

CHEMICAL & MINING CO OF CHILE INC

Form 6-K

December 04, 2002

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**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, 2002.

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 _____

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On November 13, 2002, 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, 2002. 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, 2002 REPORT FILED WITH THE SUPERINTENDENCIA DE VALORES Y SEGUROS (SVS) IN CHILE.

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THE FINANCIAL STATEMENTS SUBMITTED IN THIS DOCUMENT WERE PREPARED PURSUANT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CHILE, AND UNLESS OTHERWISE INDICATED, FIGURES ARE IN US DOLLARS.

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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 4, 2002.

Consolidated Financial Statements

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

As of September 30, 2002 and 2001
and for the years ended September 30, 2002 and 2001

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Consolidated Financial Statements

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Ch.\$ Chilean pesos

Th.Ch. Thousands of Chilean pesos

\$

US\$ United States dollars

Th.US\$ 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.

Th.UF Thousands of UFs.

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Consolidated Balance Sheets

| | As of September 30, | |
|------------------------------------------------------|----------------------------|------------------|
| | 2002 | 2001 |
| ASSETS | Th.US\$ | Th.US\$ |
| Current assets | | |
| Cash and cash equivalents | 39,238 | 154,107 |
| Accounts receivable, net | 111,748 | 123,536 |
| Other accounts receivable, net | 9,710 | 14,223 |
| Accounts receivable from related companies | 37,750 | 63,356 |
| Inventories | 227,745 | 201,475 |
| Recoverable taxes | 11,372 | 13,040 |
| Prepaid expenses | 3,603 | 3,488 |
| Deferred income taxes | □ | 136 |
| Other current assets | 17,223 | 16,039 |
| Total current assets | <u>458,389</u> | <u>589,400</u> |
| Property, plant and equipment, net | <u>684,598</u> | <u>714,220</u> |
| Investments in related companies | 77,542 | 62,047 |
| Goodwill | 11,565 | 9,758 |
| Negative goodwill | (956) | (1,370) |
| Intangible assets, net | 4,021 | 4,178 |
| Accounts receivable from related companies long term | 509 | 825 |
| Long-term accounts receivable | 11,969 | 12,561 |
| Other assets | 49,157 | 62,114 |
| Total assets | <u>1,296,794</u> | <u>1,453,733</u> |

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

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Consolidated Balance Sheets

| | As of September 30, | |
|-------------------------------------------------|----------------------------|----------------|
| | 2002 | 2001 |
| | Th.US\$ | Th.US\$ |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term bank debt | 996 | 93,903 |
| Current portion of long-term debt | 61,668 | 2,966 |
| Dividends payable | 301 | 219 |
| Accounts payable | 44,039 | 35,950 |
| Other accounts payable | 1,258 | 2,156 |
| Notes and accounts payable to related companies | 5,680 | 9,079 |
| Accrued liabilities | 13,443 | 16,818 |
| Payroll withholdings | 3,408 | 3,450 |
| Income taxes | 2,327 | 1,086 |
| Deferred income taxes | 446 | □ |
| Other current liabilities | 78 | 140 |
| | <hr/> | <hr/> |
| Total current liabilities | 133,644 | 165,767 |
| | <hr/> | <hr/> |
| Long-term liabilities | | |
| Long-term debt | 280,000 | 428,000 |
| Other accounts payable | 3,652 | 4,566 |
| Deferred taxes | 11,902 | 5,693 |
| Long-term provision | 7,957 | 7,498 |
| Other liabilities | □ | 90 |
| | <hr/> | <hr/> |
| Total long-term liabilities | 303,511 | 445,847 |
| | <hr/> | <hr/> |
| Minority interest | 21,919 | 23,377 |
| | <hr/> | <hr/> |
| Shareholders' equity | | |
| Paid-in capital | 477,386 | 477,386 |
| Other reserves | 122,424 | 126,013 |
| Retained earnings | 237,910 | 215,343 |
| | <hr/> | <hr/> |
| Total shareholders' equity | 837,720 | 818,742 |
| | <hr/> | <hr/> |
| Total liabilities and shareholders' equity | 1,296,794 | 1,453,733 |
| | <hr/> | <hr/> |

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

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Consolidated Statements of Income

| | For the years ended September 30, | |
|---------------------------------------|----------------------------------------------|-------------------------|
| | 2002 Th.US\$ | 2001 Th.US\$ |
| Operating results | | |
| Sales | 413,771 | 398,965 |
| Cost of sales | (320,773) | (315,491) |
| Gross margin | 92,998 | 83,474 |
| Selling and administrative expenses | (32,331) | (30,774) |
| Operating income | 60,667 | 52,700 |
| Non-operating results | | |
| Non-operating income | 9,046 | 14,410 |
| Non-operating expenses | (29,699) | (31,640) |
| Non-operating loss | (20,653) | (17,230) |
| Income before income taxes | 40,014 | 35,470 |
| Income taxes | (8,086) | (7,359) |
| Consolidated income | 31,928 | 28,111 |
| Minority interest | (1,855) | (1,591) |
| Net income before extraordinary items | 30,073 | 26,520 |
| Amortization of negative goodwill | 310 | 310 |
| Extraordinary items | □ | (4,784) |
| Net income for the year | 30,383 | 22,046 |

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

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Consolidated Statements of Cash Flows

| | For the years ended September 30, | |
|-----------------------------------------------------------------|----------------------------------------------|-------------------------|
| | 2002 Th.US\$ | 2001 Th.US\$ |
| Cash flows from operating activities | | |
| Net income for the year | 30,383 | 22,046 |
| Loss on sale of fixed assets | (50) | 11 |
| Charges (credits) to income not representing cash flows: | | |
| Depreciation expense | 46,357 | 48,325 |
| Amortization of intangible assets | 146 | 142 |
| Write-offs and accruals | 9,642 | 2,294 |
| Accrued equity gain on investments in related companies | (2,742) | (1,624) |
| Accrued equity loss on investments in related companies | 138 | 58 |
| Amortization of goodwill | 896 | 605 |
| Amortization of negative goodwill | (310) | (310) |
| Translation adjustment | 376 | 702 |
| Exchange difference | 357 | (477) |
| Other credits to income not representing cash flows | (5,244) | (8,133) |
| Other charges to income not representing cash flows | 15,016 | 16,250 |
| Net changes in operating assets and liabilities | | |
| Trade accounts receivable | (3,113) | (14,575) |
| Inventories | (19,409) | 7,105 |
| Other assets | 4,920 | 4,092 |
| Accounts payable | 14,469 | 602 |
| Interest payable | (6,055) | (4,194) |
| Net income taxes payable | 85 | (2,053) |
| Other accounts payable | (1,816) | (344) |
| VAT and taxes payable | 900 | (1,161) |
| Gain from minority interest | 1,855 | 1,591 |
| Net cash flows from operating activities | <u>86,801</u> | <u>70,952</u> |

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Consolidated Statements of Cash Flows (Continued)

| | For the years ended September 30, | |
|---------------------------------------------------------|----------------------------------------------|-------------------------|
| | 2002 Th.US\$ | 2001 Th.US\$ |
| Cash flows from financing activities | | |
| Bank debt | □ | 115,663 |
| Payment of dividends | (16,082) | (14,915) |
| Payment of loans | (130,584) | (42,200) |
| Payment of bonds payable | □ | (2,941) |
| | <hr/> | <hr/> |
| Net cash flows from financing activities | (146,666) | 55,607 |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Sales of fixed assets | 661 | 126 |
| Sales of investments | 13,974 | 14,750 |
| Other income | 614 | 8,284 |
| Additions to property, plant and equipment | (25,450) | (17,513) |
| Payment of capitalized interest | (1,678) | (1,966) |
| Permanent investments | (9,801) | (8,075) |
| Investments in financial instruments | (224) | □ |
| | <hr/> | <hr/> |
| Net cash flows from investing activities | (21,904) | (4,394) |
| | <hr/> | <hr/> |
| Net cash flows for the period | (81,769) | 122,165 |
| | <hr/> | <hr/> |
| Impact of inflation on cash and cash equivalents | (529) | (786) |
| | <hr/> | <hr/> |
| Net change in cash and cash equivalents | (82,298) | 121,379 |
| | <hr/> | <hr/> |
| Beginning balance of cash and cash equivalents | 121,536 | 32,728 |
| | <hr/> | <hr/> |
| Ending balance of cash and cash equivalents | 39,238 | 154,107 |
| | <hr/> | <hr/> |

Interest and income taxes paid in 2002 and 2001 are as follows:

| | | |
|---------------|--------|---------|
| Interest paid | 26,657 | 25,109 |
| Taxes paid | 85 | (2,053) |

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

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SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Notes to the Consolidated Financial Statements

September 30, 2002 and 2001

Note 1 □ General

Sociedad Química y Minera de Chile S.A. was registered on March 18, 1983 under No. 0184 of the Chilean Superintendency of Securities and Insurance.

The subsidiaries registered in the securities registry of the Chilean Superintendency of Securities and Insurance are as follows:

Soquimich Comercial S.A. registered under No. 0436 on January 11, 1993.

SQM Potasio S.A. registered under No. 0728 on March 20, 2001.

SQM Salar S.A. registered under No. 0731 on April 17, 2001.

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 Chilean Superintendency of Securities and Insurance.

b) Period

These consolidated financial statements have been prepared for the nine-month period between January 1st and September 30, 2002 and 2001.

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c) Reporting currency and monetary correction

The financial statements of the Company are prepared in U.S. dollars. A significant portion of the Company's operations are transacted in U.S. dollars and the U.S. dollar is 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 the 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, in conformity with Chilean regulations, non-monetary assets and liabilities and equity accounts have been restated in terms of year-end constant pesos based on the change in the consumer price index during the period (1.3% and 2.2% in 2002 and 2001, 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 monetary assets and liabilities exposed to the effects of inflation.

d) Foreign currency

i) Foreign currency transactions

Assets and liabilities denominated in Chilean pesos and other currencies at September 30, 2002 and 2001 have been translated to US dollars at the exchange rates in force at those dates of Ch.\$748.73 and Ch.\$695.02 per US dollars, respectively.

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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 as follows:

With respect to subsidiaries and affiliates located in Chile which maintain their accounting records in price-level adjusted Chilean pesos:

- Balance sheet accounts are translated to U.S. dollars at the closing date for the period exchange rate without eliminating the effects of price-level restatements;

- Income statement accounts are translated to U.S. dollars at the average rate of exchange each month after elimination of price level adjustments to the income statement accounts; the monetary correction account on the income statement which reflects the impact of price level adjustments to the non-monetary assets and liabilities and shareholders' equity in the balance sheet is translated to U.S. dollars at the average rate of exchange each month.

- Translation gains and losses, as well as the price level adjustments to the balance sheet mentioned above, are included as an adjustment in shareholders' equity, in conformity with the Circular No. 368 of the Chilean Superintendency of Securities and Insurance.

The 2002 and 2001 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 following the methodology indicated in Chilean Technical Bulletin No. 64. Beginning on January 1, 1998, Technical Bulletin No. 64 of the Chilean Association of Accountants replaced Technical Bulletin No. 51. Differences between these two bulletins are not significant, nor do they differ significantly from FASB 52.

Prior year financial statements presented for comparative purposes are not restated to a constant purchasing power level of 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.

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Exchange differences for the periods ended September 30, 2002 and 2001 generated net income of Th.US\$ 733 and Th.US\$ 225, respectively, which were charged to consolidated results of operations in each respective period.

The exchange rates used for the conversion of monetary assets and liabilities, expressed in foreign currency at each period end, were as follows:

| | 2002 US\$ | 2001 US\$ |
|-------------------|----------------------|----------------------|
| Brazilian real | 3.85 | 2.67 |
| New Peruvian sol | 3.64 | 3.48 |
| Colombian peso | 2,808.04 | 2,336.45 |
| Argentine peso | 3.74 | 1.00 |
| Japanese yen | 122.60 | 119.55 |
| Euro | 1.01 | 1.10 |
| Mexican peso | 10.23 | 9.51 |
| Indonesian rupee | 9,015.10 | □ |
| Australian dollar | 1.84 | □ |
| Sterling Pounds | 0.6369 | 0.6787 |

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 on such date.

e) Basis of consolidation

The Consolidated Financial Statements include the accounts of Sociedad Química y Minera de Chile S.A. (the "Parent Company") and subsidiaries (companies in which the Parent Company holds a direct or indirect ownership of more than 50%). The Parent Company and its subsidiaries are referred to as the "Company".

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In accordance with regulations set forth by the Chilean Superintendency of Securities and Insurance in its Circular No. 368, Technical Bulletins Nos. 42 and 64 of the Chilean Association of Accountants, the consolidated financial statements include the assets, liabilities, income statements, and cash flows for the following affiliates:

| | Direct or indirect ownership | |
|--------------------------------------|-----------------------------------------|-------------------|
| | 2002 % | 2001 % |
| Foreign subsidiaries: | | |
| Nitrate Corp. of Chile Limited | 100.00 | 100.00 |
| Soquimich SRL - Argentina | 100.00 | 100.00 |
| Nitratos Naturais do Chile Ltda. | 100.00 | 100.00 |
| SQM Europe NV | 100.00 | 100.00 |
| SQM North America Corp. | 100.00 | 100.00 |
| North American Trading Company | 100.00 | 100.00 |
| SQM Perú S.A. | 100.00 | 100.00 |
| SQM Corporation NV | 100.00 | 100.00 |
| SQI Corporation NV | 100.00 | 100.00 |
| Soquimich European Holding | 100.00 | 100.00 |
| PTM - SQM Ibérica S.A. | 100.00 | 100.00 |
| SQMC Holding Corporation LLP | 100.00 | 100.00 |
| SQM Ecuador S.A. | 100.00 | 100.00 |
| Cape Fear Bulk LLC | 51.00 | 51.00 |
| SQM Colombia Ltda. | 100.00 | 100.00 |
| SQM Investment Corporation NV | 100.00 | 100.00 |
| PSH Limited | 100.00 | 100.00 |
| SQM Brasil Ltda. | 100.00 | 99.99 |
| Royal Seed Trading Corporation AVV | 100.00 | 100.00 |
| SQM Japan K.K. | 100.00 | 100.00 |
| SQM Oceanía PTY Limited | 100.00 | 100.00 |
| SQM France S.A. | 100.00 | 100.00 |
| Fertilizantes Naturales S.A. | 50.00 | 50.00 |
| Rs Agro-Chemical Trading AVV | 100.00 | 100.00 |
| SQM Comercial de México S.A. de C.V. | 100.00 | 100.00 |
| SQM Indonesia | 80.00 | 80.00 |
| SQM Virginia LLC | 100.00 | 100.00 |
| SQM Venezuela S.A. | 100.00 | 50.00 |
| Agricolima S.A. de C.V. | 100.00 | □ |
| SQM Italia SRL | 95.00 | □ |

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| | Direct or indirect ownership | |
|---------------------------------------------------------|---------------------------------|-----------|
| | 2002 % | 2001 % |
| Domestic subsidiaries: | | |
| Servicios Integrales de Tránsitos y Transferencias S.A. | 100.00 | 100.00 |
| Soquimich Comercial S.A. | 60.64 | 60.64 |
| Sociedad Minera de Chile S.A. | 100.00 | 100.00 |
| Energía y Servicios S.A. | 100.00 | 100.00 |
| Almacenes y Depósitos Ltda. | 100.00 | 100.00 |
| Isapre Norte Grande Ltda. | 100.00 | 100.00 |
| SQM Químicos S.A. | 99.99 | 99.99 |
| Ajay SQM Chile S.A. | 51.00 | 51.00 |
| SQM Nitratos S.A. | 100.00 | 100.00 |
| Proinsa Ltda. | 60.58 | 60.58 |
| SQM Potasio S.A. | 100.00 | 100.00 |
| SQMC International Limitada | 60.64 | 60.64 |
| SQM Salar S.A. | 100.00 | 100.00 |
| Minera Mapocho S.A. | □ | 100.00 |
| Inversiones Augusta S.A. | □ | 100.00 |
| Cía Industrial y Minera S.A. | □ | 100.00 |
| SCM SQM Boratos | □ | 100.00 |

All significant intercompany balances, transactions and unrealized gains and losses arising from transactions between these companies have been eliminated in consolidation and the participation of minority shareholders has been recognized as minority interest.

At September 30, 2002 and 2001, the subsidiary Fertilizantes Naturales S.A. was included in the consolidation given that the Company maintains controlling interest.

At September 30, 2002 and 2001, the subsidiaries SQM Lithium Specialties LLP and SCM Antucoya were in development stage and therefore were not included in the consolidation.

At September 30, 2001, the subsidiary Potassium S.A. was in development stage and therefore was not included in the consolidation.

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f) Cash and cash equivalents

Time deposits are presented at cost plus accrued interest.

In conformity with Technical Bulletin No. 50 of the Chilean Association of Accountants, the Company has classified cash, time deposits and short-term investments, which mature within three months from the date of purchase as cash and cash equivalents

g) Marketable securities

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

h) Bad debt estimate

The Company records a provision for bad debt based on estimate of probable losses.

i) Inventories and materials

Inventories of finished products and in-process products have been valued at average production cost. Raw materials and products acquired from third parties are stated at average cost. Materials-in-transit are valued at cost. These values do not exceed net realizable values.

Inventories of 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 non-current Other Assets.

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j) Income and deferred taxes

The provision for income tax is determined and recorded in accordance with current Chilean tax regulations on the basis of income accrued during each period.

In Chile, the general corporate rate is 16% and non-deductible expenses are taxed at 35%. Taxable losses incurred by a company in any year must first be carried back to recover taxes previously paid, if any, on a first-in, first-out basis. Any remaining tax losses can be carried forward without limitation.

Each company is required to file a separate tax declaration.

Effective January 1, 2000, in accordance with Chilean Technical Bulletins Nos. 60, 69 and 71 and Circular No. 1466 of the Superintendency of Securities and Insurance, deferred taxes related to all temporary differences are recorded. The effect of the temporary differences at September 30, 1999 were recorded in complementary asset and liability accounts, and will be recognized in the statement of operations in the period in which they reverse.

k) Property, plant and equipment

Except for the increment arising from a revaluation in 1988, property, plant and equipment are stated at cost considering an average residual value of 5%. Depreciation expense has been calculated using the straight-line method based upon the estimated useful lives of the assets and is either capitalized as a production cost or charged directly to expense. Depreciation expense for the nine-month period ended September 30, 2002 and 2001 includes Th.US\$ 1,319 and Th.US\$ 1,319 respectively, arising from the depreciation of the 1988 technical appraisal adjustment of property, plant and equipment.

Fixed assets acquired through financing lease agreements are accounted for at the present value of the installments 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.

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In conformity with 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. Capitalized interest amounted to Th.US\$ 1,678 and Th.US\$ 1,966 during September 30, 2002 and 2001, respectively.

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

The Company obtains property rights for mining concessions from the Chilean courts having jurisdiction by filing the corresponding applications for specifically identified properties. 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 September, are recorded as prepaid assets to be amortized over the succeeding twelve months. Values attributable to these original mining concessions received are being amortized on a straight-line basis over 50 years. Mining concessions acquired from others are recorded at acquisition cost and are being amortized based on the units of production method.

l) Investments in related companies

Permanent investments in domestic and foreign related companies are accounted for in accordance with the equity method, in conformity with Technical Bulletins Nos. 42 and 64 of the Chilean Association of Accountants. The translation adjustment to US dollars of investments in domestic subsidiaries which maintain their accounting records and are controlled in Chilean pesos is recognized in Other Reserves. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in US dollars.

m) Goodwill and negative goodwill

Goodwill and negative goodwill resulting from investments in related companies are maintained in the same currency in which the investment was made and are amortized with a credit or charge to income considering the related period of investment return, generally 20 and 10 years for goodwill and negative goodwill, respectively.

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n) Intangible assets

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

o) Mining development cost

Mining development costs are recorded in other long-term assets and are amortized as the ore reserves are extracted.

p) Accrued employee severance

The Company accrues severance obligations based on the present value of the accrued benefits for the actual years of service worked using an annual interest rate of 9% and an average capitalization period of 24 years.

q) Vacations

The cost of vacations earned by employees is recorded on an accrual basis.

r) Dividends

In accordance with past practice, dividends are generally declared in U.S. dollars but are paid in Chilean pesos.

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s) Derivatives

The Company maintains derivatives contracts, which are recorded in conformity with Chilean Technical Bulletin No. 57 (losses are recognized on the accrual basis and gains are recognized when realized).

t) Reclassifications

Certain amounts from the prior year financial statements have been reclassified in the current year to conform with the current year presentation.

u) Revenue recognition

Revenues are recognized upon the physical shipment of products.

v) Computer software

In accordance with Circular No. 981 dated December 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company are capitalized at cost plus all the related additional costs.

w) Research and development expenses

Research and development expenses are charged to expenses in the period in which they are incurred, except for fixed assets acquired for their use in research and development activities and are determined to provide additional benefits, which are recorded under the related item within property, plant and equipment.

x) Statement of cash flows

In conformity with Technical Bulletin No. 50 of the Chilean Association of Accountants, the Company considers the balances of cash, time deposits and other short-term investments whose maturity is less than 90 days, as cash and cash equivalents.

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Note 3 □ Changes in Accounting Principles

There were no accounting changes during the period.

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a) Detail as of September 30, 2002 and 2001:

| | Up to 90 days | | Between 90 days and 1 year | | 2002 | Total Short-term (net) | | Long-term | |
|----------------------------------------------|-----------------------|-----------------------|-------------------------------|-----------------------|---------------------|---------------------------|-----------------------|-----------------------|-----------------------|
| | 09-30-2002 Th.US\$ | 09-30-2001 Th.US\$ | 09-30-2002 Th.US\$ | 09-30-2001 Th.US\$ | Subtotal Th.US\$ | 09-30-2002 Th.US\$ | 09-30-2001 Th.US\$ | 09-30-2002 Th.US\$ | 09-30-2001 Th.US\$ |
| Trade accounts receivable | 87,809 | 90,168 | 7,396 | 9,500 | 95,205 | 90,984 | 99,668 | ☐ | 231 |
| Allowance for bad debt | | | | | (4,221) | | | | |
| Notes receivable | 18,346 | 19,452 | 5,171 | 4,416 | 23,517 | 20,764 | 23,868 | ☐ | ☐ |
| Allowance for bad debt | | | | | (2,753) | | | | |
| Subtotal | | | | | | 111,748 | 123,536 | ☐ | 231 |
| Other accounts receivable | 9,228 | 10,976 | 1,320 | 3,247 | 10,548 | 9,710 | 14,223 | 11,969 | 12,330 |
| Allowance for bad debt | | | | | (838) | | | | |
| Subtotal | | | | | | 9,710 | 14,223 | 11,969 | 12,330 |
| Total long-term accounts receivable | | | | | | | | 11,969 | 12,561 |

[Back to TOC](#)**Note 4 ☐ Long-term and Short-term Accounts Receivable (continued)****Consolidated Short and Long-term Receivables ☐ by Geographic Location**

| | <u>Chile</u> | | <u>Europe, Africa and the Middle East</u> | | <u>Asia and Oceania</u> | | <u>USA, Mexico and Canada</u> | | <u>Latin America and the Caribbean</u> | | <u>Total</u> |
|----------------------------------------------------|-------------------------|-------------------------|---------------------------------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------------|-------------------------|--------------------------------------------|-------------------------|-------------------------|
| | <u>2002 Th.US\$</u> | <u>2001 Th.US\$</u> | <u>2002 Th.US\$</u> | <u>2001 Th.US\$</u> | <u>2002 Th.US\$</u> | <u>2001 Th.US\$</u> | <u>2002 Th.US\$</u> | <u>2001 Th.US\$</u> | <u>2002 Th.US\$</u> | <u>2001 Th.US\$</u> | <u>2002 Th.US\$</u> |
| Net short-term trade accounts receivable | | | | | | | | | | | |
| ☐ Balance | 29,768 | 33,949 | 21,379 | 28,533 | 4,009 | 2,534 | 27,089 | 19,232 | 8,739 | 15,420 | 90,984 |
| ☐ % of total | 32.72% | 34.06% | 23.50% | 28.63% | 4.41% | 2.54% | 29.77% | 19.29% | 9.60% | 15.48% | 100.00% |
| Net short-term notes receivable | | | | | | | | | | | |
| ☐ Balance | 17,465 | 20,596 | 878 | 315 | 30 | 380 | 386 | 762 | 2,005 | 1,815 | 20,764 |
| ☐ % of total | 84.11% | 86.28% | 4.23% | 1.32% | 0.14% | 1.59% | 1.86% | 3.21% | 9.66% | 7.60% | 100.00% |
| Net short-term other accounts receivable | | | | | | | | | | | |
| ☐ Balance | 5,905 | 10,448 | 1,089 | 773 | 5 | 4 | 2,398 | 2,720 | 313 | 278 | 9,710 |
| ☐ % of total | 60.81% | 73.46% | 11.22% | 5.44% | 0.05% | 0.03% | 24.70% | 19.12% | 3.22% | 1.95% | 100.00% |
| Subtotal short-term accounts receivable, net | | | | | | | | | | | |
| ☐ Balance | 53,138 | 64,993 | 23,346 | 29,621 | 4,044 | 2,918 | 29,873 | 22,714 | 11,057 | 17,513 | 121,458 |
| ☐ % of total | 43.75% | 47.18% | 19.22% | 21.50% | 3.33% | 2.12% | 24.60% | 16.49% | 9.10% | 12.71% | 100.00% |
| Net long-term accounts receivable | | | | | | | | | | | |
| ☐ Balance | 10,820 | 11,255 | 58 | 3 | ☐ | ☐ | 51 | 231 | 1,040 | 1,072 | 11,969 |
| ☐ % of total | 90.40% | 89.60% | 0.48% | 0.02% | ☐ | ☐ | 0.43% | 1.84% | 8.69% | 8.54% | 100.00% |
| Total short and long-term accounts receivable, net | | | | | | | | | | | |
| ☐ Balance | 63,958 | 76,248 | 23,404 | 29,624 | 4,044 | 2,918 | 29,924 | 22,945 | 12,097 | 18,585 | 133,427 |
| ☐ % of total | 47.93% | 50.72% | 17.54% | 19.71% | 3.03% | 1.94% | 22.43% | 15.27% | 9.07% | 12.36% | 100.00% |

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Note 5 □ Balances and Transactions with Related Companies

At September 30, 2002 and 2001, balances and transactions with related companies related to balances in current accounts as set by Article No. 602 of the Chilean Commerce Code. There is no maturity date or payment schedule.

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.

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a) Detail as of September 30, 2002 and 2001

| Accounts receivable | Short-term | | Long-term | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ |
| Ajay Europe S.A.R.L. | 4,591 | 3,947 | □ | □ |
| SQM Italia SRL | □ | 5,965 | □ | □ |
| Nutrissi Holding N.V. | □ | 14 | □ | □ |
| Generale de Nutrition Vegetale S.A. | 165 | 453 | □ | □ |
| Fertilizantes Olmeca S.A. | 3,988 | 794 | □ | □ |
| Mineag SQM Africa Limited | 3,987 | 8,659 | □ | □ |
| Abu Dhabi Fertilizer Ind. WLL | 5,573 | 4,310 | □ | □ |
| SQM México S.A. de C.V. | □ | 28,630 | □ | □ |
| Doktor Tarsa □SQM Turkey | 135 | 268 | □ | □ |
| Comercial Caimán Internacional S.A. | 3,107 | 1,151 | □ | □ |
| SQM Venezuela S.A. | □ | 1,873 | □ | □ |
| SQM Lithium Specialties Limited | 666 | 135 | | |
| Empresas Melón S.A. | □ | □ | 509 | 825 |
| Sales de Magnesio S.A. | 31 | 58 | □ | □ |
| Ajay North America LLC | 243 | 258 | □ | □ |
| Norsh Hydro ASA | 192 | □ | □ | □ |
| Hydro Agri Int.-France | 1,816 | □ | □ | □ |
| Hydro Asia Trade | 1,239 | □ | □ | □ |
| Hydro Agri France S.A. | 379 | □ | □ | □ |
| Hydro Poland SP | 132 | □ | □ | □ |
| Hydro Agri Benelux B.V | 83 | □ | □ | □ |
| Hydro Agri Hellas S.A. | 77 | □ | □ | □ |
| Hydro Plant Nutr. Oslo | 13 | □ | □ | □ |
| Hydro Agri Australia Ltd. | 602 | □ | □ | □ |
| Hydro Agri Benelux | 17 | □ | □ | □ |
| Hydro Agri UK Ltd. | 137 | □ | □ | □ |
| Hydro Agri GMBH & CO KG | 59 | □ | □ | □ |
| NU3 B.V. | 545 | □ | □ | □ |
| Hydro Agri AB | 39 | □ | □ | □ |
| Hydro Agrícola Internacional | 451 | | | |
| Hydro Agri Colombia | 28 | □ | □ | □ |
| PCS Yumbes | 4,366 | □ | □ | □ |
| Hydro Agri Venezuela | 772 | | | |
| Hydro Agri North America | 71 | □ | □ | □ |
| NU3 N.V. | 3,593 | 6,837 | | |
| Agricolima | □ | 4 | □ | □ |
| Hydro Agri Argentina | 653 | □ | | |
| Total | 37,750 | 63,356 | 509 | 825 |

[Back to TOC](#)**Note 5 ☐ Balances and Transactions with Related Companies (continued)**

| Accounts payable | Short-term | | Long-term | |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ |
| Ajay Europe S.A.R.L. | 820 | 411 | ☐ | ☐ |
| SQM Italia SRL | ☐ | 11 | ☐ | ☐ |
| Nutrisi Holding N.V. | ☐ | 2 | ☐ | ☐ |
| Mineag SQM Africa Limited | 347 | ☐ | ☐ | ☐ |
| Abu Dhabi Fertilizer Ind. WLL | 90 | 54 | ☐ | ☐ |
| SQM México S.A. de C.V. | ☐ | 7,500 | ☐ | ☐ |
| SCM Antucoya | 100 | 100 | ☐ | ☐ |
| Hydro Agri Porsgrunn | 104 | ☐ | ☐ | ☐ |
| Rotem Amfert Negev Limited | 168 | ☐ | ☐ | ☐ |
| Hydro Agri Int-France | 496 | ☐ | ☐ | ☐ |
| Hydro Agri Colombia | 84 | ☐ | ☐ | ☐ |
| NU3 B.V. | 433 | ☐ | ☐ | ☐ |
| Hydro Agri North America | 182 | ☐ | ☐ | ☐ |
| Hydro Agri México de S.A de C.V. | 109 | ☐ | ☐ | ☐ |
| Fertilizantes Olmeca | 16 | ☐ | ☐ | ☐ |
| Hydro Fertilizante Ltda. | 847 | ☐ | ☐ | ☐ |
| Hydro Agrícola internacional | 103 | ☐ | ☐ | ☐ |
| NU3 N.V | 1,682 | 1,001 | ☐ | ☐ |
| Adm. y Servicios Santiago S.A de C.V | 99 | ☐ | ☐ | ☐ |
| Total | 5,680 | 9,079 | ☐ | ☐ |

[Back to TOC](#)**Note 5 ☐ Balances and Transactions with Related Companies (continued)**

b) During 2002 and 2001, principal transactions with related companies were as follows:

| Company | Type of transaction | Amount of transaction | | Impact on income (charge) credit | |
|--------------------------------|--------------------------------|-----------------------|-----------------|----------------------------------|-----------------|
| | | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ |
| SQM Mexico S.A de C.V. | Sales of products | ☐ | 10,870 | ☐ | 528 |
| SQM Italia SRL | Sales of products | ☐ | 4,061 | ☐ | 1,290 |
| NU3 NV (Belgica) | Sales of product | 1,322 | 9,835 | 360 | 144 |
| Mineag SQM Africa Ltd. | Sales of products | 10,289 | 7,468 | 2,638 | 55 |
| Nutrisi Holding N.V. | Sales of products | 1,538 | ☐ | 471 | ☐ |
| Generale de Nutrition Vegetale | Sales of products | ☐ | 735 | ☐ | 66 |
| Ajay Europe SARL | Sales of products | 5,369 | 6,703 | 1,234 | 1,419 |
| Sales de Magnesio Ltda. | Sales of products | 76 | 27 | 35 | 21 |
| Doktor Tarsa | Sales of products | 1,090 | ☐ | 345 | ☐ |
| Hidro Agri GMBH & COkg | Sales of product | 322 | ☐ | 85 | ☐ |
| PCS Yumbes SCM | Sales of products | 11,252 | 6,134 | 6,976 | 3,645 |
| Peralta y Cia ltda | Lease and consulting agreement | ☐ | 50 | ☐ | 50 |
| ABU Dhabi Fertilizer Ind. WWL | Sales of products | 1,878 | 1,585 | 502 | (1) |
| Nutrichem Benelux NV | Sales of products | ☐ | 29 | ☐ | 1 |
| SQM Venezuela | Sales of products | ☐ | 1,523 | ☐ | 83 |
| | Training | ☐ | 1 | ☐ | 3 |
| | Sales of product | 697 | ☐ | 169 | ☐ |

Hydro Agri (U.K)
Ltd.

| | | | | | |
|------------------------------|------------------|-------|---|-----|---|
| Hydro Asia trade Pte Ltd. | Sales of product | 4,113 | □ | 764 | □ |
|------------------------------|------------------|-------|---|-----|---|

| | | | | | |
|---------------------------|------------------|-------|---|-----|---|
| Hydro Agri France S.A. | Sales of product | 3,190 | □ | 602 | □ |
|---------------------------|------------------|-------|---|-----|---|

| | | | | | |
|-----------------------------|------------------|-------|---|-----|---|
| Hydro Agri Internacional | Sales of product | 1,638 | □ | 337 | □ |
|-----------------------------|------------------|-------|---|-----|---|

| | | | | | |
|---------------------------|------------------|-----|---|-----|---|
| Hydro Agri Hellas S.A. | Sales of product | 502 | □ | 142 | □ |
|---------------------------|------------------|-----|---|-----|---|

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| Company | Type of transaction | Amount of transaction | | Impact on income (charge) credit | |
|----------------------------------|---------------------|-----------------------|-----------------|----------------------------------|-----------------|
| | | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ |
| Hydro Agri Benelux B.V. | Sales of product | 3,854 | □ | 394 | □ |
| Hydro Agri AB Sweden | Sales of product | 99 | □ | 25 | □ |
| Hydro Agri Czech Republic SRO | Sales of product | 16 | □ | 5 | □ |
| Hydro Agri Rotterdam B.V. | Sales of product | 534 | □ | 175 | □ |
| Hydro Planta Nutrition, Cis Reg. | Sales of product | 581 | □ | 194 | □ |
| Hydro Agri Nutri Oslo | Sales of product | 126 | □ | 39 | □ |
| Hydro Agri Australia Ltd. | Sales of product | 987 | □ | 191 | □ |
| Hydro Agri España S.A. | Sales of product | 68 | □ | 18 | □ |
| Hydro Agri Norge | Sales of product | 20 | □ | 5 | □ |
| Aubos Trevo S.A | Sales of product | 380 | □ | 173 | □ |
| Hydro Fertilizantes Ltda | Sales of product | 352 | □ | 111 | □ |
| NU3 B.V | Sales of product | 2,631 | □ | 847 | □ |
| Hydro Agri International | Sales of product | 2,039 | □ | 236 | □ |
| Hydro Agri international France | Sales of product | 3,364 | □ | 1,103 | □ |
| SQM Lithium Specialties | Sales of product | □ | 93 | □ | 36 |
| Hydro Agri Argentina | Sales of product | 1.215 | □ | 212 | □ |
| Hydro Agri Colombia Ltda | Sales of product | 28 | □ | 5 | □ |

Hydro Agri
Venezuela

| | | | | |
|------------------|-----|----|-----|---|
| Sales of product | 826 | □ | 363 | □ |
| | | 25 | | |

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Note 6 □ Inventories

As of September 30, 2002 and 2001, inventories consisted of:

| | <u>2002</u> <u>Th.US\$</u> | <u>2001</u> <u>Th.US\$</u> |
|---------------------|-------------------------------|-------------------------------|
| Finished products | 126,202 | 116,744 |
| Products-in-process | 90,961 | 73,826 |
| Supplies | 10,582 | 10,905 |
| | <u> </u> | <u> </u> |
| Total | 227,745 | 201,475 |
| | <u> </u> | <u> </u> |

[Back to TOC](#)**Note 7 ☐ Property, Plant and Equipment**

As of September 30, 2002 and 2001, property, plant and equipment consisted of:

| | 2002 | 2001 |
|-------------------------------------|-------------------|-------------------|
| | Th.US\$ | Th.US\$ |
| | <u> </u> | <u> </u> |
| Land | | |
| ☐ Land | 13,453 | 13,453 |
| ☐ Mining Concessions | 16,708 | 16,708 |
| ☐ Other Lands | 12,777 | 11,989 |
| | <u>42,938</u> | <u>42,150</u> |
| Buildings and infrastructure | | |
| ☐ Buildings | 156,268 | 150,835 |
| ☐ Installations | 261,511 | 260,767 |
| ☐ Construction-in-progress | 28,005 | 28,816 |
| ☐ Other | 19,563 | 20,213 |
| | <u>465,347</u> | <u>460,631</u> |
| Machinery and equipment | | |
| ☐ Machinery | 388,084 | 371,949 |
| ☐ Equipment | 100,174 | 96,609 |
| ☐ Machinery-in-progress | 13,871 | 9,573 |
| ☐ Other | 10,487 | 10,398 |
| | <u>512,616</u> | <u>488,529</u> |
| Other fixed assets | | |
| ☐ Tools | 7,968 | 8,077 |
| ☐ Furniture and office equipment | 13,413 | 12,693 |
| ☐ Project-in-progress | 19,756 | 20,050 |
| ☐ Other | 5,177 | 5,611 |
| | <u>46,314</u> | <u>46,431</u> |

[Back to TOC](#)**Note 7 □ Property, Plant and Equipment (Continued)**

| | 2002 | 2001 |
|-------------------------------------------|-------------------|-------------------|
| | Th.US\$ | Th.US\$ |
| | <u> </u> | <u> </u> |
| Appraisal adjustment of | | |
| □ Land | 8,651 | 8,651 |
| □ Buildings and infrastructure | 40,627 | 40,627 |
| □ Machinery and equipment | 12,127 | 12,127 |
| □ Other assets | 53 | 53 |
| | <u>61,458</u> | <u>61,458</u> |
| Total property, plant and equipment | <u>1,128,673</u> | <u>1,099,199</u> |
| Less: Accumulated depreciation | | |
| □ Land | (9,135) | (8,857) |
| □ Buildings and infrastructure | (153,942) | (131,215) |
| □ Machinery and equipment | (234,915) | (201,779) |
| □ Other fixed assets | (15,177) | (13,980) |
| □ Technical appraisal | (30,906) | (29,148) |
| | <u>(444,075)</u> | <u>(384,979)</u> |
| Total accumulated depreciation | <u>(444,075)</u> | <u>(384,979)</u> |
| Net property, plant and equipment | <u>684,598</u> | <u>714,220</u> |

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[Back to TOC](#)**Note 8 Investments in and Receivables from Related Companies****a) Transactions executed in 2002**

On March 21, 2002, SQM North America Corporation acquired 50% of the affiliate SQM Venezuela S.A., which added to the ownership interest maintained by SQM Nitratos S.A. in this company, results in indirect ownership of 100% by SQM S.A.

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.

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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 Químicos 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 Asesorías SQM Limitada changed its name to Almacenes y Depósitos 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 Cía. 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.

On September 27, 2002, SQM Nitratos S.A. made an contribution of capital of MUS\$ 12,040 over SQM North America Corporation, acquiring the ownership of 39.946782% over this entity. No concurrence for the increase of equity made the participation of the old owners

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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 shareholders equity, assets and liabilities of this entity.

Note 8 Investments in and Receivables from Related Companies (Continued)

b) Transactions executed in 2001

On January 22, 2001, Sales de Magnesio Ltda. was formed through equal contributions by SQM Salar S.A. and the partner Sociedad Chilena del Litio S.A. (third party).

At the Extraordinary Shareholders Meeting held on February 14, 2001 of Productos Técnicos del Mediterráneo S.A., the shareholders agreed to change the Company's name to PTM SQM Iberica S.A.

At the Extraordinary Shareholders Meeting of Industrias Químicas de Yodo S.A. held on September 26, 2001, the Shareholders agreed to change this Company's name to Ajay SQM Chile S.A.

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Note 8 Investments in and Receivables from Related Companies (continued)

b) Detail of investments in Related Companies

| Tax Registration Number | Company | Origin country | Controlling currency | Number of shares | Ownership interest | | Equity of companies | | Net income (loss) for the period | | Accrued result | | Equity value | | Book value of the investment | |
|-------------------------------|---------|-------------------|-------------------------|---------------------|-----------------------|-----------|------------------------|-----------------|----------------------------------------|-----------------|-------------------|-----------------|-----------------|-----------------|------------------------------------|--|
| | | | | | 2002 % | 2001 % | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ | 2002 Th.US\$ | 2001 Th.US\$ | | |

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| | | | | | | | | | | | | | | | | |
|------------|--------------------------------------------|-----------|---------|-------------|--------|--------|---------|---------|--------|-------|-------|------|--------|--------|--------|--------|
| 93390000-2 | Empresas Melón S.A. | Chile | | 653,748,837 | 14.05 | 14.05 | 247,340 | 244,988 | 16,902 | 4,149 | 2,375 | 583 | 34,751 | 34,421 | 34,751 | 34,421 |
| 0-E | SQM Lithium Specialties LLP* | USA | US\$ | | 100.00 | 100.00 | 25,558 | 10,884 | | | | | 25,558 | 10,884 | 25,558 | 10,884 |
| 0-E | Ajay North America | USA | US\$ | | 49.00 | 49.00 | 14,038 | 14,414 | 308 | 563 | 151 | 276 | 6,879 | 7,063 | 6,879 | 7,063 |
| 77093830-9 | SCM Antucoya* | Chile | | 490 | 100.00 | 100.00 | 6,650 | 6,650 | | | | | 6,650 | 6,650 | 6,650 | 6,650 |
| 0-E | Abu Dhabi Fertilizer Industries WL | UAE | US\$ | 1,961 | 37.00 | 37.00 | 3,675 | 4,641 | | 1,761 | | 652 | 1,360 | 1,717 | 1,360 | 1,717 |
| 0-E | Fertilizantes Olmea y SQM S.A. de C.V. | Mexico | Mex. \$ | | 50.00 | | 1,717 | | 382 | | 191 | | 859 | | | 859 |
| 0-E | Nutrissi Holding N.V. | Belgium | US\$ | | 50.00 | 50.00 | 742 | 1,164 | (220) | 215 | (110) | 107 | 371 | 852 | 371 | 852 |
| 0-E | Doktor Tarsa | Turkey | US\$ | | 50.00 | 50.00 | 471 | 471 | | | | | 236 | 236 | 236 | 236 |
| 0-E | Mineag SQM Africa Limited | Africa | US\$ | | 50.00 | 50.00 | 640 | 245 | | | | | 320 | 123 | 320 | 123 |
| 0-E | SQM Italia S.R.L. | Italy | US\$ | | | 25.00 | | 367 | | | | | | 92 | | 92 |
| 0-E | Ajay Europe S.A.R.L. | France | US\$ | | 50.00 | 50.00 | 634 | 345 | | | | | 317 | 173 | 317 | 173 |
| 77557430-5 | Sales de Magnesio Ltda. | Chile | | | 50.00 | 50.00 | 150 | 49 | 52 | (116) | 26 | (58) | 75 | 25 | 75 | 25 |
| 81767200-0 | Asoc. Garantizadora Pensiones | Chile | | | 3.31 | 3.31 | 664 | 733 | | | | | 22 | 24 | 22 | 24 |
| 96864750-4 | Potassium S.A. | Chile | | 14,625,000 | | 89.66 | | | | | | | | | | |
| 0-E | SQM Venezuela S.A. | Venezuela | US\$ | 59,550 | 0.00 | 50.00 | | 160 | | 99 | | 49 | | 57 | | 57 |
| 0-E | Rui Xin Packaging Materials Sanhe Co. Ltd. | China | US\$ | | 25.00 | | 480 | | | | | | 120 | | | 120 |
| 0-E | Impronta S.R.L. | Italy | EUR | | 50.00 | | 48 | | | | | | 24 | | | 24 |
| Total | | | | | | | | | | | | | 77,542 | 62,070 | 77,542 | 62,047 |

* In development stage.

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Note 9 Goodwill and Negative Goodwill

a) Goodwill

| Tax Registration Number | Company | September 30, 2002 | | September 30, 2001 | |
|-------------------------|---------|------------------------------------|-----------------|------------------------------------|-----------------|
| | | Amount amortized during the period | Goodwill amount | Amount amortized during the period | Goodwill amount |
| | | Th.US\$ | Th.US\$ | Th.US\$ | Th.US\$ |
| | | | | | |

| | | | | | |
|------------|-----------------------------|-----|--------|-----|-------|
| 0-E | PTM SQM Ibérica S.A. | 15 | 85 | 15 | 105 |
| 0-E | Doktor Tarsa | 16 | 377 | 16 | 398 |
| 79768170-9 | Soquimich Comercial S.A. | 113 | 460 | 113 | 610 |
| 78208790-8 | SCM SQM Boratos | 65 | | 12 | 69 |
| 93390000-2 | Empresas Melón S.A. | 381 | 7,333 | 417 | 8,396 |
| 79626800-K | SQM Salar S.A. | 32 | 137 | 32 | 180 |
| 0-E | SQM México S.A. de C.V. | 42 | 1,072 | | |
| 96864750-4 | SQM Potassium S.A. | 108 | 2,060 | | |
| 0-E | SQM Venezuela S.A | 124 | 41 | | |
| | Total | 896 | 11,565 | 605 | 9,758 |

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b) Negative Goodwill

| Tax Registration Number | Company | September 30, 2002 | | September 30, 2001 | |
|----------------------------|---------------------|--------------------------------------------------------|-------------------------------------------|--------------------------------------------------------|-------------------------------------------|
| | | Amount amortized during the period Th.US\$ | Negative goodwill amount Th.US\$ | Amount amortized during the period Th.US\$ | Negative goodwill amount Th.US\$ |
| 79626800-K | SQM Salar S.A. | 158 | 228 | 158 | 438 |
| 96575300-1 | Minera Mapocho S.A. | 152 | 728 | 152 | 932 |
| | Total | 310 | 956 | 310 | 1,370 |

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Note 10 Other Non-current Assets

As of September 30, other non-current assets were as follows:

| 2002 | 2001 |
|---------|---------|
| Th.US\$ | Th.US\$ |

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| | | |
|---------------------------------------|--------|--------|
| Engine and equipment spare-parts, net | 25,507 | 32,303 |
| Nitrate deposit development costs | 4,061 | 3,555 |
| Mineral development costs | 10,821 | 14,644 |
| Pensions plan | 1,911 | 2,721 |
| Construction of Salar-Baquedano road | 1,920 | 2,040 |
| Deferred loan issuance costs | 3,871 | 5,755 |
| Other assets | 1,066 | 1,096 |
| | <hr/> | <hr/> |
| Total | 49,157 | 62,114 |
| | <hr/> | <hr/> |

Note 11 Bank Debt

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

| Bank or financial institution: | 2002 | 2001 |
|--------------------------------|---------|---------|
| | <hr/> | <hr/> |
| | Th.US\$ | Th.US\$ |
| Bank Santiago | | 15,164 |
| Royal Bank of Canada | | 20,294 |
| Bank Santander | | 12,388 |
| Bank Estado | | 23,327 |
| Citibank | | 10,314 |
| Banco Crédito e Inversiones | | 4,458 |
| Banco A. Edwards | | 4,150 |
| Other banks | 996 | 3,808 |
| | <hr/> | <hr/> |
| Total | 996 | 93,903 |
| | <hr/> | <hr/> |
| Annual average interest rate | 4.25% | 4.77% |
| | <hr/> | <hr/> |

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Note 11 Bank Debt (continued)

| | 2002 | 2001 |
|-------------------------------|----------|---------|
| | <hr/> | <hr/> |
| | Th.US\$ | Th.US\$ |
| b) Long-term bank debt | | |
| Union Bank of Switzerland (1) | 200,642 | 200,642 |
| ING Bank (2) | 60,133 | 120,521 |
| Bank of America N.A.N.Y. (3) | 80,893 | 81,429 |
| Corpbanca (4) | | 12,091 |
| Bhif | | 16,283 |
| | <hr/> | <hr/> |
| Total | 341,668 | 430,966 |
| | <hr/> | <hr/> |
| Less: Current portion | (61,668) | (2,966) |
| | <hr/> | <hr/> |

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| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Long-term portion | 280,000 | 428,000 |
| (1) U.S. dollar-denominated loan with no guarantee, interest rate of 7.7% per annum, semi-annual interest payments and payment of principal on September 15, 2006. | | |
| (2) U.S. dollar-denominated loan with no guarantee, interest rate of 2.36% per annum, semi-annual interest payments and payment of principal on February 23, 2003. | | |
| (3) U.S. dollar-denominated loan with no guarantee, interest rate of 3.240% per annum, semi-annual payments of interest and payment of principal on November 29, 2005. | | |
| (4) U.S. dollar-denominated loan with no guarantee, interest rate of 2,984% per annum, semi-annual interest payments and payment of principal on August 2002. | | |

Long-term debt matures as follows:

| <u>Years to maturity</u> | <u>2002</u> |
|--------------------------|----------------|
| | Th.US\$ |
| Current portion | 61,668 |
| 1 to 2 years | 32,000 |
| 2 to 3 years | 32,000 |
| 3 to 5 years | 216,000 |
| Total | <u>341,668</u> |

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Note 12 Accrued Liabilities

As of September 30, 2002 and 2001, accrued liabilities consisted of:

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------------|---------------|---------------|
| | Th.US\$ | Th.US\$ |
| Quarterly bonus | 540 | 144 |
| Suppliers | 1,358 | 825 |
| Investments plans | | 120 |
| Commissions on consignment goods | 629 | 634 |
| Taxes and monthly tax provisional payments | 366 | 449 |
| Vacation accrual | 4,620 | 5,242 |
| Accrued employee benefits | 223 | 251 |
| Warehouse expenses | 137 | 599 |
| Provision for royalties | 932 | 823 |
| Commissions Hydro | 1,180 | |
| Credits expenses | 420 | 48 |
| Others | 3,038 | 7,683 |
| Total current liabilities | <u>13,443</u> | <u>16,818</u> |

Note 13 Income and Deferred Tax

a)

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At September 30, 2002 and 2001, the Company and its subsidiaries have the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

| | 2002 | 2001 |
|---------------------------------------------------------|---------|---------|
| | Th.US\$ | Th.US\$ |
| Accumulated tax basis retained earnings with tax credit | 25,096 | 22,027 |
| Accumulated tax basis retained earnings with no credit | 10 | 1,806 |
| Income not subject to taxes | | 2,776 |
| Tax loss carryforwards (1) | 116,410 | 128,433 |
| Credit for shareholders | 4,639 | 3,887 |

(1) The consolidated tax loss carryforwards have no expiration date.

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Note 13 Income and Deferred Tax (continued)

b) Deferred taxes

The deferred taxes as of September 30, 2002 and 2001 represented a net liability of Th.US\$ 12,348 and Th.US\$ 5,557 respectively, and consisted of:

| 2002 | Deferred tax asset | | Deferred tax liability | |
|-------------------------------------|--------------------|------------------|------------------------|------------------|
| <u>Temporary differences</u> | <u>Short-term</u> | <u>Long-term</u> | <u>Short-term</u> | <u>Long-term</u> |
| | Th.US\$ | Th.US\$ | Th.US\$ | Th.US\$ |
| Provision for bad debt | 281 | 832 | | |
| Vacation accrual | 747 | | | |
| Accrued exchange insurance loss | | 591 | | |
| Unrealized gain on sale of products | 6,068 | | 123 | |
| Provision for obsolescence | | 1,184 | | |
| Production expenses | | | 11,016 | |
| Fixed asset depreciation | | | | 58,372 |
| Exploration expenses | | | | 4,114 |
| Capitalized interest | | | | 6,538 |
| Provision for severance indemnities | | | | 2,457 |
| Capitalized expenses | | | | 819 |
| Tax loss carry-forwards | | 21,624 | | |
| Other | 369 | | 102 | 648 |
| Total gross deferred taxes | 7,465 | 24,231 | 11,241 | 72,948 |
| Total complementary accounts | (12) | (1,618) | (3,342) | (38,433) |

| | | | | |
|----------------------|-------|--------|-------|--------|
| Total deferred taxes | 7,453 | 22,613 | 7,899 | 34,515 |
|----------------------|-------|--------|-------|--------|

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| 2001 <u>Temporary differences</u> | Deferred tax asset | | Deferred tax liability | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | <u>Short-term</u> Th.US\$ | <u>Long-term</u> Th.US\$ | <u>Short-term</u> Th.US\$ | <u>Long-term</u> Th.US\$ |
| Provision for bad debt | 315 | 781 | | |
| Vacation accrual | 789 | | | |
| Unrealized gains | 9 | 521 | | |
| Unrealized gain on sale of products | 4,153 | | | |
| Provision for obsolescence | | 512 | | |
| Production expenses | | | 8,217 | |
| Leased fixed assets | | | | 29 |
| Fixed asset depreciation | | | | 49,244 |
| Exploration expenses | | | | 4,126 |
| Capitalized interest | | | 36 | 5,979 |
| Provision for severance indemnities | | | | 1,927 |
| Accrued expenses | | | 375 | |
| Capitalized expenses | | | | 1,075 |
| Tax loss carry-forwards | | 25,258 | | |
| Other | 314 | | | 212 |
| Total gross deferred taxes | 5,580 | 27,072 | 8,628 | 62,592 |
| Total complementary accounts | (229) | (9,781) | (3,413) | (39,608) |
| Total deferred taxes | 5,351 | 17,291 | 5,215 | 22,984 |

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Note 13 Income and Deferred Tax (continued)

c) Income tax expense is as follows:

| | 2002 | 2001 |
|------------------------------------------------------------|---------|---------|
| | Th.US\$ | Th.US\$ |
| Provision for current income tax | (3,552) | (3,631) |
| Effect of assets and liabilities of current deferred taxes | (6,092) | 512 |
| Effect of amortization of complementary accounts | 1,138 | (3,357) |
| Other tax debits and credits | 420 | (883) |

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Total income tax expense (8,086) (7,359)

Note 14 Long Term provision

a) Reserve for Severance Benefits

The activity of this account is as follows:

| | <u>2002</u> | <u>2001</u> | |
|-----------------------------------|--------------|--------------|--------------|
| | Th.US\$ | Th.US\$ | |
| Opening balance | 8,326 | 6,563 | |
| Increases | 1,530 | 3,327 | |
| Payments | (805) | (3,007) | |
| Exchange difference | (1,094) | (1,119) | |
| | <u>7,957</u> | <u>5,764</u> | |
| b) Other | | | |
| Investments with negative capital | | | 1,734 |
| Total | | <u>7,957</u> | <u>7,498</u> |

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Note 15 Minority Interest

Minority interest consisted of:

| | Equity | | Net Income/(Loss) | |
|-------------------------|---------------|---------------|----------------------|----------------|
| | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> |
| | Th.US\$ | Th.US\$ | Th.US\$ | Th.US\$ |
| Soquimich Comercial S.A | 18,363 | 18,636 | (1,420) | (1,201) |
| Ajay SQM Chile S.A | 3,159 | 3,026 | (279) | (293) |
| Cape Fear Bulk LLC | 116 | 82 | (112) | (88) |
| SQM Indonesia | 3 | 15 | 7 | (5) |
| Fenasa | 261 | 96 | (55) | (22) |
| Potassium S.A | | 1,522 | | 18 |
| SQM Italia S.R.L | 17 | | 4 | |
| Total | <u>21,919</u> | <u>23,377</u> | <u>(1,855)</u> | <u>(1,591)</u> |

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Note 16 Shareholders Equity

a) Changes to Shareholders Equity consisted of:

| | Number of shares | Paid-in capital Th.US\$ | Others reserves Th.US\$ | Accumulated deficit of subsidiaries in development stage Th.US\$ | Retained earnings Th.US\$ | Net income Th.US\$ | Total Th.US\$ |
|----------------------------------------------------------------------|---------------------|-------------------------------|-------------------------------|---------------------------------------------------------------------------------------|---------------------------------|--------------------------|------------------|
| Balance December 31, 2000 | 263,196,524 | 477,386 | 139,829 | (1,832) | 181,607 | 27,104 | 824,094 |
| Transfer December 31, 2000 net income to retained earnings | | | | | 27,104 | (27,104) | |
| Definitive dividends | | | | | (13,345) | | (13,345) |
| Accumulated deficit from subsidiaries in development stage (1) | | | | (237) | | | (237) |
| Translation adjustment (2) | | | (13,816) | | | | (13,816) |
| 2001 Net income | | | | | | 22,046 | 22,046 |
| Balance September 30, 2001 | 263,196,524 | 477,386 | 126,013 | (2,069) | 195,366 | 22,046 | 818,742 |
| Balance December 31, 2001 | 263,196,524 | 477,386 | 131,066 | (2,223) | 195,366 | 30,102 | 831,697 |
| Transfer December 31, 2001 net income to retained earnings | | | | | 30,102 | (30,102) | |
| Definitive dividends | | | | | (14,844) | | (14,844) |
| Accumulated deficit from subsidiary in development stage (1) | | | | (874) | | | (874) |
| Translation adjustment (2) | | | (8,642) | | | | (8,642) |
| 2002 Net income | | | | | | 30,383 | 30,383 |
| Balance September 30, 2002 | 263,196,524 | 477,386 | 122,424 | (3,097) | 210,624 | 30,383 | 837,720 |

(1) Relates to SQM Lithium Specialties LLP Th.US\$ (874) in 2002 and SQM Lithium Specialties LLP Th.US\$ (237) in 2001.

(2) Relates to a translation adjustment to investments in related companies whose functional currency is the Chilean peso.

Note 16 Shareholders Equity (continued)

- b) The capital is represented by 263,196,524 fully subscribed and paid shares with no par value, divided into 142,819,552 Series A shares and 120,376,972 Series B shares, both preferred, for 2002 and 2001.

The preferential voting rights of each series are as follows:

Series A: If the election of the president results in a tied vote, the Company's shareholders may vote once again regardless of the director selected by 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.

Accumulated Deficit from subsidiary in Development Stage

| Tax registration No. | Company | Amount for the year 2002 | Accumulated amount | Observations |
|----------------------|-------------------------|--------------------------|--------------------|--------------|
| 96864750-4 | Potassium S.A. | | (8) | |
| 0-E | SQM Lithium Specialties | (874) | (1,265) | |
| 96807530-6 | Cementos de Chile S.A. | | (1,545) | |
| 0-E | SQM Japon K.K. | | (100) | |
| 0-E | SQM Colombia Ltda. | | (29) | |
| 0-E | SQM Ecuador S.A. | | (150) | |
| | Total | (874) | (3,097) | |

The Company does not have a controlling shareholder due to the structure of shareholder participation.

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Note 17 Derivatives Transactions

As of September 30, the Company had hedging contracts for a total notional amount of Th.US\$ 43,719 (Th.US\$ 52,869 in 2001), as follows:

| Description of the contract | Accounts affected |
|-----------------------------|-------------------|
| Type | |

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| Type of derivative | Notional or Covered Amount | Expiration date | | Position Purchase/Sale | Liability Amount | Loss Recorded |
|--------------------|----------------------------|---------------------------------|---------------|------------------------|------------------|----------------|
| Forward | 1,000 | 4 th quarter of 2002 | Exchange rate | P | 67 | 67 |
| Forward | 1,000 | 4 th quarter of 2002 | Exchange rate | P | 67 | 67 |
| Forward | 1,000 | 4 th quarter of 2002 | Exchange rate | P | 68 | 68 |
| Forward | 2,000 | 4 th quarter of 2002 | Exchange rate | P | 129 | 129 |
| Forward | 3,000 | 4 th quarter of 2002 | Exchange rate | P | 187 | 187 |
| Swap | 2,681 | 1 st quarter of 2003 | Interest rate | P | 551 | (3,431) |
| Put option | 14,438 | 4 th quarter of 2002 | Exchange rate | P | | (150) |
| Put option | 9,600 | 1 st quarter of 2003 | Exchange rate | P | | (165) |
| Forward | 2,000 | 3 rd quarter of 2002 | Exchange rate | P | 124 | 124 |
| Forward | 1,000 | 1 st quarter of 2003 | Exchange rate | P | 63 | 63 |
| Forward | 1,000 | 1 st quarter of 2003 | Exchange rate | P | 64 | 64 |
| Forward | 2,000 | 1 st quarter of 2003 | Exchange rate | P | 79 | 79 |
| Forward | 2,000 | 1 st quarter of 2003 | Exchange rate | P | 75 | 75 |
| Forward | 1,000 | 4 th quarter of 2002 | Exchange rate | P | 68 | 68 |
| | <u>43,719</u> | | | | <u>1,542</u> | <u>(2,755)</u> |

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Note 18 Non-Operating Income and Expenses

Certain amounts included in non-operating income and expenses are as follows:

a) Non-operating income:

| | <u>2002</u> | <u>2001</u> |
|----------------------------------------|-------------|-------------|
| | Th.US\$ | Th.US\$ |
| Services to third parties | 429 | 572 |
| Sell of materials equipment and others | 88 | 75 |

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| | | |
|-------------------------------------------|-------------------|-------------------|
| Insurance recoveries | 1,038 | 112 |
| Sale of mining properties and concessions | | 4,000 |
| North-east right of way | 285 | |
| Turnaround of third party obligations | 347 | 2,178 |
| Obtained discounts | 194 | 92 |
| Other income | 677 | 869 |
| | <u> </u> | <u> </u> |
| Total | 3,058 | 7,898 |
| | <u> </u> | <u> </u> |

b) Non-operating expenses:

| | <u>2002</u> | <u>2001</u> |
|------------------------------------------------|-------------------|-------------------|
| | Th.US\$ | Th.US\$ |
| Amortization of intangible | 137 | 143 |
| Investment adjustment | 218 | 227 |
| Business effectiveness project | 1,406 | |
| Provision for bad debt | 88 | |
| Provision for obsolete inventories written-off | 900 | 600 |
| Write-offs Investment in fixed assets plan | 605 | 583 |
| Inventories adjustment | 178 | 346 |
| Taxes | 547 | |
| Consultants expenses | 112 | 416 |
| Training and donations | 176 | 106 |
| Other expenses | 1,029 | 665 |
| | <u> </u> | <u> </u> |
| | 5,396 | 3,094 |
| | <u> </u> | <u> </u> |

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Note 19 Extraordinary Items

Extraordinary items were generated during 2001 only and relate to the restructuring expenses, as follows:

| | <u>2002</u> | <u>2001</u> |
|-------------------------------------|-------------------|-------------------|
| | Th.US\$ | Th.US\$ |
| Restructuring and advisory expenses | | (5,628) |
| Tax effect on extraordinary items | | 844 |
| | <u> </u> | <u> </u> |
| Total | | (4,784) |
| | <u> </u> | <u> </u> |

Note 20 Guarantees, Liens, Contingencies and Commitments

a) Contingencies:

The Company has not recognized the effect of potential insurance recoveries relating to the compensation for damage resulting from a loss incident in the potassium sulfate ponds in the Atacama salt deposit.

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

The Company is currently reviewing the Production Model schemes for the María Elena works, which could be implemented as a result of the decontamination plan (note 24).

The different production and technology development alternatives for the works in María Elena, which are a part of the aforementioned Production Models, do not initially result in relevant changes in the current mining reserves or projected volume sales.

These alternatives are in place among other options for production through leaching piles and that of implementing a mixed system through this technology and the current production methods.

Advantages and disadvantages for the different alternatives relate to the extension of transition periods, investments to be made, production costs, changes in technology and production processes, the effects on certain company's assets and in the value of these assets.

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In regard to the possible effects of the valuation of assets an objective quantification of this is still not possible.

b) Commitments:

The subsidiary SQM Salar S.A. maintains an agreement with a government agency, which obligates the company to make annual payments to this institution based on the company's annual sales until 2030. This sum, which has been paid since inception of the agreement in 1996, is reflected as expenses of Th.US\$ 2,546 in 2002 (Th.US\$ 1,636 in 2001).

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Note 20 Guarantees, Liens, Contingencies and Commitments (continued)

d) Indirect guarantees

| Beneficiary | Debtor | | | Assets involved Type | Balances outstanding | | |
|--------------------------------------|---------------------------------------|--------------|-----------|-------------------------|-----------------------|-----------------------|-----------------------|
| | Name | Relationship | Guarantee | | Book value Th.US\$ | 09-30-2002 Th.US\$ | 09-30-2001 Th.US\$ |
| ING Bank Phelps Dodge Corporation | SQM Potasio S.A. | Subsidiary | Guarantee | | | 3,600 | 4,969 |
| Royal Bank of Canada | SQM Investment Corporation N.V. | Subsidiary | Guarantee | | | | 20,294 |
| Bank of America N.A. | RS Agro-Chemical Trading A.V.V. | Subsidiary | Guarantee | | | 80,893 | 81,429 |

Back to TOC**Note 21 Third Party Guarantees**

During 2002 and 2001, the Company did not have any significant guarantees granted to third parties.

Note 22 Sanctions

During 2002 and 2001, the Chilean Superintendency of Securities and Insurance did not apply sanctions to the Company, its directors or managers.

Note 23 Subsequent Events

Company management are not aware of any significant subsequent events occurred between September 30, 2002 and the date of issuance of these consolidated financial statements (November 08, 2002), which may affect the presentation of these financial statements.

Back to TOC**Note 24 Environmental Projects**

Disbursements incurred by the Company at September 30, 2002 related to its investments in production processes, the verification and control of compliance with official ordinances and laws relative to industrial processes and facilities amount to Th.US\$ 6,597, as follows:

| Project | Th.US\$ |
|-----------------------------------------------|---------|
| Environmental department | 206 |
| Coya Sur sewage treatment plant | 506 |
| Pedro de Valdivia sewage treatment plant | 39 |
| Descontaminación Planta Boratos | 44 |
| Engineering and building of María Elena piles | 4,680 |
| Replacement of oil with natural gas | 857 |
| Tocopilla Money Exchange Office | 99 |
| Tocopilla Dust Captation | 108 |
| Environmental impact evaluation | 58 |
| | 6,597 |
| Total | 6,597 |

With respect to the project for the replacement of oil with natural gas, the supplier will make an investment of Th.US\$ 5,500 which will be paid by the Company in monthly installments during the contract's term (10 years).

Technological processes are oriented to be environment-friendly and will strive to achieve the maximum reduction of waste as well as incorporating technological conditions, which ensure the efficient protection of the environment. As an example we may mention the increasing replacement of oil with natural gas in the Company's plants.

Operation which use caliche as raw material are developed in desert areas under favorable climatic conditions for solar drying and evaporation of solid and liquid substances. Open-pit extractive operations of minerals, due to their low material to mineral ratio generate deposits, which result in a slight alteration of the environment, and during the extractive process normal emissions are generated.

On August 10, 1993, The Ministry of Health published a resolution in the Official Gazette, which, in line with the Sanitary Code, established that particle levels in the productive facilities in María Elena exceeded the level allowed for air quality, which affected the location nearby.

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Remaining parts come mainly from dust produced during the processing of caliche, specially during the grinding process of ore prior to the leaching process. With certain indications, the Company's plan for the decontamination and reduction of particles was approved through the Decree No. 164. As a result of the investments and processes implemented in line with the approved plan, the Company has been able to significantly decrease particle levels in the environment. Resolution No. 384 published in the Official Gazette on May 16, 2000, authorized the review and drafting of a decontamination plan for the María Elena location. CONAMA should be able to publish its final resolution in the Official Gazette within the next few months. However, this cannot ensure that during the period, the Company will not be subject to any notices, fines or possible temporary closures on the mill grinding facilities located in María Elena. The Company continuously analyzing techniques, processes and systems for the processing of caliche, which could allow additional reductions in particles in the María Elena location.

Mineral treatment operations, due to the fact that these processes are controlled, generate solid waste, which relate to the non-soluble remaining part of the mineral with moist.

Productive operations from brines are performed in the Atacama salt deposit. Note that almost 95% of the energy used is obtained from the Sun. The remaining 5% is provided by electrical supply and fossil fuels. The remaining brines are re-injected to the salt deposit in order to minimize any possible impact on the environment.

SQM entered a contract with CONAF (the National Forestry Corporation) in order to monitor the activities of colonies of flamingo in the lagoon systems in the Atacama salt deposit, which includes counting birds, their reproduction and in-depth studies aiming to correlate the behavior of these birds with the different climatological phenomena occurred in the aforementioned sector.

In addition, the Company in its permanent commitment with environmental authorities, is active participant in the Joint Monitoring Study of the Atacama Salt deposit Basin, which includes the participation of other mining companies who use the water resources provided by the Atacama Salt deposit Basin.