

CHEMICAL & MINING CO OF CHILE INC
Form 6-K
September 05, 2008

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
OF THE SECURITIES AND EXCHANGE ACT OF 1934

Includes financial statements and their related notes for the six-month period ended June 30, 2008 filed by Sociedad Química y Minera de Chile S.A. before the Superintendencia de Valores y Seguros de Chile on August 12, 2008.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.
(Exact name of registrant as specified in its charter)

CHEMICAL AND MINING COMPANY OF CHILE INC.
(Translation of registrant's name into English)

El Trovador 4285, Santiago, Chile (562) 425-2000
(Address and phone number of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No .

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82_____

On August 12, 2008, the Registrant filed with the Superintendencia de Valores y Seguros of Chile (the "SVS") a report that included information as to the Registrant's consolidated financial condition and results of operations for the six-month period ended June 30, 2008. Attached is a summary of such consolidated financial information included in the summary and in the report filed with the Superintendencia de Valores y Seguros of Chile. This financial information was prepared on the basis of accounting principles generally accepted in Chile and does not include a reconciliation of such information to accounting principles generally accepted in the United States of America.

THIS REPORT IS AN ENGLISH TRANSLATION OF, AND A CHILEAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES PRESENTATION OF, THE SIX-MONTH PERIOD ENDED JUNE 30, 2008 REPORT FILED WITH THE SUPERINTENDENCIA DE VALORES Y SEGUROS (SVS) IN CHILE, AND UNLESS OTHERWISE INDICATED, FIGURES ARE IN US DOLLARS.

Consolidated Financial Statements

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Santiago, Chile

June 30, 2008 and 2007

Consolidated Financial Statements

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

As of June 30, 2008 and 2007
and for the six months ended June 30, 2008 and 2007
(A translation of the original in Spanish- see note 2 (a))

Contents

| | |
|---|----------|
| Consolidated Financial Statements | |
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Income | 5 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7 |

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

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

| | Note | As of June 30, | |
|--|------|----------------|----------------|
| | | 2008 ThUS\$ | 2007 ThUS\$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 29,381 | 16,043 |
| Time deposits | | 6,436 | 4,393 |
| Marketable securities | 4 | 54,582 | 96,715 |
| Accounts receivable, net | 5 | 357,835 | 236,318 |
| Other accounts receivable, net | 5 | 11,847 | 9,787 |
| Accounts receivable from related companies | 6 | 50,965 | 38,576 |
| Inventories, net | 7 | 535,989 | 377,544 |
| Recoverable taxes | | 34,801 | 20,556 |
| Prepaid expenses | | 6,774 | 6,492 |
| Other current assets | | 51,135 | 13,347 |
| Total current assets | | 1,139,745 | 819,771 |
| Property, plant and equipment, net | 8 | 1,004,161 | 951,930 |
| Other assets | | | |
| Investments in related companies | 9 | 34,236 | 20,477 |
| Goodwill, net | 10 | 33,077 | 35,216 |
| Negative goodwill, net | 10 | (1,279) | (1,928) |
| Long-term accounts receivable, net | 5 | 1,056 | 109 |
| Long-term accounts receivable from related companies | 6 | 2,000 | 2,118 |
| Intangible assets, net | | 3,463 | 4,172 |
| Other long-term assets | 11 | 35,196 | 39,735 |
| Total other assets | | 107,749 | 99,899 |
| Total assets | | 2,251,655 | 1,871,600 |

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

| | Note | As of June 30, | |
|---|------|------------------|------------------|
| | | 2008 ThUS\$ | 2007 ThUS\$ |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term bank debt | 12 | 71,740 | 1,923 |
| Current portion of long-term debt | 12 | 455 | 823 |
| Current portion of bonds payable | 13 | 8,654 | 8,227 |
| Dividends payable | | 474 | 107 |
| Accounts payable | | 120,530 | 109,585 |
| Other accounts payable | | 406 | 371 |
| Notes and accounts payable to related companies | 6 | 255 | 488 |
| Accrued liabilities | 14 | 48,718 | 29,979 |
| Withholdings | | 7,142 | 6,388 |
| Income taxes | | 34,591 | 8,244 |
| Deferred income | | 79,511 | 23,570 |
| Deferred income taxes | 15 | 2,514 | 2,730 |
| Other current liabilities | | 3,691 | 682 |
| Total current liabilities | | 378,681 | 193,117 |
| Long-term liabilities | | | |
| Long-term bank debt | 12 | 180,000 | 180,000 |
| Long-term obligations with the public (bonds) | 13 | 301,063 | 298,093 |
| Other accounts payable | | 586 | 765 |
| Deferred income taxes | 15 | 49,241 | 50,885 |
| Long-term accrued liabilities | 16 | 35,062 | 19,760 |
| Total long-term liabilities | | 565,952 | 549,503 |
| Minority interest | 17 | 51,359 | 39,208 |
| Shareholders' equity | | | |
| Paid-in capital | 18 | 477,386 | 477,386 |
| Other reserves | 18 | 163,187 | 156,855 |
| Retained earnings | 18 | 615,090 | 455,531 |
| Total shareholders' equity | | 1,255,663 | 1,089,772 |
| Total liabilities and shareholders' equity | | 2,251,655 | 1,871,600 |

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

| | | For the six months ended June 30, | |
|-------------------------------------|------|--------------------------------------|----------------|
| | Note | 2008 ThUS\$ | 2007 ThUS\$ |
| Operating results | | | |
| Sales | | 787,120 | 558,792 |
| Cost of sales | | (502,854) | (394,485) |
| Gross margin | | 284,266 | 164,307 |
| Selling and administrative expenses | | (41,942) | (32,050) |
| Operating income | | 242,324 | 132,257 |
| Non-operating results | | | |
| Non-operating income | 20 | 23,120 | 13,518 |
| Non-operating expenses | 20 | (24,418) | (26,613) |
| Non-operating loss | | (1,298) | (13,095) |
| Income before income taxes | | 241,026 | 119,162 |
| Income tax expense | 15 | (43,081) | (24,075) |
| Income before minority interest | | 197,945 | 95,087 |
| Minority interest | 17 | (7,449) | (1,143) |
| Net income before negative goodwill | | 190,496 | 93,944 |
| Net income | | 190,496 | 93,944 |

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

| | For the six months ended June 30 | |
|---|---|---------------|
| | 2008 | 2007 |
| | ThUS\$ | ThUS\$ |
| Cash flows from operating activities | | |
| Net income | 190,496 | 93,944 |
| Charges (credits) to income not representing cash flows | | |
| Depreciation expense | 8 | 50,754 |
| Amortization of intangible assets | 350 | 349 |
| Write-offs and accruals | 19,259 | 15,987 |
| Gain on equity investments in related companies | (9,666) | (2,201) |
| Loss on equity investments in related companies | 34 | 66 |
| Amortization of goodwill | 10 | 1,113 |
| (Profit) loss on sales of assets | (708) | (16) |
| Loss from sale of investments | (1,388) | - |
| Other credits to income not representing cash flows | (8,855) | (583) |
| Other charges to income not representing cash flows | 99,173 | 56,285 |
| Foreign exchange difference, net | 2,927 | 2,061 |
| Net changes in operating assets and liabilities | | |
| (Increase) decrease: | | |
| Trade accounts receivable | (69,311) | (12,615) |
| Inventories | (155,832) | (16,946) |
| Other assets | (5,357) | (9,193) |
| Accounts payable | 1,045 | 10,438 |
| Interest payable | (143) | (733) |
| Net income taxes payable | (19,116) | (14,615) |
| Other accounts payable | - | (5,740) |
| VAT and taxes payable | (12,846) | 5,794 |
| Minority interest | 17 | 1,143 |
| Net cash provided by operating activities | 89,378 | 171,614 |
| Cash flows from financing activities | | |
| Proceeds from short term bank financing | 70,240 | - |
| Payment of dividends | (115,455) | (95,257) |
| Repayment of bank financing | - | (56,422) |
| Payment of obligations with the public | (3,138) | (2,636) |
| Payment of expenses for the issuance and placement of bonds payable | - | - |
| Net cash used in financing activities | (48,353) | (154,315) |
| Cash flows from investing activities | | |
| Sales of property, plant and equipment | 1,552 | 1,435 |
| Sales of investments in related companies | 1,688 | - |
| Other investment income | 24 | 357 |
| Additions to property, plant and equipment | (103,432) | (80,338) |
| Capitalized interest | (4,264) | (6,492) |

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

| | | |
|--|---------------|----------------|
| Other disbursements | (367) | (16) |
| Net cash used in investing activities | (104,823) | (85,054) |
| Effect of inflation on cash and cash equivalents | (4,465) | 962 |
| Net change in cash and cash equivalents | (68,263) | (66,793) |
| Beginning balance of cash and cash equivalents | 164,213 | 183,943 |
| Ending balance of cash and cash equivalents | 95,950 | 117,150 |

6

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

Note 1 – Company Background

Sociedad Química y Minera de Chile S.A. (the “Company”) was registered with the Chilean Superintendency of Securities and Insurance (“SVS”) on June 18, 1983.

The subsidiary registered in the Superintendency of Securities and Insurance registry of securities is as follows:

Soquimich Comercial S.A., Registration No. 0436 dated January 11, 1993.

Note 2 – Summary of Significant Accounting Policies

a) Basis for the preparation of the consolidated financial statements

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

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 SVS Circular No. 1,697 and Technical Bulletins Nos. 64 and 72 of the Chilean Association of Accountants, the consolidated financial statements include the following subsidiaries:

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

Note 2 – Summary of Significant Accounting Policies (continued)**a) Basis for the preparation of the consolidated financial statements (continued)**

| | Direct or indirect ownership | |
|---|------------------------------|--------|
| | 2008 | 2007 |
| | % | % |
| Foreign subsidiaries: | | |
| 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 N.V. (Dutch Antilles) | 100.00 | 100.00 |
| S.Q.I. Corporation N.V. (Dutch Antilles) | 100.00 | 100.00 |
| Soquimich European Holding B.V. (Holland) | 100.00 | 100.00 |
| SQMC Holding Corporation L.L.P. (USA) | 100.00 | 100.00 |
| SQM Ecuador S.A. | 100.00 | 100.00 |
| Cape Fear Bulk L.L.C.(USA) | 0.00 | 51.00 |
| SQM Investment Corporation N.V. (Dutch Antilles) | 100.00 | 100.00 |
| SQM Brasil Ltda. | 100.00 | 100.00 |
| Royal Seed Trading Corporation A.V.V. (Aruba) | 100.00 | 100.00 |
| SQM Japon Co. Ltd. | 100.00 | 100.00 |
| SQM Oceanía PTY Limited (Australia) | 100.00 | 100.00 |
| SQM France S.A. | 100.00 | 100.00 |
| RS Agro-Chemical Trading A.V.V. (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 L.L.C. (USA) | 100.00 | 100.00 |
| Agricolima S.A. de C.V. (Mexico) | 0.00 | 100.00 |
| SQM Venezuela S.A. | 100.00 | 100.00 |
| SQM Italia SRL (Italy) | 100.00 | 100.00 |
| Comercial Caiman Internacional S.A. (Cayman Islands) | 100.00 | 100.00 |
| SQM Africa PTY (South Africa) | 100.00 | 100.00 |
| Administración y Servicios Santiago S.A. de C.V. (Mexico) | 100.00 | 100.00 |
| SQM Lithium Specialties L.L.P. (USA) | 100.00 | 100.00 |
| SQM Nitratos México S.A. de C.V. (México) | 51.00 | 51.00 |
| Fertilizantes Naturales S.A. | 66.67 | 66.67 |
| Iodine Minera B.V. | 100.00 | 100.00 |
| SQM Dubai – FZCO. | 100.00 | 100.00 |

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

Note 2 – Summary of Significant Accounting Policies (continued)**a) Basis for the preparation of the consolidated financial statements (continued)**

| | Direct or indirect ownership | |
|---|-------------------------------------|-------------|
| | 2008 | 2007 |
| | % | % |
| Domestic subsidiaries: | | |
| Servicios Integrales de Tránsitos y Transferencias S.A. | 100.00 | 100.00 |
| Soquimich Comercial S.A. | 60.64 | 60.64 |
| 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 |
| SQM Industrial S.A. | 100.00 | 100.00 |
| Minera Nueva Victoria S.A. | 100.00 | 100.00 |
| Exploraciones Mineras S.A. | 100.00 | 100.00 |
| Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A. | 100.00 | 100.00 |
| Comercial Hydro S.A. | 60.64 | 60,64 |

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

b) Reporting period

These consolidated financial statements have been prepared as of June 30, 2008 and 2007 and for the six-month periods 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 those domestic subsidiaries that maintain their accounting records in Chilean pesos have been restated to reflect the effects of variations in the purchasing power of the Chilean peso 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 (3.2% and 1.9% in 2008 and 2007, 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

d) Foreign currency

i) Foreign currency transactions

Monetary assets and liabilities denominated in Chilean pesos and other currencies have been translated to U.S. dollars at the observed exchange rates determined by the Central Bank of Chile at each period end of Ch\$526.05 per US\$1 at June 30, 2008 and Ch\$526.86 per US\$1 at June 30, 2007.

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 and No. 72 of the Chilean Association of Accountants (“BT 64-BT 72”) 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. 1,697 of the SVS.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

d) Foreign currency (continued)

Foreign exchange differences for the period ended June 30, 2008 and 2007 generated a net gain (loss) of ThUS\$ (2,927) and ThUS\$ (2,061) 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 June 30, as follows:

| | 2008 | 2007 |
|--------------------|-------------|-------------|
| | US\$ | US\$ |
| Brazilian Real | 1.59 | 1.92 |
| New Peruvian Sol | 3.19 | 3.19 |
| Argentine Peso | 3.04 | 3.09 |
| Japanese Yen | 106.42 | 123.26 |
| Euro | 0.63 | 0.74 |
| Mexican Peso | 10.30 | 10.79 |
| Australian Dollar | 1.04 | 1.18 |
| Pound Sterling | 0.50 | 0.50 |
| Ecuadorian Sucre | 1.00 | 1.00 |
| South African Rand | 7.83 | 6.99 |

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

e) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances recorded under cash, time deposits, financial instruments classified as marketable securities, and other short-term investments maturing within 90 days, in compliance with Technical Bulletin No. 50 issued by the Chilean Association of Accountants.

The Company defines operating cash movements as all positive or negative cash flows directly related to its line of business and in general all cash flows that are not defined as from investing or financing.

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 products in process are stated at average production cost, which is presented net of provisions. Provisions have been made based on a technical study which covers the different variances which affect our products (density, moist, among others).

Materials and supplies received are stated at average acquisition and inventories in transit are stated at cost incurred at the end of the period.

The cost of inventories does not exceed its net realizable value.

j) Income taxes and deferred income taxes

In conformity with current Chilean tax regulations, the Company recognizes the provision for corporate income tax expense and the income tax for mining activities on an accrual basis.

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

Note 2 - Summary of Significant Accounting Policies (continued)

j) Income and deferred taxes (continued)

Prior to 2000, income taxes were charged to results in the same period in which the income and expenses were recorded, and they 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 SVS Circular No. 1466 issued on January 27, 2000, 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 March 31, 1999 was 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 acquisition cost, considering in general an average residual value of 5%, except for certain assets that were restated in accordance with a technical appraisal in 1989. Depreciation for the period is calculated using the straight-line method based on the remaining technical useful lives of assets, estimated by Management.

Property, plant and equipment acquired through capital 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 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 by the Company as long as the annual fees are paid. Such fees, which are paid annually in June, 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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, in accordance with SVS Circulars Nos. 368 and 1,697 and Technical Bulletins Nos. 64 and 72 issued by the Chilean Association of Accountants. 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 that maintain their accounting records and are controlled in Chilean pesos is recognized in other reserves within shareholders' equity. Direct and indirect investments in foreign subsidiaries or affiliates are controlled in U.S. dollars.

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

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 years for goodwill and negative goodwill.

Beginning on January 1, 2004, goodwill and negative goodwill represent the difference between the acquisition cost of the investment in a related company and the fair value of this investment at the acquisition date, which is amortized with a charge or credit to income in the expected period of return of the investment, which does not exceed 20 years.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

p) Accrued employee severance

The Company calculates the liability for staff severance indemnities based on the present value of the accrued benefits for the actual years of service worked assuming average employee tenure of 24 years and a real annual discount rate of 8%.

q) Vacations

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

r) Saleback operations

Saleback operations are recorded in Other Current Assets at the amount of the purchase. Starting at the purchase date, the respective interest is recorded in accordance with SVS Circular 768.

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 an accrual basis and gains recognized when realized.

t) Reclassifications

For comparison purposes, certain reclassifications have been made to the 2007 financial statements.

u) Revenue recognition

Income from the operation of the line of business of the Company and its subsidiaries is recorded as of the date of physical delivery of the products in accordance with the sales conditions stated in Technical Bulletin No. 70 issued by the Chilean Association of Accountants.

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

Note 2 - Summary of Significant Accounting Policies (continued)

v) Computer software

Computer systems developed internally using the Company's personnel and materials are charged to income during the period in which the expenses are incurred. In accordance with SVS Circular No. 1.819 dated November 14, 2007, computer systems acquired by the Company are recorded at cost

w) Research and development expenses

Research and development costs are charged to the income statement in the period in which they are incurred. Property, plant and equipment that are acquired for use in research and development activities and determined to provide additional benefits to the Company are recorded in property, plant and equipment.

x) Obligations with the public (Bonds payable)

Bonds are stated at the principal amount plus interest accrued. The difference between the carrying value and the placement value is capitalized and amortized in the period of expiration of these.

y) Provisions for mine closure costs

The Company has made a provision to cover those costs associated with mine closure and mining facilities and mitigation of environmental damage, which has been recorded at its present value. The amount determined is presented under accrued expenses in long-term liabilities.

z) Deferred income

Deferred income relates to the recognition of documented sales, the delivery of which occurs subsequent to the closing date of the financial statements.

aa) Employee benefits

Benefits other than staff severance indemnities that the Company and its subsidiaries will have to pay to its employees by virtue of agreements entered are recognized on an accrual basis.

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

Note 3 - Changes in Accounting Principles

Beginning on January 1, 2008, the Company recognized the change in the functional currency (from Chilean pesos to U.S. dollars) in which the subsidiary Soquimich Comercial S.A. was controlled, in order to reflect the currency that represents the underlying transactions, events and conditions that are relevant to the control of the investment by the Parent Company.

During the period ended June 30, 2008, there were no other changes in the application of generally accepted accounting principles in Chile, compared to the prior year, that could significantly affect the interpretation of these consolidated financial statements.

18

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

Note 4 - Marketable Securities

As of June 30 marketable securities are detailed as follows:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|--------------|----------------|----------------|
| Mutual funds | 54,582 | 96,715 |
| Total | 54,582 | 96,715 |

Mutual funds relate to investments made in 'Citifunds Institutional Liquid Reserve Limited' for ThUS\$ 53,270 (ThUS\$ 93,859 in 2007) and in 'Merrill Lynch Institutional Liquidity Fund' for ThUS\$ 1,312, (ThUS\$ 2,856 in 2007)

These institutions are high-liquidity funds dedicated to investing basically in fixed-income instruments in the U.S. market.

Note 5 - Short- and Long-Term Accounts Receivable

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

| | Up to 90 days | | Between 90 days and 1 year | | Total (net) | |
|--|----------------|----------------|-------------------------------|----------------|----------------|----------------|
| | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ |
| Short-term | | | | | | |
| Trade accounts receivable | 243,802 | 153,778 | 66,463 | 54,947 | 310,265 | 208,725 |
| Allowance for doubtful accounts | | | | | (8,587) | (7,824) |
| Notes receivable | 13,856 | 16,122 | 48,750 | 23,237 | 62,606 | 39,359 |
| Allowance for doubtful accounts | | | | | (6,449) | (3,942) |
| Short-term receivables, net | | | | | 357,835 | 236,318 |
| Other accounts receivable | 7,374 | 10,082 | 5,621 | 857 | 12,995 | 10,939 |
| Allowance for doubtful accounts | | | | | (1,148) | (1,152) |
| Other receivables, net | | | | | 11,847 | 9,787 |
| Long-term receivables | | | | | 1,056 | 109 |

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

Note 5 - Short- and Long-Term Accounts Receivable (continued)**Consolidated Short- and Long-Term Receivables – by Geographic Location**

| | Chile | | Europe | | Asia and Oceania | | USA, Mexico and Canada | | Latin America and the Caribbean | | Total |
|---|----------------|----------------|----------------|----------------|---------------------|----------------|---------------------------|----------------|------------------------------------|----------------|----------------|
| | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ |
| Short-term trade accounts receivable, net | | | | | | | | | | | |
| Balance | 145,244 | 41,827 | 106,499 | 71,472 | 5,853 | 14,945 | 41,594 | 35,504 | 2,488 | 37,153 | 301,678 |
| % of total | 48.15% | 20.81% | 35.30% | 35.58% | 1.94% | 7.44% | 13.79% | 17.67% | 0.82% | 18.50% | 100.00% |
| Short-term notes receivable, net | | | | | | | | | | | |
| Balance | 52,995 | 26,443 | - | 2,821 | - | 689 | - | 498 | 3,162 | 4,966 | 56,157 |
| % of total | 94.37% | 74.66% | - | 7.97% | - | 1.94% | - | 1.41% | 5.63% | 14.02% | 100.00% |
| Short-term other accounts receivable, net | | | | | | | | | | | |
| Balance | 8,737 | 5,711 | 2,224 | 1,520 | 142 | 153 | 671 | 2,123 | 73 | 280 | 11,847 |
| % of total | 73.75% | 58.35% | 18.77% | 15.53% | 1.20% | 1.57% | 5.66% | 21.69% | 0.62% | 2.86% | 100.00% |
| Subtotal short-term accounts receivable, net | | | | | | | | | | | |
| Balance | 206,976 | 73,981 | 108,723 | 75,813 | 5,995 | 15,787 | 42,265 | 38,125 | 5,723 | 42,399 | 369,682 |
| % of total | 55.99% | 30.06% | 29.41% | 30.81% | 1.62% | 6.41% | 11.43% | 15.49% | 1.55% | 17.23% | 100.00% |
| Long-term accounts receivable, net | | | | | | | | | | | |
| Balance | 1,056 | 109 | - | - | - | - | - | - | - | - | 1,056 |
| % of total | 100.00% | 100.00% | - | - | - | - | - | - | - | - | 100.00% |
| Total short and long-term accounts receivable, net | | | | | | | | | | | |
| Balance | 208,032 | 74,090 | 108,723 | 75,813 | 5,995 | 15,787 | 42,265 | 38,125 | 5,723 | 42,399 | 370,738 |
| % of total | 56.11% | 30.09% | 29.33% | 30.80% | 1.62% | 6.41% | 11.40% | 15.48% | 1.54% | 17.22% | 100.00% |

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

Note 6 - Balances and Transactions with Related Parties

Balances with related companies are generated by commercial transactions which accrue no interest under normal conditions in force for this type of operations in respect to term and market price. Expiration conditions for each case vary depending on the transaction which generated the balance.

On April 21, 2008, Inversiones SQ S.A. and SQH S.A. acquired from Yara Netherland B.V. 49% of the shares of the privately-held shareholders' company Inversiones SQYA S.A. Beginning on the date referred to above, SQYA S.A. Yara is no longer a related company of Sociedad Química y Minera de Chile S.A.

a) Amounts included in balances with related parties as of June 30, 2008 and 2007 are as follows:

| | Short-term | | Long-term | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| Accounts receivable | ThUS\$ | ThUS\$ | ThUS\$ | ThUS\$ |
| Doktor Tarsa Tarim Sanayi AS | 9,056 | 10,351 | - | - |
| Nutrisi Holding N.V. | 1,924 | 1,647 | - | - |
| Ajay Europe S.A.R.L. | 5,058 | 8,060 | - | - |
| Ajay North America LLC | 5,704 | 2,435 | - | - |
| Abu Dhabi Fertilizer Industries | | | | |
| WWL | 7,737 | 3,041 | 2,000 | 2,000 |
| NU3 B.V. | 1,960 | 668 | - | - |
| NU3 N.V. | 744 | - | - | - |
| Sales de Magnesio Ltda. | 104 | 136 | - | - |
| SQM Agro India | 544 | 264 | - | - |
| Misr Specialty Fertilizers (MSF) | 886 | 478 | - | 118 |
| Soc.Inv.Pampa Calichera S.A. | 8 | 8 | - | - |
| Inversiones PCS Chile S.A. | - | 26 | - | - |
| Kowa Company Ltd. | 16,109 | 11,462 | - | - |
| SQM East Med Turkey | 1,131 | - | - | - |
| Total | 50,965 | 38,576 | 2,000 | 2,118 |

b) Amounts included in balances with related parties as of June 30, 2008 and 2007, continued:

| | Short-term | |
|-------------------------|---------------|---------------|
| | 2008 | 2007 |
| Accounts payable | ThUS\$ | ThUS\$ |
| SQM Thailand Co. Ltd. | 255 | 231 |
| NU3 N.V. | - | 257 |
| Total | 255 | 488 |

There were no outstanding long-term accounts payable with related parties as of June 30, 2008 and 2007

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

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

c) During the six months ended June 30, 2008 and 2007, the principal transactions with related parties were as follows:

| Company | Relationship | Type of transaction | Amount of Transaction | | Impact on income (charge) credit | |
|----------------------------------|--------------|---------------------|-----------------------|----------------|----------------------------------|----------------|
| | | | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ |
| NU3 N.V. (Belgium) | Indirect | Sales of products | 13,510 | 3,669 | 6,111 | 1,161 |
| Doktor Tarsa Tarim Sanayi AS | Indirect | Sales of products | 8,851 | 6,383 | 5,976 | 1,866 |
| Abu Dhabi Fertilizer Ind. WWL | Indirect | Sales of products | 5,962 | 1,901 | 2,543 | 349 |
| | Indirect | Income financial | 42 | - | 42 | - |
| Ajay Europe S.A.R.L. | Indirect | Sales of products | 12,145 | 14,735 | 4,027 | 5,411 |
| | Indirect | Income financial | 5 | - | 5 | - |
| | Indirect | Dividends | 118 | - | - | - |
| NU3 B.V. | Indirect | Sales of products | 6,434 | 4,423 | 1,946 | 1,372 |
| | Indirect | Services | 54 | - | - | - |
| Ajay North America LLC | Indirect | Sales of products | 16,858 | 7,546 | 5,883 | 3,902 |
| | Indirect | Dividends | 54 | - | 54 | - |
| Kowa Company Ltd. | Shareholder | Sales of products | 47,001 | 42,634 | 22,855 | 27,224 |
| SQM Agro India PVT Ltd | Indirect | Sales of products | 362 | - | 157 | - |
| Misr Specialty Fertilizers (MSF) | Indirect | Sales of products | 733 | - | 420 | - |
| | Indirect | Income financial | 3 | - | 3 | - |
| Nutrisi Holding N.V. | Indirect | Income financial | 51 | - | 51 | - |
| Sales de Magnesio Ltda. | Indirect | Sales of products | 377 | - | 170 | - |
| SQM East Med Turkey | Indirect | Sales of products | 134 | - | 121 | - |

Note 7 - Inventories

Net inventories are summarized as follows:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|-------------------|----------------|----------------|
| Finished products | 344,241 | 220,652 |
| Work in process | 159,202 | 133,836 |
| Supplies | 32,546 | 23,056 |
| Total | 535,989 | 377,544 |

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

Note 8 - Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

| | 2008 | 2007 |
|--|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Land | | |
| Land | 80,534 | 82,496 |
| Mining Concessions | 30,086 | 30,086 |
| Total | 110,620 | 112,582 |
| Buildings and Infrastructure | | |
| Buildings | 151,900 | 163,796 |
| Installations | 313,243 | 272,582 |
| Construction-in-progress | 236,671 | 222,586 |
| Other | 208,744 | 191,382 |
| Total | 910,558 | 850,346 |
| Machinery and Equipment | | |
| Machinery | 541,451 | 485,863 |
| Equipment | 133,449 | 127,487 |
| Project-in-progress | 36,678 | 15,369 |
| Other | 19,999 | 19,374 |
| Total | 731,577 | 648,093 |
| Other Property, Plant and Equipment | | |
| Tools | 9,490 | 8,950 |
| Furniture and office equipment | 15,718 | 14,888 |
| Project-in-progress | 11,071 | 13,197 |
| Other | 9,769 | 17,133 |
| Total | 46,048 | 54,168 |

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

Note 8 - Property, Plant and Equipment (continued)

| | 2008 | 2007 |
|---|------------------|------------------|
| | ThUS\$ | ThUS\$ |
| Amounts relating to technical revaluation of property, plant and equipment | | |
| Land | 7,839 | 7,839 |
| Buildings and infrastructure | 41,439 | 41,439 |
| Machinery and equipment | 12,048 | 12,048 |
| Other assets | 53 | 53 |
| | 61,379 | 61,379 |
| Total property, plant and equipment | 1,860,182 | 1,726,568 |
| Less: Accumulated depreciation | | |
| Buildings and infrastructure | (351,229) | (316,646) |
| Machinery and equipment | (421,007) | (378,490) |
| Other property, plant and equipment | (45,101) | (41,957) |
| Technical appraisal | (38,684) | (37,545) |
| Total accumulated depreciation | (856,021) | (774,638) |
| Net property, plant and equipment | 1,004,161 | 951,930 |
| | 2008 | 2007 |
| | ThUS\$ | ThUS\$ |
| Depreciation for the six months ended June 30: | | |
| Buildings and infrastructure | (24,253) | (22,605) |
| Machinery and equipment | (24,464) | (20,686) |
| Other property, plant and equipment | (1,467) | (3,182) |
| Technical revaluation | (570) | (569) |
| Total depreciation | (50,754) | (47,042) |

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

Note 8 - Property, Plant and Equipment (continued)

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

| | 2008 | 2007 |
|---------------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Administrative office buildings | 1,988 | 1,988 |
| Accumulated depreciation | (536) | (505) |
| Total leased assets | 1,452 | 1,483 |

The administrative office buildings were acquired for 230 installments of UF 663.75 each and an annual, contractually established interest rate of 8.5%.

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 its foreign investments as net investment hedges.

b) Transactions executed in 2008

* On April 24, 2008, the subsidiary Agricolima S.A. was sold to Mr. Carlos Federico Valenzuela Cadena, Mr. Diego Valenzuela Cadena and Mr. Jesús Angel Morelos Montfort, creating a gain on sale of investment of ThUS\$ 1,387.

c) Transactions executed in 2007

* On January 12, 2007, the subsidiary PTM SQM Ibérica S.A. was liquidated and extinguished. This operation gave rise to a loss of ThUS\$ 41 in the subsidiary Soquimich European Holding B.V.

* On March 2, 2007, the subsidiary SQM Industrial S.A. made a capital increase of ThUS\$ 130 in its subsidiary SQM Brasil Ltda. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and SVS Circular No. 1,697, the Company performed the valuation in consideration of the carrying value of equity of SQM Brasil Ltda. as of December 31, 2006, which does not significantly differ from its fair value determined at that date.

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

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

* On April 11, 2007, the subsidiary SQM S.A and the subsidiary Soquimich European Holding B.V. made a capital increase of ThUS\$ 6,599 in their subsidiary SQM Europe N.V. In accordance with Technical Bulletin No. 72 issued by the Chilean Association of Accountants and Circular No. 1,697 issued by the Chilean Superintendency of Securities and Insurance, the valuation was conducted considering the book value of the equity of SQM Europe N.V. as of March 31, 2007, which does not significantly differ from its fair value determined at that date.

* On October 19, 2007, at the second General Extraordinary Shareholders' Meeting of SQM Industrial S.A. the shareholders approved a capital increase of ThUS\$ 300,000, through the issuance of 204,368,321 new shares.

Sociedad Química y Minera de Chile S.A. and SQM Potasio S.A. acquired all these shares through the subscription and payment of the same through the capitalization of accounts payable. SQM S.A. acquired 197,556,044 shares and SQM Potasio S.A. acquired 6,812,277 shares and obtained ownership interest of 99.05% and 0.95%, respectively.

* On November 13, 2007, Exploraciones Mineras S.A. increased its capital by ThUS\$30,000 through the issuance of 100,000 new shares, which were subscribed and paid through the capitalization of accounts payable by 99.99% by Minera Nueva Victoria S.A. and by 1% by Sociedad Química y Minera de Chile S.A.

* On December 7, 2007, SQM North America Corp. sold to Nautilus International Holding Corporation all the rights which SQM North America Corp had in Cape Fear Bulk LLC. for ThUS\$1,478, thereby generating a gain from the sale of investments of ThUS\$ 1,316.

d) Investments with less than 20% participation

Investments in which the Company has less than 20% participation and the capacity to exert significant influence or control over the investment, because SQM forms part of its Board of Directors, have been valued using the equity method.

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

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

d) Detail of investments in related companies

| Tax Registration Number | Company | Country of origin | Controlling currency | Number of shares | Ownership interest | | Fair value of investments | | Book value of investments | |
|-------------------------------|--|----------------------|-------------------------|---------------------|--------------------|-----------|---------------------------|----------------|---------------------------|----------------|
| | | | | | 2008 % | 2007 % | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ |
| 0-E | Nutrisi Holding N.V. | Belgium | Euros | - | 50.00 | 50.00 | 15,741 | 9,989 | 7,398 | 4,86 |
| 0-E | Ajay North America LLC | USA | US\$ | - | 49.00 | 49.00 | 11,664 | 11,050 | 4,731 | 4,41 |
| 0-E | Doktor Tarsa Tarim Sanayi AS | Turkey | Euros | - | 50.00 | 50.00 | 16,534 | 7,866 | 8,267 | 3,93 |
| 0-E | Ajay Europe S.A.R.L. | France | Euros | 36,700 | 50.00 | 50.00 | 10,454 | 6,728 | 4,628 | 1,48 |
| 0-E | Abu Dhabi Fertilizer Industries WWL | UAE | US\$ | 1,961 | 50.00 | 50.00 | 9,200 | 4,285 | 4,600 | 2,14 |
| 0-E | Misr Specialty Fertilizers | Egypt | US\$ | - | 47.00 | 47.00 | 4,917 | 4,459 | 2,335 | 2,11 |
| 0-E | SQM Thailand Co. Ltd. | Thailand | US\$ | - | - | 40.00 | 3,212 | 2,151 | 1,285 | 86 |
| 77557430-5 | Sales de Magnesio Ltda. | Chile | Pesos | - | 50.00 | 50.00 | 1,793 | 893 | 896 | 44 |
| 0-E | SQM Eastmed Turkey | Turkey | Euros | - | 50.00 | 50.00 | 120 | 159 | 60 | 18 |
| 81767200-0 | Asoc. Garantizadora Pensiones | Chile | Pesos | - | 3.00 | 3.00 | 687 | 686 | 23 | 2 |
| 0-E | Agro India Limitada | India | US\$ | - | 49.00 | - | 27 | 15 | 13 | |
| Total | | | | | | | | | 34,236 | 20,47 |

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

Note 10 - Goodwill and Negative Goodwill

As established in Technical Bulletin No. 72, issued by the Chilean Association of Accountants, ThUS\$636 has been adjusted to the negative goodwill account related to lawsuits with third parties paid, which as of the date of determination of negative goodwill did not meet the requirements to be treated as identifiable liabilities that could be recognized.

These relate to lawsuits with factoring companies which as of the acquisition date were identified with results favorable to the Company.

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

a) Goodwill

| Tax Registration Number | Company | June 30, 2008 | | June 30, 2007 | |
|----------------------------|--|---|-------------------------------|---|-------------------------------|
| | | Amount amortized during the period ThUS\$ | Goodwill Balance ThUS\$ | Amount amortized during the period ThUS\$ | Goodwill balance ThUS\$ |
| 96864750-4 | SQM Potassium S.A. | 72 | 1,229 | 72 | 1,373 |
| 96801610-5 | Comercial Hydro S.A. | 111 | 908 | 88 | 1,041 |
| 79947100-0 | SQM Industrial S.A. | 556 | 18,360 | 613 | 19,473 |
| 0-E | SQMC México S.A. de C.V. | 28 | 752 | 28 | 808 |
| 0-E | Comercial Caiman Internacional S.A. | 11 | 97 | 11 | 120 |
| 0-E | SQM Dubai- Fzco | 51 | 1,732 | 51 | 1,833 |
| 0-E | Iodine Minera B.V. | 284 | 9,999 | 284 | 10,568 |
| Total | | 1,113 | 33,077 | 1,147 | 35,216 |

b) Negative Goodwill

| Tax Registration Number | Company | June 30, 2008 | | June 30, 2007 | |
|----------------------------|---------|---|---|---|---|
| | | Amount amortized during the period ThUS\$ | Negative goodwill Balance ThUS\$ | Amount amortized during the period ThUS\$ | Negative goodwill balance ThUS\$ |
| 78602530-3 | | - | 1,279 | - | 1,928 |

Minera Nueva
Victoria S.A.

| | | | | |
|-------|---|-------|---|-------|
| Total | - | 1,279 | - | 1,928 |
|-------|---|-------|---|-------|

28

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

Note 11 - Other Long-term Assets

Other long-term assets are summarized as follows:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|---|----------------|----------------|
| Materials and spare parts, net (1) | 2,728 | 5,959 |
| End of agreement bonus | 930 | 833 |
| Mine development costs | 24,355 | 24,926 |
| Income taxes recoverable | 389 | 325 |
| Construction of Salar-Baquedano road | 1,110 | 1,230 |
| Deferred loan issuance costs (2) | 253 | 432 |
| Cost of issuance and placement of bonds (3) | 4,570 | 5,173 |
| Other | 861 | 857 |
| Total | 35,196 | 39,735 |

(1) According to analyses conducted, at each period end, this item includes non-current warehouse spare parts and materials. In addition, an allowance for obsolescence has been made and included in this item.

(2) Relates to the portion to be accrued of negotiation costs of long-term loans.

(3) Refer to the explanation of these expenses in Note 23.

Note 12 - Bank Debt

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

| | 2008 ThUS\$ | 2007 ThUS\$ |
|--------------------------------------|----------------|----------------|
| Bank or financial institution | | |
| Banco de Chile | 20,080 | - |
| Banco Santander Santiago | 50,160 | - |
| Other | 1,500 | 1,923 |
| Total | 71,740 | 1,923 |
| Annual average interest rate | 3.66% | 4.16% |

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

Note 12 - Bank Debt (continued)

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

| | 2008 | 2007 |
|--|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Bank or financial institution | | |
| BBVA Banco Bilbao Vizcaya Argentaria (1) | 100,229 | 100,415 |
| ING Capital LLC (2) | 80,226 | 80,408 |
| Total | 180,455 | 180,823 |
| Less: Current portion | (455) | (823) |
| Long-term portion | 180,000 | 180,000 |

(1) U.S. dollar-denominated loan without guarantee, interest rate of Libor + 0.325% per annum, quarterly payment. The principal is due on March 3, 2010.

(2) U.S. dollar-denominated loan without guarantee, interest rate of Libor + 0.300% per annum, semi-annually payment. The principal is due on November 28, 2011.

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

| | 2008 | 2007 |
|--------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Years to maturity | | |
| Current portion | 455 | 823 |
| 1 to 2 years | 100,000 | 100,000 |
| 3 to 5 years | 80,000 | 80,000 |
| Total | 180,455 | 180,823 |

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

Note 13 – Short- and Long-term Obligations with the Public (Promissory Notes and Bonds Payable)

Additional Information

On January 25, 2006, the Company made a placement of Series C bonds for an amount of UF3,000,000 at an annual rate of 4.00%. This placement achieved collection equivalent to 100% of par value.

On April 5, 2006, the Company made a placement of single-series bonds for an amount of ThUS\$200,000 at an annual rate of 6.125%, under the regulations contained in "Rule 144 and regulation S of the U.S. Securities Act of 1933".

As of June 30, 2008, two Series C capital payments have been made equivalent to UF 75,000 each.

As of June 30, 2008 and 2007, the short-term portion includes ThUS\$8,654 and ThUS\$8,227, respectively, related to short-term principal plus accrued interest at those dates. The long-term portion includes ThUS\$301,063 as of June 30, 2008 and ThUS\$298,093 as of June 30, 2007, related to principal installments for Series C bonds and Single Series bonds.

| Instrument Series Registr. No. | Nominal Amount | Adjustment Unit | Interest Rate | Final Period | Payment of Interest | Payment of Amortization | 06/30/08 ThUS\$ | 06/30/07 ThUS\$ | Placement in Chile or abroad | |
|---|-------------------|--------------------|------------------|-----------------|------------------------|----------------------------|--------------------|--------------------|------------------------------------|----------|
| Current portion of long-term bonds payable | | | | | | | | | | |
| 446 | C | 150,000 | UF | 4.00% | 12/01/2008 | Semi-annual | Semi-annual | 6,110 | 5,641 | In Chile |
| 184 | Single | - | US\$ | 6.125% | 10/15/2008 | Semi-annual | At maturity | 2,544 | 2,586 | Abroad |
| Total Current Portion | | | | | | | 8,654 | 8,227 | | |
| Long-term bonds payable | | | | | | | | | | |
| 446 | C | 2,700,000 | UF | 4.00% | 12/01/2026 | Semi-annual | Semi-annual | 101,063 | 98,093 | In Chile |
| 184 | Single | 200,000,000 | US\$ | 6.125% | 04/15/2016 | Semi-annual | At maturity | 200,000 | 200,000 | Abroad |
| Total Long-Term | | | | | | | 301,063 | 298,093 | | |

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

Note 14 - Accrued Liabilities

As of June 30, 2008 and 2007, accrued liabilities are summarized as follows:

| | 2008 | 2007 |
|--|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Provision for royalties Corfo | 3,930 | 3,808 |
| Provision for employee compensation and legal costs | 652 | 941 |
| Taxes and monthly income tax installment payments | 5,883 | 4,541 |
| Expenses incurred for long-term loans (additional tax) | 106 | 108 |
| Vacation accrual | 10,310 | 8,504 |
| Marketing expenses | 8,800 | 2,182 |
| External auditor fees | 453 | 223 |
| Benefits for employees | 15,306 | 6,289 |
| Other accruals | 3,278 | 3,383 |
| Total current liabilities | 48,718 | 29,979 |

Note 15 - Income and Deferred Taxes

a) At June 30, 2008 and 2007 the Company has the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

| | 2008 | 2007 |
|--|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Accumulated tax basis retained earnings with tax credit | 487,853 | 240,904 |
| Accumulated tax basis retained earnings without tax credit | 3,956 | 170,350 |
| Tax loss carry-forwards (1) | 40,603 | 132,186 |
| Credit for shareholders | 99,744 | 49,177 |

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

The Company has recognized deferred income taxes for tax losses and the related valuation allowance, where applicable, in accordance with Technical Bulletin No. 60 issued by the Chilean Association of Accountants.

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

Note 15 - Income and Deferred Taxes (continued)

The deferred taxes as of June 30, 2008 and 2007 represented a net liability of ThUS\$51,755 and ThUS\$53,615, respectively, and consisted of:

| 2008 | Deferred tax asset | | Deferred tax liability | |
|--------------------------------------|----------------------|---------------------|------------------------|---------------------|
| | Short-term ThUS\$ | Long-term ThUS\$ | Short-term ThUS\$ | Long-term ThUS\$ |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 555 | 1,360 | - | - |
| Vacation accrual | 1,658 | - | - | - |
| Unrealized gain on sale of products | 40,250 | - | - | - |
| Provision for obsolescence | - | 3,940 | - | - |
| Production expenses | - | - | 26,596 | - |
| Accelerated depreciation | - | - | - | 63,707 |
| Exploration expenses | - | - | - | 4,705 |
| Capitalized interest | - | - | - | 8,731 |
| Staff severance indemnities | - | - | - | 1,703 |
| Fair value recognition | - | 2,085 | - | - |
| Leased assets | - | 193 | - | - |
| Capitalized expenses | - | - | - | 904 |
| Tax loss carry-forwards | - | 8,922 | - | - |
| Accrued gain from exchange insurance | - | - | 1,873 | - |
| Deferred revenue | 1,430 | - | - | - |
| Accrued interest | 620 | - | - | - |
| Benefits for employees | - | 2,023 | - | - |
| Other | 1,372 | 5,605 | 1 | 400 |
| Total gross deferred taxes | 45,885 | 24,128 | 28,470 | 80,150 |
| Total complementary accounts | - | - | - | (14,620) |
| Valuation allowance | (19,929) | (7,839) | - | - |
| Total deferred taxes | 25,956 | 16,289 | 28,470 | 65,530 |

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

Note 15 - Income and Deferred Taxes (continued)

| 2007 | Deferred tax asset | | Deferred tax liability | |
|--|----------------------|---------------------|------------------------|---------------------|
| | Short-term ThUS\$ | Long-term ThUS\$ | Short-term ThUS\$ | Long-term ThUS\$ |
| Temporary differences | | | | |
| Allowance for doubtful accounts | 1,985 | 598 | - | - |
| Vacation accrual | 1,390 | - | - | - |
| Unrealized gain on sale of products | 14,397 | - | - | - |
| Provision for obsolescence | - | 2,868 | - | - |
| Production expenses | - | - | 18,135 | - |
| Accelerated depreciation | - | - | - | 60,244 |
| Exploration expenses | - | - | - | 4,698 |
| Capitalized interest | - | - | - | 7,812 |
| Staff severance indemnities | - | - | - | 1,423 |
| Fair value recognition | - | 2,197 | - | - |
| Provision for claim expense | - | - | - | - |
| Leased assets | - | - | - | 9 |
| Capitalized expenses | - | - | - | 976 |
| Tax loss carry-forwards | - | 25,484 | - | - |
| Accrued gain from exchange insurance | - | - | 521 | - |
| Deferred revenue | 529 | - | - | - |
| Provision for energy tariff difference | 1,765 | - | - | - |
| Accrued interest | 85 | - | - | - |
| Other | 1,341 | 3,844 | - | 392 |
| Total gross deferred taxes | 21,492 | 34,991 | 18,656 | 75,554 |
| Total complementary accounts | - | - | (412) | (18,918) |
| Valuation allowance | (5,978) | (29,240) | - | - |
| Total deferred taxes | 15,514 | 5,751 | 18,244 | 56,636 |

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

Note 15 - Income and Deferred Taxes (continued)

c) Income tax expense is summarized as follows:

| | 2008 | 2007 |
|---|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Current tax expense (income tax accrual) | (53,693) | (21,389) |
| Tax expense adjustment (prior year) | 543 | 117 |
| Provision for current income tax | | |
| Effect of deferred tax assets and liabilities | 17,594 | 3,403 |
| Tax benefit for tax losses | (16,960) | (6,747) |
| Effect of amortization of complementary accounts | (1,012) | (1,810) |
| Effect on deferred tax assets and liabilities due to changes in valuation allowance | 10,449 | 2,204 |
| Other tax charges and credits | (2) | 147 |
| Total income tax expense | (43,081) | (24,075) |

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

Note 16 – Long-term accrued liabilities

Long-term accrued liabilities are summarized as follows:

| | 2008 | 2007 |
|---------------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Staff severance indemnities (2) | 21,170 | 17,768 |
| Employee benefits (1) | 11,900 | - |
| Site closing provision | 1,992 | 1,992 |
| Balance as of June 30 | 35,062 | 19,760 |

(1) These provisiones correspond to a an bonus to provide incentives to and retain key Company executives. The value of these bonuses is linked to the price of the Company's stock and is to be paid in cash between 2010 and 2011.

(2) Staff severance indemnities are summarized as follows:

| | 2008 | 2007 |
|-------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Opening balance | 20,679 | 17,245 |
| Increases in obligation | 3,195 | 1,720 |
| Payments | (1,324) | (1,332) |
| Exchange difference | (1,380) | 182 |
| Other difference | - | (47) |
| Balance as of June 30 | 21,170 | 17,768 |

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

Note 17 - Minority Interest

Minority interest is summarized as follows:

| | Equity | | Net Income/(Loss) | |
|----------------------------------|----------------|----------------|-------------------|----------------|
| | 2008 ThUS\$ | 2007 ThUS\$ | 2008 ThUS\$ | 2007 ThUS\$ |
| Soquimich Comercial S.A. | 46,948 | 35,215 | (6,785) | (807) |
| Ajay SQM Chile S.A. | 3,952 | 3,624 | (326) | (234) |
| Cape Fear Bulk L.L.C. | - | 241 | - | (115) |
| SQM Nitratos México S.A. de C.V. | 8 | 19 | 5 | 26 |
| Fertilizantes Naturales S.A. | 473 | 134 | (349) | (12) |
| SQM Indonesia S.A. | (30) | (31) | 9 | - |
| SQM Potasio S.A. | 8 | 6 | (3) | (1) |
| Total | 51,359 | 39,208 | (7,449) | (1,143) |

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

Note 18 - Shareholders' Equity

a) Changes to shareholders' equity consisted of:

| | Number of shares | Paid-in capital ThUS\$ | Other reserves ThUS\$ | Accumulated deficit of subsidiaries in development stage ThUS\$ | Retained earnings ThUS\$ | Net income ThUS\$ | Total ThUS\$ |
|--|---------------------|------------------------------|-----------------------------|---|--------------------------------|-------------------------|-----------------|
| Balance as of January 1, 2007 | 263,196,524 | 477,386 | 155,190 | (8,370) | 320,466 | 141,277 | 1,085,949 |
| Transfer 2006 net income to retained earnings | - | - | - | - | 141,277 | (141,277) | - |
| Declared dividends 2007 | - | - | - | - | (91,786) | - | (91,786) |
| Accumulated deficit from subsidiaries in development stage | - | - | - | 8,370 | (8,370) | - | - |
| Other comprehensive income | - | - | 1,665 | - | - | - | 1,665 |
| Net income | - | - | - | - | - | 93,944 | 93,944 |
| Balance as of June 30, 2007 | 263,196,524 | 477,386 | 156,855 | - | 361,587 | 93,944 | 1,089,772 |
| Balance January 1, 2008 | 263,196,524 | 477,386 | 163,442 | - | 361,587 | 180,021 | 1,182,436 |
| Transfer 2007 net income to retained earnings | - | - | - | - | 180,021 | (180,021) | - |
| Declared dividends 2008 | - | - | - | - | (117,014) | - | (117,014) |
| Other comprehensive income | - | - | (255) | - | - | - | (255) |
| Net income | - | - | - | - | - | 190,496 | 190,496 |
| Balance as of June 30, 2008 | 263,196,524 | 477,386 | 163,187 | - | 424,594 | 190,496 | 1,255,663 |

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

Note 18 - Shareholders' Equity (continued)

b) In consideration of the current distribution of shares, the Company has a controlling interest Group composed of Pampa Calichera S.A. and the Kowa Group by virtue of the Joint Action Agreement executed on June 21, 2006.

c) Other information

The detail of other reserves is as follows:

| Detail | | For the six months ended June 30, 2008 ThUS\$ | As of June 30, 2008 ThUS\$ |
|--|-----|--|-------------------------------------|
| Technical appraisal | | - | 151,345 |
| Changes to other comprehensive income from equity method investments: | | | |
| Soquimich Comercial S.A. | (1) | - | 13,287 |
| Comercial Hydro S.A. | (1) | (208) | (208) |
| SQMC Internacional Ltda. | (1) | (10) | (10) |
| Proinsa Ltda. | (1) | (8) | (8) |
| Isapre Norte Grande Ltda. | (1) | - | (44) |
| Inversiones Augusta S.A. | (1) | - | (761) |
| SQM Ecuador S.A. | (2) | - | (270) |
| Almacenes y Depósitos Ltda. | (1) | - | 88 |
| Asociación Garantizadora de Pensiones | (1) | (1) | (18) |
| Sales de Magnesio Ltda. | (1) | (28) | 83 |
| Sociedad de Servicios de Salud S.A. | (1) | - | 14 |
| SQM North America Corp. | (3) | - | (1,359) |
| SQM Dubai Fzco. | (1) | - | (12) |
| Ajay Europe SARL | (1) | - | 343 |
| Other Companies | (1) | - | 717 |
| Total other comprehensive income | | (255) | 163,187 |

(1) Corresponds to translation adjustments and monetary correction

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

(3) Relates to valuation differences generated in the pension plan.

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

Note 18 - Shareholders' Equity (continued)

e)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: A general or extraordinary shareholders' meeting may be called at the request of shareholders representing

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

Note 19 – 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 June 30, 2008 the Company's derivative instruments are as follows:

| 2008 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\$ | Income (not) recorded ThUS\$ |
|-------------------------------|--|---------------------------------|-------------------------------------|---------------------------|--------------------------------------|-------------------------------------|------------------------------------|
| US dollar Forward Swap | 3,500 | 3 rd quarter of 2008 | Exchange rate | P | 434 | (434) | |
| US dollar PUT | 109,950 | 4 th quarter of 2008 | Interest rate | P | 14,570 | 11,794 | 2 |
| US dollar Forward | 99,600 | 3 rd quarter of 2008 | Exchange rate | P | 1,064 | - | (1 |
| US dollar PUT | 17,495 | 3 rd quarter of 2008 | Exchange rate | P | 408 | - | |
| US dollar PUT | 35,739 | 3 rd quarter of 2008 | Exchange rate | P | 388 | - | |
| US dollar PUT | 16,685 | 3 rd quarter of 2008 | Exchange rate | P | 240 | (240) | |
| US dollar PUT | 23,214 | 4 th quarter of 2008 | Exchange rate | P | 74 | (74) | |
| US dollar PUT | 3,233 | 3 rd quarter of 2008 | Exchange rate | S | - | - | |
| US dollar PUT | 8,478 | 1 st quarter of 2009 | Exchange rate | S | - | - | |
| US dollar PUT | 11,316 | 2 nd quarter of 2009 | Exchange rate | S | - | - | |
| US dollar PUT | 1,616 | 3 rd quarter of 2009 | Exchange rate | S | - | - | |
| US dollar Forward | 7,114 | 3 rd quarter of 2008 | Exchange rate | P | 352 | 352 | |
| US dollar Forward | 1,476 | 2 nd quarter of 2009 | Exchange rate | P | 91 | 91 | |
| US dollar Forward | 789 | 3 rd quarter of 2008 | Exchange rate | P | 20 | (20) | |
| US dollar Forward | 2,427 | 2 nd quarter of 2009 | Exchange rate | P | 309 | (309) | |
| | | | | | | 11,160 | |

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

Note 20 - Non-operating Income and Expenses

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

a) Non-operating income

| | 2008 | 2007 |
|---|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Interest income | 5,508 | 4,661 |
| Cross currency swap | - | 4,000 |
| Recovery of doubtful accounts | 607 | 227 |
| Insurance recoveries | 334 | 166 |
| Reversal of obligations with third parties | 2,043 | 166 |
| Sale of property, plant and equipment | 708 | 131 |
| Gain on sale of investments in related companies | 1,387 | - |
| Sale of mining concessions | 721 | 357 |
| Fines collected from third parties | 23 | 128 |
| Equity participation in net income of unconsolidated subsidiaries | 9,666 | 2,201 |
| Compensation received | 147 | - |
| Rental of property, plant and equipment | 559 | 487 |
| Discounts obtained | 285 | 249 |
| Other income | 1,132 | 745 |
| Total | 23,120 | 13,518 |

b) Non-operating expenses

| | 2008 | 2007 |
|--|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Investment plan expenses and adjustment of property, plant and equipment realization value | 6,120 | 3,900 |
| Interest expense | 10,359 | 10,038 |
| Equity participation in net losses of unconsolidated subsidiaries | 34 | 66 |
| Amortization of goodwill | 1,113 | 1,147 |
| Net foreign exchange losses | 2,927 | 2,061 |
| Work disruption expenses | 209 | 289 |
| Non-recoverable taxes | 239 | 167 |
| Accrual for loss in auction | 300 | 578 |
| Provision for legal expenses and third party compensation | 578 | 500 |
| Energy tariff difference | - | 4,000 |
| Training and donation expenses | 683 | 188 |
| Amortization of information | 201 | 201 |
| Insurance claim | 500 | - |
| Provision and sale of materials, spare parts and supplies, and property, plant and equipment | - | 2,900 |

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

| | | |
|---------------------|--------|--------|
| Consulting services | 55 | 40 |
| Other expenses | 1,100 | 538 |
| Total | 24,418 | 26,613 |

41

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

Note 21 – Price-level Restatement

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

| | (Charge) credit to income from operations | |
|-------------------------------|--|---------------|
| | 2008 | 2007 |
| | ThUS\$ | ThUS\$ |
| Property, plant and equipment | 22 | 128 |
| Other assets and liabilities | 146 | 375 |
| Shareholders' equity | (261) | (1,801) |
| Net price-level restatement | (93) | (1,298) |

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

Note 22 – Assets and Liabilities Denominated in Foreign Currency

| | 2008 | 2007 |
|------------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Assets | | |
| Chilean pesos | 159,173 | 77,475 |
| US dollars | 1,905,554 | 1,626,638 |
| Euros | 86,353 | 52,956 |
| Japanese Yen | 1,058 | 908 |
| Brazilian Real | 524 | 336 |
| Mexican pesos | 1,013 | 5,614 |
| UF | 42,266 | 75,778 |
| South African Rand | 19,437 | 8,679 |
| Dirhams | 20,989 | 14,381 |
| Other currencies | 15,288 | 8,835 |
| Current liabilities | | |
| Chilean pesos | 165,075 | 109,436 |
| US dollars | 174,777 | 58,104 |
| Euros | 19,852 | 12,698 |
| Japanese Yen | 1,326 | 462 |
| Brazilian Real | 1,872 | 1,770 |
| Mexican pesos | 4,043 | 2,323 |
| UF | 7,881 | 6,191 |
| South African Rand | 2,335 | 1,556 |
| Dirhams | 1,481 | 541 |
| Other currencies | 39 | 36 |
| Long-term liabilities | | |
| Chilean pesos | 20,354 | 17,631 |
| US dollars | 443,162 | 432,857 |
| Japanese Yen | 201 | 147 |
| UF | 101,649 | 98,858 |
| Mexican pesos | 575 | - |
| Other currencies | 11 | 10 |

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

Note 23 – Expenses Incurred in the Issuance of Shares and Debt Titles

Expenses incurred in the issuance and placement of bonds are presented under Other long-term assets, and the portion to be amortized within one year is presented within Other current assets. These expenses are amortized using the straight-line method, in accordance with the period for issuance of documents. This amortization is presented as interest expense.

As of June 30, 2008, issuance expenses net of amortization amount to ThUS\$6,665. Issuance expenses include disbursements related to reports issued by risk classifiers, legal and financial advisories, taxes, printing and placement fees. Amortization in 2008 amounted to ThUS\$ 303 (ThUS\$ 461 in 2007).

Note 24 - Cash Flow Statement

Amounts included in other investment income are summarized as follows:

| | 2008 | 2007 |
|----------------------------|---------------|---------------|
| | ThUS\$ | ThUS\$ |
| Sale of mining concessions | - | 357 |
| Total | - | 357 |

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

Note 25 – Commitments and Contingencies

I. Contingencies:

a) Material lawsuits or other legal actions to which the Company is party:

I.

1. Plaintiff : Compañía Salitre y Yodo Soledad S.A.
 Defendant : Sociedad Química y Minera de Chile S.A.
 Date of lawsuit : December 1994
 Court : Civil Court of Pozo Almonte
 Cause : Partial annulment of mining property, Cesard 1 to 29
 Instance : Evidence provided
 Nominal amount : ThUS\$ 211

2. Plaintiff : Compañía Productora de Yodo y Sales S.A.
 Defendant : SQM Químicos S.A.
 Date of lawsuit : November 1999
 Court : Civil Court of Pozo Almonte
 Cause : Partial annulment of mining property, Paz II 1 to 25
 Instance : Evidence provided
 Nominal amount : ThUS\$ 162

3. Plaintiff : Compañía Productora de Yodo y Sales S.A.
 Defendant : SQM Químicos S.A.
 Date of lawsuit : November 1999
 Court : Civil Court of Pozo Almonte
 Cause : Partial annulment of mining property, Paz III 1 to 25
 Instance : Evidence provided
 Nominal amount : ThUS\$ 204

4. Plaintiff : Gabriela Véliz Huanchicay
 Defendant : Gilberto Mercado Barreda and subsidiary and jointly
 and
 severally SQM Nitratos S.A. and its insurers
 Date of lawsuit : August 2005
 Court : 4th Civil Court of Santiago
 Cause : Work accident
 Instance : At the first instance verdict the defendants were
 sentenced to pay
 the amount of ThCh\$250. The defendants filed a recourse of
 appeal
 against this verdict.
 Nominal amount : ThUS\$ 481

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

Note 25 – Commitments and Contingencies (continued)

5. Plaintiff : Juana Muraña Quispe
 Defendant : Intro Ingenieria Limitada and subsidiary and jointly
 and severally
 SQM S.A. and its insurers
 Date of lawsuit : October 2005
 Court : 25th Civil Court of Santiago
 Cause : Work accident
 Instance : Evidentiary stage
 Nominal amount : ThUS\$1,500
6. Plaintiff : Marina Arnéz Valencia
 Defendant : SQM S.A. and its insurance companies
 Date of lawsuit : May 2006
 Court : 2nd Civil Court of Santiago
 Cause : Work accident
 Instance : Conciliation audience
 Nominal amount : ThUS\$500
7. Plaintiff : Yasmin Andrea Gómez Valdivia, Issis Valentina
 Mella Gómez,
 Rubhy Abigail Mella Gómez, José Alexis Mella Gómez,
 José Mella Pañaranda and Macaria Muñoz Rojas.
 Defendant : Desert Ingeniería y Construcción Limitada, SQM S.A.
 and its
 insurance companies
 Date of lawsuit : Abril 2008
 Court : 8th Civil Court of Santiago
 Cause : Work accident
 Instance : Pending notification
 Nominal amount : ThUS\$ 1,800
8. Plaintiff : Angélica Allende and her sons Iván Molina and
 Cristóbal Molina
 Defendant : Ingeniería, Construcción y Servicios SMR Limitada
 and, subsidiarily,
 SQM Nitratos S.A. and its insurance companies
 Date of lawsuit : May 2008
 Court : Labor Court of Antofagasta
 Cause : Work accident
 Instance : Suit being answered
 Nominal amount : ThUS\$ 670

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

Note 25 – Commitments and Contingencies (continued)

II. SQM S.A. and its subsidiaries have been participating and probably will continue to participate habitually as plaintiffs or defendants in certain judicial proceedings that have been and will be filed and are subject to the decisions of the Ordinary Courts of Justice. Those proceedings, which are regulated by the applicable legal provision, mainly seek to exercise or oppose certain actions or exceptions related to certain mining concessions constituted or in the process of being constituted and do not and will not essentially affect the development of SQM S.A. and its subsidiaries.

III. Soquimich Comercial S.A. has been participating and probably will continue to participate habitually as a plaintiff in certain judicial proceedings through which it seeks mainly to collect and receive the amounts owed to it in the total approximate amount of ThUS \$ 900.

IV. SQM S.A. and its subsidiaries have tried and currently continue to try to obtain payment of certain amounts still owed to them for their regular activities. Those amounts will continue to be judicially and non-judicially demanded by the plaintiffs and the actions exercised in relation to them are currently in full force.

V. SQM S.A. and its subsidiaries have not been legally notified of other complaints other than those mentioned in paragraph I above and which pursue the voidance of certain mining properties purchased by SQM S.A. and its subsidiaries and whose proportional purchase price, in respect to the part affected by the respective overlap, exceeds the nominal and approximate amount of ThUS\$150 or which seek to obtain payment of certain amounts allegedly owed from exercising their own activities and which exceed the nominal individual amount of approximately ThUS\$150.

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

Note 25 – Commitments and Contingencies (continued)**b) Restrictions:**

The bank loans of SQM S.A. and its subsidiaries contain restrictions similar to those of loans of the same nature that have been in force from time to time and which, among others, are related to maximum debt and minimum shareholders' equity. Except for the above, SQM S.A. is not exposed to other restrictions in its management or to financial indicator limits by contracts or covenants with creditors.

c) Commitments:

Subsidiary SQM Salar S.A. has signed a rental contract with CORFO which establishes that such subsidiary, will pay to CORFO, for the exploitation of certain mining properties owned by CORFO and for the products resulting from such exploitation, the annual rent stated in the aforementioned contract, the amount of which is calculated on the basis of the sales of each type of product. The contract is in force until 2030 and rent began being paid in 1996 reflecting in income a value of ThUS\$ 7,124 in 2008 (ThUS\$ 6,843 in 2007).

II. Indirect Guarantees

The guarantees that do not have a pending payment balance reflect, indirectly that the respective guarantees are in force and approved by the Company's Board of Directors and that they have not been used by the corresponding subsidiary.

Note 26 – Third Party Guarantees

As of June 30, 2008 and 2007 the Company has the following indirect guarantees outstanding:

| Beneficiary | Name | Debtor | Relationship | Balances outstanding | |
|---|------------------------------------|--------|--------------|----------------------|----------------|
| | | | | 2008 ThUS\$ | 2007 ThUS\$ |
| BBVA Banco Bilbao Vizcaya Argentaria | Royal Seed Trading Corp. A.V.V. | | Subsidiary | 100,229 | 100,415 |
| ING Capital LLC | Royal Seed Trading Corp. A.V.V. | | Subsidiary | 80,226 | 80,408 |

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

Note 27 – Sureties Obtained from Third Parties

The main solidary pledges provided to guarantee to Soquimich Comercial S.A. fulfillment of the obligations in the commercial mandate agreements for distribution and sale of fertilizers are as follows:

| Company Name | 2008 ThUS\$ |
|-----------------------------------|------------------------|
| Llanos y Wammes Soc. Com. Ltda. | 1,901 |
| Fertglobal Chile Ltda. y Bramelli | 951 |
| Tattersall S.A. | 1,000 |

Note 28 - Sanctions

During 2008 and 2007, the SVS did not apply sanctions to the Company, its directors or managers.

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

Note 29 – Environmental Projects

The Company is continuously concerned with protecting the environment both in its production processes and with respect to products manufactured. This commitment is supported by its principles indicated in its Sustainable Development Policy.

SQM is currently operating under an Environmental Management System (EMS) bases in the ISO 14000 standard, which has allowed strengthening its environmental performance through the effective application of the Company's Sustainable Development Policy.

Disbursements made by the Company and its subsidiaries as of June 30, 2008 related to investments in production processes, verification and control of compliance with ordinances and laws relative to industrial processes and facilities amount to ThUS\$ 10,071 and are detailed as follows:

| Projects | 2008 ThUS\$ | Future Disbursements ThUS\$ |
|--|------------------------|--|
| Construction of hygiene facilities | 114 | 8 |
| Environmental evaluation | 2,585 | 135 |
| Hardazous substance management | 38 | 67 |
| Handling of household and industrial waste | 980 | 2,111 |
| Infrastructure, equipment, new environmental offices at ME | 12 | - |
| Monitoring station | 136 | 88 |
| Salar environmental follow-up plan | 3,084 | 370 |
| Environmental commitments I Region of Chile | - | 47 |
| Improvements in M. Elena – Streets camp | 436 | - |
| Sanitary regulations PV Traffic Facilities | 12 | 105 |
| PV Environmental improvements | 44 | 134 |
| Waste pools R&R Lithium C. Plant | 2,129 | 22 |
| Miscellaneous nitrates environmental projects | 26 | 25 |
| Environmental Management | 475 | 926 |
| Total | 10,071 | 4,038 |

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

Note 29 – Environmental Project(continued)

Operations which use caliche as raw material are developed desert geographical areas with climatic conditions favorable for drying solids and evaporating liquids using solar energy. Operations for the open-pit extraction of minerals, due to their low waste to mineral ratio generate remaining deposits which slightly alter the environment. During the extractive process and subsequent crushing of ore, particle emissions occur, which is normal for this type of operations.

Operations that use caliche as raw material are developed in desert areas with climatic conditions favorable for drying solids and evaporating liquids using solar energy. Operations involving the open-pit extraction of minerals, due to their low waste-to-mineral ratio, generate remaining deposits which slightly alter the environment. During the extractive process and subsequent crushing of ore, particle emissions occur, which is normal for this type 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 air quality and, consequently, affected the nearby city of Maria Elena. These particles mainly come from the dust that results from caliche processing, particularly during the crushing process prior to leaching. Within the framework of a decontamination plan for this city and in accordance with its Sustainable Development Policy, the Company has implemented a series of measures that have shown notable improvement in air quality at María Elena. In October 2005, the Company obtained environmental approval for a project entitled “Technological Change at Maria Elena”. The operation of this project will facilitate the reduction of particle emissions, as required by the new environmental standard, which is estimate to go into effect during the second half of 2008. The Company is requesting from CONAMA, the environmental authority, certain adjustments to the particle emissions reduction timeline that is currently considered in the decontamination plant in order to allow consistency with the degree of completion of the “Technological Change at Maria Elena” project.

In addition, for all its operations, the Company carries out environmental follow-up and monitoring plans based on specialized scientific studies and develops an annual training program in environmental matters to both its direct employees and its contractors’ employees. Within this context, SQM entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Salar de Atacama lagoons. Such research includes a population count of the birds and breeding research. Environmental follow-up maintained by the Company at the Salar de Atacama and other systems in which it operates are supported by a number of studies which have integrated diverse scientific efforts from prestigious research centers, including Dictuc from Pontificia Universidad Católica and the School of Agricultural Science of Universidad de Chile.

Furthermore, the Company is performing significant activities in relation to the recording of Pre-Columbian and historical cultural heritage, as well as the protection of heritage sites, in accordance with current Chilean laws. These actions have been especially performed in the areas surrounding Maria Elena and the Nueva Victoria plant. This effort is being accompanied by cultural initiatives within the community and the organization of exhibits in local and regional museums.

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

Note 29 – Environmental Projects(continued)

As emphasized in its Sustainable Development Policy, the Company strives to maintain positive relationships with the surrounding community, as well as to participate in the development of communities near its operations by supporting joint projects and activities which help to improve the quality of life for residents. For this purpose, the Company has focused its efforts on activities involving the rescue of historical heritage, education and culture, and development, and in order to do so, it acts both individually and in conjunction with both private and public entities.

Note 30 – Significant Events

1. On March 18, 2008, the Company informed the Superintendency of Securities and Insurance (SVS) that the Board of Directors of Sociedad Química y Minera de Chile (SQM), at its meeting held on March 18, 2008, unanimously agreed to propose the payment of a final dividend for a sum of US\$0.44459 per share to those shareholders of SQM who are registered with the Shareholders' Registry during the fifth business day prior to the date of payment of this dividend.

Upon approval of this proposal by the shareholders at the General Ordinary Shareholders' Meeting to be held on April 30, 2008, this proposal will allow the Company to effectively pay and distribute dividends in conformity with the respective dividend policy, an annual dividend equivalent to 65% of distributable net income obtained during 2007.

2. On April 21, 2008, Inversiones SQ S.A. and SQH S.A acquired from Yara Netherland B.V. 49% of the shares of the privately-held shareholders' company, Inversiones SQYA S.A. Beginning on the date referred to above, SQYA S.A. Yara is no longer a related company of Sociedad Química y Minera de Chile S.A.

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

Note 31 – Unearned Income

During the periods ended June 30, 2008 and 2007, the Company maintains unearned income related to the recognition of sales invoices the delivery of which will occur subsequent to the close of the financial statements. The detail is as follows:

| | 2008 ThUS\$ | 2007 ThUS\$ |
|-----------------|----------------|----------------|
| Unearned income | 79,511 | 23,570 |

Note 32 – Subsequent Events

Management is not aware of any significant subsequent events that have occurred after June 30, 2008 and that may affect the Company's financial position or the interpretation of these financial statements (August 12, 2008).

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

Conf: /s/ Ricardo Ramos R.
Ricardo Ramos R.
Chief Financial Officer

Date: September 5, 2008