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## S Q M ' s   W o r l d w i d e   P r e s e n c e

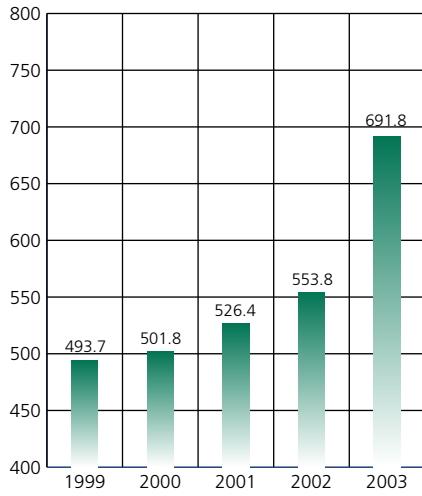


<b>Headquarters</b>	<b>Sales Offices</b>	<b>Regional Offices</b>	<b>Blending Facilities</b>
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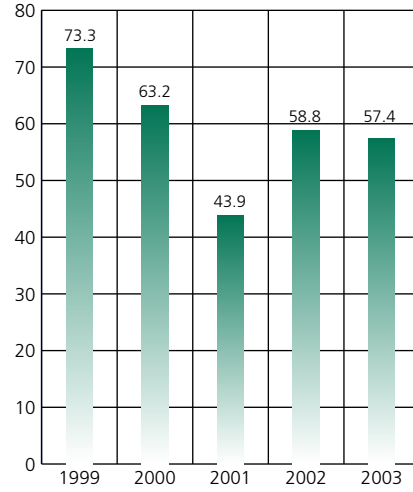
<i>Geographical Sales Distribution</i>	<i>(Mill.US\$)</i>	<i>Contribution</i>
<i>Northamerica</i>	191.9	28%
<i>Chile</i>	157.2	23%
<i>Europe</i>	116.7	17%
<i>Asia, Oceania and others</i>	100.1	14%
<i>Latinamerica &amp; Caribbean</i>	81.3	12%
<i>Africa and Middle East</i>	44.6	6%
<b>Total</b>	<b>691.8</b>	<b>100%</b>

<i>Sales Distribution by Business Area</i>	<i>(Mill.US\$)</i>	<i>Contribution</i>
<i>Specialty Fertilizers</i>	346.1	50%
<i>Iodine</i>	84.5	12%
<i>Lithium</i>	49.6	7%
<i>Industrial Chemicals</i>	73.6	11%
<i>Others</i>	138.0	20%
<b>Total</b>	<b>691.8</b>	<b>100%</b>

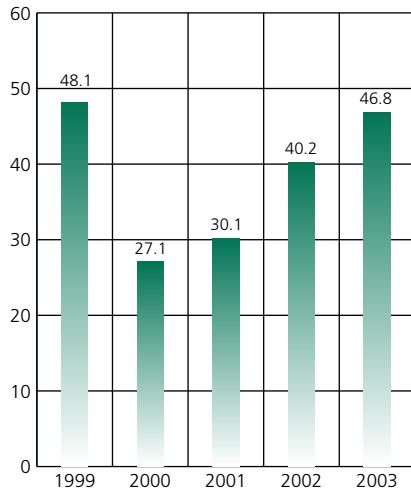
**Total Revenues**  
(Mill. US\$)



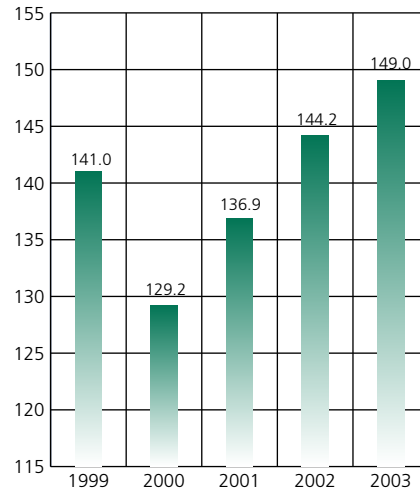
**Capital Expenditure**  
(Mill. US\$)



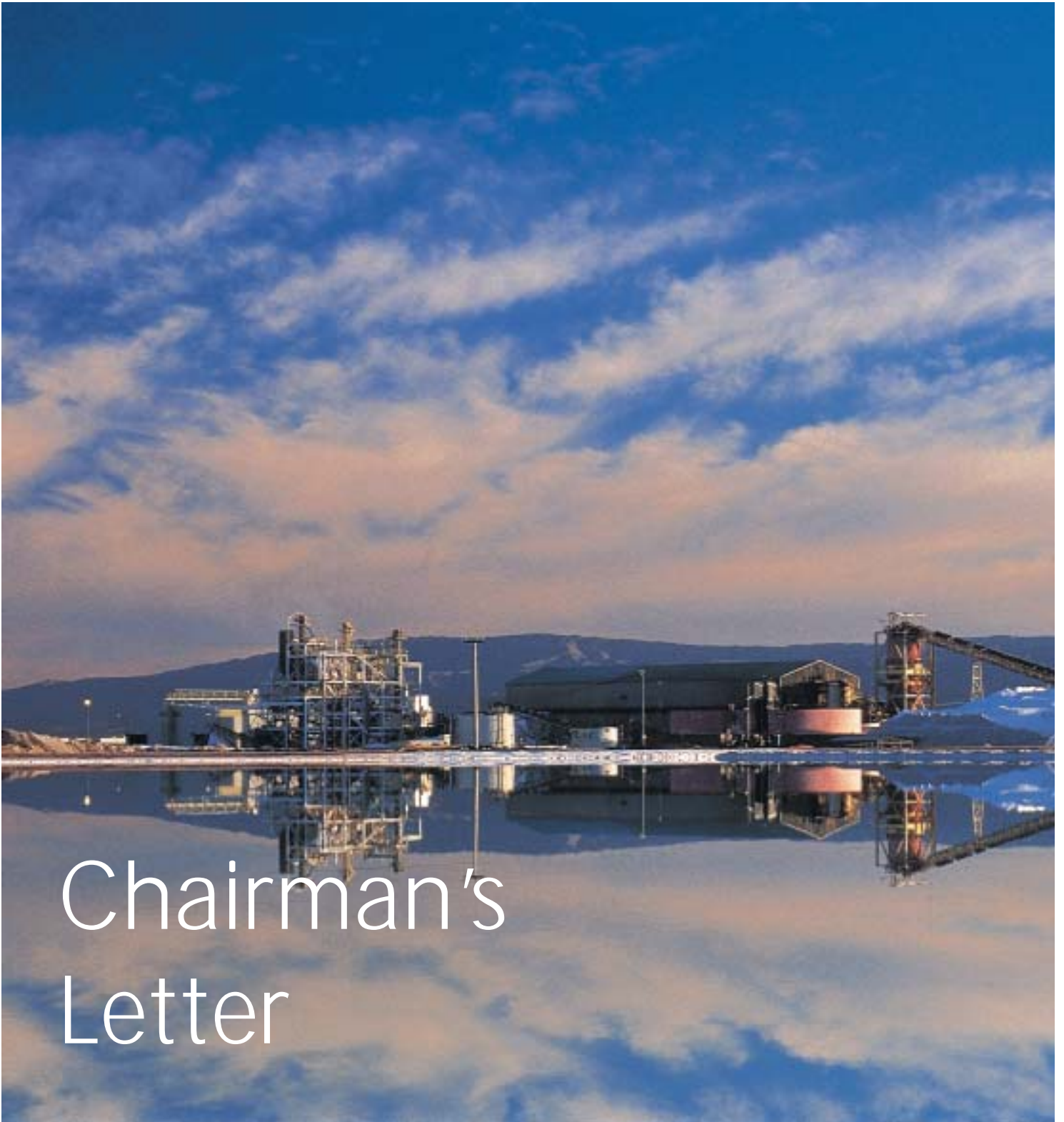
**Net Income**  
(Mill. US\$)



**Operating Cash Flow**  
(Mill. US\$)







# Chairman's Letter





*After a couple of years with depressed international prices, we saw in 2003 the stabilization, and in some cases even the recovery, of the prices for many of our products. This provides a solid foundation for our future growth and gives us confidence regarding the Company's future prospects.*



## Chairman's Letter

Dear Shareholders:

The year 2003 was a good year for SQM. The company's net profit increased by 16.3% reaching US\$ 46.8 million, which continues with the positive trend shown over the past three years. In addition, the price of SQM shares increased significantly last year – by approximately 56% in the Santiago stock exchange and by 91% in the New York stock exchange (boosted by the appreciation of the Chilean peso).

During 2003, a series of opportunities and challenges arose, which had an important impact on the results obtained in the period. Allow me to share a few of these subjects with you.

We began the year by consolidating our share ownership in two fertilizer distribution companies: Fertilizantes Olmeca in México and Mineag in South Africa. Both companies have a relevant commercial presence in countries with high prospects for the use of specialty fertilizers. These companies together generated revenues for more than US\$ 55 million in the year 2003 related to the distribution of SQM fertilizers and to the trading of other fertilizers.

In addition, our Chilean subsidiary Soquimich Comercial (SQMC) acquired the operations of Norsk Hydro Chile, which further consolidated our position as the undisputable leader in fertilizer distribution and commercialization in Chile. Thus, SQMC's results increased by 36% during 2003, compared to the previous year.

In the second half of 2003, an agreement was reached to acquire the productive operations of PCS Yumbes. The transaction will be completed in 2004 and will help to consolidate the potassium nitrate productive operations of both companies with the resulting benefits in production costs.

In the specialty chemicals area, the year 2003 brought a strengthening of the demand of iodine due to better prospects in its main uses. As for lithium, the company continued consolidating its position in the lithium hydroxide market thanks to the stock pile acquired by the end of 2002.


The several progresses made last year challenge us to continue with this trend over the next years. To lay the foundations for future growth, 2004 shall be an important year, in which we are going to face a series of opportunities and challenges.

The continuous increase in sales of our main products demands from us to increase production capacity. This year we have to begin those projects aimed at sustaining and increasing the Company's production capacity of nitrates and iodine so as to plan and prepare the Company for the upcoming years. In addition, the construction of a lithium hydroxide plant will allow us to maintain and strengthen our presence in this market.

In the commercial aspect, we must continue with our expansion in areas of greater added value and client service. An example of this, is the construction of a liquid fertilizers plant that we are developing jointly with Yara Internacional in Egypt, which will allow us to reinforce our presence in new markets by widening our geographical coverage.

Finally I would like to mention, with respect to the new regulations imposed in the United States through the Sarbanes-Oxley Act, that in SQM we have taken them as an opportunity to strengthen our practices of corporate governance and to assure all our shareholders that our goal continues to be the safeguard of their interests. For the year 2004, our efforts will be focused on the implementation of internal control systems in accordance with the requirements of rule 404 of the Sarbanes-Oxley Act.

I want to thank the efforts of each of our more than 3,000 employees, the support of our suppliers and customers and the confidence deposited by our shareholders, and to assure you that we are working hard to make your investment in SQM ever more profitable.



Julio Ponce L.  
President

## Board of Directors



As of December 31 2003, the Board of Directors was formed by:

- 1 Chairman**  
Julio Ponce L.  
Forestry Engineer, Universidad de Chile
- 2 Vice-Chairman**  
Wayne R. Brownlee  
Economist, University of Saskatchewan
- 3 Director**  
Hernán Büchi B.  
Civil Engineer, Universidad de Chile
- 4 Director**  
Kendrick Taylor Wallace  
Lawyer, Harvard Law School
- 5 Director**  
Avi Milstein  
Mechanical Engineer, Israeli Technical Institute, Haifa
- 6 Director**  
Daniel Yarur  
Information Engineer, Universidad de Chile

- 7 Director**  
José María Eyzaguirre B.  
Lawyer, Universidad de Chile

- 8 Director**  
José Antonio Silva B.  
Lawyer, Universidad Católica de Chile

During the Annual Shareholders Meeting that took place on April 30, 2003, the entire Board of Directors was elected, being elected Mr. José Antonio Silva B. by the series B shareholders. As a result of the election, Mr. Roberto Izquierdo ceased his functions as director of the Company.

On May, 2003 the board decided unanimously to -i- designate Mr. Julio Ponce Lerou as chairman of the board, -ii- designate Mr. Wayne R. Brownlee as vice chairman of the board, and -iii- designate Mr. Wayne R. Brownlee, Mr. Avi Milstein and Mr. José Antonio Silva B. as members of the directors committee.





**Patricio Contesse**  
Chief Executive Officer

*During 2003 we were able to accomplish our goals and develop new projects, broadening and consolidating SQM's worldwide presence. This was possible, to a large extent, thanks to our experienced and committed human team.*

*Most of the efforts carried out by the SQM team have already shown up in the last 3 years' results and, I am sure, in the upcoming years we will be able to see the results of the efforts we are doing every day.*



Senior Management

As of December 31 2003, the Senior Management was formed by:

**Chief Executive Officer**  
Patricio Contesse González  
Forestry Engineer, Universidad de Chile  
RUT: 6.356.264-5

**Chief Financial Officer and  
Business Development Senior Vice President**  
Ricardo Ramos Rodríguez  
Industrial Engineer, Universidad Católica de Chile  
RUT: 8.037.690-1

**Executive Vice President and  
Chief Operating Officer**  
Patricio de Solminihac Tampier  
Chemical Engineer, Universidad Católica de Chile  
RUT: 6.263.302-6

**Project Engineering Senior Vice President**  
Maurice Le Fort Rudloff  
Structural Engineer, Universidad Católica de Chile.  
RUT: 4.035.426-3

**General Counsel**  
Matías Astaburuaga Suárez  
Lawyer, Universidad Católica de Chile  
RUT: 7.080.469-7

**Operations Senior Vice President**  
Carlos Nakousi Salas  
Industrial Engineer, Universidad Católica de Chile  
RUT: 8.779.964-6

**Corporate Internal Auditor**  
Jorge Araya Cabrera  
Certified Public Accountant,  
Universidad Católica del Norte  
RUT: 4.413.002-5

**Technical Senior Vice President**  
Jaime San Martín Larenas  
Transportation Engineer,  
Universidad Católica de Chile  
RUT: 8.931.725-8

**Senior Commercial Vice President**  
Eugenio Ponce Lerou  
Mechanical Engineer,  
Universidad Católica de Valparaíso.  
RUT: 5.370.715-7

**Human Resources and Administration  
Senior Vice President**  
Camila Merino Catalán  
Industrial Engineer, Universidad Católica de Chile  
RUT: 10.617.441-5

## Main Shareholders

As of December 31, 2003

<b>Series A</b>			
	Number of Shares	% ownership of Series A shares	% of total ownership
Inversiones el Boldo Ltda.(1)	53,562,519	37.50%	20.35%
Sociedad de Inversiones Pampa Calichera S.A.(2)	46,434,256	32.51%	17.64%
Inversiones RAC Chile Limitada	19,200,242	13.44%	7.30%
Global Mining Investments (Chile) S.A.(2)	7,123,076	4.99%	2.71%
Inversiones la Esperanza (Chile) Ltda	3,589,387	2.51%	1.36%
AFP Habitat S.A. para Fdo. tipo C	2,059,409	1.44%	0.78%
AFP Provida S.A. para Fdo. tipo C	1,296,545	0.91%	0.49%
AFP Habitat S.A. para Fdo. tipo A	950,115	0.67%	0.36%
AFP Habitat S.A. para Fdo. tipo B	948,018	0.66%	0.36%
Kowa co. Ltd.	781,429	0.55%	0.30%
Kochi S.A.	714,084	0.50%	0.27%
AFP Provida S.A. para Fdo. tipo B	621,767	0.44%	0.24%
<b>Subtotal Main Shareholders</b>	<b>137,280,847</b>	<b>96.12%</b>	<b>52.16%</b>
<b>Total Series A Shares</b>	<b>142,819,552</b>	<b>100.00%</b>	<b>54.26%</b>
<b>Total Series A Shareholders</b>	<b>827</b>		
<b>Series B</b>			
	Number of Shares	% ownership of Series B shares	% of total ownership
The Bank of New York, segun circ.1375	29,567,470	24.56%	11.23%
AFP Provida S.A. para Fdo. tipo C	4,864,324	4.04%	1.85%
AFP Habitat S.A. para Fdo. tipo C	4,803,624	3.99%	1.83%
AFP Santa Maria S.A. para Fdo. tipo C	4,735,438	3.93%	1.80%
AFP Cuprum S.A. para Fdo. tipo C	3,991,991	3.32%	1.52%
AFP Summa Bansander S.A. para Fdo. tipo C	3,389,661	2.82%	1.29%
AFP Provida S.A. para Fdo. tipo B	2,937,040	2.44%	1.12%
Inversiones RAC Chile Limitada	2,699,773	2.24%	1.03%
Larrain Vial S.A corredores de bolsa	2,461,637	2.04%	0.94%
AFP Habitat S.A. para Fdo. tipo B	2,254,810	1.87%	0.86%
Moneda S.A. AFI para pionero fondo de inversión	1,871,710	1.55%	0.71%
Moneda S.A. AFI para pionero fondo de inversión	1,827,281	1.52%	0.69%
<b>Subtotal Main Shareholders</b>	<b>65,404,759</b>	<b>54.33%</b>	<b>24.85%</b>
<b>Total Series B Shares</b>	<b>120,376,972</b>	<b>100.00%</b>	<b>45.74%</b>
<b>Total Series B Shareholders</b>	<b>2,110</b>		
<b>Total Series A and B Shares</b>	<b>263,196,524</b>		
<b>Total Series A and B Shareholders</b>	<b>2,937</b>		

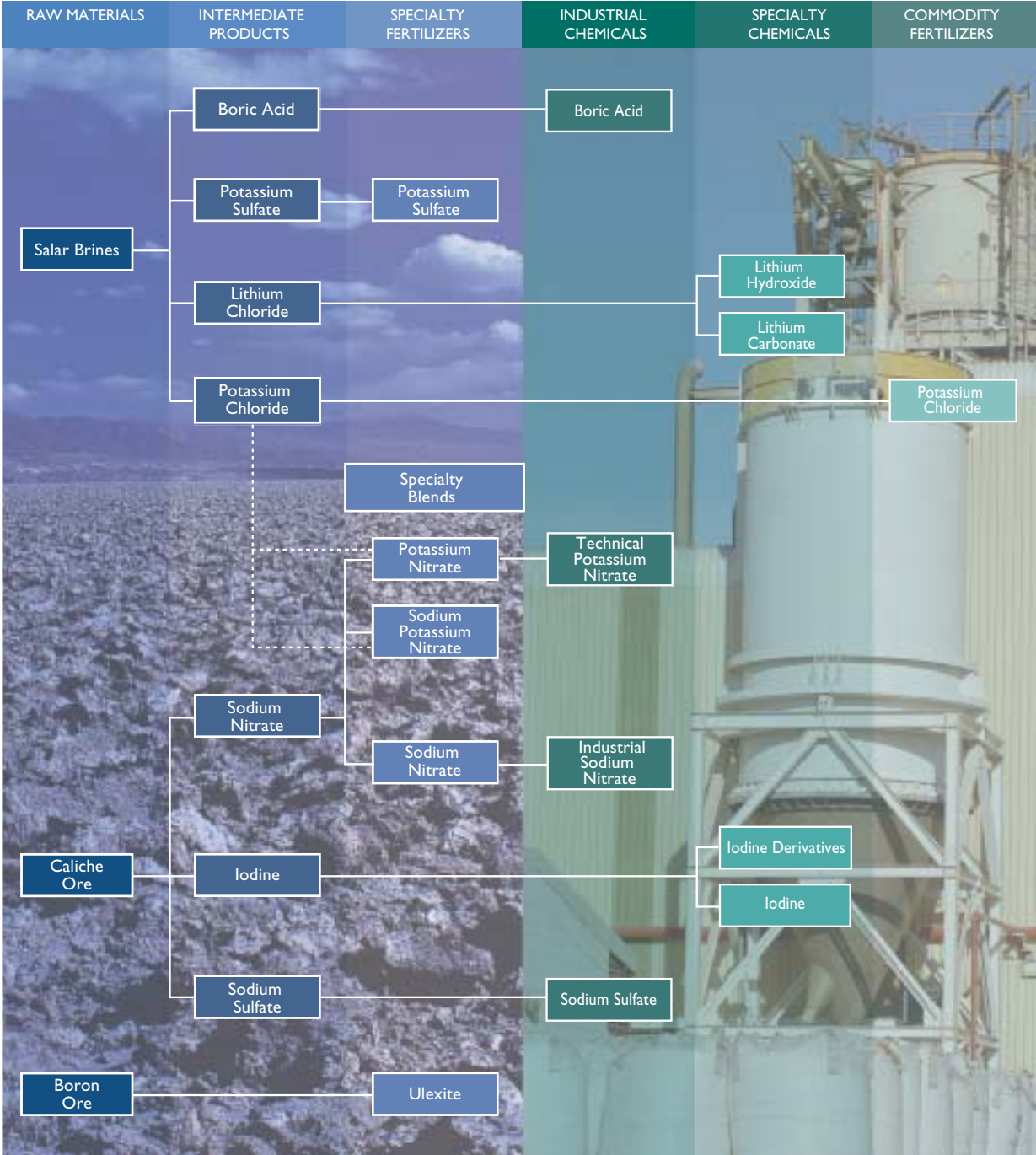
(1) Potash Corporation of Saskatchewan owns 100% of Inversiones el Boldo Ltda., therefore being the beneficial owner of 53,562,519 series A shares, which represent 20.35% of the total shares of SQM. .

(2) Sociedad de Inversiones Pampa Calichera S.A. owns 100% of the stock of Global Mining Investments (Chile) S.A., therefore being the beneficial owner of 53,557,332 series A shares, which represent 20.35% of the total shares of SQM. .

Other than the aforementioned, and within the major shareholders, some of them have diminished or ended their participation and others have initiated or increased their participation.

Taking into account the participation structure of the stockholders, the Company does not have a controlling entity.

Main Products



## Historical background



**1770**

Jesuits start to use caliche as fertilizer.

**1811**

French chemist Bernard Courtois discovers iodine.

**1817**

Swedish scientist August Arfvedson discovers lithium.

**1910**

In Germany, starting from nitrogen from the air, the synthesis of ammonia is achieved, producing a synthetic fertilizer. Before that, Chilean fertilizer represented 65% of the world market.

**1971**

CORFO takes the control of 100 % of SQM.

SQM's five-year privatization process starts and private pension funds take part in the property.

starts to be applied.

Coya Sur .

**1983**

**1985**

The pile leaching process

**1986**

First potassium nitrate (KNO<sub>3</sub>) production in

**1993**

Start up of the technical potassium nitrate plant.

Potassium chloride production capacity increase.

allowing SQM to achieve important cost synergies. Interconnection of productive operations to natural gas network.

Lithium carbonate production capacity increase.

**2000**

Construction of a new potassium nitrate (KNO<sub>3</sub>) plant.

**2001**

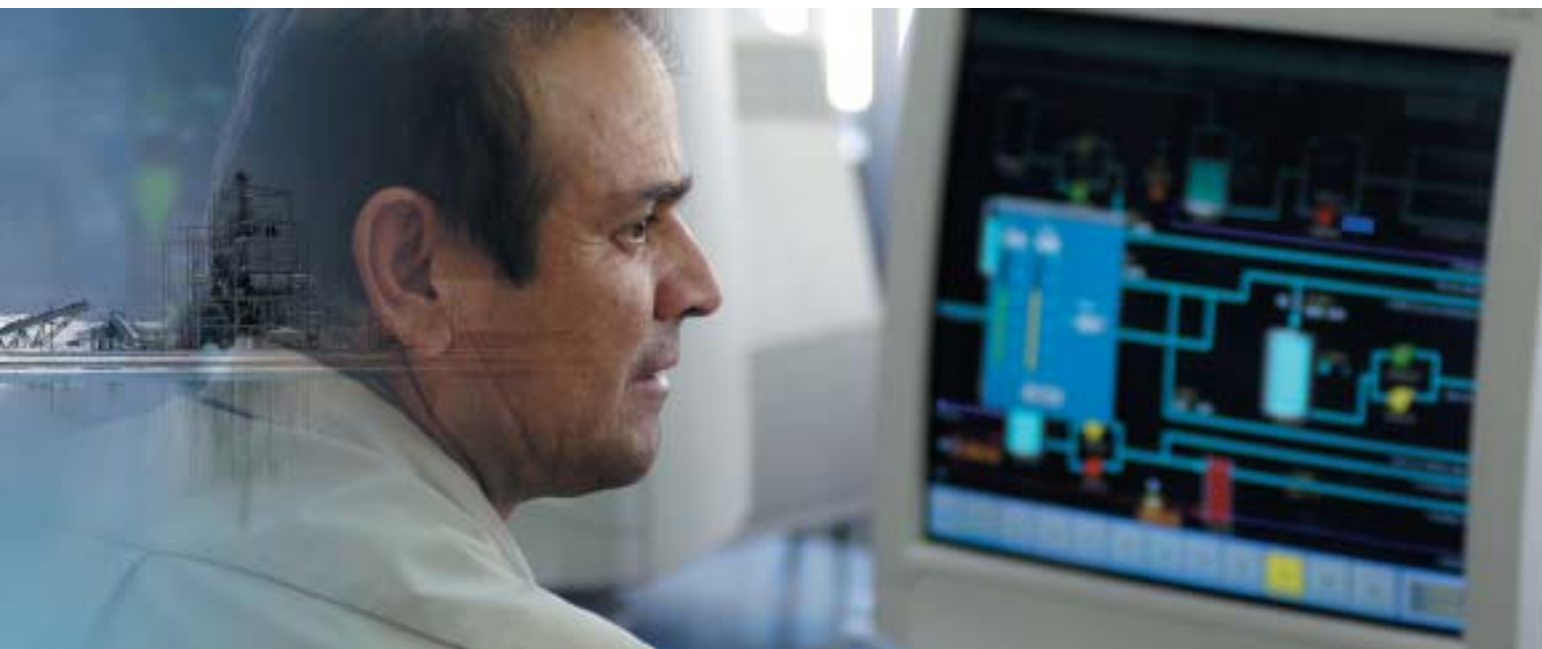
Joint venture agreement with the Norwegian company Norsk Hydro ASA,

**2002**

Construction of a butyllithium plant in Bayport Texas, USA.

**2003**

Acquisition of Norsk Hydro Chile operations, allowing the



**1924**

The Guggenheim family acquires María Elena and forms "The Anglo Chilean Consolidated Nitrate Corporation", developing the current production process.

First offering of shares on the national and international markets through the ADR mechanism.

**1995**

Second offering of shares with access to the international market company to reach close to 50% of market Share in Chile.

Joint Venture to produce and market water soluble fertilizers in Egypt.

**1930**

January 5, the construction of the caliche office "Pedro de Valdivia" is started.

kets through the ADR mechanism. Potassium chloride production starts at the Salar de Atacama.

**1996**

Issuance of a US\$200 million public bond on the interna-

**1951**

A crystallizing plant is built in Coya Sur with the purpose of efficiently using the nitrate precipitation in the solar evaporation ponds.

tional markets.

**1997**

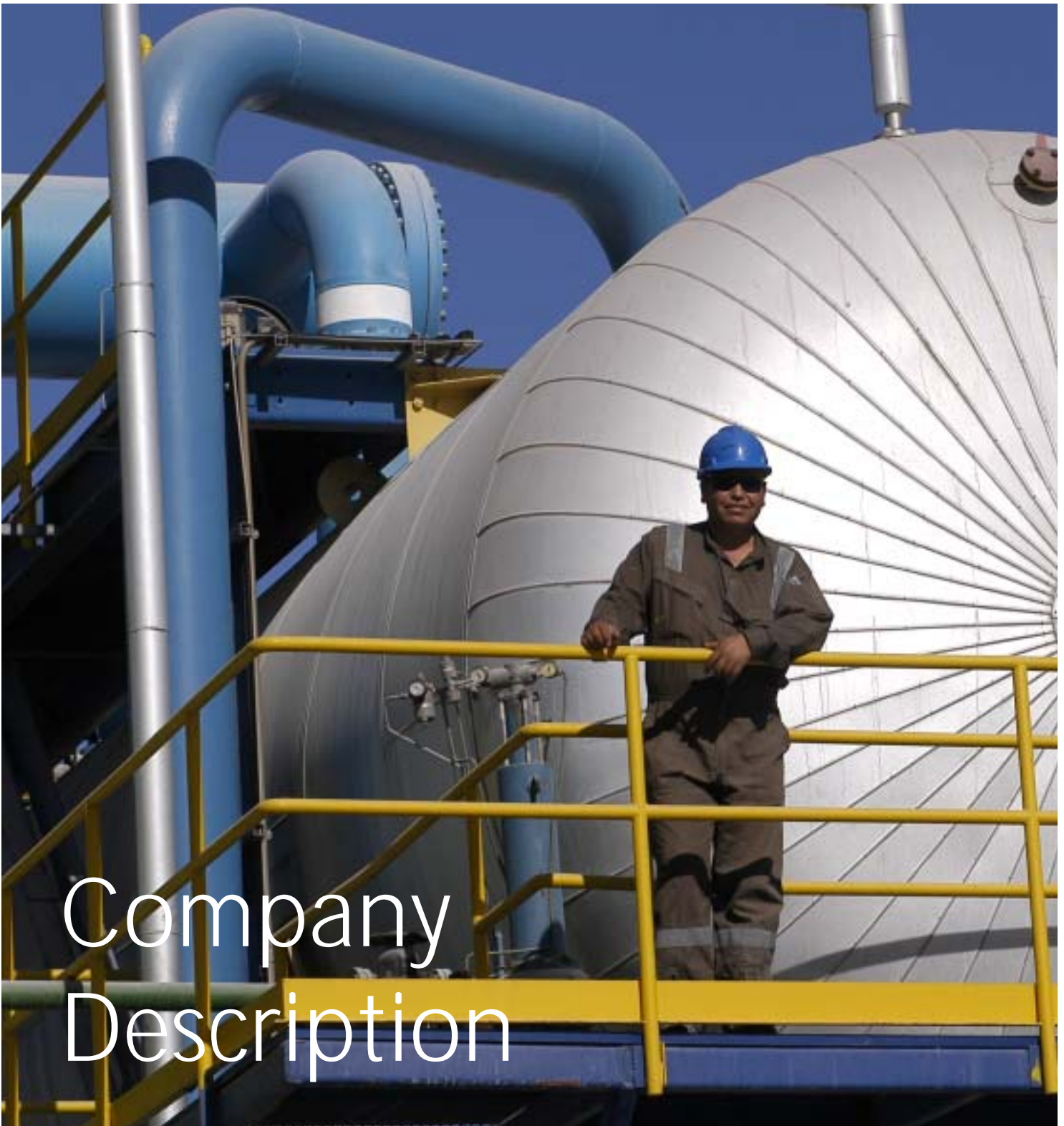
Start up of lithium carbonate production.

**1968**

Merger of "Corporación de ventas de Salitre y Yodo", "Compañía Salitrera Anglo Lautaro", "Compañía Victoria" and the State in order to form SQM (62.5% Anglo-Lautaro and 37.5% CORFO)

**1998**

Start up of potassium sulfate and boric acid production.



# Company Description





Patricio de Solminihac  
Executive Vice President and Chief Operating Officer

*Fulfilling our strategy requires not only having SQM personnel aligned towards one common goal, but also the multiple processes involved in the development of our businesses have to support the accomplishment of that goal. The unique characteristics of our natural resources, our productive processes, our vast logistic capabilities and our commitment with quality, the environment and the community fuel the SQM machine to keep moving at the right pace towards our Vision.*



## Company Description

### General Overview

SQM is the worldwide leader in the specialty fertilizers, iodine and lithium businesses.

SQM's products are obtained from the development of two high quality natural resources, caliche ore and salar brines, which can be found on the First and Second regions of Chile. The caliche is found in the "Pampas" of the First and Second regions of Chile, and the salar brines are found in the Salar de Atacama on the Second region of Chile. Throughout all these areas SQM holds exploration and exploitation rights for more than 2 million hectares for these resources.

These unique raw materials, the unmatched conditions of the Atacama Desert, the driest in the world, and a complete productive and logistic integration allow the Company to obtain the highest quality products and at the same time to be the lowest cost producer in each of the markets in which it participates.

Furthermore, SQM holds an important world presence seeking to complement its strategy of productive and logistic integration. SQM is present in over 20 countries with commercial offices and blending plants, which along with commercial alliances with important international companies enable SQM to have additional geographical and client diversification. This important sales and distribution network has allowed the Company to export to over 100 countries with revenues of approximately US\$ 690 million.

### Strategy

SQM's strategy is based on maintaining and strengthening its position as the worldwide leader in the markets in which it has sustainable competitive advantages: specialty fertilizers, iodine and lithium.

To achieve this strategy, SQM will:

- Focus its efforts in its three main businesses
- Maintain continuous efforts on cost reduction initiatives
- Work to develop new markets, products and applications
- Evaluate acquisitions, joint ventures and commercial alliances in each of its three main businesses
- Maintain a conservative financial position

## Company Description



### Vision

By the year 2010, SQM envisions that it will have further consolidated its position as the undisputed world leader and lowest-cost producer in its three core businesses, specialty fertilizers, iodine and lithium, thanks to its unmatched access to high-quality natural resources, installed capacity and great flexibility to react to sudden changes in market conditions. At the same time, SQM's management will continue to be driven by a well-defined set of values that reflect the Company's corporate culture, including a strong respect for ethics, the fair treatment of all of its constituencies – shareholders, employees and customers – a high degree of accountability to its community, as well as strong environmental awareness.

### Natural Resources

SQM exploits caliche ore from open-pit deposits and salar brines from the Salar de Atacama located in northern Chile.

The Caliche Ore deposits are the largest commercially

exploitable natural sources of nitrate and iodine known in the world. From these deposits, SQM has exploitation and exploration rights of more than 2 million hectares, that represent approximately 75% of the existing economically exploitable caliche ore deposits.

The Caliche Ore is a mineral that contains high concentrations of nitrate and iodine, 6-9% and 300-600 parts per million respectively and is found in layers that range from 2 to 3 meters in thickness deposited at no more than 2 meters of depth, allowing the exploitation process to be extensive and of low cost.

The objective of the exploitation of the caliche ore deposits is the recovery of salts contained in them, using for this purpose crushing and leaching processes as a first step, from which sodium nitrate, sodium sulfate and iodine are obtained as final products. SQM has gathered and developed great scientific knowledge of the chemical properties and mining process of the caliche ore, which constitutes one of the corner stones for maintaining its cost leadership





*The Salar de Atacama salt brines have the highest overall concentrations of lithium, potassium, sulfate, boron and magnesium among all of the world's known saline deposits and is located in an area where solar evaporation rate reaches approximately 3.2 meters of water per year.*



allowing the sustainable development of its businesses.

On the other hand, the Salar de Atacama is a natural source for underground brines that were formed through the natural leaching of the Andes Mountains, from which it concentrated and accumulated different minerals over the years under the surface of the saline crust. Among all of the world's known saline deposits, the Salar de Atacama is the one that has the brines with the highest concentrations of lithium and potassium, as well as significant concentrations of sulfate, boron and magnesium. Also the Atacama Desert has a solar evaporation rate of 3,200 millimeters of water per year, which positively favors the concentration processes of the brines based on solar energy.

The brines, which are extracted from different brine pockets beneath the saline crust through pumping are processed in solar evaporation ponds that cover an area of approximately 1,700 hectares. The resulting solutions are subject to different processes from which potassium chloride, lithium carbonate, potassium sul-

fate, boric acid and magnesium chloride are obtained.

Additionally, benefiting from production synergies, SQM produces potassium nitrate from the potassium chloride extracted from the brines and from the sodium nitrate extracted from the caliche ore.

### **Logistics and Distribution**

In order for SQM clients to efficiently receive high quality products, the Company has had to develop the most complete and efficient logistic network, extending from the Salar de Atacama and reaching thousands of clients worldwide.

One of the most important stages in the complex process to which SQM products are subject to, consists of product forwarding and distribution due to the geographical dispersion of its productive facilities. The Company needs to transport more than 30 million tons a year within the productive area, where the mineral extraction and exploitation operations occur, and the productive plants and warehouses on the port of Tocopilla. In order to fulfill this task, SQM owns a railroad network, which complemented by truck forwarding services, allows the Company to efficiently achieve all of its productive requirements.

A key element, in all of the logistic and distribution efforts of SQM, are the facilities owned by the Company in the port of Tocopilla. Located 200 kilometers North from Antofagasta and connected to the productive plants by SQM's railroads, it is in this port where almost all of the Company's overseas shipments take place. The facilities include a mechanical arm, a mobile dump body, conveyor belts, storage silos, nitrate bagging machines and loading docks, all of which make the distribution process more efficient.

Approximately 90% of SQM's production is sold to international markets, which has presented an important challenge for SQM in the commercial area. To solve the aforementioned, the Company has developed a distribution network with commercial and

## Company Description



representative offices in 20 countries throughout the world. The Company also maintains warehouses and blending facilities strategically placed in the five continents, enabling SQM to distribute its products with quality and efficiency to over 100 countries.

In line with its development strategy SQM has searched for alternatives to strengthen even more its distribution network, establishing strategic alliances with important international companies taking full advantage of the synergies in the distribution areas, improving thus its worldwide reach.

### Quality and Quality Certifications

Well aware that successful companies are the ones that are capable of satisfying their clients needs through efficient production, and meeting as well as improving the market standards, SQM created during 2002 a specialized unit for the Company's quality improvement. This new unit will have the responsibility of designing a corporate quality management system that will strengthen and improve the Company's

current quality systems. With this objective SQM is implementing an integral quality plan based on highly effective quality and efficiency improvement methodologies, therefore allowing the Company to achieve its objective of continuous improvement.

SQM maintains ISO certifications for its nitrate and iodine products, and at the same time, the Lithium Carbonate product will also be incorporated to be certified under the same standard. The Company was one of the first Chilean companies that obtained quality certification, which took place during 1992 for the iodine plants complying with ISO 9003 standards.

The certification process extends itself until today and among its most important milestones there is the 1994 quality certification complying with ISO 9002 standards, for the processes of manufacturing and commercialization of prilled and flaked iodine. On that last occasion a quality assurance system was incorporated to the iodine plants located in Maria Elena, Coya Sur and Pedro Valdivia, in the Second



Region of Chile.

The idea of continuous improvement is part of the Company's philosophy, reason that on 2001 motivated a re-certification of the quality assurance system of the Iodine plants, also including SQM's Iodine plant of Nueva Victoria located in the First Region of Chile.

Additionally, in 1996, accreditations of complying with ISO 9002 standards started for the new products of Potassium Nitrate on technical and refined grades, certification accredited by BVQI certified on 1997, which considers the manufacturing process and commercialization of the products.

On February 2000, the first re-certification of the quality assurance system of Nitrates took place, modifying the scope of the certification also to water soluble NPK fertilizers and Sodid and Potasic Nitrate on technical and refined grades.

A high commitment to quality enables SQM to meet

the ever-growing needs of its markets, being recognized in them for its high quality and service standards. The quality of its products and focusing towards continuous improvement of the productive, commercial and service processes, are objectives of the utmost importance in the productive strategy of the Company.

### **Research and Development**

With the purpose of developing new processes and products that maximize the return from the resources the Company exploits, SQM has a Research and Development team conformed by professionals of the highest standards. The main research areas cover topics such as, chemical process design, equilibrium chemistry, chemical analysis methodologies and physical properties on finished products. This unit, which reports to GIDMA (Research and Development and Environment Department), gives technical advisory to the production, quality and the commercial area.

### **Environment**

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

The above is part of the Company's Environmental Management System, which seeks to identify the environmental issues link to each of the Company's productive processes in order to protect SQM's employees, nearby communities, renewable resources and, in general, any ecosystem existing on the desert zones in which the Company carries out its operations.

## Company Description



SQM and Conaf (National Forestry Corporation) are part of a plan to protect the flora and fauna of a series of lagoons situated in the Salar de Atacama, which are the natural habitat for the Andean, Chilean and James flamingoes. The monitoring of this ecosystem has been jointly carried out by Conaf and SQM since 1995, measuring and controlling variables such as wildlife population, size and physico-chemical properties of the lagoons, and meteorological conditions of the area, all of which help to ensure the continuity of this particular ecosystem.

### Community

The relationship that SQM has with the communities located in the surroundings of the operational centers is one of the main pillars for the sustainable development of the Company's productive strategy.

In order to strengthen this relationship, SQM has

engaged in an active participation in social projects that directly benefit the community. Some of the projects the Company is developing are the following:

- Contributions to universities and local institutions for research in the caliche history and the maintenance of national monuments.
- Seminars directed to universities, researchers of local companies and professionals involved in the technical area.
- Educational and ecological trips for more than 400 primary school students, visiting SQM's plants and the national reserves around them to support scientific education.
- Professional internships for more than 150 technical students of the area per year
- Contributions for cultural development through lectures, workshops and sport academies for SQM's





- employees, their families and the community.
- Educational trips for professors to teach them the history of nitrates in the second Region of Chile.
- Significant contributions to social care centers on the Second Region of Chile.
- Establishment of funds available to SQM employees on a bid format for the development and implementation of social care projects directed to the community.
- Sponsorship of cultural, educational and sports events of the region.

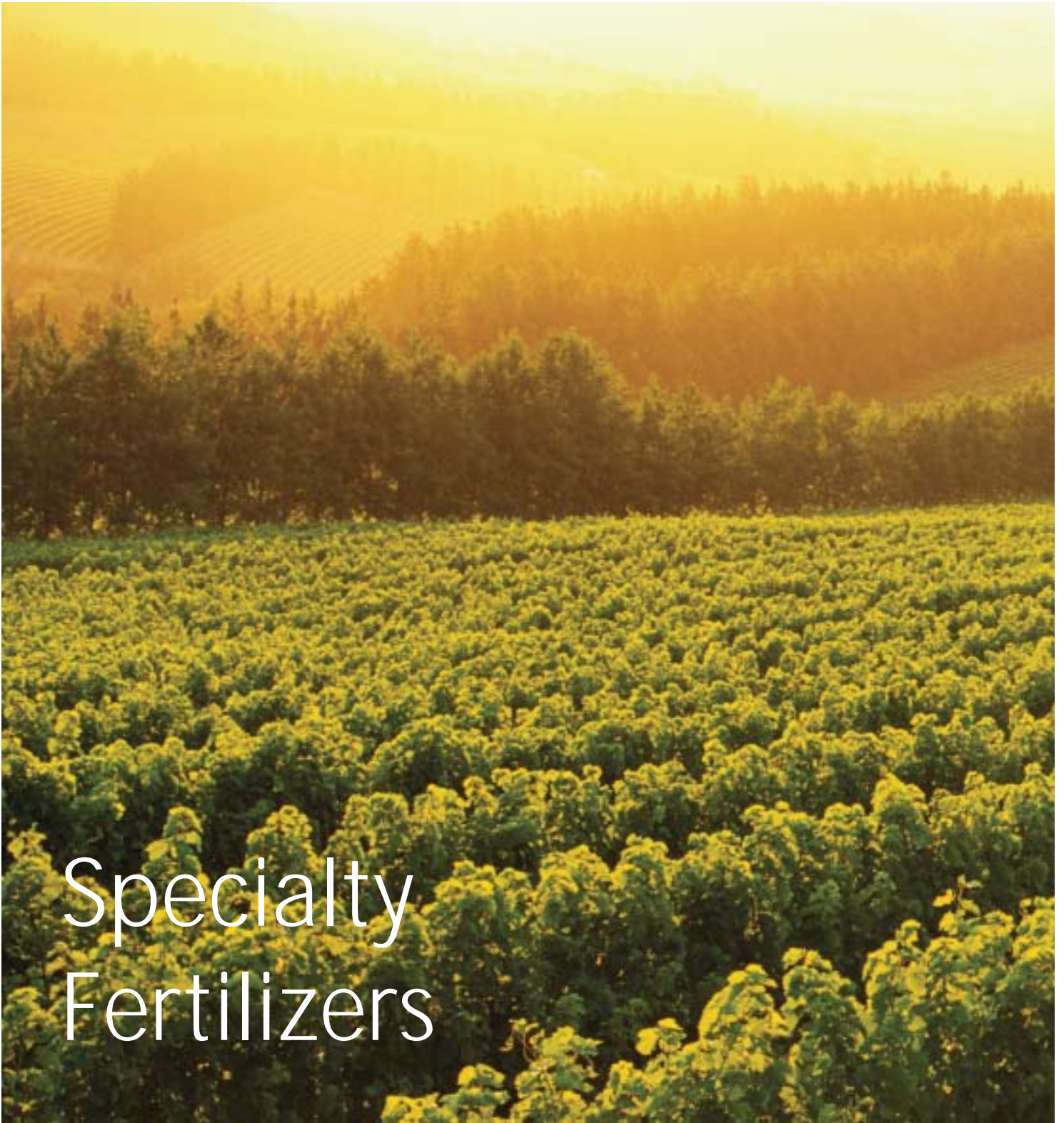
During 2003, more than 1,000 employees became qualified in risk prevention issues, confirming thus the importance SQM assigns to the knowledge about preventive matters and also elements for personal insight. For SQM, the objective of risk prevention is to improve the work environment in order for workers and contractors to carry out their duties with greater safety.

### Employees and Risk Prevention

SQM employees are at the heart of each of the Company's core activities, being key to the Company's commercial flexibility and productive efficiency. They entail the responsibility of bringing SQM's unique characteristics into every product throughout the world.



-  Headquarters
-  Sales offices
-  Regional offices
-  Blending facilities



# Specialty Fertilizers





Eugenio Ponce  
Senior Commercial Vice President

*In the past years we have significantly increased our sales as well as explored new markets. Our international distribution network allows us to reach directly the final customers, which helps us not only to offer them greater value but also to better understand the future market drivers. Thanks to this, we can confidently state that our main businesses -iodine, lithium and specialty fertilizers- enjoy a continuously growing demand.*



## Specialty Fertilizers

Specialty fertilizers is one of the businesses in which SQM holds a world leader position reporting the highest revenues with US\$ 346 millions, nearly 50% of the Company's total revenues. For potassium nitrate, the most representative specialty fertilizer and the building block for downstream specialty blends, SQM is the main producer worldwide, with a production capacity of 650 thousand metric tones per year and a worldwide market share of approximately 50%.

Some twenty years ago, sodium nitrate was the only specialty fertilizer produced by SQM. A few years later Potassium Nitrate was introduced and rapidly became the most important product in SQM's portfolio. At the same time it is the main raw material for NPK soluble fertilizer blends considered as third generation fertilizers. Nowadays SQM produces four main specialty fertilizers i) potassium nitrate ii) sodium nitrate iii) sodium potassium nitrate iv) potassium sulfate and more than 200 NPK fertilizer blends. The latter are tailored for the specific needs of certain type of crops, soils and geographical zones that mainly use modern agricultural techniques such as green housing, drip irrigation and hydroponics.

One of the main advantages SQM's specialty fertilizers have compared to commodity fertilizers are the significant improvements generated in yields and quality for the target crop. Within the technical advantages the following can be outlined:

**Chlorine free:** it has been proved that the presence of Chlorine affects the quality and yield of certain crops. Potassium nitrate and potassium sulfate are the main source of chlorine-free potassium fertilizers that are used on technified agriculture.

**100% water soluble:** modern agricultural techniques require the fertilizer to be applied together with irrigation water, thus needing the fertilizers to be completely water soluble to prevent any damage to the irrigation systems.

**Rapid and effective absorption:** SQM's specialty fertilizers contain nitric nitrogen, which is rapidly absorbed by the plant. Other nitrogen sources (ammonium nitrate) must undergo previous transformations before plant absorption, thus affecting the crop's yields.

**Reduce and regulate soil acidity:** one of the problems with fertilizers containing ammonium nitrate (such as urea) is that the transformation process from ammonium nitrate to nitric nitrogen produces a reaction that acidifies

## Specialty Fertilizers



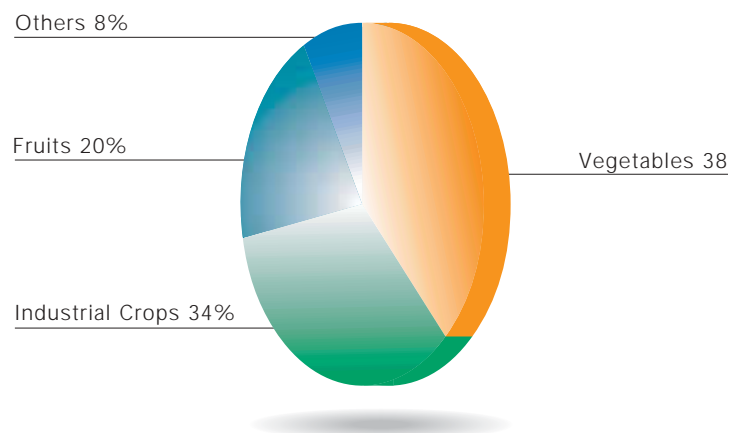
the soil making them less appropriate for sensitive crops such as vegetables and greens. This does not occur with SQM's specialty fertilizers.

**Natural origin:** being 100% from a natural origin SQM's specialty fertilizers have micro-nutrient traces

(boron, calcium, magnesium) which represent an additional benefit in terms of plant nutrition.

Nowadays, globalization creates new challenges for agriculture, specially for high performance crops. The increasing costs of soil, water scarcity, the need to

### Specialty Fertilizers main uses







*The increasing costs of soil, water scarcity, the need to improve yields and the demand for first class products are forcing more and more farmers to use modern agricultural techniques and to focus on the adequate selection of the supplies such as fertilizers*



improve yields and the demand for first class products are forcing more and more farmers to use modern agricultural techniques and to focus on the adequate selection of the supplies such as fertilizers. This explains the fast increase in the consumption of specialty fertilizers throughout the world and the positive outlook in future demand.

In line with SQM's strategy of strengthening its leadership in its three main businesses, during 2003 the Company gave important steps in the form of agreements and acquisitions to improve the business of specialty fertilizers, creating greater value to its clients and entering into new markets.

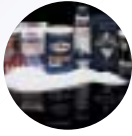
- **Acquisition of Norsk Hydro Chile:** During 2003, SQM's distribution affiliate in Chile, Soquimich Comercial S.A. acquired the subsidiary in Chile of Yara International ASA (formerly Hydro Agri, a division of Norsk Hydro ASA). This allowed Soquimich Comercial S.A. to strengthen its fertilizer distribution business in Chile and to increase the portfolio of products.

- **Joint Venture Agreement:** The increase in the use of modern agricultural techniques that require water soluble fertilizers motivated SQM to sign a joint venture agreement with Yara International ASA and two Egyptian entrepreneurs with the intention to produce and market liquid fertilizers in Egypt through a new jointly owned company. As part of the agreement, the construction of a plant started in Noberia, North of Egypt which is expected to be ready during 2004.
- **PCS Yumbes Acquisition:** With the objective of increasing the market share and fortify the leadership in the specialty fertilizer market, SQM signed a purchase agreement during 2003 with PCS to acquire the potassium nitrate productive subsidiary of PCS in Chile, PCS Yumbes. With this, SQM is prepared to target more markets and supply the increasing demand of specialty fertilizers.




Iodine





*Iodine plays an important role in human health as it prevents health disorders such as mental retardation, growth problems in children, goiters and infertility. Iodized table salt has proved to be the most efficient way to control these problems.*



## Iodine and Derivatives

When SQM was formed in 1968, iodine extraction from caliche ore already existed. Nevertheless, it was not until the mid of the 80s that iodine began to grow in importance for SQM. This fact allowed diversifying the former dependency in fertilizers and generated new horizons of development with great growth potential. Iodine and its derivatives represent approximately 12% of the total sales of SQM and is one of the key business lines sustaining the Company's development strategy. SQM is the major producer of iodine worldwide with a 29% global market share. As a result of the strategy of consolidating its market share, the Company has been increasing and diversifying its iodine sales, which reached more than 70 countries during the year 2003, being its main destinations the markets of Europe, North America and Asia. The varied applications, the broad client base and the vast geographic diversity enable iodine demand to be characterized by great stability against changes in the market and the economy.

Iodine was discovered as an element by the Frenchman Bernard Curtois in 1812 and named after the Greek word "iodes" meaning "violet". It is a nonmetallic element, solid, with a crystalline structure and bluish-black color. It can be found in the form of sodium iodide in brines associated to the extraction of natural gas—in Japan and in fewer quantities in the USA—and also to the extraction of oil in the former Soviet Union. In the Atacama Desert, in the north of Chile, it can be found in the form of calcium iodate in the Caliche Ore, being this the main source of economically exploitable reserves.

The roots of the iodine industry in Chile dates from 1866, when Pedro Gamboni V., a Chilean nitrate producer, initiated the iodine extraction from the caliche ore lixiviation in his Sebastopol office in northern Chile using a method of his invention. This method reduced production costs of iodine, allowed the European market to be reached and constituted, with some variants, in the method that is used nowadays by the Chilean iodine industry. From that date, the development experienced by this industry has made of Chile the largest iodine producer, with a participation of 51% of the worldwide market.

Iodine is obtained from the exploitation of the caliche ore, which can be found with grades between 300 and 600 parts per million. Iodine is extracted from solutions rich in iodine originated from caliche ore lixiviation, and then transformed into granules and prills using processes developed by the Company under registered licenses, offering clear handling and application advantages in the technified industrial processes.

## Iodine and Derivatives



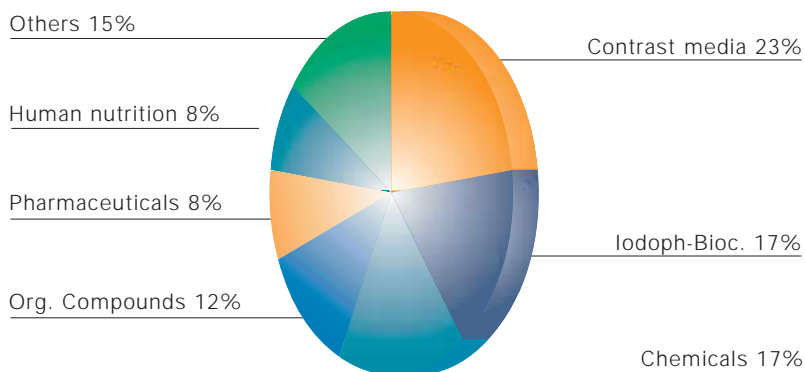
Among the many uses of iodine, the most important applications concentrate in the following areas: medicine and health, nutrition and industrial manufacture.

Iodine demand has experienced an important growth in the last five years, with a compound annual

growth of approximately 5%. Demand in 2003 was reinforced by the increase in the use in x-ray contrast media, biocides, fungicides and the production of LCD screens.

Iodine also plays an important role in medicine. Iodine deficiency can cause disorders such as mental

Iodine main uses





retardation and growth disorders in children, as well as goiters and infertility, all of which can be controlled worldwide by adding iodine to table salt. For this reason, one of the main applications for this product is iodized salt. Iodine also constitutes the main component in contrast media for X-ray exams and it is used directly or as an intermediary in the production of antibiotics, corticosteroids, antiarrhythmics and multiple other pharmaceutical applications. Iodine, considered as one of the best disinfectants, is also present in antiseptics, surgical soap and disinfectants.

On industrial activities, iodine and its derivatives are found in countless applications, among which it is possible to mention disinfectants for the dairy industry, nutrients for animal feeding, biocides for paint-

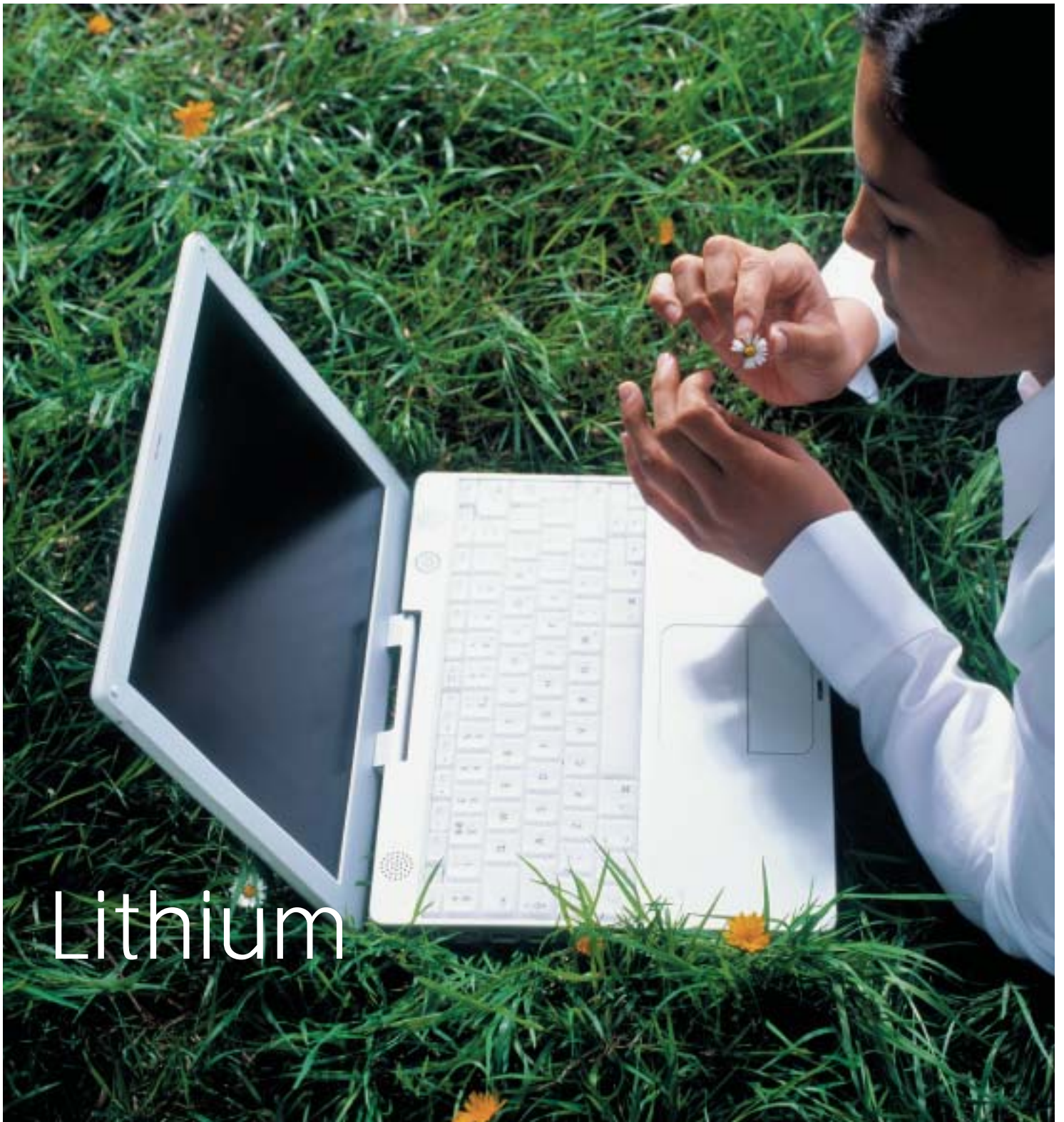
ings, nylon fibers, photograph films, catalysts for organic synthesis, herbicides and colorants.

Between 1998 and 2002 Chilean producers made important production capacity increases, that as a result, brought iodine prices to a steady decrease due to the imbalances of supply and demand, which mainly responded to the inability of the market to absorb the excess of installed capacity. However, since mid 2003 the increasing demand for iodine has helped to revert this trend, with prices showing a slight but continued upward trend.

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

Due to a long history of innovation and research in the productive processes, SQM's iodine and iodine derivatives comply with the most demanding international quality standards. In addition, the Company has the ISO 9002 certification for its organization, facilities, and productive processes in the iodine plants, which has rendered SQM capable to respond to the quality and service requirements of its customers, who participate in highly competitive markets. Guaranteeing its quality and providing customer satisfaction is an ongoing commitment of the Company.

The great variety of applications, a growing market, the future development of specialty products based on iodine and its derivatives, along with SQM's solid presence in the world markets allow the Company to be optimistic on the medium and long term growth perspectives of iodine.




Lithium





*Since Lithium combines the highest electrochemical potential with a low equivalent weight it has become one of the preferred materials for high performance batteries.*



## Lithium and Derivatives

SQM entered the lithium carbonate business in 1997 and, after a rapid growth, the Company has been able to hold a market share that borders 40%. The entrance of SQM into the market produced the closure of high cost productive operations and a significant reduction of international prices, situation that has been steadily reverted with a sustained price increase over the last years, motivated by an increasing demand for lithium's diverse uses, particularly in the production of batteries and specialty chemicals. During 2003, SQM reached sales of approximately US\$50 million selling its products to nearly 200 clients in 50 countries.

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

Classified within the alkali metals family and with a density of only 0.54 g/ml, lithium is, at normal temperatures, the lightest solid element. One of lithium's characteristics is its low thermal expansion coefficient, which allows it to be largely used in the production of glass and ceramics, improving their resistance to sudden temperature variations. Because lithium also has the highest specific heat of any solid element it has found uses in heat transfer applications such as air conditioning systems and refrigeration equipments.

An other unique characteristic of lithium is that it combines the highest electrochemical potential with a low equivalent weight, which makes this material very attractive for the production of electrochemical cells. Lithium batteries can not only be lighter but also they have the best performance in a wide range of temperatures and are environmentally a much better solution than others because they do not contain toxic heavy metals. Because of this, lithium batteries have grown at annual rates in excess of 20% in the past years and keep an important medium and long term growth potential.

Certain complex chemicals can be formed from lithium, obtaining products with a flat viscosity/temperature ratio. Lithium hydroxide is used for example in the production of lubricant-greases, that can be used in extreme temperature and load conditions. Nearly 70% of lubricant greases produced in the world contain lithium. Another derivative of lithium carbonate, butyllithium, is mainly used in organic compounds and as a catalyst for the manufacture of medicines.

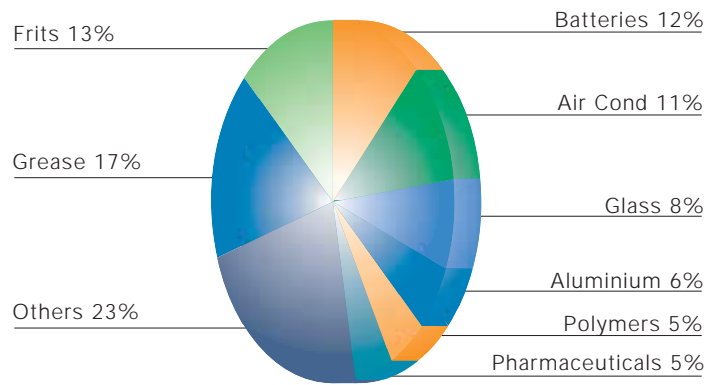
## Lithium and Derivatives



The global demand of the different lithium compounds is expected to grow at annual rates of 5% in the next years. Lithium's uses in rechargeable and non-rechargeable batteries, markets in which SQM

strengthened its participation during 2003, should become more important among the different applications, particularly if new technologies like the Lithium-Metal-Polymer batteries consolidate in the

### Lithium main uses





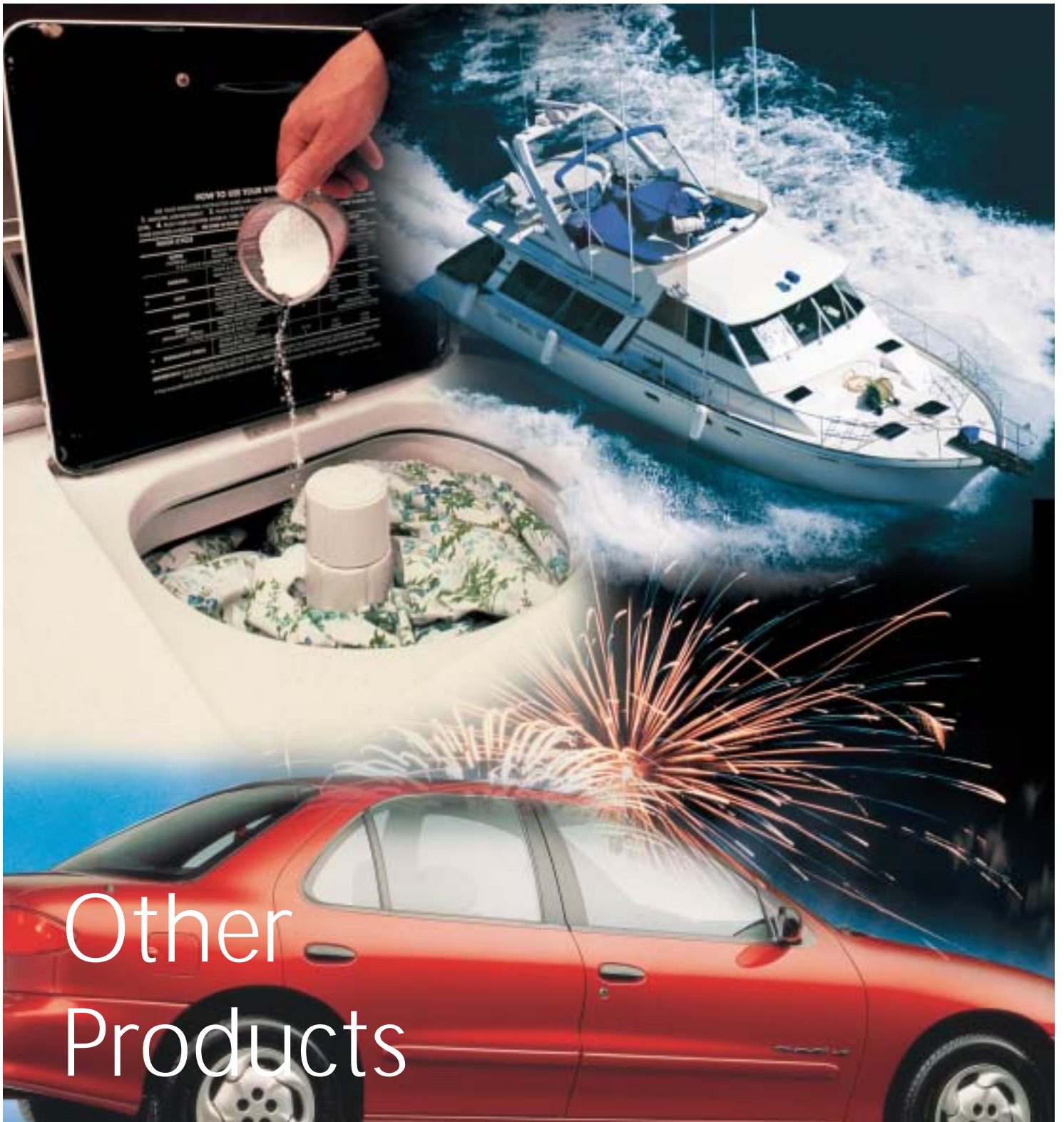


market. Another application with good growth perspectives is Lithium Bromide, which is used in industrial air-conditioned equipment, mainly in Asia.

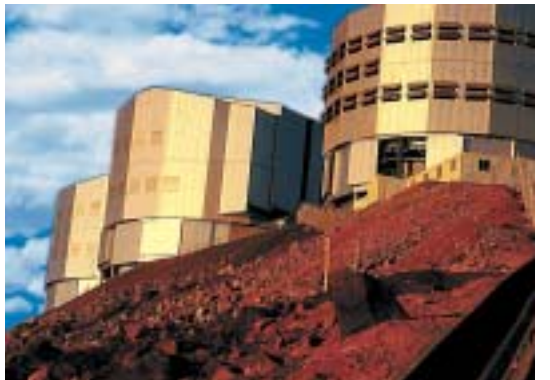
Between 2002 and 2003, SQM took two important steps towards its strategy for lithium. The first one was the construction of its butyllithium plant in Bayport, Texas, to start operating in the first quarter of 2004. The second step was the consolidation of a leadership position in the lithium hydroxide market during 2003. At the beginning of 2004 a lithium hydroxide plant construction is expected to start in Salar del Carmen, Antofagasta, next to the

present lithium carbonate facility. This new facility is expected to be ready by the second half of 2005.

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




# Other Products





*Nitrates, boric acid and sodium sulfate are used in a great variety of processes and products that touch most aspects of our daily lives.*



## Other Products

### Industrial Chemicals

SQM is known worldwide for being one of the most important suppliers of high quality industrial nitrates. These products are derived from agricultural nitrates, which are further processed and refined to obtain final industrial grade products with a wide range of applications in industries such as glass, explosives, transfer fluids, oxide agents, etc. The main products in this line are sodium nitrate in three different purity grades (industrial, refined and technical) and technical grade potassium nitrate.

In addition to the industrial nitrates, SQM participates in other industrial markets with products such as boric acid and sodium sulfate. The first one is a byproduct of potassium sulfate, whereas the second is directly obtained from caliche.

SQM industrial chemicals hold a unique competitive position when analyzed from a productive point of view. Industrial nitrates are benefited from the process they share with specialty fertilizers, which allows the Company to not only take advantage of the implicit scale economies in the combined quantities of both nitrate groups, but also to achieve an operating flexibility that allows the Company to switch production to either one of the nitrate groups depending on the current market conditions. This is traduced into a competitive advantage with respect to producers that do not have this kind of integration.

Representing approximately 11% of the company's revenues, the products classified as industrial chemicals have made SQM worldwide known as a supplier of critical raw materials used in a great variety of products that touch virtually every aspect of our lives.

Below are just a few examples of the applications for industrial chemicals:

#### At home

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

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

## Other Products



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

### In the Car

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

### Outdoors

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

As in the case of charcoal briquettes, sodium nitrate's oxidizing properties also contribute to the ignition of fireworks in pyrotechnics.

While the aforementioned uses have represented the foundation for SQM's industrial chemical business for many years, SQM is optimistic about the future of its business as several new uses/markets are expected to provide opportunities for growth.

### The Future

#### *New applications...*

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



#### *New markets...*

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

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

#### **Potassium Chloride**

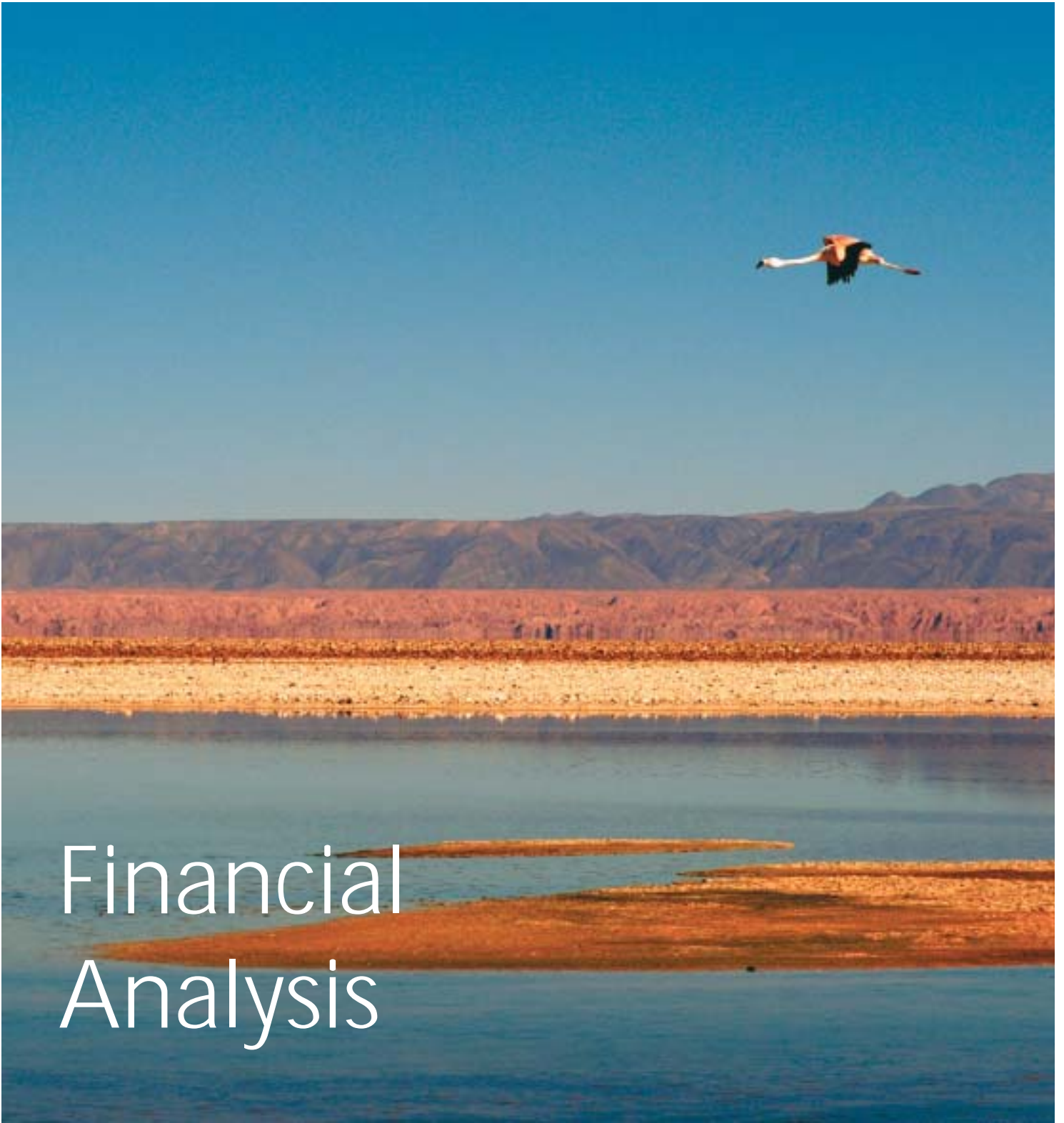
The production of potassium chloride or muriate of potash (MOP) is based on the recovery of salts from the salar brines. Salts crystallized in solar evaporation ponds are raw material for an MOP plant with a pro-

duction capacity of 650,000 metric tons per year. Most of the production of potassium chloride is used in the production of potassium nitrate and the rest is sold to third parties.

SQM potassium chloride is offered in two grades: Standard and Granular. The Granular grade is adequate for direct soil applications as well as for bulk blending with other fertilizers. Both grades contain a minimum 60% potassium as K<sub>2</sub>O. The main applications of potassium chloride are as fertilizer for chlorine resistant crops and as fluid agent in drilling wells used to improve stability.

#### **Commodity Fertilizers**

As a complement to its product portfolio, SQM offers its clients in Chile and Mexico imported commodity fertilizers. These fertilizers comprise a wide array of products, among which can be found pearl urea, granulate urea and triple super phosphate.



# Financial Analysis





Ricardo Ramos  
Chief Financial Officer and Business Development Senior Vice President

*SQM's strong financial position is consistent with its development strategy based on the world leadership in its three main businesses: specialty fertilizers, iodine and lithium. The continuous reduction in the Company's net financial debt, together with the sustained increase of the operating cash flow, place SQM in a privileged position to capture different investment opportunities that will present in the years to come.*



Financial Analysis

SQM reported earnings for the year 2003 in the amount of US\$46.8 million (US\$ 1.78 per ADR), 16.3% higher than the US\$ 40.2 million (US\$ 1.53 per ADR) reported for the year 2002.

Operating income for the year 2003 reached US\$ 87.3 million (12.6% of revenues), higher than the US\$82.7 million (14.9% of revenues) of the previous year. Revenues obtained during the year 2003 reached US\$691.8 million, approximately 24.9% higher than the US\$553.8 million reported for the previous year.

The analysis of the different business areas is the following:

**1. Specialty Fertilizers**

Revenues for specialty fertilizers for the year 2003 reached US\$346.1 million, higher than the US\$281.4 million of the previous year.

		Year 2003	Year 2002	Δ 2003/2002	
Sodium nitrate	Th. Ton	54.8	59.5	-4.8	-8%
Potassium nitrate and sodium potassium nitrate	Th. Ton	676.5	558.6	117.9	21%
Blended and other specialty fertilizers(*)	Th. Ton	344.4	276.6	67.8	24%
Potassium sulfate	Th. Ton	142.9	161.0	-18.1	-11%
<b>Revenues Specialty Fertilizers</b>	<b>MUS\$</b>	<b>346.1</b>	<b>281.4</b>	<b>64.7</b>	<b>23%</b>

(\*) Include Blended Fertilizers, Norsk Hydro Specialty Fertilizers and Other Specialty Fertilizers. Norsk Hydro Specialty Fertilizers sales for the year 2003 reached approximately US\$ 17 million.

## Financial Analysis



The significant increase in sales volumes for 2003 is mainly explained by:

- Increase in sales volumes of potassium nitrate and sodium potassium nitrate to the Latin American markets, especially Brazil.
- Increase in sales volumes (approximately 125 thousand tons) of potassium nitrate produced by PCS Yumbes SCM<sup>(1)</sup> pursuant to the supply agreement with SQM.
- Increase in sales volumes of potassium nitrate to China.
- Increase in sales volumes of specialty blends and other specialty fertilizers, containing mostly non-SQM products, due to the consolidation in 2003 of the subsidiary Olmeca in Mexico, Mineag in South Africa, and the acquisition of Norsk Hydro<sup>(2)</sup> Chile operations

Lower sales volumes for potassium sulfate was due to a maintenance of the potassium sulfate plant, affecting total production levels and full year production costs, with the corresponding negative effects in gross margin.

Specialty fertilizers gross margin<sup>(3)</sup> for 2003 was approximately US\$ 2.0 million higher than the margin of the previous year. The increase in overall gross margin is mainly explained by the increase in sales volumes and a slight increase in sales prices mainly benefited by the appreciation of the Euro against the US dollar.

### 2. Industrial Chemicals

Revenues for industrial chemicals for the year 2003 reached US\$73.6 million, higher than the US\$70.8 million of the previous year.

		Year 2003	Year 2002	Δ 2003/2002	
Industrial nitrate	Th. Ton	192.4	187.3	5.2	3%
Sodium sulfate	Th. Ton	54.2	63.2	-9.0	-14%
Boric acid	Th. Ton	10.7	11.3	-0.6	-5%
<b>Revenues</b>	<b>MUS\$</b>	<b>73.6</b>	<b>70.8</b>	<b>2.7</b>	<b>4%</b>

The higher revenues are mainly explained by the sales increase in industrial nitrate products. Average prices for the year 2003 were slightly higher than 2002 prices.





Additionally, sodium sulfate sales volumes were lower due to lower product availability.

Industrial chemicals gross margin for the year 2003 was approximately US\$0.5 million higher than the gross margin of the previous year, due mainly to higher sales volumes of industrial nitrates.

### 3. Iodine and iodine derivatives

Revenues for iodine and iodine derivatives for the year 2003 reached US\$84.5 million, similar to the US\$84.1 million of the previous year.

		Year 2003	Year 2002	Δ 2003/2002	
Volumes	Th. Ton	6.6	6.4	0.2	3%
<b>Revenues</b>	<b>MUS\$</b>	<b>84.5</b>	<b>84.1</b>	<b>0.4</b>	<b>0%</b>

The slightly higher sales volumes obtained during the period are mainly explained by:

- Increase in iodine sales to the x-ray contrast media market, which has experienced growth rates of approximately 6% during the past year.

- Increase in iodine sales to the sanitation market, which has experienced growth rates of 3 - 5% during the past year.
- Higher sales to the Chinese markets, mainly to the pharmaceutical and disinfectant (iodophors) industries.

Although average sales prices for the year 2003 fell slightly compared to the previous year, prices observed during the last months have steadily increased.

Iodine and iodine derivatives gross margin for the year 2003 was approximately US\$3.5 million higher than the gross margin of the previous year. Lower production costs and the slight increase in sales volumes allowed to effectively offset and overcome the effect of slightly lower sales prices.

### 4. Lithium and lithium derivatives

Revenues for lithium and lithium derivatives for the year 2003 reached US\$49.6 million, higher than the US\$37.3 million of the previous year.

		Year 2003	Year 2002	Δ 2003/2002	
Volumes	Th. Ton	27.3	22.3	5.0	23%
<b>Revenues</b>	<b>MUS\$</b>	<b>49.6</b>	<b>37.3</b>	<b>12.3</b>	<b>33%</b>

The increase in revenues observed for the year 2003 is mainly related to:

- Higher sales of lithium hydroxide due to the acquisition of a lithium hydroxide stockpile in the USA at the end of 2002.
- Higher sales of lithium carbonate to China induced by the recovery of some market lost in 2002 and by a growing demand.
- Higher sales of lithium carbonate in other Asia-Pacific markets, especially in Japan, as SQM continues to penetrate the rechargeable lithium battery markets, which has grown in the past year at roughly 30%.

## Financial Analysis



Sales prices during the year 2003 were slightly higher than the sales prices of the previous year.

Lithium and lithium derivatives gross margin for the year 2003 was approximately US\$3.0 million higher than the gross margin of the previous year, due mainly to the increase in sales volumes.

### 5. Others

Revenues for potassium chloride for the year 2003 reached US\$40.0 million, higher than the US\$38.2 million of the previous year.

		Year 2003	Year 2002	Δ 2003/2002	
Volumes	Th. Ton	284.1	286.0	-2.0	-1%
Revenues	MUS\$	40.0	38.2	1.8	5%

Sales of potassium chloride are directly related to its consumption as raw material in the production of potassium nitrate.

Due to the consolidation in 2003 of the subsidiaries Olmecca in Mexico, Mineag in South Africa, and the acquisition of Norsk Hydro Chile operations, sales of other products (mainly trading of other fertilizers) significantly increased during 2003.

### Selling and Administrative Expenses

Selling and Administrative Expenses reached US\$50.6 million (7.3% of revenues) during the year 2003 compared to the US\$46.3 million (8.4% of revenues) recorded during the year 2002.

The total increase in SG&A is mainly explained by the consolidation of Mineag in South Africa, Olmecca in Mexico and Norsk Hydro Chile during 2003. The additional SG&A related to these three companies is approximately US\$4,9 million.

### Non-Operating Income

Non-operating income for the year 2003 shows a US\$21.2 million loss which compares to a US\$30.0



million loss for the previous year. The main variations in the non-operating income were the following:

- Net financial expenses<sup>(4)</sup> decreased from US\$(27.5) million in the year 2002 to US\$(21.0) million in the year 2003. SQM's consolidation strategy based on a moderate capital expenditure program and focused on increasing the cash flow, has allowed the Company to reduce its net financial debt<sup>(5)</sup> by approximately US\$29.1 million in the last twelve months. The latter, along with lower interest rates, has translated in a significant reduction in financial expenses.
- The income derived from the investments in related companies increased from US\$3.0 million in the year 2002 to US\$5.5 million in the year 2003.

Notes:

- (1) PCS Yumbes S.C.M. is a Chilean potassium nitrate producer, subsidiary of Potash Corporation of Saskatchewan, Inc. (PCS). PCS is a Canadian company, which owns 37.5% of SQM's Series A shares and during the last general shareholders meeting, elected three out of eight SQM's directors. On October 27, 2003, the Company reported that the

members of the Board authorized SQM management to subscribe the necessary contracts to purchase all the shares of PCS Yumbes S.C.M. This transaction for an approximate amount of US\$35 million, should take place before year end 2004.

- (2) Norsk Hydro ASA, a Norwegian company, participates indirectly on Sociedad de Inversiones Pampa Calichera S.A., which is in turn owner of 37.5% of SQM's Series A shares. During the last general shareholders meeting, Norsk Hydro ASA elected one out of eight SQM's directors.
- (3) Gross margin corresponds to consolidated revenues less total costs, including depreciation and excluding sales and administration expenses. A significant portion of SQM's costs of goods sold are costs related to common productive processes (mining, crushing, leaching, etc.) which are distributed among the different final products. To estimate gross margins by business lines in both periods covered by this report, the Company employed a similar criteria on the allocation of common costs to the different business areas. This gross margin distribution should be used only as a general and approximated reference of the margins by business line.
- (4) Net financial expenses correspond to total financial expenses net of financial income during the period.
- (5) Net financial debt corresponds to interest bearing debt less cash and cash equivalents at the end of each period.



# Financial Statements

## Financial Statements

As of December 31, 2003 and 2002  
and for the years ended December 31, 2003 and 2002  
(A Translation of the original in Spanish - See Note 2 (a))

# SQM

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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.



## Report of Independent Auditors

(Translation of a report originally issued in Spanish  
- See Note 2 (a) to the financial statements)

To the Board of Directors and Shareholders  
Sociedad Química y Minera de Chile S.A.

We have audited the accompanying balance sheets of Sociedad Química y Minera de Chile S.A. as of December 31, 2003 and 2002, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the management of Sociedad Química y Minera de Chile S.A. Our responsibility is to express an opinion on these financial statements based on our audits. The significant events enclosed in Note 20 are not a part of these financial statements; therefore, this opinion does not refer to them. We did not audit the financial statements as of and for the years ended December 31, 2003 and 2002 of Sociedad Coligada Empresas Melón S.A., a 14.05% equity method investee of which the Company has recorded an investment balance of ThUS\$ 43,268 and ThUS\$ 36,655 as of December 31, 2003 and 2002 respectively, and recorded income of ThUS\$ 3,935 and ThUS\$ 3,019 for the years then ended. Those amounts were calculated based on financial statements audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sociedad Empresas Melón S.A., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

The indicated financial statements have been prepared in order to reflect the individual financial situation of Sociedad Química y Minera de Chile S.A. in conformity with the basis of accounting described in Note 2, prior to the consolidation of the subsidiaries detailed in Note 6. Consequently, for their adequate interpretation, these individual financial statements should be read and analyzed in conjunction with the consolidated financial statements of Sociedad Química y Minera de Chile S.A. and their subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Química y Minera de Chile S.A. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with the principles described in Note 2.

  
Arturo Selle S.

Ernst & Young Ltda.

Santiago, February 17, 2004

## Financial Statements

### BALANCE SHEETS

(A Translation of the original in Spanish - See Note 2 (a))

AS OF DECEMBER 31,			
ASSETS	NOTE	2003 ThUS\$	2002 ThUS\$
<b>CURRENT ASSETS</b>			
Cash		444	678
Time deposits		5,701	437
Marketable securities	4	5,692	6,099
Accounts receivable, net		17	970
Other accounts receivable, net		1,161	2,691
Accounts receivable from related companies	5	140,915	116,942
Inventories		9,837	7,500
Recoverable taxes		2,392	3,082
Prepaid expenses		581	910
Deferred income taxes	10	4,623	5,760
Other current assets		3,549	3,071
<b>TOTAL CURRENT ASSETS</b>		<b>174,912</b>	<b>148,140</b>
<b>PROPERTY, PLANT, AND EQUIPMENT, NET</b>		<b>92,679</b>	<b>80,088</b>
<b>OTHER ASSETS</b>			
Investments in related companies	6	538,924	495,263
Goodwill	7	8,573	7,631
Intangible assets, net		3,601	3,613
Long-term accounts receivable from related companies	5	440,867	405,698
Long-term accounts receivable		1	661
Other long-term assets		14,344	18,042
<b>TOTAL OTHER ASSETS</b>		<b>1,006,310</b>	<b>930,908</b>
<b>TOTAL ASSETS</b>		<b>1,273,901</b>	<b>1,159,136</b>

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

## Financial Statements

### BALANCE SHEETS

(A Translation of the original in Spanish - See Note 2 (a))

AS OF DECEMBER 31,			
LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	2003 ThUS\$	2002 ThUS\$
<b>CURRENT LIABILITIES</b>			
Short-term bank debt	8	33,046	-
Current portion of long-term debt	8	4,596	4,597
Dividends payable		153	259
Accounts payable		2,117	4,152
Other accounts payable		127	96
Notes and accounts payable to related companies	5	73,500	30,398
Accrued liabilities	9	2,845	2,044
Withholdings		301	363
Income taxes		-	21
Other current liabilities		578	2,002
<b>TOTAL CURRENT LIABILITIES</b>		<b>117,263</b>	<b>43,932</b>
<b>LONG-TERM LIABILITIES</b>			
Long-term bank debt	8	260,000	260,000
Other accounts payable		1,152	1,046
Long-term accrued liabilities	9	1,668	1,262
Deferred income taxes	10	3,846	3,234
Other long-term liabilities		-	-
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>266,666</b>	<b>265,542</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in capital	11	477,386	477,386
Other reserves	11	141,420	125,111
Retained earnings	11	271,166	247,165
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>889,972</b>	<b>849,662</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,273,901</b>	<b>1,159,136</b>

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



## Financial Statements

### STATEMENTS OF INCOME

(A Translation of the original in Spanish - See Note 2 (a))

FOR THE YEARS ENDED DECEMBER 31,			
	NOTE	2003 ThUS\$	2002 ThUS\$
<b>OPERATING RESULTS</b>			
Sales		86,470	67,511
Cost of sales		(69,991)	(61,471)
Gross margin		16,479	6,040
Selling and administrative expenses		(12,597)	(9,146)
<b>OPERATING INCOME (LOSS)</b>		<b>3,882</b>	<b>(3,106)</b>
<b>NON-OPERATING RESULTS</b>			
Non-operating income	14	84,722	89,824
Non-operating expenses	14	(39,431)	(47,471)
Non-operating income, net		45,291	42,353
Income before income taxes		49,173	39,247
Income tax expense	10	(2,420)	(296)
Net income before negative goodwill		46,753	38,951
Amortization of negative goodwill		-	1,251
<b>NET INCOME FOR THE YEAR</b>		<b>46,753</b>	<b>40,202</b>

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

## Financial Statements

### STATEMENTS OF CASH FLOWS

(A Translation of the original in Spanish - See Note 2 (a))

FOR THE YEARS ENDED DECEMBER 31,

	NOTE	2003 ThUS\$	2002 ThUS\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income for the year		46,753	40,202
<b>CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS</b>			
Depreciation expense		6,945	2,267
Amortization of intangible assets		12	12
Write-offs and accruals		5,458	3,295
Gain on equity investments in related companies		(57,790)	(59,127)
Loss on equity investments in related companies		1	14,792
Amortization of goodwill		546	548
Amortization of negative goodwill		-	(1,251)
Loss on sales of property, plant and equipment		32	-
Other credits to income not representing cash flows		(25,220)	(30,335)
Other charges to income not representing cash flows		20,190	4,605
Foreign exchange difference, net		1,544	(133)
<b>NET CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>			
Decrease in trade accounts receivable		(19,489)	133,918
Increase in inventories		(2,336)	(2,361)
Increase in other assets		(1,051)	(949)
Increase (decrease) in accounts payable		35,023	(1,204)
Decrease in interest payable		(1,840)	(1,728)
(Decrease) increase in net income taxes payable		(403)	2,119
(Decrease) in other accounts payable		(760)	(1,236)
Increase (decrease) in VAT and taxes payable		1,842	(839)
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		<b>9,457</b>	<b>102,595</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank financing		33,000	-
Payment of dividends		(19,997)	(14,838)
Repayment of bonds payable	-	(128,200)	
<b>NET CASH PROVIDED FROM (USED IN) FINANCIAL ACTIVITIES</b>		<b>13,003</b>	<b>(143,038)</b>
<b>CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES</b>			
Sales of permanent investments		2,422	-
Sales of investments		-	13,975
Other income	15	1,941	1,093
Additions to property, plant and equipment		(21,278)	(5,050)
Capitalized interest		(314)	(329)
Purchase of permanent investments		(100)	(5,903)
Other disbursements		-	(4,162)
<b>Net cash used in investing activities</b>		<b>(17,329)</b>	<b>(376)</b>
<b>Net cash flows for the year</b>		<b>5,131</b>	<b>(40,819)</b>
Effect of inflation on cash and cash equivalents		(16)	(70)
Net change in cash and cash equivalents		5,115	(40,889)
Beginning balance of cash and cash equivalents		8,913	50,372
<b>ENDING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>14,028</b>	<b>9,483</b>

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

## Notes to the Financial Statements

(A Translation of the original in Spanish - See Note 2 (a))

### NOTE 1. COMPANY BACKGROUND

Sociedad Química 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) Period and basis of preparation

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

For the convenience of the reader, the 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 financial statements have been prepared in accordance with accounting principles generally accepted in Chile and specific criteria required by the SVS.

These financial statements were prepared in order to analyze the Company as a stand-alone entity, therefore, all of the asset, liability and income accounts of its subsidiaries have been recorded in the investments in related companies line. This accounting treatment does not affect net income. As a consequence of this, these financial statements should be read in conjunction with the consolidated financial statements.

#### b) Reporting currency

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.

#### c) Translation of non-U.S. dollar financial statements

##### i) Domestic subsidiaries and affiliates

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\$718.61 per US\$1 at December 31, 2002 and Ch\$593.80 per US\$1 at December 31, 2003.

The value of the UF as of December 31, 2003 and 2002 was Ch\$ 16,920.00 (US\$ 28.49) and Ch\$16,744.12 (US\$ 23.30), respectively.

##### ii) Foreign subsidiaries and affiliates

In accordance with Chilean GAAP, the financial statements of foreign subsidiaries that do not maintain their accounting records in U.S. dollars are translated from the respective local currencies to U.S. dollars in accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants ("BT 64").

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

	2003	2002
	US\$	US\$
Brazilian Real	2.89	3.54
Euro	0.79	0.95
South African Rand	6.59	-
Pound Sterling	0.58	0.62

#### d) Time deposits

Time deposits are recorded at cost plus accrued interest.

e) **Marketable securities**

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

f) **Allowance for doubtful accounts**

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

g) **Inventories and materials**

Inventories of finished products and works 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, in which case they are classified as other long-term assets.

h) **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.

Under Chilean law the Parent Company and its subsidiaries are required to file separate tax declarations.

Beginning January 1 2000, the Company records deferred income taxes in accordance with Technical Bulletin Nos. 60, 69, 71 and '73 of the Chilean Association of Accountants, and with Circular No. 1466 issued on January 27, 2000 by the SVS, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities, using the liability method.

The effect of the temporary differences at December 31, 1999 was recorded in complementary asset and liability accounts, which are recognized in the statement of operations over the estimated time in which they reverse.

i) **Property, plant, 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 and No. 33 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 received are being amortized on a straight-line basis over 50 years and are recorded in property, plant and equipment.

j) **Investments in related companies**

Investments in related companies over which the Company has significant influence, are included in other assets and are recorded using the equity method of accounting. Accordingly, the Company's proportional share in the net income or loss of each investee is recognized in the non-operating income and expense classification in the 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 shareholders' equity. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

**k) 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 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.

**l) 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.

**m) Mining development cost**

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

**n) 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 using a real annual discount rate of 9%.

**o) Vacations**

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

**p) Dividends**

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

**q) Derivative Contracts**

The Company maintains derivative contracts to hedge against movements in foreign currencies, which are recorded in conformity with Chilean Technical Bulletin No. 57 of the Chilean Association of Accountants. Such contracts are recorded at fair value with net losses recognized on the accrual basis and gains recognized when realized.

**r) Reclassifications**

Certain reclassifications have been made in the 2002 numbers to conform to the current year presentation.

**s) 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.

**t) Computer software**

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

**u) Research and development expenses**

Research and development costs 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 in property, plant and equipment.

### **NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES**

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

**NOTE 4. MARKETABLE SECURITIES**

As of December 31 marketable securities are detailed as follows:

	2003	2002
	THUS\$	THUS\$
Mutual funds	5,692	6,099
<b>Total</b>	<b>5,692</b>	<b>6,099</b>

**NOTE 5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Accounts receivable from and payable to related companies are stated in US dollars.

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

Transactions with related companies in which the Company maintains 100% direct or indirect ownership do not affect net income, because related company transactions are eliminated and income is recognized through the equity method.

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

ACCOUNTS RECEIVABLE	SHORT-TERM		LONG-TERM	
	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Energía y Servicios S.A.	-	23,085	-	-
Ajay SQM Chile S.A.	1,399	735	-	-
Servicios Integrales de Tránsito y Transferencias S.A.	32,276	19,903	-	-
SQM Potasio S.A.	-	-	438,746	403,924
SQM Salar S.A.	50,469	14,922	-	-
SQM Internacional Ltda.	435	357	-	-
Empresas Melón S.A.	-	-	340	424
Isapre Cruz del Norte Ltda.	3,721	1,311	-	-
Soquimich Comercial S.A.	741	265	-	-
SQM corporation N.V.	-	100	-	-
SQM comercial de México de C.V.	2,528	5,195	-	-
SQM investment Corporation N.V.	6,681	5,996	-	-
SQM Brasil Ltda.	527	437	-	-
Sales de Magnesio Ltda.	65	-	-	-
SQM North America Corporation	21,256	22,399	1,781	-
SQM Europe N.V.	16,007	17,220	-	-
Nitratos Naturais de Chile Ltda.	843	570	-	-
SQM Lithium Specialities Limited	572	572	-	-
Fertilizantes Olmecca S.A.	3	-	-	-
SQM Perú	8	-	-	-
Hidro Agri Colombia	26	15	-	-
RS Agro Chemical Trading A.V.V.	72	-	-	-
SQMC Holding Corporation	456	634	-	1,350
SQM Ecuador S.A.	16	-	-	-
Hydro Fertilizantes Ltda.	-	28	-	-
Hydro Agri Venezuela C.A.	-	55	-	-
SQM Oceania Pty Limited	872	1,262	-	-
SQM Japan K.K.	1,942	1,881	-	-
<b>TOTAL</b>	<b>140,915</b>	<b>116,942</b>	<b>440,867</b>	<b>405,698</b>

ACCOUNTS PAYABLE	SHORT-TERM	
	2003	2002
	ThUS\$	ThUS\$
Almacenes y Depósitos Ltda.	336	279
SQM Nitratos S.A.	67,379	26,212
PCS Yumbes S.C.M.	1,157	-
Nitrate Corporation of Chile Ltda.	4,627	3,865
Hidro Fertilizantes Ltda.	1	42
<b>TOTAL</b>	<b>73,500</b>	<b>30,398</b>

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

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

COMPANY	TYPE OF TRANSACTION	AMOUNT		IMPACT ON INCOME	
		2003	2002	(CHARGES)	CREDITS
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
SQM Potasio S.A.	Interest in current account	22,507	22,176	-	-
SQM Nitratos S.A.	Purchase of products	45,389	379	-	-
	Services provided	3,975	3,949	-	-
	Sales of products	1,754	5	-	-
	Purchase of fixed assets	973	477	-	-
	Services received	1,584	2,242	-	-
	Interest in current account	1,901	2,091	-	-
	Purchase of investment in related company	-	887	-	-
Ajay SQM Chile S.A.	Sales of products	10,171	-	1,157	-
SQM Quimicos S.A.	Purchase of products	-	52,883	-	-
	Purchase of investment in related company	-	5,016	-	-
	Services provided	-	3,128	-	-
SCM SQM Boratos	Purchase of products	-	5,200	-	-
Energía y Servicios S.A.	Interest in current account	-	1,821	-	-
Servicios Integrales de Tránsito y Transferencias S.A.	Purchase of Fixed Assets	-	2,043	-	-
	Interest in current account	1,403	904	-	-
Soquimich Comercial S.A.	Sale of Fixed Assets	-	532	-	-
SQM Investment Corporation N.V.	Short-term loan borrowings and payments	1,362	24,110	-	-
SQM Europe N.V.	Sale of products	31,800	23,836	-	-
SQM Lithium Specialties LLP	Services provided	-	572	-	-
RS Agro Chemical Trading A.V.V.	Interest in current account	399	893	-	-
	Short-term loan borrowings and payments	57,859	52,462	-	-
SQM North America Corporation	Sale of products	30,072	30,655	-	-
SQM Comercial de Mexico S.A. de C.V.	Sale of products	2,803	247	-	-
SQM Salar S.A.	Interest in current account	1,119	-	-	-
SQM Japan K.K.	Sale of products	9,126	-	-	-
Fertilizantes Olmeqa y SQM S.A. DE C.V.	Sale of products	1,547	-	-	-

**NOTE 6. INVESTMENTS IN AND RECEIVABLES FROM RELATED PARTIES****a) Information on foreign investments**

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

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

**b) Empresas Melón S.A.**

The financial statements of Empresas Melón S.A. were audited by Deloitte & Touche.

**c) Transactions executed in 2003**

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

Subsequently, SQM Nitratos S.A. acquired from SQM Comercial de Mexico S.A. de C.V. 8,749 shares in Fertilizantes Olmecca y SQM S.A. de C.V. This transaction did not produce 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 united all the shares of SCM Antucoya in one shareholder and consequently SCM Antucoya was liquidated and SQM S.A. assumed of all this company's assets and liabilities.

On March 30, 2003, Fertilizantes Olmecca y SQM S.A. de C.V. increased its capital by ThUS\$2,000 through the issuance of 165,500 shares, which were subscribed in full by SQM Nitratos S.A. As a result, SQM Nitratos S.A. had an ownership interest of 78.29% and SQM Comercial de Mexico had an ownership interest of 21.71%.

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

On April 28, 2003, SQM Comercial S.A. acquired from Norsk Hydro ASA, 819,999 shares in Norsk Hydro Chile S.A. and SQM Comercial Internacional Ltda., a subsidiary company of SQMC, acquired the one remaining share. Consequently, SQMC became the sole owner and controlled 100% of Norsk Hydro Chile S.A. This transaction generated goodwill of ThUS\$1,429.

On June 30, 2003, SQM Nitratos S.A. acquired the shares owned by SQM S.A. in Sociedad Energía y Servicios S.A.. The shares amounted to ThUS\$2,422. This transaction resulted in the consolidation of all the shares of Energía y Servicios S.A. in one single shareholder, SQM Nitratos S.A.. Consequently under Chilean Corporations Law Energía y Servicios S.A. was dissolved and SQM Nitratos S.A. assumed all its assets and liabilities.

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

On July 16, 2003, the subsidiary Norsk Hydro Chile changed its name to "Comercial Hydro S.A.".

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

On September 30, 2003, SQM Corporation N.V. participated in a capital increase of Ajay Europe SARL in equal parts with Ajay Chemicals INC., both therefore maintaining the same ownership percentages.

On November 10, 2003, SQM Nitratos S.A. and SQM S.A. liquidated the subsidiary SQM Colombia Limitada.

On November 18, 2003, the subsidiary Soquimich European Holding B.V., provided ThUS\$ 676 of capital to initiate a joint venture with the company Misr Specialty Fertilizer in Egypt.



On November 20, 2003, SQM Potasio S.A. made a capital contribution of ThUS\$ 55,000 to RS Agro Chemical Trading A.V.V., increasing its participation in this subsidiary to 99.99%. SQM S.A. did not participate and therefore reduced its participation by 0.01%.

**d) Transactions executed in 2002**

On March 21, 2002, SQM North America Corporation acquired 50% of the affiliate SQM Venezuela S.A. for ThUS\$ 250. SQM S.A. indirectly now has ownership of 100% of SQM Venezuela S.A. This transaction generated goodwill of ThUS\$ 166.

On April 5, 2002, the subsidiary Royal Seed Trading Corporation A.V.V. formed a joint venture with Rui Xin Packaging Material Sanhe Co. Ltd. contributing ThUS\$ 120.5. This transaction did not produce goodwill.

On May 1, 2002, the subsidiary Soquimich European Holdings B.V. acquired a 50% ownership of the affiliate Nutrichem N.V., which subsequently changed its name to Nutrisi Holding N.V. This transaction did not produce goodwill.

On May 7, 2002, SQM Nitratos S.A. participated in the capital increase by SQM Brasil Ltda. SQM Nitratos S.A. increased its ownership to 88.54% as SQM Químicos S.A. did not participate in the increase and therefore reduced its ownership to 11.46%.

During May 2002, PSH Limited contributed further capital of ThUS\$ 250 to 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%. Because of this transaction, FNC Italy S.R.L. became 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 Ltda.

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

On August 31, 2002, SQM S.A. acquired shares in Cimin S.A. amounting to ThUS\$ 5,016, from SQM Nitratos S.A. Because of this transaction SQM S.A. became the sole shareholder in Cimin S.A. and consequently under Chilean Corporations Law Cimin S.A. was dissolved.

On September 11, 2002, SQM Investment Corporation N.V., acquired a 100% ownership of the subsidiary Comercial Caiman Internacional S.A. for ThUS\$1. This operation generated goodwill of ThUS\$ 228.

On September 27, 2002, SQM Nitratos S.A. made a contribution of capital of ThUS\$ 12,040 to SQM North America Corporation, and as a result increased its ownership to 51%. As neither SQM S.A. nor Soquimich European Holding participated in the capital increase their ownership reduced from 81.75% to 40.00% and from 18.25% to 9.00% respectively. As these companies are consolidated, there is no effect at the consolidated entity level.

On September 30, 2002, SQM SA acquired shares in SCM SQM Boratos amounting to ThUS\$ 887, which were previously owned by SQM Nitratos S.A.. Because of this transaction, SQM S.A. became the sole shareholder in SCM SQM Boratos and consequently under Chilean Corporations Law SCM SQM Boratos was dissolved.

On October 31, 2002, PSH Limited transferred shares that it held in Ajay Europe to SQM Corporation N.V.

On November 30, 2002, the subsidiary SQM Nitratos S.A. acquired shares, in Sociedad Minera de Chile S.A. ("Somich S.A.") which were previously owned by SQM S.A.. Because of this transaction SQM Nitratos S.A. became the sole shareholder in Somich S.A. and consequently under Chilean Corporations Law Somich was dissolved.

On December 18, 2002, SQM Potasio S.A. acquired the shares in SQM Japan KK, which were previously owned by SQM Químicos S.A., for ThUS\$ 280. This transaction did not produce goodwill.

On December 18, 2002, SQM Potasio S.A. acquired shares, which were owned by SQM Químicos S.A., over SQMC Holding Corporation LLP for ThUS\$ 2,297. This transaction did not produce goodwill.

On December 18, 2002, SQM Potasio S.A. acquired shares in SQI Corporation N.V., which were previously owned by SQM Químicos S.A., for ThUS\$ 97. This transaction did not produce goodwill.

On December 23, 2002, SQM S.A. and Inversiones Pascuala S.A, a third party, acquired shares in SQM Nitratos S.A., which were previously owned by SQM Químicos S.A.

On December 23, 2002, the shareholders of both SQM Potasio S.A. and SQM Salar S.A. voted to de-list their respective companies with the SVS.

On December 31, 2002, SQM S.A. acquired shares in SQM Químicos S.A., which were previously owned by Inversiones Pascuala S.A., a third party. Because of this transaction SQM S.A. became the only shareholder in SQM Químicos S.A. and consequently SQM Químicos S.A. was dissolved. This operation caused a change in the ownership of Ajay SQM Chile, since SQM S.A. has 51% ownership of this Company and 11.46% of the subsidiary SQM Brasil Limitada.

**e) Subsidiaries in development stage**

At December 31, 2003 and 2002, the subsidiary SQM Lithium Specialties was in the development stage and therefore was not included in the consolidation.

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

The equity value of these investments is included in investments in related companies and the proportional share of the accumulated deficit during the development stage is included in a separate reserve within equity.

Balances in these subsidiaries are summarized as follows:

	SQM LITHIUM SPECIALTIES LIMITED		SOCIEDAD CONTRACTUAL MINERA ANTUCOYA	
	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$
Current assets	319	1,360	-	100
Fixed assets	26,351	24,638	-	-
Other assets	750	905	-	6,550
<b>TOTAL ASSETS</b>	<b>27,420</b>	<b>26,903</b>	<b>-</b>	<b>6,650</b>
Current liabilities	717	992	-	-
Shareholders' equity	26,703	25,911	-	6,650
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>27,420</b>	<b>26,903</b>	<b>-</b>	<b>6,650</b>

e) Detail of investments in related companies

TAX REGISTRATION NUMBER	COMPANY	COUNTRY		NUMBER OF SHARES	OWNERSHIP INTEREST		EQUITY OF COMPANIES		BOOK VALUE OF INVESTMENT		NET INCOME (LOSS) FOR THE PERIOD	
		OF ORIGIN	CONTROLLING CURRENCY		2003 %	2002 %	2003 THUS\$	2002 THUS\$	2003 THUS\$	2002 THUS\$	2003 THUS\$	2002 THUS\$
96651060-9	SQM Potasio S.A.	Chile	-	153,015,608	99.99	99.99	230,847	200,850	229,886	200,436	29,932	43,991
96592190-7	SQM Nitratos S.A.	Chile	-	45,824,877	99.99	99.99	219,460	201,682	221,469	198,752	12,902	(14,159)
93390000-2	Empresas Melón S.A..	Chile	-	653,748,837	14.05	14.05	307,957	260,890	43,268	36,655	28,005	21,485
79626800-k	SQM Salar S.A.	Chile	-	69,084,000	18.18	18.18	255,807	232,909	31,915	20,947	22,898	48,430
0-E	SQM North											
	America Corp.	U.S.A.	US\$	430	40.00	40.00	30,500	30,805	9,772	14,860	2,084	(1,748)
79833990-7	Energía y Servicios S.A.	Chile	-	156,473,803	-	26.69	-	18,929	-	12,675	-	4,722
77093830-9	SCM Antucoya	Chile	-	489	-	99.79	-	6,650	-	6,636	-	-
96592180-k	Ajay SQM Chile S.A.	Chile	-	-	51.00	50.99	6,473	6,501	2,505	2,567	511	738
0-E	RS Agro Chemical											
	Trading A.V.V.	Aruba	US\$	59	0.01	98.38	60,569	1,707	6	1,679	3,862	991
81767200-0	Asociación Garantizadora											
	de Pensiones	Chile	-	-	3.31	3.23	784	709	26	23	-	-
0-E	SQM Investment	Dutch										
	Corporation N.V.	Antillas	US\$	5	1.00	1.00	6,191	1,605	57	16	4,587	897
0-E	SQM Peru S.A.	Peru	US\$	340	0.98	0.98	453	474	4	5	(21)	64
0-E	SQMC Holding											
	Corporation L.L.P.	U.S.A.	US\$	3	0.10	0.10	4,509	4,354	5	4	155	(370)
78876080-7	Almacenes y											
	Depósitos Ltda.	Chile	-	-	1.00	1.00	377	313	4	3	(5)	(12)
79906120-1	Isapre Cruz del Norte Ltda	Chile	-	-	1.00	1.00	158	170	2	2	(46)	(121)
0-E	SQM Japan K.K.	Japan	US\$	2	1.00	0.82	350	243	4	2	107	56
0-E	SQM Corporation N.V.	Dutch	US\$	1	0.02	0.02	8,394	7,413	1	1	1,192	(1,875)
		Antillas										
0-E	Royal Seed Trading											
	Corporation A.V.V.	Aruba	US\$	1	1.67	1.67	2	16	-	-	(14)	(8)
<b>TOTAL</b>									<b>538,924</b>	<b>495,263</b>		

NOTE 7. GOODWILL AND NEGATIVE GOODWILL

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

a) Goodwill

TAX REGISTRATION NUMBER	COMPANY	31-DEC-2003		31-DEC-2002	
		AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	GOODWILL BALANCE ThUS\$	AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	GOODWILL BALANCE ThUS\$
79626800-K	SQM Salar S.A.	43	82	43	126
93390000-2	Empresas Melon S.A.	503	8,491	505	7,505
<b>TOTAL</b>		<b>546</b>	<b>8,573</b>	<b>548</b>	<b>7,631</b>

## b) Negative Goodwill

		31-DEC-2003		31-DEC-2002	
TAX REGISTRATION NUMBER	COMPANY	AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	NEGATIVE GOODWILL BALANCE ThUS\$	AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	NEGATIVE GOODWILL BALANCE ThUS\$
79770820-8	Cimin S.A.	-	-	232	-
78208790-8	SCM SQM Boratos	-	-	1,019	-
<b>TOTAL</b>		-	-	<b>1,251</b>	-

## NOTE 8. BANK DEBT

## a) Short-term bank debt:

BANK OR FINANCIAL INSTITUTION	2003 THUS\$	2002 THUS\$
Banco de Chile	10,019	-
Banco BBVA	3,006	-
Citibank N.A.	12,021	-
SCH Overseas Bank	8,000	-
<b>TOTAL</b>	<b>33,046</b>	-
Annual average interest rate	1,56%	-

## b) Long-term bank debt:

	2003 THUS\$	2002 THUS\$
Union Bank of Switzerland (1)	204,577	204,577
Royal Bank of Canada (2)	60,019	60,020
<b>TOTAL</b>	<b>264,596</b>	<b>264,597</b>
Less: Current portion	4,596	4,597
<b>LONG-TERM PORTION</b>	<b>260,000</b>	<b>260,000</b>

(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 1.99% per annum, paid semi-annually. The principal is due in 2005 and 2006.

The maturity of long-term debt is as follows:

YEARS TO MATURITY	2003 THUS\$	2002 THUS\$
Current portion	4,596	4,597
1 to 2 years	-	-
2 to 3 years	260,000	-
4 to 5 years	-	260,000
<b>TOTAL</b>	<b>264,596</b>	<b>264,597</b>

## NOTE 9. ACCRUED LIABILITIES

As of December 31, 2003 and 2002 short-term accrued liabilities consisted of:

	2003	2002
	THUS\$	THUS\$
Suppliers	166	167
Vacation accrual	1,098	841
Legal expenses	1,100	93
Other accruals	481	943
<b>TOTAL ACCRUED LIABILITIES</b>	<b>2,845</b>	<b>2,044</b>

As of December 31, 2003 and 2002 long-term accrued liabilities consisted of:

	2003	2002
	THUS\$	THUS\$
Staff severance indemnities (i)	1,521	1,125
Provision of investment in SQM Comercial de Mexico S.A.	-	10
Provision of investment in SQM Brasil Ltda.	147	127
<b>TOTAL ACCRUED LIABILITIES</b>	<b>1,668</b>	<b>1,262</b>

(i) Staff severance indemnities are summarized as follows:

	2003	2002
	THUS\$	THUS\$
Opening balance	1,125	1,983
Increases (decreases) in obligation	310	(454)
Payments	(174)	(204)
Exchange difference	260	(200)
<b>BALANCE AS OF DECEMBER 31</b>	<b>1,521</b>	<b>1,125</b>

## NOTE 10. INCOME AND DEFERRED TAXES

a) At December 31, 2003 and 2002 the Company has the following balances for retained tax earnings and credit for shareholders:

	2003	2002
	THUS\$	THUS\$
Accumulated tax basis retained earnings with tax credit	2,399	3,170
Credit for shareholders	816	604

## Notes to the Financial Statements

b) The deferred taxes as of December 31, 2003 and 2002 are as follows:

2003	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Vacation accrual	186	-	-	-
Production expenses	-	-	365	-
Accelerated depreciation	-	-	-	4,700
Staff severance indemnities	-	-	-	493
Deferred income	187	-	2	-
Other	-	-	-	9
Unrealized gain of sale of products	4,432	-	-	-
Gains and losses from derivative transactions	67	-	-	65
Exploration expenses	-	-	-	2,184
Long term financing costs	-	-	-	610
Capitalized interest	-	-	-	542
<b>TOTAL GROSS DEFERRED TAXES</b>	<b>4,872</b>	<b>-</b>	<b>367</b>	<b>8,603</b>
<b>TOTAL COMPLEMENTARY ACCOUNTS</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>(4,757)</b>
<b>TOTAL DEFERRED TAXES</b>	<b>4,872</b>	<b>-</b>	<b>249</b>	<b>3,846</b>

2002	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Vacation accrual	143	-	-	-
Production expenses	-	-	257	-
Accelerated depreciation	-	-	-	4,674
Staff severance indemnities	-	-	-	344
Unrealized gain on sale of products	5,199	-	-	-
Exploration expenses	-	-	-	2,771
Gains and losses from derivative transactions	320	-	-	97
Capitalized interest	-	-	-	611
Capitalized expenses	-	-	-	828
Other	213	-	2	10
<b>TOTAL GROSS DEFERRED TAXES</b>	<b>5,875</b>	<b>-</b>	<b>259</b>	<b>9,335</b>
<b>TOTAL COMPLEMENTARY ACCOUNTS</b>	<b>(2)</b>	<b>-</b>	<b>(146)</b>	<b>(6,101)</b>
<b>TOTAL DEFERRED TAXES</b>	<b>5,873</b>	<b>-</b>	<b>113</b>	<b>3,234</b>

c) Income tax benefit (expense) is summarized as follows:

	2003	2002
	ThUS\$	ThUS\$
Provision for current income tax	(396)	(331)
Effect of assets and liabilities of deferred taxes, net	(949)	807
Benefit from tax loss carryforwards	-	(104)
Effect of amortization of complementary accounts	(1,369)	(668)
Other tax charges and credits	294	-
<b>TOTAL INCOME TAX BENEFIT (EXPENSE)</b>	<b>(2,420)</b>	<b>(296)</b>

## NOTE 11. SHAREHOLDERS' EQUITY

a) Changes to shareholders' equity consisted of:

	NUMBER OF SHARES	PAID-IN CAPITAL ThUS\$	ACCUMULATED DEFICIT FROM SUBSIDIARY				NET INCOME ThUS\$	TOTAL ThUS\$
			OTHER RESERVES ThUS\$	IN DEVELOPMENT STAGE ThUS\$	RETAINED EARNINGS ThUS\$			
Balance January 1, 2002	263,196,524	477,386	131,066	(2,223)	195,366	30,102	831,697	
Transfer December 31, 2000								
net income to retained earnings	-	-	-	-	30,102	(30,102)	-	
Declared dividends 2002	-	-	-	-	(14,844)	-	(14,844)	
Accumulated deficit from								
subsidiary in development stage (1)	-	-	-	(1,438)	-	-	(1,438)	
Other comprehensive income (2)	-	-	(5,955)	-	-	-	(5,955)	
Net income for the year	-	-	-	-	-	40,202	40,202	
<b>Balance December 31, 2002</b>	<b>263,196,524</b>	<b>477,386</b>	<b>125,111</b>	<b>(3,661)</b>	<b>210,624</b>	<b>40,202</b>	<b>849,662</b>	
Transfer December 31, 2002								
net income to retained earnings	-	-	-	-	40,202	(40,202)	-	
Declared dividends 2003	-	-	-	-	(19,894)	-	(19,894)	
Accumulated deficit from								
subsidiary in development stage (1)	-	-	-	(2,858)	-	-	(2,858)	
Other comprehensive income (2)	-	-	16,309	-	-	-	16,309	
Net income for the year	-	-	-	-	-	46,753	46,753	
<b>Balance December 31, 2003</b>	<b>263,196,524</b>	<b>477,386</b>	<b>141,420</b>	<b>(6,519)</b>	<b>230,932</b>	<b>46,753</b>	<b>889,972</b>	

(1) The accumulated deficit is entirely attributable to SOM Lithium Specialties Limited as it is the only development stage subsidiary in operation.

(2) Other comprehensive income includes translation adjustments and the effect of the recognition of an additional liability for the Company's under-funded pension at December 31, 2003 and 2002.

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

DETAIL	FOR THE YEAR ENDED	AS OF
	DECEMBER 31, 2003	DECEMBER 31, 2003
	ThUS\$	ThUS\$
Technical appraisal	-	151,345
Changes to other comprehensive income from equity method investments:		
Soquimich Comercial S.A. (1)	6,421	(2,496)
Isapre Note Grande Ltda. (1)	-	(98)
Inversiones Augusta S.A. (1)	-	(761)
SQM Ecuador S.A. (3)	-	(270)
Almacenes y Depósitos Ltda. (1)	1	(90)
Asociación Garantizadora de Pensiones (1)	2	(14)
Empresas Melón S.A. (1)	9,446	(6,190)
Sales de Magnesio Ltda. (1)	69	53
SQM North America Corp. (2)	370	(777)
Other Companies (1)	-	718
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>16,309</b>	<b>141,420</b>

(1) Corresponds to translation adjustments and monetary correction.

(2) Corresponds to a change in the valuation of the Company's under-funded pension

(3) Corresponds with the translation adjustment produced by the application of a new law implemented by the Ecuadorian Government.

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. Capital paid for Series A and B shares was ThUS\$ 134,750 and ThUS\$ 342,636, respectively.

## NOTE 12. DERIVATIVES TRANSACTIONS

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 unless the contract is deemed a hedge transaction in which case the loss is deferred until settlement of the contract.

As of December 31, 2003 the Company's derivative instruments are as follows:

DECEMBER 31, 2003	NOTIONAL	DESCRIPTION OF THE CONTRACT	ACCOUNTS AFFECTED			
			LIABILITY	INCOME		
TYPE OF	OR COVERED	EXPIRATION	TYPE	POSITION	LIABILITY	INCOME
DERIVATIVE	AMOUNT			PURCHASE/SALE	AMOUNT	(LOSS) UNREALISED
US dollar Forward	3,000	1st quarter of 2004	Exchange rate	P	216	(216)
US dollar Forward	5,500	1st quarter of 2004	Exchange rate	P	176	(176)
					<b>392</b>	<b>(392)</b>



### NOTE 13. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	2003	2002
	ThUS\$	ThUS\$
<b>ASSETS</b>		
Total assets		
Chilean pesos	63,877	53,472
US dollars	1,206,847	1,100,926
UF	2,733	4,167
Euros	123	-
South African Rand	321	571
<b>CURRENT LIABILITIES</b>		
Chilean pesos	4,575	5,840
US dollars	107,866	32,103
UF	195	2,124
Other currencies	4,627	3,865
<b>LONG-TERM LIABILITIES</b>		
Chilean pesos	-	-
US dollars	263,993	263,371
UF	2,673	2,171

### NOTE 14. NON-OPERATING INCOME AND EXPENSES

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

#### a) Non-operating income

	2003	2002
	ThUS\$	ThUS\$
Interest income	26,033	28,228
Insurance recoveries	-	800
Gain on equity investments in related companies	57,790	59,127
Other income	899	1,669
<b>TOTAL</b>	<b>84,722</b>	<b>89,824</b>

## b) Non-operating expenses

	2003 ThUS\$	2002 ThUS\$
Interest expense	22,532	28,142
Gain on equity investments in related companies	1	14,792
Amortization of goodwill	546	548
Net foreign exchange losses	1,544	(133)
Legal expenses	1,167	-
Repairs and maintenance of fixed assets	5,430	468
Project relating to commercial effectiveness	-	1,087
Loss on sale of investments	3,135	2,001
Non-participation in capital issues by related companies	4,525	-
Other expenses	551	566
<b>TOTAL</b>	<b>39,431</b>	<b>47,471</b>

## NOTE 15. CASH FLOW STATEMENT

Amounts included in other investing income are summarized as follows:

	2003 THUS\$	2002 THUS\$
Sale of mining concessions	135	285
Repayment of employee loans	1,806	808
<b>TOTAL</b>	<b>1,941</b>	<b>1,093</b>

## NOTE 16. COMMITMENTS AND CONTINGENCIES

## I. Contingencies:

(a) 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 Compañía de Seguros (Chile) S.A.) and Chubb de Chile Compañía de Seguros Generales S.A.  
 Date of lawsuit : April 2001  
 Matter : Arbitration  
 Status : Collection of compensation for insured claim  
 Instance : Evidence verification  
 Nominative value : ThUS\$ 36,316
2. Plaintiffs : Compagnie 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 : December 2002  
 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

## (b) Models for the Production of the María Elena site

The Company is currently reviewing the "Models for the Production of the María Elena site" which may be implemented as a result of the Decontamination Plan (see note 19). The different alternatives for production and technology development for the María 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.

**(c) 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\$4,024 in 2003 (ThUS\$ 3,411 in 2002).
- (b) The Company has certain indirect guarantees, which relate to agreements with no remaining payments pending. These guarantees are still in effect and approved by the Company's Board of Directors; however, they have not been used by the subsidiaries.
- (c) Bank debt of SQM S.A. and its subsidiaries has no restrictions or terms other than those that might usually be found in identical debt in the financial markets, such as maximum indebtedness and minimum equity among others.

**NOTE 17. THIRD PARTY GUARANTEES**

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

BENEFICIARY	DEBTOR		BALANCES OUTSTANDING	
	NAME	RELATIONSHIP	12/31/2003	12/31/2002
			ThUS\$	ThUS\$
Phelps Dodge Corporation	SQM Potasio S.A.	Subsidiary	1,833	2,650
Bank of America N.A.	RS Agro-Chemical Trading A.V.V.	Subsidiary	-	80,207

**NOTE 18. SANCTIONS**

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

**NOTE 19. ENVIRONMENTAL PROJECTS**

Disbursements incurred by the Company as of December 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
	ThUS\$	DISBURSEMENTS ThUS\$
Project		
Environmental department	383	-
Tocopilla project	792	81
Engineering and building of María Elena piles	2,014	577
Water treatment plant MOP	208	-
Boratos sewage treatment plant	555	-
Other	408	130
<b>TOTAL</b>	<b>4,360</b>	<b>788</b>

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

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

As part of the conversion project to natural gas, the supplier will in turn make an investment of ThUS\$ 5,500 to be repaid 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 effective protection of the environment. An example of this is the 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, 2000, 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 months. 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 20. SIGNIFICANT EVENTS**

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On October 24, 2003 the Company's Board of Directors authorized SQM S.A.'s management to enter the negotiations required to acquire all the shares of the Chilean Company PCS Yumbes S.C.M., a subsidiary of Potash Corporation of Saskatchewan Inc.

#### **NOTE 21. SUBSEQUENT EVENTS**

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On January 30, 2004, the Board of Directors of Sociedad Empresas Melón S.A. called an Extraordinary General Meeting of Shareholders for February 20, 2004 with the objective of proposing the division of Empresas Melón S.A. into two separate companies.

Management, except for that mentioned above, is not aware of any significant events occurred between December 31, 2003 and the date of issuance of these financial statements which may affect these financial statements.

## Consolidated Financial Statements

As of December 31, 2003 and 2002  
and for the years ended December 31, 2003 and 2002  
(A Translation of the original in Spanish - See Note 2 (a))

# SQMM

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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.



### Report of Independent Auditors

(Translation of a report originally issued in Spanish  
- See Note 2 (a) to the consolidated financial statements)

To the Board of Directors and Shareholders  
Sociedad Química y Minera de Chile S.A.

We have audited the accompanying consolidated balance sheets of Sociedad Química y Minera de Chile S.A. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income and cash flows for the years then ended. These financial statements are the responsibility of the management of Sociedad Química y Minera de Chile S.A. Our responsibility is to express an opinion on these financial statements based on our audits. The significant events enclosed in Note 27 are not a part of these financial statements; therefore, this opinion does not refer to them. We did not audit the financial statements as of and for the years ended December 31, 2003 and 2002 of Sociedad Coligada Empresas Melón S.A., a 14.05% equity method investee of which the Company has recorded an investment balance of ThUS\$ 43,268 and ThUS\$ 36,655 as of December 31, 2003 and 2002 respectively, and recorded income of ThUS\$ 3,935 and ThUS\$ 3,019 for the years then ended. Those amounts were calculated based on financial statements audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sociedad Empresas Melón S.A., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sociedad Química y Minera de Chile S.A. and subsidiaries as of December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile and the regulations of the Chilean Superintendency of Securities and Insurance.



Arturo Sella S.

Ernst & Young Ltda.

Santiago, February 17, 2004

Consolidated Financial Statements

**BALANCE SHEETS**

(A Translation of the original in Spanish - See Note 2 (a))

ASSETS	NOTE	AS OF DECEMBER 31,	
		2003 ThUS\$	2002 ThUS\$
<b>CURRENT ASSETS</b>			
Cash		15,251	10,937
Time deposits		13,416	8,792
Marketable securities	4	38,629	44,318
Accounts receivable, net	5	150,959	107,353
Other accounts receivable, net	5	7,473	13,198
Accounts receivable from related companies	6	24,580	31,556
Inventories, net	7	245,394	232,802
Recoverable taxes		20,198	16,628
Prepaid expenses		2,646	2,978
Other current assets		15,924	17,579
<b>TOTAL CURRENT ASSETS</b>		<b>534,470</b>	<b>486,141</b>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>8</b>	<b>669,379</b>	<b>679,058</b>
<b>OTHER ASSETS</b>			
Investments in related companies	9	82,538	79,819
Goodwill, net	10	13,587	11,582
Negative goodwill, net	10	(474)	(853)
Intangible assets, net		4,707	4,960
Long-term accounts receivable, net	5	7,093	8,917
Long-term accounts receivable from related companies	6	340	424
Other long-term assets	11	51,836	52,246
<b>TOTAL OTHER ASSETS</b>		<b>159,627</b>	<b>157,095</b>
<b>TOTAL ASSETS</b>		<b>1,363,476</b>	<b>1,322,294</b>

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



Consolidated Financial Statements

**BALANCE SHEETS**

(A Translation of the original in Spanish - See Note 2 (a))

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	AS OF DECEMBER 31,	
		2003 ThUS\$	2002 ThUS\$
<b>CURRENT LIABILITIES</b>			
Short-term bank debt	12	57,392	2,559
Current portion of long-term debt	12	4,596	20,804
Dividends payable		180	282
Accounts payable		48,429	49,243
Other accounts payable		1,509	1,305
Notes and accounts payable to related companies	6	12,587	7,516
Accrued liabilities	13	12,255	9,655
Withholdings		3,826	4,054
Income taxes		1,009	699
Deferred income taxes	14	2,362	158
Deferred income		384	1
Other current liabilities		730	2,076
<b>TOTAL CURRENT LIABILITIES</b>		<b>145,259</b>	<b>98,352</b>
<b>LONG-TERM LIABILITIES</b>			
Long-term bank debt	12	260,000	324,000
Other accounts payable		2,088	2,858
Deferred income taxes	14	26,911	15,230
Staff severance indemnities	15	10,127	9,143
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>299,126</b>	<b>351,231</b>
Minority interest	16	29,119	23,049
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in capital	17	477,386	477,386
Other reserves	17	141,420	125,111
Retained earnings	17	271,166	247,165
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>889,972</b>	<b>849,662</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,363,476</b>	<b>1,322,294</b>

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

## Consolidated Financial Statements

### STATEMENTS OF INCOME

(A Translation of the original in Spanish - See Note 2 (a))

	NOTE	2003 ThUS\$	2002 ThUS\$
FOR THE YEARS ENDED DECEMBER 31,			
<hr/>			
<b>OPERATING RESULTS</b>			
<hr/>			
Sales		691,806	553,809
Cost of sales		(553,964)	(424,783)
Gross margin		137,842	129,026
Selling and administrative expenses		(50,590)	(46,343)
<hr/>			
<b>OPERATING INCOME</b>		<b>87,252</b>	<b>82,683</b>
<hr/>			
<b>NON-OPERATING RESULTS</b>			
<hr/>			
Non-operating income	19	18,654	14,037
Non-operating expenses	19	(39,813)	(44,016)
<hr/>			
<b>NON-OPERATING LOSS</b>		<b>(21,159)</b>	<b>(29,979)</b>
<hr/>			
Income before income taxes		66,093	52,704
Income tax expense	14	(16,056)	(10,555)
Income before minority interest		50,037	42,149
Minority interest	16	(3,654)	(2,361)
Net income before negative goodwill		46,383	39,788
Amortization of negative goodwill	10	370	414
<hr/>			
<b>NET INCOME FOR THE YEAR</b>		<b>46,753</b>	<b>40,202</b>

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

Consolidated Financial Statements

STATEMENTS OF CASH FLOWS

(A Translation of the original in Spanish - See Note 2 (a))

	FOR THE YEARS ENDED DECEMBER 31		
	NOTE	2003 ThUS\$	2002 ThUS\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		46,753	40,202
<b>CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS</b>			
Depreciation expense		61,728	61,479
Amortization of intangible assets		298	203
Write-offs and accruals		25,230	17,511
Gain on equity investments in related companies		(5,529)	(3,479)
Loss on equity investments in related companies		1	496
Amortization of goodwill		1,134	1,219
Amortization of negative goodwill		(370)	(414)
(Profit) loss on sales of assets		(13)	110
Other credits to income not representing cash flows		(2,793)	(5,689)
Other charges to income not representing cash flows		29,433	23,763
Foreign exchange difference, net		(6,590)	3,483
<b>NET CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>			
(Increase) decrease in trade accounts receivable		(18,124)	3,076
Increase in inventories		(12,578)	(25,052)
Decrease in other assets		15,534	1,230
(Decrease) increase in accounts payable		(16,236)	11,882
Increase (decrease) in interest payable		134	(2,619)
Decrease in net income taxes payable		(2,246)	(947)
(Decrease) increase in other accounts payable		(1,062)	190
Decrease in VAT and taxes payable		(2,215)	(3,483)
Minority interest		3,654	2,361
Net cash provided from operating activities		116,143	125,522
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short term bank financing		57,324	-
Loans to related companies		(5,275)	-
Payment of dividends		(21,361)	(16,433)
Repayment of bank financing		(82,559)	(129,021)
Net cash used in financing activities		(51,871)	(145,454)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales of property, plant and equipment		264	734
Sales of investment		542	13,810
Other investing income	22	7,699	4,352
Additions to property, plant and equipment		(55,084)	(39,971)
Capitalized interest		(2,149)	(1,930)
Purchase of permanent investments		(11,150)	(11,720)
Purchase of investments		(210)	(376)
Other disbursements		(56)	(1,000)
Net cash used in investing activities		(60,144)	(36,101)
Effect of inflation on cash and cash equivalents		(59)	(299)
Net change in cash and cash equivalents		4,069	(56,332)
Beginning balance of cash and cash equivalents		65,204	121,536
<b>ENDING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>69,273</b>	<b>65,204</b>

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

## Notes to the Consolidated Financial Statements

(A Translation of the original in Spanish - See Note 2 (a))

### NOTE 1. COMPANY BACKGROUND

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Sociedad Química 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

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#### a) Basis for the preparation of the consolidated financial statements

The accompanying consolidated financial statements have been prepared in U.S. dollars in accordance with accounting principles generally accepted in Chile ("Chilean GAAP") and the regulations of the SVS. For the convenience of the reader, the consolidated financial statements and their accompanying notes have been translated from Spanish into English. Certain accounting practices applied by the Company that conform with Chilean GAAP may not conform with generally accepted accounting principles in the United States ("US GAAP")

The consolidated financial statements include the accounts of Sociedad Química 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:

## Notes to the Consolidated Financial Statements

	DIRECT OR INDIRECT OWNERSHIP	
	2003 %	2002 %
<b>FOREIGN SUBSIDIARIES:</b>		
Nitrate Corp. 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 (Dutch Antilles)	100.00	100.00
S.Q.I. Corporation NV (Dutch Antilles)	100.00	100.00
Soquimich European Holding BV (Holland)	100.00	100.00
PTM - SQM Ibérica 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
SQM Investment Corporation NV (Holland)	100.00	100.00
SQM Brasil Ltda.	100.00	100.00
Royal Seed Trading Corporation AVV (Aruba)	100.00	100.00
SQM Japan K.K.	100.00	100.00
SQM Oceanía PTY Limited (Australia)	100.00	100.00
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 México 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	95.00
Comercial Caiman Internacional S.A. (Cayman Islands)	100.00	100.00
Mineag SQM Africa Limited (South Africa)	100.00	-
Fertilizantes Olmeca y SQM S.A.de CV (Mexico)	100.00	-
Administración y Servicios Santiago	100.00	-
SQM Nitratos Mexico	51.00	-
<b>DOMESTIC SUBSIDIARIES:</b>		
Servicios Integrales de Tránsitos y Transferencias S.A.	100.00	100.00
Soquimich Comercial S.A.	60.64	60.64
Energía y Servicios S.A.	-	100.00
Isapre Norte Grande Ltda.	100.00	100.00
Almacenes y Depósitos Ltda.	100.00	100.00
Ajay SQM Chile S.A.	51.00	51.00
SQM Nitratos S.A.	99.99	99.99
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
Comercial Hydro S.A.	60.84	-

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

As the Company exerts control over the subsidiary Fertilizantes Naturales S.A. it has been included in the consolidation for the period ended December 31, 2003 and 2002.

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

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

**b) Period**

These consolidated financial statements have been prepared as of December 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 year. 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 year-end constant pesos based on the change in the consumer price index during the year (1.0% and 3.0% 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.

**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\$593.80 per US\$1 at December 31, 2003 and Ch\$718.61 per US\$1 at December 31, 2002.

**ii) Translation of non-U.S. dollar financial statements**

In accordance with Chilean GAAP, the financial statements of foreign and domestic subsidiaries that do not maintain their accounting records in U.S. dollars are translated from the respective local currencies to U.S. dollars in accordance with Technical Bulletin No. 64 of the Chilean Association of Accountants ("BT 64") as follows:

**a)** For those subsidiaries and affiliates located in Chile which keep their accounting records in price-level adjusted Chilean pesos:

Balance sheet accounts are translated to U.S. dollars at the 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.

b) The financial statements of those foreign subsidiaries that keep their accounting records in currencies other than the 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.

Foreign exchange differences for the period ended December 31, 2003 and 2002 generated net earnings (loss) of ThUS\$ 6,590 and ThUS\$ (3,483), 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 US dollars at the exchange rates per US dollar prevailing at December 31, as follows:

	2003	2002
Brazilian Real	2.89	3.54
New Peruvian Sol	3.46	3.51
Colombian Peso	2,778.00	2,864.75
Argentine Peso	2.96	3.37
Japanese Yen	107.13	119.90
Euro	0.79	0.95
Mexican Peso	11.20	10.44
Indonesian Rupee	8,465.00	8,940.00
Australian Dollar	1.66	1.79
Pound Sterling	0.58	0.62
Southafrican Rand	6.59	-

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.

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.

Under Chilean law, the Parent Company and its subsidiaries are required to file separate tax declarations.

Beginning January 1, 2000, the Company records deferred income taxes in accordance with Technical Bulletin Nos. 60, 69, 71 and 73 of the Chilean Association of Accountants, and with Circular No. 1466 issued on January 27, 2000 by the SVS, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities, using the liability method. The effect of the temporary differences at December 31, 1999 were recorded in complementary asset and liability accounts, which are recognized in the statement of operations over the estimated period in which they reverse.

**k) Property, plant and equipment**

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

Fixed assets acquired through financing lease agreements are accounted for at the present value of the minimum lease payments plus the purchase option based on the interest rate included in each contract. The Company does not legally own these assets and therefore cannot freely dispose of them.

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.

**l) Investments in related companies**

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

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

**m) Goodwill and negative goodwill**

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

**n) Intangible assets**

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



**o) Mining development cost**

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%.

**q) Vacations**

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

**r) Dividends**

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

**s) Derivative Contracts**

The Company maintains derivative contracts to hedge against movements in foreign currencies, which are recorded in conformity with Technical Bulletin No. 57 of the Chilean Association of Accountants. Such contracts are recorded at fair value with net losses recognized on the accrual basis and gains recognized when realized.

**t) Reclassifications**

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

**u) Revenue recognition**

Revenue is recognized on the date goods are physically delivered or when they are considered delivered according to the terms of the contract.

**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 in property, plant and equipment.

**NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES**

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

**NOTE 4. MARKETABLE SECURITIES**

As of December 31, marketable securities are detailed as follows:

	2003	2002
	ThUS\$	ThUS\$
Mutual funds	38,629	44,318
Total	38,629	44,318

Mutual funds consist of investments with Citibank in highly liquid funds invested in fixed-rate debt in the United States.

## NOTE 5 - SHORT-TERM AND LONG-TERM ACCOUNTS RECEIVABLE

a) Short term and long-term accounts receivable and other accounts receivable as of December 31 are detailed as follows:

	UP TO 90 DAYS		BETWEEN 90 DAYS AND 1 YEAR		2003 SUBTOTAL	TOTAL SHORT-TERM (NET)	
	2003	2002	2003	2002		2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>SHORT-TERM</b>							
Trade accounts receivable	104,651	82,998	16,799	8,831	121,450	121,450	91,829
Allowance for doubtful accounts	-	-	-	-	-	(6,557)	(4,573)
Notes receivable	33,747	20,152	5,735	2,816	39,482	39,482	22,968
Allowance for doubtful accounts	-	-	-	-	-	(3,416)	(2,871)
<b>ACCOUNTS RECEIVABLE, NET</b>	-	-	-	-	-	<b>150,959</b>	<b>107,353</b>
Other accounts receivable	7,602	11,579	498	2,743	8,100	8,100	14,322
Allowance for doubtful accounts	-	-	-	-	-	(627)	(1,124)
<b>OTHER ACCOUNTS RECEIVABLE, NET</b>	-	-	-	-	-	<b>7,473</b>	<b>13,198</b>
<b>LONG-TERM RECEIVABLES</b>	-	-	-	-	-	<b>7,093</b>	<b>8,917</b>

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

	CHILE		EUROPE, AFRICA AND THE MIDDLE EAST		ASIA AND OCEANIA		USA, MEXICO AND CANADA		LATIN AMERICA AND THE CARIBBEAN		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Net short-term trade accounts receivable</b>												
Balance	37,018	23,367	38,760	20,265	2,039	1,754	29,296	28,964	7,780	12,906	114,893	87,256
% of total	32.22%	26.78%	33.74%	23.22%	1.77%	2.01%	25.50%	33.20%	6.77%	14.79%	100.00%	100.00%
<b>Net short-term notes receivable</b>												
Balance	32,491	17,210	1,253	1,027	290	127	111	472	1,921	1,261	36,066	20,097
% of total	90.09%	85.63%	3.47%	5.11%	0.80%	0.63%	0.31%	2.36%	5.33%	6.27%	100.00%	100.00%
<b>Net short-term other accounts receivable</b>												
Balance	4,187	7,029	1,053	3,873	5	57	2,018	1,818	210	421	7,473	13,198
% of total	56.03%	53.26%	14.09%	29.35%	0.07%	0.43%	27.00%	13.77%	2.81%	3.19%	100.00%	100.00%
<b>Subtotal short-term accounts receivable, net</b>												
Balance	73,696	47,606	41,066	25,165	2,334	1,938	31,425	31,254	9,911	14,588	158,432	120,551
% of total	46.52%	39.49%	25.92%	20.87%	1.47%	1.61%	19.84%	25.93%	6.26%	12.10%	100.00%	100.00%
<b>Long-term accounts receivable, net</b>												
Balance	7,003	7,763	75	62	-	-	-	51	15	1,041	7,093	8,917
% of total	98.73%	87.06%	1.06%	0.70%	-	-	-	0.57%	0.21%	11.67%	100.00%	100.00%
<b>Total short and long-term accounts receivable, net</b>												
Balance	80,699	55,369	41,141	25,227	2,334	1,938	31,425	31,305	9,926	15,629	165,525	129,468
% of total	48.75%	42.77%	24.85%	19.49%	1.41%	1.50%	18.99%	24.18%	6.00%	12.06%	100.00%	100.00%

**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 December 31, 2003 and 2002 are as follows:

	SHORT-TERM		LONG-TERM	
	2003	2002	2003	2002
ACCOUNTS RECEIVABLE	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Ajay Europe S.A.R.L.	4,430	5,676	-	-
Nutrisi Holding N.V.	1,890	1,183	-	-
Generale de Nutrition Vegetale S.A.	175	167	-	-
Fertilizantes Olmeca S.A.	-	3,140	-	-
Mineag SQM Africa Limited	-	5,881	-	-
Abu Dhabi Fertilizer Ind. WLL	3,900	3,743	-	-
NU3 N.V.	-	1,327	-	-
Doktor Tarsa -SQM Turkey	3,517	15	-	-
Hydro Agri North America	63	-	-	-
Hydro Agri España	1,441	-	-	-
SQM Lithium Specialties Limited	665	665	-	-
Empresas Melón S.A.	-	-	340	424
Sales de Magnesio S.A.	81	9	-	-
Ajay North America LLC	259	243	-	-
Norsk Hydro ASA	4	98	-	-
Hydro Agri Int.-France	-	2,060	-	-
Hydro Asia Trade	1,470	1,109	-	-
Hydro Agri France S.A.	607	530	-	-
Hydro Poland SP	37	55	-	-
Hydro Agri Benelux B.V	282	205	-	-
Hydro Agri Hellas S.A.	22	36	-	-
Hydro Agri Australia Ltd.	764	152	-	-
Hydro Agri UK Ltd.	52	133	-	-
Hydro Agri GMBH & CO KG	121	31	-	-
Hydro Agri AB	26	11	-	-
Hydro Agri Colombia	1,181	242	-	-
PCS Yumbes	-	2,819	-	-
Hydro Agri Venezuela	-	772	-	-
NU3 B.V.	384	834	-	-
Hydro Agri Norge	11	-	-	-
Hydro Agri Argentina	58	130	-	-
Adubo Trevo S.A.	16	135	-	-
Hydro Agri México S.A. de C.V.	-	80	-	-
SQM China	-	75	-	-
Impronta SRL	3,124	-	-	-
<b>TOTAL</b>	<b>24,580</b>	<b>31,556</b>	<b>340</b>	<b>424</b>

ACCOUNTS PAYABLE	SHORT-TERM	
	2003 ThUS\$	2002 ThUS\$
Ajay Europe S.A.R.L.	-	600
Mineag SQM Africa Limited	-	750
Abu Dhabi Fertilizer Ind. WLL	-	90
NU3 N.V.	1,708	1,891
SCM Antucoya	-	100
Ajay North America LLC	122	51
Rotem Amfert Negev Limited	1,311	93
Hydro Agri Porsgrunn	251	69
Hydro Fertilizante Ltda.	379	894
Hydro Agricola internacional	41	206
Hydro Agri North America	-	69
Hydro Agri México de S.A de C.V.	22	120
Hydro Agri Int - France	380	612
Hydro Agri France	-	7
Hydro Agri Colombia	-	16
NU3 B.V.	-	394
PCS Yumbes SCM	6,280	-
Hydro Agri Business Suport	2,093	1,554
<b>TOTAL</b>	<b>12,587</b>	<b>7,516</b>

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

## Notes to the Consolidated Financial Statements

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

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION		IMPACT ON INCOME	
			2003	2002	(CHARGE) CREDIT	
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
NU3 N.V. (Belgica)	Indirect	Sales of products	4,054	1,930	1,023	546
Doktor Tarsa	Indirect	Sales of products	5,068	1,557	1,299	463
Mineag SQM Africa Ltd.	Indirect	Sales of products	-	16,229	-	4,372
Abu Dhabi Fertilizer WLL	Indirect	Sales of products	3,463	1,878	619	479
Nutrisi Holding N.V.	Indirect	Sales of products	-	2,590	-	974
Ajay Europe S.A.R.L.	Indirect	Sales of products	6,836	7,473	2,485	1,866
NU3 B.V.	Indirect	Sales of products	4,735	3,691	1,944	1,462
Adubo Trevo S.A.	Indirect	Sales of products	5,148	869	1,816	443
PCS Yumbes SCM	Indirect	Sales of products	13,617	17,579	8,463	9,178
		Purchases of products	25,558	2,084	-	-
Ajay North America LLC	Indirect	Sales of products	6,909	-	1,921	-
Hydro Agri Internacional	Indirect	Sales of products	2,991	3,587	195	647
Hydro Agri GMBH & Co Kg	Indirect	Sales of products	1,082	359	305	112
Hydro Asia trade Pte Ltd.	Shareholder	Sales of product	5,370	5,055	1,029	1,120
Hydro Agri France S.A.	Shareholder	Sales of product	6,054	3,924	1,222	981
Hydro Agri Hellas S.A.	Shareholder	Sales of product	1,138	528	225	150
Hydro Agri Benelux B.V.	Shareholder	Sales of product	5,384	4,276	1,002	751
Hydro Agri AB Sweden	Shareholder	Sales of product	561	119	165	37
Hydro Agri Rotterdam B.V.	Shareholder	Sales of product	-	534	-	218
Hydro Planta Nutrition, Cis Reg.	Shareholder	Sales of product	1,070	647	449	269
Hydro Agri Australia Ltd.	Shareholder	Sales of product	1,722	1,212	456	286
Hydro Agri España S.A.	Shareholder	Sales of product	4,739	3,120	801	691
Hydro Fertilizantes Ltda	Shareholder	Sales of product	-	626	-	252
Hydro Agri international France	Shareholder	Sales of product	-	3,363	-	1,211
Hydro Agri Argentina	Indirect	Sales of product	6,425	1,313	1,271	319
Hydro Agri Colombia Ltda	Indirect	Sales of product	2,760	257	715	153
Hydro Agri Venezuela	Indirect	Sales of product	-	798	-	454
Hydro Agri Business Support	Shareholder	Services	2,093	1,554	(2,093)	(1,554)

### NOTE 7. INVENTORIES

Net inventories are summarized as follows:

	2003	2002
	ThUS\$	ThUS\$
Finished products	138,435	121,133
Work in process	95,961	99,873
Supplies	10,998	11,796
<b>TOTAL</b>	<b>245,394</b>	<b>232,802</b>

## NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	2003 ThUS\$	2002 ThUS\$
<b>LAND</b>		
Land	20,003	13,453
Mining Concessions	42,286	29,840
	62,289	43,293
<b>BUILDINGS AND INFRASTRUCTURE</b>		
Buildings	157,249	156,244
Installations	302,939	281,086
Construction-in-progress	25,771	36,485
Other	1,849	891
	487,808	474,706
<b>MACHINERY AND EQUIPMENT</b>		
Machinery	400,079	388,919
Equipment	121,700	113,493
Other	11,600	10,499
	533,379	512,911
<b>OTHER FIXED ASSETS</b>		
Tools	8,927	8,156
Furniture and office equipment	19,157	18,218
SQM Salar S.A. Project	2,119	1,951
SQM Nitratos S.A. Project	5,680	8,369
SQM S.A. Project	5,816	6,253
Other	1,164	486
	42,863	43,433
<b>AMOUNTS RELATING TO TECHNICAL REVALUATION OF FIXED ASSETS</b>		
Land	8,651	8,651
Buildings and infrastructure	40,627	40,627
Machinery and equipment	12,110	12,127
Other assets	53	53
	61,441	61,458
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,187,780</b>	<b>1,135,801</b>
<b>LESS: ACCUMULATED DEPRECIATION</b>		
Buildings and infrastructure	(195,099)	(169,386)
Machinery and equipment	(272,756)	(240,426)
Other fixed assets	(17,475)	(15,585)
Technical appraisal	(33,071)	(31,346)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(518,401)</b>	<b>(456,743)</b>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>669,379</b>	<b>679,058</b>
<b>DEPRECIATION FOR THE YEAR ENDED DECEMBER 31:</b>		
Buildings and infrastructure	(26,492)	(25,365)
Machinery and equipment	(32,022)	(33,072)
Other fixed assets	(1,471)	(1,283)
Technical revaluation	(1,743)	(1,759)
<b>TOTAL DEPRECIATION</b>	<b>(61,728)</b>	<b>(61,479)</b>

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

	2003	2002
	ThUS\$	ThUS\$
Administrative office buildings	1,988	1,988
Leased vehicles	46	-
Accumulated depreciation	(415)	(363)
<b>TOTAL ASSETS IN LEASING</b>	<b>1,619</b>	<b>1,625</b>

## NOTE 9. INVESTMENTS IN AND RECEIVABLES FROM RELATED PARTIES

### a) Information on foreign investments

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

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

### b) Empresas Melón S.A.

The financial statements of Empresas Melón S.A. were audited by Deloitte & Touche.

### c) Transactions executed in 2003

On January 27, 2003, SQM Comercial de México S.A. de C.V. and SQM Nitratos S.A. acquired 8,750 shares of the related company Fertilizantes Olmeca y SQM S.A. de C.V. which represented 50% of its share capital. Consequently, Fertilizantes Olmeca y SQM S.A. de C.V. became a subsidiary of SQM S.A. This transaction generated goodwill of ThUS\$279.

Subsequently, SQM Nitratos S.A. acquired from SQM Comercial de México S.A. de C.V. 8,749 shares in Fertilizantes Olmeca y SQM S.A. de C.V. This transaction did not produce 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 united all the shares of SCM Antucoya in one shareholder and consequently SCM Antucoya was liquidated and SQM S.A. assumed of all this company's assets and liabilities.

On March 30, 2003, Fertilizantes Olmeca y SQM S.A. de C.V. increased its capital by ThUS\$2,000 through the issuance of 165,500 shares, which were subscribed in full by SQM Nitratos S.A. As a result, SQM Nitratos S.A. had an ownership interest of 78.29% and SQM Comercial de Mexico had an 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. Consequently, Mineag SQM Africa Ltd. became a subsidiary of SQM S.A. This transaction did not produce goodwill.

On April 28, 2003, SQM Comercial S.A. acquired from Norsk Hydro ASA, 819,999 shares in Norsk Hydro Chile S.A. and SQM Comercial Internacional Ltda., a subsidiary company of SQMC, acquired the one remaining share. Consequently, SQMC became the sole owner and controlled 100% of Norsk Hydro Chile S.A. This transaction generated goodwill of ThUS\$ 1,429.

On June 30, 2003, SQM Nitratos S.A. acquired the shares owned by SQM S.A. in Sociedad Energía y Servicios S.A. The shares amounted to ThUS\$2,422. This transaction resulted in the consolidation of all the shares of Energía y Servicios S.A. to one shareholder, SQM Nitratos S.A. Consequently under Chilean Corporations Law Energía y Servicios S.A. was dissolved and SQM Nitratos S.A. assumed all its assets and liabilities.

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

On July 16, 2003, the subsidiary Norsk Hydro Chile changed its name to "Comercial Hydro S.A.".

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

On September 30, 2003, SQM Corporation N.V. participated in a capital increase of Ajay Europe SARL in equal parts with Ajay Chemicals INC., both therefore maintaining the same ownership percentages.

On November 10, 2003, SQM Nitratos and SQM S.A. liquidated the subsidiary SQM Colombia Limitada.

On November 18, 2003, the subsidiary Soquimich European Holding BV, provided ThUS\$ 676 of capital to initiate a joint venture with the company Misr Specialty Fertilizer in Egypt.

On November 20, 2003, SQM Potasio S.A. made a capital contribution of ThUS\$ 55,000 to RS Agro Chemical Trading AVV, increasing its participation in this subsidiary to 99.99%. SQM S.A. did not participate and therefore reduced its participation by 0.01%.

**d) Transactions executed in 2002**

On March 21, 2002, SQM North America Corporation acquired 50% of the affiliate SQM Venezuela S.A. for ThUS\$ 250. SQM S.A. indirectly now has ownership of 100% of SQM Venezuela S.A. This transaction generated goodwill of ThUS\$ 166.

On April 5, 2002, the subsidiary Royal Seed Trading Corporation A.V.V. formed a joint venture with Rui Xin Packaging Material Sanhe Co. Ltd. contributing ThUS\$ 121. This transaction did not produce goodwill.

On May 1, 2002, the subsidiary Soquimich European Holdings B.V. acquired a 50% ownership of the affiliate Nutrichem N.V., which subsequently changed its name to Nutrisi Holding N.V. This transaction did not produce goodwill.

On May 7, 2002, SQM Nitratos S.A. participated in the capital increase by SQM Brasil Ltda. SQM Nitratos S.A. increased its ownership to 88.54% as SQM Químicos S.A. did not participate in the increase and therefore reduced its ownership to 11.46%.

During May 2002, PSH Limited contributed further capital of ThUS\$ 250 to 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%. Because of this transaction, FNC Italy S.R.L. became 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 Ltda.

On June 12, 2002, Soquimich European Holding acquired 50% of Impronta S.R.L. for ThUS\$ 24.

On August 31, 2002, SQM S.A. acquired shares in Cimin S.A. amounting to ThUS\$ 5,016, from SQM Nitratos S.A. Because of this transaction SQM S.A. became the sole shareholder in Cimin S.A. and consequently under Chilean Corporations Law Cimin S.A. was dissolved.

On September 11, 2002, SQM Investment Corporation N.V., acquired a 100% ownership of the subsidiary Comercial Caiman Internacional S.A. for US\$ 1. This operation generated goodwill of ThUS\$ 228.

On September 27, 2002, SQM Nitratos S.A. made a contribution of capital of ThUS\$ 12,040 to SQM North America Corporation, and as a result increased its ownership to 51.00%. As neither SQM S.A. nor Soquimich European Holding participated in the capital increase their ownership reduced from 81.75% to 40.00% and from 18.25% to 9.00% respectively. As these companies are consolidated, there is no effect at the consolidated entity level.

On September 30, 2002, SQM SA acquired shares in SCM SQM Boratos amounting to ThUS\$ 887, which were



previously owned by SQM Nitratos S.A.. Because of this transaction, SQM S.A. became the sole shareholder in SCM SQM Boratos and consequently under Chilean Corporations Law SCM SQM Boratos was dissolved.

On October 31, 2002, PSH Limited transferred shares that it held in Ajay Europe to SQM Corporation N.V.

On November 30, 2002, the subsidiary SQM Nitratos S.A. acquired shares, in Sociedad Minera de Chile S.A. ("Somich") which were previously owned by SQM S.A. Because of this transaction SQM Nitratos S.A. became the sole shareholder in Somich and consequently under Chilean Corporations Law Somich was dissolved.

On December 18, 2002, SQM Potasio S.A. acquired the shares in SQM Japan KK, which were previously owned by SQM Químicos S.A., for ThUS\$ 280. This transaction did not produce goodwill.

On December 18, 2002, SQM Potasio S.A. acquired shares, which were owned by SQM Químicos S.A., over SQMC Holding Corporation LLP for ThUS\$ 2,297. This transaction did not produce goodwill.

On December 18, 2002, SQM Potasio S.A. acquired shares in SQI Corporation N.V., which were previously owned by SQM Químicos S.A., for ThUS\$ 97. This transaction did not produce goodwill.

On December 23, 2002, SQM S.A. and Inversiones Pascuala S.A, a third party, acquired shares in SQM Nitratos S.A., which were previously owned by SQM Químicos S.A.

On December 23, 2002, the shareholders of both SQM Potasio S.A. and SQM Salar S.A. voted to de-list their respective companies with the SVS.

On December 31, 2002, SQM S.A. acquired shares in SQM Químicos, which were previously owned by Inversiones Pascuala S.A., a third party. Because of this transaction SQM S.A. became the only shareholder in SQM Químicos S.A. and consequently SQM Químicos S.A. was dissolved. This operation caused a change in the ownership of Ajay SQM Chile, since SQM S.

**e) Subsidiaries in development stage**

At December 31, 2003 and 2002, the subsidiary SQM Lithium Specialties was in the development stage and therefore was not included in the consolidation.

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

The equity value of these investments is included in investments in related companies and the proportional share of the accumulated deficit during the development stage is included in a separate reserve within equity.

Balances in these subsidiaries are summarized as follows:

	SQM LITHIUM SPECIALTIES LIMITED		SOCIEDAD CONTRACTUAL MINERA ANTUCOYA	
	2003	2002	2003	2002
	THUS\$	THUS\$	THUS\$	THUS\$
Current assets	319	1,360	-	100
Fixed assets	26,351	24,638	-	-
Other assets	750	905	-	6,550
<b>Total assets</b>	<b>27,420</b>	<b>26,903</b>	<b>-</b>	<b>6,650</b>
Current liabilities	717	992	-	-
Shareholders' equity	26,703	25,911	-	6,650
<b>Total liabilities and shareholders' equity</b>	<b>27,420</b>	<b>26,903</b>	<b>-</b>	<b>6,650</b>

f) Detail of investments in related companies

TAX REGISTRATION NUMBER	COMPANY	COUNTRY		NUMBER OF CONTROLLING OF SHARES		OWNERSHIP INTEREST		EQUITY OF COMPANIES		BOOK VALUE OF INVESTMENT		EQUITY PARTICIPATION IN NET INCOME		
		ORIGIN	CURRENCY	SHARES		2003 %	2002 %	2003 THUS\$	2002 THUS\$	2003 THUS\$	2002 THUS\$	2003 THUS\$ (LOSS)	2002 THUS\$ (LOSS)	
93390000-2	Empresas Melón S.A.	Chile	-	653,748,837	14.05	14.05	279,951	260,890	43,268	36,655	28,005	21,845	3,935	3,019
0-E	SQM Lithium Specialties Limited*	USA	US\$	-	100.00	100.00	29,561	25,911	26,703	25,911	(2,858)	(1,438)	-	-
0-E	Ajay North America LLC	USA	US\$	-	49.00	49.00	10,938	13,332	5,545	6,533	378	(198)	185	(97)
77093830-9	SCM Antucoya*	Chile	-	-	-	100.00	-	6,650	-	6,650	-	-	-	-
0-E	Abu Dhabi Fertilizer Industries WLL	UAE	US\$	1,961	37.00	37.00	3,003	3,136	1,176	1,160	174	135	64	50
0-E	Fertilizantes Olmea y SQM S.A. de C.V.	Mexico	Mex. \$	-	100.00	50.00	-	2,087	-	1,044	-	100	-	50
0-E	Nutrisi Holding N.V.	Belgium	US\$	-	50.00	50.00	2,677	1,221	1,754	611	1,104	(652)	520	(326)
0-E	Mineag SQM Africa Limited	South Africa	US\$	-	100.00	50.00	-	835	-	418	-	416	-	208
0-E	Doktor Tarsa	Turkey	US\$	-	50.00	50.00	875	494	806	247	738	212	369	106
0-E	Misr Speciality Fertilizers	Egipto	US\$	-	25.00	-	2,705	-	676	-	-	-	-	-
0-E	Ajay Europe S.A.R.L.	France	US\$	36,700	50.00	50.00	3,350	650	1,675	325	-	(100)	-	(50)
77557430-5	Sales de Magnesio Ltda.	Chile	-	-	50.00	50.00	195	196	175	98	155	92	78	46
81767200-0	Asoc. Garantizadora Pensiones	Chile	-	-	3.00	3.00	784	709	26	23	-	-	-	-
0-E	Rui Xin Packaging Materials Sanhe Co.Ltd	China	US\$	-	25.00	25.00	482	480	121	120	-	-	-	-
0-E	Impronta SRL	Italia	Euros	-	50.00	50.00	471	48	613	24	755	-	377	-
<b>TOTAL</b>									<b>82,538</b>	<b>79,819</b>				

\* In development stage

NOTE 10. GOODWILL AND NEGATIVE GOODWILL

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

a) Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2003		DECEMBER 31, 2002	
		AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	GOODWILL BALANCE ThUS\$	AMOUNT AMORTIZED DURING THE PERIOD ThUS\$	GOODWILL BALANCE ThUS\$
0-E	Doktor Tarsa	69	98	63	145
79768170-9	Soquimich Comercial S.A.	150	272	150	422
78208790-8	SCM SQM Boratos	-	-	65	-
93390000-2	Empresas Melón S.A.	503	8,490	525	7,585
79626800-K	SQM Salar S.A.	43	83	43	126
0-E	SQM México S.A. de C.V.	56	1,003	56	1,058
96864750-4	SQM Potassium S.A.	144	1,879	145	2,024
0-E	SQM Venezuela S.A.	-	-	166	-
0-E	Comercial Caiman Internacional S.A.	23	200	6	222
0-E	Fertilizantes Olmea	56	223	-	-
96801610-5	Comercial Hydro S.A.	90	1,339	-	-
<b>TOTAL</b>		<b>1,134</b>	<b>13,587</b>	<b>1,219</b>	<b>11,582</b>

## b) Negative Goodwill

TAX REGISTRATION NUMBER	COMPANY	DECEMBER 31, 2003		DECEMBER 31, 2002	
		AMOUNT AMORTIZED DURING THE PERIOD	NEGATIVE GOODWILL BALANCE	AMOUNT AMORTIZED DURING THE PERIOD	NEGATIVE GOODWILL BALANCE
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
79626800-K	SQM Salar S.A.	167	-	211	167
96575300-1	Minera Mapocho S.A.	203	474	203	686
<b>TOTAL</b>		<b>370</b>	<b>474</b>	<b>414</b>	<b>853</b>

## NOTE 11. OTHER LONG-TERM ASSETS

Other long-term assets are summarized as follows:

	2003	2002
	ThUS\$	ThUS\$
Engine and equipment spare-parts, net	24,089	25,250
Mine development costs	20,185	18,283
Pension plan	1,137	1,223
Construction of Salar-Baquedano road	1,770	1,890
Deferred loan issuance costs	2,263	3,962
Other	2,392	1,638
<b>TOTAL</b>	<b>51,836</b>	<b>52,246</b>

## NOTE 12. BANK DEBT

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

	2003	2002
BANK OR FINANCIAL INSTITUTION	ThUS\$	ThUS\$
Banco BBVA	3,006	-
Banco de Chile	10,019	-
Banco Santander SCH Overseas	8,000	-
Banco Santander Central Hispano	10,000	-
Banco Crédito e Inversiones	12,022	-
Citibank	12,021	-
Other banks	Euros 2,324	2,559
<b>TOTAL</b>	<b>57,392</b>	<b>2,559</b>
Annual average interest rate	1.55%	4.25%

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

	2003	2002
BANK OR FINANCIAL INSTITUTION	ThUS\$	ThUS\$
Union Bank of Switzerland (1)	204,577	204,577
Royal Bank of Canada (2)	60,019	60,020
Bank of America (3)	-	80,207
<b>TOTAL</b>	<b>264,596</b>	<b>344,804</b>
Less: Current portion	(4,596)	(20,804)
<b>LONG-TERM PORTION</b>	<b>260,000</b>	<b>324,000</b>

- (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 1.99% per annum, paid semi-annually. The principal is divided into two partial installments, in November 2005 and in November 2006.  
(3) U.S. dollar-denominated loan without guarantee, repaid in full on November 28, 2003

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

	2003	2002
YEARS TO MATURITY	ThUS\$	ThUS\$
Current portion	4,596	20,804
1 to 2 years	-	32,000
2 to 3 years	260,000	62,000
4 to 5 years	-	230,000
<b>TOTAL</b>	<b>264,596</b>	<b>344,804</b>

### NOTE 13. ACCRUED LIABILITIES

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

	2003	2002
	ThUS\$	ThUS\$
Provision for royalties	1,006	898
Quarterly bonus	322	462
Provision for employee compensation and legal costs	1,117	-
Taxes and monthly income tax installment payments	747	499
Vacation accrual	6,107	5,088
Accrued employee benefits	1,342	586
Other accruals	1,614	2,122
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,255</b>	<b>9,655</b>

**NOTE 14. INCOME AND DEFERRED TAXES**

- a) At December 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	30,675	18,712
Accumulated tax basis retained earnings with no credit	-	10
Tax loss carry-forwards (1)	62,609	97,497
Credit for shareholders	5,697	3,424

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

The deferred taxes as of December 31, 2003 and 2002 represented a net liability of ThUS\$ 29,273 and ThUS\$ 15,388, respectively, and consisted of:

2003	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	SHORT-TERM ThUS\$	LONG-TERM ThUS\$	SHORT-TERM ThUS\$	LONG-TERM ThUS\$
<b>TEMPORARY DIFFERENCES</b>				
Allowance for doubtful accounts	1,201	474	-	-
Vacation accrual	1,044	-	-	-
Unrealized gain on sale of products	5,318	-	-	-
Provision for obsolescence	-	2,620	-	-
Production expenses	-	-	15,726	-
Accelerated depreciation	-	-	-	59,592
Exploration expenses	-	-	-	4,119
Capitalized interest	-	-	-	6,146
Staff severance indemnities	-	-	-	2,004
Accrued expenses	-	-	-	425
Capitalized expenses	-	-	-	610
Tax loss carry-forwards	1,202	12,190	-	-
Losses from derivative transactions	90	-	-	-
Accrued interest	102	-	-	-
Other	771	476	225	281
<b>TOTAL GROSS DEFERRED TAXES</b>	<b>9,728</b>	<b>15,760</b>	<b>15,951</b>	<b>73,177</b>
<b>TOTAL COMPLEMENTARY ACCOUNTS</b>	<b>-</b>	<b>(1,206)</b>	<b>(3,861)</b>	<b>(32,251)</b>
Valuation allowance	-	(539)	-	-
<b>TOTAL DEFERRED TAXES</b>	<b>9,728</b>	<b>14,015</b>	<b>12,090</b>	<b>40,926</b>

2002	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	SHORT-TERM ThUS\$	LONG-TERM ThUS\$	SHORT-TERM ThUS\$	LONG-TERM ThUS\$
<b>TEMPORARY DIFFERENCES</b>				
Allowance for doubtful accounts	968	602	-	-
Vacation accrual	767	-	-	-
Unrealized gain on sale of products	5,310	-	-	-
Provision for obsolescence	-	1,651	-	-
Production expenses	-	-	12,794	-
Accelerated depreciation	-	-	-	58,833
Exploration expenses	-	-	-	4,122
Capitalized interest	-	-	-	6,451
Staff severance indemnities	-	-	-	1,651
Accrued expenses	-	-	-	425
Capitalized expenses	-	-	-	828
Tax loss carry-forwards	-	19,138	-	-
Losses from derivative transactions	319	-	-	-
Other	626	788	75	247
<b>Total gross deferred taxes</b>	<b>7,990</b>	<b>22,179</b>	<b>12,869</b>	<b>72,557</b>
<b>Total complementary accounts</b>	<b>(2)</b>	<b>(781)</b>	<b>(4,723)</b>	<b>(36,704)</b>
Valuation allowance	-	(775)	-	-
<b>TOTAL DEFERRED TAXES</b>	<b>7,988</b>	<b>20,623</b>	<b>8,146</b>	<b>35,853</b>

c) Income tax expense is summarized as follows:

	2003 ThUS\$	2002 ThUS\$
Provision for current income tax	(2,829)	(2,911)
Effect of deferred tax assets and liabilities	(7,731)	(9,344)
Adjustment of prior year tax charge	56	-
Effect of amortization of complementary accounts	(5,917)	1,405
Effect on deferred tax assets and liabilities due to changes in valuation provision	236	(775)
Other tax charges and credits	129	1,070
<b>TOTAL INCOME TAX EXPENSE</b>	<b>(16,056)</b>	<b>(10,555)</b>

#### 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	2,283	4,046
Payments	(2,802)	(1,672)
Exchange difference	1,503	(1,557)
<b>BALANCE AS OF DECEMBER 31</b>	<b>10,127</b>	<b>9,143</b>

**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.	25,634	19,520	(3,107)	(1,867)
Ajay SQM Chile S.A.	3,172	3,185	(250)	(362)
Cape Fear Bulk LLC	100	104	(94)	(100)
SQM Indonesia	-	-	-	9
Fenasa	272	220	(63)	(45)
SQM Nitratos México S.A. de C.V.	(82)	-	86	-
SQM Italia S.R.L	23	20	(1)	4
Mineag SQM Africa Ltda.	-	-	(225)	-
<b>TOTAL</b>	<b>29,119</b>	<b>23,049</b>	<b>(3,654)</b>	<b>(2,361)</b>

**NOTE 17. SHAREHOLDERS' EQUITY**

a) Changes to shareholders' equity consisted of:

	NUMBER OF SHARES	PAID-IN CAPITAL	OTHER RESERVES	ACCUMULATED DEFICIT OF SUBSIDIARIES IN	RETAINED EARNINGS	NET INCOME	TOTAL
				DEVELOPMENT STAGE			
		THUS\$	THUS\$	THUS\$	THUS\$	THUS\$	THUS\$
<b>BALANCE AS OF JANUARY 1, 2002</b>	<b>263,196,524</b>	<b>477,386</b>	<b>131,066</b>	<b>(2,223)</b>	<b>195,366</b>	<b>30,102</b>	<b>831,697</b>
Transfer 2001 net income to retained earnings	-	-	-	-	30,102	(30,102)	-
Declared dividends 2002	-	-	-	-	(14,844)	-	(14,844)
Accumulated deficit from subsidiaries							
in development stage (1)	-	-	-	(1,438)	-	-	(1,438)
Other comprehensive income (2)	-	-	(5,955)	-	-	-	(5,955)
Net income for the year	-	-	-	-	-	40,202	40,202
<b>BALANCE AS OF DECEMBER 31, 2002</b>	<b>263,196,524</b>	<b>477,386</b>	<b>125,111</b>	<b>(3,661)</b>	<b>210,624</b>	<b>40,202</b>	<b>849,662</b>
Transfer 2002 net income to retained earnings	-	-	-	-	40,202	(40,202)	-
Declared dividends 2003	-	-	-	-	(19,894)	-	(19,894)
Accumulated deficit from subsidiaries							
in development stage (1)	-	-	-	(2,858)	-	-	(2,858)
Other comprehensive income (2)	-	-	16,309	-	-	-	16,309
Net income for the year	-	-	-	-	-	46,753	46,753
<b>BALANCE AS OF DECEMBER 31, 2003</b>	<b>263,196,524</b>	<b>477,386</b>	<b>141,420</b>	<b>(6,519)</b>	<b>230,932</b>	<b>46,753</b>	<b>889,972</b>

(1) The only subsidiary currently in a development stage is SQM Lithium Specialties Limited.

(2) Other comprehensive income includes translation adjustments and the effect of changes in the valuation of the Company's under-funded pension as of December 31, 2002 and 2003.

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

DETAIL	FOR THE YEAR ENDED DECEMBER 31, 2003 THUS\$	AS OF DECEMBER 31, 2003 THUS\$
Technical appraisal	-	151,345
Changes to other comprehensive income from equity method investments:		
Soquimich Comercial S.A. (1)	6,421	(2,496)
Isapre Note Grande Ltda. (1)	-	(98)
Inversiones Augusta S.A. (1)	-	(761)
SQM Ecuador S.A. (3)	-	(270)
Almacenes y Depósitos Ltda. (1)	1	(90)
Asociación Garantizadora de Pensiones (1)	2	(14)
Empresas Melón S.A. (1)	9,446	(6,190)
Sales de Magnesio Ltda. (1)	69	53
SQM North America Corp. (2)	370	(777)
Other Companies (1)	-	718
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>16,309</b>	<b>141,420</b>

(1) Corresponds to translation adjustments and monetary correction

(2) Corresponds to a change in the valuation of the Company's under-funded pension scheme

(3) Corresponds to the translation adjustment produced by the application of a new law implemented by the Ecuadorian Government

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

The preferential voting rights of each series are as follows:

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

Series B: 1) A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.  
2) An extraordinary meeting of the Board of Directors may be called with or without the agreement of the Company's president, at the request of a director elected by Series B shareholders.



**NOTE 18. DERIVATIVE 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 December 31, 2003 the Company's derivative instruments are as follows:

2003 TYPE OF DERIVATIVE	NOTIONAL OR COVERED AMOUNT ThUS\$	EXPIRATION	DESCRIPTION OF THE CONTRACT TYPE	POSITION PURCHASE/SALE	(LIABILITY) ASSET AMOUNT ThUS\$	INCOME (LOSS) RECORDED ThUS\$
US dollar Put Option	24,570	1st quarter of 2004	Exchange rate	P	-	(20)
US dollar Put Option	11,494	1st quarter of 2004	Exchange rate	P	-	(20)
US dollar Forward	408	1st quarter of 2004	Exchange rate	P	(12)	(12)
US dollar Forward	3,006	1st quarter of 2004	Exchange rate	P	142	142
US dollar Forward	3,980	1st quarter of 2004	Exchange rate	P	(48)	(48)
US dollar Forward	4,500	1st quarter of 2004	Exchange rate	P	(138)	(138)
US dollar Forward	159	2nd quarter of 2004	Exchange rate	P	(10)	(10)
US dollar Forward	201	2nd quarter of 2004	Exchange rate	P	(12)	(12)
US dollar Forward	27	1st quarter of 2004	Exchange rate	P	(2)	(2)
US dollar Forward	159	2nd quarter of 2004	Exchange rate	P	10	10
US dollar Forward	201	2nd quarter of 2004	Exchange rate	P	12	12
US dollar Forward	27	1st quarter of 2004	Exchange rate	P	2	2
US dollar Forward	3,000	1st quarter of 2004	Exchange rate	P	(216)	(216)
US dollar Forward	5,500	1st quarter of 2004	Exchange rate	P	(176)	(176)
	57,232				(448)	(488)

**NOTE 19. NON-OPERATING INCOME AND EXPENSES**

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

**a) Non-operating income**

	2003 ThUS\$	2002 ThUS\$
Interest income	2,957	4,140
Reversal of allowance for doubtful accounts	422	584
Net foreign exchange gains	6,590	-
Reversal of allowance for staff severance indemnities	-	1,308
Insurance recoveries	154	1,065
Reversal of provision relating to Distrinor	-	800
Sale of mining concessions	135	-
Sales of materials and services	827	273
Equity participation in net income of unconsolidated subsidiaries	5,529	3,479
Other income	2,040	2,388
<b>TOTAL</b>	<b>18,654</b>	<b>14,037</b>

b) Non-operating expenses

	2003	2002
	ThUS\$	ThUS\$
Write-off of investments	8,965	3,019
Interest expense	21,777	29,666
Equity participation in net losses of unconsolidated subsidiaries	1	496
Amortization of goodwill	1,134	1,219
Net foreign exchange losses	-	3,483
Work disruption expenses	1,640	-
Increase in provision for employee compensation and legal costs	1,442	-
Pension plan curtailment charge	87	1,467
Project relating to commercial effectiveness	-	1,147
Increase in allowance for doubtful debts	687	641
Irrecoverable taxes	690	91
Other expenses	3,390	2,787
<b>TOTAL</b>	<b>39,813</b>	<b>44,016</b>

**NOTE 20. PRICE-LEVEL RESTATEMENT**

Amounts charged or credited 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	60	147
Other assets and liabilities	193	73
Shareholders' equity	(459)	(1,386)
Subtotal price-level restatement	(206)	(1,166)
Net readjustment of assets and liabilities denominated in UF	188	306
Net price-level restatement	(18)	(860)

**NOTE 21. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY**

	2003	2002
ASSETS	ThUS\$	ThUS\$
<b>TOTAL ASSETS</b>		
Chilean pesos	173,310	107,518
US dollars	1,074,602	1,125,221
Euros	67,821	57,878
Japanese Yen	2,461	1,786
Brazilian Real	2,251	2,496
Mexican pesos	21,131	15,213
UF	12,937	10,655
South African Rand	6,662	-
Other currencies	2,301	1,527
<b>CURRENT LIABILITIES</b>		
Chilean pesos	46,582	34,099
US dollars	78,884	40,846
Euros	13,347	15,815
Japanese Yen	147	244
Brazilian Real	646	468
Mexican pesos	3,443	1,317
UF	250	5,158
South African Rand	282	-
Other currencies	1,678	405
<b>LONG-TERM LIABILITIES</b>		
Chilean pesos	112	-
US dollars	289,672	343,119
Japanese Yen	-	67
UF	9,267	8,043
Other currencies	75	2

## NOTE 22. CASH FLOW STATEMENT

Amounts included in other investing income are summarized as follows:

	2003	2002
	ThUS\$	ThUS\$
Sale of mining concessions	135	285
Repayment of employee loans	3,221	2,234
Cash balance in new subsidiaries (1)	4,343	1,833
<b>TOTAL</b>	<b>7,699</b>	<b>4,352</b>

(1) Corresponds to the consolidation of the new subsidiaries Mineag SQM Africa Limited, Fertilizantes Olmecca, SQM S.A. de C.V. and Comercial Hydro S.A. during 2003.

## NOTE 23. COMMITMENTS AND CONTINGENCIES

### I. Contingencies:

(a) 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 Compañía de Seguros (Chile) S.A.) and Chubb de Chile Compañía de Seguros Generales S.A.  
Date of lawsuit: April 2001  
Matter: Arbitration  
Status: Collection of compensation for insured claim  
Instance: Evidence verification  
Nominative value: ThUS\$ 36,316
2. Plaintiffs: Du Guano de Poisson Angibaud S.A. and Generale de Nutrition Vegetale SAS  
Defendants: Soquimich European Holdings B.V., NU3 N.V. and SQM France S.A.  
Date of lawsuit: December 2002  
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

(b) Models for the Production of the María Elena site

The Company is currently reviewing the "Models for the Production of the María Elena site" which may be implemented as a result of the Decontamination Plan (see note 26). The different alternatives for production and technology development for the María 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. The alternatives under consideration at present are between the possibilities of introducing methods of production related to the technology "lixiviation piles" or the implementation of a mix between the aforementioned technology and current 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.

(c) 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\$4,024 in 2003 (ThUS\$ 3,411 in 2002).
- (b) The Company has certain indirect guarantees, which relate to agreements with no remaining payments pending. These guarantees are still in effect and have been approved by the Company's Board of Directors; however, they have not been used by the subsidiaries.
- (c) Bank debt of SQM S.A. and its subsidiaries has no restrictions or terms other than those that might usually be found in identical debt in the financial markets, such as maximum indebtedness and minimum equity among others.

**NOTE 24. THIRD PARTY GUARANTEES**

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

BENEFICIARY	DEBTOR		BALANCES OUTSTANDING	
	NAME	RELATIONSHIP	12/31/2003	12/31/2002
			ThUS\$	ThUS\$
Phelps Dodge Corporation	SQM Potasio S.A.	Subsidiary	1,833	2,650
Bank of America N.A.	RS Agro-Chemical Trading A.V.V.	Subsidiary	-	80,207

**NOTE 25. SANCTIONS**

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

**NOTE 26. ENVIRONMENTAL PROJECTS**

Disbursements incurred by the Company as of December 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
	ThUS\$	DISBURSEMENTS ThUS\$
Environmental department	383	-
Boratos sewage treatment plant	555	-
Tocopilla project	792	81
Engineering and building of María Elena piles	2,014	577
Treatment plant MOP	208	-
Other	408	130
<b>TOTAL</b>	<b>4,360</b>	<b>788</b>

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

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

As part of the conversion project to natural gas, the supplier will in turn make an investment of ThUS\$ 5,500 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 effective protection of the environment. An 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 waste deposits 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, 2000, 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 the next few months. 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 27. SIGNIFICANT EVENTS**

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On October 24, 2003 the Company's Board of Directors authorized SQM S.A.'s management to begin negotiations to acquire all the shares of the Chilean Company PCS Yumbes S.C.M., a subsidiary of Potash Corporation of Saskatchewan Inc.

On November 20, 2003, SQM S.A. and its subsidiary SQM Nitratos S.A., subscribed to a share purchase agreement under which they are committed to purchase all of the outstanding shares of the company PCS Yumbes from Inversiones PCS Chile Limitada and 628550 Saskatchewan Ltd., both subsidiaries of Potash Corporation of Saskatchewan Inc.. The final price of the share purchase will be ThUS\$35,000, subject to certain adjustments at the date the final agreement is signed. The purchase will comprise all of the fixed assets, mining concessions, water rights and other assets of PCS Yumbes S.C.M. and will exclude all liabilities and contractual obligations.

**NOTE 28. SUBSEQUENT EVENTS**

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On January 30, 2004, the Board of Directors of Sociedad Empresas Melón S.A. called an Extraordinary General Meeting of Shareholders for February 20, 2004 with the objective of proposing the division of Empresas Melón S.A. into two separate companies.

Management, except for that mentioned above, is not aware of any significant events that have occurred between December 31, 2003 and the date of issuance of these financial statements which could materially affect these consolidated financial statements.





## Condensed Financial Statements

As of December 31, 2003 and 2002  
and for the years ended December 31, 2003 and 2002

# SQIM

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## CONDENSED FINANCIAL STATEMENTS

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Condensed Financial Statements

CONDENSED GENERAL BALANCE SHEETS

	SQM NITRATOS S.A.		SQM POTASIO S.A.	
	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>ASSETS</b>				
Cash	26,495	14,497	28,215	8,550
Debtors	139,307	99,859	15,840	15,301
Related Companies	122,421	88,075	404,908	305,952
Inventory	208,109	203,879	48,925	45,573
Others	28,321	26,838	3,644	3,208
<b>TOTAL CURRENT ASSETS</b>	<b>524,653</b>	<b>433,148</b>	<b>501,532</b>	<b>378,584</b>
Property	4,849	4,613	6,695	7,625
Construction and Infrastructure	210,481	201,783	219,586	210,505
Machinery and Equipment	297,320	286,822	180,770	175,954
Other Fixed Assets	77,757	78,371	6,067	5,075
Depreciation (less)	(326,271)	(291,609)	(110,445)	(90,458)
<b>TOTAL FIXED ASSETS</b>	<b>264,136</b>	<b>279,980</b>	<b>302,673</b>	<b>308,701</b>
<b>OTHER ASSETS</b>	<b>73,120</b>	<b>63,779</b>	<b>21,699</b>	<b>18,946</b>
<b>TOTAL ASSETS</b>	<b>861,909</b>	<b>776,907</b>	<b>825,904</b>	<b>706,231</b>
<b>LIABILITIES</b>				
Related Companies	517,832	475,528	63,941	29,014
Others	66,894	50,221	26,034	16,569
<b>TOTAL CURRENT LIABILITIES</b>	<b>584,726</b>	<b>425,749</b>	<b>89,975</b>	<b>45,583</b>
Provisiones	8,081	7,610	343	282
Related Companies	5,997	0	439,262	405,274
Otros	4,537	1,806	19,352	11,883
<b>TOTAL LONG TERM LIABILITIES</b>	<b>18,615</b>	<b>9,416</b>	<b>458,957</b>	<b>417,439</b>
<b>MINORITY INTEREST</b>	<b>39,108</b>	<b>40,060</b>	<b>46,573</b>	<b>42,359</b>
<b>SHAREHOLDERS EQUITY</b>	<b>219,460</b>	<b>201,682</b>	<b>230,399</b>	<b>200,850</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>861,909</b>	<b>776,907</b>	<b>825,904</b>	<b>706,231</b>

Condensed Financial Statements

CONDENSED STATEMENTS OF INCOME

	SOM NITRATOS S.A.		SOM POTASIO S.A.	
	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$
Revenues	667.925	527.493	195.513	187.233
Cost of Sales	(606.339)	(482.685)	(138.390)	(116.121)
<b>OPERATING MARGIN</b>	<b>61.586</b>	<b>44.808</b>	<b>57.123</b>	<b>71.112</b>
Selling and Administrative Expenses	(35.912)	(29.911)	(6.370)	(5.430)
<b>OPERATING INCOME</b>	<b>25.674</b>	<b>14.897</b>	<b>50.753</b>	<b>65.682</b>
Non-Operating Revenues	14.217	7.914	12.363	17.097
Non-Operating Expenses	(17.378)	(31.345)	(21.064)	(24.903)
<b>NET INCOME BEFORE TAXES</b>	<b>22.513</b>	<b>(8.534)</b>	<b>42.052</b>	<b>57.876</b>
Income taxes	(4.962)	(4.102)	(8.535)	(5.175)
Minority Interest	(4.889)	(2.312)	(4.208)	(8.920)
Amortization of negative Goodwill	240	789	175	210
<b>NET INCOME</b>	<b>12.902</b>	<b>(14,159)</b>	<b>29.484</b>	<b>43.991</b>

NOTES TO THE CONDENSED  
FINANCIAL STATEMENTS

1. The Financial Statements of the Companies are prepared according to generally accepted accounting principles and rules imparted by the Superintendencia de Valores y Seguros
2. The Financial Statements are prepared in U.S. dollars, being each of the native currencies converted to the closing exchange rate for each of them (593.80 and 718.61 respectively).
3. The fixed assets are priced at cost, depreciation is calculated linearly with a residual value of 5% in average based on the remaining useful life of the assets.
4. The inventories of end products and in process, are valorized at average production cost and at acquisition cost for products acquired from third parties, which don't exceed the respective net realization values. As for supplies in storage, they are valorized at average monthly cost, and in-transit materials at paid cost at the end of each period.
5. Investment in Related Companies have been valorized according to the proportional equity value method, eliminating non-realized results between subsidiaries, giving credit to the participation on the results over the accumulated basis.

During the 2003 and 2002 period the Fertilizantes Naturales S.A. subsidiary, has been accounted in the Consolidation of the company because of the control of it.

During the 2003 and 2002 periods the subsidiaries SQM Lithium Specialties LLP and 2002 SCM Antucoya have not been consolidated because of being in a development stage.

The people signing bellow declare themselves responsible of the information contained in the present Financial statements and explanatory notes therefore assuming the corresponding legal responsibility.



Macarena Briceño Correa  
Controller



Patricio Contesse González  
Chief Executive Officer

## General and Additional Information

As of December 31, 2003 and 2002  
and for the years ended December 31, 2003 and 2002

# SQIM

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## FINANCIAL INFORMATION

### a) Financial Ratios

	31/12/2003	31/12/2002
<b>LIQUIDITY</b>		
Current Ratio	3.68	4.94
Acid Test Ratio	1.74	2.22
<b>INDEBTEDNESS</b>		
Indebtedness Ratio	49.93	52.91
Short Term Debt/Total Debt	32.69	21.88
Long Term Debt/Total Debt	67.31	78.12
Interest Coverage Ratio	3.90	2.64
<b>ACTIVITY</b>		
Total Assets (Th. US\$)	1,363,476	1,322,294
Inventory Rotation	2.23	1.93
Inventory Permanency	161	187

### b) Operating Results (ThUS\$)

YEAR 2003	CHILE	LATIN-AM. &CARIBBEAN	EUROPE &OTHERS	USA	ASIA	TOTAL
Sales	216,820	36,433	219,239	185,224	34,090	691,806
Cost of sales	184,236	28,800	169,957	146,597	24,374	553,964
<b>YEAR 2002</b>	<b>CHILE</b>	<b>LATIN-AM. &amp;CARIBBEAN</b>	<b>EUROPE &amp;OTHERS</b>	<b>USA</b>	<b>ASIA</b>	<b>TOTAL</b>
Sales	113,552	78,969	187,801	151,978	21,509	553,809
Cost of sales	83,888	58,916	149,957	115,667	16,355	424,783

c) Others (ThUS\$)

	31/12/2003	31/12/2002
Operating Income	87,252	82,683
Financial Expenses	(21,777)	(29,666)
Non-Operating Income	(21,159)	(29,979)
E,B,I,T,D,A,E,I,	148,073	141,131
Net Income After Taxes	46,753	40,202

d) Returns

	31/12/2003	31/12/2002
	%	%
ROE	5.38	4.78
ROA	3.48	2.94
Return on Operational Assets (1)	7.21	6.71
EPS (Earnings per Share)	0.18	0.15
Dividend Return on Series A (2)	2.04	2.10
Dividend Return on Series B (2)	2.15	2.33

(1) Operating Assets Calculation

	31/12/2003	31/12/2002
<b>TOTAL ASSETS</b>	<b>1,363,476</b>	<b>1,322,294</b>
<b>MINUS:</b>		
Other accounts receivable, net	(7,473)	(13,198)
Long-term accounts receivable, net	(7,093)	(8,917)
Recoverable taxes	(20,198)	(16,628)
Short Term Deferred Income taxes	-	-
Other Non-Operational Current Assets	(1,779)	(1,666)
Investment in Related Companies	(82,538)	(79,819)
Goodwill	(13,587)	(11,582)
Negative Goodwill	474	853
Other Long Term Non-Operational Assets	(4,007)	(6,295)
<b>TOTAL OPERATING ASSETS</b>	<b>1,227,275</b>	<b>1,185,042</b>

(2) The paid dividend Return (per share) during the period is calculated by dividing the dividend per share, by the closing price of the share for the year. Series A and B shares dividends are the same; there is no economical difference between both series.

## STATEMENT OF CASH FLOWS

During the period of 2003 the Company generated a net positive cash flow from operating activities of ThUS\$ 116,143 (positive flow flow of ThUS\$ 125,522 in 2002), a net negative cash flow provided from financing activities of ThUS\$ 51,871 (negative flow of ThUS\$ 145,454 in 2002) and a negative flow originated from investing activities of ThUS\$ 60,144 (negative flow of ThUS\$ 36,101 in 2002) that is described by the following:

### Details in ThUS\$

	2003	2002
Net Income (Loss) for the period	46,753	40,202
Loss on sales of Assets	(13)	110
Depreciation	61,728	61,479
Other credits (less)	(15,300)	(6,097)
Other charges	56,114	43,190
Changes in assets that affect the cash flow	(15,168)	(20,746)
Changes in liabilities that affect the cash flow	(21,625)	5,023
Gain (Loss) of Minority Interest	3,654	2,361
<b>Positive net cash provided Operating activities</b>	<b>116,143</b>	<b>125,522</b>

### CASH FLOW PROVIDED FROM FINANCING ACTIVITIES:

Proceeds form Bank Financing	57,324	-
Repayment of bank financing	(82,559)	(129,021)
Repayment of bonds payable	(5,275)	-
Payment of Dividends (less)	(21,361)	(16,433)
<b>Net positive (negative) cash flow provided From financing activities</b>	<b>(51,871)</b>	<b>(145,454)</b>

### CASH FLOW PROVIDED FROM INVESTING ACTIVITIES:

Sales of property, plant and equipment	264	734
Sales of investments	542	13,810
Other Income	7,699	4,352
Additions to property, plant and equipment	(55,084)	(39,971)
Capitalized Interest	(2,149)	(1,930)
Purchase of permanent investments	(11,150)	(11,720)
Purchase of investments	(210)	(376)
Purchase of investments	(56)	(1,000)
<b>Net positive (negative) cash flow provided From investing activities</b>	<b>(60,144)</b>	<b>(36,101)</b>



**MANAGEMENT AND DIRECTORS COMPENSATION**

a) Summary of Board of Directors Compensation January/December 2003 (Ch\$):

NAME	SQM S.A.	SQMC	TOTAL CH\$
Ponce Lerou, Julio	239,456,188	60,809,388	300,265,576
Büchi Buc, Hernán	10,942,433		10,942,433
Brownlee, Wayne R.	29,410,736		29,410,736
Eyzaguirre, José María	10,942,433		10,942,433
Silva, José Antonio	18,310,306		18,310,306
Wallace, Kendrick	10,942,433		10,942,433
Milstein, Avi	18,310,306	6,080,940	24,391,246
Yarur E., Daniel	6,782,557		6,782,557
Izquierdo Menéndez, Roberto	4,745,192		4,745,192
<b>TOTAL</b>	<b>349,842,584</b>	<b>66,890,328</b>	<b>416,732,912</b>

b) The Board of Directors expenses grouped in relevant items were the following (US\$):

	US\$
Travel	132,931
Rental, services and consulting	3,456
General expenses	28,257
<b>TOTAL</b>	<b>164,643</b>

c) Management Compensation

For the years 2002 and 2003 the remuneration received by the management in aggregate was the following:

YEAR	EXECUTIVES	TOTAL CH\$
2002	68	4,817,431,632
2003	71	4,947,003,701

The remunerations are determined according to each individual's performance and to the results of the Company.

d) Human Resources

As of December 31 2003, SQM and its subsidiaries had 3,455 employees, distributed as following:

PROFESSIONAL CONDITION	HOLDING	OTHER SUBSIDIARIES	TOTAL
Executives	25	46	71
Professionals	88	543	631
Technical and Operative	280	2,172	2,452
Foreign		301	301
<b>TOTAL</b>	<b>393</b>	<b>3,062</b>	<b>3,455</b>

## DIRECTORS COMMITTEE, ACTIVITIES AND CONSULTING EXPENSES

As of December 31 2003, the Company had a Directors Committee constituted by 3 member of SQM's actual board of directors: Avi Milstein, Wayne R. Brownlee and José A. Silva B.

This committee acts in conformity with article 50 bis of the Chilean law N° 18,046, which basically establishes that the Committee shall:

- a) Analyze and inform its opinion in regards to the reports and financial reports of the external auditors before the final presentation before the General Shareholders Meeting.
- b) Propose to the Board of Directors the External Auditors and the rating agencies that will be presented before the General Shareholders Meeting.
- c) Analyze and elaborate a report about the operations referred at articles 44 and 89 of the law 18.046.
- d) Analyze the salary and compensation plans of the Company's management.

On April 30, 2003, the General Shareholders Meeting agreed to pay a remuneration of UF50 per director per month, independently of the number of meetings of the Committee for the period between May 2003 and April 2004, both included. This remuneration is independent from their compensation as Directors of the Board. On that same meeting, an operational budget for the Committee of UF1,800 was approved.

## DIVIDENDS

### **Dividend Policy**

In accordance to the matters approved by the General Shareholders Meeting, the Board of Directors agreed to distribute and pay as the dividend and in favor of its shareholders, an amount equivalent to 50% of the distributable income for the period corresponding to the commercial year 2003.

### **Distributable Income**

The distributable income of the Company reported for the period ended December 31 2003 is obtained as described:

	(ThUS\$)
Net Income (Loss)	46,753
Amortization of negative goodwill	369
Distributable Income	46,384

### **Dividends**

Each Series A Share and Series B Share is entitled to share equally in any dividends declared on the outstanding capital stock of SQM. During the last three years, the Company has reported the following dividends:

YEAR	DIVIDEND PAID BY STOCK (US\$ CENTS / STOCK)
2001	5.1
2002	5.6
2003	7.6

## STOCK INFORMATION

### Related transactions

Purchase and sales of company stock by members of SQM's Board of Directors, Management and main Shareholders during 2003 (price in Chilean pesos).

NAME	AMOUNT OF SHARES			SERIES	PRICE / STOCK	DATE	AMOUNT TRADED
	BUY	SELL	CH\$				
Inv. Primavera Ltda.	-	10,000	A	1,760.00	02/01/2003	17,600,000	
Jorge Araya Cabrera	-	100	A	1,760.00	03/01/2003	176,000	
Luis Eugenio Ponce Lerou	-	19,185	A	1,760.00	03/01/2003	33,765,600	
Julio Ponce Zamora	-	57,624	A	1,760.00	03/01/2003	101,418,240	
Yicelle Zamorano Fernandez	-	2,517	A	1,760.00	03/01/2003	4,429,920	
Carlos Nakousi Salas	-	66,368	B	1,590.00	06/01/2003	105,525,120	
Patricio De Solminhac T.	-	110,613	B	1,590.00	06/01/2003	175,874,670	
Jaime San Martin Larenas	-	56,782	B	1,590.00	06/01/2003	90,283,380	
Ricardo Ramos Rodriguez	-	66,368	B	1,590.00	06/01/2003	105,525,120	
Patricio Contesse Gonzalez	-	110,613	B	1,590.00	06/01/2003	175,874,670	
Jorge Araya Cabrera	-	56,767	B	1,590.00	06/01/2003	90,259,530	
Bernard Descazeaux Aribit	-	56,782	B	1,590.00	06/01/2003	90,283,380	
Luis Eugenio Ponce Lerou	-	66,368	B	1,590.00	06/01/2003	105,525,120	
Camila Merino Catalan	-	56,782	B	1,590.00	06/01/2003	90,283,380	
Maurice Le-Fort Rudloff	-	66,368	B	1,590.00	06/01/2003	105,525,120	
Inv. Primavera Ltda.	11,000	-	B	1,590.00	07/01/2003	17,490,000	
Luis Eugenio Ponce Lerou	21,019	-	B	1,580.00	09/01/2003	33,210,020	
Julio Ponce Zamora	63,132	-	B	1,580.00	09/01/2003	99,748,560	
Gustavo Ponce Lerou	-	1,079	A	1,760.00	10/01/2003	1,899,040	
Gustavo Ponce Lerou	1,173	-	B	1,580.00	10/01/2003	1,853,340	
Yicelle Zamorano Fernandez	2,900	-	B	1,580.00	14/01/2003	4,582,000	
Matias Astaburuaga Suarez	-	23,995	B	1,669.73	23/01/2003	40,065,171	
Bernardita Fica Concha	6,818	-	B	1,770.00	31/03/2003	12,067,860	
Bernardita Contesse Fica	11,026	-	B	1,770.00	31/03/2003	19,516,020	
Bernardita Fica Concha	21,312	-	B	1,760.00	31/03/2003	37,509,120	
Francisco Contesse Fica	6,557	-	B	1,770.00	31/03/2003	11,605,890	
Felipe Contesse Fica	7,945	-	B	1,770.00	31/03/2003	14,062,650	
Patricio Contesse Fica	9,808	-	B	1,770.00	31/03/2003	17,360,160	
Cristobal Contesse Fica	4,752	-	B	1,770.00	31/03/2003	8,411,040	
Inv. Primavera Ltda.	-	2,883	A	2,300.00	19/05/2003	6,630,900	
Inv. Primavera Ltda.	3,469	-	B	1,880.00	23/05/2003	6,521,720	
Inv. Primavera Ltda.	-	274,806	A	2,100.00	28/05/2003	577,092,600	
Inv. Primavera Ltda.	280,000	-	B	1,850.00	30/05/2003	518,000,000	
Inv. Primavera Ltda.	28,500	-	B	1,890.00	05/06/2003	53,865,000	
Inv. Interchile Ltda.	900,000	-	B	1,965.00	27/06/2003	1,768,500,000	
Felipe Contesse Fica	1,486	-	B	2,040.00	02/07/2003	3,031,440	
Patricio Contesse Fica	1,695	-	B	2,040.00	02/07/2003	3,457,800	
Bernardita Contesse Fica	2,404	-	B	2,040.00	02/07/2003	4,904,160	
Cristobal Contesse Fica	1,140	-	B	2,050.00	02/07/2003	2,337,000	
Francisco Contesse Fica	1,240	-	B	2,040.00	02/07/2003	2,529,600	
Consul.Legal y Trib. Araya Y Z.	42,100	-	B	2,040.00	09/07/2003	85,884,000	
Consul.Legal y Trib. Araya y Z.	1,900	-	B	2,050.00	09/07/2003	3,895,000	
Soc. de Inv. Pampa Calichera S.A.	64,403	-	B	2,464.27	11/09/2003	158,706,381	
Soc. de Inv. Pampa Calichera S.A.	60,000	-	B	2,575.83	23/09/2003	154,549,800	
Soc. de Inv. Pampa Calichera S.A.	20,000	-	B	2,550.00	23/09/2003	51,000,000	
Soc. de Inv. Pampa Calichera S.A.	22,004	-	B	2,580.00	24/09/2003	56,770,320	
Inv. SQ Holding S.A.	100,000	-	B	2,569.00	25/09/2003	256,900,000	
Inv. SQ Holding S.A.	95,224	-	B	2,560.00	26/09/2003	243,773,440	
Julio Ponce Zamora	21,100	-	B	2,560.00	26/09/2003	54,016,000	
Jaime San Martin Larenas	-	4,735	B	2,650.00	30/09/2003	12,547,750	
Inv. SQ Holding S.A.	100,000	-	B	2,640.00	01/10/2003	264,000,000	
Soc. de Inv. Pampa Calichera S.A.	250,000	-	B	2,571.83	01/10/2003	642,957,500	
Alicia Lerou Ballesterro	3,950	-	B	2,698.00	03/10/2003	10,657,100	
Julio Ponce Zamora	6,200	-	B	2,699.00	03/10/2003	16,733,800	
Inv. Primavera Ltda.	-	50,000	B	2,640.00	06/10/2003	132,000,000	
Inv. Primavera Ltda.	-	20,000	B	2,640.00	06/10/2003	52,800,000	
Soc. de Inv. Pampa Calichera S.A.	130,000	-	B	2,647.87	06/10/2003	344,223,100	
Julio Ponce Zamora	4,600	-	B	2,880.00	27/10/2003	13,248,000	
Soc. de Inv. Cerro Largo S.A.	11,870	-	B	2,700.00	03/11/2003	32,049,000	
Julio Ponce Zamora	1,148	-	B	2,561.00	07/11/2003	2,940,028	
Soc. de Inv. Cerro Largo S.A.	65,000	-	B	2,500.00	12/11/2003	162,500,000	

## SQM's stock price and sales volumes:

		SANTIAGO STOCK EXCHANGE					
		AVERAGE PRICE (CH\$)		NUMBER OF STOCKS TRADED		AMOUNT TRADED (MM CH\$)	
		SQM A	SQM B	SQM A	SQM B	SQM A	SQM B
2001	I Q	1,415.2	1,297.9	1,522,584	15,181,157	2,203	19,554
	II Q	1,530.2	1,315.3	1,878,693	15,315,091	2,933	20,627
	III Q	1,623.5	1,277.0	2,811,484	11,948,506	4,588	15,849
	IV Q	1,830.2	1,432.0	49,679,124	15,181,767	94,163	21,875
2002	I Q	2,045.2	1,481.8	1,737,743	8,781,890	3,737	13,278
	II Q	2,234.1	1,530.8	7,144,037	14,336,343	18,629	21,955
	III Q	1,872.1	1,478.6	986,809	12,769,306	1,989	18,624
	IV Q	1,748.0	1,563.3	901,589	15,268,593	1,580	24,180
2003	I Q	1,700.9	1,681.2	440,996	10,521,390	746	17,800
	II Q	2,026.2	1,901.7	1,063,009	23,405,464	2,221	44,434
	III Q	2,356.0	2,330.5	299,633	18,304,723	725	41,707
	IV Q	2,717.2	2,616.6	912,962	13,287,116	2,537	35,484

		NYSE					
		AVERAGE PRICE (US\$)		NUMBER OF STOCKS TRADED		AMOUNT TRADED (TH US\$)	
		ADR A	ADR B	ADR A	ADR B	ADR A	ADR B
2000	I Q	\$ 24.8	\$ 22.6	16,500	920,300	433.095	20,941.805
	II Q	\$ 25.2	\$ 21.7	84,900	815,300	2,123	17,961.130
	III Q	\$ 24.3	\$ 19.1	87,800	987,400	2,154	18,625.938
	IV Q	\$ 25.8	\$ 20.7	57,800	1,050,200	1,484	21,589.518
2001	I Q	\$ 30.7	\$ 22.1	35,000	785,900	1,097	17,906.642
	II Q	\$ 33.7	\$ 23.2	96,100	653,700	3,349.630	15,143.529
	III Q	\$ 26.5	\$ 20.8	10,300	770,500	282.935	15,760.161
	IV Q	\$ 24.0	\$ 21.8	20,100	808,400	489.673	17,600.060
2003	I Q	\$ 23.0	\$ 23.0	19,400	402,100	439	9,358
	II Q	\$ 29.1	\$ 26.6	202,500	797,400	6,027	21,097
	III Q	\$ 34.3	\$ 33.6	56,600	976,900	1,937	32,498
	IV Q	\$ 43.1	\$ 42.4	136,400	996,400	5,892	42,628

## OTHER GENERAL INFORMATION

### Investment Policies

The Ordinary General Shareholders meeting, celebrated on April 30 2003, authorized SQM S.A. to invest on everything that relates to its business purpose, in the activities and purposes described in the respective by-laws and at the time, amount and within what is necessary to maintain or increment its operations and interests. Accordingly, SQM S.A. can particularly invest in projects that allow to maintain, improve or increase its production capacity, commercialization, startup and diversification of products or markets and in fixed assets or other assets such as stock or rights on partnerships that relate to its business purpose, and that allow it to increase the income, operations or returns of SQM S.A.

The maximum investment limit will be determined by the financing possibilities of the respective investment. The resources needed for that purpose may come from internal sources (Dividend Policies) and external (Financing Policies). Therefore, the maximum investment limit will be determined by the capacity of such investments according to the aforementioned policies. The Company is not subject to any special control in the Investment areas. The latter, independent of the Management's responsibility of aiming for a higher return on those Areas.

### Financing Policies

The Ordinary General Shareholders meeting of April 30 2003 established the maximum consolidated debt of SQM S.A. will be determined by the Debt/(Shareholders Equity) ratio of 1.0. This limit can only be exceeded as long as the Management has the previous authorization granted by the respective Extraordinary General Shareholders Meeting.

### Infrastructure

The Company, directly or through its subsidiaries, actually owns or has exclusive concession of the assets essential or necessary for the management, extraction, production, processing, mineral transportation and other products that it produces.

### Customers and Suppliers

No single customer accounted for more than 5% of SQM S.A. consolidated sales. In the same manner, SQM S.A. has not entered into contracts with suppliers that, individually considered, accounts for more than 5% of SQM S.A. consolidated sales.

### Insurance

The insured assets are the totality of the productive plants, machinery, vehicles, offices, supplies, processed products, end products, in transit securities and strike problems. It is an all-risk coverage.

### Brands and Patents

The company owns the brands it utilizes for its products, it has also registered its own and exclusive productive processes used in the productive areas. The Company does not hold any contracts for the utilization of brands, processes or others.

### Financial Assets

The financial assets of the Company are mainly constituted by readjustable time deposits in first category banks.

### Risk Factors

Given the nature of the businesses in which SQM participates, the Company is confronted to various risks, being the company's policy to reduce these risks in such way of maintaining the operational flexibility level that its businesses require. The main risks are the following:

a) **Interest Rates:** As of December 31, 2003, the Company had 23% of its long term financial debt priced at a variable rate and 77% at a fixed rate. The long term variable rate debt consists on a syndicated loan for an amount of US\$60 million priced at Libor plus a spread and is subject to the Libor fluctuations. In November 28, 2003, the syndicated loan priced with variable rate for US\$80 million was prepaid along with the corresponding interests. SQM maintains 100% of its short-term debt priced at Libor plus a spread and as of December 31, 2003 the Company had US\$55 millions in variable short term debt.

b) **Exchange rates:** Although the U.S. dollar is the primary currency in which SQM transacts its businesses, its operations throughout the world expose the Company to exchange rate variations for non-U.S. dollar currencies. Therefore, fluctuations in the exchange rate of such local currencies may affect SQM's financial condition and results of operations. To lessen these effects, SQM maintains forward contracts to protect the net difference between its principal assets and liabilities for currencies other than the U.S. dollar, from fluctuations in exchange rates. These contracts are renewed monthly depending on the amount to cover in each currency. SQM does not hedge potential future income and expenses in currencies other than the U.S. dollar with the exception of Euro. The Company estimates annual sales in Euros and secures the exchange difference with derivative contracts.

c) **Fuels and energy prices:** The main commodities that the company uses are oil, natural gas and energy in all of its forms. The company does not have any kind of contract that covers international price variations, but it does have long-term contracts for energy supply.

### Legal Constitution

The Company was constituted in public legal writing with date June 17 1968 before the Santiago Notary Mr. Sergio Rodríguez Garcés. The extract of the said writing was inscribed in fojas 4533 N° 1991 with date June 29 1968 on the official Commerce Register of Santiago.

Its existence was approved through Supreme Decree N°1164 of the State Department of Chile of June 22 1968, which was equally inscribed on June 29 of the same year on the official Commerce Register of Santiago in fojas 4537 N° 1992 and was noted at the margin of the social inscription.

The extract of the legal constitution writing, approved by the Superintendencia de Compañías de Seguros, Sociedades Anónimas y Bolsas de Comercio and the Supreme decree that authorized the existence of the Company were published in the Official Paper N° 27080 of June 29 1968.

### Participation of Major Shareholders

The Company has been informed –i- that Mr. Julio Ponce L. and related persons control Inversiones SQ Holding S.A. through the ownership of 100% of its stock –ii- that Inversiones SQ Holding S.A. controls Inversiones SQNH S.A. through the beneficial ownership of 51% of its stock –iii- that Inversiones SQNH S.A. controls Norte Grande S.A. through the beneficial ownership of 89.47% of its stock –iv- that Norte Grande S.A. controls Sociedad de Inversiones Oro Blanco S.A. through the beneficial ownership of 77.76% of its stock and –v- that Sociedad de Inversiones Oro Blanco S.A. controls Sociedad de Inversiones Pampa Calichera S.A. through the beneficial ownership of 66.67% of its stock. In turn Sociedad de Inversiones Pampa Calichera S.A. owns directly and indirectly 20.80% of Sociedad Química y Minera de Chile S.A.'s stock.

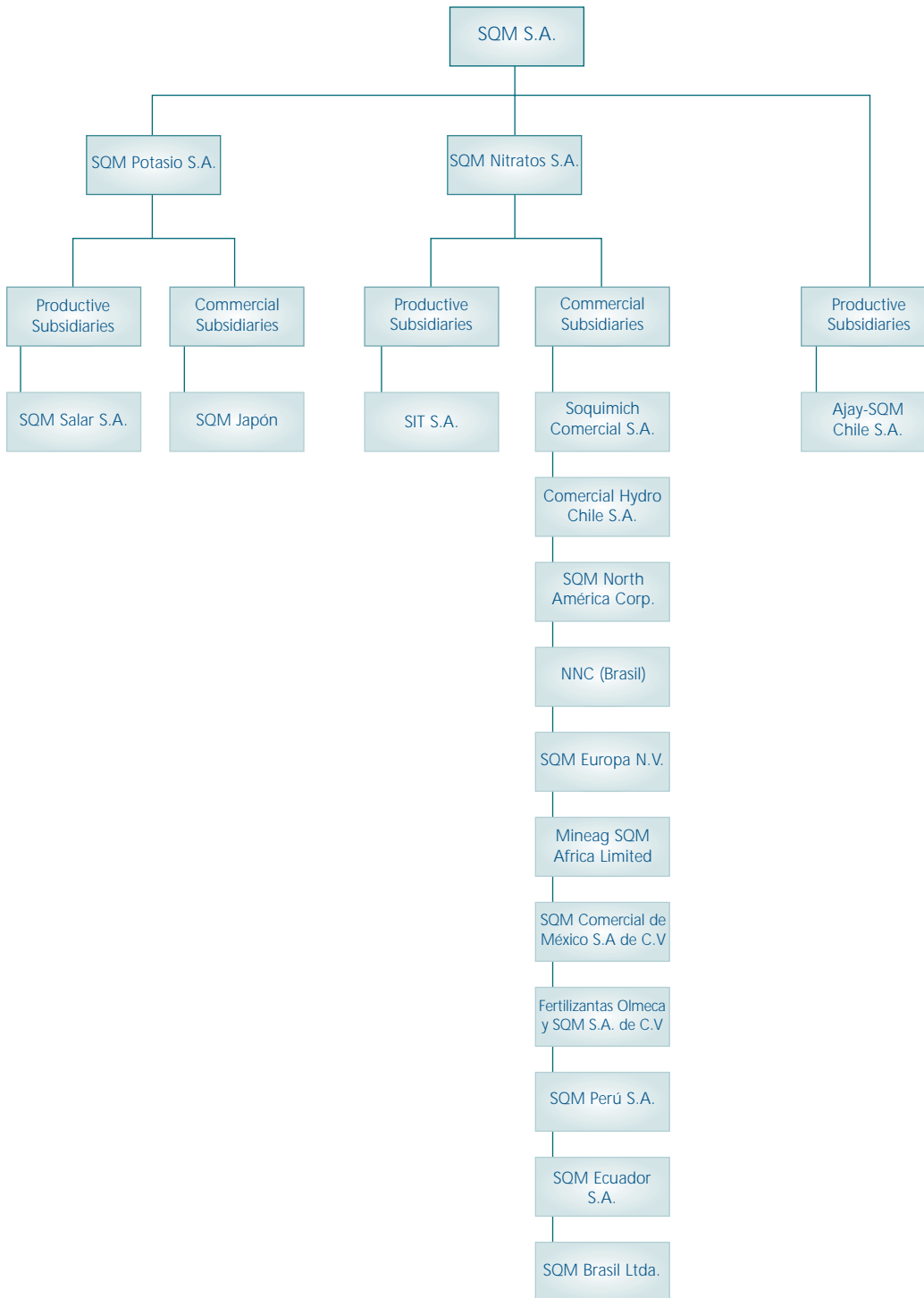
It has also been informed to the Company –I- that the Norwegian Company Norsk Hydro ASA indirectly owns 49% of Inversiones SQNH S.A. –ii- that Inversiones SQNH S.A. controls Norte Grande S.A. through the beneficial ownership of 89.47% of its stock –iii- that Norte Grande S.A. controls Sociedad de Inversiones Oro Blanco S.A. through the beneficial ownership of 77.76% of its stock and –iv- that Sociedad de Inversiones Oro Blanco S.A. controls Sociedad de Inversiones Pampa Calichera S.A. through the beneficial ownership of 66.67% of its stock. In turn Sociedad de Inversiones Pampa Calichera S.A. owns directly and indirectly 20.80% of Sociedad Química y Minera de Chile S.A.'s stock.

Sociedad de Inversiones Pampa Calichera S.A. increased its overall position from 20.35 to 20.80 through open market transactions.

On the other hand, the Company has been informed that the Canadian Company Potash Corporation of Saskatchewan Inc. indirectly controls 100% of Inversiones el Bolfo Limitada's stock, which in turn, is the beneficial owner of 20.35% of Sociedad Química y Minera de Chile S.A.'s stock.

Taking into account the ownership structure of the stockholders, the Company does not have a controlling entity.

CORPORATE STRUCTURE



ESSENTIAL ISSUES

1. The Superintendencia de Valores y Seguros was notified on March 19, 2003 that the Board of Directors of Sociedad Química y Minera de Chile (SQM), in a meeting held on March 18 of that year, unanimously agreed to propose the payment of a definitive dividend of US\$ 0.07558 per share in favor of those SQM shareholders who are registered in the respective registry by the 5th working day prior to the payment of the latter.

Said proposition, once approved by the Company's upcoming Ordinary Shareholders General Meeting to be held on April 30, 2003, shall permit the latter to effectively pay and distribute an annual dividend equivalent to 50% of distributable net profits obtained during the fiscal year 2002, in conformance with that provided in the respective Dividend Policies.

2. The Superintendencia de Seguros y Fianzas was notified on April 19, 2003, that Mr. José María Eyzaguirre B. irrevocably resigned from his position or duties as Company Director at the Board of Directors' ordinary meeting held on March 18, 2003 and the attending Board members accepted his resignation and the fact that it will come into effect as of and at the end of the day on April 29, 2003.
3. On April 30, 2003, the Ordinary Shareholders General Meeting was held, in which, the following main agreements were established, among others, by majority decision:
  - a) To approve the distribution and payment of a definitive total dividend of \$53.30808 per share. This shall be paid in one single payment as of May 12, 2003 and debited to the results of the fiscal year 2002.
  - b) To approve the payment of UF 50 (fifty UF) in favor of each member of the Directors Committee notwithstanding the number of meetings held or not held by said Committee during the respective month and to establish, likewise, a yearly budget for operational expenses for said Committee and its Consultants for UF 1,800 (one thousand eight hundred UF).
  - c) To appoint Mr. Wayne R. Brownlee, Mr. Hernán Büchi B., Mr. José María Eyzaguirre B., Mr. Avi Milstein, Mr. Julio Ponce L., Mr. José Antonio Silva B., Mr. Kendrick T. Wallace, and Mr. Daniel Yarur E. as the new Directors of SQM S.A. and approve the salaries that they will be paid during the next twelve months.
4. On October 24, 2003, the Board of Directors agreed to authorize SQM S.A.'s Managers to subscribe the necessary agreements so as to purchase the totality of shares of the Chilean Company PCS Yumbes S.C.M., subsidiary of Potash Corporation of Saskatchewan Inc.
5. On November 20, 2003, SQM S.A. and its subsidiary SQM Nitratos S.A., signed a "Share Purchase Agreement" in virtue of which they promised to purchase the totality of shares of the Sociedad PCS Yumbes S.C.M. from Inversiones PCS Chile Limitada and 628550 Saskatchewan Ltd, the latter being subsidiaries of Potash Corporation of Saskatchewan Inc.

The final purchase price shall be US\$ 35,000,000. Nevertheless, this price is subject to certain adjustments that could be effected, increasing or decreasing it during the day upon which the definitive agreement shall be signed, with the understanding that said purchase shall include the total assets, mineral concessions, water rights, and other goods of PCS Yumbes S.C.M., and shall exclude the total amount of its liabilities and contractual obligations.



Local and Foreign Subsidiaries

As of December 31, 2003 and 2002  
and for the years ended December 31, 2003 and 2002



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LOCAL AND FOREIGN SUBSIDIARIES

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## Local Subsidiaries

### SQM Nitratos S.A.:

Capital: US\$ 137,942,236  
 Ownership: 99.99999782% SQM S.A.  
 0.00000218% Other non related  
 Board of Directors: Patricio de Solminihac T.  
 Patricio Contesse G.\*  
 Camila Merino C.  
 Ricardo Ramos R.  
 Jaime San Martin L.  
 Corporate Purpose: Production and sales of fertilizers  
 CEO: Patricio Contesse G.\*  
 Relationship to Headquarters: Of property. Maintains with it a market bank account and rents industrial facilities  
 Address: El Trovador 4285  
 Phone: (2) 425 2000  
 Fax: (2) 425 2268

### Soquimich Comercial S.A.:

Capital: US\$ 44,672,315  
 Ownership: SQMN S.A. 60.64%  
 SQM S.A. 0.0000004%  
 Other non related 39.36%  
 Corporate Purpose: Commercialization and distribution of fertilizers  
 Board of Directors: Julio Ponce L\*  
 Eugenio Ponce L.  
 Andrés Rojas S.  
 Avi Milstein\*  
 Ricardo Ramos R.  
 CEO: Bernard Descazeaux A.  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2525  
 Fax: (2) 425 2268

### Servicios Integrales de Tránsito y Transferencias:

Capital : US \$ 9,873,573  
 Ownership : 99.99966% SQMN S.A.  
 0.00034% SQM S.A.  
 Corporate Purpose: Transportation and storage of products.  
 Board of Directors : Eugenio Ponce L.  
 Patricio Contesse G.\*  
 Patricio de Solminihac T.  
 Maurice Le-Fort R.  
 Camila Merino C.  
 CEO: Patricio Contesse G.\*  
 Relationship to Headquarters: Basically of property.  
 Address: Arturo Prat N° 1060, Tocopilla.  
 Phone: (55) 414452  
 Fax: (55) 414488

### SQM Salar S.A.

Capital: US\$ 38,000,000  
 Ownership: 81.82% SQM Potasio S.A.  
 18.18% SQM S.A.  
 Corporate Purpose: Exploitation and commercialization of potassium boron, lithium and other products.  
 Board of Directors: Patricio De Solminihac T.  
 Maurice Le-Fort R.  
 Camila Merino C.  
 Ricardo Ramos R.  
 Jaime San Martin L.  
 CEO: Patricio Contesse G.\*  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Fono: (2) 425 2000  
 Fax: (2) 425 2268

### Ajay-SQM Chile S.A.:

Capital: US \$5,313,794  
 Ownership: 51% SQM S.A.  
 49% Other non related  
 Corporate Purpose: Iodine Processing  
 Board of Directors: Eugenio Ponce L.  
 Daniel Jiménez S.  
 Alan Shipp  
 Charles Pittard  
 CEO: Patricio Covarrubias G.  
 Relationship to Headquarters: Basically of property.  
 Address: Avda Pdte. Eduardo Frei N° 4900, Santiago.  
 Phone: (2) 443 7110  
 Fax: (2) 443 7114

### SQM Potasio S.A.:

Capital : US \$ 39,020,000  
 Ownership : 99.9974% SQM S.A.  
 0.0026% SQMN S.A.  
 Corporate Purpose: Extraction of Minerals for the manufacture of chemical agents and fertilizers  
 Board of Directors: Patricio de Solminihac T.  
 Maurice Le-Fort R.  
 Eugenio Ponce L.  
 Ricardo Ramos R.  
 Jaime San Martin L.  
 CEO: Patricio Contesse G.\*  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2000  
 Fax: (2) 425 2268

\* CEO or Director of SQM S.A.

## Local Subsidiaries

### Institución de Salud Previsional Norte Grande Ltda.:

Capital: US \$290,908  
 Ownership: 99% SQMN S.A.  
                   1% SQM S.A.  
 Corporate Purpose: Manage health matters for SQM S.A. and its subsidiaries.  
 CEO: Militza Saguas G.  
 Relationship to Headquarters: Basically of property.  
 Address: Anibal Pinto N° 3228,  
                   Antofagasta.  
 Phone: (55) 412621  
 Fax: (55) 412632

### Comercial Hydro S.A.:

Capital: US \$ 1,380,880  
 Ownership : 99.9999% SQMC S.A.  
                   0.0001% SQMC Internacional Ltda.  
 Corporate Purpose: Commercialization and importation of fertilizers  
 CEO: Bernard Descazeaux A.  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2525  
 Fax: (2) 425 2268

### Almacenes y Depósitos Ltda.:

Capital: US \$ 1,308,223  
 Ownership: 99% SQM Potasio S.A.  
                   1% SQM S.A.  
 Corporate Purpose: Technology and Research Development  
 CEO: Patricio Contesse G.\*  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2000  
 Fax: (2) 425 2268

### Asoc. Garantizadora de pensiones:

Capital: \$ 1,170  
 Ownership: 3.311662% SQM S.A.  
                   96.688338% Others non related.  
 Corporate Purpose: Pension payment according to law 4.055. Accident at work  
 CEO: Celso Nuñez Salgado  
 Relationship to Headquarters: Basically of property.  
 Address: Ahumada 312 Of. 523 Santiago  
 Phone: (2) 696 4400  
 Fax: (2) 696 4400

### PROINSA LTDA.:

Capital: US \$ 55,254  
 Ownership: 99.9% SQMC S.A.  
                   0.1% Other non related  
 Corporate Purpose: Commercialization and production of fertilizers  
 CEO: Bernard Descazeaux A.  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2525  
 Fax: (2) 425 2268

### Empresas Melón S.A.:

Capital: M\$ 42,546,410  
 Ownership : 14.05% SQM S.A.  
                   85.95% Others non related.  
 Corporate Purpose: Commercialization of cement.  
 CEO: Berthón Denis  
 Relationship to Headquarters: Basically of property.  
 Address: Av. Vitacura 2939  
 Phone: (2) 280 0400  
 Fax: (2) 280 0401

### SQMC Internacional LTDA.:

Capital: US \$ 762,170  
 Ownership: 99.7423% SQMC S.A.  
                   0.2577% Proinsa Ltda.  
 Corporate Purpose: Commercialization, importation and exportation of fertilizers  
 CEO: Bernard Descazeaux A.  
 Relationship to Headquarters: Basically of property.  
 Address: El Trovador 4285  
 Phone: (2) 425 2525  
 Fax: (2) 425 2268

### Sales de Magnesio Ltda.

Capital: US \$ 188,259  
 Ownership: 50% SQM Salar S.A.  
                   50% Others non related.  
 Corporate Purpose: Commercialization of magnesium salts  
 CEO: José Tomás Ovalle  
 Relationship to Headquarters: Basically of property.  
 Address: Sector La Negra Lotes 1 y 2  
                   Antofagasta  
 Address (Sales): El Trovador 4285  
 Phone: (2) 425 2428  
 Fax: (2) 425 2434

\* CEO or Director of SQM S.A.

## Foreign Subsidiaries

### SQM Comercial de México, S.A de C.V.:

Capital: USD 27,805  
 Ownership: 99% SQM Potasio S.A.  
                   1% SQM S.A.  
 Corporate Purpose: Import, export and commercialization of fertilizers  
 CEO: Jaime Contesse González  
 Relationship to Headquarters: Basically of property  
 Address: Calle Industria Eléctrica s/n, Lote 30, Manzana A, Parque Industrial Bugambillas CP 45680, Tlajomulco de Zúñiga, Jalisco, México  
 Phone: (52-33) 35401100  
 Fax: (52-33) 35401101

### Fertilizantes Olmecca y SQM, S.A de C.V.:

Capital: US\$ 3,597,290  
 Ownership: 21.71% SQM Comercial de México S.A. de C.V.  
                   78.29% SQMN S.A.  
 Corporate Purpose: Import, export and commercialization of fertilizers  
 Board of Directors: Frank Biot (President)  
                           Carlos Díaz Ortiz  
                           Jaime Contesse González  
 CEO: Christian Luders Muñoz  
 Relationship to Headquarters: Basically of property  
 Address: Antiguo camino a Xochimehuacan N° 7422 La Loma, Puebla México  
 Phone: (52-222) 220 1719  
 Fax: (52-222) 220 0525

### SQM Argentina:

Capital: US\$ 84,108  
 Ownership: 99.96% SQM INVESTMENT CORP.  
                   0.04% SQMN S.A.  
 CEO: Carlos Balter  
 Board of Directors: Dr. Marcos J. Benegas Lynch (Legal Representative)  
 Corporate Purpose: Import, export and commercialization of fertilizers, saltpepper, iodine, iodized salts, sodium sulfate, potassium nitrate and all class of supplies for agriculture and industry  
 Relationship to Headquarters: Basically of property  
 Address: Espejo 65, Oficina 6, 5500 Mendoza  
 Phone: 54 261 434 0301  
 Fax: 54 261 434 0301

### SQM Europe:

Capital: US\$3,373,407  
 Ownership: 100 % S.E.H.  
 Corporate Purpose: Commercialization of fertilizers and technical products in Europe, Africa, Middle and Far East  
 Board of Directors: Julio Ponce L.\*  
                           Eugenio Ponce L  
                           Patricio de Solminihac  
                           Camila Merino C  
                           Daniel Jimenez  
 CEO: Frank Biot  
 Relationship to Headquarters: Basically of property  
 Address: Sint Pietersvliet 7 bus 8, 2000 Amberes, Belgium  
 Phone: 32-3-2039700  
 Fax: 32-3-2312782

### SQM Perú:

Capital: US\$ 17,427  
 Ownership: 0.98% SQM S.A.  
                   99.02% SQMN S.A.  
 CEO: Mauricio Campos C.  
 Board of Directors: Jaime Contesse González  
                           Claudio Alejandro Morales Godoy  
                           José Labarca Montalbán  
 Corporate Purpose: Commercialization of agricultural and industrial supplies  
 Relationship to Headquarters: Basically of property.  
 Address: Emilio Cavenecia N° 225 Of 608 - 612, San Isidro, Lima Perú.  
 Phone: (511) 222 1221  
 Fax: (511) 222 1245

### SQM North American Corporation:

Capital: US \$30,140,100  
 Ownership: 51% SQMN S.A.  
                   40% SQM S.A.  
                   9% S.E.H.  
 Corporate Purpose: Commercialization of nitrates, boron, iodine and lithium in North America, Central America and the Caribbean.  
 CEO: Ignacio Ruiz  
 Board of Directors: Julio Ponce L.\*  
                           Patricio Contesse G.\*  
                           Eugenio Ponce L  
                           Ricardo Ramos R  
                           Matias Astaburuaga S.  
 Relationship to Headquarters: Basically of property.  
 Address: 3101 Towercreek pkwy, suite 450 Atlanta, GA 30339  
 Phone: 1-770-916-9417  
 Fax: 1-770-916-9401

\* CEO or Director of SQM S.A.

## Foreign Subsidiaries

### SQM Brasil Ltda.:

Capital: US\$ 210,000  
 Ownership: 88.54% SQMN S.A.  
                   11.46% SQM S.A.  
 Corporate Purpose: Commercialization of Chemical products and Fertilizers  
 CEO: Guillermo Dalannais G.  
 Relationship to Headquarters: Basically of property.  
 Address: Al. Tocantins 75, 6 Andar, Edif. West Gate, Alphaville, Barueri, CEP 06455-020, Sao Paulo, Brasil  
 Phone: (55-11) 4133.7200  
 Fax: (55-11) 4133.7203

### SQM Corporation N.V.:

Capital: US \$ 6,300  
 Ownership: 98.39683% SQMN S.A.  
                   1.58730% SQI Corporation N.V.  
                   0.01587% SQM S.A.  
 Corporate Purpose: Investment in goods  
 CEO: N.V. Interpark  
 Relationship to Headquarters: Basically of property.  
 Address: Plaza Jojo Correa 1-5, P.O.Box 897, Willemstad, Curacao, Dutch Antilles.  
 Phone: (59) (99) 612544  
 Fax: (59) (99) 612647

### Nitratos Naturais do Chile Ltda.:

Capital: US\$ 202,567  
 Ownership: 99.9999% SQMN S.A.  
                   0.0001% SQM Brasil Ltda.  
 Corporate Purpose: Commercialization of agricultural and industrial supplies.  
 CEO: Guillermo Dalannais G.  
 Relationship to Headquarters: Basically of property.  
 Address: Al. Tocantins 75, 6 Andar, Edif. West Gate, Alphaville, Barueri, CEP 06455-020, Sao Paulo, Brasil  
 Phone: (55-11) 4133.7200  
 Fax: (55-11) 4133.7203

### SQI Corporation N.V.:

Capital: US \$ 6,300  
 Ownership: 99.9841% SQM Potasio S.A.  
                   0.0159% SQM S.A.  
 Corporate Purpose: Investment in goods.  
 CEO: N.V. Interpark  
 Relationship to Headquarters: Basically of property.  
 Address: Plaza Jojo Correa 1-5, P.O.Box 897, Willemstad, Curacao, Dutch Antilles.  
 Phone: (59) (99) 612544  
 Fax: (59) (99) 612647

### SQM Ecuador S.A.:

Capital: US\$ 900  
 Ownership: 99.996% SQMN S.A.  
                   0.004% SQM S.A.  
 Corporate Purpose: Commercialization of agricultural and industrial supplies.  
 CEO: Pablo E. Venezian A.  
 Relationship to Headquarters: Basically of property.  
 Address: Ave. José Orrantia y Ave. Juan Tanca Marengo Edificio Executive Center Piso 3 Oficina 303 (frente al Mall del Sol) Guayaquil - Ecuador  
 Phone: (593-4) 228 5868 - 228 5802  
 Fax: (593-4) 269 0630

### R-S Agro Chemical Trading A.V.V.:

Capital: US\$ 55,006,000  
 Ownership: 0.01% SQM S.A.  
                   99.99% SQM Potasio S.A.  
 Corporate Purpose: Investment and commercialization of goods  
 CEO: CMS Corporate Magnament Services N.V.  
 Relationship to Headquarters: Basically of property.  
 Address: Caya Ernesto O.Petronia 17, Oranjestad, Aruba.  
 Fax: 297-8-26548

### Royal Seed Trading A.V.V.:

Capital: US\$ 6,000  
 Ownership: 1.67% SQM S.A.  
                   98.33% SQM Potasio S.A.  
 Corporate Purpose: Investment and commercialization of goods  
 CEO or Director of SQM S.A.: CMS Corporate Magnament Services N.V.  
 Relationship to Headquarters: Basically of property.  
 Address: Caya Ernesto O.Petronia 17, Oranjestad, Aruba.  
 Fax: 297-8-26548

### SQM Investment Corporation:

Capital: US\$ 50,000  
 Ownership: 99.00% SQM Potasio S.A.  
                   1.00% SQM S.A.  
 Corporate Purpose: Investment and commercialization in goods  
 CEO: N.V. Interpark  
 Relationship to Headquarters: Basically of property  
 Address: Plaza Jojo Correa 1-5, P.O.Box 897, Willemstad, Curacao, Dutch Antilles  
 Phone: (59) (99) 612544  
 Fax: (59) (99) 612647

\* CEO or Director of SQM S.A.

## Foreign Subsidiaries

### Administradora y Serv. Santiago:

Capital: US\$ 6,612  
 Ownership: 99.998% SQMN S.A.  
 0.002% SQM North American C.  
 Corporate Purpose: To lend services  
 CEO: Sergio Diaz Monje  
 Relationship to Headquarters: Basically of property.  
 Address: Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambillas CP 45645, Tlajomulco de Zúñiga, Jalisco, México  
 Phone: (52-33) 35401100  
 Fax: (52-33) 35401101

### PTM SQM Ibérica S.A.:

Capital: US\$ 299,536  
 Ownership: 100% Soquimich European Holding  
 Corporate Purpose: Commercialization of agricultural and industrial supplies.  
 CEO: Jorge Lutken  
 Relationship to Headquarters: Basically of property.  
 Address: Provenza 251 Principal Pra. CP 08008 Barcelona  
 Phone: 34 93 4877806  
 Fax: 34 93 4872344

### Agricolima S.A.:

Capital: US\$ 14,715  
 Ownership: 100% SQM Comercial de México S.A. de C.V.  
 Corporate Purpose: Management of goods  
 CEO: Sergio Diaz Monje  
 Relationship to Headquarters: Basically of property.  
 Address: Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambillas CP 45645, Tlajomulco de Zúñiga, Jalisco, México  
 Phone: (52-33) 35401100  
 Fax: (52-33) 35401110

### Mineag SQM Africa :

Capital: US\$ 3  
 Ownership: 100% Soquimich European Holding  
 Corporate Purpose: Commercialization of fertilizers in Sub-Sahara  
 CEO: A. Gregory, F. Biot, P. Van Coillie  
 Relationship to Headquarters: Basically of property.  
 Address: Block B, Bryanston Ridge office Park Cnr Main & Bruton Roads, Bryanston Johannesburg, South Africa  
 Phone: 00 27 11 453 7867  
 Fax: 00 27 11 463 3340

### Nitrate Corporation of Chile Limited:

Capital: US\$ 4,936,200  
 Ownership: 100% SQMN S.A.  
 Corporate Purpose: Commercialization of nitrates and chilean iodine  
 CEO: John Cole  
 Relationship to Headquarters: Basically of property.  
 Address: 12 Wheatfield Road, Harpenden Herts, AL52NY, England  
 Fax: (44) (58) 2763546

### North American Trading C.:

Capital: US\$ 314,900  
 Ownership: 100% SQM North American C.  
 Corporate Purpose: Investment and commercialization of goods  
 CEO: Ignacio Ruiz  
 Relationship to Headquarters: Basically of property.  
 Address: 3101 Towercreek Pkwy Suite 450 Atlanta, GA 30339  
 Phone: (770) 916 9400  
 Fax: (770) 916 9401

### Fertilizantes Naturales S.A.:

Capital: US\$ 151,813  
 Ownership: 25% Soquimich European Holding  
 50% Nutrisi Holding  
 25% Others non related  
 Corporate Purpose: Commercialization of fertilizers and technical products  
 CEO: Jorge Lutken  
 Relationship to Headquarters: Basically of property.  
 Address: Provenza 251 Principal Pra. CP 08008 Barcelona  
 Phone: 34 93 4877806  
 Fax: 34 93 4872344

### Soquimich European Holding B.V.:

Capital: US\$ 5,876,546  
 Ownership: 100% SQM Corp. N.V.  
 Corporate Purpose: Holding company  
 CEO: P. Vanbeneden, F. Biot  
 Relationship to Headquarters: Basically of property.  
 Address: Drentestraat 24 BG, NL 1083 HK Amsterdam, The Netherlands  
 Phone: 00 31 10  
 Fax: 00 31 10

\* CEO or Director of SQM S.A.

## Foreign Subsidiaries

### SQM Italia SRL:

Capital: US\$ 322,065  
 Ownership: 95% Soquimich European Holding  
 0.5% Others non related  
 Corporate Purpose: Commercialization of industrial products in Italy  
 CEO: F. Parri  
 Relationship to Headquarters: Basically of property.  
 Address: Via A. Meucci, 5  
 50015 Grassina - Firenze Italy  
 Phone: 00 39 55 644 418  
 Fax: 00 39 55 644 419

### SQM Venezuela S.A.:

Capital: US\$ 74,624  
 Ownership: 50% SQMN S.A.  
 50% SQM North American C.  
 Corporate Purpose: Commercialization of agriculture and industrial supplies  
 CEO: Pedro A. Lopez B.  
 Relationship to Headquarters: Basically of property.  
 Address: Urb. El Pedregal Av.Terepaima, Edif. Dalfa, Piso 2 Ofic 21-C Barquisimeto – Estado Lara Venezuela  
 Phone: 58-251 254 7240/254 6639  
 Fax: 58-251 254 7240

### SQM Japon Co. Ltda.:

Capital: US\$ 87,413  
 Ownership: 99% SQM Potasio S.A.  
 0.1% SQM S.A.  
 Corporate Purpose: Commercialization of Industrial products in Asia/Oceania and marketing assistance of Fertilizer in Japan.  
 CEO: Mayo Shibazaki  
 Relationship to Headquarters: Basically of property.  
 Address: From 1st. Bldg. # 207, 5-3-10 Minami-Aoyama, Minato-ku, Tokyo 107-0062 JAPAN  
 Phone: 81-3-5778-3311  
 Fax: 81-3-5778-3312

### SQM Virginia LLC:

Capital: US\$ 31,076,092  
 Ownership: 100% SQM North American C.  
 Corporate Purpose : Investment and commercialization of goods  
 CEO: Ignacio Ruiz  
 Relationship to Headquarters: Basically of property.  
 Address: 3101 Towercreek Pkwy Suite 450 Atlanta, GA 30339  
 Phone: (770) 916 9400  
 Fax: (770) 916 9401

### SQM Nitratos México S.A.:

Capital: US\$ 5,636  
 Ownership: 51% SQMN S.A.  
 49% Others non related  
 Corporate Purpose : To lend services  
 CEO: Sergio Diaz monje  
 Relationship to Headquarters: Basically of property.  
 Address: Calle Industria Eléctrica s/n, Lote 30, Manzana A Parque Industrial Bugambillas CP 45645, Tlajomulco de Zúñiga, Jalisco, México  
 Phone: (52-33) 35401100  
 Fax: (52-33) 35401101

### SQMC Holding:

Capital: US\$ 3,000,000  
 Ownership: 99.9% SQM North American C.  
 0.1% SQM S.A.  
 Corporate Purpose: Investment and commercialization of goods  
 CEO: Ignacio Ruiz  
 Relationship to Headquarters: Basically of property.  
 Address: 3101 Towercreek Pkwy Suite 450 Atlanta, GA 30339  
 Phone: (770) 916 9400  
 Fax: (770) 916 9401

### SQM Oceania PTY:

Capital: US\$ 1  
 Ownership: 100% Soquimich European Holding  
 Corporate Purpose : Import, export and distributes industrial products and fertilizers  
 CEO: Patricio Tellechea Nuñez  
 Relationship to Headquarters: Basically of property.  
 Address: Level 15, 321 Kent ST. Sydney, NSW CP. 2000  
 Phone: 61 412 558911  
 Fax: 61 293 479221

### Abu Dhabi Fertilizer Industries Co. W.L.L.:

Capital: AED 5,300,000  
 Ownership: 37% SQM Corp.  
 63% Others non related  
 Corporate Purpose : Commercialization of fertilizers in Middle East  
 CEO: Yousef Al Tawil  
 Relationship to Headquarters: Basically of property.  
 Address: Po Box 71871 Abu Dhabi United Arab Emirates  
 Phone: 00 971 255 11700  
 Fax: 00 971 255 11702

\* CEO or Director of SQM S.A.

## Foreign Subsidiaries

### Ajay Europe SARL:

Capital: US\$ 650,000  
 Ownership: 50% SQM Corp.  
                   50% Ajay Chemicals SRL  
 Corporate Purpose : Production and distribution of  
                           Iodine derivatives  
 CEO: Alan Shipp  
 Relationship to Headquarters: Basically of property.  
 Address: 1.400 Indstry RD Power Springs  
                   GA 30129  
 Phone: 1 (770) 943 6202  
 Fax: 1 (770) 439 0369

### Nutrissi Holding:

Capital: Eur 570,155  
 Ownership: 50% Soquimich European Holding  
                   50% Eurocil (ICL)  
 Corporate Purpose : Holding company  
 CEO: P. Vanbeneden  
 Relationship to Headquarters: Basically of property.  
 Address: St Pietersvliet 7 bus 8  
                   2000 Antwerpen Belgium  
 Phone: 00 32 3 203 97 00  
 Fax: 00 32 3 231 27 82

### Doktor Tarsa Tarim Sanayi A.S.:

Capital: US\$ 867,481  
 Ownership: 50% Soquimich European  
                   Holding  
                   50% Others non related  
 Corporate Purpose : Commercialization of fertilizers in  
                           Turkey  
 CEO: Ali B. Ozman  
 Relationship to Headquarters: Basically of property.  
 Address: Tarim Sanayi Ve Ticaret A.S.  
                   Karsiyaka Mah. Yildirim Beyazit  
                   Cad. No 52 Antalya Turkey  
 Phone: 00 90 242 32 66 866  
 Fax: 00 90 242 32 66 860

### NU3 N.V.:

Capital: Eur 10,995,963  
 Ownership: 50% Nutrissi Holding  
                   50% Hydro Agri Rotterdam  
 Corporate Purpose : Production of solid an liquid  
                           specialty fertilizers  
 CEO: P. Brouwer  
 Relationship to Headquarters: Basically of property.  
 Address: St Pietersvliet 7 bus 8  
                   2000 Antwerpen Belgium  
 Phone: 00 32 3 203 97 00  
 Fax: 00 32 3 203 97 69

### Impronta SRL:

Capital: Eur 50,000  
 Ownership: 50% Soquimich European  
                   Holding  
                   50% Hydro Agri Italia  
 Corporate Purpose : Commercialization of fertilizers in  
                           Italy  
 CEO: Y. Nitzani  
 Relationship to Headquarters: Basically of property.  
 Address: Via A. Meucci 5  
                   50015 Grassina - Firenze Italy  
 Phone: 00 39 55 644 418  
 Fax: 00 39 55 644 419

\* CEO or Director of SQM S.A.



Liability Statement

SQM S.A. Directors and Chief Executive Officer, hereby declare that we have performed our respective duties of Administrators and of Main Executive of the Company and in compliance with the practices generally applied for this duties in Chile and, pursuant to that we hereby declare, liable under oath, that the information provided in this Annual Report 2003 is true and we assume the responsibilities that may arise from this statement.

  
Julio Ponce Lerou  
Rut: 4.250.719-9  
Presidente

  
Wayne R. Brownlee  
Rut: Extranjero  
Vicepresidente

  
Hernán Büchi Buc  
Rut: 5.718.666-6  
Director

  
Daniel Yarur Elsaca  
Rut: 6.022.573-7  
Director

  
Avi Milstein  
Rut: 14.635.935-3  
Director

  
José María Eyzaguirre  
Rut: 7.011.679-0  
Director

  
José Antonio Silva  
Rut: 7.055.443-7  
Director

  
Kendrick T. Wallace  
Rut: Extranjero  
Director

  
Patricio Contesse González  
Rut: 6.356.264-5  
Gerente General



**Legal Address**

*El Trovador N° 4285, Las Condes, Santiago.*

**Telephone**

*(56-2) 425 20 00*

**Fax**

*(56-2) 425 24 93*

**P.O. Box**

*96D - Santiago, Chile*

**Web Page**

*www.sqm.com*

**Tax Number**

*93.007.000-9*

**External Auditors**

*Ernst & Young (Chile) Limitada*

**Rating Agencies**

*Fitch IBCA Duff & Phelps Chile Clasificadora de Riesgo Ltda.  
Feller & Rate Clasificadora de Riesgo Ltda.*

**Chilean stock exchange ticker symbol**

*"SQM-A" for Series A shares*

*"SQM-B" for Series B shares*

**NYSE ticker symbol**

*"SQMA" for Series A ADRs*

*"SQM" for Series B ADRs*

**Depositary Bank**

*The Bank of New York*

*Shareholder Relations*

*P.O. Box 11258*

*Church Street Station*

*New York, NY 10286-1258*

*1-888-BNY-ADRS (269-2377) (Toll free)*

*1-610-312-5315 (International)*

*shareowner-svcs@bankofny.com*

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**Desing and Production**

*Espacio Vital ([www.espaciovital.cl](http://www.espaciovital.cl))*

**Printing**

*Fyrma Gráfica*

**Photography**

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*Daniela Miller*

*Enrique Siqués.*

