
THIS REPORT IS AN ENGLISH TRANSLATION OF, AND A CHILEAN GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES PRESENTATION OF, A THREE MONTH PERIOD ENDED MARCH 31, 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 March 31, 2003 and 2002
and for the years ended March 31, 2003 and 2002
(A translation of the original in Spanish- see note 2 (a))

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Ch\$ - Chilean pesos
ThCh \$ - Thousands of Chilean pesos
US\$ - United States dollars
ThUS\$ - Thousands of United States dollars
UF - The UF is an inflation-indexed, Chilean peso-denominated
monetary unit. The UF rate is set daily in advance, based on the
change in the Consumer Price Index of the previous month.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Consolidated Balance Sheets

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

Note

ASSETS

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| | |
|--|----|
| Current assets | |
| Cash | |
| Time deposits | |
| Marketable securities | 4 |
| Accounts receivable, net | 5 |
| Other accounts receivable, net | 5 |
| Accounts receivable from related companies | 6 |
| Inventories, net | 7 |
| Recoverable taxes | |
| Prepaid expenses | |
| Deferred income taxes | 14 |
| Other current assets | |
| Total current assets | |
| | 8 |
| Property, plant and equipment, net | |
| | |
| Other Assets | |
| Investments in related companies | 9 |
| Goodwill, net | 10 |
| Negative goodwill, net | 10 |
| Intangible assets, net | |
| Long-term accounts receivable, net | 5 |
| Long-term accounts receivable from related companies | 6 |
| Other long-term assets | 11 |
| Total assets | |

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---|--|
| Current liabilities | |
| Short-term bank debt | |
| Current portion of long-term debt | |
| Dividends payable | |
| Accounts payable | |
| Other accounts payable | |
| Notes and accounts payable to related companies | |

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Accrued liabilities
Withholdings
Income taxes
Deferred income taxes
Other current liabilities

Total current liabilities

Long-term liabilities
Long-term bank debt
Other accounts payable
Deferred income taxes
Staff severance indemnities
Other long-term liabilities

Total long-term liabilities

Minority interest

Shareholders' equity
Paid-in capital
Other reserves
Retained earnings

Total shareholders' equity

Total liabilities and shareholders' equity

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

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

Operating results

Sales
Cost of sales

Gross margin

Note

F

20

--

Th

15

(12

2

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

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

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

Cash flows from operating activities
Net income for the year

Charges (credits) to income not representing cash flows
Depreciation expense
Amortization of intangible assets
Write-offs and accruals
Gain on equity investments in related companies
Loss on equity investments in related companies
Amortization of goodwill
Amortization of negative goodwill
Loss on sales of assets
Other credits to income not representing cash flows
Other charges to income not representing cash flows
Net changes in operating assets and liabilities:
(Increase) decrease in trade accounts receivable
Decrease (increase) in inventories
Increase in other assets

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(Increase) decrease in accounts payable
Increase in interest payable
Increase in net income taxes payable
Decrease in other accounts payable
Decrease in VAT and taxes payable
Minority interest

Net cash provided from operating activities

Cash flows from financing activities
Payment of dividends
Repayment of bank financing

Net cash used in from financing activities

Cash flows from investing activities
Sales of property, plant and equipment
Sales of investments
Other income
Additions to property, plant and equipment
Capitalized interest
Purchase of permanent investments
Other disbursements

Net cash used in investing activities

Effect of inflation on cash and cash equivalents

Net change in cash and cash equivalents
Beginning balance of cash and cash equivalents

Ending balance of cash and cash equivalents

The accompanying notes form 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
(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

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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:

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Note 2 - Summary of Significant Accounting Policies (continued)

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

| | Direct or indirect ownership | |
|---|------------------------------|--------|
| | 2003 | 2002 |
| | ---- | ---- |
| Foreign subsidiaries: | % | % |
| Nitrate Corporation of Chile Limited (United Kingdom) | 100.00 | 100.00 |
| Soquimich SRL - Argentina | 100.00 | 100.00 |
| Nitratos Naturais do Chile Ltda. (Brazil) | 100.00 | 100.00 |
| SQM Europe NV (Belgium) | 100.00 | 100.00 |
| SQM North America Corp. (USA) | 100.00 | 100.00 |
| North American Trading Company (USA) | 100.00 | 100.00 |
| SQM Peru S.A. | 100.00 | 100.00 |
| SQM Corporation NV (Holland) | 100.00 | 100.00 |
| S.Q.I. Corporation NV (Holland) | 100.00 | 100.00 |
| Soquimich European Holding BV (Holland) | 100.00 | 100.00 |
| PTM - SQM Iberica S.A. (Spain) | 100.00 | 100.00 |
| SQMC Holding Corporation LLP (USA) | 100.00 | 100.00 |
| SQM Ecuador S.A. | 100.00 | 100.00 |
| Cape Fear Bulk LLC (USA) | 51.00 | 51.00 |
| SQM Colombia Ltda. | 100.00 | 100.00 |
| SQM Investment Corporation NV (Holland) | 100.00 | 100.00 |
| PSH Limited (Cayman Islands) | 100.00 | 100.00 |
| SQM Brasil Ltda. | 100.00 | 99.99 |
| Royal Seed Trading Corporation AVV (Aruba) | 100.00 | 100.00 |
| SQM Japan K.K. | 100.00 | 100.00 |
| SQM Oceania PTY Limited (Australia) | 100.00 | 100.00 |

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| | | |
|--|--------|--------|
| SQM France S.A. | 100.00 | 100.00 |
| Fertilizantes Naturales S.A. (Spain) | 50.00 | 50.00 |
| Rs Agro-Chemical Trading AVV (Aruba) | 100.00 | 100.00 |
| SQM Comercial de Mexico S.A. de C.V. | 100.00 | 100.00 |
| SQM Indonesia | 80.00 | 80.00 |
| SQM Virginia LLC (USA) | 100.00 | 100.00 |
| Agricolima S.A. De C.V. (Mexico) | 100.00 | 100.00 |
| SQM Venezuela S.A. | 100.00 | 100.00 |
| SQM Italia SRL (Italy) | 95.00 | - |
| Comercial Caiman Internacional S.A. (Cayman Islands) | 100.00 | - |
| Fertilizantes Olmega y SQM S.A. De C.V. (Mexico) | 100.00 | - |
| Mineag SQM Africa Limited | 100.00 | - |

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Note 2 - Summary of Significant Accounting Policies (continued)

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

| | Direct or indirect ownership | |
|---|------------------------------|--------|
| | 2003 | 2002 |
| | ---- | ---- |
| | % | % |
| Domestic subsidiaries: | | |
| Servicios Integrales de Transitos y Transferencias S.A. | 100.00 | 100.00 |
| Cia. Industrial y Minera S.A. | - | 100.00 |
| Soquimich Comercial S.A. | 60.64 | 60.64 |
| Sociedad Minera de Chile S.A. | - | 100.00 |
| Energia y Servicios S.A. | 100.00 | 100.00 |
| Isapre Norte Grande Ltda. | 100.00 | 100.00 |
| Almacenes y Depositos Ltda. | 100.00 | 100.00 |
| SQM Quimicos S.A. | - | 99.99 |
| Ajay SQM Chile S.A. | 51.00 | 51.00 |
| SQM Nitratos S.A. | 99.99 | 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 |
| SCM SQM Boratos | - | 100.00 |

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 years ended March 31, 2003 and 2002.

At March 31, 2003 and 2002, the subsidiary Lithium Specialties LLP were in the development stage and therefore were not included in the consolidation.

At March 31, 2002, the subsidiary SCM Antucoya were in the development stage and therefore were not included in the consolidation.

Note 2 - Summary of Significant Accounting Policies (continued)

b) Period

These consolidated financial statements have been prepared as of March 31, 2003 and 2002 and for the years then ended.

c) Reporting currency and monetary correction

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

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

The financial statements of domestic subsidiaries, which maintain their accounting records in Chilean pesos have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the 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 (0,5% and -0,4% 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.

Note 2 - Summary of Significant Accounting Policies (continued)

d) Foreign currency

i) Foreign currency transactions

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to U.S. dollars at the observed exchange rates determined by the Central Bank of Chile in effect at each year-end of Ch\$655,90 per US\$1 at March 31, 2002 and Ch\$731,56 per US\$ at March 31, 2003.

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

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respective local currencies to U.S. dollars in accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants ("BT 64") as follows:

- a) For those subsidiaries and affiliates located in Chile which keep their accounting records in price-level adjusted Chilean pesos:
- Balance sheet accounts are translated to U.S. dollars at the year-end exchange rate without eliminating the effects of price-level restatement.
 - Income statement accounts are translated to U.S. dollars at the average exchange rate each month. The monetary correction account on the income statement, which is generated by the inclusion of price-level restatement on the non-monetary assets and liabilities and shareholders' equity, is translated to U.S. dollars at the average exchange rate for each month.
 - Translation gains and losses, as well as the price-level restatement to the balance sheet mentioned above, are included as an adjustment in shareholders' equity, in conformity with Circular No. 368 of the SVS.

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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 year-end exchange rates between the US dollar and the local currency.
 - All non-monetary assets and liabilities and shareholders' equity are translated at historical exchange rates between the US dollar and the local currency.
 - Income and expense accounts are translated at average exchange rates between the US dollar and the local currency.
 - Any exchange differences are included in the results of operations for the period.

d) Foreign currency (continued)

Foreign exchange differences for the years ended March 31, 2003 and 2002 generated net earnings of ThUS\$ 2,377 and ThUS\$ 330, respectively, which have been charged to the consolidated statements of income in each respective period.

The monetary assets and liabilities of foreign subsidiaries were translated into U.S. dollars at the exchange rates per US dollar prevailing at March 31, as follows:

2003

2002

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| | ---- | ---- |
|-------------------|----------|----------|
| Brazilian Real | 3.38 | 2.32 |
| New Peruvian Sol | 3.09 | 3.45 |
| Colombian Peso | 2,958.25 | 2,262.44 |
| Argentine Peso | 2.98 | 3.00 |
| Japanese Yen | 120.20 | 133.25 |
| Sucre Ecuador | 1.00 | 1.00 |
| Euro | 0.92 | 1.14 |
| Mexican Peso | 10.67 | 9.02 |
| Indonesian Rupee | 8,940 | 10,400 |
| Australian Dollar | 1.92 | 1.87 |
| Pound Sterling | 0.63 | 0.69 |
| Ran | 8.25 | - |

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.

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Note 2 - Summary of Significant Accounting Policies (continued)

e) Cash and cash equivalents

The Company considers all highly liquid investments with a remaining maturity of less than 90 days as of the closing date of the financial statements to be cash equivalents.

f) Time Deposits

Time deposits are recorded at cost plus accrued interest.

g) Marketable securities

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

h) Allowance for doubtful accounts

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

i) Inventories and materials

Inventories of finished products and 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.

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, 68 and 71 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

l) Investments in related companies

Investments in related companies over which the Company has significant

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influence, are included in other assets and are recorded using the equity method of accounting. Accordingly, the Company's proportional share in the net income or loss of each investee is recognized in the non-operating income and expense classification in the consolidated statements of income on an accrual basis, after eliminating any unrealized profits from transactions with the related companies.

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

m) Goodwill and negative goodwill

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

n) Intangible assets

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

o) Mining development cost

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

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%.

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Note 2 - Summary of Significant Accounting Policies (continued)

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

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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 2002 and 2003 numbers to conform to the current year 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.

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.

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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 March 31 marketable securities are detailed as follows:

Mutual funds
Instruments fixed revenue

Total

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

a) Short term accounts receivable and other accounts receivable as of March 31 are detailed as follows:

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| | Up to 90 days | | Between 90 days and 1 year | | 2003 | Tot Short- 2003 |
|---------------------------------|-----------------|-----------------|-------------------------------|-----------------|-----------------|--------------------------|
| | 2003 | 2002 | 2003 | 2002 | Subtotal | |
| | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ | |
| Trade accounts receivable | 94,266 | 89,571 | 12,261 | 9,482 | 106,527 | 101,19 |
| Allowance for doubtful accounts | | | | | (5,329) | |
| Notes receivable | 15,621 | 17,084 | 1,584 | 755 | 17,205 | 15,01 |
| Allowance for doubtful accounts | | | | | (2,187) | |
| Accounts receivable, net | | | | | | ----- 116,21 ===== |
| Other accounts receivable | 9,477 | 3,039 | 1,660 | 2,073 | 11,137 | 10,34 |
| Allowance for doubtful accounts | | | | | (788) | |
| Other accounts receivable, net | | | | | | ----- 10,34 ===== |

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

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

| | Chile | | Europe, Africa the Middle |
|--|-----------------|-----------------|------------------------------|
| | 2003 | 2002 | 2003 |
| | ----- ThUS\$ | ----- ThUS\$ | ----- ThUS\$ |
| Net short-term trade accounts receivable | | | |
| Balance | 16,493 | 20,204 | 29,721 |
| % of total | 16.30% | 21.44% | 29.37% |
| Net short-term notes receivable | | | |
| Balance | 11,989 | 14,720 | 676 |
| % of total | 79.83% | 80.82% | 4.50% |
| Net short-term other accounts receivable | | | |
| Balance | 5,563 | 8,381 | 805 |
| % of total | 53.75% | 75.36% | 7.78% |
| Subtotal short-term accounts receivable, net | | | |
| Balance | 34,045 | 43,305 | 31,202 |
| % of total | 26.90% | 35.04% | 24.65% |
| Long-term accounts receivable, net | | | |
| Balance | 7,786 | 12,046 | 65 |
| % of total | 87.54% | 92.01% | 0.73% |
| Total short and long-term accounts receivable, net | | | |

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| | 41,831 | 55,351 | 31,267 | |
|--|---------------------------|--------|------------------------------|---|
| Balance | | | | |
| % of total | 30.88% | 40.50% | 23.08% | |
| ===== | | | | |
| | USA, Mexico and Canada | | Latin Ameri and the Carib | |
| | 2003 | 2002 | 2003 | |
| | ---- | ---- | ---- | |
| | ThUS\$ | ThUS\$ | ThUS\$ | |
| ----- | | | | |
| Net short-term trade accounts receivable | | | | |
| Balance | 31,906 | 28,341 | 20,412 | 2 |
| % of total | 31.54% | 30.06% | 20.16% | |
| Net short-term notes receivable | | | | |
| Balance | 741 | 775 | 1,608 | |
| % of total | 4.94% | 4.26% | 10.70% | |
| Net short-term other accounts receivable | | | | |
| Balance | 3,535 | 1,274 | 381 | |
| % of total | 34.15% | 11.45% | 3.69% | |
| ----- | | | | |
| Subtotal short-term accounts receivable, net | | | | |
| Balance | 36,182 | 30,390 | 22,401 | 2 |
| % of total | 28.59% | 24.58% | 17.70% | |
| Long-term accounts receivable, net | | | | |
| Balance | | - | 1,043 | |
| % of total | | - | 11.73% | |
| ----- | | | | |
| Total short and long-term accounts receivable, net | | | | |
| Balance | 36,182 | 30,390 | 23,444 | 2 |
| % of total | 26.72% | 22.23% | 17.30% | |
| ===== | | | | |

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Note 6 - Balances and Transactions with Related Parties

Accounts receivable from and payable to related companies are stated in US dollars and accrue no interest.

Transactions are made under terms and conditions which are similar to those offered to unrelated third parties.

a) Amounts included in balances with related parties as of March 31, 2003 and 2002 are as follows:

| | Short-term | |
|---------------------|------------|--------|
| | 2003 | 2002 |
| | ---- | ---- |
| | ThUS\$ | ThUS\$ |
| ----- | | |
| Accounts receivable | | |
| ----- | | |

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| | | |
|-------------------------------------|--------|--------|
| Ajay Europe S.A.R.L. | 6,408 | 3,364 |
| SQM Italia S.R.L. | - | 6,171 |
| Nutrisi Holding N.V. | 2,443 | 706 |
| Generale de Nutrition Vegetale S.A. | 169 | 162 |
| Fertilizantes Olmeca S.A. | - | 3,336 |
| Mineag SQM Africa Limited | - | 3,768 |
| Abu Dhabi Fertilizer Ind. WLL | 4,602 | 4,047 |
| NU3 N.V. | 2,913 | 3,786 |
| Doktor Tarsa -SQM Turkey | 360 | 873 |
| Comercial Caiman Internacional S.A. | - | 3,932 |
| SQM Venezuela S.A. | - | - |
| SQM Lithium Specialties Limited | 1,486 | 943 |
| Empresas Melon S.A. | - | - |
| Sales de Magnesio S.A. | 17 | 25 |
| Ajay North America LLC | 243 | 355 |
| Norsk Hydro ASA | 30 | 33 |
| Hydro Agri Int.-France | 858 | 59 |
| Hydro Asia Trade | 711 | 1,732 |
| Hydro Agri France S.A. | 1,258 | 590 |
| Hydro Poland SP | 246 | 65 |
| Hydro Agri Benelux B.V | 899 | 552 |
| Hydro Agri Hellas S.A. | 112 | 414 |
| Hydro Agri Australia Ltd. | 203 | 75 |
| Hydro Agri UK Ltd.. | 206 | 358 |
| Hydro Agri GMBH & CO KG | 200 | 73 |
| Hydro Agri AB | 63 | 16 |
| Hydro Agri Colombia | 1,037 | - |
| PCS Yumbes | - | 2,424 |
| Hydro Agri Venezuela | 517 | - |
| NU3 B.V. | 804 | 555 |
| Hydro Agri Argentina | 91 | - |
| Adubo Trevo S.A. | 1,401 | 48 |
| SQM China | 75 | - |
| Hydro Plant Nutr. OSLO | 92 | 93 |
| Hydro Agri Benelux | - | 531 |
| Hydro Agri Int-France-Issoudun | 25 | 30 |
| Hydro Agri Int-France-Nanterre | - | 5 |
| Hydro Czech Republic | - | 8 |
| Hydro Fertilizantes Ltda. | - | 348 |
| Hydro Agricola Internacional | - | 404 |
| Hydro Agri Europe | 12 | - |
| Impronta SRI | 4,337 | - |
| Nutrichem Benelux | 28 | - |
| Rotem Amferet Negev Ltd. | 22 | - |
| Total | 31,868 | 39,881 |
| | ===== | ===== |

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Note 6 - Balances and Transactions with Related Parties (continued)

- a) Amounts included in balances with related parties as of March 31, 2003 and 2002, continued:

| | | |
|--|------------|------|
| | Short-term | |
| | 2003 | 2002 |

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| | ----- ThUS\$ | ----- ThUS\$ |
|---------------------------------------|-----------------|-----------------|
| Accounts payable | | |
| Ajay Europe S.A.R.L | 966 | 385 |
| Adm. y Servicios Santiago S.A. de C.V | 104 | 104 |
| Mineag SQM Africa Limited | - | 43 |
| Abu Dhabi Fertilizar Ind. WLL | 90 | 54 |
| NU3 N.V | 1,233 | 1,776 |
| SCM Antucoya | - | 100 |
| Rotem Amfert Negev Limited | 1,372 | 1,380 |
| Hydro Agri Porsgrunn | 7 | 285 |
| Hydro Agricola internacional | 1 | - |
| Hydro Agri North America | 122 | 65 |
| Hydro Agri Mexico de S.A de C.V | 10 | 3,714 |
| Hydro Agri Int - France | 454 | 19 |
| Hydro Agri France | 7 | - |
| NU3 B.V | 224 | 60 |
| Hydro Fertilizante Ltda | 1,380 | - |
| FNC Italy S.R.L | - | 10 |
| Hydro Agri Benelux | - | 49 |
| PCS Yumbes | 6,399 | - |
| | ----- | ----- |
| Total | 12,369 | 8,044 |
| | ===== | ===== |

There were no outstanding long-term accounts payable with related parties as of March 31, 2003 and 2002

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Note 6 - Balances and Transactions with Related Parties (continued)

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

| Company | Relationship | Type of transaction | Amount of Transaction | |
|------------------------------------|--------------|---------------------|----------------------------------|------------------------------|
| | | | ----- 2003 ----- ThUS\$ | ----- 2002 ----- Th |
| SQM Italia SRL | Indirect | Sales of products | - | |
| Fertilizantes Olmecca S.A. de C.V. | Indirect | Sales of products | - | |
| NU3 N.V. (Belgica) | Indirect | Sales of products | 980 | |
| Doktor Tarsa | Indirect | Sales of products | 366 | |
| Mineag SQM Africa Ltd. | Indirect | Sales of products | - | 2, |
| Abu Dhabi Fertilizer WLL | Indirect | Sales of products | 1,068 | |
| Nutrisi Holding N.V. | Indirect | Sales of products | - | |
| Ajay Europe S.A.R.L. | Indirect | Sales of products | 2,232 | 1, |
| Sales de Magnesio Ltda. | Indirect | Sales of products | 30 | |
| NU3 B.V. | Shareholder | Sales of products | 1,084 | |
| Adubo Trevo S.A. | Shareholder | Sales of products | 863 | |
| PCS Yumbes SCM | Shareholder | Sales of products | 133 | 3, |

Note 6 - Balances and Transactions with Related Parties (continued)

| Company ----- | Relationship ----- | Type of transaction ----- | Amount of Transaction | |
|----------------------------------|-----------------------|------------------------------|--------------------------|-------------------------|
| | | | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
| Hydro Agri (U.K) Ltd. | Shareholder | Sales of product | 227 | 3 |
| Hydro Asia trade Pte Ltd. | Shareholder | Sales of product | 1,479 | 1,9 |
| Hydro Agri France S.A. | Shareholder | Sales of product | 1,568 | 1,0 |
| Hydro Agri Internacional | Shareholder | Sales of product | - | 1,4 |
| Hydro Agri Hellas S.A. | Shareholder | Sales of product | 91 | 9 |
| Hydro Agri Benelux B.V. | Shareholder | Sales of product | 1,905 | 2,1 |
| Hydro Agri AB Sweden | Shareholder | Sales of product | 263 | |
| Hydro Agri Czech Republic SRO | Shareholder | Sales of product | - | |
| Hydro Planta Nutrition, Cis Reg. | Shareholder | Sales of product | 242 | |
| Hydro Agri Nutri Oslo | Shareholder | Sales of product | 92 | |
| Hydro Agri Australia Ltd. | Shareholder | Sales of product | 247 | |
| Hydro Agri Espana S.A. | Shareholder | Sales of product | 735 | |
| Hydro Agri Norge | Shareholder | Sales of product | 11 | |
| Hydro Agri Argentina | Shareholder | Sales of product | 99 | |
| Hydro Agri Colombia Ltda | Shareholder | Sales of product | 833 | |
| Hydro Agri GMBH & CO KG | Shareholder | Sales of products | 252 | 1 |
| Norsk Hydro Asa y Filiales | Shareholder | Sales of products | - | 1 |
| Brasil Hydro Fertilizantes Ltda. | Shareholder | Sales of products | - | 1 |

Note 7 - Inventories

Inventories are summarized as follows:

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|-------------------|-------------------------|-------------------------|
| Finished products | 120,224 | 117,080 |
| Work in process | 94,776 | 86,338 |
| Supplies | 12,435 | 11,197 |
| | ----- | ----- |
| Total | 227,435 | 214,615 |
| | ===== | ===== |

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Note 8 - Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

| | 2003 | 2002 |
|--------------------------------|---------|---------|
| | ---- | ---- |
| | ThUS\$ | ThUS\$ |
| Land | | |
| Land | 13,452 | 13,453 |
| Mining Concessions | 36,373 | 29,613 |
| | ----- | ----- |
| | 49,825 | 43,066 |
| | ----- | ----- |
| Buildings and infrastructure | | |
| Buildings | 156,890 | 157,029 |
| Installations | 281,393 | 279,605 |
| Construction-in-progress | 40,744 | 23,148 |
| Other | 915 | 922 |
| | ----- | ----- |
| | 479,942 | 460,704 |
| | ----- | ----- |
| Machinery and Equipment | | |
| Machinery | 385,509 | 382,139 |
| Equipment | 100,895 | 96,773 |
| Project-in-progress | 14,523 | 14,734 |
| Other | 14,431 | 10,472 |
| | ----- | ----- |
| | 515,358 | 504,118 |
| | ----- | ----- |
| Other fixed assets | | |
| Tools | 8,287 | 7,746 |
| Furniture and office equipment | 18,444 | 18,467 |
| Project-in-progress | 17,280 | 18,909 |
| Other | 630 | 498 |
| | ----- | ----- |
| | 44,641 | 45,620 |
| | ----- | ----- |

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Note 8 - Property, Plant and Equipment (continued)

2003

ThUS\$

Amounts relating to technical revaluation of fixed assets

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| | |
|---|-----------|
| Land | 8,651 |
| Buildings and infrastructure | 40,610 |
| Machinery and equipment | 12,127 |
| Other assets | 53 |
| | ----- |
| | 61,441 |
| | ----- |
| Total property, plant and equipment | 1,151,207 |
| | ----- |
| Less: Accumulated depreciation | |
| Buildings and infrastructure | (166,624) |
| Machinery and equipment | (248,814) |
| Other fixed assets | (24,970) |
| Technical appraisal | (31,765) |
| | ----- |
| Total accumulated depreciation | (472,173) |
| | ----- |
| Net property, plant and equipment | 679,034 |
| | ===== |
| | |
| | 2003 |
| Depreciation for the year ended March 31: | ThUS\$ |
| Buildings and infrastructure | 6,131 |
| Machinery and equipment | 7,811 |
| Other fixed assets | 374 |
| Technical revaluation | 436 |
| | ----- |
| Total depreciation | 14,752 |
| | ===== |

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

| | 2003 ThUS\$ | 2002 ThUS\$ |
|---------------------------------|----------------|----------------|
| Administrative office buildings | 2,081 | 1,988 |
| Accumulated depreciation | (387) | (340) |
| | ----- | ----- |
| Total assets in leasing | 1,694 | 1,648 |
| | ===== | ===== |

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.

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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 Olmea y SQM S.A. de C.V. which represented 50% of its ownership. Consequently, Fertilizantes Olmea 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 Olmea 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 Olmea 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 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.

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.

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

d) Detail of investments in related companies

| Tax Registration | | Country of origin | Controlling currency | Number of shares | Ownership interest | |
|---------------------|---------|----------------------|-------------------------|---------------------|-----------------------|-------|
| Number | Company | | | | 2003 | 2002 |
| | | | | | ----- | ----- |
| | | | | | % | % |

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| | | | | | | |
|------------|--|--------------|---------|-------------|--------|-----|
| 93390000-2 | Empresas Melon S.A.. | Chile | - | 653,748,837 | 14.05 | 14 |
| 0-E | SQM Lithium Specialties Limited* | USA | US\$ | - | 100.00 | 100 |
| 0-E | Ajay North America LLC | USA | US\$ | - | 49.00 | 49 |
| 77093830-9 | SCM Antucoya* | Chile | - | 490 | 100.00 | 100 |
| 0-E | Abu Dhabi Fertilizer Industries WL | UAE | US\$ | 1,961 | 37.00 | 37 |
| 0-E | Fertilizantes Olmeca y SQM S.A. de C.V. | Mexico | Mex. \$ | 183,000 | 100.00 | 50 |
| 0-E | Nutrisi Holding N.V. | Belgium | US\$ | - | 50.00 | 50 |
| 0-E | Doktor Tarsa | Turkey | US\$ | - | 50.00 | 50 |
| 0-E | Mineag SQM Africa Limited | South Africa | US\$ | - | 100.00 | 50 |
| 0-E | SQM Italy S.R.L. | Italy | US\$ | - | 95.00 | 25 |
| 0-E | Ajay Europe S.A.R.L. | France | US\$ | 36,700 | 50.00 | 50 |
| 77557430-5 | Sales de Magnesio Ltda. | Chile | - | - | 50.00 | 50 |
| 81767200-0 | Asoc. Garantizadora Pensiones | Chile | - | - | 3.31 | 3 |
| 0-E | Rui Xin Packaging Materials Sanhe Co.Ltd | China | US\$ | - | 25.00 | |
| 0-E | Impronta SRL | Italia | Euros | - | 50.00 | |

Total

| Tax Registration Number | Company | Book value of investment | | Net income (loss) | | Equity p in net i |
|-------------------------|--|--------------------------|--------|-------------------|--------|-------------------|
| | | 2003 | 2002 | 2003 | 2002 | 2003 |
| | | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| 93390000-2 | Empresas Melon S.A.. | 37,525 | 38,502 | 9,599 | 10,386 | 1,349 |
| 0-E | SQM Lithium Specialties Limited* | 24,813 | 22,121 | (1,099) | - | - |
| 0-E | Ajay North America LLC | 6,802 | 7,053 | 549 | 154 | 269 |
| 77093830-9 | SCM Antucoya* | - | 6,650 | - | - | - |
| 0-E | Abu Dhabi Fertilizer Industries WL | 1,160 | 1,360 | - | - | - |
| 0-E | Fertilizantes Olmeca y SQM S.A. de C.V. | - | 909 | - | (199) | - |
| 0-E | Nutrisi Holding N.V. | 910 | 527 | 654 | (104) | 327 |
| 0-E | Doktor Tarsa | 220 | 236 | 12 | - | 6 |
| 0-E | Mineag SQM Africa Limited | - | 321 | - | - | - |
| 0-E | SQM Italy S.R.L. | - | 119 | - | - | - |
| 0-E | Ajay Europe S.A.R.L. | 325 | 68 | - | - | - |
| 77557430-5 | Sales de Magnesio Ltda. | 108 | 63 | 24 | 16 | 12 |
| 81767200-0 | Asoc. Garantizadora Pensiones | 23 | 26 | - | - | - |
| 0-E | Rui Xin Packaging Materials Sanhe Co.Ltd | 120 | - | - | - | - |
| 0-E | Impronta SRL | 291 | - | 794 | - | 397 |
| Total | | 72,297 | 77,955 | | | |

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* In development stage

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Note 10 - Goodwill and Negative Goodwill

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

a) Goodwill

| Tax Registration Number | Company | March 31, 2003 | | Amo duri |
|-------------------------------|-------------------------------------|---|-------------------------------|-------------|
| | | Amount amortized during the period ThUS\$ | Goodwill balance ThUS\$ | |
| 0-E | PTM - SQM Iberica S.A. | 5 | 75 | |
| 0-E | Doktor Tarsa | 16 | 134 | |
| 79768170-9 | Soquimich Comercial S.A. | 38 | 385 | |
| 78208790-8 | SCM SQM Boratos | - | - | |
| 93390000-2 | Empresas Melon S.A. | 119 | 7,250 | |
| 79626800-K | SQM Salar S.A. | 11 | 115 | |
| 0-E | SQM Mexico S.A. de C.V. | 14 | 1,045 | |
| 96864750-4 | SQM Potassium S.A. | 36 | 1,987 | |
| 0-E | SQM Venezuela S.A. | - | - | |
| 0-E | Comercial Caiman Internacional S.A. | 6 | 217 | |
| 0-E | Mineag SQM Africa Limited | - | 705 | |
| 0-E | Fertilizantes Olmeca | - | 279 | |
| Total | | 245 | 12,192 | |

b) Negative Goodwill

| Tax Registration Number | Company | March 31, 2003 | | Ma |
|-------------------------------|---------------------|---|---|-----|
| | | Amount amortized during the period ThUS\$ | Negative Goodwill Balance ThUS\$ | |
| 79626800-k | SQM Salar S.A. | 52 | 123 | 52 |
| 96575300-1 | Minera Mapocho S.A. | 51 | 627 | 51 |
| Total | | 103 | 750 | 103 |

Note 11 - Other Long-term Assets

Other long-term assets are summarized as follows:

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|---------------------------------------|-------------------------|-------------------------|
| Engine and equipment spare-parts, net | 23,472 | 29,955 |
| Nitrate deposit development costs | 3,869 | 4,216 |
| Mineral development costs | 14,144 | 11,458 |
| Pension plan | 1,223 | 2,691 |
| Construction of Salar-Baquedano road | 1,860 | 1,980 |
| Deferred loan issuance costs | 3,569 | 4,660 |
| Other | 1,176 | 1,007 |
| | ----- | ----- |
| Total | 49,313 ===== | 55,967 ===== |

Note 12 - Bank Debt

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

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|-------------------------------|-------------------------|-------------------------|
| Bank or financial institution | | |
| Banco Santiago | - | 10,344 |
| Banco Estado | - | 13,357 |
| Ing Bank | - | 120,314 |
| Other banks | 2,280 | 3,503 |
| | ----- | ----- |
| Total | 2,280 ===== | 147,518 ===== |
| Annual average interest rate | - | 3.02% |

Note 12 - Bank Debt (continued)

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

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

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| | | |
|-------------------------------|----------|---------|
| Bank or financial institution | | |
| Union Bank of Switzerland (1) | 200,648 | 200,685 |
| ING Bank (2) | 60,380 | - |
| Bank of America (3) | 80,723 | 80,912 |
| Corpbanca | - | 12,055 |
| | ----- | ----- |
| Total | 341,751 | 293,652 |
| | ----- | ----- |
| Less: Current portion | (17,751) | (1,652) |
| | ----- | ----- |
| Long-term portion | 324,000 | 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 2.4% per annum, paid semi-annually. The principal is due on December 26, 2006.
- (3) 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.

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

| | 2003 | 2002 |
|-------------------|---------|---------|
| | ---- | ----- |
| | ThUS\$ | ThUS\$ |
| Years to maturity | | |
| Current portion | 17,751 | 1,652 |
| 1 to 2 years | 32,000 | 28,000 |
| 2 to 3 years | 62,000 | 32,000 |
| 4 to 5 years | 230,000 | 232,000 |
| | ----- | ----- |
| Total | 341,751 | 293,652 |
| | ===== | ===== |

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Note 13 - Accrued Liabilities

As of March 31, 2003 and 2002, accrued liabilities are summarized as follows:

| | 2003 | 2002 |
|----------------------------------|--------|--------|
| | ---- | ----- |
| | ThUS\$ | ThUS\$ |
| Provision for royalties | 895 | 752 |
| Quarterly bonus | 815 | 545 |
| Suppliers | 535 | 1,078 |
| Commissions on consignment goods | 451 | 42 |

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| | | |
|---|--------|--------|
| Taxes and monthly income tax installment payments | 460 | 432 |
| Vacation accrual | 3,960 | 4,591 |
| Accrued employee benefits | 228 | 74 |
| Legal expenses | 800 | - |
| Other accruals | 2,756 | 2,976 |
| Marketing expenses | 600 | - |
| | ----- | ----- |
| Total current liabilities | 11,500 | 10,490 |
| | ===== | ===== |

Note 14 - Income and Deferred Taxes

a) At March 31, 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 | 17,479 | 20,414 |
| Accumulated tax basis retained earnings with no tax credit | - | 4,227 |
| Income not subject to taxes | - | 2,776 |
| Tax loss carry-forwards (1) | 104,634 | 135,926 |
| Credit for shareholders | 371 | 3,670 |

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

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Note 14 - Income and Deferred Taxes (continued)

The deferred taxes as of March 31, 2003 and 2002 represented a net liability of ThUS\$ 17,661 and ThUS\$ 8,226, respectively, and consisted of:

| 2003 | Deferred tax asset | | Deferred tax liability | |
|-------------------------------------|--------------------|-----------|------------------------|-----------|
| | Short-term | Long-term | Short-term | Long-term |
| | ----- | ----- | ----- | ----- |
| | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 967 | 201 | - | - |
| Vacation accrual | 700 | - | - | - |
| Unrealized gain on sale of products | 4,790 | - | - | - |
| Provision for obsolescence | - | 1,861 | - | - |
| Production expenses | - | - | 14,163 | - |
| Accelerated depreciation | - | - | - | - |
| Exploration expenses | - | - | - | - |

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| | | | | |
|-------------------------------------|-------|--------|---------|------|
| Capitalized interest | - | - | - | 6 |
| Staff severance indemnities | - | - | - | 1 |
| Accrued expenses | - | - | - | |
| Capitalized expenses | - | - | - | |
| Tax loss carry-forwards | - | 19,876 | - | |
| Losses from derivative transactions | - | - | 19 | |
| Other | 479 | 788 | 1 | |
| <hr/> | | | | |
| Total gross deferred taxes | 6,936 | 22,726 | 14,183 | 73 |
| Total complementary accounts | (2) | (719) | (4,958) | (35) |
| Valuation allowance | - | (62) | - | |
| <hr/> | | | | |
| Total deferred taxes | 6,934 | 21,945 | 9,225 | 37 |
| <hr/> | | | | |

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Note 14 - Income and Deferred Taxes (continued)

| 2002 | Deferred tax asset | | Deferred tax lia |
|-------------------------------------|--------------------|-----------|------------------|
| | Short-term | Long-term | Short-term |
| | ThUS\$ | ThUS\$ | ThUS\$ |
| Temporary differences | | | |
| Allowance for doubtful accounts | 277 | 1,022 | - |
| Vacation accrual | 736 | - | - |
| Unrealized gain on sale of products | 6,259 | - | 62 |
| Other unrealized gains | 257 | 591 | - |
| Provision for obsolescence | - | 682 | - |
| Production expenses | - | - | 10,157 |
| Accelerated depreciation | - | - | - |
| Exploration expenses | - | - | - |
| Capitalized interest | - | - | - |
| Staff severance indemnities | - | - | - |
| Accrued expenses | - | - | 400 |
| Capitalized expenses | - | - | - |
| Tax loss carry-forwards | - | 25,012 | - |
| Other | 307 | - | 54 |
| <hr/> | | | |
| Total gross deferred taxes | 7,836 | 27,307 | 10,673 |
| Total complementary accounts | (35) | (4,881) | (3,721) |
| <hr/> | | | |
| Total deferred taxes | 7,801 | 22,426 | 6,952 |
| <hr/> | | | |

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Note 14 - Income and Deferred Taxes (continued)

c) Income tax expense is summarized as follows:

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|--|-------------------------|-------------------------|
| Provision for current income tax | (1,583) | (916) |
| Effect of deferred tax assets and liabilities | (1,614) | (1,591) |
| Effect of amortization of complementary accounts | (728) | 739 |
| Other tax charges and credits | 62 | (4) |
| | ----- | ----- |
| Total income tax expense | (3,863) ===== | (1,772) ===== |

Note 15 - Staff Severance Indemnities

Staff severance indemnities are summarized as follows:

| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
|-------------------------|-------------------------|-------------------------|
| Opening balance | 9,143 | 8,326 |
| Increases in obligation | 1,193 | 397 |
| Payments | (1,267) | (212) |
| Exchange difference | (126) | (12) |
| | ----- | ----- |
| Balance as of March 31 | 8,943 ===== | 8,499 ===== |

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Note 16 - Minority Interest

Minority interest is summarized as follows:

| | Equity | | Net Income/(Loss) | |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ | 2003 ----- ThUS\$ | 2002 ----- ThUS\$ |
| Soquimich Comercial S.A. | 19,433 | 20,425 | (169) | (390) |
| Ajay SQM Chile S.A. | 3,103 | 3,035 | (93) | (53) |
| Cape Fear Bulk LLC | 133 | 131 | (29) | (87) |
| SQM Indonesia | - | 8 | - | - |
| SQM Italia S.R.L | 13 | - | 5 | - |
| Fenasa | 242 | 134 | (14) | 46 |
| Mineag SQM Africa | - | - | (206) | - |

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| | | | | |
|-------|--------------------------|--------------------------|-------------------------|-------------------------|
| Total | ----- 22,924 ===== | ----- 23,733 ===== | ----- (506) ===== | ----- (484) ===== |
|-------|--------------------------|--------------------------|-------------------------|-------------------------|

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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\$ | Retained earnings ThUS\$ |
|--|---------------------|------------------------------|-----------------------------|---|--------------------------------|
| Balance January 1, 2002 | 263,196,524 | 477,386 | 131,066 | (2,223) | 195,366 |
| Transfer 2000 net income to retained earnings | - | - | - | - | 30,102 |
| Declared dividends 2002 | - | - | - | - | - |
| Accumulated deficit from subsidiaries in development stage (1) | - | - | - | (85) | - |
| Other comprehensive income (2) | - | - | (372) | - | - |
| Net income for the year | - | - | - | - | - |
| Balance March 31, 2002 | 263,196,524 | 477,386 | 130,694 | (2,308) | 225,468 |
| Balance January 1, 2003 | 263,196,524 | 477,386 | 125,111 | (3,661) | 210,624 |
| Transfer 2002 net income to retained earnings | - | - | - | - | 40,202 |
| Declared dividends 2003 | - | - | - | - | - |
| Accumulated deficit from subsidiaries in development stage (1) | - | - | - | (1,099) | - |
| Other comprehensive income (2) | - | - | (1,157) | - | - |
| Net income for the year | - | - | - | - | - |
| Balance March 31, 2003 | 263,196,524 | 477,386 | 123,954 | (4,760) | 250,826 |

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

(2) Other comprehensive income includes translation adjustments, and in 2003 other comprehensive income also includes the effect of the recognition of an

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additional liability for the Company's under-funded pension as of March 31, 2003.

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Note 17 - Shareholders' Equity (continued)

b) The composition of other comprehensive income as of March 31, 2003 is as follows:

| Detail | For the period ended March 31, 2003 ----- ThUS\$ | As of March 31, 2003 ----- ThUS\$ |
|--|--|--|
| Technical appraisal | - | 151,345 |
| Changes to other comprehensive income from equity method investments: | | |
| Soquimich Comercial S.A. | (1) (392) | (9,309) |
| Isapre Norte Grande Ltda. | (1) (5) | (103) |
| Inversiones Augusta S.A. | (1) - | (761) |
| SQM Ecuador S.A. | (1) - | (270) |
| Almacenes y Depositos Ltda. | (1) (4) | (95) |
| Asociacion Garantizadora de Pensiones | (1) (1) | (17) |
| Empresas Melon S.A. | (1) (614) | (16,249) |
| Sales de Magnesio Ltda. | (1) - | (17) |
| SQM North America Corp. | (2) (141) | (1,288) |
| Other Companies | (1) - | 718 |
| | ----- | ----- |
| Total other comprehensive income | (1,157) ===== | 123,954 ===== |

(1) Corresponds to translation adjustment and monetary correction

(2) Corresponds to the effect of the recognition of an additional liability for the Company's under-funded pension as of March 31, 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

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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.

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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 March 31, 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 | Acco Liabili amount |
|----------------------|----------------------------|---------------------|----------------------------------|------------------------|---------------------------|
| US dollar Forward | 3,000 | 2nd quarter of 2003 | Exchange rate | P | 114 |
| US dollar Put Option | 19,775 | 2nd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 10,390 | 2nd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 3,700 | 2nd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 4,800 | 2nd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 3,800 | 2nd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 4,000 | 3rd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 2,300 | 3rd quarter of 2003 | Exchange rate | P | - |
| US dollar Put Option | 720 | 3rd quarter of 2003 | Exchange rate | P | - |
| | ----- 52,485 ===== | | | | ----- 114 ===== |

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Note 19 - Non-Operating Income and Expenses

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

- a) Non-operating income

| | |
|-------|-------|
| 2003 | 2002 |
| ----- | ----- |

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| | ThUS\$ | ThUS\$ |
|---|--------|--------|
| Interest income | 630 | 1,443 |
| Reversal of allowance for doubtful accounts | 256 | - |
| Insurance recoveries | 85 | 1,535 |
| Net foreign exchange | 2,377 | 330 |
| Sales of materials and services | 214 | 279 |
| Equity participation in net income of unconsolidated subsidiaries | 2,353 | 1,543 |
| Other income | 527 | 416 |
| | ----- | ----- |
| Total | 6,442 | 5,546 |
| | ===== | ===== |

b) Non-operating expenses

| | 2003 | 2002 |
|---|--------|--------|
| | ----- | ----- |
| | ThUS\$ | ThUS\$ |
| Write-off of property, plant, and equipment | 1,765 | 456 |
| Interest expense | 5,801 | 7,825 |
| Equity participation in net losses of unconsolidated subsidiaries | - | 152 |
| Amortization of goodwill | 245 | 283 |
| Legal expenses | 800 | - |
| Project relating to commercial effectiveness | - | 1,004 |
| Other expenses | 1,550 | 913 |
| | ----- | ----- |
| Total | 10,161 | 10,633 |
| | ===== | ===== |

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Note 20 - Price-level Restatement

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

| | (Charge) credit to income from operations | |
|-------------------------------|---|--------|
| | 2003 | 2002 |
| | ---- | ---- |
| | ThUS\$ | ThUS\$ |
| Property, plant and equipment | 22 | (19) |
| Other assets and liabilities | 39 | (68) |
| Shareholders' equity | (239) | 204 |

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| | | |
|--|----------------|--------------|
| Subtotal price-level restatement | ----- (178) | ----- 117 |
| Net readjustment of assets and liabilities denominated in UF | ----- 2 | ----- - |
| Net price-level restatement | ----- (176) | ----- 117 |
| | ===== | ===== |

Note 21 - Assets and Liabilities Denominated in Foreign Currency

| | 2003 | 2002 |
|-----------------------|--------|--------|
| | ----- | ----- |
| | ThUS\$ | ThUS\$ |
| Assets | | |
| Total assets | | |
| Chilean pesos | (271) | 962 |
| Euros | 1,448 | 49 |
| Japanese Yen | (2) | - |
| Brazilian Real | 207 | 85 |
| Mexican pesos | (5) | (12) |
| Other currencies | 209 | (595) |
| Current liabilities | | |
| Chilean pesos | 946 | (209) |
| Euros | - | (118) |
| Brazilian Real | (75) | - |
| Other currencies | 53 | 46 |
| Long-term liabilities | | |
| Chilean pesos | 133 | 5 |
| Euros | (90) | - |

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Note 22 - Commitments and Contingencies

I. Contingencies:

- (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

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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

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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

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

II. Commitments:

- (a) The subsidiary SQM Salar S.A. maintains an agreement with a government agency, whereby the Company must make annual payments until 2030 based on the Company's annual sales. This amount, which has been paid since the beginning of the agreement in 1996, amounted to ThUS\$3,411 in 2003 (ThUS\$ 3,169 in 2002).
- (b) The Company has certain indirect guarantees, which relate to

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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.

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Note 23 - Third Party Guarantees

As of March 31, 2003 and 2002 the Company has the following indirect guarantees outstanding:

| Beneficiary | Debtor | | Ba 03/31/200 ThUS\$ |
|------------------------------------|---------------------------------|--------------|---------------------------|
| | Name | Relationship | |
| ING Bank -Phelps Dodge Corporation | SQM Potasio S.A. | Subsidiary | 2,694 |
| Bank of America N.A. | RS Agro-Chemical Trading A.V.V. | Subsidiary | 80,723 |

Note 24 - Sanctions

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

Note 25 - Environmental Projects

Disbursements incurred by the Company as of March 31, 2003 relating to its investments in production processes and compliance with regulations related to industrial processes and facilities are as follows:

| Project | 2003 | Future Disbursements |
|---|-----------------|----------------------|
| | ----- ThUS\$ | ----- ThUS\$ |
| Environmental protection department | 93 | 376 |
| Engineering & construction of Maria Elena stockpiles | - | 653 |
| Tocopilla money exchange | 32 | 13 |
| Renewal of water network against fire | 3 | 36 |
| Technology change in Maria Elena | - | 500 |
| Tocopilla dust collection | 57 | 15 |
| Environmental impact evaluations | 25 | - |
| Plant for the treatment of wastewater, Ministry of Public Works | 140 | 39 |
| Extension of carbonate plant | 139 | 400 |
| Borate plant emission control | - | 100 |
| Dry plants aspiration system | - | 85 |
| Modification of fire network | - | 85 |

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.

Some of the Company's products are certified ISO 9000 compliant and the Company has planned to become ISO 14,000 certified in the long term. This will further the Company's commitment to the protection of the environment.

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

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

Processes where sodium nitrate is used as a raw material are carried out in geographical areas such as the desert with favorable weather conditions for the drying of solid materials and the evaporation of liquids used in solar energy. The extraction of minerals in open pit mines, given their low waste-to-mineral ratio, gives rise to sites that have little impact on the environment. The extraction process and ore crushing produce particles that are consistent with the industry of operation.

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

On April 28, 2003, Soquimich Comercial S.A. acquired from Norsk Hydro ASA 819,999 shares of Norsk Hydro Chile S.A. and SQM Comercial Internacional Ltda., a subsidiary of SQMC, acquired the remaining share. Consequently, SQMC became the owner and controller of 100% of the ownership interest of Norsk Hydro Chile S.A.

At the General Ordinary Shareholders' Meeting held on April 30, 2003, the majority of the shareholders agreed to the following:

- a) Approve the distribution and payment of a final dividend for a total of Ch\$53.30808 per share. This dividend will be paid in one single installment beginning on May 12, 2003 and will be charged to net income for the year 2002.

- b) Approve the payment of UF 50 (fifty UF) in favor of each member of the Board of Directors regardless of the number of meetings held or not held in the respective month, as well as the establishment of an annual budget for expenses to be incurred for the running and operation of this Board and its advisors for UF 1,800 (one thousand and eighty UF).
- c) Appoint Mr. Wayne R. Brownlee, Mr. Hernan Buchi B., Mr. Jose Maria Eyzaguirre B., Mr. Avi Milstein, Mr. Julio Ponce L., Mr. Jose Antonio Silva B., Mr. Kendrick T. Wallace and Mr. Daniel Yarur E. As the new directors of SQM S.A., as well as the approval of the fees that will be paid to these directors during the next twelve months.

Except as mentioned in the preceding paragraph, the Company's management is not

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aware of any other significant events which have occurred between March 31, 2003 and the date of these financial statements, which may affect these consolidated financial statements.

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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: June 23, 2003.

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