

2001



Consolidated Financial Statements

As of december 31, 2001 - 2000

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



Report of Independent Auditors



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, 2001 and 2000, and the related consolidated statements of income and cash flows for the years then ended, all expressed in thousands of United States dollars. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 provide a reasonable basis for our opinion.

In our opinion, 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, 2001 and 2000, 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, which differ in certain respects from those followed in the United States of America (see Note 26 to the consolidated financial statements).


Antonio Aldunate U.



Santiago, Chile, february 19, 2002.



Consolidated Balance Sheets

	As of december 31,	
	2001	2000
	Th.US\$	Th.US\$
ASSETS		
Current assets		
Cash and cash equivalents	121,536	32,728
Marketable securities	14,150	15,001
Accounts receivable, net	119,186	110,950
Other accounts receivable, net	9,022	22,698
Accounts receivable from related companies	36,302	68,776
Inventories	208,394	212,134
Recoverable taxes	16,361	12,169
Prepaid expenses	1,931	2,465
Deferred income taxes	1,421	-
Other current assets	13,934	32,292
Total current assets	542,237	509,213
Property, plant and equipment, net	708,867	733,303
Investments in related companies	72,385	73,140
Goodwill	13,360	12,135
Negative goodwill	(1,267)	(1,680)
Intangible assets, net	4,130	4,320
Accounts receivable from related companies long term	825	868
Long-term accounts receivable	13,203	7,966
Other assets	59,688	63,051
Total assets	1,413,428	1,402,316

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

Consolidated Balance Sheets

	As of december 31,	
	2001	2000
	Th.US\$	Th.US\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank debt	61,197	47,473
Current portion of long-term debt	6,831	8,308
Bonds payable	-	2,978
Dividends payable	278	276
Accounts payable	29,830	31,813
Other accounts payable	1,080	2,260
Notes and accounts payable to related companies	1,442	20,958
Accrued liabilities	17,177	16,470
Payroll withholdings	4,919	2,935
Deferred income	2	242
Income taxes	191	341
Deferred income taxes	-	773
Other current liabilities	2,297	3,161
Total current liabilities	125,244	137,988
Long-term liabilities		
Long-term debt	412,000	400,000
Other accounts payable	3,848	4,849
Deferred taxes	8,794	1,934
Provision for employee severance benefits	8,326	6,563
Other liabilities	89	1,621
Total long-term liabilities	433,057	414,967
Minority interest	23,430	25,268
Shareholders' equity		
Paid-in capital	477,386	477,386
Other reserves	131,066	139,828
Retained earnings	223,245	206,879
Total shareholders' equity	831,697	824,093
Total liabilities and shareholders' equity	1,413,428	1,402,316

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



Consolidated Statements of Income

	As of december 31,	
	2001	2000
	Th.US\$	Th.US\$
OPERATING RESULTS		
Sales	526,439	501,792
Cost of sales	(408,171)	(388,767)
Gross margin	118,268	113,025
Selling and administrative expenses	(43,648)	(45,757)
Operating income	74,620	67,268
Non-operating results		
Non-operating income	18,315	13,025
Non-operating expenses	(48,392)	(45,812)
Non-operating loss	(30,077)	(32,787)
Income before income taxes	44,543	34,481
Income taxes	(7,538)	(4,861)
Consolidated income	37,005	29,620
Minority interest	(2,383)	(2,930)
Net income before extraordinary items	34,622	26,690
Amortization of negative goodwill	414	414
Extraordinary items	(4,934)	-
Net income for the year	30,102	27,104

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

Consolidated Statements of Cash Flows

	As of december 31,	
	2001	2000
	Th.US\$	Th.US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	30,102	27,104
Charges (credits) to income not representing cash flows:		
Depreciation expense	63,157	62,046
Amortization of intangible assets	190	212
Write-offs and accruals	6,802	6,159
Accrued equity gain on investments in related companies	(1,838)	(1,474)
Accrued equity loss on investments in related companies	567	256
Amortization of goodwill	794	881
Amortization of negative goodwill	(414)	(414)
Loss on sales of fixed assets	41	28
Gain on sales of investments	-	(44)
Other credits to income not representing cash flows	(10,096)	(15,904)
Other charges to income not representing cash flows	23,003	20,972
Net changes in operating assets and liabilities		
Trade accounts receivable	(447)	13,385
Inventories	3,969	(10,916)
Other assets	14,264	17,981
Accounts payable	3,133	(2,362)
Interest payable	(560)	(243)
Net income taxes payable	(2,867)	2,730
Other accounts payable	(3,444)	(309)
VAT and taxes payable	(3,062)	2,710
Gain from minority interest	2,383	2,930
Net cash flows from operating activities	125,677	125,728

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



	As of december 31,	
	2001	2000
	Th.US\$	Th.US\$
Cash flows from financing activities		
Share issuance	-	10
Bank debt	115,235	179,700
Payment of dividends	(15,290)	(26,100)
Repayment of bank financing	(90,500)	(199,400)
Repayment of bonds payable	(2,941)	(6,134)
Net cash flows from financing activities	6,504	(51,924)
Cash flows from investing activities		
Sales of fixed assets	-	195
Sales of permanent investments	-	17
Sales of investments	14,750	216,176
Other income	9,230	5,061
Additions to property, plant and equipment	(29,778)	(58,619)
Payment of capitalized interest	(2,442)	(4,376)
Permanent investments	(19,900)	(4,559)
Purchase of investments	(13,974)	(215,999)
Other disbursements	-	(7,759)
Net cash flows from investing activities	(42,114)	(69,863)
Net cash flows for the year	90,067	3,941
Impact of inflation on cash and cash equivalents	(1,259)	(718)
Net change in cash and cash equivalents	88,808	3,223
Beginning balance of cash and cash equivalents	32,728	29,505
Ending balance of cash and cash equivalents	121,536	32,728
Interest and income taxes paid in 2001 and 2000 are as follows:		
Interest paid	35,038	31,502
Taxes paid	2,867	4,116

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

Notes to the Consolidated Financial Statements

December 31, 2001 and 2000

Note 1 • General

Sociedad Química y Minera de Chile S.A. was registered on march 18, 1983 under N° 0184 of the Chilean Superintendency of Securities and Insurance.

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

Soquimich Comercial S.A. registered under N° 0436 on january 11, 1993.

SQM Potasio S.A. registered under N° 0728 on march 20, 2001.

SQM Salar S.A. registered under N° 0731 on april 17, 2001.

Note 2 • Summary of significant accounting policies

a) Basis for the preparation of the consolidated financial statements

The accompanying consolidated financial statements have been prepared in U.S. dollars in accordance with accounting principles generally accepted in Chile (Chilean GAAP) and the regulations of the Chilean Superintendency of Securities and Insurance.

b) Period

These consolidated financial statements have been prepared for the twelve-month periods ended december 31, 2001 and 2000.

c) Reporting currency and monetary correction

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

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

The financial statements of the domestic subsidiaries, which maintain their accounting records in Chilean pesos, have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the period. For this purpose, and conformity with Chilean regulations, non-monetary assets and liabilities and equity accounts have been restated in terms of year-end constant pesos based on the change in the consumer price index during the period (3.1% and 4.7% in 2001 and 2000, respectively). The resulting net charge or credit to income arises as a result of the gain or loss in purchasing power from the holding of monetary assets and liabilities exposed to the effects of inflation.

d) Foreign currency

i) Foreign currency transactions

Monetary assets and liabilities denominated in Chilean pesos and other currencies are translated to U.S. dollars at the exchange rates prevailing at the end of each period (US\$ 0.001527 and US\$ 0.001743 in 2001 and 2000, respectively, was the exchange rate for the Chilean pesos).

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 N° 64 as follows:

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

- Balance sheet accounts are translated to U.S. dollars at the year-end exchange rate without eliminatin the effects of price-level restatements.

- Income statement accounts are translated to U.S. dollars at the average rate of exchange each month after elimination of price level adjustments to the income statement accounts; the monetary correction account on the income statement which reflects the impact of price level adjustments to the non-monetary assets and liabilities and shareholders' equity in the balance sheet is translated to U.S. dollars at the average rate of exchange each month.
- Translation gains and losses, as well as the price level adjustments to the balance sheet mentioned above, are included as an adjustment in shareholders' equity, in conformity with the Circular N° 368 of the Chilean Superintendency of Securities and Insurance.

The 2001 and 2000 financial statements of those foreign subsidiaries that keep their accounting records in currencies other than U.S. dollar have been translated at historical exchange rates following the methodology indicated in Chilean Technical Bulletin N° 64. Beginning on January 1, 1998, Technical Bulletin N° 64 of the Chilean Association of Accountants replaced Technical Bulletin N° 51. Differences between these two bulletins are not significant, nor do they differ significantly from FASB 52.

Prior year financial statements presented for comparative purposes are not restated to a constant purchasing power level of the most recent year-end. In accordance with Chilean GAAP, amounts expressed in U.S. dollars, including amounts included in the consolidated financial statements as determined in prior years from the translation of financial statements of those Chilean subsidiaries which maintain their accounting records in Chilean pesos, are not adjusted for price level changes.

Exchange differences for the periods ended December 31, 2001 and 2000 generated net losses of Th.US\$ 3,122 and Th.US\$ 1,934, respectively, which were charged to consolidated results of operations in each respective period.

The monetary assets and liabilities of foreign subsidiaries were translated into U.S. dollars at the exchange rates prevailing at each period-end, as follows:

	2001 US\$	2000 US\$
Brazilian real	0.430960	0.513083
New Peruvian sol	0.290192	0.283607
Colombian peso	0.000428	0.000448
Argentine peso	0.588235	1.000000
Japanese yen	0.007579	0.008726
Ecuadorian sucre	1.000000	1.000000
Euro	0.881306	0.939319
Mexican peso	0.109057	0.103945
Indonesian rupee	0.096154	-
Australian dollar	0.510412	0.556112

The Company uses the "observed exchange rate", which is the rate determined daily by the Chilean Central Bank based on the average exchange rates at which bankers conduct authorized transactions on such date.

e) Basis of consolidation

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

In accordance with regulations set forth by the Chilean Superintendency of Securities and Insurance in its Circular N° 368, Technical Bulletins N° 42 and 64 of the Chilean Association of Accountants, the consolidated financial statements include the assets, liabilities, income statements, and cash flows for the following affiliates:

	Direct or indirect ownership	
	2001	2000
	%	%
Foreign subsidiaries:		
Nitrate Corp. of Chile Limited	100.00	100.00
Soquimich SRL - Argentina	100.00	100.00
Nitratos Naturais do Chile Ltda.	100.00	100.00
SQM Europe N.V.	100.00	100.00
SQM North America Corp.	100.00	100.00
North American Trading Company	100.00	100.00
SQM Perú S.A.	100.00	100.00
SQM Corporation N.V.	100.00	100.00
S.Q.I Corporation N.V.	100.00	100.00
Soquimich European Holding	100.00	100.00
PTM - SQM Ibérica S.A.	100.00	100.00
SQMC Holding Corporation L.L.P.	100.00	100.00
SQM Ecuador S.A.	100.00	100.00
Cape Fear Bulk L.L.C.	51.00	51.00
SQM Colombia Ltda.	100.00	100.00
SQM Investment Corporation N.V.	100.00	100.00
PSH Limited	100.00	100.00
SQM Brasil Ltda.	99.99	99.99
Royal Seed Trading Corporation A.V.V.	100.00	100.00
SQM Japan K.K.	100.00	100.00
SQM Oceanía PTY Limited	100.00	100.00
SQM France S.A.	100.00	100.00
Fertilizantes Naturales S.A.	50.00	50.00
RS Agro-Chemical Trading A.V.V.	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 L.L.C.	100.00	100.00

	Direct or indirect ownership	
	2001	2000
	%	%
Domestic subsidiaries:		
Servicios Integrales de Tránsitos y Transferencias S.A.	100.00	100.00
Cía. Industrial y Minera S.A.	100.00	100.00
Soquimich Comercial S.A.	60.64	60.64
Sociedad Minera de Chile S.A.	100.00	100.00
Energía y Servicios S.A.	100.00	100.00
Isapre Norte Grande Ltda.	100.00	100.00
Inversiones y Asesorías SQM Ltda.	100.00	100.00
SQM Químicos S.A.	99.99	99.99
Ajay SQM Chile S.A.	51.00	51.00
SQM Nitratos S.A.	100.00	100.00
Proinsa Ltda.	60.58	60.58
SQM Potasio S.A.	100.00	100.00
SQMC International Ltda.	60.64	60.64
SQM Salar S.A.	100.00	100.00
SCM SQM Boratos	100.00	100.00
Minera Mapocho S.A.		100.00
Inversiones Augusta S.A.		100.00

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



At december 31, 2001, the subsidiary Fertilizantes Naturales S.A. was included in the consolidation given that the Company maintains controlling interest.

At december 31, 2001 and 2000, the subsidiaries Lithium Specialties LLP and SCM Antucoya were in development stage and therefore were not included in the consolidation.

At december 31, 2000, the subsidiary Potassium S.A. was in development stage and therefore was not included in the consolidation.

f) Cash and cash equivalents

Time deposits are presented at cost plus accrued interest.

In conformity with Technical Bulletin N° 50 of the Chilean Association of Accountants, the Company has classified cash, time deposits and short-term investments, which mature within three months from the date of purchase as cash and cash equivalents.

g) Marketable securities

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

h) Bad debt estimate

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

i) Inventories and materials

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

Inventories of spare parts and supplies are classified as Other Current Assets except for those items which the Company estimates to have a turnover period of one year or more, which are classified as non-current Other Assets.

j) Income and deferred taxes

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

In Chile, the general corporate rate is 15% and non-deductible expenses are taxed at 35%. Taxable losses incurred by a company in any year must first be carried back to recover taxes previously paid, if any, on a first-in, first-out basis. Any remaining tax losses can be carried forward without limitation.

Each company is required to file a separate tax declaration.

Effective January 1, 2000, in accordance with Chilean Technical Bulletins N° 60, 68 and 71 and Circular N° 1466 of the Superintendency of Securities and Insurance, deferred taxes related to all temporary differences are recorded. The effect of the temporary differences at december 31, 1999 were recorded in complementary asset and liability accounts, and will be recognized in the statement of operations in the period in which they reverse.

k) Property, plant and equipment

Except for the increment arising from a revaluation in 1988, property, plant and equipment are stated at cost considering an average residual value of 5%. Depreciation expense has been calculated using the straight-line method based upon the estimated useful lives of the assets and is either capitalized as a production cost or charged directly to expense. Depreciation expense for the twelve-months ended december 31, 2001 and 2000 includes Th.US\$ 1,759 and Th.US\$ 2,040, respectively, arising from the depreciation of the 1988 technical appraisal adjustment of property, plant and equipment.

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

In conformity with Bulletin N° 31 of the Chilean Association of Accountants, the Company capitalizes interest cost associated with the financing of new assets during the construction period of such assets. Capitalized interest amounted to Th.US\$ 2,442 and Th.US\$ 4,376 at december 31, 2001 and 2000, respectively.

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

The Company obtains property rights for mining concessions from the Chilean courts having jurisdiction by filing the corresponding applications for specifically identified properties. Other than minor filing fees, the property rights are usually obtained without initial cost, and once obtained, are retained perpetually by the Company as long as the annual fees are paid. Such fees, which are paid annually in March, are recorded as prepaid assets to be amortized over the succeeding twelve months. Values attributable to these original mining concessions received are being amortized on a straight-line basis over 50 years. Mining concessions acquired from others are recorded at acquisition cost and are being amortized based on the units of production method.

l) Investments in related companies

Permanent investments in domestic and foreign related companies are accounted for in accordance with the equity method, in conformity with Technical Bulletins N° 42 and 64 of the Chilean Association of Accountants. 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 Other Reserves. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

m) Goodwill and negative goodwill

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

n) Intangible assets

Intangible assets are stated at cost plus all the expenses related to acquisition and are amortized over a maximum period of 40 years, in accordance with Technical Bulletin N° 55 of the Chilean Association of Accountants.

o) Mining development cost

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

p) Accrued employee severance

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

q) Bonds payable

Bonds are stated at the balance of principal owed plus accrued interest. The difference between the book and placement value was capitalized and amortized over the term of bond.

r) Vacations

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

s) Dividends

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

t) Derivatives

The Company maintains derivatives contracts, which are recorded in conformity with Chilean Technical Bulletin N° 57 (losses are recognized on the accrual basis and gains are recognized when realized).

u) Reclassifications

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

v) Revenue recognition

Revenues are recognized upon the physical shipment of products.

w) Computer software

In accordance with Circular N° 981 dated December 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company are capitalized at cost plus all the related additional costs.

x) Research and development expenses

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

y) Statement of cash flows

In conformity with Technical Bulletin N° 50 of the Chilean Association of Accountants, the Company considers the balances of cash, time deposits and other short-term investments whose maturity is less than 90 days, as cash and cash equivalents.

Note 3 • Changes in accounting principles

In accordance with Circular N° 1466 of the Superintendency of Securities and Insurance and the Technical Bulletins N° 60 and 68 of the Chilean Association of Accountants, beginning January 1, 2000, the Company records deferred taxes. This change resulted in a charge to operations of Th.US\$ 5,241, which includes Th.US\$ 551 for the net change in complementary accounts during 2000. Prior to 2000, the Company recognized deferred taxes generated by the tax benefit established in Technical Bulletin N° 14 of the Chilean Association of Accountants.

In 2000 the company changed the discount rate from 7.9% to 9% to calculate the reserve for severance benefits. The effect of this change was not significant.

There were no accounting changes during 2001.

Note 4 • Marketable securities

At December 31, 2001 and 2000, instruments classified as fixed income instruments related to notes issued by the Central Bank of Chile.

Marketable securities consisted of at December 31:

	2001 Th.US\$	2000 Th.US\$
Central Bank of Chile notes (fixed income)	14,150	15,001
Total	14,150	15,001

Detail of fixed income instruments as of December 31, 2001:

Instrument	Date of acquisition	Maturity date	Book value Th.US\$	Rate %	Market value Th.US\$
Central Bank of Chile note	10-04-2001	10-01-2005	2,026	5.25	2,074
Central Bank of Chile note	10-04-2001	10-01-2005	1,013	5.25	1,037
Central Bank of Chile note	10-05-2001	10-01-2005	2,026	5.30	2,070
Central Bank of Chile note	10-05-2001	10-01-2005	506	5.25	518
Central Bank of Chile note	10-05-2001	10-01-2005	1,316	5.25	1,348
Central Bank of Chile note	10-05-2001	10-01-2005	1,013	5.25	1,037
Central Bank of Chile note	10-05-2001	10-01-2005	1,013	5.25	1,037
Central Bank of Chile note	10-01-2001	08-01-2004	5,062	4.95	5,233
Other notes	12-31-2001	04-01-2002	175	9.00	175
Total			14,150		14,529

As of December 31, 2000:

Instrument	Date of acquisition	Maturity date	Book value Th.US\$	Rate %	Market value Th.US\$
Central Bank of Chile note	08-12-1999	03-21-2001	3,044	6.72	3,098
Central Bank of Chile note	08-03-1999	03-08-2001	2,039	6.47	2,007
Central Bank of Chile note	08-02-1999	03-22-2001	252	6.52	257
Central Bank of Chile note	07-21-1999	03-13-2001	5,099	6.48	5,024
Central Bank of Chile note	08-19-1999	03-21-2001	1,015	6.65	1,033
Central Bank of Chile note	08-23-1999	03-22-2001	512	6.58	506
Central Bank of Chile note	08-03-1999	03-22-2001	1,005	6.46	1,024
Central Bank of Chile note	08-03-1999	03-21-2001	1,015	6.46	1,033
Other notes	07-22-1999	03-21-2001	1,020	6.48	1,007
Total			15,001		14,989

Note 5 • Long-term and short-term accounts receivable
a) Detail as of december 31, 2001 and 2000:

	Up to 90 days		Between 90 days and 1 year		2001 Subtotal Th.US\$	Total short-term (net)		Long-term	
	12.31.2001	12.31.2000	12.31.2001	12.31.2000		12.31.2001	12.31.2000	12.31.2001	12.31.2000
	Th.US\$	Th.US\$	Th.US\$	Th.US\$		Th.US\$	Th.US\$	Th.US\$	Th.US\$
Trade accounts receivable	90,122	79,521	10,435	2,507	100,557	96,084	82,028	-	-
Allowance for bad debt	-	-	-	-	(4,473)	-	-	-	-
Notes receivable	23,424	21,463	2,444	7,459	25,868	23,102	28,922	-	-
Allowance for bad debt	-	-	-	-	(2,766)	-	-	-	-
Subtotal						119,186	110,950	-	-
Other accounts receivable	7,429	8,254	2,467	14,444	9,896	9,022	22,698	13,203	7,966
Allowance for bad debt	-	-	-	-	(874)	-	-	-	-
Subtotal						9,022	22,698	-	-
Total long-term accounts receivable								13,203	7,966

b) Consolidated short 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	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$
Net short-term trade accounts receivable												
Balance	24,399	22,615	23,461	21,841	4,398	2,945	24,569	16,124	19,257	18,503	96,084	82,028
% of total	25.39	27.57	24.42	26.63	4.58	3.59	25.57	19.65	20.04	22.56	100.00	100.00
Net short-term notes receivable												
Balance	20,397	23,847	349	630	411	125	512	514	1,433	3,806	23,102	28,922
% of total	88.29	82.45	1.51	2.18	1.78	0.43	2.22	1.78	6.20	13.16	100.00	100.00
Net short-term other accounts receivable												
Balance	6,927	21,130	470	324	-	26	1,286	498	339	720	9,022	22,698
% of total	76.78	93.09	5.21	1.43	-	0.11	14.25	2.20	3.76	3.17	100.00	100.00
Subtotal short-term accounts receivable, net												
Balance	51,723	67,592	24,280	22,795	4,809	3,096	26,367	17,136	21,029	23,029	128,208	133,648
% of total	40.34	50.57	18.94	17.06	3.75	2.32	20.57	12.82	16.40	17.23	100.00	100.00
Net long-term accounts receivable												
Balance	12,146	6,884	3	3	-	-	-	7	1,054	1,072	13,203	7,966
% of total	91.99	86.42	0.02	0.04	-	-	-	0.08	7.99	13.46	100.00	100.00
Total short and long-term accounts receivable, net												
Balance	63,869	74,476	24,283	22,798	4,809	3,096	26,367	17,143	22,083	24,101	141,411	141,614
% of total	45.17	52.59	17.17	16.10	3.40	2.19	18.64	12.10	15.62	17.02	100.00	100.00

Note 6 • Balances and transactions with related companies

At december 31, 2001 and 2000, balances and transactions with related companies related to balances in current accounts as set by Article N° 602 of the Chilean Commerce Code. There is no maturity date or payment schedule.

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

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

a) Detail as of december 31, 2001 and 2000:

Accounts receivable	Short-term		Long-term	
	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$
Ajay Europe	3,032	3,658	-	-
FNC Italy S.R.L.	5,617	5,893	-	-
Nutrichem N.V.	9	2	-	-
Generale de Nutrition Vegetale S.A.	173	164	-	-
Nutrichem Benelux N.V.	-	8	-	-
Fertilizantes Olmeca S.A.	3,747	-	-	-
Mineag SQM Africa Limited	6,014	9,529	-	-
Abu Dhabi Fertilizer Ind. W.L.L.	4,466	3,726	-	-
SQM México S.A. de C.V.	-	32,127	-	-
Nutrisi N.V.	5,328	8,608	-	-
Doktor Tarsa-SQM Turkey	307	874	-	-
Comercial Caimán Internacional S.A.	4,461	2,445	-	-
SQM Venezuela S.A.	1,703	1,346	-	-
SQM Lithium Specialties Limited	164	127	-	-
Empresas Melón S.A.	-	-	825	868
Sales de Magnesio S.A.	116	-	-	-
Ajay North America L.L.C.	252	269	-	-
Agricolima	913	-	-	-
Total	36,302	68,776	825	868

Accounts payable	Short-term		Long-term	
	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$
Ajay Europe	82	900	-	-
Adm. y Servicios Santiago S.A. de C.V.	38	-	-	-
Nutrichem N.V.	-	1	-	-
Mineag SQM Africa Limited	65	34	-	-
Abu Dhabi Fertilizer Ind. W.L.L.	54	54	-	-
SQM México S.A. de C.V.	-	6,641	-	-
Nutrisi N.V.	1,057	1,425	-	-
SCM Antucoya	100	100	-	-
Potassium S.A.	-	11,787	-	-
Ajay North America L.L.C.	46	16	-	-
Total	1,442	20,958	-	-

b) During 2001 and 2000, principal transactions with related companies were as follows:

Company	Type of transaction	Amount of transaction		Impact on income (charge) credit	
		2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$
SQM Venezuela S.A.	Sales of products	1,582	784	94	45
FNC Italy S.R.L.	Sales of products	5,724	4,648	(527)	(655)
	Purchase of products	-	70	-	(70)
Fertilizantes Olmeca S.A. de C.V.	Sales of products	2,804	-	321	-
Comercial Caimán Internacional	Sales of products	18	3,528	4	136
Nutrisi N.V.	Sales of products	12,995	13,553	623	1,106
	Purchase of products	2	-	-	-
Doktor Tarsa	Sales of products	40	1,125	8	127
Mineag SQM Africa Ltd.	Sales of products	10,612	11,340	117	1,070
Abu Dhabi Fertilizer W.L.L.	Sales of products	1,611	1,939	19	41
Nutrichem Benelux	Sales of products	29	184	1	1
Nutrichem N.V.	Sales of products	233	18	(33)	2
Generale de Nutrition Vegetable	Sales of products	747	962	69	174
Ajay Europe	Sales of products	7,994	9,184	(136)	115
Sales de Magnesio Ltda.	Sales of products	98	-	75	-
SQM Lithium Specialties	Sales of products	93	-	35	-
SQM México S.A. de C.V.	Sales of products	-	23,614	-	1,279
Potassium S.A.	Current account	-	11,787	-	-
El Trovador	Interest	-	151	-	-
	Rental	-	143	-	(143)

Note 7 • Inventories

As of december 31, 2001 and 2000, inventories consisted of:

	2001 Th.US\$	2000 Th.US\$
Finished products	116,438	125,881
Products-in-process	81,075	73,650
Supplies	10,881	12,603
Total	208,394	212,134

Note 8 • Property, plant and equipment

As of december 31, 2001 and 2000, property, plant and equipment consisted of:

	2001	2000
	Th.US\$	Th.US\$
Land		
Land	13,453	10,603
Mining concessions	28,745	31,226
Total	42,198	41,829
Buildings and infrastructure		
Buildings	152,007	148,089
Installations	283,470	259,734
Construction-in-progress	23,726	31,504
Other	1,856	12,899
Total	461,059	452,226
Machinery and equipment		
Machinery	379,226	351,973
Machinery and equipment	109,804	105,790
Other	10,557	10,581
Total	499,587	468,344
Other fixed assets		
Tools	7,680	8,187
Furniture and office equipment	18,446	13,444
SQM Salar S.A. project	6,963	2,203
SQM Nitratos S.A. project	10,172	7,995
SQM Químicos S.A. project	1,302	1,455
Other	176	14,542
Total	44,739	47,826
Appraisal adjustment of		
Land	8,651	8,651
Buildings and infrastructure	40,627	40,627
Machinery and equipment	12,127	12,127
Other assets	53	53
Total	61,458	61,458
Total property, plant and equipment	1,109,041	1,071,683
Less: Accumulated depreciation		
Buildings and infrastructure	(137,280)	(112,409)
Machinery and equipment	(209,860)	(176,291)
Other fixed assets	(23,447)	(21,852)
Technical appraisal	(29,587)	(27,828)
Total accumulated depreciation	(400,174)	(338,380)
Net property, plant and equipment	708,867	733,303

Note 9 • Investments in and receivables from related companies

a) Transactions executed in 2001

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

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

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

On December 19, 2001, SQM Nitratos acquired 10.345% of the ownership of Potassium S.A., to increase its ownership percentage to 100%. Subsequently, Potassium S.A. was merged into SQM Nitratos.

On December 27, 2001, SQM S.A. made a capital contribution in the amount of Th.US\$ 18,000 to SQM North America Corporation, acquiring thus 81.75% ownership. The above percentage was produced by the absence of its former owner, Soquimich European Holding, to the related capital increase.

On December 31, 2001, SQM Potasio S.A. and the Parent Company acquired all the shares of the affiliate SQM México S.A. de C. V., which subsequently merged with the subsidiary SQM Comercial de México S.A. de C.V.

On December 31, 2001, Energía y Servicios S.A. acquired all the shares of Inversiones Augusta S.A., and was merged into Energía y Servicios S.A.

On December 31, 2001, Energía y Servicios S.A. acquired all the shares of Minera Mapocho S.A. and was merged into Energía y Servicios S.A.

b) Transactions executed in 2000

On March 8, the Parent Company sold 0.01% of its participation and SQM Potasio S.A. sold 99.99% of its participation in El Trovador S.A. to Jorge Riesco and Sociedad Nacional de Minería.

In April, Soquimich European Holding N.V. acquired a 50% interest in Doctor Tarsa Tarin Sanayi ve Ticaret Limited Sirketi.

On May 10, Soquimich European Holding N.V. acquired the subsidiary SQM Indonesia.

On June 13, Nutrisi increased its ownership of Fertilizantes Naturales S.A. to 57.14%.

On September 15, a new company, RS Agro-Chemical Trading A.V.V., was formed in Aruba through the issuance of 60 shares of which 1 was subscribed by SQM Potasio S.A. and 59 were subscribed by SQM S.A., thus resulting in ownership interest of 1.667% and 98.333%, respectively.

On December 7, SQM North America Corporation formed the subsidiaries SQM Virginia LLC and SQM Lithium Specialties LLP through capital contributions of Th.US\$ 3,168 and Th.US\$ 3,200 respectively.

On December 7, SQM Comercial de México was formed through contributions of SQM Potasio S.A. (99%) and SQM S.A. (1%).

At December 31, Nutrisi modified its participation in Fertilizantes Naturales S.A. to 50%.

b) Detail of investments in related companies:

Tax registration Number	Company	Origin country	Controlling currency	Number of shares	Ownership interest		Equity of companies		Net income (loss) for the period		Accrued result		Equity value		Book value of the investment	
					2001 %	2000 %	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$
93390000-2 0-E	Empresas Melón S.A.- SQM Lithium	Chile	-	653,738,837	14.05	14.05	265,022	288,404	9,195	8,419	1,292	1,183	37,236	40,521	37,236	40,521
0-E	Specialties L.L.P.*	USA	US\$	-	100.00	100.00	17,609	3,200	-	-	-	-	17,609	3,200	17,609	3,200
0-E	Ajay North America	USA	US\$	-	49.00	49.00	14,441	14,097	589	500	289	245	7,076	6,907	7,076	6,907
77093830-9 0-E	SCM Antucoya* Abu Dhabi Fertilizer Industries W.L.	Chile	US\$	490	100.00	100.00	6,650	6,650	-	-	-	-	6,650	6,650	6,650	6,650
0-E	Fertilizantes Olmeqa y SQM S.A. de C.V.	UAE	US\$	1,961	37.00	37.00	3,675	3,276	(433)	-	(160)	-	1,360	1,212	1,360	1,212
0-E	Nutrisi N.V.	Mexico	Mex. \$	-	50.00	-	1,988	-	(460)	-	(230)	-	994	-	994	-
0-E	Mineag SQM Africa Limited	Belgium	US\$	-	50.00	50.00	1,338	1,335	4	(250)	2	(125)	669	668	578	547
0-E	Doktor Tarsa	Africa	US\$	-	50.00	50.00	652	245	313	-	156	-	326	123	326	123
0-E	FNC Italy S.R.L.	Turkey	US\$	-	50.00	50.00	472	471	-	-	-	-	236	235	236	235
0-E	SQM Venezuela S.A.	Italy	US\$	-	25.00	25.00	476	367	208	-	52	-	119	92	119	92
0-E	Ajay Europe S.A.R.L.	Venezuela	US\$	59,550	50.00	50.00	160	200	99	-	49	-	80	100	59	100
77557430-5 81767200-0	Asoc. Garantizadora Pensiones	France	US\$	-	50.00	50.00	135	345	(249)	(182)	(124)	(91)	68	172	68	172
96864750-4	Sales de Magnesio Ltda. Potassium S.A.	Chile	-	-	50.00	-	96	-	(71)	-	(35)	-	48	-	48	-
		Chile	-	-	3.31	3.31	778	909	-	-	-	-	26	30	26	30
		Chile	-	14,625,000	-	89.66	-	14,892	-	(16)	-	-	13,351	-	13,351	-
Total													72,497	73,261	72,385	73,140

Note 10 • Goodwill and negative goodwill

a) Goodwill:

Tax registration number	Company	December 31, 2001		December 31, 2000	
		Amount amortized during the period Th.US\$	Goodwill amount Th.US\$	Amount amortized during the period Th.US\$	Goodwill amount Th.US\$
0-E	PTM-SQM Ibérica S.A.	20	100	20	120
0-E	Doktor Tarsa	22	393	16	414
7968170-9	Soquimich Comercial S.A.	150	573	150	723
78208790-8	SCM SQM Boratos	16	65	16	80
93390000-2	Empresas Melón S.A.	543	8,778	636	10,586
79626800-K	SQM Salar S.A.	43	169	43	212
0-E	SQM México S.A. de C.V.	-	1,114	-	-
96866750-4	SQM Potassium	-	2,168	-	-
Total		794	13,360	881	12,135

b) Negative goodwill:

Tax registration number	Company	December 31, 2001		December 31, 2000	
		Amount amortized during the period Th.US\$	Negative goodwill amount Th.US\$	Amount amortized during the period Th.US\$	Negative goodwill amount Th.US\$
79626800-K	SQM Salar S.A.	211	386	211	596
96575300-1	Minera Mapocho S.A.	203	881	203	1,084
Total		414	1,267	414	1,680

Note 11 • Other non-current assets

As of december 31, other non-current assets were as follows:

	2001	2000
	Th.US\$	Th.US\$
Engine and equipment spare-parts, net	32,387	30,234
Nitrate deposit development costs	5,252	3,735
Mineral development costs	11,138	15,078
Pensions plan	2,691	2,677
Construction of Salar-Baquedano road	2,010	2,093
Deferred loan issuance costs	5,208	7,400
Other assets	1,002	1,834
Total	59,688	63,051

Note 12 • Bank debt

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

Bank or financial institution:	2001	2000
	Th.US\$	Th.US\$
Banco Sudameris	-	4,025
Royal Bank of Canada	-	16,079
Corpbanca	-	5,140
Banco Santiago	15,291	13,907
Banco A. Edwards	4,206	-
Banco del Estado	13,212	-
Banco Santander	10,132	6,977
Banco Crédito e Inversiones	4,522	-
Citibank	10,454	-
Other banks	3,380	1,345
Total	61,197	47,473
Annual average interest rate	4.81%	7.09%

b) Long-term bank debt:

	2001	2000
	Th.US\$	Th.US\$
Union Bank of Switzerland (1)	204,577	204,577
ING Bank (2)	121,782	123,174
Bank of America (3)	80,239	80,557
Corpbanca (4)	12,233	-
Total	418,831	408,308
Less: Current portion	(6,831)	(8,308)
Long-term portion	412,000	400,000

- (1) U.S. dollar-denominated loan with no guarantee, interest rate of 7.7% per annum, semi-annual interest payments and payment of principal on september 15, 2006.
- (2) U.S. dollar-denominated loan with no guarantee, interest rate of 4.113% per annum, semi-annual interest payments and payment of principal on february 23, 2003.
- (3) U.S. dollar-denominated loan with no guarantee, interest rate of 3.365% per annum, semi-annual payments of interest and payment of principal on november 29, 2005.
- (4) U.S. dollar-denominated loan with no guarantee, interest rate of 4.619% per annum, semi-annual interest payments and payment of principal on august 4, 2003.

Long-term debt matures as follows:

Years to maturity	2001 Th.US\$
Current portion	6,831
1 to 2 years	148,000
2 to 3 years	32,000
4 to 5 years	232,000
Total	418,831

Note 13 • Accrued liabilities

As of december 31, 2001 and 2000, accrued liabilities consisted of:

	2001 Th.US\$	2000 Th.US\$
Provision for royalties	774	482
Quarterly bonus	157	203
Suppliers	7,568	4,490
Commissions on consignment goods	432	302
Taxes and monthly tax provisional payments	1,419	352
Vacation accrual	5,220	6,945
Accrued employee benefits	154	267
Warehouse expenses	148	139
Other accruals	1,305	3,290
Total current liabilities	17,177	16,470

Note 14 • Income and deferred tax

a) At december 31, 2001 and 2000, the Company and its subsidiaries have the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

	2001 Th.US\$	2000 Th.US\$
Accumulated tax basis retained earnings with tax credit	15,586	18,901
Accumulated tax basis retained earnings with no credit	4,227	-
Income not subject to taxes	2,776	18,351
Tax loss carry-forwards (1)	139,252	120,361
Credit for shareholders	2,751	3,000

(1) The consolidated tax loss carry-forwards have no expiration date.

b) **Deferred taxes:**

The deferred taxes as of december 31, 2001 and 2000 represented a net liability of Th.US\$ 7,373 and Th.US\$ 2,707, respectively, and consisted of:

2001 Temporary differences	Deferred tax asset		Deferred tax liability	
	Short-term	Long-term	Short-term	Long-term
	Th.US\$	Th.US\$	Th.US\$	Th.US\$
Provision for bad debt	259	1,021	-	-
Vacation accrual	830	-	-	-
Unrealized gains	331	591	-	-
Unrealized gain on sale of products	5,344	-	60	-
Provision for obsolescence	-	631	-	-
Production expenses	233	-	9,269	-
Fixed asset depreciation	-	-	-	56,309
Exploration expenses	-	-	-	4,623
Capitalized interest	-	-	1	6,643
Provision for severance indemnities	-	-	-	2,609
Accrued expenses	-	-	400	-
Capitalized expenses	-	-	-	1,106
Tax loss carry-forwards	-	25,612	-	-
Other	132	-	72	252
Total gross deferred taxes	7,129	27,855	9,802	71,542
Total complementary accounts	(136)	(7,209)	(4,230)	(42,102)
Total deferred taxes	6,993	20,646	5,572	29,440

2000 Temporary differences	Deferred tax asset		Deferred tax liability	
	Short-term	Long-term	Short-term	Long-term
	Th.US\$	Th.US\$	Th.US\$	Th.US\$
Provision for bad debt	901	751	-	-
Vacation accrual	1,038	-	-	-
Unrealized gains	6	521	-	-
Unrealized gain on sale of products	1,315	-	145	-
Provision for obsolescence	-	422	-	-
Production expenses	-	-	7,527	-
Leased fixed assets	-	-	-	29
Fixed asset depreciation	-	-	-	42,545
Exploration expenses	-	-	-	4,253
Capitalized interest	-	-	-	6,008
Provision for severance indemnities	-	-	-	2,079
Accrued expenses	-	-	1,240	-
Capitalized expenses	-	-	-	1,301
Tax loss carry-forwards	-	21,451	-	-
Other	159	-	69	411
Total gross deferred taxes	3,419	23,145	8,981	56,626
Total complementary accounts	(580)	(11,020)	(5,369)	(42,567)
Total deferred taxes	2,839	12,125	3,612	14,059

c) Income tax expense is as follows:

	2001 Th.US\$	2000 Th.US\$
Provision for current income tax	(2,370)	(2,448)
Deferred tax assets	4,341	7,710
Effect of assets and liabilities of current deferred taxes	(11,456)	(14,292)
Effect of amortization of complementary accounts	2,463	(551)
Other tax debits and credits	(516)	4,720
Total income tax expense	(7,538)	(4,861)

Note 15 • Reserve for Severance Benefits

The activity of this account is as follows:

	2001 Th.US\$	2000 Th.US\$
Opening balance	6,563	6,723
Increases (1)	6,624	3,338
Payments	(4,089)	(2,990)
Interest rate adjustment	-	(435)
Exchange difference	(772)	(73)
Balance as of december 31	8,326	6,563

(1) In 2001, the Company introduced new severance benefits that resulted in an expense of Th.US\$ 1,958.

Note 16 • Minority interest

Minority interest consisted of:

	Equity		Net Income/(loss)	
	2001 Th.US\$	2000 Th.US\$	2001 Th.US\$	2000 Th.US\$
Soquimich Comercial S.A.	20,142	22,047	(1,804)	(2,378)
Ajay SQM Chile S.A.	3,054	2,868	(376)	(334)
Cape Fear Bulk LLC	43	101	(50)	(107)
SQM Indonesia	8	10	1	-
Fenasa	183	242	(38)	(111)
SQM México S.A.	-	-	(116)	-
Total	23,430	25,268	(2,383)	(2,930)

Note 17 • Shareholders' equity

a) Changes to shareholders' equity consisted of:

	Number of shares	Paid-in capital Th.US\$	Others reserves Th.US\$	Accumulated deficit of subsidiaries in development stage Th.US\$	Retained earnings Th.US\$	Net income Th.US\$	Total Th.US\$
Balance december 31, 1999	263,196,524	477,386	143,402	(1,816)	157,363	48,075	824,110
Transfer december 31, 1999							
net income to retained earnings	-	-	-	-	48,075	(48,075)	-
Declared dividends 1999	-	-	-	-	(23,831)	-	(23,831)
Accumulated deficit from subsidiaries in development stage (1)	-	-	-	(16)	-	-	(16)
Translation adjustment (2)	-	-	(3,574)	-	-	-	(3,574)
2000 Net income	-	-	-	-	-	27,104	27,104
Balance december 31 2000	263,196,524	477,386	139,828	(1,832)	181,607	27,104	824,093
Transfer december 31, 2000							
net income to retained earnings	-	-	-	-	27,104	(27,104)	-
Declared dividends 2000	-	-	-	-	(13,345)	-	(13,345)
Accumulated deficit from subsidiary in development stage (1)	-	-	-	(391)	-	-	(391)
Translation adjustment (2)	-	-	(8,762)	-	-	-	(8,762)
2001 Net income	-	-	-	-	-	30,102	30,102
Balance december 31, 2001	263,196,524	477,386	131,066	(2,223)	195,366	30,102	831,697

(1) Relates to SQM Lithium Specialties LLP Th.US\$ (391) in 2001 and Empresas Melón S.A Th.US\$ (2) and Potassium S.A Th.US\$ (14) in 2000.

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

b) The capital is represented by 263,196,524 fully subscribed and paid shares with no par value, divided into 142,819,552 Series A shares and 120,376,972 Series B shares, both preferred, for 2001 and 2000.

The preferential voting rights of each series are as follows:

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

Series B : 1) A General or Extraordinary Shareholders' Meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.

2) An Extraordinary Meeting of the Board of Directors may be called with or without the agreement of the Company's President, at the request of a director elected by Series B shareholders.

Accumulated deficit from subsidiary in development stage:

Tax registration N°	Amount for company	Accumulated the year 2001	Amount	Observations
96864750-4	Potassium S.A.	-	8	In development stage in 2000
0-E	SQM Lithium Specialties Limited	391	391	Currently in development stage
96807530-6	Cementos de Chile S.A.	-	1,545	In development stage in 1997
0-E	SQM Japon K.K.	-	100	In development stage in 1997
0-E	SQM Colombia Ltda.	-	29	In development stage in 1995
0-E	SQM Ecuador S.A.	-	150	In development stage in 1994
Total		391	2,223	

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

Note 18 • Derivatives transactions

As of december 31, the Company had hedging contracts for a total notional amount of Th.US\$ 30,597 (Th.US\$ 32,227 in 2000), as follows:

Type of derivative	Amount	Description of the contract			Accounts affected	
		Notional or covered date	Expiration type	Position purchase/sale	Liability amount	Loss recorded
Forward	1,500	1st quarter of 2002	Exchange rate	P	82	(82)
Forward	1,000	1st quarter of 2002	Exchange rate	P	53	(53)
Forward	1,500	2nd quarter of 2002	Exchange rate	P	89	(89)
Forward	1,000	2nd quarter of 2002	Exchange rate	P	66	(66)
Forward	1,000	2nd quarter of 2002	Exchange rate	P	66	(66)
Forward	1,000	2nd quarter of 2002	Exchange rate	P	67	(67)
Forward	800	2nd quarter of 2002	Exchange rate	P	53	(53)
Forward	1,000	2nd quarter of 2002	Exchange rate	P	70	(70)
Forward	1,500	3rd quarter of 2002	Exchange rate	P	107	(107)
Forward	1,500	3rd quarter of 2002	Exchange rate	P	107	(107)
Forward	1,500	3rd quarter of 2002	Exchange rate	P	98	(98)
Forward	1,500	3rd quarter of 2002	Exchange rate	P	78	(78)
Forward	1,000	3rd quarter of 2002	Exchange rate	P	53	(53)
Swap	1,549	1st quarter of 2002	Interest rate	P	1,083	(1,532)
Forward	10,532	1st quarter of 2002	Exchange rate	P	145	(145)
Forward	2,716	1st quarter of 2002	Exchange rate	P	16	(16)
Total	30,597				2,233	(2,682)

Note 19 • Non-operating income and expenses

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

a) Non-operating income:

	2001 Th.US\$	2000 Th.US\$
Interest income	7,130	4,797
Reversal of allowance for doubtful accounts	2,490	1,173
Sale of swap contracts	-	3,213
Sale of mining concessions	4,000	-
Equity in unconsolidated subsidiaries	1,838	1,474
Other income	2,857	2,368
Total	18,315	13,025

b) Non-operating expenses:

	2001 Th.US\$	2000 Th.US\$
Write-off of property, plant, and equipment	2,763	2,640
Severance accrual	1,958	-
Write-off of uncollectible receivable	-	1,289
Loss on investment in related companies	-	945
Interest expense	36,671	33,348
Losses from related companies	567	256
Amortization of goodwill	794	881
Foreign exchange	3,122	1,934
Other expenses	2,517	4,519
	48,392	45,812

Note 20 • Extraordinary items

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

	Th.US\$
Employee benefits paid	(450)
Restructuring and advisory expenses	(5,341)
Tax effect on extraordinary items	857
Total	(4,934)

Note 21 • Guarantees, liens, contingencies and commitments

a) Contingencies:

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

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

b) Commitments:

The subsidiary SQM Salar S.A. maintains an agreement with a government agency, which obligates the company to make annual payments to this institution based on the company's annual sales until 2030. This sum, which has been paid since inception of the agreement in 1996, is reflected as expenses of Th.US\$ 3,169 in 2001 (Th.US\$ 2,062 in 2000).

c) Indirect guarantees:

Beneficiary	Name	Debtor Relationship	Guarantee	Assets involved		Balances outstanding	
				Type	Book value Th.US\$	12.31.2001 Th.US\$	12.31.2000 Th.US\$
ING Bank-Phelps Dodge Corporation	SQM Potasio S.A.	Subsidiary	Guarantee	-	-	3,426	4,730
Royal Bank of Canada	SQM Investment Corporation NV	Subsidiary	Guarantee	-	-	-	16,079
Bank of America N.A.	RS Agro-Chemical Trading A.V.V.	Subsidiary	Guarantee	-	-	80,239	-

Note 22 • Third party guarantees

During 2001 and 2000, the Company did not have any significant guarantees granted to third parties.

Note 23 • Sanctions

During 2001 and 2000, the Chilean Superintendency of Securities and Insurance did not apply sanctions to the Company, its directors or managers.

Note 24 • Subsequent events

On January 23, 2002, The Superintendency of Securities and Insurance authorized the issuance of bonds through the registration in the securities registry N° 285 of a maximum of Th.UF 2,500 divided into Series A and Series B bonds. The total amount of these bonds must not exceed Th.UF 2,500.

Through the date of issuance of these financial statements the public offering process had not yet commenced. The authorized bond terms are:

	Interest rate	Term for the notes	Period for placement
Series A bonds	6.20%	4 years	36 months
Series B bonds	6.50%	21 years	36 months

Except for that mentioned in the preceding paragraphs, Company management is not aware of any other significant events which have occurred between December 31, 2000 and the date of these financial statements, which may affect these consolidated financial statements.

Note 25 • Environmental projects

Disbursements incurred by the Company at December 31, 2001 related to its investments in production processes, the verification and control of compliance with official ordinances and laws relative to industrial processes and facilities amount to Th.US\$ 4,022, as follows:

Project	Amount Th.US\$
Environmental department	467
Coya Sur sewage treatment plant	506
María Elena sewage treatment plant	20
Nueva Victoria sewage treatment plant	112
Engineering and building of María Elena piles	2,293
Replacement of oil with natural gas	624
Total	4,022

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

Note 26 • Differences between Chilean and United States generally accepted accounting principles

Chilean GAAP varies in certain important aspects from accounting principles generally accepted in the United States ("U.S. GAAP"). Such differences relate to both methods for measuring the amounts shown on the face of the financial statements as well as additional disclosures.

1. Differences in measurement methods

The principal methods applied in the preparation of the accompanying financial statements, which have resulted in amounts, which differ, from those that would have otherwise been determined under U.S. GAAP are as follows:

a) Revaluation of property, plant and equipment

As described in Note 2 k), certain property, plant and equipment are reported in the financial statements at amounts determined in accordance with a technical appraisal performed in 1988. U.S. GAAP does not allow revaluation of property, plant and equipment. The effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation charge for each year is shown below, under paragraph 1 o).

	Acquisition value Th.US\$	Appraisal adjustment Th.US\$	Total Th.US\$
Land	15,416	2,484	17,900
Building infrastructure	83,144	74,727	157,871
Machinery and equipment	44,981	71,231	116,212
Other fixed assets	4,817	2,903	7,720
Total	148,358	151,345	299,703

b) Income taxes

There are certain differences between the method used to account for income taxes under Chilean GAAP and FAS 109. As described in Note 2 j), beginning in 2000, Chilean GAAP adopted a new pronouncement that requires the recognition of deferred taxes. As of January 1, 2000, the Company recorded deferred tax assets and liabilities with an offsetting entry to a complementary account. Therefore the effects of such deferred tax assets and liabilities which existed at that date will not impact Chilean GAAP results of operations since they will be offset by the amortization of these complementary accounts. For U.S. GAAP purposes, the Company has recognized the effects of deferred taxes in accordance with SFAS 109. Therefore, beginning in 2000, the only differences between Chilean GAAP and U.S. GAAP related to deferred taxes will be the reversal of the amortization of the complementary deferred tax assets and liability accounts recorded in Chilean GAAP, and the recognition of deferred tax assets related to other U.S. GAAP adjustments which give rise to temporary differences. The effects on net income and equity are included under paragraph 1 o) below.

c) Translation of foreign currency financial statements

In accordance with Chilean GAAP, the financial statements of subsidiaries which do not maintain their accounting records in U.S. dollars, are translated from local currency to U.S. dollars as described in Note 2 c).

For purposes of reconciling to U.S. GAAP, the U.S. dollar is the functional currency of all Chilean and foreign subsidiaries. Accordingly, financial statements of subsidiaries, which do not maintain their accounting records in U.S. dollars, are remeasured in U.S. dollars (after elimination of price-level adjustments, if any) as follows:

Balance sheet accounts:

- Monetary assets and liabilities are translated at the year-end exchange rate, and
- Non-monetary assets and liabilities and shareholders' equity are translated at historical exchange rates.

Income statement accounts:

- Cost of sales, depreciation and amortization expense and other accounts derived from non-monetary assets and liabilities are translated at historical rates, and
- All other accounts are translated at monthly-average exchange rates, which approximate the actual rates of exchange at the date the transactions occurred.

Remeasurement gains and losses are included in the determination of net income for the period.

d) Minority interest

The effect on minority interest originated by the U.S. GAAP adjustments to the financial statements of SQM Comercial S.A. and others are presented separately in the reconciliation of net income and stockholders' equity in paragraph 1 o) below.

e) **Empresas Melón S.A.**

During 1998 the Company purchased 14.05% of Empresas Melón S.A., a company dedicated to cement manufacturing. Under Chilean GAAP, the Company recorded goodwill on the transaction, calculated as the difference between the purchase price and the proportionate share of net book value acquired as presented in the most recent month end financial statements of Empresas Melón prior to the date of the acquisition. For U.S. GAAP purposes, the Company applied purchase accounting by allocating the purchase price to assets and liabilities based on the estimated fair market value of such assets and liabilities at the date of acquisition, resulting in an increase in fixed assets and other long-term assets. Pursuant to a shareholders agreement, the Company has significant control over Empresas Melón S.A and this it accounts for this investment under the equity method, similar to Chile GAAP. The adjustment to eliminate the amortization of goodwill and record an additional amount of depreciation expense is reflected in paragraph 1 o).

The comprehensive loss relates to accumulative translation adjustments for this subsidiary, in accordance with FAS 52. Accumulated comprehensive income at december 31, 2001 was Th.US\$ 11,318.

f) **Basis of consolidation**

Under Chilean GAAP subsidiaries in the development stage are not consolidated and do not present an income statement. For purposes of U.S. GAAP, these subsidiaries must be consolidated.

The principal effects for U.S. GAAP in 2001 of recognizing assets and liabilities, which would result from the consolidation of the subsidiaries SCM Antucoya and SQM Lithium Specialties Limited Partnership LLP at december 31, 2001, are as follows:

Effect on	2001 Th.US\$	2000 Th.US\$
Assets increase / (decrease)		
Current assets	247	568
Fixed asset	24,455	11,536
Investment in related companies	(24,259)	(23,201)
Other assets	851	850
Related party receivable	(164)	-
Liabilities (increase) / decrease		
Current liabilities	(1,230)	-
Related party payables	100	11,788
Minority interest	-	(1,541)

During 2000, the significant subsidiaries in the development stage included SCM Antucoya, Potassium S.A. and SQM Lithium Specialties Limited Partnership LLP.

g) **Shareholders' equity**

Authorized issued and outstanding capital stock of the Company as of december 31, 2001 was comprised of 142,819,552 Series A shares and 120,376,972 Series B shares, both series without stated value. The issued and outstanding shares are registered and freely traded in the three Chilean stock exchanges. Of these shares, 36,403,830 Series B shares and 1,443,030 Series A shares are registered under the ADR mechanism in the New York Stock Exchange as of december 31, 2001.

The Parent Company has a legal obligation to declare and pay dividends equal to at least 30% of consolidated net income as determined in accordance with Chilean GAAP. Accordingly, an allocation has been made in the accompanying U.S. GAAP reconciliation in paragraph 1 m) below to recognize the corresponding decrease in net shareholders' equity at december 31 of each year.

The payment of dividends to foreign shareholders is subject to a withholding tax of 35%, net of corporate income tax paid (15%).

During 1989, 1995 and 2000, the Company loaned, in the aggregate, Th.US\$ 1,452, Th.US\$ 8,224 and Th.US\$ 6,435, respectively, at market interest rates, to certain employees for the purpose of acquiring shares of the Company in the open market. In accordance with U.S. GAAP, the remaining unpaid balance of such loans, amounting to Th.US\$ 6,865 and Th.US\$ 8,302 at december 31, 2001 and 2000, respectively, has been treated as a reduction of shareholders' equity under paragraph 1 o) below.

Under Chilean GAAP, other reserves totaled Th.US\$ 131,066 and Th.US\$ 139,828 in december 2001 and 2000. These amounts cannot be distributed as dividends and represent primarily the fixed asset revaluation.

h) Capital leases

During 1992 and 1994, the Company entered into rental agreements covering certain equipment which had an original cost basis of Th.US\$ 16,507. In accordance with Chilean GAAP these transactions are reported as operating leases; however, for U.S. GAAP purposes the transactions are recorded as capital leases. The effect on net income and equity during 2001 and 2000 is shown under paragraph 1 o) below. Information relative to minimum lease obligations for these leases is included in paragraph, 2 i) below. The effect on total assets and liabilities was as follows:

Effect on	2001 Th.US\$	2000 Th.US\$
Total fixed assets (net of accumulated depreciation)	783	1,496
Deferred tax liability	129	224

i) Employee severance accrual

The Chilean GAAP accrual does not consider salary increases, and U.S. GAAP requires that such increases be considered in the calculation. The effects of accounting for this difference during 2001 and 2000 are shown under paragraph 1 o) below.

j) Marketable securities

The Company's marketable securities may be sold in the short term if appropriate based on market conditions. Under Chilean GAAP, these securities were valued at lower of cost or market. Such securities are classified as available-for-sale for U.S. GAAP purposes and are shown at market value in the balance sheet with any unrealized gain or loss recognized as a separate component of shareholders' equity. The unrealized gains and losses related to these securities are immaterial at december 31, 2001 and 2000.

k) Derivatives

During 2000, the Company sold three interest rate swap contracts with original due dates of 2001 and 2003, generating a gain of Th.US\$ 3,213. The gain was recognized immediately in income under Chile GAAP. For U.S. GAAP purposes, the gain must be deferred and amortized over the period of the instrument which it hedged. In 2001, the Company amortized Th.US\$ 1,859 related to this deferral for U.S. GAAP purposes. The impact of this adjustment is shown under paragraph 1o).

During 2001, the company adopted Statement of Financial Account Standards ("FAS") N° 133, Accounting for Derivative Instruments and Hedging Activities, as amended by FAS N° 137, Accounting for Certain Derivative Instruments and Certain Hedging Activities. As a result, all derivative instruments are recorded at fair value, the adjustment to recognize these instruments at fair value is US\$.

Under Chile GAAP, derivatives are accounted for as described in note 2 t).

l) Sale of subsidiary

During 1999, the company sold a portion of its shares held in a newly formed subsidiary generating a gain which was recognized as other income under Chilean GAAP. U.S. GAAP requires the deferral of gains when realization is not assured as in cases when the subsidiary is a newly formed entity. The adjustment to reverse the gain is presented in paragraph 1 o).

During 2000, the company sold one of its wholly-owned subsidiaries. This sale generated a gain greater under U.S. GAAP than that recorded under Chilean GAAP since U.S. GAAP equity was less than that presented under Chilean GAAP. This adjustment is presented in paragraph 1 o).

m) Negative goodwill

Net income for both 2001 and 2000 include Th.US\$ 414 corresponding to the amortization of the negative goodwill recognized for Chilean GAAP purposes originated by the investment in SQM Salar S.A. and Minera Mapocho S.A. Negative goodwill was considered as a reduction of long-term assets for U.S. GAAP purposes. The difference in the effect on depreciation and the elimination of the negative goodwill is presented in paragraph 1 o).

Net income related to the amortization of negative goodwill can only be distributed as an additional dividend by approval of the shareholders, and accordingly, is not included in the calculation of the minimum dividend to be distributed.

n) **Net loss of subsidiary in development stage**

Under Chile GAAP, net losses of subsidiaries in development stages are recorded in equity. Under US GAAP such losses are recorded in the income statement. Such adjustment is presented in paragraph 1 o).

o) **Effects of conforming to U.S. GAAP**

The adjustments to reported net income required to conform with U.S. GAAP are as follows:

	2001	2000
	Th.US\$	Th.US\$
Net income as shown in the accompanying financial statements	30,102	27,104
Translation loss and elimination of monetary correction (par. 1 c)	(6,260)	(2,275)
Reversal of additional depreciation on revaluation increment of property, plant and equipment (par. 1 a)	4,176	5,090
Minority interest (par. 1 d)	2,550	624
Purchase accounting adjustment for Empresas Melón S.A. (par. 1 e)	(128)	(1,557)
Elimination of negative goodwill amortization (par. 1 m)	(414)	(414)
Adjustment of deferred tax provision (par. 1 b)	(2,462)	(475)
Derivatives (par. 1 k)	1,859	(3,213)
Adjustment to recognize capitalizable leases (par. 1 h)	(713)	(713)
Employee severance indemnities (par. 1 i)	(703)	(300)
Sale of shares in subsidiary (par. 1 l)	-	275
Net loss from a development stage subsidiary (par. 1 n)	(391)	-
Other	556	489
Net income in accordance with U.S. GAAP	28,172	24,635
Other comprehensive income, net of tax of cumulative translation adjustment	(5,260)	(2,327)
Deferred gain of sale of swaps (par. 1 k)	1,124	-
Total comprehensive income	24,036	22,308

The adjustments required to conform shareholders' equity amounts under Chilean GAAP to U.S. GAAP are as follows:

	2001	2000
	Th.US\$	Th.US\$
Net shareholders' equity as shown in the accompanying financial statements	831,697	824,093
Translation loss and elimination of monetary correction (par. 1 c)	(9,747)	(9,431)
Reversal of revaluation of property, plant and equipment (par. 1 a)	(39,278)	(43,455)
Adjustment of deferred taxes (par. 1 b)	(38,677)	(35,797)
Employer loans used to purchase shares (par. 1 g)	(6,865)	(8,302)
Adjustment to equity of Melón S.A. (par. 1 e)	(475)	(273)
Minority interest (par. 1 d)	200	88
Minimum dividend required by law, equivalent to 30% of net income for the year, determined in accordance with Chilean GAAP (par. 1 g)	(8,731)	(8,131)
Elimination of negative goodwill amortization (par. 1 m)	(2,957)	(2,543)
Adjustment to recognize capitalizable leases (par. 1 h)	783	1,496
Employee severance indemnities accrual (par. 1 i)	(2,577)	(1,875)
Sales of shares in subsidiary (par. 1 l)	1,771	1,771
Recognition of unrealized gain (loss) on derivatives (par. 1 k)	-	(3,213)
Elimination of gain resulting from a capital increase in a development stage subsidiary (par. 1 l)	-	(1,559)
Other	-	(555)
Shareholders' equity in accordance with U.S. GAAP	725,144	712,314

2. Additional disclosure requirements

The following disclosures are not generally required or recommended for presentation in the financial statements under Chilean GAAP, but are required under U.S. GAAP:

a) Nature of operations

SQM is an integrated producer of natural nitrates, sulfates, iodine, lithium and other chemical products. The Company's three principal business lines are natural nitrates used in the production of i) specialty fertilizers, ii) iodine (including iodine derivatives) and lithium, and iii) industrial chemicals. These products constitute approximately 48%, 23%, and 13% of total sales, respectively. Additionally, the Company sells other products that complement the product mix offered to the final customers, constituting the remaining 16% of total sales. Although the economic situation in Chile has remained stable in recent years, a return to higher levels of inflation and currency fluctuations could adversely affect the Company's operations.

The price of most of the Company's products are determined principally by world market prices, which in some cases, such as iodine and iodine derivatives, have been subject to substantial volatility in recent years. World fertilizer and chemical prices may vary significantly depending upon the relationship between supply and demand at any given time. Further, the supply of certain fertilizer or chemical products, including certain products produced by the Company, varies principally depending upon the production of a few major producers (including the Company) and their respective business strategies.

An important component of the Company's business strategy and current capital investment program is the development of new facilities and the introduction of new products, which entail certain inherent risks. Such risks include delays in the construction of facilities and in the development or marketing of such products.

The Company sells its products in more than 100 countries around the world. A portion of the Company's sales are to customers in Brazil, Mexico and the People's Republic of China, and the Company expects to expand its sales in these and other emerging markets in the future. There can be no assurance that future developments in the political systems or economies of these countries will not have a material effect on the Company's sales or operations.

The U.S. dollar is the currency of the primary economic environment in which SQM operates. Nevertheless, as an international Company operating in Chile and several other countries, the Company transacts a portion of its business and has assets and liabilities in Chilean pesos and other non-dollar currencies. Fluctuations in the exchange rates in relation to the U.S. dollar could adversely effect the Company's operations. In addition, there is no assurance that the Company will be able to increase U.S. dollar selling prices sufficiently to offset increases in its Chilean peso costs attributable to Chilean inflation.

The Company's operations in Chile are subject to both national and local regulations relating to the protection of the environment. While the Company believes that it is, and will continue to be in compliance with all applicable environmental regulations, there can be no assurance that future legislative or regulatory developments will not adversely affect the Company's operations.

Approximately 69.43% of the Company's employees are covered by collective bargaining agreements.

b) Revenue recognition

Effective January 1, 2000, the Company adopted Staff Accounting Bulletin N° 101, Revenue Recognition in Financial Statements. The Company's policy is to recognize revenue upon shipment. There are no differences between Chilean GAAP and U.S. GAAP with respect to the Company.

Shipping and handling costs are included as cost of sales.

c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

d) Earnings per share and extraordinary items

	2001	2000
Basic and diluted earnings per share in US\$	0.11	0.09
Weighted average number of common shares outstanding (in thousands)	263,197	263,197

The earning per share data shown above is determined by dividing consolidated net income for U.S. GAAP purposes by the weighted average number of common shares outstanding. It should be noted, however, that dividends can only be paid from earnings determined in accordance with Chilean GAAP.

The Company presented extraordinary items in accordance with Chilean GAAP. These expenses are part of continuing operations for U.S. GAAP purposes. As such, earnings per share is presented here based only on consolidated net income.

e) Market value disclosures

At december 31, 2001, the Company did not have any bond obligations outstanding.

At december 31, 2000, bond obligations are presented in the financial statements at nominal face value of Th.US\$ 2,931, net of unamortized issuance discounts. The fair market value of these financial instruments based on current market interest rates is estimated to be Th.US\$ 2,974 at december 31, 2000.

The fair market value of cash and cash equivalents, short-term borrowings, and notes and loans payable approximate their book values at december 31, 2001 and 2000.

f) Useful lives of property, plant and equipment

The Company's property, plant and equipment are being depreciated over the following average useful lives, as calculated at december 31, 2001:

	<u>Years</u>
Buildings and infrastructure	17
Machinery and equipment	17
Other fixed asset	9

g) Income taxes

The reconciliation of theoretical tax at statutory rate as per Chilean GAAP is as follows:

	2001	2000
	Th.US\$	Th.US\$
Consolidated pretax income (Chilean GAAP)	37,640	31,965
Statutory tax rate	15%	15%
Theoretical tax at statutory rate	5,646	4,795
Increase (decrease) resulting from:		
Non-deductible items	2,003	1,316
Other	(3,797)	2,622
Total	(1,794)	3,938
Effect of temporary differences (including those for which deferred taxes were not recorded under Chilean GAAP):		
Provision for employee severance benefits	(368)	(177)
Inventory reserves and production costs	(1,017)	(1,604)
Accelerated depreciation	(7,207)	(8,542)
Capitalized interest	110	(869)
Project development costs	166	(282)
Other assets	421	(292)
Inventory differences	4,047	(2,298)
Allowance for doubtful accounts	(479)	169
Other liability	1,083	(1,467)
Loss carry-forwards utilized	(4,506)	(1,609)
Liability for accrued vacations	(241)	44
Other temporary differences	6,509	10,642
Total	(1,482)	(6,285)
Total current income provision tax under Chilean GAAP	2,370	2,448

The provision for income taxes in accordance with U.S. GAAP is as follows:

	2001	2000
	Th.US\$	Th.US\$
Income tax expense under Chilean GAAP-Note 14	(7,538)	(4,861)
Additional deferred tax expense under U.S. GAAP.	-	(1,026)
Reversal of complementary accounts	(2,463)	551
Total tax provision	(10,001)	(5,336)

In 2001, Chilean tax authorities enacted law to change income tax rates from 15% to 17% beginning in 2002 through 2003. The effect of these rate changes on deferred taxes (current tax rate remained 15% for 2001) was an increase in deferred tax expense of Th. US\$ 5,634.

h) Credit arrangements

The Company has renewable line of credit arrangements for short-term Chilean peso and U.S. dollar borrowing with various Chilean and foreign banks totaling, in the aggregate, Th.US\$ 300,000 and Th.US\$ 401,000 at december 31, 2001 and 2000, respectively. There was Th.US\$ 221,800 and Th.US\$ 355,500 available as of december 31, 2001 and 2000, respectively.

The Company pays no commitment fees on such lines of credit. A breakdown of the credit lines and the average interest rates as of december 31, 2001 are as follows:

	Available credit line	Average interest rate
	Th.US\$	
Chilean banks (in Chilean pesos)	135,800	LIBOR + 0.54%
Foreign banks (in U.S. dollars)	86,000	LIBOR + 0.75%
Total	221,800	

i) Lease commitments

The Company leases office facilities by way of a capital lease payable in installments through 2011, with a bargain purchase option at the end of the lease.

Minimum lease payments under capital leases are as follows:

	Capital lease
	Th.US\$
2002	198
2003	198
2004	198
2005	198
2006	198
Thereafter	907
Total future minimum lease payments	1,897
Interest	(586)
Present value of net minimum lease payments	1,311

SQM Salar S.A., a consolidated subsidiary of the Company, entered into a contract with a government agency for the rental of land for the purpose of exploration and exploitation of certain minerals. Rental payments are stated in U.S. dollars and will be determined based on actual mineral sales through 2030 in accordance with specified rates in the agreement. The Company paid Th.US\$ 3,169 in 2001 (Th.US\$ 2,062 in 2000) related to such rental payments (including the minimum annual rental which was Th.US\$ 2,762 for 2001 (Th.US\$ 1,465 for 2000). Minimum annual rentals are as follows:

	Minimum annual rentals Th.US\$
2002	2,816
2003	2,995
2004	3,058
2005	3,167
2006	3,167
Thereafter	72,870
Total	88,073

j) Foreign exchange losses

For U.S. GAAP presentation purposes, the net foreign exchange losses on transactions in foreign currencies and U.F.'s amounted to Th.US\$ 9,382 and Th.US\$ 4,209 in 2001 and 2000, respectively.

k) Derivative financial instruments held for purposes other than trading

Currency forwards

The Company enters into forward exchange contracts principally to mitigate the risk associated with maintaining certain accounts receivable in foreign currencies. The purpose of the Company's foreign currency-hedging activities is to protect the Company from the risk that the dollar cash flows resulting from the collection of receivables from international customers will be adversely affected by changes in exchange rates. These contracts are not designated as hedges and are marked-to-market for U.S. GAAP purposes, while the accrual method of accounting is followed under Chilean GAAP. The difference between the two methods is immaterial due to the short-term nature of the contracts.

Interest rate swaps

The Company periodically uses interest rate swap agreements to manage interest rate risk on its floating rate debt portfolio. Each interest rate swap is matched against a specific debt instrument and has the same notional amount as the related debt instrument principal (see note 18 for notional amounts). Interest rate swap agreements are generally entered into at the time the related floating rate debt is issued in order to convert the floating rate debt to fixed rates.

During 2000, the Company entered into three interest rate swap contracts to cover part of its debt obligations. The three swaps expired through 2003 and were sold during 2001 generating a gain of Th.US\$ 3,213. In 2000 the gain was deferred and was being amortized over the period of the associated loan. FAS 133 requires that the unamortized portion of the deferred gain be included in other comprehensive income, net of taxes.

In february 2001, the Company entered into a new interest rate swap contract to cover its interest payments related to the syndicated loan of US\$ 120 million. The contract established a fixed annual rate of 5.94% based on a notional amount of US\$ 124.8 million beginning on february 23, 2001 with semiannual installments through february 2003. This swap has not been designated as a hedge. All changes in fair value are recorded in income.

l) Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash investments and trade accounts receivable.

The Company maintains cash and cash equivalents, marketable securities, and certain other financial instruments with various financial institutions. These financial institutions are located in Chile and other parts of the world, and the Company's policy is designed to limit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of these financial institutions as part of the Company's investment strategy.

Concentrations of credit risk with respect to trade accounts receivable are limited because of the large number of entities comprising the Company's customer base and their dispersion around the world. The Company's policy is to require collateral for certain accounts as deemed necessary by management, such as letters of credit and guarantee clauses, among others.

m) Advertising costs

Advertising costs are expensed as incurred. Advertising expenses of Th.US\$ 1,073 and Th.US\$ 1,290 were recorded in 2001 and 2000, respectively.

n) Business combinations and intangible assets

The carrying value of goodwill and other intangibles is evaluated periodically in relation to the operating performance of the underlying businesses. Adjustments are made if the sum of the expected cash flows is less than book value. Management does not believe any such adjustment is necessary at december 31, 2000.

In June 2001, the Financial Accounting Standards Board issued FAS N° 141, Business Combinations ("FAS 141"), and FAS N° 142, Goodwill and Other Intangible Assets ("FAS 142"), which is required to be adopted in years beginning after december 15, 2001. FAS 141 requires that the purchase method of accounting be used for all business combinations initiated after june 30, 2001. FAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after june 30, 2001.

FAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. FAS 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Additionally, FAS 142 prohibits the amortization of goodwill included in the carrying value of equity method investments.

The company will apply FAS 142 beginning in the first quarter of 2002. Application of the non-amortization and impairment provisions of FAS 142 is not anticipated to be significant to the Company's financial position or results of operations.

o) Other income and expenses

Amounts classified as non-operating income and expenses under Chilean GAAP should be classified as Other Income and Other Expense under U.S. GAAP.

p) Industry segment and geographic area information

The Company's principal business activities are concentrated in one industry segment and consist of the mining, processing and distribution of mineral and related products.

Disclosure of product sales and assets detailed by major geographic areas as required by FAS 131 are as follows:

Products	December 2001 Th.US\$
Specialty fertilizers	253,389
Industrial chemicals	69,644
Iodine and lithium	118,351
Others	85,055
Sales to unaffiliated customers	526,439

	2001						
	Chile Th.US\$	Latin America and Caribbean except Chile Th.US\$	Europe Th.US\$	U.S.A. Th.US\$	Asia and other Th.US\$	Elimination Th.US\$	Consolidated Th.US\$
Sales to unaffiliated customers	108,702	84,010	180,662	130,528	22,537	-	526,439
Transfers between geographic areas	314,186	23,540	156,019	99,999	12,329	(606,073)	-
Total revenues	422,888	107,550	336,681	230,527	34,866	(606,073)	526,439
Identifiable assets at december 31, 2001	905,827	32,773	71,244	45,479	2,786	-	1,058,109
Exports by region	-	22,016	137,397	88,836	12,328	-	260,577

Products	December 2000 Th.US\$						
Specialty fertilizers	224,989						
Industrial chemicals	69,786						
Iodine and lithium	120,080						
Others	86,936						
Sales to unaffiliated customers	501,791						

	2000						
	Chile Th.US\$	Latin America and Caribbean except Chile Th.US\$	Europe Th.US\$	U.S.A. Th.US\$	Asia and other Th.US\$	Elimination Th.US\$	Consolidated Th.US\$
Sales to unaffiliated customers	118,187	80,716	163,292	118,985	20,611	-	501,791
Transfers between geographic areas	558,339	-	22,374	761	-	(581,474)	-
Total revenues	676,526	80,716	185,666	119,746	20,611	(581,474)	501,791
Identifiable/assets at december 31, 2000	845,939	26,199	72,183	39,245	2,868	-	986,434
Exports by region	-	19,420	140,817	72,666	11,639	-	244,542

