

CHEMICAL & MINING CO OF CHILE INC  
Form 6-K  
September 06, 2006

**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 the free translation of a material event sent by Sociedad Química y Minera de Chile S.A. to the Superintendencia de Valores y Seguros de Chile on August 08, 2006.

**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\_\_\_\_\_



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On August 08, 2006, 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 on June 30, 2006. 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, A SIX MONTH PERIOD ENDED JUNE 30, 2006 REPORT FILED WITH THE SUPERINTENDENCIA DE VALORES Y SEGUROS (SVS) IN CHILE, AND UNLESS OTHERWISE INDICATED, FIGURES ARE IN US DOLLARS.

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*Consolidated Financial Statements*

***SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.***

*Santiago, Chile*

*June 30, 2006 and 2005*

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

Consolidated Financial Statements

## **SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**

As of June 30, 2006 and 2005

and for the 6 month period ended June 30, 2006 and 2005

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

### **Contents**

Consolidated Financial Statements

<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Income</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>7</u>

- Ch\$ - Chilean pesos  
ThCh \$ - Thousands of Chilean pesos  
US\$ - United States dollars  
ThUS\$ - Thousands of United States dollars  
UF - The UF is an inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the Consumer Price Index of the previous month.
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[Back to Contents](#)**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 June 30,	
		2006	2005
		ThUS\$	ThUS\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		27,152	14,483
Time deposits	4	155,975	18,780
Marketable securities	5	58,933	35,287
Accounts receivable, net	6	170,437	134,416
Other accounts receivable, net	6	6,786	11,049
Accounts receivable from related companies	7	63,457	64,006
Inventories, net	8	374,298	322,214
Recoverable taxes		20,428	32,620
Prepaid expenses		5,292	5,105
Deferred income taxes	16	6,078	
Other current assets		18,057	8,682
Total current assets		906,893	646,642
<b>Property, plant and equipment, net</b>	9	892,457	721,830
<b>Other Assets</b>			
Investments in related companies	10	20,828	19,051
Goodwill, net	11	40,931	16,712
Negative goodwill, net	11		(169 )
Intangible assets, net		4,825	4,326
Long-term accounts receivable, net	6	297	332
Long-term accounts receivable from related companies	7	2,000	
Other long-term assets	12	51,843	51,006
Total Other Assets		120,724	91,258
Total assets		1,920,074	1,459,730

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

[Back to Contents](#)**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 June 30,	
		2006	2005
		ThUS\$	ThUS\$
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Short-term bank debt	13	51,600	1,250
Current portion of long-term debt	13	204,996	4,865
Current portion of bonds payable	14	5,398	
Dividends payable		262	208
Accounts payable		83,855	64,168
Other accounts payable		1,019	1,677
Notes and accounts payable to related companies	7	2,331	1,709
Accrued liabilities	15	23,987	27,290
Withholdings		8,553	4,434
Income taxes		9,447	14,277
Deferred income taxes	16		2,743
Deferred income		11,346	1,206
Other current liabilities		1,999	591
Total current liabilities		404,793	124,418
<b>Long-term liabilities</b>			
Long-term bank debt	13	100,000	300,000
Long-term Obligations with the Public (Bonds)	14	298,434	
Other accounts payable		928	998
Deferred income taxes	16	43,958	36,605
Staff severance indemnities	17	16,932	12,122
Total long-term liabilities		460,252	349,725
Minority interest	18	34,908	31,891
<b>Shareholders equity</b>			
Paid-in capital	19	477,386	477,386
Other reserves	19	155,377	149,577
Retained earnings	19	387,358	326,733
Total shareholders equity		1,020,121	953,696
Total liabilities and shareholders equity		1,920,074	1,459,730

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

[Back to Contents](#)**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.**

Consolidated Statements of Income

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

	Note	For the years ended	
		June 30,	
		2006	2005
		ThUS\$	ThUS\$
<b>Operating results</b>			
Sales		504,724	442,133
Cost of sales		(358,627 )	(322,098 )
Gross margin		146,097	120,035
Selling and administrative expenses		(33,116 )	(31,019 )
Operating income		112,981	89,016
<b>Non-operating results</b>			
Non-operating income	21	9,965	8,488
Non-operating expenses	21	(27,301 )	(25,378 )
Non-operating loss		(17,336 )	(16,890 )
Income before income taxes		95,645	72,126
Income tax expense	16	(19,582 )	(16,628 )
Income before minority interest		76,063	55,498
Minority interest	18	(869 )	(1,104 )
Net income before negative goodwill		75,194	54,394
Amortization of negative goodwill	11	68	102
Net income for the year		75,262	54,496

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



[Back to Contents](#)**SOCIEDAD QUIMICA Y MINERA DE CHILE S.A.****Consolidated Statements of Cash Flows**

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

	<b>For the years ended June 30</b>	
	<b>2006</b>	<b>2005</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>Cash flows from operating activities</b>		
Net income for the year	75,262	54,496
<b>Charges (credits) to income not representing cash flows</b>		
Depreciation expense	44,037	33,002
Amortization of intangible assets	732	244
Write-offs and accruals	8,051	13,003
Gain on equity investments in related companies	(1,144 )	(1,764 )
Loss on equity investments in related companies	131	35
Amortization of goodwill	1,369	673
Amortization of negative goodwill	(68 )	(102 )
(Profit) loss on sales of assets	(767 )	)
Other credits to income not representing cash flows	(15,489 )	(5,148 )
Other charges to income not representing cash flows	52,287	45,977
Foreign exchange difference, net	3,096	3,136
<b>Net changes in operating assets and liabilities:</b>		
(Increase) decrease in trade accounts receivable	11,370	(14,359 )
Increase in inventories	(43,626 )	(53,269 )
Decrease in other assets	1,198	(7,925 )
(Decrease) increase in accounts payable	(1,794 )	(2,779 )
Increase (decrease) in interest payable	3,889	330
Decrease in net income taxes payable	(29,105 )	(15,213 )
(Decrease) increase in other accounts payable	(7,312 )	(8,865 )
Decrease in VAT and taxes payable	1,303	(5,590 )
Minority interest	869	(1,070 )
	<hr/>	<hr/>
Net cash provided from operating activities	104,289	34,812
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from short term bank financing	136,281	100,000
Bonds payable	299,833	
Payment of dividends	(74,481 )	(51,540 )
Repayment of bank financing	(171,281 )	(6,000 )
Payment of expenses for the issuance and placement of bonds payable	(6,629 )	)
	<hr/>	<hr/>
Net cash used in financing activities	183,723	42,460
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Sales of property, plant and equipment	10	
Other investing income	25,182	740
Additions to property, plant and equipment	(104,722 )	(74,345 )
Capitalized interest		(1,928 )
Purchase of permanent investments	(115,124 )	(1,002 )
Other disbursements		(666 )

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Net cash used in investing activities	(194,654 )	(77,201 )
Effect of inflation on cash and cash equivalents	998	983
Net change in cash and cash equivalents	94,356	1,054
Beginning balance of cash and cash equivalents	147,956	66,753
<b>Ending balance of cash and cash equivalents</b>	<b>242,312</b>	<b>67,807</b>

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

[Back to Contents](#)

**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 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 with Chilean GAAP may not conform with 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.

[Back to Contents](#)**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)**

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:

	Direct or indirect ownership	
	2006	2005
	%	%
<b>Foreign subsidiaries:</b>		
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 NV (Dutch Antilles)	100.00	100.00
S.Q.I. Corporation NV (Dutch Antilles)	100.00	100.00
Soquimich European Holding BV (Holland)	100.00	100.00
PTM - SQM Ibérica S.A. (Spain)	100.00	100.00
SQMC Holding Corporation LLP (USA)	100.00	100.00
SQM Ecuador S.A.	100.00	100.00
Cape Fear Bulk LLC (USA)	51.00	51.00
SQM Investment Corporation NV (Dutch Antilles)	100.00	100.00
SQM Brasil Ltda.	100.00	100.00
Royal Seed Trading Corporation AVV (Aruba)	100.00	100.00
SQM Japan Co. Ltda.	100.00	100.00
SQM Oceania PTY Limited (Australia)	100.00	100.00
SQM France S.A.	100.00	100.00
RS Agro-Chemical Trading AVV (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 LLC (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 SRL (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 Olmea y SQM S.A. de C.V. (Mexico)	100.00	100.00
Administración y Servicios Santiago S.A. de C.V. (Mexico)	100.00	100.00
SQM Lithium Specialties LLC (USA)	100.00	100.00
SQM Nitratos México S.A. de C.V.	51.00	51.00
Fertilizantes Naturales S.A.	66.67	
SQM Dubai - FZCO	100.00	
Iodine Minera B.V.	100.00	



[Back to Contents](#)**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)**

	<b>Direct or indirect ownership</b>	
	<b>2006</b>	<b>2005</b>
	%	%
<b>Domestic subsidiaries:</b>		
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
Comercial Hydro S.A.	60.64	60.64
Minera Nueva Victoria S.A.	100.00	
Exploraciones Mineras S.A.	100.00	
Sociedad Prestadora de Servicios de Salud Cruz del Norte S.A.	100.00	

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

[Back to Contents](#)

**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) Period**

These consolidated financial statements have been prepared as of June 30, 2006 and 2005 and for the years 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, which maintain their accounting records in Chilean pesos have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the 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 (1.1% and 1.0% in 2006 and 2005, 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.

[Back to Contents](#)

**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\$539.44 per US\$1 at June 30, 2006 and Ch\$579.00 per US\$1 at June 30, 2005.

**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 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.



[Back to Contents](#)

**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, 2006 and 2005 generated net earnings (loss) of ThUS\$ (3,096) and ThUS\$ (3,136), 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:

	<u>2006</u>	<u>2005</u>
Brazilian Real	2.16	