



FOR IMMEDIATE RELEASE

SQM REPORTS EARNINGS FOR FIRST HALF OF 2002

Operational Highlights

- Earnings per ADR increased 38% from US\$0,52 as of June 30, 2001, to US\$0,71 as of June 30, 2002.
- Second quarter earnings per ADR increased 30% from US\$0,27 as of June 30, 2001, to US\$0,35 as of June 30, 2002.
- Increase in revenues of approximately 6%, due to a significant recovery of sales of specialty fertilizers during the second quarter.
- Lower production costs on all business lines. Effects of the cost reduction initiatives were fully reflected during the first half of 2002.

Santiago, Chile, August 28, 2002.- Sociedad Química y Minera de Chile S.A. (SQM) (NYSE: SQM, SQMA; Santiago Stock Exchange: SQM-B, SQM-A) reported today **earnings** for the first half of 2002, which reached US\$18.8 million (US\$ 0.71 per ADR), 38% higher than the US\$ 13.6 million reported for the first half of 2001. **Operating income** for the first half of 2002 was US\$ 36.6 million (14.2% of sales), higher than the US\$31.9 million (13.1% of sales) of the same period of the previous year. The **EBITDA**⁽¹⁾ reached US\$67.7 million, higher than the US\$64.1 million recorded during the first half of 2001. **Revenues** obtained during the first half of 2002 reached US\$256.7 million, approximately 6% higher than the US\$242.7 million reported for the first half of 2001.

Earnings for the second quarter of 2002 reached US\$ 9.2 million (US\$ 0.35 per ADR), amount 30% higher than the US\$ 7.1 million recorded during the same period last year. On the other hand, **operating income** for the second quarter reached US\$ 19.5 million (14% of sales), higher than the US\$ 15.5 million (13.8% of sales) reported for the same period during 2001. During the second quarter of 2002 **EBITDA** reached US\$ 34.9 million while **revenues** totaled US\$ 139.3 million, respectively higher than the US\$ 32.0 million and the US\$ 112.6 million recorded for the same period last year.

SQM's Chief Executive Officer, Patricio Contesse, stated "The growth of operational results based on the continuous reduction on production costs and the increase in volume sales, confirms that our efforts are focused in the right direction". He added "The increase of our gross margins in a difficult price scenario for our products, reaffirms SQM's worldwide leadership in its main business areas".

The analysis of the different business areas is the following:

1.- Specialty Fertilizers

Revenues for specialty fertilizers during the first half of 2002 reached US\$125.9 million, higher than the US\$ 114.9 million of the same period of the previous year.

Year to date		June 02	June 01	Jun02/Jun01	
Sodium nitrate	Th. Ton	36.4	42.4	-6.0	-14%
Potassium nitrate and sodium potassium nitrate	Th. Ton	286.1	246.4	39.7	16%
Specialty mix ^(*)	Th. Ton	103.5	85.8	17.7	21%
Total Nitrate Specialty Fertilizers and Others	Th. Ton	426.0	374.5	51.5	14%
Potassium sulfate	Th. Ton	57.5	69.5	-12.0	-17%
Revenues Nitrate Specialty Fertilizers(*)	MUS\$	113.5	101.0	12.5	12%
Revenues Potassium Sulfate	MUS\$	12.4	13.9	-1.5	-11%
Revenues Specialty Fertilizers	MUS\$	125.9	114.9	11.0	10%

(*) Includes Norsk Hydro. Sales for the first half reached approximately US\$5 million.

Higher revenues obtained during the first half of 2002 are mainly explained by the significant increase on sales observed during the second quarter, which reached US\$ 69.1 million, 42% higher than the US\$ 48.6 million observed during the second quarter of 2001.

The increase in revenues during the second quarter is mainly explained by the following:

- Sales increase of sodium potassium nitrate to the Brazilian market due to an increase on tobacco hectares.
- Sales of potassium nitrate delayed from the first quarter to the second quarter of 2002.
- Higher sales due to the startup of distribution operations considered on the commercial agreement with Norsk Hydro.

Specialty fertilizers **gross margin**⁽²⁾ for the first half of the year 2002 was approximately US\$ 4,5 million higher than the margin of the same period of the previous year. The increase in the gross margin is mainly explained by a significant reduction in production costs resulting from the various cost reduction initiatives implemented during 2001 and additionally by the increase in volumes sales. The above was partially offset by a slight reduction on sales prices during the first half of the year 2002 compared to the same period last year.

Outlook. In accordance to what was initially projected, during this year potassium nitrate supply will increase due to new Chilean producers. Nevertheless, during the first quarter the US company TRI⁽³⁾ with potassium nitrate productive plants in Israel and the USA, closed its productive facility in Vicksburg⁽⁴⁾, USA, due to its inability to meet its financial duties.

Considering the variations on world supply for potassium nitrate, together with the projected demand growth for 2002 and the positive effects of the commercial agreement between SQM and Norsk Hydro ASA⁽⁵⁾, which have been partially reflected during the second quarter of this year, SQM estimates that its sales volumes for potassium nitrate and sodium potassium nitrate (excluding the Chinese market) will be higher than last year's volumes, maintaining the trend observed during the first half of 2002 with lower prices compared to last year's.

The projected increase in the production of potassium sulfate during 2002, will allow the increase in sales volumes in more than 10% compared to last year, which will be reflected during the second half of this year with a significant increase on sales to the Chinese market. As in the case of potassium nitrate, potassium sulfate prices are expected to be slightly lower than the prices for the year 2001. SQM estimates that lower production costs that were reflected during the first half of this year should maintain during the rest of 2002, with the subsequent positive effects on sales margins.

2.- Industrial Chemicals

Revenues for industrial chemicals for the first half of 2002 where US\$ 33.8 million, slightly lower than the US\$ 34.3 million obtained during the same period of the previous year.

Year to date		June 02	June 01	Jun02/Jun01	
Industrial nitrates	Th. Ton	87.0	90.8	-3.8	-4%
Sodium sulfate	Th. Ton	32.0	27.6	4.3	16%
Boric acid	Th. Ton	5.7	5.9	-0.2	-4%
Revenues Industrial Chemicals	MUS\$	33.8	34.3	-0.5	-1%

During the second quarter of 2002 revenues recovered significantly, obtaining sales of US\$19.0 million, 12% higher than the revenues recorded for the second quarter of the year 2001.

As in the case of nitrate specialty fertilizers, industrial nitrate production costs were significantly lower compared to those of the same period of 2001, and sales prices observed for the first quarter of 2002 were slightly lower than sales prices for the previous year.

Industrial chemicals **gross margin**⁽²⁾ for the first half of 2002 was approximately US\$ 0.5 million higher than the gross margin of the same period of the previous year. The slight increase on gross margin is explained by lower production costs, which were partially offset by lower sales prices observed during the first half of 2002.

Outlook. Industrial nitrates sales volumes should end this year with slightly higher levels than those of last year. This year's sales prices, as well as production costs for industrial nitrates should follow the same trend of nitrate specialty fertilizers.

3.- Iodine and Iodine Derivatives

Revenues for iodine and iodine derivatives for the first half of 2002 reached US\$ 40.6 million, slightly lower than the US\$ 41.1 million obtained during the same period of the previous year.

Year to date		June 02	June 01	Jun02/Jun01	
Iodine and derivatives	Th. Ton	3.0	2.8	0.2	9%
Revenues Iodine and derivatives	MUS\$	40.6	41.1	-0.5	-1%

(*) Dollar and volume sales include iodine and a broad range of derivatives.

During the second quarter of 2002 revenues reached US\$ 19.6 million, 6% higher than the revenues reported for the same period of the previous year.

Average sales prices for the first half of 2002 fell by approximately US \$1.2 per kilogram, compared to the same period of the previous year.

Iodine and iodine derivatives **gross margin**⁽²⁾ for the first half of 2002 was approximately US\$ 1.0 million lower than the gross margin of the same period of the previous year. Lower production costs for the period allowed to partially offset the negative effect of lower sales prices.

Outlook. The world market for iodine has been negatively affected in the past years by an increase in production capacity in Chile, which has been translated in sales price reduction. SQM's strategy consists in maintaining its market share, increasing volume sales during this year in a percentage similar to the growth of world demand for iodine. SQM's commercial strategy is based in its vast natural resources, its large installed capacity and its low production costs.

The trend on iodine prices for the next months is uncertain and will depend on the commercial strategies of the other Chilean producers.

4.- Lithium and lithium derivatives

Revenues for lithium and lithium derivatives for the first half of 2002 reached US\$ 18.7 million, lower than the US\$ 19.4 million obtained during the same period of the previous year.

Year to date		June 02	June 01	Jun02/Jun01	
Lithium carbonate and derivatives	Th. Ton	10.8	11.7	-1.0	-8%
Revenues Lithium and derivatives	MUS\$	18.7	19.4	-0.7	-4%

During the second quarter of 2002 the revenues reached US\$ 10.3 million, 2% lower than the revenues reported during the same period of the previous year.

Continuing with last years trends, sales prices for the first half of the year 2002 are slightly higher than the sales prices of the same period of the previous year.

Lithium and lithium derivatives **gross margin**⁽²⁾ for the first half of 2002 was similar to the gross margin of the same period of the previous year. Lower production costs and the slight increase in sales prices allowed SQM to offset the decrease in sales volumes.

Outlook. Lower sales volumes obtained during the first half of this year, due mainly to lower sales volumes to China and other markets on the Pacific area, should significantly recover during the second half of the year, ending the year 2002 with sales volumes approximately 2% higher than sales volumes from the previous year.

5.- Potassium Chloride

Revenues for potassium chloride for the first half of 2002 reached US\$ 16.4 million, higher than the US\$ 15.9 million obtained during the same period of the previous year.

Year to date		June 02	June 01	Jun02/Jun01	
Potassium Chloride	Th. Ton	120.2	112.1	8.1	7 %
Revenues Potassium Chloride	MUS\$	16.4	15.9	0.5	3%

Higher revenues are mainly explained by a significant increase in potassium chloride sales to PCS Chile⁽⁶⁾, a Chilean producer of potassium nitrate.

During the second quarter of 2002 total sales reached US\$ 10.0 million, 57% higher than the revenues reported for the same period of the previous year.

The average sales prices of potassium chloride during the first half of 2002 were similar to the prices registered during the same period during of the previous year.

Potassium chloride **gross margin**⁽²⁾ for the first half of 2002 was approximately US\$ 1.5 million higher than the gross margin of the same period of the previous year.

Outlook. The increase in potassium chloride production during the year 2002, will allow the Company to increase sales volumes by approximately 20% compared to the volumes observed for 2001. This implies that during the second half of this year a strong increase in volume sales is expected compared to the first half of 2001. SQM estimates sales prices for this year to be similar to last year's. SQM participates with a small share in potassium chloride's world market thus having no influence on the dynamics that determine international prices. Due to all of the above, projected higher volumes for potassium chloride should have a positive effect on sales margins for the period.

Operational Outlook for the Second Half

Sales recovery observed during the second quarter is consistent with the previous outlook which indicated that revenues for 2002 should be higher than the revenues obtained during the year 2001. Higher projected sales along with lower production costs allow to estimate an **operating income** for the second half of the year 2002 higher than the operating income of the second half of the year 2001 and higher than the operating income of the first half of 2002.

Non-operating income for the first half of 2002 shows a US\$ (12.9) million loss which compares to a US\$ (9.3) million loss for the same period during the previous year. The main variations in the non-operating income were the following:

- During the first quarter of 2001 a non-operating profit of US\$4 million was reflected, due to the sale of certain mining rights.
- Net financial expenses⁽⁷⁾ decreased from US\$(17.2) million on the first half of 2001 to US\$(14.0) million on the first half of 2002. SQM's consolidation strategy based on a moderate capital expenditure program and focused on increasing the Company's cash flow, has allowed it to reduce its net financial debt⁽⁸⁾ by approximately US\$ 63 million in the last twelve months. The latter, along with lower interest rates, has translated in a significant reduction in financial expenses.
- The income derived from the 14.05% stake in the cement Chilean company Cementos Melón S.A., increased from US\$0.7 million on the first half of 2001 to US\$2.2 million on the first half of 2002.

During the first half of 2001, SQM reflected a negative **extraordinary charge** of US\$ (4.4) million (net of taxes). The above related to costs and expenses associated to the "organizational restructuring" project the Company implemented during the first quarter of 2001.

Notes:

(1) **EBITDA** is defined by the Company as Operating Result plus Depreciation. This indicator must be considered as a mere reference and does not represent a universal way to value different companies, varying according to the criteria employed by each company

(2) **Gross margin** corresponds to consolidated revenues less total costs, including depreciation and excluding sales and administration expenses.

A significant portion of SQM's costs of goods sold are costs related to common productive processes (mining, crushing, leaching, etc..) which are distributed among the different final products. To estimate gross margins by business lines in both periods covered by this report, the Company employed a similar criteria on the allocation of common costs to the different business areas. This gross margin distribution should be used only as a general and approximated reference of the margins by business line.

(3) **Trans resources International (TRI)** is one of the main producers of potassium nitrate worldwide and has two productive branches: Haifa Chemicals in Israel and Cedar Chemicals in Vicksburg, USA.

(4) SQM has no information whether this plant will reopen or not in the future.

(5) **Norsk Hydro ASA**, a Norwegian company, participates indirectly on Sociedad de Inversiones Pampa Calichera, which is in turn owner of 37.0% of Series A shares of SQM. During the last general shareholders meeting, Norsk Hydro elected one out of eight SQM's directors.

(6) PCS Chile is potassium nitrate producer, subsidiary of **Potash Corporation of Saskatchewan, Inc. (PCS)**. PCS is a Canadian company, which owns 37.6% of SQM's series A shares and during the last general shareholders meeting, elected two out of eight SQM's directors.

(7) **Net financial expenses** correspond to total financial expenses net of financial income during the period.

(8) **Net financial debt** corresponds to interest bearing debt less cash and cash equivalents at the end of each period.

SQM is an integrated producer and distributor of specialty fertilizers, industrial chemicals and iodine and lithium. Its products are based in the development of high quality natural resources that allow the Company to be leader in costs, supported by a specialized international network with sales in over 100 countries. SQM's development strategy aims to maintain and strengthen the world leadership in its three main businesses: specialty fertilizers, iodine and lithium.

This leadership strategy is based in the Company's competitive advantages and in the sustainable growth of the different markets where it participates. SQM's main competitive advantages in its different businesses are:

- Low production costs based in vast and high quality natural resources.
- Know how and its own technological developments in its various production processes.
- Logistics infrastructure and high production levels that allow SQM to have low distribution costs.
- High market share in all its core products: 40% world lithium market, 28% world iodine market and 45% world potassium nitrate market.
- International sales offices with offices in more than 20 countries and sales in over 100 countries.
- Sales synergies due to the production of a complete range of specialty fertilizers.
- Continuous new product development according to the specific needs of its different customers.
- Conservative and solid financial position

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Statements in this release concerning the Company's business outlook or future economic performances, anticipated profitability, revenues, expenses, or other financial items, anticipated cost synergies and product or service line growth, together with other statements that are not historical facts, are "forward-looking statements" as that term is defined under the Federal Securities Laws. Any forward-looking statements are estimates, reflecting the best judgement of SQM based upon currently available information and involve a number of risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Risks, uncertainties, and factors, which could affect the accuracy of such forward-looking statements, are identified in the public filing made with the Securities and Exchange Commission, and forward-looking statements should be considered in light of those factors.

Balance Sheet

<i>(US\$ Millions)</i>	<i>As of June 30</i>	
	2002	2001
Current Assets	514.8	576.1
<i>Cash and cash equivalents (1)</i>	105.2	152.6
<i>Account receivables (2)</i>	142.3	166.4
<i>Inventories</i>	226.5	215.5
<i>Others</i>	40.8	41.6
Fixed Assets	688.5	726.0
Other Assets	161.7	152.7
<i>Investment in related companies (3)</i>	91.0	71.1
<i>Others</i>	70.6	81.6
Total Assets	1,364.9	1,454.8
Current Liabilities	196.4	180.9
<i>Short term interest bearing debt</i>	128.9	115.3
<i>Others</i>	67.5	65.6
Long-Term Liabilities	314.2	432.0
<i>Long term interest bearing debt</i>	292.0	416.0
<i>Others</i>	22.2	16.0
Minority Interest	22.3	24.5
Shareholders' Equity	832.0	817.5
Total Liabilities	1,364.9	1,454.8
Current Ratio (4)	2.6	3.2
Debt / Total capitalization (5)	33.0%	38.7%

(1) Cash + time deposits + marketable securities

(2) Account receivables + account receivables from related co.

(3) Investment in related companies net of goodwill and neg. goodwill

(4) Current assets / current liabilities

(5) Interest bearing debt/ (Interest bearing debt + Equity+ Minority Int

Income Statement

(US\$ Millions)	II Quarter		Year to date	
	2002	2001	2002	2001
Revenues	139.3	112.6	256.7	242.7
Specialty Fertilizers	69.1	48.6	125.9	114.9
<i>Nitrate Fertilizers</i>	63.4	44.5	113.5	101.0
<i>Potassium Sulfate</i>	5.7	4.1	12.4	13.9
Industrial Chemicals	19.0	16.9	33.8	34.3
<i>Industrial Nitrates</i>	15.2	13.8	26.6	27.7
<i>Sodium Sulfate</i>	2.5	1.6	4.5	3.8
<i>Boric Acid</i>	1.3	1.5	2.7	2.8
Iodine and iodine derivatives	19.6	18.5	40.6	41.1
Lithium and lithium derivatives	10.3	10.5	18.7	19.4
Other Income	21.4	18.1	37.7	33.0
<i>Potassium Chloride (Potash)</i>	10.0	6.4	16.4	15.9
<i>Others</i>	11.4	11.7	21.3	17.1
Cost of Goods Sold	(92.5)	(70.3)	(167.8)	(158.1)
Depreciation	(15.4)	(16.5)	(31.1)	(32.2)
Gross Margin	31.3	25.8	57.8	52.4
Selling and Administrative Expenses	(11.9)	(10.3)	(21.2)	(20.5)
Operating Income	19.5	15.5	36.6	31.9
Non-Operating Income	(7.5)	(6.9)	(12.9)	(9.3)
Net financial Income (1)	(7.1)	(8.7)	(14.0)	(17.2)
Capitalized Interest (2)	0.5	0.7	1.0	1.4
Exchange gain (or loss)	(0.3)	(1.9)	0.1	0.2
Others	(0.7)	3.0	0.0	6.3
Income Before Taxes	12.0	8.6	23.7	22.6
Income Tax	(2.5)	(0.3)	(4.3)	(4.2)
Other Items	(0.2)	(0.1)	(0.6)	(0.4)
Income before extraordinary items	9.2	8.2	18.8	18.0
Extraordinary items		(1.1)		(4.4)
Net Income	9.2	7.1	18.8	13.6
Net Income per ADR (US\$)	0.35	0.27	0.71	0.52
EBITDA (3)	34.9	32.0	67.7	64.1

(1) Financial income - financial expenses

(2) Capitalized Interests in fixed assets

(3) Operating Income + depreciation