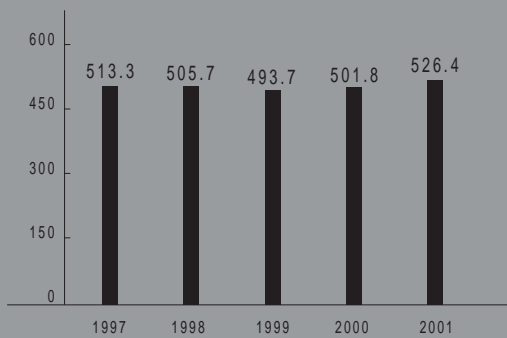


annual report 2001

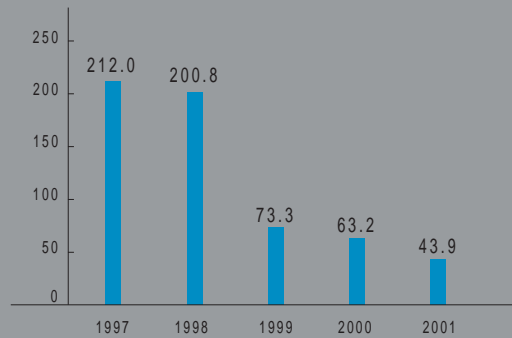


financial background 1997 - 2001

total sales (MUS\$)

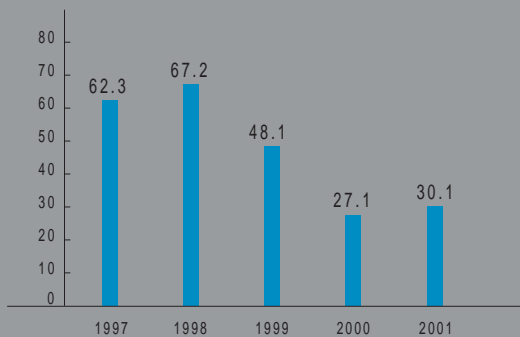


investment plan (MUS\$)



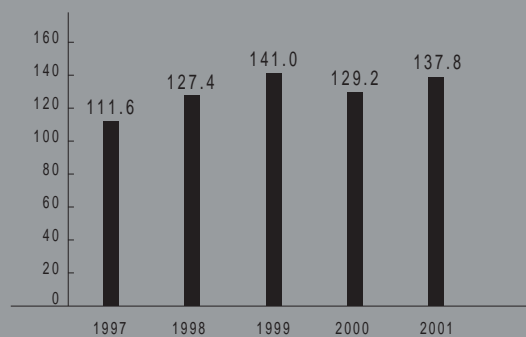
note: includes investments in related companies

net income (MUS\$)



note: 1998 includes US\$16.8 million of the extraordinary gain related to the Cement assets sale

operating cash flow (MUS\$)



note: operating income plus depreciation



SGM worldwide presence

- headquarters
- sales offices
- ▲ regional offices
- blending facilities

revenues by geographic area	MUS\$	contribution
North America	130.5	25%
Chile	108.7	21%
Europe	155.9	29%
Latin America and Caribbean	84.0	16%
Asia, Oceania and others	22.5	4%
Africa and Middle East	24.8	5%
Total	526.4	100%



revenues by business area	MUS\$	contribution
Specialty fertilizers	253.4	48%
Industrial chemicals	69.6	13%
Iodine and lithium	118.4	23%
Others	85.1	16%
Total	526.4	100%



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SQM is an integrated producer and distributor of specialty fertilizers, industrial chemicals and iodine and lithium. Its products are based in the development of high quality natural resources that allow the Company to be leader in costs, supported by a specialized international commercial network with sales in over 100 countries. SQM's development strategy aims to maintain and strengthen the world leadership in its three main businesses, specialty fertilizers, iodine and lithium, leadership that is based in the Company's competitive advantages and in the sustainable growth of the different markets where it participates.

chairman's letter

SQM's improved results for 2001, in spite of a complex international environment, allow us to look to the future with renewed optimism.

SQM reported earnings in the amount of US\$ 30.1 million for the year 2001, which is 11.1% higher than those reported for the previous year.

In the last two years the Company has implemented various cost reduction initiatives, which have been the main cause in the earnings increase reported during 2001. Within these initiatives there are efforts in reducing energy costs, a cost reduction plan, strategic alliances to strengthen SQM's distribution network and a great variety of improvements oriented to optimize the production processes. The above has been particularly positive if we consider the weak price environment in the specialty fertilizers and iodine businesses. Average sales prices were mainly affected by the strong competition observed in the iodine and potassium nitrate markets and by sales in Europe influenced by a weak local exchange rate, which has depreciated against the US dollar in approximately 16% in the last two years.

The lower costs allow SQM to strengthen even more its competitive advantages and place the company in a privileged position to capture the expected demand growth for its products.

Regarding productive processes, for 2001 we can highlight the increase in the potassium chloride plant capacity, which, by reaching levels of 650 thousand tons per year, doubles the original design capacity of the production plant in the Salar de Atacama. Additionally, by the end of 2001 we initiated the works to increase the production capacity at the lithium carbonate plant up to 28,000 tons per year, consolidating SQM's position as the world's main lithium carbonate producer. Both projects complement the investments on the Salar de Atacama development -the biggest investment in the history of non metallic mining in Chile- which added up to US\$ 300 million in the past five years. These investments not only allowed the Company to replace third party potassium chloride used in the production of potassium nitrate, which brought significant cost savings for SQM, but also permitted the Company to reach sales of products related to the Salar de Atacama exploitation for more than US\$ 110 million during 2001.

During the first half of 2001, SQM implemented a cost reduction plan, restructuring the Company's organization in order to fully adapt it to its consolidation strategy, lowering thus



□ Salar de Atacama crust, under which the brines are found.

its production and administrative costs. The positive effects of the new structure were reflected during the second half with lower production costs and a significant productivity increase, with a positive impact on the Company's results. Additionally and as a complement to the cost reduction initiatives, SQM connected its facilities to natural gas in order to replace part of the diesel and fuel oil used in the productive processes and in heat generation, significantly reducing the influence of international oil prices on the Company's cost.

With the purpose of strengthening its world presence in specialty fertilizers, SQM subscribed a commercial agreement with the Norwegian fertilizer company Norsk Hydro ASA. This agreement allows SQM to use Norsk Hydro's distribution network in the markets where the presence and infrastructure of the Norwegian company is bigger than SQM's. On the other hand, in the markets where SQM's presence is bigger than Norsk Hydro's, the specialty fertilizers of both companies will be commercialized through SQM's distribution network. Additionally it was agreed to integrate the soluble fertilizers mixing plants that Norsk Hydro and SQM -through

an agreement with Israel Chemicals-have in Europe. This way, the Company expects to achieve important cost synergies in production, administration and commercialization of blended fertilizers from these plants, as well as strengthening the development of new products and improving the service offered to clients of both companies.

Finally, by the end of 2001, the Canadian company Potash Corporation of Saskatchewan Inc., the main potassium chloride producer in the world, acquired approximately 18% of SQM's shares (approximately 34% of series A shares), becoming the Company's second largest shareholder. The significant participation of international investors on SQM's property is a clear sign of confidence in the Company's future, and it helps us to reaffirm SQM's development and leadership strategy in the different businesses in which it participates.

SQM is the world leader in the specialty fertilizer, iodine and lithium markets. These three business areas correspond to specialty segments with positive growth perspectives in the future.

The future development of the Company is based upon its sustainable competitive advantages: ample and high quality natural resources, low production costs, productive know how, integrated commercial network and a consolidated and experienced human team.

The positive results recorded during 2001, obtained under a complex international scenario, allow us to be optimistic regarding the development of the Company's businesses in the years to come.



Julio Ponce L.
chairman



board of directors and senior management



□ Solar evaporation ponds at the Salar de Atacama.

As of december 31, 2001, the Board of Directors was conformed as follows:

Chairman

Julio Ponce Lerou
Forestry Engineer, Universidad de Chile

Vice-chairman

Hernán Büchi Buc
Civil Engineer, Universidad de Chile

Director

Kendrick Taylor Wallace
Lawyer, Harvard Law School

Director

Avi Milstein
Mechanical Engineer, Israeli Technical Institute, Haifa

Director

Julio Cardenal Nicolau
Aeronautical Engineer, Imperial College,
London University

Director

Wayne R. Brownlee
Economist, University of Saskatchewan

Director

José María Eyzaguirre Baeza
Lawyer, Universidad de Chile

Director

José Antonio Silva Bafalluy
Lawyer, Universidad Católica de Chile

As of december 31, 2001, the Directors Committee was conformed as follows:

Director

Avi Milstein
Mechanical Engineer, Israeli Technical Institute, Haifa

Director

Julio Cardenal Nicolau
Aeronautical Engineer, Imperial College,
University of London

Director

José Antonio Silva Bafalluy
Lawyer, Universidad Católica de Chile

During the Extraordinary Board of Directors Meeting held on december 4, 2001, the members of the board agreed to accept the voluntary and irrevocable resignation of Messrs. Sergio de la Cuadra F., Juan Hurtado V., Ricardo Peralta V., Isidoro Quiroga M. and Juan Rassmuss E. to their posts and duties as directors of SQM. Subsequently, Messrs. Wayne R. Brownlee, Julio Cardenal N., José María Eyzaguirre B., José Antonio Silva B. and Kendrick T. Wallace. were appointed as new Directors of the Company.

During that same meeting, the members of the board agreed to accept the voluntary and irrevocable resignation of Messrs. Sergio de la Cuadra F., Ricardo Peralta V. and Isidoro Quiroga M. to their posts and duties as members of the Directors Committee. Subsequently, Messrs. Julio Cardenal N., Avi Milstein and José Antonio Silva B. were appointed as new members of the Directors Committee.

As of december 31, 2001, the Senior Management was conformed as follows:

Chief executive officer

Patricio Contesse González
Forestry Engineer, Universidad de Chile

Executive vicepresident and Chief operating officer

Patricio de Solminihac Tampier
Chemical Engineer, Universidad Católica de Chile

General counsel

Matías Astaburuaga Suárez
Lawyer, Universidad Católica de Chile

Chief financial officer

Ricardo Ramos Rodríguez
Industrial Engineer, Universidad Católica de Chile

Senior commercial vicepresident

Eugenio Ponce Lerou
Mechanical Engineer, Universidad Católica de Valparaíso

Senior vicepresident nitrate and iodine operations

Maurice Le Fort Rudloff
Structural Engineer, Universidad Católica de Chile

Senior vicepresident salar operations

Carlos Nakousi Salas
Industrial Engineer, Universidad Católica de Chile

Senior technical vicepresident

Jaime San Martín Larenas
Transport Engineer, Universidad Católica de Chile

Senior human resources vicepresident

Camila Merino Catalán
Industrial Engineer, Universidad Católica de Chile



main shareholders as of december 31, 2001

main series A shareholders

name	number of series A shares	% ownership of series A shares	% of total ownership
Scotia Sud Americano C.de B. S.A.	48,294,406	33.81	18.35
Soc. de Inversiones Pampa Calichera S.A. (1)	45,747,534	32.03	17.38
Inversiones RAC Chile Limitada	19,200,242	13.44	7.30
Global Mining Investments (Chile) S.A. (1)	7,123,076	4.99	2.71
A.F.P. Habitat S.A. para Fondo de Pensiones	3,998,943	2.80	1.52
Inversiones La Esperanza (Chile) Ltda.	3,589,387	2.51	1.36
A.F.P. Provida S.A. para Fondo de Pensiones	2,184,179	1.53	0.83
The Bank of New York, según circ.1375 S.V.S	1,443,030	1.01	0.55
Compañía Minera Pullalli Limitada	1,222,500	0.86	0.46
A.F.P. Santa María S.A. Fondo de Pensiones	1,163,463	0.81	0.44
Moneda S.A. AFI para Pionero Fdo. de Inv. Mobiliaria	894,633	0.63	0.34
Kowa Co. Ltd.	781,429	0.55	0.30
Subtotal main shareholders	135,642,822	94.97	51.54
Total series A shares	142,819,552	100.00	54.26
Total series A shareholders	1,009		

main series B shareholders

name	number of series B shares	% ownership of series B shares	% of total ownership
The Bank of New York, según circ.1375 S.V.S	36,403,830	30.24	13.83
A.F.P. Provida S.A. para Fondo de Pensiones	9,507,994	7.90	3.61
A.F.P. Cuprum S.A. para Fondo de Pensiones	8,426,388	7.00	3.20
A.F.P. Habitat S.A. para Fondo de Pensiones	8,426,384	7.00	3.20
Cía. de Seg. de Vida Consorcio Nacional de Seguros	5,144,361	4.27	1.95
A.F.P. Santa María S.A. Fondo de Pensiones	4,472,775	3.72	1.70
A.F.P. Summa Bansander S.A. para Fondo de Pensiones	4,283,012	3.56	1.63
Inversiones RAC Chile Ltda.	2,202,773	1.83	0.84
Moneda S.A. AFI para Pionero Fondo de Inv. Mobiliaria	1,694,346	1.41	0.64
Bancard S.A.	1,680,447	1.40	0.64
Larraín Vial S.A. Corredora de Bolsa	1,590,035	1.32	0.60
Agrícola Escorial Ltda.	1,347,167	1.12	0.51
Subtotal main shareholders	85,179,512	70.76	32.36
Total series B shares	120,376,972	100.00	45.74
Total series B shareholders	2,535		
Total series A and B shares	263,196,524		100.00
Total series A and B shareholders	2,744		

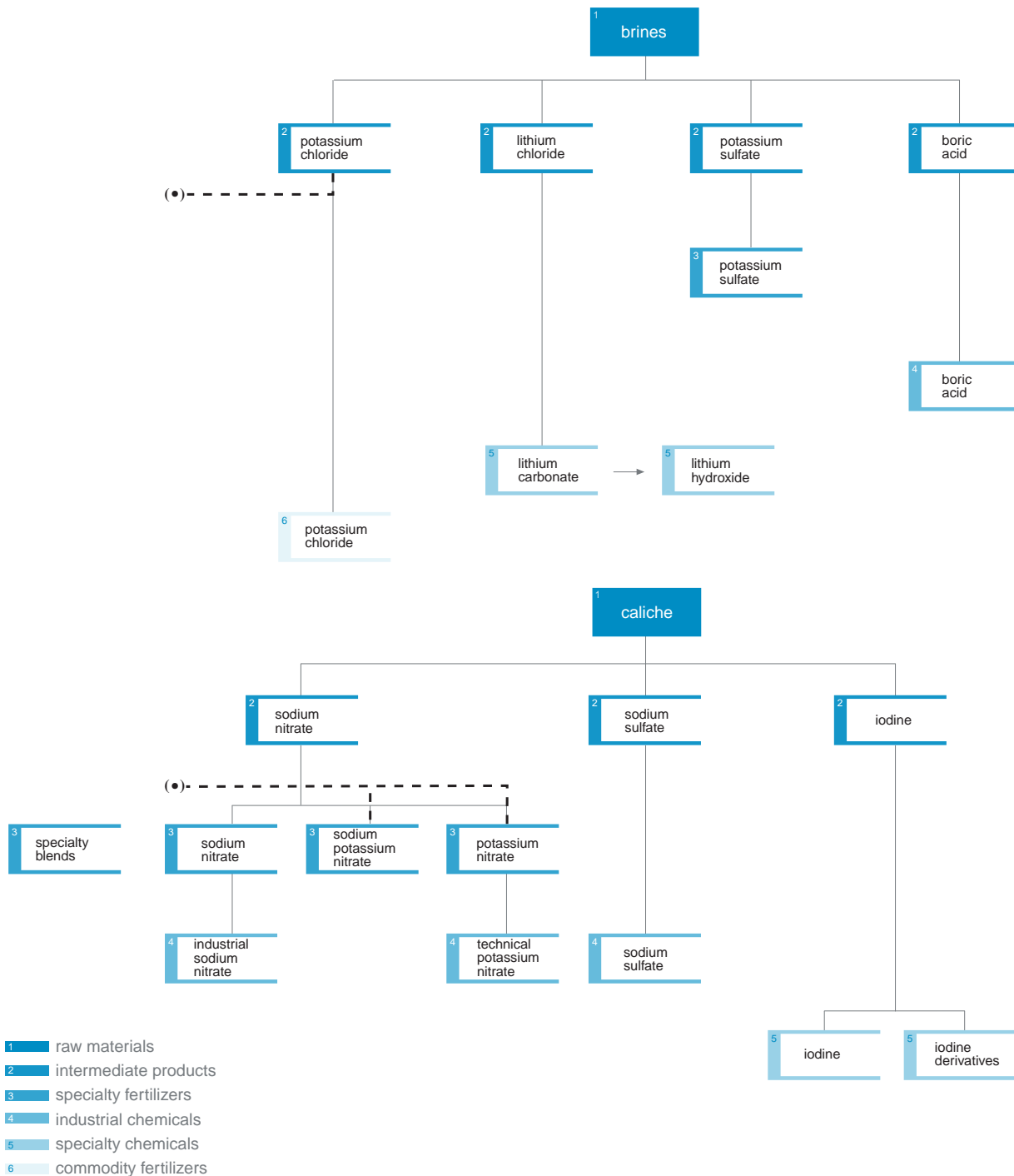
(1) Sociedad de Inversiones Pampa Calichera S.A. owns 100% of Global Mining Investments (Chile) S.A. shares, being therefore the beneficial owner of 52,870,610 Series A shares, which represent a 20.09% of the total shares of SQM.

On October 24, 2001, the Canadian company Potash Corporation of Saskatchewan Inc. (PCS) entered SQM's property by acquiring, through Inversiones El Bolfo Ltda., the amount of 48,129,128 Series A shares, approximately a 33.7% of the said series. These shares were sold mainly by Chilean institutional investors, among them Administradoras de Fondos de Pensiones (pension funds). In the following days, PCS acquired more Series A shares until it reached 48,270,406. The shares are held in custody at Scotia Sudamericano Corredores de Bolsa S.A..

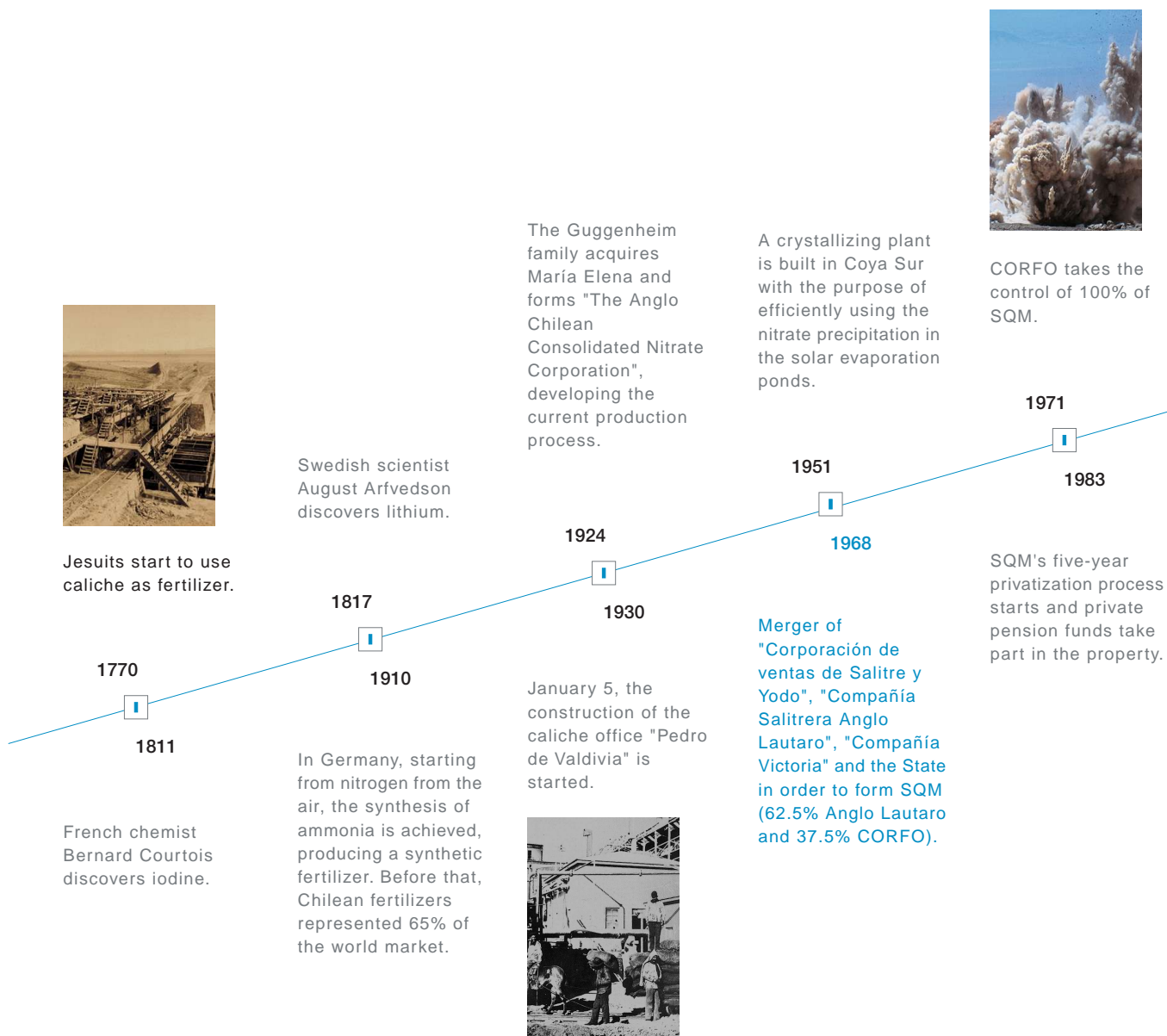
Notwithstanding the foregoing, some of the Company's majority shareholders have reduced their share of ownership or ceased being such, while others have become majority shareholders or increased their overall stake in the Company.

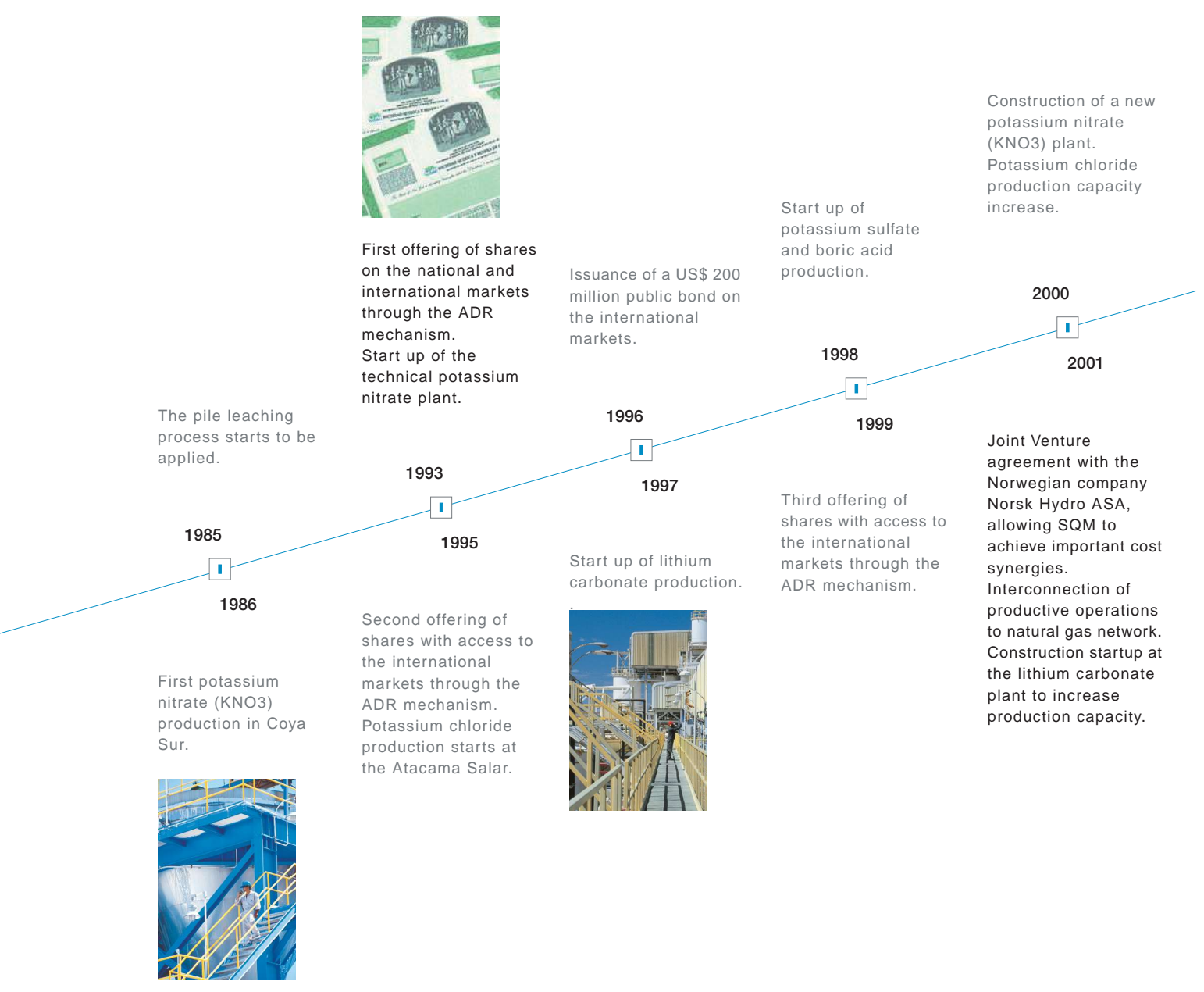


SQM's products



historical background





The pile leaching process starts to be applied.

1985



1986

First potassium nitrate (KNO₃) production in Coya Sur.



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

1993



1995

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



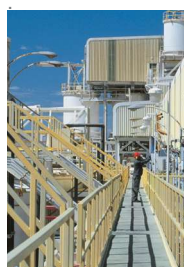
Issuance of a US\$ 200 million public bond on the international markets.

1996



1997

Start up of lithium carbonate production.



Start up of potassium sulfate and boric acid production.

1998



1999

Third offering of shares with access to the international markets through the ADR mechanism.

Construction of a new potassium nitrate (KNO₃) plant. Potassium chloride production capacity increase.

2000



2001

Joint Venture agreement with the Norwegian company Norsk Hydro ASA, allowing SQM to achieve important cost synergies. Interconnection of productive operations to natural gas network. Construction startup at the lithium carbonate plant to increase production capacity.



company description



Out of the vast and distant lands in northern Chile, SQM's integrated production and distribution network reaches out to serve its overseas markets, spread throughout the five continents. It is this reach, combined with a conservative financial position and the organization's commitment to excellence in both quality and service, that reaffirm SQM's position as a world leader in its three main businesses: specialty fertilizers, iodine and lithium.

SQM is the world leader in the specialty fertilizers, iodine and lithium businesses. Its products are based on the development of high quality natural resources, which are commercialized through its specialized international distribution network with sales in more than 100 countries.

This vast and specialized international network, with commercial offices and mixing plants in more than 20 countries, gives SQM the opportunity of diversifying its sales as well as allowing the Company to know directly what are the specific needs for each market and product.

The products of the Company are obtained from the processing of the raw materials that are found in the First and Second Regions of Chile, in which SQM holds exploration and exploitation rights for approximately 2,000,000 hectares.

SQM shares are traded on the stock exchanges of Chile and since 1993 on the New York Stock Exchange through the ADR mechanism.



natural resources

The development of SQM's products is based on the exploitation of two main natural resources, Caliche Ore and Salar Brines, whose characteristics make them unique in the world. These natural resources are found throughout the First and Second Regions of Chile in the Atacama Desert, the most arid desert in the world, characteristic that benefits the productive processes of the Company.

Caliche ore deposits, which are the world's largest known commercially exploitable natural reserves of nitrate and iodine, are only found in the North of Chile. Of these deposits, SQM owns exploitation and exploration rights for more than 1.5 million hectares, which represent over 75% of the existing and economically exploitable caliche deposits.

Caliche is a mineral that contains high concentrations of nitrate and iodine, 6-9% and 350-600 ppm respectively, it is located no more than 2 meters deep and it is found in 2-3 meter thick layers, all of which characterizes the exploitation operation as extensive and of easy extraction.

Crushing and leaching processes are the starting point for the recovery of the salts contained in the caliche ore, obtaining sodium nitrate, sodium

sulfate and iodine as final products. SQM has gathered and developed scientific knowledge on caliche ore chemistry and mining for decades, constituting this a strong base for the sustainable development of its business.

Salar de Atacama, a natural source of underground brines, was formed by the natural leaching of the Andean Mountains from which it received over time the different minerals that are found today below the surface of its saline crust. Among all the known salt deposits in the world, the Atacama Salar has brines with the highest concentrations of lithium and potassium, in addition to significant concentrations of sulfate, boron and magnesium. On the other hand, the Atacama Desert presents a solar evaporation rate of 3,200 millimeters of water per year, resulting in a positive effect in the sun energy-based brine concentration process.

Brines extracted from below the saline crust are subject to a solar evaporation process in ponds that cover an area of approximately 1,400 hectares.

These solutions are the base for potassium chloride, lithium carbonate, potassium sulfate, boric acid and magnesium chloride production.

Additionally, from the potassium chloride extracted from the brines, and from the sodium nitrate extracted from the caliche ore, SQM produces potassium nitrate, product for which the Company is the largest producer worldwide.

SQM's natural resources have unique characteristics in terms of location, grades and size, allowing the Company to be a worldwide leader and low cost producer in the businesses in which it is involved.



logistics and distribution

In order to efficiently and consistently deliver high quality products to each of its customers, SQM developed an integral logistic network, extending from the Salar de Atacama and reaching nearly 350,000 clients worldwide.

One of the most important stages in the complex process that SQM's products go through consists of product forwarding and distribution, whether they are in their most elemental condition as raw materials or as finished products.

Within the productive scope, the geographical area that SQM needs to cover presents a great logistical challenge. The Company needs to transport more than 30 million tons a year within the productive area, from the mineral extraction and exploitation sites to where the productive plants are, and then to the warehouses on the port of Tocopilla. In order to fulfill this task, SQM has developed a wide railroad network, which, complemented by truck forwarding services, allows the Company to efficiently achieve all of its productive requirements.

Since 90% of the Company's production is sold in foreign markets SQM has built a distribution network with commercial and representation offices in 20 countries around the world. This, in addition to its warehouses and mixing

plants, strategically located in the five continents, has allowed the Company to deliver its products with efficiency and quality to over 100 countries. Furthermore, the volume of products marketed through its specialized distributors allow the company to have major economies of scale, resulting in lower costs for final customers.

Facilities owned by the Company in the port of Tocopilla are a key element in SQM's logistic and distribution effort. Located 200 kilometers north of Antofagasta, and connected to the productive plants by SQM's railroad network, Tocopilla concentrates almost all of the maritime shipments departing from Chile. The facilities comprise a mechanical arm, a mobile dump body, conveyor belts, storage silos, nitrate bagging machines, and loading docks.

quality certification

SQM was one of the first Chilean companies to receive quality certification, obtained in 1992 for the iodine plants complying with ISO 9003 standards. The process started that year has been extended to this date and among its milestones there is the quality certification for iodine under ISO 9002 standards, which involves manufacturing processes and commercialization of prilled and laminated iodine in 1994. On that occasion a quality assurance system was incorporated to the iodine plants located in María Elena, Coya Sur and Pedro Valdivia, in the Second Region of Chile.

Additionally, in 1996 started the accreditations in accordance with ISO 9002 standards for the new potassium nitrate products, both for technical and refined grades, certified by BVQI on 1997 which considers the manufacturing process and commercialization of the products.

On february 2000, the first recertification of the quality assurance system for nitrates took place, expanding the scope of the certification to water soluble NPK fertilizers and sodium nitrate and sodium potassium nitrates, both for technical and refined grades.

Assuring the quality of its products while moving towards the continuous improvement of its productive and commercialization processes, is one of the main goals on the productive strategy of the Company.



research and development

One of the main objectives of SQM's Research and Development team, conformed by professionals of the highest standards, consists in developing new processes and products in order to maximize the returns obtained from the resources the Company exploits. The main research areas cover topics such as chemical process design, phase chemistry, chemical analysis methodologies and physical properties of finished products. This unit, which is part of the GIDMA (Research, Development and Environment Department), provides technical advice to production, quality and commercial areas.

environment

Conscious of the increasing importance of the environment, SQM has created a specialized group within the GIDMA that deals with environmental issues, complementing thus the development and improvement of the company's productive processes, making them environmentally sound. These professionals are in charge of coordinating the environmental procedures of the company, following up and controlling the environmental variables on SQM's operations and implementing good practices for the rational and efficient use of the company's resources.

The above is part of the Environmental Management System, EMS, that SQM is developing at this time. The implementation of the EMS seeks to identify the environmental issues linked to each of the Company's productive processes, in order to protect SQM's workers, nearby communities, renewable resources and, in general, any ecosystem existing on the desert zones where the Company carries out its operations.

Further more, one of SQM's main objectives in developing the EMS is to establish the basis for the preparation of the Company's certification in accordance with ISO 14000 standards.

Finally SQM is a part of a plan to protect the flora and fauna of a series of lagoons situated in the Salar de Atacama. These lagoons, which are the natural habitat for the Andean, Chilean and James flamingoes, are found on the eastern border of the Salar nucleus, at approximately 30 kilometers from SQM's operations. The monitoring of this ecosystem has been jointly carried out by Conaf (National Forestry Corporation) and SQM since 1995, measuring and controlling variables such as wildlife population, size and physicochemical properties of the lagoons, and meteorological conditions of the area, all of which helps to ensure the continuity of this particular ecosystem.

community

SQM's relationship with the communities that are directly or indirectly related with its operations is a key element for a sustainable productive strategy development.

To reinforce and improve this relationship, the Company has established a calendar of activities and contributions whose direct beneficiaries are the communities above mentioned. Some of the projects the Company has been developing are:

- Contribution to universities and local institutions for the research on caliche history.
- Cultural expositions with photographs, documents and machinery used since the origins of caliche exploitation.
- Seminars and workshops oriented to universities, local companies research teams and technical department professionals of the public sector.
- Educational and ecological field trips for primary school students, visiting SQM's plants and natural reserves.
- Professional internships for hundreds of technical school students.
- Significant contributions to social care centers on Chile's Second Region.

low cost producer

The unique characteristics of its two main raw materials, the Atacama Desert's unmatched conditions, which favor SQM's productive processes, together with a full integration of the productive and logistics areas, allow the Company to be the world's lowest cost producer in the markets where it participates.

specialty fertilizers

World demand for potassium nitrate has doubled in the past 10 years. The reasons that made this increase in demand possible are even stronger today than they were 10 years ago, confirming the positive growth perspectives for this business.

Specialty fertilizers, SQM's most representative and well known product line both in local and international markets, represented 48% of the Company's total sales during 2001. As a result of the strategy carried out in the last years, SQM has become one of the largest producers of potassium nitrate worldwide, with an installed capacity of 650 thousand tons per year and a market share of approximately 45%.

SQM produces four main specialty fertilizers and more than 200 fertilizer blends tailored to the specific needs of each type of crop and geographical zone to which they are applied. These products are mainly applied through modern agricultural techniques like greenhousing, hydroponics and drip irrigation. SQM's specialty fertilizers are i) potassium nitrate, ii) sodium nitrate, iii) sodium-potassium nitrate, iv) potassium sulfate and iv) more than 200 specific blends.

SQM's specialty fertilizers have technical advantages compared to commodity type fertilizers. The main advantages, which increase the productivity and quality of the crops to which they are applied, are the following:

Chlorine free: The presence of chlorine affects the quality and productive yields of certain crops. Potassium nitrate and potassium sulfate are the main sources of chlorine free potassium for the high value technified agriculture.

100% water soluble: One of the most important characteristics of potassium nitrate is that is fully soluble in water. This is crucial for its application in modern agricultural techniques such as hydroponics (crops cultivated in water, in absence of soil) or drip irrigation. These techniques require the application of the fertilizer through the irrigation water, increasing thus productivity, quality and efficiency of the process.



Rapid absorption: SQM's specialty fertilizers contain nitric nitrogen (potassium nitrate, sodium potassium nitrate and sodium nitrate). The nitric nitrogen is rapidly absorbed by the plants, increasing the productivity and efficiency of the fertilization process.

Reduces and controls soils acidity: Ammonium commodity fertilizers (such as urea) are slow and less efficient in the absorption process due to the fact that they need a previous chemical reaction to transform the ammonium nitrogen into nitric nitrogen. This process increases the acidification of the soil, making it less appropriate for sensitive crops such as vegetables and orchards.

Natural origin: SQM's fertilizers, being 100% from natural origin, have micro-nutrient traces (boron, calcium, magnesium) which represent an additional benefit in the fertilization.

The agriculture of high value products (greens, vegetables, fruits, coffee, tobacco, etc.) faces a series of challenges, such as high cost of arable land near urban centers, water scarcity and increasing demand for first quality products. To face these challenges it is necessary to increase the productive yields in crops and the efficiency in the use of water, together with a correct selection of the production components (seeds and fertilizers), in a way such that the quality of the final products is maximized.

The rapid increase in the consumption of specialty fertilizers is due mainly to the high growth of modern agricultural



□ Premium prices can be achieved by using specialty fertilizers. □ Detail of prilled potassium nitrate.

techniques. The need of modernizing the agricultural process has boosted the use of green housing, hydroponics and drip irrigation. These techniques allow to significantly increase the yield per hectare, decrease water consumption and improve the quality of crop production.

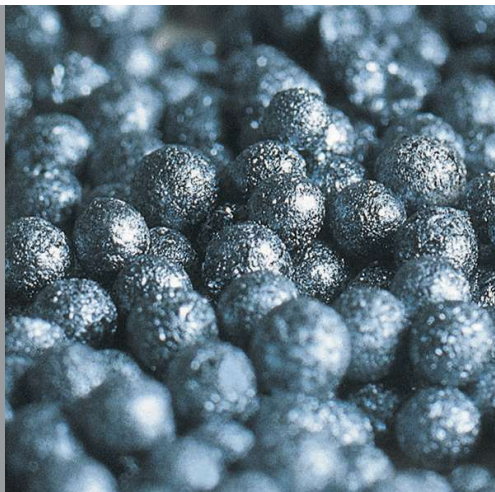
The commercial strategy in the specialty fertilizer area is oriented to satisfy the specific fertilizing needs of the Company's different clients, trying to broaden the portfolio of products offered while increasing the geographical coverage. In line with this, SQM has taken clear steps that seek to complement its vast and specialized distribution network:

- During december 2001, SQM signed a Joint Venture agreement with Norsk Hydro ASA. This agreement seeks to achieve important cost synergies in production, administration and commercialization of liquid and soluble fertilizer blends, using the distribution channels of the Company that has the biggest strengths in each market. With this, SQM can extend its product portfolio while increasing the coverage in Northern and Eastern Europe.

- During the year 2001, SQM inaugurated three mixing plants in Chile, Mexico and the USA. These plants add up to those already owned by SQM in Chile, USA, France, Belgium and the United Arab Emirates. The broad range of the specialty fertilizers portfolio offered by SQM gives the Company a competitive advantage in the integration to distribution and preparation of fertilizer blends, which increases the profit of commercial operations and improves the service to final costumers.

- Consolidation and diversification of potassium nitrate sales. One of the Company's strategies for this product line consists in consolidating its position in the different markets where it participates, as the case in China for example, in which the Company tries to capture, in the medium and long term, part of the strong growth experienced by this market. This market diversification is part of a permanent strategy based on the Company's large commercial network.

iodine and lithium



The world's largest economically exploitable reserves of iodine are found in the Atacama Desert. SQM holds mining rights over a significant part of these reserves.

Iodine and lithium are both specialty products immerse in markets with continuous growth and new applications that could make demand to significantly increase in the next years.

With sales close to US\$120 million, iodine, lithium and their derivatives represent two key product lines for the development of SQM's strategic plan in the medium and long term. For both products, as on the great majority of its markets, SQM has obtained a very important position characterized by a broad geographic and client distribution that permit the Company to react more efficiently either to changes on demand or to changes on external variables, such as world economy and exchange rates, among others.

iodine and derivatives

Iodine is a nonmetallic element, solid, with a crystalline structure and bluish black color. It can be found in the form of sodium iodide in brines associated to the extraction of natural gas -in Japan and in fewer quantities in the USA- and also to the extraction of oil in the former Soviet Union. In the Atacama Desert, in the north of Chile, it can be found in the form of calcium iodate in the caliche ore, being this the main source of economically exploitable reserves.

Among the many uses of iodine, one of the most important is that iodine is an

essential element for human beings. Iodine deficiency can cause disorders such as mental retardation and growth disorders in children, as well as goiters and infertility, all of which can be controlled worldwide by adding iodine to table salt. For this reason, one of the main applications for this product is iodized salt.

Iodine also plays an important role in medicine. It constitutes the main component in contrast media for X-ray exams and it is used directly or as an intermediary in the production of antibiotics, corticosteroids, antiarrhythmics and multiple other pharmaceutical applications. It is also present in antiseptics, disinfectants and surgical soap.

On industrial activities, iodine and its derivatives are found in countless applications, among which it is possible to mention disinfectants for the dairy industry, nutrients for animal feeding, biocides for paints, nylon fibers, photograph films, catalysts for organic synthesis, herbicides and colorants.

The iodine world market, where SQM has consolidated its leadership by keeping a



□ Iodine has ample uses in medicine. □ SQM-Ajay iodine derivatives plant in France. □ Iodized salt is the best tool against goiters.

28% market share, has been characterized in the last years by strong competition, due mostly to an increase in production capacities between 1998 and 2000. As a result of this, during 2001 iodine price decreased approximately US\$ 1.4 per kilogram with respect to the previous year. The temporal volatility in the supply and demand equilibrium, which mainly responds to the inability of the market to absorb the excess of installed capacity of the previous years, will slowly get back to normal levels as world demand for iodine continues with its present positive growth rate. As a result of SQM's strategy to consolidate its market share, the geographic diversity of iodine sales has increased to reach more than 70 countries during 2001, being its main destinations the markets of Europe and North America.

Due to a long history of innovation and research in the productive processes, SQM's iodine and iodine derivatives comply with the most demanding international quality standards. In addition, the Company has the ISO 9002 certification for its organization, facilities, and productive processes,

which has rendered SQM capable to respond to the quality and service requirements of its customers, who participate in highly competitive markets. At the end of 2001, ISO 9002 certification was also granted to the iodine plant located in Nueva Victoria, reassuring thus the continuous commitment of the Company with the quality offered to its clients. Therefore iodine as prills or granules, developed by the Company under registered licenses, offers a clear handling and application advantage in the technified industrial processes.

SQM is also the main producer and commercializer of iodine derivatives worldwide through a Joint Venture with Ajay Chemicals, with plants in Chile, USA and Europe. In this market segment, the Company has a market share of approximately 24%.

The future development of specialty products based on iodine and its derivatives, among which methyl iodide can be mentioned as an agrochemical and trifluoromethyl iodide as a fire control agent, along with SQM's solid presence in the world markets allow the company to be optimistic on the short and long term growth perspectives.



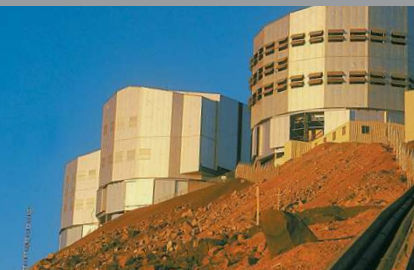


□ Used in tile glazing and on the mission to Mars in 1997, lithium is essential in the development of new technologies.

lithium and derivatives

SQM entered the lithium carbonate business during 1997, achieving within a few years a market share of more than 40%, position maintained during the last two years, and reaching 41% during 2001. The Company's entrance into the lithium carbonate market produced the closure of high cost operations in Russia, Australia, China and USA, production that was mostly replaced by SQM's lithium carbonate. Additionally, the entrance of SQM made sales prices to significantly decrease, trend that in the last years has been reverted by a slight but steady increase on international sales prices.

During 2001, SQM decided to initiate the works to increase lithium carbonate capacity to 28,000 metric tons per year, with the purpose to meet the rising demand for this product. As in the case of the majority of its products, the Company has been able to reach a broad geographic and client diversity, supplying to nearly 40 countries with lithium carbonate.



The lithium carbonate production is based on lithium chloride solutions obtained from Salar de Atacama as a byproduct of the potassium chloride production. These solutions are later on processed to produce lithium carbonate in a plant located at the Salar del Carmen, nearby Antofagasta.

Classified within the alkali metals family and with a density of only 0.54 g/ml, lithium is, at normal temperatures, the lightest solid element, being even able to float on water without any difficulty. One of lithium's characteristics is its low thermal expansion coefficient, which allows it to be largely used in the production of glass and ceramics, improving their resistance to sudden temperature variations. Additionally, certain complex chemicals can be formed from lithium, obtaining products with a flat viscosity/temperature ratio. Using these complex chemicals as additives, it is possible to obtain greases and lubricants that can be used in extreme temperature and load conditions.

Other unique characteristic of lithium is that it combines the highest electrochemical potential with low equivalent weight, which makes this material very attractive for the production of electrochemical cells. The lithium batteries can not only be lighter but also they have the best performance in a wide range of temperatures and are environmentally a much better solution than others because they do not contain toxic heavy metals. Because of this, lithium batteries have a great potential on the medium and long term, presenting annual growth rates of nearly 10%.

SQM has the largest lithium reserves with the best quality, which allow the Company to be the lowest cost producer worldwide. Because of this and together with its specialized distribution network, the Company positions itself as a world leader in the lithium carbonate business and also as the main source of lithium carbonate production in the future.

industrial chemicals



Present in a wide array of industrial and domestic applications, SQM's industrial chemicals have characteristics that significantly contribute on improving the quality of countless products.

Representing approximately 13% of the Company's total revenues, industrial chemicals encompass a broad product portfolio. Currently, SQM participates in this business with four main products: sodium nitrate, in three different purity grades (industrial, refined and technical), technical grade potassium nitrate, boric acid and sodium sulfate.

While industrial chemicals have not made SQM a world known company among people, the Company is in fact recognized by companies all over the world as a supplier of critical raw materials used in a great variety of products that touch virtually every aspect of our lives.

Industrial nitrates benefit from the process they share with specialty fertilizers. This has two primary benefits. First, it allows the Company to take advantage of scale economies implicit in the combined production of both nitrate groups. Second, it improves operating flexibility insofar as it permits to redirect production to either one of the nitrate groups depending on market conditions. Both of the aforementioned benefits result in a competitive advantage when compared to producers that do not have this kind of integration.

Below are just a few examples of products that benefit from SQM's industrial chemicals:

at home

Nitrates are present in the porcelain enamel coatings that are fused to the metal substrates of appliances and fixtures such as refrigerators, washing machines, dryers, dishwashers, bathtubs and sinks. Producers of these products consume nitrates for a broad array of reasons, from improving production efficiency to enhancing the strength of the end product.

Nitrates and boric acid are consumed as critical ingredients in the production of both fiberglass and cellulose insulation, respectively. Nitrates, once again, serve to improve production efficiency whereas boric acid serves as a fire retardant.

Finally, sodium sulfate also has a role to play at home as an ingredient in the production of laundry detergent.



□ Their high quality and purity is suitable for industrial as well as domestic applications.

in the car

Millions of people do not realize that SQM plays an important role in the manufacturing of windshields and other metal parts used in cars. Nitrates are incorporated into the 'cocktail' of raw materials that form the windshields of some of the world's most popular cars. Additionally, nitrates are present in metal treatment baths designed to strengthen the metal used in many important automobile components such as brake pedals.

outdoors

Very few people are able to recognize that sodium nitrate is important to the enjoyment of their outdoor activities. Specifically, sodium nitrate's oxidizing properties contribute to both the ignition and the smooth burning of charcoal briquettes used in outdoor cooking.

In addition, sodium nitrate's oxidizing properties also contribute to the ignition of fireworks in pyrotechnics.

While the aforementioned uses have represented the foundation for SQM's industrial chemical business for many years, SQM is optimistic about the future of its business as several new

uses/markets are expected to provide opportunities for growth.

New uses:

- The use of nitrates as a nutrient to improve the in situ growth of bacteria in oil reservoirs thereby reducing the interfacial tension and liberating what would have otherwise been unrecoverable oil. The addition of nitrates in this secondary oil recovery process is expected to improve recovery by a projected 6%.

- The use of molten nitrates as a heat transfer fluid for solar energy plants.

New markets:

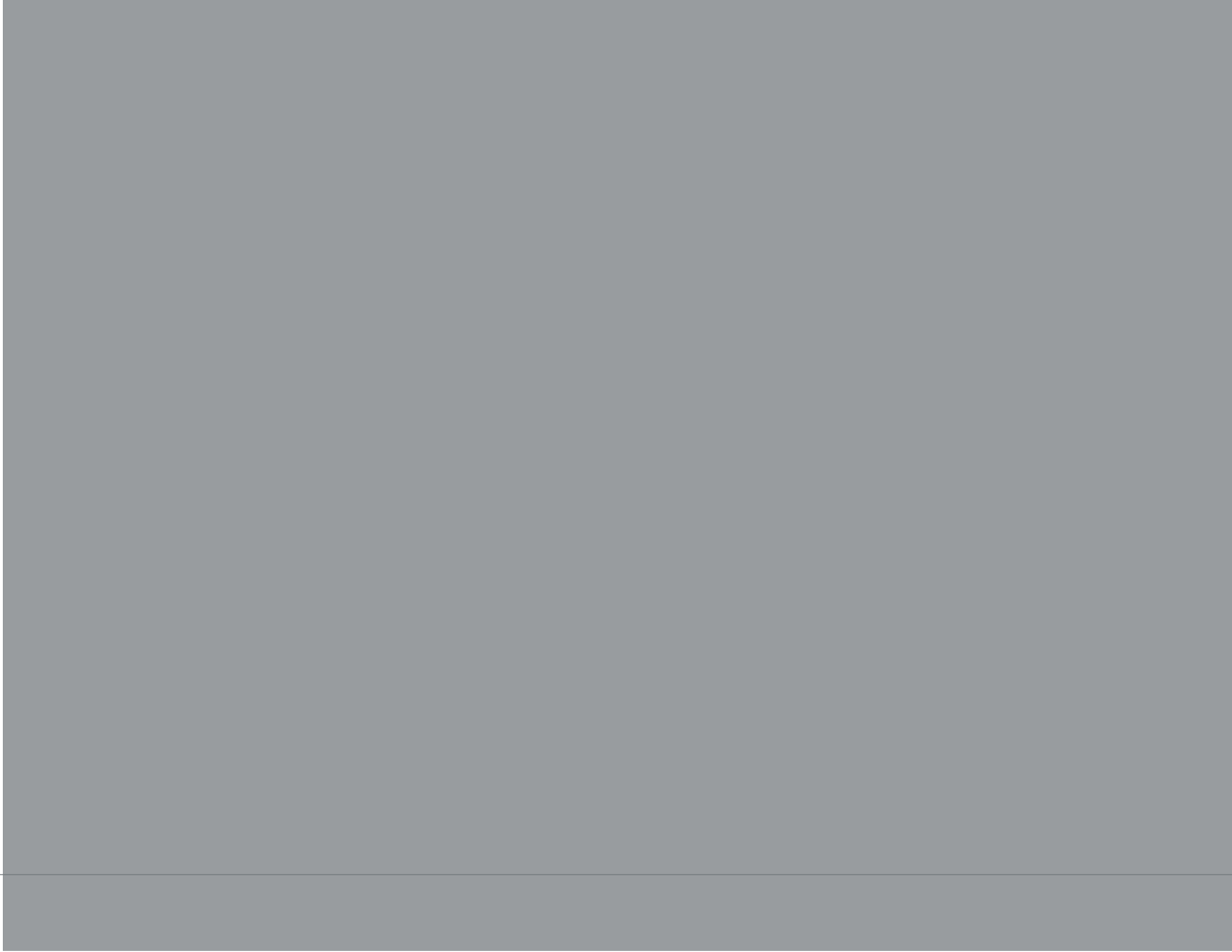
- Nitrate sales are concentrated for the most part in the developed world. As economies and technologies improve in the developing world, this creates opportunities for SQM's products as they are needed for infrastructure growth.

As outlined above, SQM's industrial chemical product portfolio has a broad array of uses. This combination of breadth of traditional uses and opportunities for future growth have provided, and are expected to continue to provide, the foundation for consistently strong financial results.



2007

financial analysis



SQM reported earnings for the year ended december 31, 2001, in the amount of US\$ 30.1 million (US\$ 1.14 per ADR), which is 11.1% higher than the US\$ 27.1 million (US\$ 1.03 per ADR) reported for the year 2000. Operating income for the full year was US\$ 74.6 million, 10.9% higher than the US\$ 67.3 million recorded during the year 2000. EBITDA⁽¹⁾ (operating income plus depreciation) reached US\$ 137.8 million during the year 2001, which is approximately 7% higher than the US\$ 129.1 million recorded for the previous year.

specialty fertilizers

Revenues for specialty fertilizers for the year 2001 totaled US\$ 253.4 million, 10.2% higher than the US\$ 229.9 million reported for the same period of 2000.

Nitrate specialty fertilizers

Nitrate specialty fertilizer revenues for 2001 were 10.8% higher than those recorded for 2000. This was mainly due to a significant increase in potassium nitrate sales to China as well as an increase in sales to Europe.

Average sales prices for 2001 were lower than those of the previous year, mainly due to the highly competitive environment in the potassium nitrate business, which is the Company's main specialty fertilizer. Additionally, price environment in Europe was affected by the devaluation of the Euro against the US dollar.

During march 2001, SQM implemented an organizational restructuring aimed at reducing its production and administrative costs. This translated into significant cost reductions primarily in the operations and support areas, and is part of several additional cost reduction initiatives that the Company has been undertaking over the past two years as result of its consolidation strategy. The lower costs achieved through the different changes implemented were partially reflected during the year 2001 and will be fully reflected during the year 2002.

Additionally, the improvements in the productive processes and the devaluation of the chilean peso against the US dollar have allowed further reductions in production costs.

Notwithstanding the lower average sales prices observed during the year 2001, the increase in sales and the lower production costs allowed the Company to increase the operational contribution of specialty fertilizers as compared to those of the previous year.

Potassium sulfate

As anticipated at the beginning of the year, during the second half, potassium sulfate sales margins had significant improvements compared to 2000.

These improvements were possible mainly due to an increase in productive process yields along with a reduction in production costs, which have allowed the Company to significantly reduce final product costs. This translated into an increase in potassium sulfate's operational contribution for 2001.

year to date		dec. 01	dec. 00
Sodium nitrate	Th. Ton	63.1	71.2
Potassium nitrate and sodium potassium nitrate	Th. Ton	544.8	472.2
Specialty mix	Th. Ton	232.7	200.2
Total nitrate specialty fertilizers	Th. Ton	840.5	743.5
Potassium sulfate	MUS\$	156.6	151.6
Revenues nitrate specialty fertilizers	MUS\$	221.9	200.3
Revenues potassium sulfate	MUS\$	31.4	29.6
Revenues specialty fertilizers	MUS\$	253.4	229.9





industrial chemicals

Revenues for industrial chemicals for the year 2001 totaled US\$ 69.6 million, similar to the US\$ 69.8 million obtained during the previous year.

Lower sales observed for industrial nitrates during the year 2001, particularly in US and European markets, can be largely explained by the intense competitive environment and by a slight decrease in world demand. As a result, average sales prices for industrial nitrates have been slightly reduced.

As in the case of nitrate specialty fertilizers, industrial nitrates have benefited from lower production costs as a direct consequence of the cost reduction initiatives implemented during 2001. Joint production of industrial and agricultural nitrates allows a natural diversification and continuous production redistribution in accordance with the different markets conditions. This makes the business more attractive by allowing industrial products to be complemented with SQM's fertilizer nitrates.

Sodium sulfate sales for the year increased compared to the previous year mainly due to higher sales in Latin America. Finally, boric acid, as a byproduct of potassium sulfate, has been favored by higher production levels and lower costs that have resulted from improvements in the productive process. This has allowed sales for 2001 primarily to the US and Canada, to increase by more than 45%.

year to date		dec. 01	dec. 00
Industrial nitrates	Th. Ton	187.0	196.3
Sodium sulfate	Th. Ton	66.7	43.8
Boric acid	Th. Ton	12.8	8.7
Revenues industrial chemicals	MUS\$	69.6	69.8

iodine and lithium

Revenues for iodine and lithium for 2001 totaled US\$ 118.4 million, similar to the US\$ 120.1 million obtained during the previous year.

Iodine and derivatives

The lower revenues of iodine and derivatives for the year are a direct consequence of the lower average prices, which were approximately US\$ 1.4 per kilogram lower than those recorded for 2000.

The above has been the result of a significant increase in the installed production capacity over the past few years, which has put a downward pressure on international iodine prices. However, iodine is an essential and irreplaceable element used in a wide range of traditional applications whose consumption grows at rates similar to those of the world economy. Lower prices notwithstanding, the growth of traditional uses along with new potential applications allow the Company to have a positive outlook for the iodine market in the coming years.

The quality and the quantity of SQM's natural resources, together with its high iodine production capacity, place the Company in an advantageous position to benefit from the future growth of this business.

year to date		dec. 01	dec. 00
Iodine and derivatives	Th. Ton	5.6	5.7
Lithium carbonate and derivatives	Th. Ton	21.7	20.6
Revenues iodine and lithium	MUS\$	118.4	120.1

As in the case of specialty fertilizers, the cost reduction initiatives during 2001 have also resulted in lower production costs for iodine.

The lower average prices, only partially offset by lower costs, translated into a reduction in the operating contribution of the iodine business when compared to last year.

Lithium carbonate

Lithium carbonate sales volumes during 2001 were 5.1% higher than those observed during the previous year. Continuing with last year's price recovery trend, lithium carbonate sales prices were approximately 6% higher than the prices observed during 2000.

The better yields obtained in the productive processes together with the better quality of the brines coming from the Salar de Atacama, have allowed

the production costs during the year to be lower than the originally projected costs.

The above, together with better prices and higher sales volumes, resulted in an increase in sales margins compared to 2000.





potassium chloride (KCl)

Potassium chloride sales for 2001 were 5.2% lower than those recorded during the previous year. Even though potassium chloride production during the year was higher than that of 2000, its use as a raw material in the additional production of potassium nitrate has reduced the availability of this product for direct sales. Potassium chloride production costs during 2001 were also lower than last year's.

The lower costs, together with stable prices for this product, have allowed an increase in the operational contribution of this business line.

year to date		dec. 01	dec. 00
Potassium chloride	Th. Ton	262.9	279.4
Revenues potassium chloride	MUS\$	36.5	38.4

non-operating

Non-operating income shows a US\$ 30.1 million loss as of december 31, 2001, compared to a US\$ 32.8 million loss recorded during 2000. The main variations in the non-operating income were the following:

- Capitalized interests reduction, from US\$ 4.4 million in 2000 to US\$ 2.4 million in 2001, due to the start up of several projects during the last year.
- An exchange difference of US\$ (3.1) million during 2001, compared to an exchange difference of US\$ (1.9) million in 2000.
- During the first quarter of 2001, a gain was recorded due to the sale of certain non-essential mining properties.

The Company's net financial debt (interest bearing debt less cash and cash equivalents) has been reduced by approximately US\$ 67 million during the past 12 months; from the US\$ 411 million

reported at december 31, 2000, down to US\$ 344 million as of december 31, 2001. This net financial debt decrease is consistent with SQM's ongoing cash flow generation and consolidation period, which is based upon a conservative investment plan.

During 2001, SQM reflected a negative, net of tax, extraordinary charge of US\$ 4.9 million, as a direct consequence of the various costs and expenses related to the organizational restructuring project.

During the second half of 2001, the Company connected its facilities to the natural gas network, which allowed for the replacement of the fuel oil used in heat generation and fusion processes, thus allowing a further reduction in energy costs. The facilities that underwent the conversion process have a dual system that allows them to operate either with natural gas or fuel oil.

(1) EBITDA is defined by the Company as Operating Result plus Depreciation. This indicator must be considered as a reference and does not represent a universal way to value different companies, varying according to the criteria employed by each company.



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