to a cumulative-effect adjustment. Since the Company have historically adhered to the accounting principles similar to EITF 04-06, the Company does not believe that adoption of EITF 04-06 will have a material impact on the Company’s consolidated financial statements.