

CHEMICAL & MINING CO OF CHILE INC  
Form 6-K  
September 14, 2007

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

**FORM 6-K**

REPORT OF FOREIGN ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16  
OF THE SECURITIES AND EXCHANGE ACT OF 1934

Includes the free translation of a material event sent by Sociedad Química y Minera de Chile S.A. to the Superintendencia de Valores y Seguros de Chile on August 08, 2007.

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

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

El Trovador 4285, Santiago, Chile (562) 425-2000  
(Address and phone number of principal executive offices)

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

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82\_\_\_\_\_

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On August 08, 2007, the Registrant filed with the Superintendencia de Valores y Seguros of Chile (the "SVS") a report that included information as to the Registrant's consolidated financial condition and results of operations for the three-month period ended on June 30, 2007. Attached is a summary of such consolidated financial information included in the summary and in the report filed with the Superintendencia de Valores y Seguros of Chile. This financial information was prepared on the basis of accounting principles generally accepted in Chile and does not include a reconciliation of such information to accounting principles generally accepted in the United States of America.

THIS REPORT IS AN ENGLISH TRANSLATION OF, AND A CHILEAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES PRESENTATION OF, A THREE MONTH PERIOD ENDED JUNE 30, 2007 REPORT FILED WITH THE SUPERINTENDENCIA DE VALORES Y SEGUROS (SVS) IN CHILE, AND UNLESS OTHERWISE INDICATED, FIGURES ARE IN US DOLLARS.

*Consolidated Financial Statements*

***SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.***

*Santiago, Chile*

*June 30, 2007 and 2006*

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Consolidated Financial Statements

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**

As of June 30, 2007 and 2006  
and for the years ended June 30, 2007 and 2006  
(A translation of the original in Spanish- see note 2 (a))

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Ch\$ - Chilean pesos

ThCh\$ - Thousands of Chilean pesos

US\$ - United States dollars

ThUS\$ - Thousands of United States dollars

ThEuro - Thousands of Euros

UF - 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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**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Consolidated Balance Sheets**  
(A translation of the original in Spanish- see note 2 (a))

	Note	As of June 30,	
		2007 ThUS\$	2006 ThUS\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		16,043	27,152
Time deposits	32	4,393	155,975
Marketable securities	4	96,715	58,933
Accounts receivable, net	5	191,625	170,437
Other accounts receivable, net	5	9,787	6,786
Accounts receivable from related companies	6	83,269	63,457
Inventories, net	7	377,544	374,298
Recoverable taxes		20,556	20,428
Prepaid expenses		6,492	5,292
Deferred income taxes	15	-	6,078
Other current assets		13,347	18,057
Total current assets		819,771	906,893
<b>Property, plant and equipment, net</b>	8	951,930	892,457
<b>Other Assets</b>			
Investments in related companies	9	20,477	20,828
Goodwill, net	10	35,216	40,931
Negative goodwill, net	10	(1,928)	-
Intangible assets, net		4,172	4,825
Long-term accounts receivable, net	5	109	297
Long-term accounts receivable from related companies	6	2,118	2,000
Other long-term assets	11	39,735	51,843
Total Other Assets		99,899	120,724
Total assets		1,871,600	1,920,074

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Consolidated Balance Sheets**  
(A translation of the original in Spanish- see note 2 (a))

	Note	As of June 30,	
		2007 ThUS\$	2006 ThUS\$
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term bank debt	12	1,923	51,600
Current portion of long-term debt	12	823	204,996
Current portion of bonds payable	13	8,227	5,398
Dividends payable		107	262
Accounts payable		108,499	83,855
Other accounts payable		371	1,019
Notes and accounts payable to related companies	6	1,574	2,331
Accrued liabilities	14	29,979	21,995
Withholdings		6,388	8,553
Income taxes		8,244	9,447
Deferred income		23,570	11,346
Deferred income taxes	15	2,730	-
Other current liabilities		682	1,999
Total current liabilities		193,117	402,801
<b>Long-term liabilities</b>			
Long-term bank debt	12	180,000	100,000
Long-term Obligations with the Public (Bonds)	13	298,093	298,434
Other accounts payable		765	928
Deferred income taxes	15	50,885	43,958
Staff severance indemnities	16	19,760	18,924
Total long-term liabilities		549,503	462,244
Minority interest	17	39,208	34,908
<b>Shareholders' equity</b>			
Paid-in capital	18	477,386	477,386
Other reserves	18	156,855	155,377
Retained earnings	18	455,531	387,358
Total shareholders' equity		1,089,772	1,020,121
Total liabilities and shareholders' equity		1,871,600	1,920,074

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
 Consolidated Statements of Income  
 (A translation of the original in Spanish- see note 2 (a))

	Note	For the years ended June 30,	
		2007 ThUS\$	2006 ThUS\$
<b>Operating results</b>			
Sales		558,792	504,724
Cost of sales		(394,485)	(358,627)
Gross margin		164,307	146,097
Selling and administrative expenses		(32,050)	(33,116)
Operating income		132,257	112,981
<b>Non-operating results</b>			
Non-operating income	20	13,518	9,965
Non-operating expenses	20	(26,613)	(27,301)
Non-operating loss		(13,095)	(17,336)
Income before income taxes		119,162	95,645
Income tax expense	15	(24,075)	(19,582)
Income before minority interest		95,087	76,063
Minority interest	17	(1,143)	(869)
Net income before negative goodwill		93,944	75,194
Amortization of negative goodwill	10	-	68
Net income for the year		93,944	75,262

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Consolidated Statements of Cash Flows**  
(A translation of the original in Spanish- see note 2 (a))

	For the years ended June 30	
	2007 ThUS\$	2006 ThUS\$
<b>Cash flows from operating activities</b>		
Net income for the year	93,944	75,262
<b>Charges (credits) to income not representing cash flows</b>		
Depreciation expense	8	47,042
Amortization of intangible assets	349	732
Write-offs and accruals	15,987	8,051
Gain on equity investments in related companies	(2,201)	(1,144)
Loss on equity investments in related companies	66	131
Amortization of goodwill	10	1,147
Amortization of negative goodwill	10	-
(Profit) loss on sales of assets	(16)	(767)
Loss from sale of investments	-	-
Other credits to income not representing cash flows	(583)	(15,489)
Other charges to income not representing cash flows	56,285	52,287
Foreign exchange difference, net	2,061	3,096
<b>Net changes in operating assets and liabilities (Increase) decrease:</b>		
Trade accounts receivable	(12,615)	11,370
Inventories	(16,946)	(43,626)
Other assets	(9,193)	1,198
Accounts payable	10,438	(1,794)
Interest payable	(733)	3,889
Net income taxes payable	(14,615)	(29,105)
Other accounts payable	(5,740)	(7,312)
VAT and taxes payable	5,794	1,303
Minority interest	17	1,143
Net cash provided from operating activities	171,614	104,289
<b>Cash flows from financing activities</b>		
Proceeds from short term bank financing	-	136,281
Bonds payable	-	299,833
Payment of dividends	(95,257)	(74,481)
Repayment of bank financing	(56,422)	(171,281)
Payment of obligations with the public (Bonds payable)	(2,636)	-
Payment of expenses for the issuance and placement of bonds payable	-	(6,629)
Net cash used in financing activities	(154,315)	183,723
<b>Cash flows from investing activities</b>		
Sales of property, plant and equipment	1,435	10
Other investing income	24	357
Additions to property, plant and equipment	(80,338)	(104,722)
Capitalized interest	(6,492)	-
Purchase of permanent investments	-	(115,124)
Other disbursements	(16)	-

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Net cash used in investing activities	(85,054)	(194,654)
Effect of inflation on cash and cash equivalents	962	998
Net change in cash and cash equivalents	(66,793)	94,356
Beginning balance of cash and cash equivalents	183,943	147,956
<b>Ending balance of cash and cash equivalents</b>	<b>117,150</b>	<b>242,312</b>

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



**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 1 - Company Background**

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

**Note 2 - Summary of Significant Accounting Policies**

**a) Basis for the preparation of the consolidated financial statements**

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

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

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

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)****Basis for the preparation of the consolidated financial statements (continued)**

	<b>Direct or indirect ownership</b>	
	<b>2007</b>	<b>2006</b>
	<b>%</b>	<b>%</b>
<b>Foreign subsidiaries:</b>		
Nitrate Corp. of Chile Limited (United Kingdom)	100.00	100.00
Soquimich S.R.L. Argentina	100.00	100.00
Nitratos Naturais do Chile Ltda. (Brazil)	100.00	100.00
SQM Europe N.V. (Belgium)	100.00	100.00
SQM North America Corp. (USA)	100.00	100.00
North American Trading Company (USA)	100.00	100.00
SQM Peru S.A.	100.00	100.00
SQM Corporation N.V. (Dutch Antilles)	100.00	100.00
S.Q.I. Corporation N.V. (Dutch Antilles)	100.00	100.00
Soquimich European Holding B.V. (Holland)	100.00	100.00
PTM - SQM Ibérica S.A. (Spain)	0.00	100.00
SQMC Holding Corporation L.L.P. (USA)	100.00	100.00
SQM Ecuador S.A.	100.00	100.00
Cape Fear Bulk L.L.C. (USA)	51.00	51.00
SQM Investment Corporation N.V. (Dutch Antilles)	100.00	100.00
SQM Brasil Ltda.	100.00	100.00
Royal Seed Trading Corporation A.V.V. (Aruba)	100.00	100.00
SQM Japon Co. Ltd.	100.00	100.00
SQM Oceanía PTY Limited (Australia)	100.00	100.00
SQM France S.A.	100.00	100.00
RS Agro-Chemical Trading A.V.V. (Aruba)	100.00	100.00
SQM Comercial de México S.A. de C.V.	100.00	100.00
SQM Indonesia	80.00	80.00
SQM Virginia L.L.C. (USA)	100.00	100.00
Agricolima S.A. de C.V. (Mexico)	100.00	100.00
SQM Venezuela S.A.	100.00	100.00
SQM Italia S.R.L. (Italy)	100.00	95.00
Comercial Caiman Internacional S.A. (Cayman Islands)	100.00	100.00
Mineag SQM Africa Limited (South Africa)	100.00	100.00
Fertilizantes Olmeca y SQM S.A. de C.V. (Mexico)	0.00	100.00
Administración y Servicios Santiago S.A. de C.V. (Mexico)	100.00	100.00
SQM Lithium Specialties L.L.C. (USA)	100.00	100.00
SQM Nitratos México S.A. de C.V. (México)	51.00	51.00
Fertilizantes Naturales S.A.	66.67	66.67
Iodine Minera B.V.	100.00	100.00
SQM Dubai - FZCO.	100.00	100.00

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)****Basis for the preparation of the consolidated financial statements (continued)**

	<b>Direct or indirect ownership</b>	
	<b>2007</b>	<b>2006</b>
	%	%
<b>Domestic subsidiaries:</b>		
Servicios Integrales de Tránsitos y Transferencias S.A.	100.00	100.00
Soquimich Comercial S.A.	60.64	60.64
Isapre Norte Grande Ltda.	100.00	100.00
Almacenes y Depósitos Ltda.	100.00	100.00
Ajay SQM Chile S.A.	51.00	51.00
SQM Nitratos S.A.	99.99	99.99
Proinsa Ltda.	60.58	60.58
SQM Potasio S.A.	100.00	100.00
SQMC International Limitada.	60.64	60.64
SQM Salar S.A.	100.00	100.00
SQM Industrial S.A.	100.00	100.00
Minera Nueva Victoria S.A.	100.00	100.00
Exploraciones Mineras S.A.	100.00	0.00
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	100.00	0.00
Comercial Hydro S.A.	60.64	60,64

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**b) Period**

These consolidated financial statements have been prepared as of June 30, 2007 and 2006 and for the years then ended.

**c) Reporting currency and monetary correction**

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

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

The financial statements of domestic subsidiaries, which maintain their accounting records in Chilean pesos have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the year. For this purpose, and in accordance with Chilean regulations, non-monetary assets and liabilities, equity and income statement accounts have been restated in terms of year-end constant pesos based on the change in the consumer price index during the year ( 1.9% and 1.1% in 2007 and 2006, respectively). The resulting net charge or credit to income arises as a result of the gain or loss in purchasing power from the holding of non-U.S. dollar denominated monetary assets and liabilities exposed to the effects of inflation.

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**d) Foreign currency**

**i) Foreign currency transactions**

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to U.S. dollars at the observed exchange rates determined by the Central Bank of Chile in effect at each year-end of Ch\$ 526.86 per US\$1 at June 30, 2007 and Ch\$ 539.44 per US\$1 at June 30, 2006.

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

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

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

· Balance sheet accounts are translated to U.S. dollars at the year-end exchange rate without eliminating the effects of price-level restatement.

· Income statement accounts are translated to U.S. dollars at the average exchange rate each month. The monetary correction account on the income statement, which is generated by the inclusion of price-level restatement on the non-monetary assets and liabilities and shareholders’ equity, is translated to U.S. dollars at the average exchange rate for each month.

· Translation gains and losses, as well as the price-level restatement to the balance sheet mentioned above, are included as an adjustment in shareholders’ equity, in conformity with Circular No. 1,697 of the SVS.

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

- Monetary assets and liabilities are translated at year-end exchange rates between the US dollar and the local currency.
- All non-monetary assets and liabilities and shareholders' equity are translated at historical exchange rates between the US dollar and the local currency.
- Income and expense accounts are translated at average exchange rates between the US dollar and the local currency.

Any exchange differences are included in the results of operations for the period.

**d) Foreign currency (continued)**

Foreign exchange differences for the period ended June 30, 2007 and 2006 generated net earnings (loss) of ThUS\$ (2,061) and ThUS\$ (3,096) respectively, which have been charged to the consolidated statements of income in each respective period.

The monetary assets and liabilities of foreign subsidiaries were translated into US dollars at the exchange rates per US dollar prevailing at June 30, as follows:

	<b>2007</b>	<b>2006</b>
	US\$	US\$
Brazilian Real	1.92	2.16
New Peruvian Sol	3.19	3.26
Argentine Peso	3.09	3.08
Japanese Yen	123.26	115.24
Euro	0.74	0.79
Mexican Peso	10.79	11.40
Indonesian Rupee	9,830.04	9,290.00
Australian Dollar	1.18	1.35
Pound Sterling	0.51	0.54
Ecuadorian Sucre	1.00	1.00
South African Rand	6.99	7.14

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.

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**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.

**f) Time Deposits**

Time deposits are recorded at cost plus accrued interest.

**g) Marketable securities**

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

**h) Allowance for doubtful accounts**

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

**i) Inventories and materials**

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

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

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

**j) Income taxes and deferred income taxes**

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

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**j) Income and deferred taxes (continued)**

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

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

**k) Property, plant and equipment**

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

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

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

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

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



**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**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 Nos. 368 and 1,697 and Technical Bulletins Nos. 64 and 72 issued by the Chilean Association of Accountants. Accordingly, the Company's proportional share in the net income or loss of each investee is recognized in the non-operating income and expense classification in the consolidated statements of income on an accrual basis, after eliminating any unrealized profits from transactions with the related companies.

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

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

**m) Goodwill and negative goodwill**

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

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

**n) Intangible assets**

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

**o) Mining development cost**

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

**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**  
**Notes to the Consolidated Financial Statements**  
**(A translation of the original in Spanish- see note 2 (a))**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**p) Accrued employee severance**

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

**q) Vacations**

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

**r) Saleback operations**

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

**s) Dividends**

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

**t) Derivative Contracts**

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

**u) Reclassifications**

For comparison purposes, certain reclassifications have been made to the 2006 financial statements.

**v) Revenue recognition**

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

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**w) Computer software**

Computational systems developed internally using the Company's personnel and materials are charged to income during the year in which the expenses are incurred. In accordance with Circular No. 1.819 dated November 14, 2006 of the SVS, computer systems acquired by the Company are recorded at cost.

**x) Research and development expenses**

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

**y) Obligations with the public (Bonds payable)**

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

**z) Provisions for mine closure costs**

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

**aa) Deferred income**

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

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**Note 3 - Changes in Accounting Principles**

During the period ended June 30, 2007, there were no other changes in the application of generally accepted accounting principles in Chile compared to the prior year.

**Note 4 - Marketable Securities**

As of June 30 marketable securities are detailed as follows:

	2007 ThUS\$	2006 ThUS\$
Mutual funds	96,715	58,933
Total	96,715	58,933

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

**Note 5 - Short-term and long-term Accounts Receivable**

a) Short term and long-term accounts receivable and other accounts receivable as of June 30 are detailed as follows:

	Up to 90 days		Between 90 days and 1 year		Total Short-term (net)	
	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$
<b>Short-term</b>						
Trade accounts receivable	122,529	126,593	41,503	126,593	164,032	150,877
Allowance for doubtful accounts					(7,824)	(8,083)
Notes receivable	15,475	25,280	23,237	6,246	38,712	31,030
Allowance for doubtful accounts					(3,295)	(3,387)
<b>Accounts receivable, net</b>					191,625	170,437
Other accounts receivable	10,082	5,848	857	1,618	10,939	7,466
Allowance for doubtful accounts					(1,152)	(680)
<b>Other accounts receivable, net</b>					9,787	6,786
<b>Long-term receivables</b>					109	297

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**Note 5 - Short-term and Long-term Accounts Receivable (continued)****Consolidated Short-term and Long-term Receivables - by Geographic Location**

	Chile		Europe		Asia, Africa, Oceania And the Middle East		USA, México and Canada		Latin America and the Caribbean		Total	
	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$	2007 ThUS\$	2006 ThUS\$
<b>Net short-term trade accounts receivable</b>												
Balance	41,827	28,770	51,776	41,621	5,911	9,430	23,580	31,790	33,114	31,183	156,208	141,111
% of total	26.77%	20.15%	33.15%	29.15%	3.78%	6.60%	15.10%	22.26%	21.20%	21.84%	100.00%	100.00%
<b>Net short-term notes receivable</b>												
Balance	26,443	17,162	2,821	5,685	689	369	498	956	4,966	3,471	35,417	35,417
% of total	74.66%	62.09%	7.97%	20.57%	1.96%	1.33%	1.41%	3.46%	14.02%	12.56%	100.00%	100.00%
<b>Net short-term other accounts receivable</b>												
Balance	5,711	2,834	1,520	1,250	153	157	2,123	2,289	280	256	9,787	9,787
% of total	58.35%	41.76%	15.53%	18.42%	1.56%	2.31%	21.69%	33.73%	2.86%	3.77%	100.00%	100.00%
<b>Subtotal short-term accounts receivable, net</b>												
Balance	73,981	48,766	56,117	48,556	6,753	9,956	26,201	35,035	38,360	34,910	201,412	186,315
% of total	36.73%	27.52%	27.86%	27.40%	3.35%	5.62%	13.01%	19.77%	19.05%	19.70%	100.00%	100.00%
<b>Long-term accounts receivable, net</b>												
Balance	109	282	-	-	-	-	-	-	-	15	109	109
% of total	100.00%	94.95%	-	-	-	-	-	-	-	5.05%	100.00%	100.00%
<b>Total short and long-term accounts receivable, net</b>												
Balance	74,090	49,048	56,117	48,556	6,753	9,956	26,201	35,035	38,360	34,925	201,521	186,424
% of total	36.77%	27.62%	27.85%	27.35%	3.35%	5.61%	13.00%	19.74%	19.04%	19.67%	100.00%	100.00%



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**Note 6 - Balances and Transactions with Related Parties**

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

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

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

a) Amounts included in balances with related parties as of June 30, 2007 and 2006 are as follows:

	<b>Short-term</b>		<b>Long-term</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Accounts receivable</b>				