

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

CHEMICAL & MINING CO OF CHILE INC
Form 6-K
December 09, 2003

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

For the nine month period ended on September 30, 2003.

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, 6th Floor, 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_____

On November 12, 2003, 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 nine-month period ended on September 30, 2003. 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 NINE MONTH PERIOD ENDED SEPTEMBER 30,
2003 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.

As of September 30, 2003 and 2002
and for the years ended September 30, 2003 and 2002
(A translation of the original in Spanish- see note 2 (a))

Contents

Consolidated Financial Statements

| | |
|--|---|
| Consolidated Balance Sheets | 2 |
| Consolidated Statements of Income..... | 4 |
| Consolidated Statements of Cash Flows..... | 5 |
| Notes to the Consolidated Financial Statements | 6 |

Ch\$ - Chilean pesos
ThCh \$ - Thousands of Chilean pesos
US\$ - United States dollars
ThUS\$ - Thousands of United States dollars
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.

Sociedad Quimica y MinerA de Chile S.A.
Consolidated Balance Sheets
(A translation of the original in Spanish- see note 2 (a))

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | Note | As of 200 ----- ThUS\$ |
|--|------|---------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | | |
| Time deposits | | |
| Marketable securities | 04 | |
| Accounts receivable, net | 05 | 1 |
| Other accounts receivable, net | 05 | |
| Accounts receivable from related companies | 06 | |
| Inventories, net | 07 | 2 |
| Recoverable taxes | | |
| Prepaid expenses | | |
| Other current assets | | |
| | | ----- |
| Total current assets | | 5 |
| | | ----- |
| Property, plant and equipment, net | 08 | 6 |
| | | ----- |
| Other Assets | | |
| Investments in related companies | 09 | |
| Goodwill, net | 10 | |
| Negative goodwill, net | 10 | |
| Intangible assets, net | | |
| Long-term accounts receivable, net | 05 | |
| Long-term accounts receivable from related companies | 06 | |
| Other long-term assets | 11 | |
| | | ----- |
| Total other assets | | 1 |
| | | ----- |
| Total assets | | 1,3 |
| | | ===== |

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

| | Note | As of 2003 ----- ThUS\$ |
|---|------|----------------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term bank debt | 12 | 1 |
| Current portion of long-term debt | 12 | 33 |
| Dividends payable | | |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | |
|---|----|-------|
| Accounts payable | | 49 |
| Other accounts payable | | 1 |
| Notes and accounts payable to related companies | 06 | 5 |
| Accrued liabilities | 13 | 17 |
| Withholdings | | 3 |
| Income taxes | | 2 |
| Deferred revenues | | 3 |
| Deferred income taxes | 14 | 1 |
| Other current liabilities | | |
| | | ----- |
| Total current liabilities | | 121 |
| | | ----- |
| Long-term liabilities | | |
| Long-term bank debt | 12 | 308 |
| Other accounts payable | | 2 |
| Deferred income taxes | 14 | 22 |
| Staff severance indemnities | 15 | 9 |
| | | ----- |
| Total long-term liabilities | | 342 |
| | | ----- |
| Minority interest | 16 | 26 |
| | | ----- |
| Shareholders' equity | | |
| Paid-in capital | 17 | 477 |
| Other reserves | 17 | 132 |
| Retained earnings | 17 | 261 |
| | | ----- |
| Total shareholders' equity | | 871 |
| | | ----- |
| Total liabilities and shareholders' equity | | 1,362 |
| | | ===== |

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

3

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

Operating results

| | | |
|-------------------------------------|--|-------|
| Sales | | 52 |
| Cost of sales | | (42) |
| | | ----- |
| Gross margin | | 10 |
| Selling and administrative expenses | | (3) |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | |
|---|----|-----|
| Operating income | | 6 |
| ----- | | |
| Non-operating results | | |
| Non-operating income | 19 | 1 |
| Non-operating expenses | 19 | (2) |
| ----- | | |
| Non-operating loss | | (1) |
| ----- | | |
| Income before income taxes | | 5 |
| Income tax expense | 14 | (1) |
| ----- | | |
| Income before minority interest | | 3 |
| Minority interest | 16 | (|
| ----- | | |
| Net income before extraordinary items and negative goodwill | | 3 |
| Amortization of negative goodwill | 10 | |
| ----- | | |
| Net income for the year | | 3 |
| ===== | | |

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

4

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

| | Period Ended Septe | |
|---|--------------------|------|
| | 2003 | |
| | ---- | |
| | ThUS\$ | T |
| Cash flows from operating activities | | |
| Net income for the year | 36,107 | 30, |
| Loss on sale of fixed assets | (57) | |
| Charges (credits) to income not representing cash flows | | |
| Depreciation expense | 45,124 | 46, |
| Amortization of intangible assets | 220 | |
| Write-offs and accruals | 12,711 | 9, |
| Gain on equity investments in related companies | (4,794) | (2, |
| Accrued loss in investments with related companies | - | |
| Amortization of goodwill | 844 | |
| Amortization of negative goodwill | (420) | (|
| Exchange difference | (2,845) | |
| Other credits to income not representing cash flows | (2,299) | (5, |
| Other charges to income not representing cash flows | 21,492 | 15, |
| Net changes in operating assets and liabilities: | | |
| (Increase) decrease in trade accounts receivable | (26,510) | (3, |
| Decrease (increase) in inventories | 10,583 | (19, |
| Increase in other assets | 16,264 | 4, |
| (Increase) decrease in accounts payable | (18,254) | 14, |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | |
|--|----------|-------|
| Increase in interest payable | (1,961) | (6, |
| Increase in net income taxes payable | (734) | |
| Decrease in other accounts payable | (1,501) | (1, |
| Decrease in VAT and taxes payable | 1,942 | |
| Minority interest | 2,453 | 1, |
| | ----- | ----- |
| Net cash provided from operating activities | 88,365 | 86, |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Payment of dividends | (21,302) | (16, |
| Payment of loans | (3,886) | (130, |
| Payment of documented loans to related companies | (5,275) | |
| | ----- | ----- |
| Net cash used in from financing activities | (30,463) | (146, |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Sales of property, plant and equipment | 129 | |
| Sales of investments | 532 | 13, |
| Other income | 7,320 | |
| Additions to property, plant and equipment | (42,307) | (25, |
| Capitalized interest | (1,827) | (1, |
| Purchase of permanent investments | (8,049) | (9, |
| Investments in financial instruments | (31) | (|
| Other disbursements | - | |
| | ----- | ----- |
| Net cash used in investing activities | (44,233) | (21, |
| | ----- | ----- |
| Effect of inflation on cash and cash equivalents | (352) | (|
| | ----- | ----- |
| Net change in cash and cash equivalents | 13,317 | (82, |
| Beginning balance of cash and cash equivalents | 65,204 | 121, |
| | ----- | ----- |
| Ending balance of cash and cash equivalents | 78,521 | 39, |
| | ===== | ===== |

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

5

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 Quimica 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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

in Chile ("Chilean GAAP") and the regulations of the SVS. For the convenience of the reader, the consolidated financial statements and their accompanying notes have been translated from Spanish into English. 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")

The consolidated financial statements include the accounts of Sociedad Quimica 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 with regulations set forth by the SVS in its Circular No. 368 and Technical Bulletins Nos. 42 and 64 of the Chilean Association of Accountants, the consolidated financial statements include the following subsidiaries:

6

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)

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

| | Direct or indirect 2003 ---- |
|---|------------------------------------|
| Foreign subsidiaries: | % |
| Nitrate Corporation of Chile Limited (United Kingdom) | 100.00 |
| Soquimich SRL - Argentina | 100.00 |
| Nitratos Naturais do Chile Ltda. (Brazil) | 100.00 |
| SQM Europe NV (Belgium) | 100.00 |
| SQM North America Corp. (USA) | 100.00 |
| North American Trading Company (USA) | 100.00 |
| SQM Peru S.A. | 100.00 |
| SQM Corporation NV (Holland) | 100.00 |
| S.Q.I. Corporation NV (Holland) | 100.00 |
| Soquimich European Holding BV (Holland) | 100.00 |
| PTM - SQM Iberica S.A. (Spain) | 100.00 |
| SQMC Holding Corporation LLP (USA) | 100.00 |
| SQM Ecuador S.A. | 100.00 |
| Cape Fear Bulk LLC (USA) | 51.00 |
| SQM Colombia Ltda. | 100.00 |
| SQM Investment Corporation NV (Holland) | 100.00 |
| PSH Limited (Cayman Islands) | 100.00 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | |
|--|--------|
| SQM Brasil Ltda. | 100.00 |
| Royal Seed Trading Corporation AVV (Aruba) | 100.00 |
| SQM Japan K.K. | 100.00 |
| SQM Oceania PTY Limited (Australia) | 100.00 |
| SQM France S.A. | 100.00 |
| Fertilizantes Naturales S.A. (Spain) | 50.00 |
| Rs Agro-Chemical Trading AVV (Aruba) | 100.00 |
| SQM Comercial de Mexico S.A. de C.V. | 100.00 |
| SQM Indonesia | 80.00 |
| SQM Virginia LLC (USA) | 100.00 |
| Agricolima S.A. De C.V. (Mexico) | 100.00 |
| SQM Venezuela S.A. | 100.00 |
| SQM Italia SRL (Italy) | 95.00 |
| Comercial Caiman Internacional S.A. (Cayman Islands) | 100.00 |
| Fertilizantes Olmeca y SQM S.A. De C.V. (Mexico) | 100.00 |
| Mineag SQM Africa Limited | 100.00 |

7

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)

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

| | Direct or indirect 2003 ---- % |
|--|---|
| Domestic subsidiaries: | |
| Servicios Integrales de Transito y Transferencias S.A. | 100.00 |
| Cia. Industrial y Minera S.A. | - |
| Soquimich Comercial S.A. | 60.64 |
| Sociedad Minera de Chile S.A. | - |
| Energia y Servicios S.A. | - |
| Isapre Norte Grande Ltda. | 100.00 |
| Almacenes y Depositos Ltda. | 100.00 |
| SQM Quimicos S.A. | - |
| Ajay SQM Chile S.A. | 51.00 |
| SQM Nitratos S.A. | 99.99 |
| Proinsa Ltda. | 60.58 |
| SQM Potasio S.A. | 100.00 |
| SQMC International Limitada | 60.64 |
| SQM Salar S.A. | 100.00 |
| SCM SQM Boratos | - |
| Norsk Hydro Chile S.A. | 60.64 |

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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

As the Company exerts control over the subsidiary Fertilizantes Naturales S.A. it has been included in the consolidation for the period ended September 30, 2003 and 2002.

At September 30, 2003 and 2002, the subsidiary Lithium Specialties LLP was in development stage and therefore was not included in the consolidation.

At September 30, 2002, the subsidiary SCM Antucoya was in development stage and therefore was not included in the consolidation.

8

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 for the nine-month period between January 1st and September 30, 2003 and 2002.

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 period. 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 periods -end constant pesos based on the change in the consumer price index during the period (1,2% and 1,3% in 2003 and 2002, 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.

9

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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 period-end of Ch\$660.97 per US\$ 1 at September 30, 2003 and Ch\$748,73 per US\$ 1 at September 30, 2002.

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 of the Chilean Association of Accountants ("BT 64") 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 period-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. 368 of the SVS.

10

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 (continued)

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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

- Monetary assets and liabilities are translated at period-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.

Foreign exchange differences for the period ended September 30, 2003 and 2002 generated net earnings (loss) of ThUS\$ 2,845 and ThUS\$ (733), 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 U.S. dollars at the exchange rates per US dollar prevailing at September 30, as follows:

| | 2003 | 2002 |
|-------------------|----------|----------|
| | ---- | ---- |
| Brazilian Real | 2.94 | 3.85 |
| New Peruvian Sol | 3.48 | 3.64 |
| Colombian Peso | 2,850.30 | 2,808.04 |
| Argentine Peso | 2.93 | 3.74 |
| Japanese Yen | 111.25 | 122.60 |
| Sucre Ecuador | 1.00 | 1.00 |
| Euro | 1.17 | 1.01 |
| Mexican Peso | 11.04 | 10.23 |
| Indonesian Rupee | 8,389.00 | 9,015.10 |
| Australian Dollar | 1.52 | 1.84 |
| Pound Sterling | 1.66 | 0.64 |
| Rand | 7.22 | - |

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.

11

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.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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 work in process are valued at average production cost. Raw materials and products acquired from third parties are stated at average cost and materials-in-transit are valued at cost. All such 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 which the Company estimates to have a turnover period of one year or more, which are classified as other long-term assets.

j) Income taxes and deferred income taxes

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.

12

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 December 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 cost, except for certain assets that were restated according to a technical appraisal in 1988. Depreciation expense has been calculated using the straight-line method based upon the estimated useful lives of the assets and is charged directly to expense.

Fixed assets acquired through financing 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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

them.

In conformity with Technical Bulletin No. 31 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 perpetually 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 and are being amortized on a straight-line basis over 50 years.

13

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. 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, which maintain their accounting records and are controlled in Chilean pesos is recognized in the other reserves component of stockholders' equity. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

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.

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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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

14

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 an average employee tenure of 24 years and a real annual discount rate of 9%.

q) Vacations

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

r) Dividends

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

s) 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 an accrual basis and gains recognized when realized.

t) Reclassifications

Certain reclassifications have been made in the 2003 and 2002 numbers to conform to the current period presentation.

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.

15

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)

v) Computer software

In accordance with Circular No. 981 dated March 28, 1990 of the SVS,

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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. Fixed assets which are acquired for their use in research and development activities and are determined to provide additional benefits to the Company are recorded under the relevant item within property, plant and equipment.

Note 3 - Changes in Accounting Principles

There were no changes in the accounting principles used by the Company during 2003 and 2002.

Note 4 - Marketable Securities

As of September 30 marketable securities are detailed as follows:

| | 2003 ThUS\$ | 2002 ThUS\$ | |
|--------------|----------------|----------------|--|
| Mutual funds | 49,811 | 24,534 | |
| | ----- | ----- | |
| Total | 49,811 | 24,534 | |
| | ===== | ===== | |

16

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 5 - Short-term and long-term Accounts Receivable

a) Short term accounts receivable and other accounts receivable as of September 30 are detailed as follows:

| | Up to 90 days | | Between 90 days and 1 year | | |
|---------------------------------|---------------|--------|-------------------------------|--------|--------|
| | 2003 | 2002 | 2003 | 2002 | |
| | ---- | ---- | ---- | ---- | |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Trade accounts receivable | 108,444 | 87,809 | 24,399 | 7,396 | 132 |
| Allowance for doubtful accounts | | | | | (6) |
| Notes receivable | 20,424 | 18,346 | 15,500 | 5,171 | 35 |
| Allowance for doubtful accounts | | | | | (3) |
| Accounts receivable, net | | | | | |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | | | | |
|---------------------------------|-------|-------|-------|-------|---|
| Other accounts receivable | 6,113 | 9,228 | 3,103 | 1,320 | 9 |
| Allowance for doubtful accounts | | | | | |
| Other accounts receivable, net | | | | | |

17

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 5 - Short-term and Long-term Accounts Receivable (continued)

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

| | Chile | | Europe, Africa and the Middle East | | 200 |
|--|--------|--------|---------------------------------------|--------|-----|
| | 2003 | 2002 | 2003 | 2002 | |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThU |
| ----- | | | | | |
| Net short-term trade accounts receivable | | | | | |
| Balance | 46,196 | 29,768 | 33,729 | 21,379 | 3 |
| % of total | 36.59% | 32.72% | 26.72% | 23.50% | 2 |
| Net short-term notes receivable | | | | | |
| Balance | 29,237 | 17,465 | 1,145 | 878 | 0 |
| % of totalb | 89.05% | 84.11% | 3.49% | 4.23% | 0 |
| Net short-term other accounts receivable | | | | | |
| Balance | 4,699 | 5,905 | 1,281 | 1,089 | 0 |
| % of total | 54.27% | 60.81% | 14.80% | 11.22% | 0 |
| ----- | | | | | |
| Subtotal short-term accounts receivable, net | | | | | |
| Balance | 80,132 | 53,138 | 36,155 | 23,346 | 3 |
| % of total | 47.78% | 43.75% | 21.56% | 19.22% | 1 |
| Long-term accounts receivable, net | | | | | |
| Balance | 6,993 | 10,820 | 69 | 58 | |
| % of total | 86.28% | 90.40% | 0.85% | 0.48% | |
| ----- | | | | | |
| Total short and long-term accounts receivable, net | | | | | |
| Balance | 87,125 | 63,958 | 36,224 | 23,404 | 3 |
| % of total | 49.55% | 47.93% | 20.60% | 17.54% | 1 |
| ===== | | | | | |

Latin America
and the Caribbean

Total

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Net short-term trade accounts receivable | | | | |
| Balance | 13,858 | 8,739 | 126,235 | 90,984 |
| % of total | 10.98% | 9.60% | 100.00% | 100.00% |
| Net short-term notes receivable | | | | |
| Balance | 1,951 | 2,005 | 32,834 | 20,764 |
| % of totalb | 5.94% | 9.66% | 100.00% | 100.00% |
| Net short-term other accounts receivable | | | | |
| Balance | 224 | 313 | 8,658 | 9,710 |
| % of total | 2.59% | 3.22% | 100.00% | 100.00% |
| Subtotal short-term accounts receivable, net | | | | |
| Balance | 16,033 | 11,057 | 167,727 | 121,458 |
| % of total | 9.56% | 9.10% | 100.00% | 100.00% |
| Long-term accounts receivable, net | | | | |
| Balance | 15 | 1,040 | 8,105 | 11,969 |
| % of total | 0.19% | 8.69% | 100.00% | 100.00% |
| Total short and long-term accounts receivable, net | | | | |
| Balance | 16,048 | 12,097 | 175,832 | 133,427 |
| % of total | 9.13% | 9.07% | 100.00% | 100.00% |

18

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 6 - 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 which are similar to those offered to unrelated third parties.

a) Amounts included in balances with related parties as of September 30 2003 and 2002 are as follows:

| | Short-term | | Long-term | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
| Accounts receivable | | | | |
| Ajay Europe S.A.R.L. | 4,176 | 4,591 | - | - |
| Nutrisi Holding N.V. | 1,935 | - | - | - |

17

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | | |
|-------------------------------------|--------|--------|-----|
| Generale de Nutrition Vegetale S.A. | 171 | 165 | - |
| Fertilizantes Olmecca S.A. | - | 3,988 | - |
| Mineag SQM Africa Limited | - | 3,987 | - |
| Abu Dhabi Fertilizer Ind. WLL | 4,366 | 5,573 | - |
| NU3 N.V. | 24 | 3,593 | - |
| Doktor Tarsa -SQM Turkey | 2,481 | 135 | - |
| Comercial Caiman Internacional S.A. | - | 3,107 | - |
| SQM Lithium Specialties Limited | 666 | 666 | - |
| Empresas Melon S.A. | - | - | 380 |
| Sales de Magnesio S.A. | 19 | 31 | - |
| Ajay North America LLC | 258 | 243 | - |
| Norsk Hydro ASA | 27 | 192 | - |
| Hydro Agri Int.-France | - | 1,816 | - |
| Hydro Asia Trade | 893 | 1,239 | - |
| Hydro Agri France S.A. | 1,050 | 379 | - |
| Hydro Poland SP | 95 | 132 | - |
| Hydro Agri Benelux B.V | 129 | 100 | - |
| Hydro Agri Hellas S.A. | 62 | 77 | - |
| Hydro Agri Australia Ltd. | 465 | 602 | - |
| Hydro Agri UK Ltd.. | 104 | 137 | - |
| Hydro Agri GMBH & CO KG | 166 | 59 | - |
| Hydro Agri AB | 44 | 39 | - |
| Hydro Agri Colombia | 981 | 28 | - |
| PCS Yumbes | 224 | 4,366 | - |
| NU3 B.V. | 530 | 545 | - |
| Hydro Agri Argentina | 54 | 653 | - |
| Adubo Trevo S.A. | 16 | - | - |
| Hydro Plant Nutr. OSLO | 32 | 13 | - |
| Hydro Czech Republic | 2 | - | - |
| Hydro Agricola Internacional | 71 | 451 | - |
| Impronta SRI | 4,632 | - | - |
| Hydro Agri Espana S.A. | 1,627 | - | - |
| Hydro Agri North America | 7 | 71 | - |
| Hydro Agri Norge | 11 | - | - |
| Hydro Agri Venezuela | - | 772 | - |
| Hydro Agri Mexico S.A. de C.V. | 21 | - | - |
| Total | 25,339 | 37,750 | 380 |

19

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 6 - Balances and Transactions with Related Parties (continued)

a) Amounts included in balances with related parties as of September 30, 2003 and 2002, continued:

Accounts payable

2003

ThUS\$

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | |
|--|--|-----|
| Ajay Europe S.A.R.L. | | |
| Adm. y Servicios Santiago S.A. de C.V. | | |
| Abu Dhabi Fertilizar Ind. WLL | | |
| NU3 N.V. | | 7 |
| SCM Antucoya | | |
| Rotem Amfert Negev Limited | | 1,5 |
| Hydro Agri Porsgrunn | | 1 |
| Hydro Agricola Internacional | | |
| Hydro Agri North America | | |
| Hydro Agri Mexico de S.A de C.V. | | |
| Hydro Agri Int - France | | 2,4 |
| Hydro Agri Colombia | | |
| NU3 B.V. | | |
| Hydro Fertilizante Ltda. | | 1,0 |
| Fertilizantes Olmeca | | |
| Mineag SQM Africa Limited | | |
| Total | | 5,9 |

There were no outstanding long-term accounts payable with related parties as September 30, 2003 and 2002

20

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 6 - Balances and Transactions with Related Parties (continued)

b) During 2003 and 2002, principal transactions with related parties were as follows:

| Company | Relationship | Type of transaction | Amount of Transaction | |
|---------------------------|--------------|-----------------------|-----------------------|--------|
| | | | 2003 | 2002 |
| ----- | ----- | ----- | ----- | ----- |
| | | | ThUS\$ | ThUS\$ |
| NU3 N.V. (Belgica) | Indirect | Sales of products | 3,376 | 912 |
| Doktor Tarsa | Indirect | Sales of products | 1,679 | 471 |
| Mineag SQM Africa Ltd. | Indirect | Sales of products | - | - |
| Abu Dhabi Fertilizer WLL | Indirect | Sales of products | 1,523 | 298 |
| Hydro Agri Venezuela | Shareholder | Sales of product | - | - |
| Ajay Europe S.A.R.L. | Indirect | Sales of products | 4,804 | 1,659 |
| NU3 B.V. | Indirect | Sales of products | 3,380 | 1,329 |
| Adubo Trevo S.A. | Indirect | Sales of products | 5,148 | 1,220 |
| PCS Yumbes SCM | Shareholder | Purchases of products | 14,815 | 2,570 |
| PCS Yumbes SCM | Shareholder | Sales of products | 8,755 | 5,562 |
| Hydro Agri (U.K) Ltd. | Shareholder | Sales of product | 723 | 216 |
| Hydro Asia trade Pte Ltd. | Shareholder | Sales of product | 3,516 | 781 |
| Hydro Agri France S.A. | Shareholder | Sales of product | 5,214 | 1,202 |
| Hydro Agri International | Shareholder | Sales of product | 2,528 | 149 |
| Hydro Agri International | Shareholder | Sales of product | 5,214 | 1,202 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | | | | |
|---------------------------|-------------|-------------------|-------|-------|--|
| France | | | | | |
| Hydro Agri Hellas S.A. | Shareholder | Sales of product | 1,129 | 253 | |
| Hydro Agri Benelux B.V. | Shareholder | Sales of product | 4,849 | 983 | |
| Hydro agri Rotterdam B.V. | Shareholder | Sales of product | - | - | |
| Hydro Agri Australia Ltd. | Shareholder | Sales of product | 1,195 | 317 | |
| Hydro Agri Espana S.A. | Shareholder | Sales of product | 3,504 | 694 | |
| Hydro Agri Argentina | Shareholder | Sales of product | 6,076 | 1,526 | |
| Hydro Agri Colombia Ltda | Shareholder | Sales of product | 1,815 | 586 | |
| Hydro Agri GMBH & CO KG | Shareholder | Sales of products | 936 | 265 | |
| Hydro Agri Planta Nutri | Shareholder | Sales of products | 1,156 | 464 | |
| Poland | | | | | |
| Ajay North America LLC | Indirect | Sales of products | 5,468 | 1,730 | |
| Nutrisi Holding NV | Indirect | Sales of products | - | - | |

21

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 7 - Inventories

Inventories are summarized as follows:

| | |
|-------------------|---------|
| | 2003 |
| | ----- |
| | ThUS\$ |
| Finished products | 126,938 |
| Work in process | 88,983 |
| Supplies | 11,317 |
| | ----- |
| Total | 227,238 |
| | ===== |

Note 8 - Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

| | |
|------------------------------|---------|
| | 2003 |
| | ----- |
| | ThUS\$ |
| Land | |
| Land | 20,003 |
| Mining Concessions | 29,790 |
| Other Lands | 13,157 |
| | ----- |
| | 62,950 |
| | ----- |
| Buildings and infrastructure | |
| Buildings | 149,168 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | |
|--------------------------|---------|
| Installations | 278,210 |
| Construction-in-progress | 37,746 |
| Other | 20,190 |
| | ----- |
| | 485,314 |
| | ----- |
| Machinery and Equipment | |
| Machinery | 387,914 |
| Equipment | 104,661 |
| Construction-in-progress | 18,048 |
| Other | 16,407 |
| | ----- |
| | 527,030 |
| | ----- |

22

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 8 - Property, Plant and Equipment (continued)

| | 2003 |
|---|-----------|
| | ----- |
| | ThUS\$ |
| Other fixed assets | |
| Tools | 7,631 |
| Furniture and office equipment | 13,582 |
| Project-in-progress | 13,987 |
| Other | 5,859 |
| | ----- |
| | 41,059 |
| | ----- |
| Amounts relating to technical revaluation of fixed assets | |
| Land | 8,651 |
| Buildings and infrastructure | 40,627 |
| Machinery and equipment | 12,109 |
| Other assets | 53 |
| | ----- |
| | 61,440 |
| | ----- |
| Total property, plant and equipment | 1,177,793 |
| | ----- |
| Less: Accumulated depreciation | |
| Land | (9,413) |
| Buildings and infrastructure | (178,049) |
| Machinery and equipment | (265,103) |
| Other fixed assets | (16,612) |
| Technical appraisal | (32,636) |
| | ----- |
| Total accumulated depreciation | (501,813) |
| | ----- |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | |
|---|---------|
| Net property, plant and equipment | 675,980 |
| | ===== |
| | 2003 |
| Depreciation for the period ended September 30: | ThUS\$ |
| Buildings and infrastructure | 18,977 |
| Machinery and equipment | 23,810 |
| Other fixed assets | 1,030 |
| Technical revaluation | 1,307 |
| | ----- |
| Total depreciation | 45,124 |
| | ===== |

23

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 8 - Property, Plant and Equipment (continued)

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

| | 2003 ThUS\$ | 2002 ThUS\$ |
|---------------------------------|----------------|----------------|
| Administrative office buildings | 2,086 | 1 |
| Accumulated depreciation | (401) | |
| | ----- | ----- |
| Total assets in leasing | 1,685 | 1 |
| | ===== | ===== |

Note 9 - Investments in and Receivables from Related Parties

a) Information on foreign investments:

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

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

b) Transactions performed during the year 2003

On January 27, 2003, SQM Comercial de Mexico S.A. de C.V. and SQM Nitratos S.A. acquired 8,750 shares of the related company Fertilizantes Olmecca y SQM S.A. de C.V. which represented 50% of its ownership. Consequently, Fertilizantes Olmecca y SQM S.A. de C.V. became a subsidiary of SQM S.A. This transaction gave rise to goodwill for the amount of ThUS\$ 279.

Subsequently, SQM Nitratos S.A. acquired from SQM Comercial de Mexico S.A. de C.V. 8,749 shares in Fertilizantes Olmecca y SQM S.A. de C.V. This transaction gave rise to no goodwill or negative goodwill.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

On January 31, 2003, SQM S.A. acquired shares owned by SQM Nitratos S.A. in Sociedad Contractual Minera Antucoya for an amount of ThUS\$ 100. This gave rise to the ownership of all the shares of SCM Antucoya in just one shareholder. Consequently, this transaction resulted in the legal and immediate liquidation of SCM Antucoya and the acquisition by SQM S.A. of all this company's equity, assets and liabilities.

24

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 9 - Investments in and Receivables from Related Parties (continued)

On March 30, 2003, Fertilizantes Olmeca y SQM S.A. de C.V. increased its capital by ThUS\$ 2,000 through the issuance of 431,200 shares, which were subscribed in full by SQM Nitratos S.A. As a result, SQM Nitratos S.A. has ownership interest of 78.29% and SQM Comercial de Mexico has ownership interest of 21.71%.

On March 30, 2003, Soquimich European Holding acquired 50% of the ownership interest of Mineag SQM Africa Ltd. from Ravlin Investment Limited for an amount of ThUS\$ 990. This transaction gave rise to goodwill of ThUS\$ 705. Consequently, Mineag SQM Africa Ltd. became a subsidiary of SQM S.A.

On April 28, 2003, SQM Comercial S.A. acquired from Norsk Hydro ASA , 819,999 shares from Norsk Hydro Chile S.A. and SQM Comercial Internacional Ltda., as subsidiary company of SQMC, acquired one remaining share, with which, SQMC becomes the owner and controls 100% of Norsk Hydro Chile S.A. This transaction generated a goodwill of ThUS\$ 1,282.

On June 30, 2003, SQM Nitratos S.A. acquired the shares owned by SQM S.A. in Sociedad Energia y Servicios S.A.. This transaction amounted to ThUS\$ 2,422 . The above mentioned operation resulted in the consolidation of all the shares of Energia y Servicios, in one single shareholder, SQM Nitratos S.A., and as a consequence, through this fact and in full right, this resulted in the immediate dissolution of Energia y Servicios S.A. SQM Nitratos S.A. acquired 100% of the shareholder's equity, the assets and liabilities from the dissolved company.

On June 30, 2003, the subsidiaries SQM Virginia LLC and North American Trading Company, made a capital contribution in the subsidiary SQM Lithium Specialties LLP. This capital contribution amounted to ThUS\$ 1,678, by 99% and 1%, respectively.

On September 30, 2003, the subsidiaries SQM Virginia LLC and North American Trading Company, made a capital contribution in the subsidiary SQM Lithium Specialties LLP. amounting to ThUS\$ 367, by 99% and 1%, respectively.

On September 30 2003, SQM Corporation N.V. participated to a capital increase of Ajay Europe SARL in equal parts with chemicals INC. Both maintaining its ownership percentages.

25

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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 9 - Investments in and Receivables from Related Parties (continued)

c) Transactions performed during the year 2002.

On March 21, 2002, SQM North America Corporation acquired ownership interest of 50% of the related company SQM Venezuela S.A. for ThUS\$ 250, which added to the ownership interest maintained by SQM Nitratos S.A. in the aforementioned company, results in SQM Venezuela S.A. being a 100% indirect subsidiary of SQM S.A. This transaction gave rise to goodwill of ThUS\$ 166.

On April 5, 2002, the subsidiary Royal Seed Trading Corporaion A.V.V. made a contribution of Th.US\$ 120.5 to form a joint venture with Rui Xin Packaging Materials, Sanhe Co. Ltd.

On May 1, 2002, the subsidiary Soquimich European Holdings B.V. acquired 50% ownership of the affiliate Nutrichem N.V., which subsequently changed its name to Nutrisi Holding N.V.

On May 7, 2002, SQM Nitratos S.A. concurred to a capital increase in SQM Brasil Ltda. , which resulted in ownership of 88.54%, SQM Quimicos S.A. did not concur to this increase and reduced its ownership to 11.46%.

During May 2002, P.S.H. Limited made a capital increase of Th.US\$ 250 in its affiliate Ajay Europe S.A.R.L.

During May 2002, Soquimich European Holding increased its ownership in its affiliate FNC Italy S.R.L. to 95%, thereby becoming an indirect subsidiary of SQM S.A. Subsequently, FNC Italy S.R.L. changed its name to SQM Italia S.R.L.

On May 28, 2002, the subsidiary Inversiones y Asesorias SQM Limitada changed its name to Almacenes y Depositos Limitada.

On June 12, 2002, Soquimich European Holding acquired 50% of Impronta S.R.L.

On August 31, 2002, SQM S.A acquired shares, which were owned by SQM Nitratos S.A. over Cia. Industrial y Minera S.A. (Cimin S.A) in MUS\$ 5,016. This situation produced that all shares of Cimin S.A. are concentrated on an only one shareholder, SQM S.A., and consequently, it was impacted on the immediate dissolution of Cimin S.A, owning SQM S.A. the total equity, assets and liabilities of this entity.

26

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 9 - Investments in and Receivables from Related Parties (continued)

On September 27, 2002, SQM Nitratos S.A made an contribution of capital of MUS\$ 12,040 over SQM North America Corporation, acquiring the

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

ownership of 39.946782% over this entity. No concurrence for the increase of equity made the participation of the old owners decreased. SQM S.A. reduced its ownership from 81.75% to 49.093506% and Soquimich European Holding reduced its ownership from 18.25% to 10.959712%.

On September 30, 2002, SQM SA acquired shares which were owned by SQM Nitratos S.A. over the subsidiary SCM SQM Boratos by MU\$ 887. This situation produced that all shares of SCM SQM Boratos are concentrated on an only one shareholder, SQM S.A., and consequently, it was impacted on the immediate dissolution of SCM SQM Boratos, acquiring SQM S.A. the total shareholder's equity, assets and liabilities of this entity.

27

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 9 - Investments in and Receivables from Related Companies (continued)

d) Detail of investments in related companies

| Tax Registration Number | Company | Country of origin | Controlling currency | Number of shares | Ownership interest | |
|-----------------------------------|---|----------------------|-------------------------|------------------------|-----------------------|-----------|
| | | | | | 2003 % | 2002 % |
| 93390000-2 | Empresas Melon S.A.. | Chile | - | 653,748,837 | 14.05 | 14.05 |
| 0-E | SQM Lithium Specialties Limited* | USA | US\$ | - | 100.00 | 100.00 |
| 0-E | Ajay North America LLC | USA | US\$ | - | 49.00 | 49.00 |
| 77093830-9 | SCM Antucoya* | Chile | - | 490 | 100.00 | 100.00 |
| 0-E | Abu Dhabi Fertilizer Industries WL | UAE | US\$ | 1,961 | 37.00 | 37.00 |
| 0-E | Fertilizantes Olmeca y SQM S.A. de C.V | Mexico | Mex. \$ | 183,000 | 100.00 | 50.00 |
| 0-E | Nutrisi Holding N.V. | Belgium | US\$ | - | 50.00 | 50.00 |
| 0-E | Doktor Tarsa | Turkey | US\$ | - | 50.00 | 50.00 |
| 0-E | Mineag SQM Africa Limited | South Africa | US\$ | - | 100.00 | 50.00 |
| 0-E | Ajay Europe S.A.R.L. | France | US\$ | 36,700 | 50.00 | 50.00 |
| 77557430-5 | Sales de Magnesio Ltda. | Chile | US\$ | - | 50.00 | 50.00 |
| 81767200-0 | Asoc. Garantizadora Pensiones | Chile | - | - | 3.31 | 3.31 |
| 0-E | Rui Xin Packaging Materials Sanhe Co.Ltd | China | US\$ | - | 25.00 | 25.00 |
| 0-E | Impronta SRL | Italia | Euros | - | 50.00 | 50.00 |
| Total | | | | | | |

| Tax Registration Number | Company | Book value of investment | | Net income (loss) | |
|-----------------------------------|---------|-----------------------------|------|----------------------|------|
| | | 2003 | 2002 | 2003 | 2002 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
|------------|--|--------|--------|---------|--------|
| 93390000-2 | Empresas Melon S.A.. | 42,478 | 34,751 | 21,893 | 16,902 |
| 0-E | SQM Lithium Specialties Limited* | 26,392 | 25,558 | (1,564) | - |
| 0-E | Ajay North America LLC | 5,594 | 6,879 | 924 | 308 |
| 77093830-9 | SCM Antucoya* | - | 6,650 | - | - |
| 0-E | Abu Dhabi Fertilizer Industries WL | 1,175 | 1,360 | 174 | - |
| 0-E | Fertilizantes Olmeca y SQM S.A. de C.V | - | 859 | 382 | - |
| 0-E | Nutrisi Holding N.V. | 1,648 | 371 | 1,511 | (220) |
| 0-E | Doktor Tarsa | 794 | 236 | 123 | - |
| 0-E | Mineag SQM Africa Limited | - | 320 | (309) | - |
| 0-E | Ajay Europe S.A.R.L. | 1,675 | 317 | - | - |
| 77557430-5 | Sales de Magnesio Ltda. | 133 | 75 | 72 | 52 |
| 81767200-0 | Asoc. Garantizadora Pensiones | 23 | 22 | - | - |
| 0-E | Rui Xin Packaging Materials Sanhe Co.Ltd | 121 | 120 | - | - |
| 0-E | Impronta SRL | 566 | 24 | 696 | - |
| | Total | 80,599 | 77,542 | | |

o In development stage

28

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 10 - Goodwill and Negative Goodwill

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

a) Goodwill

| Tax Registration Number | Company | September 30, 2003 Amount amortized during the period ThUS\$ | Goodwill balance ThUS\$ | September Amount amortized during the period ThUS\$ |
|-------------------------|--------------------------|--|----------------------------|---|
| 0-E | PTM - SQM Iberica S.A. | - | 88 | 15 |
| 0-E | Doktor Tarsa | 62 | 90 | 16 |
| 79768170-9 | Soquimich Comercial S.A. | 113 | 310 | 113 |
| 78208790-8 | SCM SQM Boratos | - | - | 65 |
| 93390000-2 | Empresas Melon S.A. | 363 | 7,759 | 381 |
| 79626800-K | SQM Salar S.A. | 32 | 93 | 32 |
| 0-E | SQM Mexico S.A. de C.V. | 42 | 1,017 | 42 |
| 96864750-4 | SQM Potassium S.A. | 108 | 1,916 | 108 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | | | |
|------------|-------------------------------|-----|--------|-----|
| 0-E | SQM Venezuela S.A. | - | - | 124 |
| 0-E | Comercial Caiman Int. S.A. | 17 | 205 | - |
| 0-E | Fertilizantes Olmeca | 42 | 237 | - |
| 96801610-5 | Norsk Hydro Chile S.A. | 65 | 1,229 | - |
| 0-E | Impronta Italy S.R.L. | - | 141 | - |
| Total | | 844 | 13,085 | 896 |

b) Negative Goodwill

| Tax Registration Number | Company | September 30, 2003 Amount amortized during the period ThUS\$ | Negative Goodwill Balance ThUS\$ | September Amount amortized during the period ThUS\$ |
|-------------------------------|---------------------------|---|---|--|
| 79626800-K | SQM Salar S.A. | 157 | 18 | 158 |
| 96575300-1 | Minera Mapocho S.A. | 153 | 525 | 152 |
| 0-E | Mineag SQM Africa Limited | 110 | - | - |
| Total | | 420 | 543 | 310 |

29

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 11 - Other Long-term Assets

Other long-term assets are summarized as follows:

| | 2003 ----- ThUS\$ |
|---------------------------------------|-------------------------|
| Engine and equipment spare-parts, net | 24,445 |
| Nitrate deposit development costs | 7,257 |
| Mineral development costs | 12,056 |
| Pension plan | 1,137 |
| Construction of Salar-Baquedano road | 1,800 |
| Deferred loan issuance costs | 2,669 |
| Other | 797 |
| Total | 50,161 |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

Note 12 - Bank Debt

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

| | 2003 ThUS\$ |
|-------------------------------|----------------|
| Bank or financial institution | |
| Other banks | 1,274 |
| | ----- |
| Total | 1,274 |
| | ===== |
| Annual average interest rate | 3.04% |

30

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 12 - Bank Debt (continued)

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

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|-------------------------------|-------------------------|-------------------------|
| Bank or financial institution | | |
| Union Bank of Switzerland (1) | 200,642 | 200 |
| ING Bank (3) | 60,318 | 60 |
| Bank of America N.A. N.Y. (2) | 80,723 | 80 |
| | ----- | ----- |
| Total | 341,683 | 341 |
| | ----- | ----- |
| Less: Current portion | (33,683) | (61) |
| | ----- | ----- |
| Long-term portion | 308,000 | 280 |
| | ===== | ===== |

- (1) U.S. dollar-denominated loan without guarantee, interest rate of 7.7% per annum, paid semi-annually. The principal is due on September 15, 2006.
- (2) U.S. dollar-denominated loan without guarantee, interest rate of 2.582% per annum, paid semi-annually. The principal is divided into five equal semi-annual partial installments, beginning in November 2003 with the final installment ending in November 2005.
- (3) U.S. dollar-denominated loan without guarantee, interest rate of 1.99% per annum, paid semi-annually. The principal is divided into two equal partial installments, in December 2005 and in December 2006.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|-------------------|-------------------------|-------------------------|
| Years to maturity | | |
| Current portion | 33,683 | 61 |
| 1 to 2 years | 32,000 | 32 |
| 2 to 3 years | 216,000 | 32 |
| 4 to 5 years | 60,000 | 216 |
| | ----- | ----- |
| Total | 341,683 | 341 |
| | ===== | ===== |

31

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 13 - Accrued Liabilities

As of September 30, 2003 and 2002, accrued liabilities are summarized as follows:

| | 2003 ----- ThUS\$ |
|---|-------------------------|
| Provision for royalties | 1,494 |
| Quarterly bonus | 372 |
| Commissions on consignment goods | 897 |
| Taxes and monthly income tax installment payments | 1,028 |
| Vacation accrual | 5,492 |
| Accrued employee benefits | 1,248 |
| Legal expenses | 1,100 |
| Other accruals | 3,498 |
| Marketing expenses | 2,100 |
| | ----- |
| Total current liabilities | 17,229 |
| | ===== |

Note 14 - Income and Deferred Taxes

a) At September 30, 2003 and 2002 the Company has the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|---|-------------------------|-------------------------|
| Accumulated tax basis retained earnings with tax credit | 23,997 | 25,096 |
| Accumulated tax basis retained earnings with no tax credit | - | 10 |
| Tax loss carry-forwards (1) | 92,099 | 116,410 |
| Credit for shareholders | 4,539 | 4,639 |

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

32

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 14 - Income and Deferred Taxes (continued)

b) The deferred taxes as of September 30, 2003 and 2002 represented a net liability of ThUS\$ 23,965 and ThUS\$ 12,348, respectively, and consisted of:

| 2003 | Deferred tax asset | | Deferred tax lia |
|---|--------------------|-----------------|------------------|
| | Short-term | Long-term | Short-term |
| | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ |
| Temporary differences | | | |
| Allowance for doubtful accounts | 901 | 308 | - |
| Vacation accrual | 338 | - | - |
| Diferred income | 204 | - | - |
| Accrued loss in exchange rate insurance | 45 | - | - |
| Unrealized gain on sale of products | 5,065 | - | - |
| Provision for obsolescence | - | 1,988 | - |
| Production expenses | - | - | 11,317 |
| Accelerated depreciation | - | - | - |
| Exploration expenses | - | - | - |
| Capitalized interest | - | - | - |
| Staff severance indemnities | - | - | - |
| Capitalized expenses | - | - | - |
| Tax loss carry-forwards | - | 15,634 | - |
| Unaccrued interest | 111 | - | - |
| Provision for sinister expenses | - | - | - |
| Other | 286 | - | 28 |
| | ----- | ----- | ----- |
| Total complementary accounts | - | (701) | (2,530) |
| | ----- | ----- | ----- |
| Total deferred taxes | 6,950 | 17,229 | 8,815 |
| | ----- | ----- | ----- |

33

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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 14 - Income and Deferred Taxes (continued)

| 2002 | Deferred tax asset | | Deferre |
|-------------------------------------|--------------------|-----------------|-----------------|
| | Short-term | Long-term | Short-term |
| | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ |
| Temporary differences | | | |
| Allowance for doubtful accounts | 281 | 832 | |
| Vacation accrual | 747 | - | |
| Unrealized gain on sale of products | 6,068 | - | 1 |
| Provision for obsolescence | - | 1,184 | |
| Production expenses | - | - | 11,0 |
| Accelerated depreciation | - | - | |
| Exploration expenses | - | - | |
| Capitalized interest | - | - | |
| Staff severance indemnities | - | - | |
| Losses from derivative transactions | - | 591 | |
| Capitalized expenses | - | - | |
| Tax loss carry-forwards | - | 21,624 | |
| Other | 369 | - | 1 |
| ----- | | | |
| Total gross deferred taxes | 7,465 | 24,231 | 11,2 |
| Total complementary accounts | (12) | (1,618) | (3,3 |
| ----- | | | |
| Total deferred taxes | 7,453 | 22,613 | 7,8 |
| ----- | | | |

c) Income tax expense is summarized as follows:

| | 2003 |
|--|-----------------|
| | ----- ThUS\$ |
| Provision for current income tax | (2,978) |
| Effect of deferred tax assets and liabilities | (5,011) |
| Effect of amortization of complementary accounts | (4,066) |
| Other tax charges and credits | (249) |
| | ----- |
| Total income tax expense | (12,304) |
| | ===== |

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))

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

Note 15 - Staff Severance Indemnities

Staff severance indemnities are summarized as follows:

| | 2003 ----- ThUS\$ |
|----------------------------|-------------------------|
| Opening balance | 9,143 |
| Increases in obligation | 2,411 |
| Payments | (2,355) |
| Exchange difference | 679 |
| | ----- |
| Balance as of September 30 | 9,878 ===== |

Note 16 - Minority Interest

Minority interest is summarized as follows:

| | Equity | | Net Income/ (Loss) | |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
| Soquimich Comercial S.A. | 22,433 | 18,363 | (2,154) | (1,420) |
| Ajay SQM Chile S.A. | 3,084 | 3,159 | (144) | (279) |
| Cape Fear Bulk LLC | 109 | 116 | (54) | (112) |
| SQM Indonesia | (11) | 3 | 11 | 7 |
| SQM Italia S.R.L | 12 | 17 | 7 | 4 |
| Fenasa | 409 | 261 | (119) | (55) |
| | ----- | ----- | ----- | ----- |
| Total | 26,036 ===== | 21,919 ===== | (2,453) ===== | (1,855) ===== |

35

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 17 - Shareholders' Equity

a) Changes to shareholders' equity consisted of:

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | Number of shares | Paid in cap Th |
|--|---------------------|-------------------------|
| Balance January 1, 2002 | 263,196,524 | 47 |
| Transfer 2000 net income to retained earnings | - | |
| Definitive dividends | - | |
| Accumulated deficit from subsidiaries in development stage (1) | - | |
| Other comprehensive income (2) | - | |
| Net income for the year | - | |
| Balance September 30, 2002 | 263,196,524 | 47 |
| Balance January 1, 2003 | 263,196,524 | 47 |
| Transfer 2002 net income to retained earnings | - | |
| Definitive dividends | - | |
| Accumulated deficit from subsidiaries in development stage (1) | - | |
| Other comprehensive income (2) | - | |
| Net income for the year | - | |
| Balance September 30, 2003 | 263,196,524 | 47 |

| | Retained earnings ThUS\$ | Ne inc ThU |
|--|--------------------------------|------------------|
| Balance January 1, 2002 | 195,366 | 3 |
| Transfer 2000 net income to retained earnings | 30,102 | (3) |
| Definitive dividends | (14,844) | |
| Accumulated deficit from subsidiaries in development stage (1) | - | |
| Other comprehensive income (2) | - | |
| Net income for the year | - | 3 |
| Balance September 30, 2002 | 210,624 | 3 |
| Balance January 1, 2003 | 210,624 | 4 |
| Transfer 2002 net income to retained earnings | 40,202 | (4) |
| Definitive dividends | (19,894) | |
| Accumulated deficit from subsidiaries in development stage (1) | - | |
| Other comprehensive income (2) | - | |
| Net income for the year | - | 3 |
| Balance September 30, 2003 | 230,932 | 3 |

(1) The subsidiaries in development stage are SQM Lithium Specialties Limited in 2003 and SQM Lithium Specialties Limited and SCM Antucoya in 2002.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

- (2) Other comprehensive income includes translation adjustments, and in 2003 other comprehensive income also includes the effect of the recognition of an additional liability for the Company's under-funded pension as of September 30, 2003.

36

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 17 - Shareholders' Equity (continued)

- b) The composition of other comprehensive income as of September 30, 2003 is as follows:

| Detail | For the period ended September 30, 2003 ----- ThUS\$ |
|--|---|
| Technical appraisal | - |
| Changes to other comprehensive income from equity method investments: | |
| Soquimich Comercial S.A. | (1) 2,923 |
| Isapre Norte Grande Ltda. | (1) 14 |
| Inversiones Augusta S.A. | (1) - |
| SQM Ecuador S.A. | (1) - |
| Almacenes y Depositos Ltda. | (1) 31 |
| Asociacion Garantizadora de Pensiones | (1) - |
| Empresas Melon S.A. | (1) 4,198 |
| Sales de Magnesio Ltda. | (1) - |
| SQM North America Corp. | (2) (141) |
| Other Companies | (1) - |
| | ----- |
| Total other comprehensive income | 7,025 ===== |

(1) Corresponds to translation adjustment and monetary correction

(2) Corresponds to the effect of the recognition of an additional liability for the Company's under-funded pension as of September 30, 2003.

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

The preferential voting rights of each series are as follows:

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

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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

the Company's Series B shares.

37

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 17 - Shareholders' Equity (continued)

- 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.

Note 18 - Derivative Instruments

Derivative instruments are recorded at their fair value at period. Changes in fair value are recognized in income with the liability recorded in other current liabilities. Losses from options relate to fees paid by the Company to enter into such contracts. As of September 30, 2003 the Company's derivative instruments are as follows:

| Type of derivative | Notional or Covered Amount | Expiration | Description of the contract Type | Position purchase/sale | Liability am |
|--------------------|----------------------------|---------------------|----------------------------------|------------------------|----------------|
| Put option | 21,390 | 4th quarter of 2003 | Exchange rate | P | |
| Put option | 10,486 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 486 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 3,348 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 2,961 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 998 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 2,983 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 431 | 4th quarter of 2003 | Exchange rate | P | |
| Forwards | 2,989 | 4th quarter of 2003 | Exchange rate | P | |
| | ----- 46,072 ===== | | | | ----- ===== |

38

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 19 - Non-Operating Income and Expenses

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

- a) Non-operating income

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | 2003 | 2002 |
|---|--------|--------|
| | ---- | ---- |
| | ThUS\$ | ThUS\$ |
| Interest income | | 3,246 |
| | 2,450 | |
| Reversal of allowance for doubtful accounts | 426 | 347 |
| Insurance recoveries | | 1,038 |
| | 154 | |
| Net foreign exchange | 2,845 | - |
| Sales of materials and services | | 429 |
| | 833 | |
| Equity participation in net income of unconsolidated subsidiaries | | |
| | 4,794 | 2,742 |
| Other income | | 1,244 |
| | 1,319 | |
| | ----- | ----- |
| Total | 12,821 | 9,046 |
| | ===== | ===== |

b) Non-operating expenses

| | 2003 |
|---|--------|
| | ---- |
| | ThUS\$ |
| Write-off of property, plant, and equipment | 6,014 |
| Interest expense | 16,392 |
| Amortization of goodwill | 844 |
| Legal expenses | 1,375 |
| Project relating to commercial effectiveness | - |
| Net foreign exchange | - |
| Equity participation in net loss of unconsolidated subsidiaries | - |
| Work disruption expenses | 1,476 |
| Other expenses | 3,425 |
| | ----- |
| Total | 29,526 |
| | ===== |

39

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 20 - Assets and Liabilities Denominated in Foreign Currency

| | 2003 | 2002 |
|--------|--------|--------|
| | ---- | ---- |
| | ThUS\$ | ThUS\$ |
| Assets | | |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

| | | |
|-----------------------|-----------|-----------|
| Total assets | | |
| Chilean pesos | 161,269 | 114,855 |
| US dollars | 1,099,608 | 1,100,774 |
| Euro | 7,481 | 7,253 |
| UF | 60,584 | 55,562 |
| Other currencies | 33,121 | 18,350 |
| | | |
| Current liabilities | | |
| Chilean pesos | 55,865 | 28,664 |
| US dollars | 48,289 | 85,677 |
| Euro | 10,814 | 13,225 |
| UF | 235 | 4,039 |
| Other currencies | 6,632 | 2,038 |
| | | |
| Long-term liabilities | | |
| Chilean pesos | 5,189 | 6,127 |
| US dollars | 334,520 | 294,544 |
| UF | 3,075 | 2,760 |
| Other currencies | 72 | 80 |

40

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 21 - Commitments and Contingencies

I. Contingencies:

(a) The Company did not record the potential insurance reimbursement for damages incurred in the potassium sulfate ponds in the Atacama salt deposit.

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

1. Plaintiff : SQM Salar S.A.
 Defendants : ACE Seguros S.A. (formerly - Cigna Compania de Seguros (Chile) S.A.) and Chubb de Chile Compania de Seguros Generales S.A.
 Date of lawsuit : April 2002
 Matter : Arbitration
 Status : Collection of compensation for insured claim
 Instance : Evidence verification
 Nominative value: ThUS\$ 36,316

2. Plaintiffs : Du Guano de Poisson Angibaud S.A. and Generale de Nutrition Vegetale SAS
 Defendants : Soquimich European Holdings B.V., NU3 N.V. and SQM France S.A.
 Date of lawsuit : March 2003
 Court : Court of Arbitration in France
 Matter : Termination of the company relationship and liquidation of the company Generale de Nutrition Vegetale SAS
 Status : The lawsuit is being contested
 Nominative value: ThEuro\$ 30,295

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 21 - Commitments and Contingencies (continued)

I. Contingencies (continued):

(c) Models for the Production of the Maria Elena site

The Company is currently reviewing the "Models for the Production of the Maria Elena site" which may be implemented as a result of the Decontamination Plan (see note 24). The different alternatives for production and technology development for the Maria Elena site, which are a part of the above-mentioned "Production Models" do not proactively generate significant changes in the present ore reserves or forecasted sales volumes. These options include possibilities to use new production methods and are related to the "leaching piles" and implementing a mixed system, which would be comprised with the use of the aforementioned technology and the current production methods. Advantages and disadvantages of the different options relate to the extension of the transition periods of new technology, the investments that will be required, production costs, changes in technologies and in productive processes and the effects on certain of the Company's assets and their value. The possible effects on the valuation of assets are not yet determinable.

(d) Other

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

II. Commitments:

- (a) The subsidiary SQM Salar S.A. maintains an agreement with a government agency, whereby the Company must make annual payments until 2030 based on the Company's annual sales. This amount, which has been paid since the beginning of the agreement in 1996, amounted to ThUS\$ 3,419 in 2003 (ThUS\$ 2,546 in 2002).
- (b) The Company has certain indirect guarantees, which relate to agreements with no remaining payments pending. These guarantees are still in effect and approved by the Company's Board of Directors; however, they have not been used by the subsidiaries.

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

Note 22 - Third Party Guarantees

As of September 30, 2003 and 2002 the Company has the following indirect guarantees outstanding:

| Beneficiary | Debtor | |
|--------------------------|---------------------------------|--------------|
| | Name | Relationship |
| Phelps Dodge Corporation | SQM Potasio S.A. | Subsidiary |
| Bank of America N.A. | RS Agro-Chemical Trading A.V.V. | Subsidiary |

Note 23 - Sanctions

During 2003 and 2002, the SVS did not apply sanctions to the Company, its directors or managers.

Note 24 - Environmental Projects

Disbursements incurred by the Company as of September 30, 2003 relating to its investments in production processes and compliance with regulations related to industrial processes and facilities are as follows:

| | 2003 ----- ThUS\$ |
|---|-------------------------|
| Project | |
| Environmental protection department | 291 |
| Dressing-room, Tocopilla | 276 |
| Renewal of water network against fire | 4 |
| Technology change in Maria Elena | 1,260 |
| Tocopilla dust collection | 484 |
| Environmental impact evaluations | 69 |
| Plant for the treatment of wastewater, Ministry of Public Works | 300 |
| Extension of carbonate plant | 434 |
| Borate plant emission control | 21 |
| Dry plants aspiration system | 91 |
| Environmental evaluation, Guggenheim camp | 27 |
| Transfer of Steamblock boilers (environmental authorization) | 73 |
| Modification of fire network | 40 |
| | ----- |
| Total | 3,370 ===== |

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

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

SQM is currently implementing an Environmental Management System, which is based on the ISO 14000 standard, with which, the Company's environmental performance will be improved through the effective application of the Environmental Policy of SQM. The implementation program stipulates that late in 2004, all the operations maintained by the Company in Regions I and II of Chile, will have a fully implemented Environmental Management System.

As part of the conversion project to natural gas, the supplier will in turn make an investment of US\$ 5,500 million to be paid by the Company on a monthly basis for the duration of the contract (10 years).

Technological processes are intended to be environmentally friendly in order to reduce residual materials and improve technical conditions to ensure an effective protection to the environment. A good example of this is ongoing conversion of oil to natural gas used in the Company's plants.

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 the drying of solid materials and the evaporation of liquids used in solar energy. The extraction of minerals in open pit mines, given their low waste-to-mineral ratio, gives rise to sites that have little impact on the environment. The extraction process and ore crushing produce particles that are consistent with the industry of operation.

On August 10, 1993, the Ministry of Health published a resolution under the Sanitary Code that established that the levels of breathable particles present at Maria Elena Plant exceeded the level allowed for the quality of air and, which affected the nearby city of Maria Elena. Particles mainly come from dust that results from processing the sodium nitrate, particularly at the crushing process prior to leaching. The decontamination plan presented by the Company to reduce the level of particles was approved with certain modifications by means of Decree No. 164. As a result of the investments and processes implemented according to the approved plan, the Company has substantially reduced the levels of particles in the air. Resolution No. 384, made public on May 16, 2003, authorized the review and a new draw up of the decontamination plan for the city of Maria Elena. The Supreme Decree containing the final decontamination plan should be published in the Oficial Gazette during the following months.

44

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 24 - Environmental Projects (continued)

It is not possible to assure that within such period the Company will be free from warnings, fines or even eventual temporary closing of the crushing plant in Maria Elena. The Company is continuously researching techniques, processes and systems relating to the processing of sodium nitrate that could even further reduce the level of particles in the city of Maria Elena.

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

Edgar Filing: CHEMICAL & MINING CO OF CHILE INC - Form 6-K

Productive operations based on brine, are carried out at the Atacama Salt Mine and almost 95% of the energy used is solar energy and the remaining 5% comes from natural gas, electricity and fossil fuels. Residual brine left after the production processes are again injected to the Atacama Salt Mine in order to minimize the possible environmental impact.

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 watershed.

Note 25 - Subsequent Events

Dated October 24, 2003 the Company's Board of Directors agreed to authorize SQM S.A.'s management to subscribe the agreements required to acquire all the shares of the Chilean Company PCS Yumbes S.C.M., a subsidiary of Potash Corporation of Saskatchewan Inc.

Management, except for that mentioned above, is not aware of any significant events occurred between September 30 and the date of issuance of these financial statements (November 5, 2003), which may affect them.

45

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Conf: /s/ Ricardo Ramos

Ricardo Ramos
Chief Financial Officer

Date: December 9, 2003.