

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

CHEMICAL & MINING CO OF CHILE INC
Form 6-K
September 26, 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 six month period ended on June 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 x 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 x
 ----- -----

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

82_____

On August 27, 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 six-month period ended on June 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 SIX MONTH PERIOD ENDED JUNE 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 June 30, 2003 and 2002
and for the years ended June 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.

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

Consolidated Balance Sheets
(A translation of the original in Spanish- see note 2 (a))

	Note	2003 ----- ThUS
ASSETS		
Current assets		
Cash		14,
Time deposits		8,
Marketable securities	4	51,
Accounts receivable, net	5	119,
Other accounts receivable, net	5	8,
Accounts receivable from related companies	6	34,
Inventories, net	7	228,
Recoverable taxes		11,
Prepaid expenses		3,
Deferred income taxes	14	-
Other current assets		18,
Total current assets		----- 500, -----
Property, plant and equipment, net	8	683, -----
Other Assets		
Investments in related companies	9	76,
Goodwill, net	10	12,
Negative goodwill, net	10	(
Intangible assets, net		4,
Long-term accounts receivable, net	5	8,
Long-term accounts receivable from related companies	6	
Other long-term assets	11	50, -----
Total other assets		152, -----
Total assets		----- 1,336, =====

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

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

(A translation of the original in Spanish- see note 2 (a))

	Note	As of 2003 ----- ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank debt	12	520
Current portion of long-term debt	12	36,749
Dividends payable		253
Accounts payable		47,943
Other accounts payable		1,558
Notes and accounts payable to related companies	6	8,444
Accrued liabilities	13	13,696
Withholdings		2,292
Income taxes		814
Deferred revenues		4,299
Deferred income taxes	14	2,176
Other current liabilities		275

Total current liabilities		119,019

Long-term liabilities		
Long-term bank debt	12	308,000
Other accounts payable		2,847
Deferred income taxes	14	19,999
Staff severance indemnities	15	9,376

Total long-term liabilities		340,222

Minority interest	16	23,178

Shareholders' equity		
Paid-in capital	17	477,386
Other reserves	17	127,760
Retained earnings	17	249,043

Total shareholders' equity		854,189

Total liabilities and shareholders' equity		1,336,608
		=====

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

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

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

	Note
Operating results	
Sales	
Cost of sales	
Gross margin	
Selling and administrative expenses	
Operating income	
Non-operating results	
Non-operating income	19
Non-operating expenses	19
Non-operating loss	
Income before income taxes	
Income tax expense	14
Income before minority interest	
Minority interest	16
Net income before extraordinary items and negative goodwill	
Amortization of negative goodwill	10
Net income for the year	

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

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

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

	2003 ----- ThUS\$	2002 ----- ThUS\$
Cash flows from operating activities		
Net income for the year	22,836	18,790
Loss on sale of fixed assets	(16)	(20)
Charges (credits) to income not representing cash flows		
Depreciation expense	30,065	31,134
Amortization of intangible assets	144	95
Write-offs and accruals	10,106	5,523
Gain on equity investments in related companies	(3,742)	(2,568)
Amortization of goodwill	529	567
Amortization of negative goodwill	(314)	(207)
Exchange difference	(3,220)	(77)
Other credits to income not representing cash flows	(963)	(2,289)
Other charges to income not representing cash flows	15,712	9,025
Net changes in operating assets and liabilities:		
(Increase) decrease in trade accounts receivable	(6,837)	7,096
Decrease (increase) in inventories	11,748	(14,616)
Increase in other assets	5,357	3,897
(Increase) decrease in accounts payable	(7,982)	9,936
Increase in interest payable	(1,849)	(588)
Increase in net income taxes payable	(1,481)	351
Decrease in other accounts payable	(802)	(2,159)
Decrease in VAT and taxes payable	4,105	169
Minority interest	982	812
	-----	-----
Net cash provided from operating activities	74,378	64,871
	-----	-----
Cash flows from financing activities		
Payment of dividends	(21,288)	(16,042)
Payment of loans	(3,886)	(56,711)
Payment of documented loans to related companies	(5,274)	--
	-----	-----
Net cash used in from financing activities	(30,448)	(72,753)
	-----	-----
Cash flows from investing activities		
Sales of property, plant and equipment	180	41
Sales of investments	532	13,800
Other income	7,293	614
Additions to property, plant and equipment	(31,187)	(12,949)
Capitalized interest	(1,371)	(1,035)
Purchase of permanent investments	(6,117)	(8,753)
Investments in financial instruments	-	(293)
Other disbursements	(31)	-
	-----	-----
Net cash used in investing activities	(30,701)	(8,575)
	-----	-----
Effect of inflation on cash and cash equivalents	(100)	(368)
	-----	-----
Net change in cash and cash equivalents	13,129	(16,825)
Beginning balance of cash and cash equivalents	65,204	121,535
	-----	-----
Ending balance of cash and cash equivalents	78,333	104,710
	=====	=====

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

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 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

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

(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
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

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

(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.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

b) Period

These consolidated financial statements have been prepared for the six-month period between January 1st and June 30, 2003 and 2002.

c) Reporting currency and monetary correction

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

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 (1,1% and 0,6% 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.
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\$699.12 per US\$1 at June 30, 2003 and Ch\$688,05 per US\$1 at June 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

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

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)

- 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:
- 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.
- d) Foreign currency (continued)

Foreign exchange differences for the period ended June 30, 2003 and 2002 generated net earnings of ThUS\$ 3,220 and ThUS\$ 77, respectively, which

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

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 June 30, as follows:

	2003	2002
	----	----
Brazilian Real	2.88	2.86
New Peruvian Sol	3.47	3.51
Colombian Peso	2,812.31	2,398.44
Argentine Peso	2.80	3.80
Japanese Yen	119.80	119.50
Sucre Ecuador	1.00	1.00
Euro	0.88	1.05
Mexican Peso	10.42	9.96
Indonesian Rupee	8,940.00	8,729.93
Australian Dollar	1.54	1.87
Pound Sterling	0.61	0.69
Rand	7.57	-

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.

h) Allowance for doubtful accounts

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

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

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 them.

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

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)

1) 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.

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

o) Mining development cost

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 the 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))

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

Note 2 - Summary of Significant Accounting Policies (continued)

v) Computer software

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

w) Research and development expenses

Research and development cost are charged to the income statement in the period in which they are incurred. 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.

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 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 June 30 marketable securities are detailed as follows:

	2003	2002
	----	----
	ThUS\$	ThUS\$
Mutual funds	51,489	79,9
	-----	-----
Total	51,489	79,9
	=====	=====

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

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

	Up to 90 days	Between 90 days and 1 year	
	2003	2002	2003 Subtot
	----	----	-----
	ThUS\$	ThUS\$	ThUS\$
			ThUS\$

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

Trade accounts receivable	98,938	87,898	9,971	7,516	108,
Allowance for doubtful accounts					(6,
Notes receivable	15,800	13,946	3,450	2,637	19,
Allowance for doubtful accounts					(2,
Accounts receivable, net					
Other accounts receivable	8,399	8,352	928	1,440	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		Asia Oce
	2003	2002	2003	2002	2003
	-----	-----	-----	-----	-----
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Net short-term trade accounts receivable					
Balance	23,201	21,990	29,308	23,608	2,806
% of total	22.59%	23.05%	28.53%	24.74%	2.73%
Net short-term notes receivable					
Balance	14,622	13,371	537	803	13
% of totalb	86.22%	80.63%	3.17%	4.84%	0.08%
Net short-term other accounts receivable					
Balance	5,274	5,926	1,089	631	3
% of total	61.71%	60.52%	12.74%	6.44%	0.04%
Subtotal short-term accounts receivable, net					
Balance	43,097	41,287	30,934	25,042	2,822
% of total	33.25%	33.55%	23.87%	20.35%	2.18%
Long-term accounts receivable, net					
Balance	6,982	11,877	68	80	-
% of total	86.26%	91.01%	0.84%	0.61%	-

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

	USA, Mexico and Canada		Latin America and the Caribbean		2003
	2003	2002	2003	2002	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$

Total short and long-term accounts receivable, net					
Balance	50,079	53,164	31,002	25,122	2,822
% of total	36.37%	39.06%	22.52%	18.46%	2.05%
=====					

Net short-term trade accounts receivable					
Balance	29,157	29,152	18,237	19,116	102,700
% of total	28.39%	30.56%	17.76%	20.03%	100%
Net short-term notes receivable					
Balance	361	429	1,425	1,765	16,950
% of total	2.13%	2.59%	8.40%	10.64%	100%
Net short-term other accounts receivable					
Balance	1,838	2,763	343	354	8,547
% of total	21.50%	28.21%	4.01%	3.62%	100%

Subtotal short-term accounts receivable, net					
Balance	31,356	32,344	20,005	21,235	128,210
% of total	25.26%	27.31%	15.44%	17.26%	100%
Long-term accounts receivable, net					
Balance		54	1,044	1,039	8,094
% of total		0.41	12.90%	7.97%	100%

Total short and long-term accounts receivable, net					
Balance	31,356	32,398	21,049	22,274	136,304
% of total	23.77%	24.73%	15.29%	16.37%	100%
=====					

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.

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

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

	Short-term		Long-term	
	2003	2002	2003	2002
Accounts receivable	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Ajay Europe S.A.R.L.	4,357	4,828	-	-
Nutrisi Holding N.V.	2,228	-	-	-
Generale de Nutrition Vegetale S.A.	171	164	-	-
Fertilizantes Olmeca S.A.	-	3,421	-	-
Mineag SQM Africa Limited	-	4,017	-	-
Abu Dhabi Fertilizer Ind. WLL	4,602	3,950	-	-
NU3 N.V.	1,137	3,448	-	-
Doktor Tarsa -SQM Turkey	856	803	-	-
Comercial Caiman Internacional S.A.	-	872	-	-
SQM Lithium Specialties Limited	665	94	-	-
Empresas Melon S.A.	-	-	380	-
Sales de Magnesio S.A.	11	77	-	-
Ajay North America LLC	1,644	1,510	-	-
Norsk Hydro ASA	69	96	-	-
Hydro Agri Int.-France	899	179	-	-
Hydro Asia Trade	484	530	-	-
Hydro Agri France S.A.	2,097	920	-	-
Hydro Poland SP	388	184	-	-
Hydro Agri Benelux B.V	585	278	-	-
Hydro Agri Hellas S.A.	1,182	457	-	-
Hydro Agri Australia Ltd.	396	629	-	-
Hydro Agri UK Ltd..	204	282	-	-
Hydro Agri GMBH & CO KG	258	96	-	-
Hydro Agri AB	51	38	-	-
Hydro Agri Colombia	1,304	-	-	-
PCS Yumbes	-	2,402	-	-
NU3 B.V.	1,164	274	-	-
Hydro Agri Argentina	4,150	5	-	-
Adubo Trevo S.A.	900	88	-	-
Hydro Plant Nutr. OSLO	38	40	-	-
Hydro Agri Benelux	-	185	-	-
Hydro Czech Republic	8	-	-	-
Hydro Fertilizantes Ltda.	-	309	-	-
Hydro Agricola Internacional	468	-	-	-
Impronta SRI	4,548	-	-	-
Nutrichem Benelux	29	-	-	-
Rotem Amfert Negev ltda.	31	-	-	-
Hydro Agri Espana S.A.	-	74	-	-
Hydro Agri North America	-	66	-	-
Hydro Agri Norge	-	10	-	-
Hydro Agri Mexico S.A. de C.V.	1	-	-	-
Hydro Agri Specilities	6	-	-	-
Total	34,931	30,326	380	-

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 6 - Balances and Transactions with Related Parties (continued)

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

	Short 2003 ----- ThUS\$
Accounts payable	
Ajay Europe S.A.R.L.	432
Adm. y Servicios Santiago S.A. de C.V.	81
Abu Dhabi Fertilizar Ind. WLL	94
NU3 N.V.	1,544
SCM Antucoya	-
Rotem Amfert Negev Limited	1,162
Hydro Agri Porsgrunn	27
Hydro Agricola Internacional	158
Hydro Agri North America	134
Hydro Agri Mexico de S.A de C.V.	11
Hydro Agri Int - France	3,372
Hydro Agri France	15
NU3 B.V.	57
Hydro Fertilizante Ltda.	1,261
Hydro Agri Benelux	23
PCS Yumbes	51
Hidro Plant Nutr, CIS Regl, Oslo	-
Hidro Agri Australia	11
Agrys Ltda.	11
Nutrisi Holding (N.V.)	-

Total	8,444 =====

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

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)

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

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

Company -----	Relationship -----	Type of transaction -----	Amount of Transaction -----	
			2003 ---- ThUS\$	2002 ---- ThUS\$
NU3 N.V. (Belgica)	Indirect	Sales of products	2,447	847
Doktor Tarsa	Indirect	Sales of products	783	1,290
Mineag SQM Africa Ltd.	Indirect	Sales of products	-	7,045
Abu Dhabi Fertilizer WLL	Indirect	Sales of products	1,068	-
Nutrisi Holding N.V.	Indirect	Sales of products	-	1,538
Ajay Europe S.A.R.L.	Indirect	Sales of products	3,763	3,781
NU3 B.V.	Indirect	Sales of products	2,177	1,541
Adubo Trevo S.A.	Indirect	Sales of products	3,487	332
PCS Yumbes SCM	Shareholder	Sales of products	2,867	6,674
		Purchases of	8,580	-
		products		
Hydro Agri (U.K) Ltd.	Shareholder	Sales of product	569	679
Hydro Asia trade Pte Ltd.	Shareholder	Sales of product	2,451	3,076
Hydro Agri France S.A.	Shareholder	Sales of product	4,137	2,380
Hydro Agri Internacional	Shareholder	Sales of product	896	196
Hydro Agri Internacional	Shareholder	Sales of product	-	509
Hydro Agri Internacional France	Shareholder	Sales of product	843	1,584
Hydro Agri Hellas S.A.	Shareholder	Sales of product	1,119	427
Hydro Agri Benelux B.V.	Shareholder	Sales of product	4,179	3,326
Hidro agri Rotterdam B.V.	Shareholder	Sales of product	-	534
Hydro Agri Australia Ltd.	Shareholder	Sales of product	644	740
Hydro Agri Espana S.A.	Shareholder	Sales of product	2,045	68
Hydro Agri Argentina	Shareholder	Sales of product	4,470	-
Hydro Agri Colombia Ltda	Shareholder	Sales of product	1,381	-
Hydro Agri GMBH & CO KG	Shareholder	Sales of products	641	214
Hydro Agri Planta Nutri Poland	Shareholder	Sales of products	697	-
Ajay North America LLC	Indirect	Sales of products	3,656	537

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

2002

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

	ThUS\$	ThUS\$
Finished products	126,147	120,875
Work in process	89,649	95,697
Supplies	12,691	9,918
	-----	-----
Total	228,487	226,490
	=====	=====

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

Property, plant and equipment are summarized as follows:

	2003	2002
	----	----
	ThUS\$	ThUS\$
Land		
Land	13,453	13,453
Mining Concessions	36,340	16,708
Other Lands	13,165	12,862
	-----	-----
	62,958	43,023
	-----	-----
Buildings and infrastructure		
Buildings	157,049	156,099
Installations	267,914	261,106
Construction-in-progress	37,570	25,223
Other	19,920	19,101
	-----	-----
	482,453	461,529
	-----	-----
Machinery and Equipment		
Machinery	389,830	384,020
Equipment	102,873	96,906
Construction-in-progress	14,603	14,929
Other	14,435	10,471
	-----	-----
	521,741	506,326
	-----	-----
Other fixed assets		
Tools	11,583	7,888
Furniture and office equipment	11,048	13,801
Project-in-progress	15,095	18,212
Other	5,560	5,332

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

----- 43,286 -----	----- 45,233 -----
--------------------------	--------------------------

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)

	2003	2002
	-----	-----
	ThUS\$	ThUS\$
Amounts relating to technical revaluation of fixed assets		
Land	8,650	
Buildings and infrastructure	40,627	4,627
Machinery and equipment	12,110	1,110
Other assets	53	
	-----	-----
	61,440	6,737
	-----	-----
Total property, plant and equipment	1,171,878	1,110,878
	-----	-----
Less: Accumulated depreciation		
Buildings and infrastructure	(182,505)	(15,505)
Machinery and equipment	(257,273)	(22,273)
Other fixed assets	(16,183)	(1,183)
Technical appraisal	(32,200)	(3,200)
	-----	-----
Total accumulated depreciation	(488,161)	(42,161)
	-----	-----
Net property, plant and equipment	683,717	688,717
	=====	=====
	2003	
Depreciation for the period ended June 30:	ThUS\$	
Buildings and infrastructure	12,607	1,607
Machinery and equipment	15,929	1,929
Other fixed assets	657	
Technical revaluation	872	
	-----	-----
Total depreciation	30,065	3,536
	=====	=====

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

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

	2003 ThUS\$ -----	2002 ThUS\$ -----
Administrative office buildings	2,081	1,98
Accumulated depreciation	(401)	(34)
	-----	-----
Total assets in leasing	1,680 =====	1,64 =====

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

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 Olmeca y SQM S.A. de C.V. which represented 50% of its ownership. Consequently, Fertilizantes Olmeca 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 Olmeca y SQM S.A. de C.V. This transaction gave rise to no goodwill or negative goodwill.

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.

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 share, 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

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

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.

25

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 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 Company's shareholder, the assets and liabilities from the dissolved company.

As of 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.

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 Corpotaion 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%.

26

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)

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

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

During the first quarter, 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.

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		Equity of companies	
					2003 ----- %	2002 ----- %	2003 ----- ThUS\$	2002 ----- ThUS\$
93390000-2	Empresas Melon S.A..	Chile	-	653,748,837	14.05	14.05	281,140	264,481
0-E	SQM Lithium Specialties Limited*	USA	US\$	-	100.00	100.00	26,525	24,996
0-E	Ajay North America LLC	USA	US\$	-	49.00	49.00	13,931	14,038
77093830-9	SCM Antucoya*	Chile	-	490	100.00	100.00	-	6,650
0-E	Abu Dhabi Fertilizer Industries WL	UAE	US\$	1,961	37.00	37.00	3,175	3,675
0-E	Fertilizantes Olmeca y SQM S.A. de C.V.	Mexico	Mex. \$	183,000	100.00	50.00	-	1,692
0-E	Nutrisi Holding N.V.	Belgium	US\$	-	50.00	50.00	2,591	1,072
0-E	Doktor Tarsa	Turkey	US\$	-	50.00	50.00	560	471
0-E	Mineag SQM Africa	South	US\$	-	100.00	50.00	-	640

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

0-E	Limited	Africa							
77557430-5	Ajay Europe S.A.R.L.	France	US\$	36,700	50.00	50.00	650	635	
	Sales de Magnesio	Chile	US\$	-	50.00	50.00	261	152	
	Ltda.								
81767200-0	Asoc. Garantizadora	Chile	-	-	3.31	3.31	665	739	
	Pensiones								
0-E	Rui Xin Packaging								
	Materials Sanhe	China	US\$	-	25.00	25.00	480	480	
	Co.Ltd								
0-E	Impronta SRL	Italia	Euros	-	50.00	50.00	1,109	48	

	Total								76,755
									=====

Tax Registration Number	Company	Equity participation in net income (loss)	
		2003	2002
		-----	-----
		ThUS\$	ThUS\$
93390000-2	Empresas Melon S.A..	2,296	2,191
0-E	SQM Lithium	-	-
	Specialties Limited*		
0-E	Ajay North America	294	151
	LLC		
77093830-9	SCM Antucoya*	-	-
0-E	Abu Dhabi Fertilizer		
	Industries WL	64	-
0-E	Fertilizantes Olmeca		
	Y		
	SQM S.A. de C.V.	-	161
0-E	Nutrisi Holding N.V.	652	44
0-E	Doktor Tarsa	61	-
0-E	Mineag SQM Africa	-	-
	Limited		
0-E	Ajay Europe S.A.R.L.	-	-
77557430-5	Sales de Magnesio	33	23
	Ltda.		
81767200-0	Asoc. Garantizadora	-	-
	Pensiones		
0-E	Rui Xin Packaging		
	Materials Sanhe	-	-
	Co.Ltd		
0-E	Impronta SRL	341	-
	Total		

o In development stage

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

(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	June 30, 2003		June 30, Amount amortized during the period ThUS\$
		Amount amortized during the period ThUS\$	Goodwill balance ThUS\$	
0-E	PTM - SQM Iberica S.A.	10	69	10
0-E	Doktor Tarsa	34	123	11
79768170-9	Soquimich Comercial S.A.	75	347	75
78208790-8	SCM SQM Boratos	-	-	8
93390000-2	Empresas Melon S.A.	238	7,456	259
79626800-K	SQM Salar S.A.	22	104	22
0-E	SQM Mexico S.A. de C.V.	28	1,031	28
96864750-4	SQM Potassium S.A.	72	1,952	72
0-E	SQM Venezuela S.A.	-	-	82
0-E	Comercial Caiman Int. S.A.	11	211	-
96801610-5	Norsk Hydro Chile S.A.	11	1,280	-
0-E	Fertilizantes Olmeca	28	251	-
0-E	Impronta Italy S.R.L.	-	138	-
Total		529	12,962	567

b) Negative Goodwill

Tax Registration Number	Company	June 30, 2003		June 30, Amount amortized during the period ThUS\$
		Amount amortized during the period ThUS\$	Negative Goodwill Balance ThUS\$	
79626800-K	SQM Salar S.A.	105	70	105
96575300-1	Minera Mapocho S.A.	102	576	102
0-E	Mineag SQM Africa Limited	107	-	-
Total		314	646	207

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	24,009	2
Nitrate deposit development costs	6,350	
Mineral development costs	12,669	1
Pension plan	1,137	
Construction of Salar-Baquedano road	1,830	
Deferred loan issuance costs	3,029	
Other	1,130	
	-----	-----
Total	50,154	5
	=====	=====

Note 12 - Bank Debt

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

	2003	

	ThUS\$	
Bank or financial institution		
Other banks	520	

Total	520	
	=====	
Annual average interest rate	3.29%	

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

Note 12 - Bank Debt (continued)

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

	2003	2002
	----- ThUS\$	----- ThUS\$
Bank or financial institution		
Union Bank of Switzerland (1)	204,541	204,577
Bank of America (2)	80,195	80,231
Royal Bank of Canada (3)	60,013	121,106
Corpbanca	-	12,145
	-----	-----
Total	344,749	418,059
	-----	-----
Less: Current portion	(36,749)	(126,059)
	-----	-----
Long-term portion	308,000	292,000
	=====	=====

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

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

	2003	2002
	----- ThUS\$	----- ThUS\$
Years to maturity		
Current portion	36,749	126,059
1 to 2 years	32,000	28,000
2 to 3 years	46,000	32,000
4 to 5 years	230,000	232,000
	-----	-----
Total	344,749	418,059
	=====	=====

Note 13 - Accrued Liabilities

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

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

	2003	2002
	ThUS\$	ThUS\$
Provision for royalties	1,018	820
Quarterly bonus	471	477
Suppliers	1,268	721
Commissions on consignment goods	596	422
Taxes and monthly income tax		
installment payments	748	415
Vacation accrual	4,866	4,745
Accrued employee benefits	483	298
Legal expenses	800	-
Other accruals	2,646	2,263
Marketing expenses	800	786
	-----	-----
Total current liabilities	13,696	10,947

Note 14 - Income and Deferred Taxes

- a) At June 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:

	2003	2002
	ThUS\$	ThUS\$
Accumulated tax basis retained earnings with tax credit	16,468	19,174
Accumulated tax basis retained earnings with no tax credit	1,041	11
Tax loss carry-forwards (1)	90,120	129,043
Credit for shareholders	3,061	3,503

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

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)

The deferred taxes as of June 30, 2003 and 2002 represented a net liability of ThUS\$ 22,175 and ThUS\$ 9,959, respectively, and consisted of:

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

2003	Deferred tax asset		Sh
	Short-term	Long-term	
	----- ThUS\$	----- ThUS\$	
Temporary differences			
Allowance for doubtful accounts	1,025	263	
Vacation accrual	759	-	
Unrealized gain on sale of products	5,285	-	
Provision for obsolescence	-	1,748	
Production expenses	-	-	
Accelerated depreciation	-	-	
Exploration expenses	-	-	
Capitalized interest	-	-	
Staff severance indemnities	-	-	
Capitalized expenses	-	-	
Tax loss carry-forwards	-	17,185	
Losses from derivative transactions	5	-	
Unaccrued interest	77	-	
Provision for sinister expenses	-	-	
Other	965	736	
	=====	=====	=====
Total complementary accounts	-	(773)	
	=====	=====	=====
Total deferred taxes	8,116	19,159	
	=====	=====	=====

33

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)

2003	Deferred tax asset		Sh
	Short-term	Long-term	
	----- ThUS\$	----- ThUS\$	
Temporary differences			
Allowance for doubtful accounts	333	870	
Vacation accrual	762	-	
Unrealized gain on sale of products	6,092	-	
Provision for obsolescence	-	730	
Production expenses	-	-	
Accelerated depreciation	-	-	
Exploration expenses	-	-	
Capitalized interest	-	-	
Staff severance indemnities	-	-	
Losses from derivative transactions	277	591	
Capitalized expenses	-	-	
Tax loss carry-forwards	-	23,691	
Other	369	-	

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

Total gross deferred taxes	7,833	25,882
Total complementary accounts	(25)	(2,674)
Total deferred taxes	7,808	23,208

34

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)

c) Income tax expense is summarized as follows:

	2003	2002
	-----	-----
	ThUS\$	ThUS\$
Provision for current income tax	(1,091)	(1,957)
Effect of deferred tax assets and liabilities	(4,290)	(3,987)
Effect of amortization of complementary accounts	(2,643)	1,408
Other tax charges and credits	262	246
	-----	-----
Total income tax expense	(7,762)	(4,290)
	=====	=====

Note 15 - Staff Severance Indemnities

Staff severance indemnities are summarized as follows:

	2003	2002
	-----	-----
	ThUS\$	ThUS\$
Opening balance	9,143	8,326
Increases in obligation	1,658	950
Payments	(1,614)	(504)
Exchange difference	189	(412)
	-----	-----
Balance as of June 30	9,376	8,360
	=====	=====

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))

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

Note 16 - Minority Interest

Minority interest is summarized as follows:

	Equity		Net
	2003	2002	2003
	ThUS\$	ThUS\$	ThUS\$
Soquimich Comercial S.A	19,654	18,872	(5)
Ajay SQM Chile S.A	3,128	3,047	(1)
Cape Fear Bulk LLC	128	116	()
SQM Indonesia	-	6	()
SQM Italia S.R.L	12	27	()
Fenasa	256	200	()
Mineag SQM Africa	-	-	(2)
Total	23,178	22,268	(9)

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

a) Changes to shareholders' equity consisted of:

	Number of shares	Paid-in capital ThUS\$	Other reserves ThUS\$	Accumulated deficit of subsidiaries in development stage ThUS\$
Balance January 1, 2002	263,196,524	477,386	131,066	(2,223)
Transfer 2000 net income to retained earnings	-	-	-	-
Definitive dividends	-	-	-	-
Accumulated deficit from subsidiaries in development stage (1)	-	-	-	(387)
Other comprehensive income (2)	-	-	(3,259)	-
Net income for the year	-	-	-	-
Balance June 30, 2002	263,196,524	477,386	127,807	(2,610)
Balance January 1, 2003	263,196,524	477,386	125,111	(3,661)

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

Transfer 2002 net income to retained earnings	-	-	-	-
Definitive dividends	-	-	-	-
Accumulated deficit from subsidiaries in development stage (1)	-	-	-	(1,064)
Other comprehensive income (2)	-	-	2,649	-
Net income for the year	-	-	-	-

Balance June 30, 2003	263,196,524	477,386	127,760	(4,725)

- (1) The subsidiaries in development stage are SQM Lithium Specialties Limited.
- (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 June 30, 2003.

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)

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

Detail

Technical appraisal
Changes to other comprehensive income from equity method investments:
Soquimich Comercial S.A. (1)
Isapre Norte Grande Ltda. (1)
Inversiones Augusta S.A. (1)
SQM Ecuador S.A. (1)
Almacenes y Depositos Ltda. (1)
Asociacion Garantizadora de Pensiones (1)
Empresas Melon S.A. (1)
Sales de Magnesio Ltda. (1)
SQM North America Corp. (2)
Other Companies (1)

Total other comprehensive income

- (1) Corresponds to translation adjustment and monetary correction

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

- (2) Corresponds to the effect of the recognition of an additional liability for the Company's under-funded pension as of June 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 the Company's Series B shares.
- 2) An extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's president, at the request of a director elected by Series B shareholders.

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 18 - Derivatives Instruments

Derivative instruments are recorded at their fair value at year-end. Changes in fair value are recognized in income with the liability recorded in other current liabilities. Losses from options relate to fees paid by the Company to enter into such contracts. As of June 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
Forwards	3,000	4th quarter of 2003	Exchange rate	P
Put option	8,928	3rd quarter of 2003	Exchange rate	P
Put option	4,000	3rd quarter of 2003	Exchange rate	P
Put option	2,300	3rd quarter of 2003	Exchange rate	P
Put option	720	3rd quarter of 2003	Exchange rate	P
Forwards	500	3rd quarter of 2003	Exchange rate	P
Forwards	1,814	3rd quarter of 2003	Exchange rate	P
	----- 21,262 =====			

39

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 19 - Non-Operating Income and Expenses

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

a) Non-operating income

Interest income
Reversal of allowance for doubtful accounts
Insurance recoveries
Net foreign exchange
Sales of materials and services
Equity participation in net income of unconsolidated subsidiaries
Other income

Total

b) Non-operating expenses

Write-off of property, plant, and equipment
Interest expense
Amortization of goodwill
Legal expenses
Project relating to commercial effectiveness
Work disruption expenses
Other expenses

Total

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 - Price-level Restatement

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

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

Property, plant and equipment
Other assets and liabilities
Shareholders' equity
Subtotal price-level restatement
Net readjustment of assets and liabilities denominated in UF
Net price-level restatement

Note 21 - Assets and Liabilities Denominated in Foreign Currency

Assets
Total assets
Chilean pesos
Euros
Japanese Yen
Brazilian Real
Mexican pesos
Other currencies
Current liabilities
Chilean pesos
Euros
Brazilian Real
Other currencies
Long-term liabilities
Chilean pesos
Euros

41

Note 22 - Commitments and Contingencies

I. Contingencies:

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

- (a) The Company did not record the potential insurance reimbursement for damages incurred in the potassium sulfate wells 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

42

Note 22 - 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 25). 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

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

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\$1,920 in 2003 (ThUS\$ 1,571 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.

43

Note 23 - Third Party Guarantees

As of June 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 24 - Sanctions

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

44

Note 25 - Environmental Projects

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

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

Project
Environmental protection department
Dressing-room, Tocopilla
Renewal of water network against fire
Technology change in Maria Elena
Tocopilla dust collection
Environmental impact evaluations
Plant for the treatment of wastewater, Ministry of Public Works
Extension of carbonate plant
Borate plant emission control
Dry plants aspiration system
Environmental evaluation, Guggenheim camp
Transfer of Steamblock boilers (environmental authorization)
Modification of fire network

Total

45

Note 25 - Environmental Projects (continued)

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

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

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 made public within

46

Note 25 - Environmental Projects (continued)

early 2003. 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 the non-soluble by product and a certain degree of moisture.

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 26 - Subsequent Events

Company management are not aware of any significant subsequent events occurred between June 30, 2003 and the date of issuance of these consolidated financial statement (August 14, 2003), which may affect the presentation of these financial statements.

47

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

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

undersigned, thereunto duly authorized.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Conf: /s/ Ricardo Ramos

Ricardo Ramos

Chief Financial Officer

Date: September 26, 2003.