

CHEMICAL & MINING CO OF CHILE INC
Form 6-K
December 07, 2007

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 nine-month period ended September 30, 2007, filed by Sociedad Química y Minera de Chile S.A. before the Superintendencia de Valores y Seguros de Chile on October 30, 2007.

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 x

Form 40-F o

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 o

No x

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

On October 30, 2007, the Registrant filed with the Superintendencia de Valores y Seguros of Chile (the "SVS") a report that included information as to the Registrant's consolidated financial condition and results of operations for the nine-month period ended September 30, 2007. 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007 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

September 30, 2007 and 2006

Consolidated Financial Statements

SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.

As of September 30, 2007 and 2006
and for the nine months ended September 30, 2007 and 2006
(A translation of the original in Spanish- see note 2 (a))

Contents

Consolidated Financial Statements

Consolidated Balance Sheets	4
Consolidated Statements of Income	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8

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

	Note	As of September 30,	
		2007	2006
		ThUS\$	ThUS\$
ASSETS			
Current Assets			
Cash		13,076	16,731
Time deposits		25,985	6,156
Marketable securities	4	74,733	61,904
Accounts receivable, net	5	266,488	228,526
Other accounts receivable, net	5	9,712	7,226
Accounts receivable from related companies	6	70,732	52,050
Inventories, net	7	385,930	387,466
Recoverable taxes		27,748	25,734
Prepaid expenses		7,151	5,870
Deferred income taxes	15	-	8,869
Other current assets		22,686	13,813
Total Current Assets		904,241	814,345
Property, Plant and Equipment, Net	8	967,705	902,198
Other Assets			
Investments in related companies	9	21,866	18,230
Goodwill, net	10	34,733	41,044
Negative goodwill, net	10	(1,650)	-
Intangible assets, net		3,988	4,814
Long-term accounts receivable, net	5	139	312
Long-term accounts receivable from related companies	6	2,118	2,000
Other long-term assets	11	38,745	50,838
Total Other Assets		99,939	117,238
Total Assets		1,971,885	1,833,781

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

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

	Note	As of September 30,	
		2007	2006
		ThUS\$	ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term bank debt	12	1,253	92,052
Current portion of long-term debt	12	2,014	384
Current portion of bonds payable	13	12,687	9,593
Dividends payable		432	325
Accounts payable		115,169	90,171
Other accounts payable		335	251
Notes and accounts payable to related companies	6	1,733	1,097
Accrued liabilities	14	36,923	25,000
Withholdings		7,378	7,599
Income taxes		11,802	12,187
Deferred income		42,050	29,239
Deferred income taxes	15	4,113	-
Other current liabilities		865	2,080
Total Current Liabilities		236,754	269,978
Long-Term Liabilities			
Long-term bank debt	12	180,000	100,000
Long-term obligations with the public (Bonds)	13	304,101	300,219
Other accounts payable		753	896
Deferred income taxes	15	51,964	49,138
Staff severance indemnities	16	20,812	19,372
Total Long-Term Liabilities		557,630	469,625
Minority interest	17	42,486	36,899
Shareholders' Equity			
Paid-in capital	18	477,386	477,386
Other reserves	18	160,608	156,175
Retained earnings	18	497,021	423,718
Total Shareholders' Equity		1,135,015	1,057,279
Total Liabilities and Shareholders' Equity		1,971,885	1,833,781

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

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 nine months ended September 30,	
	Note	2007 ThUS\$	2006 ThUS\$
Operating Results			
Sales		881,286	775,845
Cost of sales		(631,970)	(554,572)
Gross margin		249,316	221,273
Selling and administrative expenses		(49,907)	(50,769)
Operating Income		199,409	170,504
Non-operating Results			
Non-operating income	20	17,773	14,458
Non-operating expenses	20	(41,162)	(39,832)
Non-operating Loss		(23,389)	(25,374)
Income before income taxes		176,020	145,130
Income tax expense	15	(38,256)	(31,057)
Income Before Minority Interest		137,764	114,073
Minority interest	17	(2,330)	(2,519)
Income Before Negative Goodwill		135,434	111,554
Amortization of negative goodwill	10	-	68
Net income		135,434	111,622

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

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

	For the nine months ended September 30	
	2007 ThUS\$	2006 ThUS\$
Cash flows from operating activities		
Net income	135,434	111,622
Charges (credits) to income not representing cash flows		
Depreciation expense	8	71,800
Amortization of intangible assets	531	739
Write-offs and accruals	20,625	11,475
Gain on equity investments in related companies	(3,558)	(1,450)
Loss on equity investments in related companies	58	189
Amortization of goodwill	10	1,698
Amortization of negative goodwill	10	-
(Gain) loss on sales of assets	(24)	(634)
Loss on sale of investments	-	197
Other credits to income not representing cash flows	(590)	(8,586)
Other charges to income not representing cash flows	92,835	63,502
Foreign currency translation, net	2,312	5,403
Net changes in operating assets and liabilities		
(Increase) decrease:		
Trade accounts receivable	(53,752)	(11,595)
Inventories	(25,273)	(58,848)
Other assets	(14,120)	3,287
Accounts payable	9,806	(12,342)
Interest payable	5,343	2,295
Net income taxes payable	(18,320)	(43,559)
Other accounts payable	(5,589)	(7,533)
VAT and taxes payable	(6,221)	7,576
Minority interest	17	2,519
Net cash provided by operating activities	215,325	132,183
Cash flows from financing activities		
Proceeds from short term bank financing	-	176,281
Bonds payable	-	299,833
Payment of dividends	(94,999)	(74,477)
Repayment of bank financing	(57,090)	(371,281)
Payment of obligations with the public (Bonds payable)	(2,566)	-
Payment of expenses for the issuance and placement of bonds payable	-	(6,629)
Net cash (used in) provided by financing activities	(154,655)	23,727
Cash flows from investing activities		
Sales of property, plant and equipment	2,611	8,706
Sales of investments in related companies	-	902

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

Other investing income	24	361	24,481
Additions to property, plant and equipment		(123,015)	(136,813)
Capitalized interest		(9,400)	-
Purchase of investments in related companies		-	(115,124)
Other disbursements		(785)	-
Net cash used in investing activities		(130,228)	(217,848)
Effect of inflation on cash and cash equivalents		1,125	2,034
Net change in cash and cash equivalents		(68,433)	59,904
Beginning balance of cash and cash equivalents		183,943	147,956
Ending balance of cash and cash equivalents		115,510	88,052

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

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 March 18, 1983.

Note 2 – Summary of Significant Accounting Policies

a) Basis of 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”) or International Financial Reporting Standards (“IFRS”). 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 of the preparation of the consolidated financial statements (continued)**

	Direct or indirect ownership	
	2007	2006
Foreign subsidiaries:	%	%
Nitratos Naturais do Chile Ltda. (Brazil)	100.00	100.00
Nitrate Corp. of Chile Limited (United Kingdom)	100.00	100.00
SQM North America Corp. (USA)	100.00	100.00
SQM Europe N.V. (Belgium)	100.00	100.00
Soquimich S.R.L. Argentina	100.00	100.00
Soquimich European Holding B.V. (Holland)	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
SQM Comercial de México S.A. de C.V.	100.00	100.00
North American Trading Company (USA)	100.00	100.00
Administración y Servicios Santiago S.A. de C.V. (Mexico)	100.00	100.00
SQM Peru S.A.	100.00	100.00
SQM Ecuador S.A.	100.00	100.00
Cape Fear Bulk L.L.C. (USA)	51.00	51.00
PTM – SQM Ibérica S.A. (Spain)	0.00	100.00
SQM Nitratos México S.A. de C.V. (México)	51.00	51.00
SQMC Holding Corporation L.L.P. (USA)	100.00	100.00
SQM Investment Corporation N.V. (Dutch Antilles)	100.00	100.00
SQM Brasil Ltda.	100.00	100.00
SQM France S.A.	100.00	100.00
SQM Japon Co. Ltd.	100.00	100.00
Royal Seed Trading Corporation A.V.V. (Aruba)	100.00	100.00
SQM Oceanía PTY Limited (Australia)	100.00	100.00
RS Agro-Chemical Trading A.V.V. (Aruba)	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)	100.00	100.00
SQM Venezuela S.A.	100.00	100.00
SQM Italia S.R.L. (Italy)	100.00	95.00
Comercial Caiman Internacional S.A. (Cayman Islands)	100.00	100.00
Mineag SQM Africa Limited (South Africa)	100.00	100.00
Fertilizantes Olmeca y SQM S.A. de C.V. (Mexico)	0.00	100.00
SQM Lithium Specialties L.L.C. (USA)	100.00	100.00
SQM Dubai – FZCO.	100.00	100.00
Fertilizantes Naturales S.A.	66.67	66.67
Iodine Minera B.V.	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 of the preparation of the consolidated financial statements (continued)**

	Direct or indirect ownership	
	2007 %	2006 %
Domestic subsidiaries:		
Comercial Hydro S.A.	60.64	60,64
SQM Potasio S.A.	100.00	100.00
SQM Nitratos S.A.	99.99	99.99
Ajay SQM Chile S.A.	51.00	51.00
SQMC International Limitada.	60.64	60.64
SQM Industrial S.A.	100.00	100.00
Isapre Norte Grande Ltda.	100.00	100.00
Almacenes y Depósitos Ltda.	100.00	100.00
Servicios Integrales de Tránsitos y Transferencias S.A.	100.00	100.00
Soquimich Comercial S.A.	60.64	60.64
SQM Salar S.A.	100.00	100.00
Minera Nueva Victoria S.A.	100.00	100.00
Proinsa Ltda.	60.58	60.58
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	100.00	100.00
Exploraciones Mineras S.A.	100.00	100.00

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) Accounting period

These consolidated financial statements have been prepared as of September 30, 2007 and 2006 and for the nine-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 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 period. For this purpose, and in accordance with Chilean regulations, non-monetary assets and liabilities, equity and income statement accounts have been restated in terms of year-end constant pesos based on the change in the consumer price index during the year (5.1% and 2.5% in 2007 and 2006, 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 in effect at each year-end of Ch\$ 511.23 per US\$1 at September 30, 2007 and Ch\$ 537.03 per US\$1 at September 30, 2006.

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 line on the income statement, which is generated by the inclusion of price-level restatement of 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 of the balance sheet mentioned above, are included as an adjustment in shareholders’ equity, in conformity with Circular No. 1,697 of the SVS.

b) The financial statements of those foreign subsidiaries that keep their accounting records in currencies other than the U.S. dollar have been translated at historical exchange rates as follows:

- Monetary assets and liabilities are translated at year-end exchange rates between the US dollar and the local currency.

- All non-monetary assets and liabilities and shareholders’ equity are translated at historical exchange rates between the US dollar and the local currency.

- Income and expense accounts are translated at average exchange rates between the US dollar and the local currency.

- Any exchange differences are included in the results of operations for the period.

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****iii) Foreign currency translation**

Foreign currency translation for the period ended September 30, 2007 and 2006 generated net earnings (loss) of ThUS\$ (2,311) and ThUS\$ (5,403) 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 as of September 30, as follows:

	2007	2006
	US\$	US\$
Brazilian Real	1.96	2.18
New Peruvian Sol	3.10	3.25
Argentine Peso	3.15	3.10
Japanese Yen	115.43	117.90
Euro	0.71	0.79
Mexican Peso	10.92	11.05
Indonesian Rupee	9,830.04	9,290.00
Australian Dollar	1.13	1.34
Pound Sterling	0.51	0.54
Ecuadorian Sucre	1.00	1.00
South African Rand	7.01	7.68

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

e) Cash and cash equivalents

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

f) Time deposits

Time deposits are recorded at cost plus accrued interest.

g) Marketable securities

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

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)

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 on the basis of a technical study which covers the different variables that affect our products (density, humidity, and others).

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

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

j) Income taxes and deferred taxes

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

Prior to 2000, income taxes were charged to results in the same period in which the income and expenses were recorded and were calculated in accordance with the enacted tax laws in Chile and the other jurisdictions in which the Company operated.

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

Beginning January 1, 2000, the Company records deferred 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.

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)

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 according to 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 March, are recorded as prepaid assets to be amortized over the following twelve months. Values attributable to these original mining concessions are recorded in property, plant and equipment.

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.

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)

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 10 years for negative goodwill.

Beginning on January 1, 2004, goodwill and negative goodwill represents 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 not longer than 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants.

o) Mining development cost

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

p) Staff severance indemnities

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) Operations with resale agreements

Operations with resale agreements are recorded in Other Current Assets at the amount of the purchase. Starting at the purchase date, the respective interest is recorded on an accrual basis, in accordance with SVS Circular 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 2 - Summary of Significant Accounting Policies (continued)

s) Dividends

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

t) Derivative contracts

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

u) Reclassifications

For comparison purposes, certain reclassifications have been made to the 2006 financial statements.

v) Revenue recognition

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

w) 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 Circular No. 1.819 dated November 14, 2006 of the SVS, computer systems acquired by the Company are recorded at acquisition cost plus additional associated costs.

x) Research and development expenses

Research and development cost 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.

y) 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 over the life of the bonds.