



Sociedad Química y Minera de Chile S.A.
NYSE Ticker: SQM

SQM REPORTS EARNINGS FOR THE FIRST QUARTER OF 2002

Santiago, May 15, 2002.- SQM reported **earnings** of US\$9.6 million for the first quarter of 2002, or US\$0.36 per ADR. This figure is 47% higher than the US\$6.5 million reported for the first quarter of 2001. **Operating income** for the first quarter of 2002 was US\$17.1 million (14.6% of sales), higher than the US\$16.4 million (12.6% of sales) of the same period of the previous year. The **EBITDA**⁽¹⁾ reached US\$32.8 million, which compares to the US\$32.1 million recorded during the first quarter of 2001. **Revenues** obtained during the first quarter of 2002 reached US\$117.4 million, lower than the US\$130.1 million of the first quarter of 2001.

SQM's Chief Executive Officer, Patricio Contesse, stated "The increase in earnings compared to last year's reflects the effects of the cost reduction initiatives and sets a positive trend for the development of the year 2002". Regarding the lower revenues observed during the first quarter he added "Sales will recover during the second and third quarters and we expect to close this year with a slight increase in revenues compared to 2001".

The analysis of the different business areas is the following:

1.- Specialty Fertilizers

Revenues for specialty fertilizers for the first quarter of 2002 reached US\$58.2 million, lower than the US\$66.3 million obtained during the same period of the previous year.

<u>Year to date</u>		March 02	March 01
Nitrate specialty fertilizers	MUS\$	51.5	56.5
Potassium sulfate	MUS\$	6.7	9.8
Revenues Specialty Fertilizers	MUS\$	58.2	66.3

Lower specialty fertilizers sales during the first quarter of 2002, are mainly explained by the following:

- Potassium Nitrate sales to China during the first quarter of 2001 for approximately US\$ 4.5 million. For 2002 potassium nitrate shipments to China are expected during the second half.
- Potassium nitrate and potassium sulfate sales delay from the first quarter to the second and third quarters of 2002.

Specialty fertilizers **gross margin**⁽²⁾ for the first quarter of the year 2002 was approximately US\$ 1.5 million higher than the gross margin of the same period of the previous year. The increase in the gross margin is explained by a significant reduction in production costs resulting from the various cost reduction initiatives implemented during 2001. The above was partially offset by slightly lower prices (2% - 3%) and by lower sales volumes obtained during the first quarter of 2002.

Outlook. As initially projected, Chilean producers will increase potassium nitrate supply during this year. However, during the first quarter of the present year the US company TRI⁽³⁾ with potassium nitrate plants in Israel and the USA, announced the closure of its operations at Vicksburg⁽⁴⁾, USA, due to the failure in meeting its financial duties.

Considering the different variations in the world supply of 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⁾, SQM estimates that its potassium nitrate sales volumes (excluding the Chinese market) will be higher than last year's volumes, maintaining for the year 2002 the price trend observed in the first quarter (lower prices than those recorded in 2001).

The projected increase on the production of potassium sulfate during 2002, will allow to increase sales volumes in more than 10% compared to last year particularly during the second half of this year. As in the case of potassium nitrate, potassium sulfate prices are expected to be slightly lower than prices for 2001.

SQM estimates that the lower production costs reflected during 2001 second half and during the first quarter of the present year should maintain and strengthen during the rest of 2002, with the subsequent positive effects on sales margins.

2.- Industrial Chemicals

Revenues for industrial chemicals for the first quarter of the 2002 reached US\$ 14.8 million, lower than the US\$ 17.4 million obtained during the same period of the previous year.

<u>Year to date</u>		March 02	March 01
Industrial Nitrates	MUS\$	11.4	13.9
Sodium Sulfate	MUS\$	2.0	2.2
Boric Acid	MUS\$	1.4	1.3
Revenues Industrial Chemicals	MUS\$	14.8	17.4

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 prices for the previous year.

Industrial chemicals **gross margin**⁽²⁾ for the first quarter of 2002 was approximately US\$ 0.5 million lower than the gross margin of the same period of the previous year. Lower sales volumes together with a slight reduction in sales prices were offset by lower production costs during the period.

Outlook. Industrial nitrates volumes should recover during the second and third quarter of the year 2002, ending the year with similar levels to those of 2001. This year's sales prices and 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 quarter of 2002 reached US\$ 21.0 million, lower than the US\$ 22.7 million obtained during the same period of the previous year.

Lower revenues for iodine and iodine derivatives are mainly explained by lower average sales prices compared to those of the first quarter of 2001, approximately US\$1.2 per kilogram.

Iodine and iodine derivatives **gross margin**⁽²⁾ for the first quarter of 2002 was approximately US\$ 0.5 million lower than the gross margin of the same period of the previous year. Lower production costs for the period partially offset the negative effect of lower sales prices.

Outlook. The world market for iodine has been affected in the past years by an increase in production capacity in Chile, which has translated in a 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 development of the 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 quarter of 2002 reached US\$ 8.5 million, slightly lower than the US\$ 8.9 million obtained during the same period of the previous year.

Continuing the trend observed in the past years, sales prices during the first quarter of 2002 were slightly higher than those observed for the previous year.

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

Outlook. Lower sales volumes during the first quarter of this year should recover during the upcoming quarters. SQM estimates sales volumes for 2002 to be approximately 2 to 4 percent higher than 2001, with the subsequent positive effect on sales margins for the period.

5.- Potassium Chloride

Revenues for potassium chloride for the first quarter of 2002 reached US\$6.4 million, lower than the US\$9.5 million obtained during the same period of the previous year.

Potassium chloride average sales prices observed during the first quarter of 2002 were higher than the prices registered during the first quarter of 2001. Lower sales volumes correspond to shipments that were postponed to the second and third quarters of 2002.

Potassium chloride **gross margin**⁽²⁾ for the first quarter of 2002 was approximately US\$ 0.5 million lower than the gross margin of the same period of the previous year. The increase in sales prices allowed the Company to offset most of the lower sales volume effect.

Outlook. The increase in potassium chloride production during the year 2002, will allow the Company to increase sales volumes by approximately 25% to 30% compared to the volumes observed for 2001. The aforementioned implies that during the following quarters a strong increase in volume sales is to be expected in order to compensate the first quarter deficit. 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 having thus no influence on the dynamics that determine international prices.

Due to all the above, projected higher volumes for potassium chloride should have a positive effect on sales margins for the period.

Second Quarter Outlook

Projected sales recovery for each of the Company's business areas for the second quarter of 2002 should translate in a change on the revenues trend compared to last year. Higher projected revenues along with lower production costs allow the Company to estimate an operating income for the second quarter of 2002 higher than the one of the second quarter of 2001 and higher than the operating income of the first quarter of 2002.

Non-operating income for the first quarter of 2002 shows a US\$5.4 million loss which compares to a US\$2.4 million loss for the first quarter of 2001. 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⁽⁶⁾ diminished from US\$(8.5) million on the first quarter of 2001 to US\$(6.9) million on the first quarter 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⁽⁷⁾ by approximately US\$58 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\$0.5 million on the first quarter of 2001 to US\$1.5 million on the first quarter of 2002.

During the first quarter of 2001, SQM reflected a negative **extraordinary charge** of US\$3.3 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) **Net financial expenses** correspond to total financial expenses net of financial income during the period.

(7) **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

(US\$ Millions)	<i>As of March 31</i>	
	2002	2001
Current Assets	527,3	563,5
<i>Cash and cash equivalents (1)</i>	115,8	114,6
<i>Account receivables (2)</i>	152,3	190,6
<i>Inventories</i>	214,6	206,6
<i>Others</i>	44,6	51,7
Fixed Assets	699,1	720,3
Other Assets	164,0	157,6
<i>Investment in related companies (3)</i>	90,0	83,1
<i>Others</i>	74,0	74,5
Total Assets	1.390,4	1.441,4
Current Liabilities	212,4	173,0
<i>Short term interest bearing debt</i>	149,2	98,5
<i>Others</i>	63,3	74,5
Long-Term Liabilities	313,5	416,3
<i>Long term interest bearing debt</i>	292,0	400,0
<i>Others</i>	21,5	16,3
Minority Interest	23,7	24,9
Shareholders' Equity	840,8	827,3
Total Liabilities	1.390,4	1.441,4
Current Ratio (4)	2,5	3,3
Debt / Total capitalization (5)	34,4%	37,6%

(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)

Income Statement

(US\$ Millions)	Year to Date	
	2002	2001
Revenues	117,4	130,1
Specialty Fertilizers	58,2	66,3
<i>Nitrate Fertilizers</i>	51,5	56,5
<i>Potassium Sulfate</i>	6,7	9,8
Industrial Chemicals	14,8	17,4
<i>Industrial Nitrates</i>	11,4	13,9
<i>Sodium Sulfate</i>	2,0	2,2
<i>Boric Acid</i>	1,4	1,3
Iodine and iodine derivatives	21,0	22,7
Lithium and lithium derivatives	8,5	8,9
Other Income	14,9	14,8
<i>Potassium Chloride (Potash)</i>	6,4	9,5
<i>Others</i>	8,5	5,4
Cost of Goods Sold	(75,2)	(87,9)
Depreciation	(15,7)	(15,7)
Selling and Administrative Expenses	(9,4)	(10,2)
Operating Income	17,1	16,4
Non-Operating Income	(5,4)	(2,4)
Net financial Income (1)	(6,9)	(8,5)
Capitalized Interest (2)	0,5	0,7
Exchange gain or (loss)	0,3	2,1
Others	0,7	3,3
Income Before Taxes	11,7	14,0
Income Tax	(1,8)	(3,9)
Other Items	(0,4)	(0,3)
Income before extraordinary items	9,6	9,8
Extraordinary items		(3,3)
Net Income	9,6	6,5
Net Income per ADR (US\$)	0,36	0,25
EBITDA (3)	32,8	32,1
Cash Flow (4)	25,3	25,5
Cash flow per ADR (US\$)	0,96	0,97

(1) Financial income - financial expenses

(2) Capitalized Interests in fixed assets

(3) Operating Income + depreciation

(4) Net income + depreciation + extraordinary items