

AFLAC INC
Form 4
May 19, 2008

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
CLONINGER KRISS III

(Last) (First) (Middle)
1932 WYNNNTON ROAD
(Street)

COLUMBUS, GA 31999

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
AFLAC INC [AFL]

3. Date of Earliest Transaction (Month/Day/Year)
05/16/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
Pres. Aflac Incorporated/CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	05/16/2008		M	100,000	A \$ 21.1563	278,580	D
Common Stock	05/16/2008		S	90,000	D \$ 67.3013	188,580	D
Common Stock	05/16/2008		G	7,500	D \$ 0	181,080	D
Common Stock						6,839	I 401(K) Plan
Common Stock						65,420	I Partnership

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Common Stock	1,759	I	Spouse
Common Stock	46	I	Spouse CF/Children
Common Stock	50,551	I	Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Number Shares
Employee Stock Option (right to buy) ⁽¹⁾	\$ 21.1563	05/16/2008		M	100,000	02/08/2003	02/08/2010	Common Stock	100,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CLONINGER KRISS III 1932 WYNNTON ROAD COLUMBUS, GA 31999	X		Pres. Aflac Incorporated/CFO	

Signatures

Patricia A. Bell as Power of Attorney
05/19/2008

**Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Granted under the AFLAC Incorporated 1997 Stock Option Plan, which is a rule 16b-3 plan with tandem tax withholding rights.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Other fixed assets Tools 7,930 7,631 Furniture and office equipment 14,322 13,582 Project-in-progress 5,335 13,987 Other 11,315 9,896

Total 38,902 45,096

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)

	2004	2003
	ThUS\$	ThUS\$
Amounts relating to technical revaluation of fixed assets		
Land	9,143	8,651
Buildings and infrastructure	40,627	40,627
Machinery and equipment	12,091	12,109
Other assets	53	53
	<u>61,914</u>	<u>61,440</u>
 Total property, plant and equipment	 <u>1,229,497</u>	 <u>1,207,374</u>
 Less: Accumulated depreciation		
Buildings and infrastructure	(205,148)	(178,049)
Machinery and equipment	(290,791)	(265,129)
Other fixed assets	(27,915)	(26,025)
Technical appraisal	(34,021)	(32,636)
	<u>(557,875)</u>	<u>(501,839)</u>
 Total accumulated depreciation	 <u>(557,875)</u>	 <u>(501,839)</u>
 Net property, plant and equipment	 <u>671,622</u>	 <u>705,535</u>
	2004	2003
	ThUS\$	ThUS\$
Depreciation for the year ended September 30:		
Buildings and infrastructure	(19,608)	(18,768)
Machinery and equipment	(23,662)	(23,810)
Other fixed assets	(1,216)	(1,239)
Technical revaluation	(969)	(1,307)
	<u>(45,455)</u>	<u>(45,124)</u>

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

	2004	2003
	ThUS\$	ThUS\$
Administrative office buildings	2,115	2,086

Explanation of Responses:

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Accumulated depreciation	(457)	(401)
	<hr/>	<hr/>
Total assets in leasing	1,658	1,685
	<hr/>	<hr/>
		27

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 related companies

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 2004

In January 2004, the subsidiary Soquimich European Holding B.V. made a capital contribution of ThUS\$ 475 on its affiliate Misr Specialty Fertilizers.

At the meeting of the shareholders of Empresas Melón S.A. held on February 25, 2004, the shareholders agreed its spin-off in 2 companies, Empresas Melón S.A. and Inmobiliaria San Patricio S.A. As a result, SQM S.A. maintained its ownership of 14.05% in Empresas Melón S.A. and a same ownership percentage was assigned to this entity in the new company.

In April 2004, the subsidiary Soquimich European Holding B.V. increased capital by ThUS\$ 475 in its affiliate Misr Specialty Fertilizers.

On August 13, 2004, SQM S.A. transferred, 653,748,837 shares from Inmobiliaria San Patricio to Blue Circle South American Holding S.A. equivalent to all the shares held by SQM S.A. which represent 14.05% participation in this company. This transfer was carried out in accordance with the contract signed for the acquisition of Empresas Melón shares during 1998. The effect on income is shown forming part of the net income recognized in the sale of Empresas Melón.

On August 18, 2004 653,748,837 shares of Empresas Melón S.A. equivalent to all the shares held by SQM S.A., representing 14.05% participation in this company, were sold at a public auction held at the Santiago Stock Exchange, for ThUS\$69,337. The agreed price was paid in cash on the same date. As a result of this sale, as of September 30, 2004 income before income tax amounted to ThUS\$8,179.

On August 20, 2004, SQM Potasio S.A. decreased its capital in RS Agro Chemical Trading A.V.V., by ThUS\$ 25,000 leaving its participation at 99.98% and that of SQM S.A. at 0.02%. In this operation no goodwill or negative goodwill was produced.

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))

c) Transactions executed in 2003

On January 27, 2003, SQM Comercial de México S.A. de C.V. and SQM Nitratos S.A. acquired 8,750 shares of the related company Fertilizantes Olmecca y SQM S.A. de C.V. which represented 50% of its share capital. Consequently, Fertilizantes Olmecca y SQM S.A. de C.V. became a subsidiary of SQM S.A. This transaction generated goodwill of ThUS\$279.

Subsequently, SQM Nitratos S.A. acquired from SQM Comercial de México S.A. de C.V. 8,749 shares in Fertilizantes Olmecca y SQM S.A. de C.V. This transaction did not produce goodwill.

On January 31, 2003, SQM S.A. acquired shares owned by SQM Nitratos S.A. in Sociedad Contractual Minera Antucoya for an amount of ThUS\$ 100. This united all the shares of SCM Antucoya in one shareholder and consequently SCM Antucoya was liquidated and SQM S.A. assumed of all this company's assets and liabilities.

On March 30, 2003, Fertilizantes Olmecca y SQM S.A. de C.V. increased its capital by ThUS\$2,000 through the issuance of 431,200 shares, which were subscribed in full by SQM Nitratos S.A. As a result, SQM Nitratos S.A. had an ownership interest of 78.29% and SQM Comercial de Mexico had an ownership interest of 21.71%.

On March 30, 2003, Soquimich European Holding acquired 50% of the ownership interest of Mineag SQM Africa Ltd. from Ravlin Investment Limited for an amount of ThUS\$990. Consequently, Mineag SQM Africa Ltd. became a subsidiary of SQM S.A. This transaction did not produce goodwill.

On April 28, 2003, SQM Comercial S.A. acquired from Norsk Hydro ASA, 819,999 shares in Norsk Hydro Chile S.A. and SQM Comercial Internacional Ltda., a subsidiary company of SQMC, acquired the one remaining share consequently, SQMC became the sole owner and controlled 100% of Norsk Hydro Chile S.A. This transaction generated goodwill of ThUS\$ 1,282.

On June 30, 2003, SQM Nitratos S.A. acquired the shares owned by SQM S.A. in Sociedad Energía y Servicios S.A. The shares amounted to ThUS\$2,422. This transaction resulted in the consolidation of all the shares of Energía y Servicios S.A. to one shareholder, SQM Nitratos S.A. Consequently under Chilean Corporations Law Energía y Servicios S.A. was dissolved and SQM Nitratos S.A. assumed all its assets and liabilities.

On June 30, 2003, the subsidiaries SQM Virginia LLC and North American Trading Company, made a capital contribution to the subsidiary SQM Lithium Specialties LLP. This capital contribution amounted to ThUS\$ 1,678, in a proportion of 99% and 1% respectively.

On July 16, 2003, the subsidiary Norsk Hydro Chile changed its name to Comercial Hydro S.A.

On September 30, 2003, the subsidiaries SQM Virginia LLC and North American Trading Company, made a capital contribution to the subsidiary SQM Lithium Specialties LLP. This capital contribution amounted to ThUS\$ 367, in a proportion of 99% and 1%, respectively.

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))

On September 30, 2003, SQM Corporation N.V. participated in a capital increase of Ajay Europe SARL in equal parts with Ajay Chemicals INC., both therefore maintaining the same ownership percentages.

On November 10, 2003, SQM Nitratos S.A. and SQM S.A. liquidated the subsidiary SQM Colombia Limitada.

On November 18, 2003, the subsidiary Soquimich European Holding BV, provided ThUS\$ 676 of capital to initiate a joint venture with the company Misr Specialty Fertilizer in Egypt.

On November 20, 2003, SQM Potasio S.A. made capital contribution of ThUS\$ 55,000 to RS Agro Chemical Trading AVV, increasing its participation in this subsidiary to 99.99%.SQM S.A. did not participate and therefore reduced its participation by 0.01%.

d) Investments with less than 20% participation

Companies with less than 20% participation which SQM has the capacity to significantly influence or control, since it is part of their 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		Equity of companies		Book value of investment		Net income (loss)		Equity participation in net income (loss)	
					2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
					%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
93390000-2	Empresas Melón S.A..	Chile		653,748,837	14.05	14.05	302,335		42,478		21,893		2,905	3,076
0-E	Ajay North America LLC	USA	US\$		49.00	49.00	11,373	11,416	5,449	5,594	207	924	164	453
0-E	Nutrisi Holding N.V.	Belgium	US\$		50.00	50.00	4,904	3,296	2,532	1,648	1,264	1,511	778	756
0-E	Ajay Europe S.A.R.L.	France	US\$		50.00	50.00	4,120	3,350	2,060	1,675				
0-E	Misr Specialty Fertilizers	Egipto	US\$		47.00	25.00	3,287		2,075					
0-E	Abu Dhabi Fertilizer Industries	UAE	US\$		37.00	37.00	3,227	3,177	1,194	1,175	84	174	31	64
0-E	Doktor Tarsa WLL	Turkey	Euros		50.00	50.00	2,170	1,588	1,085	794	590	123	295	61
0-E	Impronta SRL	Italia	Euros		50.00	50.00	877	1,131	448	566	276	696	141	348
77557430-5	Sales de Magnesio Ltda.	Chile			50.00	50.00	346	266	219	133	158	72	125	36
O-E	Rui Xin Packaging Materials	China	US\$		25.00	25.00	482	482	121	121				
81767200-0	Sanhe Co.Ltd Asoc.	Chile			3.31	3.31	732	704	25	23				
O-E	Mineag SQM Africa Limited	South África	US\$			100.00		(217)					(309)	
99551480-K	Inmobiliaria San Patricio S.A.	Chile		653,748,837	14.05									(12)
Total									15,208	54,207				

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

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

a) Goodwill

Tax RegistrationNumber	Company	September 30, 2004		September 30, 2003	
		Amount amortized during the period ThUS\$	Goodwill balance ThUS\$	Amount amortized during the period ThUS\$	Goodwill balance ThUS\$
0-E	Doktor Tarsa	56	41	62	90
79768170-9	Soquimich Comercial S.A.	113	159	113	310
93390000-2	Empresas Melón S.A.	324		363	7,759
79626800-K	SQM Salar S.A.	32	50	32	93
0-E	SQM México S.A. de C.V.	42	961	42	1,017
96864750-4	SQM Potassium S.A.	108	1,771	108	1,916
0-E	Comercial Caiman Internacional S.A.	17	183	17	205
0-E	Fertilizantes Olmeca	42	181	42	237
0-E	PTM SQM Iberica S.A.				88
0-E	Impronta Italia S.R.L.				141
96801610-5	Comercial Hydro S.A.	107	1,223	65	1,229
Total		841	4,569	844	13,085

b) Negative Goodwill

Tax Registration Number	Company	September 30, 2004		September 30, 2003	
		Amount amortized during the period ThUS\$	Negative goodwill balance ThUS\$	Amount amortized during the period ThUS\$	Negative goodwill balance ThUS\$
79626800-K	SQM Salar S.A.			157	18
96575300-1	Minera Mapocho S.A.	153	322	153	525
0-E	Mineag SQM Africa Limited			110	
Total		153	322	420	543

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:

	<u>2004</u>	<u>2003</u>
	ThUS\$	ThUS\$
Engine and equipment spare-parts, net	25,678	31,929
Mine development costs	22,621	19,313
Pension plan	1,137	1,137
Construction of Salar-Baquedano road	1,680	1,800
Deferred loan issuance costs	1,155	2,669
Other	1,190	1,825
	<u>53,461</u>	<u>58,673</u>

Note 12 Bank Debt

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

	<u>2004</u>	<u>2003</u>
<i>Bank or financial institution</i>	ThUS\$	ThUS\$
SCH Overseas Bank	12,026	
Scotiabank	13,032	
Citibank	6,039	
HSBC Banc Chile	5,003	
Banco de Chile	16,045	
Other banks	2,189	1,274
	<u>54,334</u>	<u>1,274</u>
Annual average interest rate	1.78%	3.04%

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:

	<u>2004</u>	<u>2003</u>
Bank or financial institution	ThUS\$	ThUS\$
Union Bank of Switzerland (1)	200,642	200,642
Royal Bank of Canada (2)		60,318
Bank of America (3)		80,723
	<u>200,642</u>	<u>341,683</u>
Total	200,642	341,683
	<u>(642)</u>	<u>(33,683)</u>
Less: Current portion	(642)	(33,683)
	<u>200,000</u>	<u>308,000</u>
Long-term portion	200,000	308,000

(1) U.S. dollar-denominated loan without guarantee, interest rate of 7.7% per annum, paid semi-annually. The principal is due on September 15, 2006.

(2) U.S. dollar-denominated loan without guarantee, interest rate of 2.23% per annum, paid semi-annually. The principal is divided into five equal semi-annual partial installments, beginning in November 2003 with the final installment ending in November 2005

(3) U.S. dollar-denominated loan without guarantee, repaid in full on November 28, 2003

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

	<u>2004</u>	<u>2003</u>
Years to maturity	ThUS\$	ThUS\$
Current portion	642	33,683
1 to 2 years		32,000
2 to 3 years	200,000	276,000
4 to 5 years		
	<u>200,642</u>	<u>341,683</u>
Total	200,642	341,683

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 Accrued Liabilities

As of September 30, 2004 and 2003, accrued liabilities are summarized as follows:

	<u>2004</u>	<u>2003</u>
	ThUS\$	ThUS\$
Provision for royalties	1,369	1,494
Quarterly bonus	240	372
Provision for employee compensation and legal costs	1,556	1,100
Taxes and monthly income tax installment payments	949	579
Vacation accrual	5,897	5,492
Accrued employee benefits	2,888	1,248
Marketing expenses	3,400	2,100
Other accruals	3,052	3,668
	<u>19,351</u>	<u>16,053</u>

Note 14 Income and Deferred Taxes

a) At September 30, 2004 and 2003 the Company has the following consolidated balances for retained tax earnings, income not subject to taxes, tax loss carry-forwards and credit for shareholders:

	<u>2004</u>	<u>2003</u>
	ThUS\$	ThUS\$
Accumulated tax basis retained earnings		
with tax credit	54,132	23,997
Accumulated tax basis retained earnings		
without tax credit	54	
Tax loss carry-forwards (1)	21,960	92,099
Credit for shareholders	7,844	4,539

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

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 Income and Deferred Taxes (continued)

The deferred taxes as of September 30, 2004 and 2003 represented a net liability of ThUS\$ 40,028 and ThUS\$ 23,965. respectively, and consisted of:

2004	Deferred tax asset		Deferred tax liability	
	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Allowance for doubtful accounts	1,320	397		
Vacation accrual	964			
Unrealized gain on sale of products	6,070			
Provision for obsolescence		1,947		
Production expenses			20,043	
Accelerated depreciation				58,482
Exploration expenses	1,530			4,288
Capitalized interest				5,883
Staff severance indemnities		476		1,916
Capitalized expenses				393
Tax loss carry-forwards		5,594		
Losses from derivative transactions	120			
Accrued interest	164			
Other	693	2,028	86	138
Total gross deferred taxes	10,861	10,442	20,129	71,100
Total complementary accounts		(1,212)	(2,858)	(28,791)
Valuation allowance		(539)		
Total deferred taxes	10,861	8,691	17,271	42,309

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 Income and Deferred Taxes
(continued)

2003	Deferred tax asset		Deferred tax liability	
	Short-term	Long-term	Short-term	Long-term
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Temporary differences				
Allowance for doubtful accounts	901	308		
Unearned income	204			
Vacation accrual	338			
Unrealized gain on sale of products	5,065			
Provision for obsolescence		1,988		
Production expenses			11,317	
Accelerated depreciation				60,049
Exploration expenses				4,321
Capitalized interest				6,260
Staff severance indemnities				1,077
Accrued expenses				425
Capitalized expenses				665
Tax loss carry-forwards		15,634		
Losses from derivative transactions	45			73
Accrued interest	111			
Other	286		28	130
	<u>6,950</u>	<u>17,930</u>	<u>11,345</u>	<u>73,000</u>
Total gross deferred taxes	6,950	17,930	11,345	73,000
Total complementary accounts		(701)	(2,530)	(33,671)
Valuation allowance				
	<u>6,950</u>	<u>17,229</u>	<u>8,815</u>	<u>39,329</u>
Total deferred taxes	6,950	17,229	8,815	39,329

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 Income and Deferred Taxes (continued)

c) Income tax expense is summarized as follows:

	2004	2003
	ThUS\$	ThUS\$
Tax expense adjustment (prior year)	(118)	
Provision for current income tax	(9,218)	(2,978)
Effect of deferred tax assets and liabilities	(6,354)	(5,011)
Effect of amortization of complementary accounts	(4,378)	(4,066)
Other tax charges and credits	241	(249)
	<hr/>	<hr/>
Total income tax expense	(19,827)	(12,304)
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Note 15 Staff Severance Indemnities

Staff severance indemnities are summarized as follows:

	2004	2003
	ThUS\$	ThUS\$
Opening balance	10,127	9,143
Increases in obligation	2,571	2,411
Payments	(1,929)	(2,355)
Exchange difference	(207)	679
	<hr/>	<hr/>
Balance as of September 30	10,562	9,878
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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 Minority Interest

Minority interest is summarized as follows:

	Equity		Net Income/(Loss)	
	2004	2003	2004	2003
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Soquimich Comercial S.A.	27,541	22,433	(3,611)	(2,154)
Ajay SQM Chile S.A.	3,219	3,084	(331)	(144)
Cape Fear Bulk LLC	134	109	(83)	(54)
Fenasa	269	409	(62)	(119)
SQM Nitratos México S.A. de C.V.	(61)		(22)	
SQM Italia S.R.L	17	12	4	7
SQM Indonesia S.A.	(10)	(11)	10	11
Total	31,109	26,036	(4,095)	(2,453)

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 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, 2003	263,196,524	477,386	125,111	(3,661)	210,624	40,202	849,662
Transfer 2002 net income to retained earnings					40,202	(40,202)	
Declared dividends 2003					(19,894)		(19,894)
Accumulated deficit from subsidiaries in development stage (1)				(1,564)			(1,564)
Other comprehensive income (2)			7,025				7,025
Net income for the year						36,107	36,107
Balance as of September 30, 2003	263,196,524	477,386	132,136	(5,225)	230,932	36,107	871,336
Balance January 1, 2004	263,196,524	477,386	141,420	(6,519)	230,932	46,753	889,972
Transfer 2003 net income to retained earnings					46,753	(46,753)	
Declared dividends 2004					(23,192)		(23,192)
Accumulated deficit from subsidiaries in development stage (1)				(1,851)			(1,851)
Other comprehensive income (2)			5,768				5,768
Net income for the year						55,602	55,602
Balance as of September 30, 2004	263,196,524	477,386	147,188	(8,370)	254,493	55,602	926,299

(1) Until June 30, 2004 the only subsidiary in a development stage is SQM Lithium Specialties Limited.

(2) Other comprehensive income includes translation adjustments and the effect of changes in the valuation of the Company's under-funded pension as of September 30, 2003 and 2004.

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 Shareholders Equity (continued)

b) The composition of other comprehensive income as of September 30, 2004 is as follows:

Detail	For the year ended September 30, 2004		As of September 30, 2004
	ThUS\$		ThUS\$
Technical appraisal			151,345
Changes to other comprehensive income from equity method investments:			
Soquimich Comercial S.A.	(1)	(408)	(2,905)
Isapre Note Grande Ltda.	(1)	(1)	(98)
Inversiones Augusta S.A.	(1)		(761)
SQM Ecuador S.A.	(3)		(271)
Almacenes y Depósitos Ltda.	(1)	(10)	(100)
Asociación Garantizadora de Pensiones	(1)	(1)	(15)
Empresas Melón S.A.	(1)	6,109	
Sales de Magnesio Ltda.	(1)	(2)	51
SQM North America Corp.	(2)		(777)
Other Companies	(1)		719
Total other comprehensive income		5,687	147,188

(1) Corresponds to translation adjustments and monetary correction

(2) Corresponds to a change in the valuation of the Company's under-funded pension scheme

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

c) 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: 1) A general or extraordinary shareholders' meeting may be called at the request of shareholders representing 5% of the Company's Series B shares.

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

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 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 September 30, 2004 the Company's derivative instruments are as follows:

2004 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\$
US dollar Forward	214	1 st quarter of 2005	Exchange rate	S	9	9
US dollar Forward	361	2 st quarter of 2005	Exchange rate	P	6	(6)
US dollar Forward	361	2 st quarter of 2005	Exchange rate	S	6	6
US dollar Forward	24,166	4 nd quarter of 2004	Exchange rate	P	1,075	(1,075)
US dollar Forward	8,201	4 nd quarter of 2004	Exchange rate	S	369	369
US dollar Forward	13,505	4 nd quarter of 2004	Exchange rate	S	171	(171)
US dollar Forward	9,186	4 nd quarter of 2004	Exchange rate	P	68	68
Option	17,222	4 nd quarter of 2004	Exchange rate	P		
Option	17,222	4 nd quarter of 2004	Exchange rate	S		
US dollar Forward	214	1 st quarter of 2005	Exchange rate	P	9	(9)
	<u>90,652</u>					<u>(809)</u>

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 19 Non-Operating Income and Expenses

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

a) Non-operating income

	2004	2003
	ThUS\$	ThUS\$
Interest income	2,597	2,450
Reversal of allowance for doubtful accounts	391	426
Net foreign exchange gains	□	2,845
Insurance recoveries	546	154
Sales of materials and services	114	833
Equity participation in net income of unconsolidated subsidiaries	4,439	4,794
Income from sale of investments in related comp.	8,179	□
Other income	2,070	1,199
	<hr/>	<hr/>
Total	18,336	12,701
	<hr/>	<hr/>

a) Non-operating expenses

	2004	2003
	ThUS\$	ThUS\$
Write-off of investments	6,996	6,014
Interest expense	14,441	16,392
Equity participation in net losses of unconsolidated subsidiaries	12	□
Amortization of goodwill	841	844
Net foreign exchange losses	2,460	□
Work disruption expenses	421	1,476
Increase in provision for employee compensation and legal costs	622	1,375
Allowance for doubtful accounts	2,500	632
Other expenses	2,808	2,673
Provision for sales of materials, spare-parts and supplies	1,300	□
	<hr/>	<hr/>
Total	32,401	29,406
	<hr/>	<hr/>

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 Price-level Restatement

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

	(Charge) credit to income from operations	
	2004	2003
	ThUS\$	ThUS\$
Property, plant and equipment	127	83
Other assets and liabilities	50	(16)
Shareholders' equity	(1,091)	(608)
	<hr/>	<hr/>
Subtotal price-level restatement	(914)	(541)
	<hr/>	<hr/>
Net readjustment of assets and liabilities denominated in UF	49	213
	<hr/>	<hr/>
Net price-level restatement	(865)	(328)
	<hr/>	<hr/>

Note 21 Assets and Liabilities Denominated in Foreign Currency

	2004	2003
	ThUS\$	ThUS\$
Assets		
Chilean pesos	115,989	161,269
US dollars	1,185,802	1,098,684
Euros	22,596	60,584
Japanese Yen	4,351	2,995
Brazilian Real	365	1,115
Mexican pesos	5,385	17,098
UF	18,330	7,481
South African Rand	8,991	6,249
Other currencies	1,609	5,662
Current liabilities		
Chilean pesos	48,832	55,480
US dollars	87,828	48,245
Euros	12,025	10,814
Japanese Yen	194	361
Brazilian Real	707	719
Mexican pesos	8,175	4,721
UF	155	235
South African Rand	1,899	120
Other currencies	328	711
Long-term liabilities		

Explanation of Responses:

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Chilean pesos	56	5,189
US dollars	235,753	334,520
Japanese Yen	72	72
UF	10,274	3,075
Other currencies	1	44

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 Cash Flow Statement

Amounts included in other investing income are summarized as follows:

	<u>2004</u>	<u>2003</u>
	ThUS\$	ThUS\$
Sale of mining concessions	600	
Repayment of employee loans	48	2,977
Cash balance in new subsidiaries (1)	8	4,343
	<u>656</u>	<u>7,320</u>
Total	656	7,320

(1) Corresponds to the consolidation of the new subsidiaries Mineag SQM Africa Limited, Fertilizantes Olmeca and SQM S.A. de C.V. during 2003, and SQM Lithium Specialities LLP in 2004.

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 □ Commitments and Contingencies

I. Contingencies:

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

- | | | | |
|---|------------------|---|--|
| 1 | Plaintiff | : | SQM Salar S.A. |
| | Defendants | : | ACE Seguros S.A. (formerly □ Cigna Compañía de Seguros (Chile) S.A.) and Chubb de Chile Compañía de Seguros Generales S.A. |
| | Date of lawsuit | : | April 2001 |
| | Matter | : | Arbitration |
| | Status | : | Collection of compensation for insured claim |
| | Instance | : | Evidence verification |
| | Nominative value | : | ThUS\$ 36,316 |
| 2 | Plaintiffs | : | Compagnie Du Guano de Poisson Angibaud S.A. and Generale de Nutrition Vegetale SAS |
| | Defendants | : | Soquimich European Holdings B.V., NU3 N.V. and SQM France S.A. |
| | Date of lawsuit | : | December 2002 |
| | Court | : | Court of Arbitration in France |
| | Matter | : | Termination of the company relationship and liquidation of the company Generale de Nutrition Vegetale SAS |
| | Status | : | The lawsuit is being contested |
| | Nominative value | : | ThEuro\$ 30,295 |
| 3 | Plaintiffs | : | SQM S.A. |
| | Defendants | : | Empresa Minera de Mantos Blancos S.A. |
| | Date of lawsuit | : | June 2004 |
| | Court | : | Arbitration Court |
| | Cause | : | Noncompliance with promise agreement |
| | Instance | : | Reply |
| | Nominative value | : | ThUS\$ 7,000 |

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 Commitments and Contingencies (continued)

I. Contingencies (continued):

(b) Models for the Production of the María Elena site

The Company is currently reviewing the "Models for the Production of the María Elena site" which may be implemented as a result of the Decontamination Plan (see note 26). The different alternatives for production and technology development for the Maria Elena site, which are a part of the above-mentioned "Production Models" do not proactively generate significant changes in the present ore reserves or forecasted sales volumes. These options include possibilities to use new production methods and are related to the "leaching piles" and implementing a mixed system, which would be comprised of the use of the aforementioned technology and the current production methods. Advantages and disadvantages of the different options relate to the extension of the transition periods of new technology, the investments that will be required, production costs, changes in technologies and in productive processes and the effects on certain of the Company's assets and their value. The possible effects on the valuation of assets are not yet determinable.

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 Commitments and Contingencies (continued)

(c) Other

The Company and its subsidiaries are involved in litigation in the ordinary course of business. Based on the advice of counsel, management believes the litigation will not have a material effect on the consolidated financial statements.

II. Commitments:

- (a) The subsidiary SQM Salar S.A. maintains an agreement with a government agency, whereby the Company must make annual payments until 2030 based on the Company's annual sales. This amount, which has been paid since the beginning of the agreement in 1996, amounted to ThUS\$ 3,548 in 2004 (ThUS\$ 3,419 in 2003).
- (b) The Company has certain indirect guarantees, which relate to agreements with no remaining payments pending. These guarantees are still in effect and have been approved by the Company's Board of Directors; however, they have not been used by the subsidiaries.
- (c) Bank debt of SQM S.A. and its subsidiaries has no restrictions or terms other than those that might usually be found in identical debt in the financial markets, such as maximum indebtedness and minimum equity among others.

Note 24 Third Party Guarantees

As of September 30, 2004 and 2003 the Company has the following indirect guarantees outstanding:

Beneficiary	Debtor		Balances outstanding	
	Name	Relationship	2004 ThUS\$	2003 ThUS\$
Phelps Dodge Corporation	SQM Potasio S.A.	Subsidiary	1,926	2,784
Bank of America N.A.	RS Agro-Chemical Trading A.V.V.	Subsidiary	□	80,723

Note 25 Sanctions

During 2004 and 2003, the SVS did not apply sanctions to the Company, its directors or managers.

Note 26 Environmental Projects

Disbursements incurred by the Company as of September 30, 2004 relating to its investments in production processes and compliance with regulations related to industrial processes and facilities are as follows:

Project	2004	Future Disbursements
	ThUS\$	ThUS\$
Environmental department	365	196
Boratos sewage treatment plant	256	38
Tocopilla project	615	□
Engineering and building of María Elena piles	2,425	914
Treatment plant MOP	208	□
Other	873	708
Total	4,742	1,856

Protecting the environment is a constant concern for SQM, regarding both the Company's productive processes and the manufactured goods.

SQM is currently implementing an Environmental Management System, which is based on the ISO 14000 standard, with which, the Company's environmental performance will be improved through the effective application of the Environmental Policy of SQM. The implementation program stipulates that late in 2004, all the operations maintained by the Company in Regions I and II of Chile, will have a fully implemented Environmental Management System.

Note 26 Environmental Projects (continued)

Technological processes are intended to be environmentally friendly in order to reduce residual materials and improve technical conditions to ensure effective protection of the environment. An example of this is ongoing conversion of oil to natural gas used in the Company's plants.

Processes where sodium nitrate is used as a raw material are carried out in geographical areas such as the desert with favorable weather conditions for the drying of solid materials and the evaporation of liquids used in solar energy. The extraction of minerals in open pit mines, given their low waste-to-mineral ratio, gives rise to waste deposits that have little impact on the environment. The extraction process and ore crushing produce particles that are consistent with the industry 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 the quality of air and, which affected the nearby city of Maria Elena. Particles mainly come from dust that results from processing the sodium nitrate, particularly at the crushing process prior to leaching. The decontamination plan presented by the Company to reduce the level of particles was approved with certain modifications by means of Decree No. 164. As a result of the investments and processes implemented according to the approved plan, the Company has substantially reduced the levels of particles in the air. Resolution No. 384, made public on May 16, 2000, authorized the review and a new draw up of the decontamination plan for the city of Maria Elena. The Supreme Decree containing the final Decontamination Plan should be made public within months. It is not possible to assure that within such period the Company will be free from warnings, fines or even eventual temporary closing of the crushing plant in Maria Elena. The Company is continuously researching techniques, processes and systems relating to the processing of sodium nitrate that could even further reduce the level of particles in the city of Maria Elena.

Ore treatment operations, as they are controlled processes, produce solid residual materials that are the non-soluble by product and a certain degree of moisture.

Productive operations based on brine, are carried out at the Atacama Salt Mine and almost 95% of the energy used is solar energy and the remaining 5% comes from natural gas, electricity and fossil fuels. Residual brine left after the production processes are again injected to the Atacama Salt Mine in order to minimize the possible environmental impact.

SQM entered into a contract with the National Forestry Corporation (CONAF) aimed at researching the activities of flamingo groups that live in the Atacama Salt Mine lagoons. Such research includes a population count of the birds and wildlife, breeding research, additional behavior research and the climate phenomena of the area.

Note 26 Environmental Projects (continued)

Consistent with the Company's ongoing commitment with the environmental authorities, the Company actively participates in the Joint Monitoring Research project for the Atacama Salt Mine watershed along with other mining companies that make use of the water resources that supply the Atacama Salt Mine watershed.

Note 27 Share purchase PCS Yumbes S.C.M.

On October 24, 2003 the Company's Board of Directors authorized SQM S.A.'s management to begin negotiations to acquire all the shares of the Chilean Company PCS Yumbes S.C.M., a subsidiary of Potash Corporation of Saskatchewan Inc.

On November 20, 2003, SQM S.A. and its subsidiary SQM Nitratos S.A., subscribed to a share purchase agreement under which they are committed to purchase all of the outstanding shares of the company PCS Yumbes from Inversiones PCS Chile Limitada and 628550 Saskatchewan Ltd., both subsidiaries of Potash Corporation of Saskatchewan Inc.. The final price of the share purchase will be ThUS\$35,000, subject to certain adjustments at the date the final agreement is signed. The purchase will comprise all of the fixed assets, mining concessions, water rights and other assets of PCS Yumbes S.C.M. and will exclude all liabilities and contractual obligations.

Note 28 Significant Events

On March 19, 2004, the company informed the Superintendent of Securities and Insurance that the Board of Directors of SQM, at its meeting dated March 16, 2003, unanimously agreed to propose the payment of a final dividend of US\$ 0.08811 per share in favor of those SQM's shareholders which were registered in the respective registry during the fifth working day prior to the payment of this dividend.

This proposal, upon approval by the next company's shareholders' meeting which will be held on April 30, 2004, will allow the company to pay and distribute, as stated in the respective Dividend Policy, and annual dividend equivalents to 50% of the net profits which can be distributed and are obtained during 2003.

On April 30, 2004, the company held its shareholders' meeting. At this meeting, the majority of the company's shareholders, among others, agreed to the following:

- a) The shareholders approved the distribution and payment of a final and total dividend of ch\$ 55.05465 per share. The payment of this dividend was agreed in one single installment, beginning on May 12, 2004, and with a charge to 2003 income.
- b) The shareholders approved the payment of UF 50 (fifty UF) in favor of each member of the Directors Committee, regardless of the number of meetings that this Committee holds during the respective month. In addition, they approved the implementation of an annual budget for the operating expenses of this Committee and of their advisors for an amount of UF 1,800 (one thousand and eight hundred UF).
- c) The shareholders approved remuneration to be paid to the Company's directors during the next twelve months.

Note 29 Subsequent Events

Company management is not aware of any significant subsequent events that occurred between September 30, 2004, and the date of issuance of these consolidated financial statements (November 02, 2004), which may affect the presentation of these financial statements.

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
Ricardo Ramos
Chief Financial Officer

Date: November 30, 2004.
