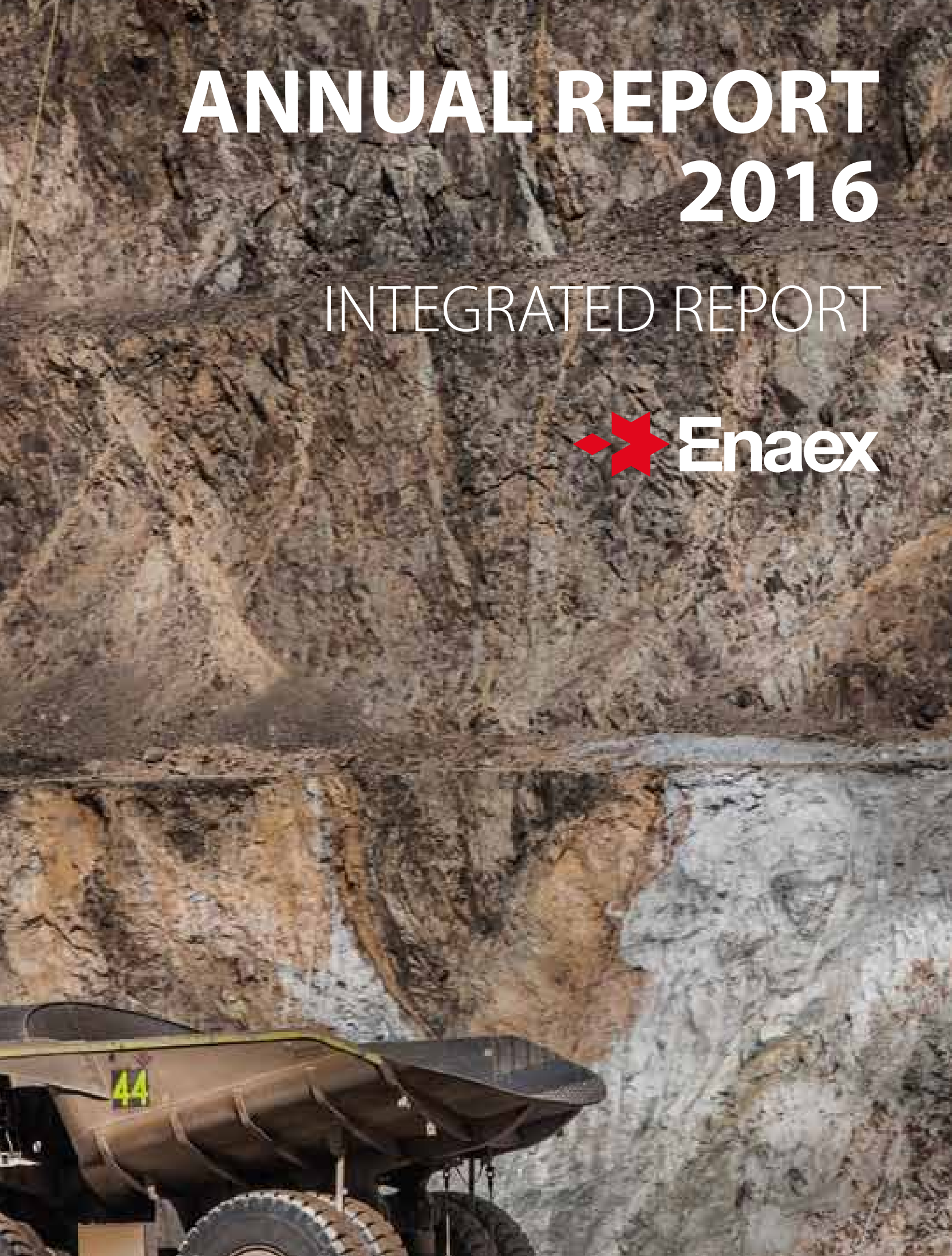
ANNUAL REPORT 2016

INTEGRATED REPORT

Enaex



SCOPE OF THE INTEGRATED REPORT

THIS INTEGRATED REPORT INCLUDES CONSOLIDATED INFORMATION ON THE COMPANY'S FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE FOR THE PERIOD BETWEEN JANUARY 1 AND DECEMBER 31, 2016.

The Integrated Report is written in accordance with International Integrated Reporting Council (IIRC) methodology. In this second version, Enaex once again aims to provide a broader view of its business model so that its shareholders and main stakeholders may understand how the Company seeks to meet the challenges of sustainable growth in a competitive global environment and create value in the long term. This report discloses increasingly better data on how sustainability challenges have been transformed into opportunities for innovation and growth—for the Company, its suppliers and its clients. Our new corporate vision focuses on thinking big. We continue to make progress on the ambitious commitments that define Enaex's current and future roles with services that offer comprehensive solutions while developing a business that adapts to industry changes quickly and efficiently.

CHAPTER 1

COMPANY INFORMATION

06 A Word from Our Chairman

11 Mission and Vision

12 The Company

16 Summary of Consolidated Financial Results

18 Company History

22 Corporate Governance

24 Ownership Structure

26 Corporate Governance Practices

28 Corporate Values

30 Policy on Sustainability, Diversity and Inclusiveness

31 Stakeholders

Corporate Name	:	Enaex S.A.
Chilean Tax ID	:	90.266.000-3
Type of Entity	:	Public Trated Corporation
Securities Registration	:	SVS Registry No. 0401
Headquarters	:	El Trovador 4253 5th floor, Las Condes, Santiago
Phone	:	(56) 22837 7600
E-mail	:	finanzas@enaex.com
Website	:	www.enaex.com

A public traded corporation in accordance with Law No. 18,046. SVS Securities Registry No. 0401.

33 **CHAPTER 2**

STRATEGY

34 Business Model

36 Products and Services

38 Blasting Services

40 Production Plants

41 Key Partners

42 Innovation and Development

46 Opportunities and Risk Factors

49 Financial Policy

51 **CHAPTER 3**

BUSINESS AREAS

52 Corporate Development Plans

58 Mining Industry

59 Explosives Market

61 **CHAPTER 4**

SOCIAL PERFORMANCE

62 Human Resource Management

65 HSEC Risk Management

66 Community Involvement

69 **CHAPTER 5**

ENVIRONMENTAL PERFORMANCE

70 Emissions and Carbon Credits

CHAPTER 1

COMPANY INFORMATION

GOLD ENCRUSTATED IN THE ROCK

A WORD
FROM OUR CHAIRMAN

Dear Shareholders:

It is my pleasure to present, on behalf of the Board of Directors of Enaex S.A., the 2016 Annual Report and Financial Statements. This year brought important challenges for the Company. We continued the process of integration and international consolidation of our companies, focusing on our role as a leader in comprehensive mining services. This Annual Report goes beyond last year's financial results to once again include significant facets from all areas of our operations. It is written in accordance with the International Integrated Reporting Council (IIRC) framework, a model which aims to provide a more thorough, precise and comprehensive representation of how our Company's resources are creating value. This is part of ongoing efforts by the Company and the Board to disclose information beyond economic performance in order to encompass all the factors that predict an innovative and sustainable future.

In 2016, the Company sought to create value in several areas through initiatives related to a client-focused approach, innovation, safety, training, emissions control and energy efficiency. Following the 2015 purchase of Brazilian explosives company, Britanite (100%), and France's Davey Bickford group (91%), one of the world's leading manufacturers and distributors of detonators for the explosives industry, we have undoubtedly achieved the objective of improving our value proposal for clients, giving them access to more efficient, cutting-edge initiation systems and technology and strengthening Enaex's position as an international comprehensive supplier of rock fragmentation products and services.

In keeping with the strategic plan to maximize international growth and capitalize on regional strengths by offering innovative products that meet client needs and improve mining site efficiency ratios, a product life cycle analysis was conducted to quantify the environmental impact of products during each of the individual processes involved in manufacturing, distribution and use. As part of this analysis, greenhouse gas emissions were measured by explosive unit. Consequently, we now offer clients products with a quantified Carbon Footprint.

Despite the economic slowdown and the mining industry's drop in performance last year, the Company managed to maintain its EBITDA margin, thanks to positive performance on foreign markets and the

incorporation of assets acquired in 2015—both of which attest to the strides the Company has made in its lines of business. As of December 2016, the Company recorded US$691.7 million in revenue and US$85.3 million in profit, representing 9% and 18% growth compared to the prior year, respectively. The Company exported 170 thousand tons to international markets, primarily: Argentina, Bolivia, Mexico and Peru.

Regarding the investment plan for Chile, a backpressure turbine was installed at the Prillex plant. The energy efficiency measure increased installed capacity by 1.4 megawatts. Additionally, one of the production plants at the Prillex complex was overhauled in the third quarter.

Enaex's innovation process has been a cornerstone of its growth. As company priority, innovation is one of our strategic pillars and is systematically practiced within the organization. It is a fundamental tool for contributing to our clients' productivity and generating value in their operations. We believe that innovation is essential as the industry faces problems that require timely solutions and non-traditional insights. Joint innovation efforts involving mining companies and their suppliers have become fundamental to the industry's sustainability.

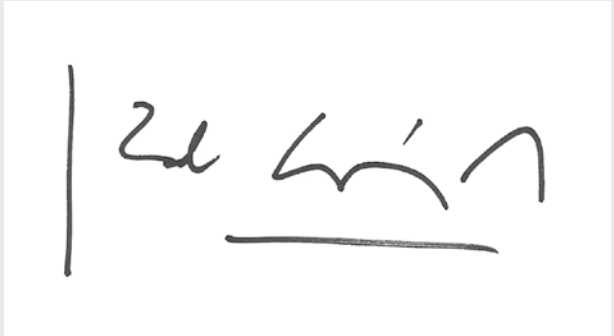
This year, as in years past, new and important steps were taken in developing custom products and services to meet clients' everyday needs. Vertex®, an effective product that is easy to use on site, stood out this year. Its versatility and ability to enlarge mesh reduce blasting process costs. It is being used with great success at Chile's most important mining sites. ESE Business School at Universidad de los Andes, in partnership with La Tercera newspaper, highlighted our continuous development of industry solutions and our highly efficient processes, awarding Enaex the leading position on the Most Innovative Companies Chile 2016 ranking for the second straight year.

In recent years, the Company has continued to work on the 2006 Clean Development Mechanism (CDM) projects that aim to reduce nitrous oxide emissions at the Prillex complex in Mejillones. As previously mentioned, these projects now also measure environmental impact throughout the product life cycle. We have also continued to implement other energy efficiency projects, translating into significant energy savings. Today, the Company has the capacity to cogenerate nearly 50% of its electric consumption,

reducing annual CO_2 equivalent emissions by approximately 27 thousand tons. In recognition of its performance, Enaex was one of 21 companies to be part of the Dow Jones Sustainability Index Chile (DJSI Chile) developed by Santiago Exchange, S&P Dow Jones Indices and RobecoSAM.

It is with great pride that we received one of the most important national awards given by the Chilean Federation of Industry (SOFOFA): 2016 Outstanding Company of the Year. The accolade encourages continued optimism regarding our future and growth potential. We will continue to work closely with stakeholders, to whom we are thankful for their confidence and support of our operations.

I would like to express special gratitude to our employees in all the countries where we operate: Chile, Argentina, Australia, Brazil, Canada, Colombia, the United States, France, Mexico and Peru. Their efforts and dedication are what has enabled us to become leaders in production, quality, sustainability and innovation. I would also like to thank our clients, suppliers, financial institutions, investment funds and bondholders. They have accompanied us throughout the years as we set challenges and goals for ourselves. Likewise, I am grateful to the shareholders who have placed their trust in us and to the directors who have taken part in this endeavor.



Chairman

Enaex

THE COMPANY
AT A GLANCE

VISION

To be the most prestigious Company in our industry delivering premium blasting solutions to the world´s most important mining regions.

MISSION

To grow along with clients, supplying high-quality Ammonium Nitrate, related chemicals and mining services. To provide world-class safety standards, reliability and innovative services. To establish a global presence and leadership in Latin America. To generate value for shareholders and employees. To be recognized as a company that is respectful of the community and the environment.

THE COMPANY

Enaex S.A., a subsidiary of the Sigdo Koppers Group, has more than 96 years experience in the explosives market. Over the years, the Company has become the world's third largest producer of low-density Ammonium Nitrate.

In 2016, the Company developed an international growth plan to expand its global presence and maximize its ability to provide innovative solutions with cutting-edge technology. It is currently the leading provider of comprehensive rock fragmentation services for the mining industry in Chile and Latin America.

Enaex owns the world's largest Ammonium Nitrate production complex: Prillex América. The plant has a nominal capacity of 850 thousand tons/year and produced a total of 700 thousand tons of Ammonium Nitrate in 2016.

The Company has contracts with a large portfolio of important clients including the region's main open-pit and underground mines. It provides rock fragmentation and blasting services in Chile, Argentina, Brazil and Colombia where it also has a wide network of service plants at the mining sites. The plants provide a variety of services, such as: shot blasting, loading blasting agents, shallow mooring, plugging blast holes, checking blasting holes, and magazine management.

In Latin America, the Company stands out for its continuous growth. In Colombia, through its subsidiary Enaex Colombia S.A.S., it built a high-tech packaged emulsions plant in operation since 2010. In Argentina, the Company's subsidiary Enaex Argentina SARL has a bulk emulsions plant in operation since 2014. In Peru, Enaex acquired an 80% interest in the local company, Chemtrade, which holds an Ammonium Nitrate supply contract for Minera Antamina, Peru's largest and one of the world's most important open-pit mines. Finally, the Company strengthened its presence in Brazil in

THE COMPANY STRENGTHENED ITS PRESENCE IN BRAZIL IN 2015, ACQUIRING A 100% INTEREST IN THE COUNTRY'S LARGEST MANUFACTURER AND SELLER OF CIVIL EXPLOSIVES AND INITIATION SYSTEMS, IBQ INDUSTRIAS QUÍMICAS (BRITANITE)

2015, acquiring a 100% interest in the country's largest manufacturer and seller of civil explosives and initiation systems, IBQ Industrias Químicas (Britanite).

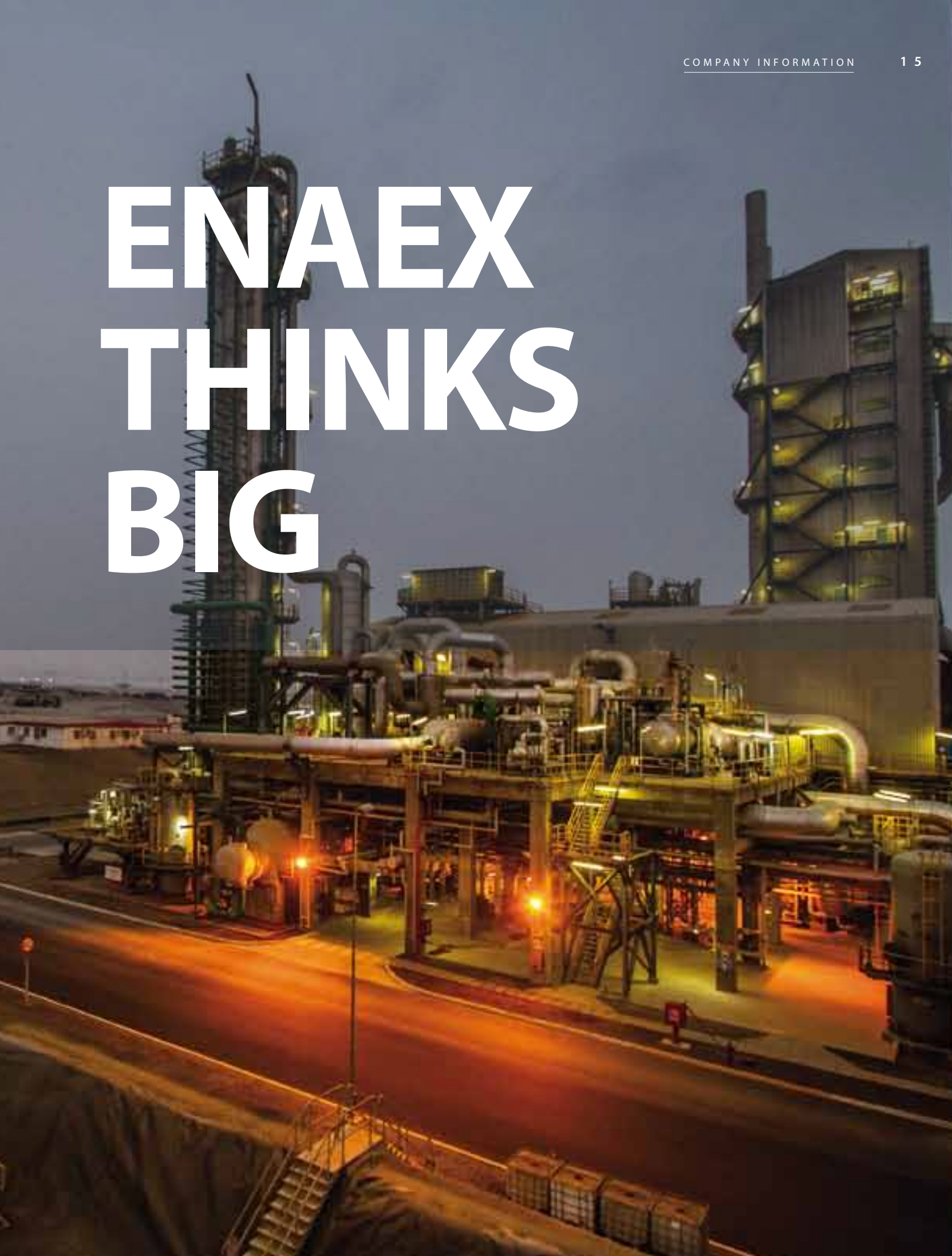
In June 2015, Enaex began to expand beyond Latin America, acquiring a 91% interest in Davey Bickford, a world leader in manufacturing electronic detonators and initiation systems. The France-based company has subsidiaries in Australia, Canada, Chile, the United States, Mexico and Peru.

Beginning in 2016, its Latin American subsidiaries began operating under the names Enaex Colombia, Enaex Argentina, Enaex Peru and Enaex Britanite. The Company continues to strengthen its position as a regional leader in mining services.

The community and the environment are cornerstones of Enaex's growth plan. This is underpinned by a variety of sustainability initiatives, the most noteworthy of which is the Carbon Credit Project under the Kyoto protocol and the United Nations. The project has resulted in annual CO_2 equivalent reductions of nearly 1 million tons, making the initiative the most important of its kind in Chile. The Company earned several accolades and certifications in the areas of sustainability and innovation. This year, it was chosen to be part of the Dow Jones Sustainability Index Chile (DJSI Chile) developed by Santiago Exchange, S&P Dow Jones Indices and RobecoSAM. Also, for the second straight year, Universidad de los Andes and La Tercera newspaper awarded the company first place on its 2016 ranking of the Most Innovative Companies Chile for the mining services sector. Finally, the Chilean Federation of Industry (SOFOFA) named Enaex Outstanding Company of the Year, one of its most important national accolades.

The Company is known for its innovation, sustainability, exceptional quality, safety and passion for service. These values are key to satisfying client needs and providing on-site solutions.

ENAEX THINKS BIG



SUMMARY OF CONSOLIDATED FINANCIAL RESULTS ENAEX S.A.

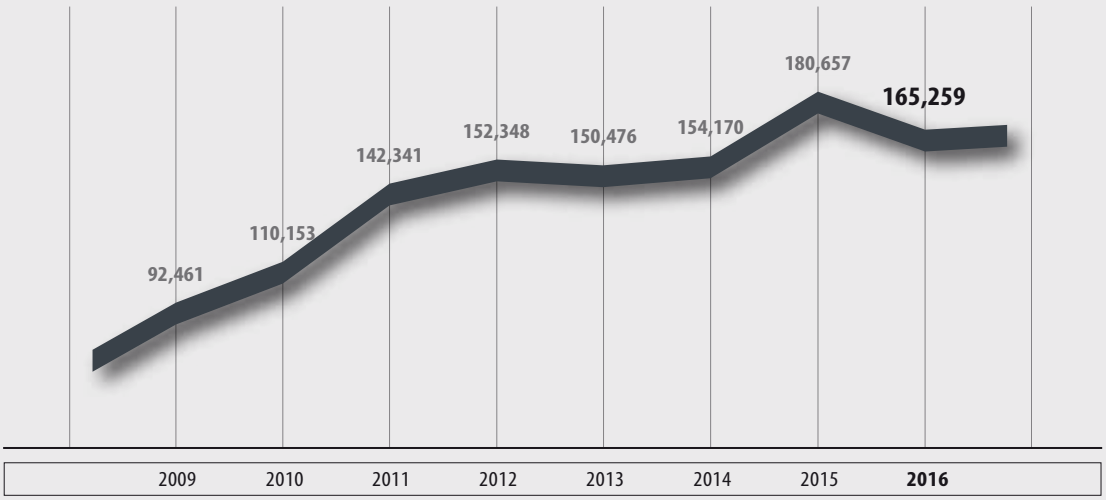
(IN THOUSANDS OF US$)

	2009	2010	2011	2012	2013	2014	2015	**2016**
Sales	311,717	409,468	575,149	641,429	648,482	645,950	761,766	**691,731**
Net Operating Income	80,685	91,980	108,192	126,211	122,505	130,341	148,629	**128,478**
Sales Margin	26%	22%	19%	20%	19%	20%	20%	**19%**
EBITDA	92,461	110,153	142,341	152,348	150,476	154,170	180,657	**165,259**
EBITDA Margin	30%	27%	25%	24%	23%	24%	24%	**24%**
Profit for the Year	69,755	77,196	79,045	90,907	93,914	99,148	104,581	**85,337**
Assets	621,499	683,193	746,161	816,351	788,259	835,547	1,097,355	**1,116,286**

* EBITDA calculations do not include other income (losses) for 2009, 2010 and 2011.

CONSOLIDATED EBITDA ENAEX S.A.

(IN THOUSANDS OF US$)



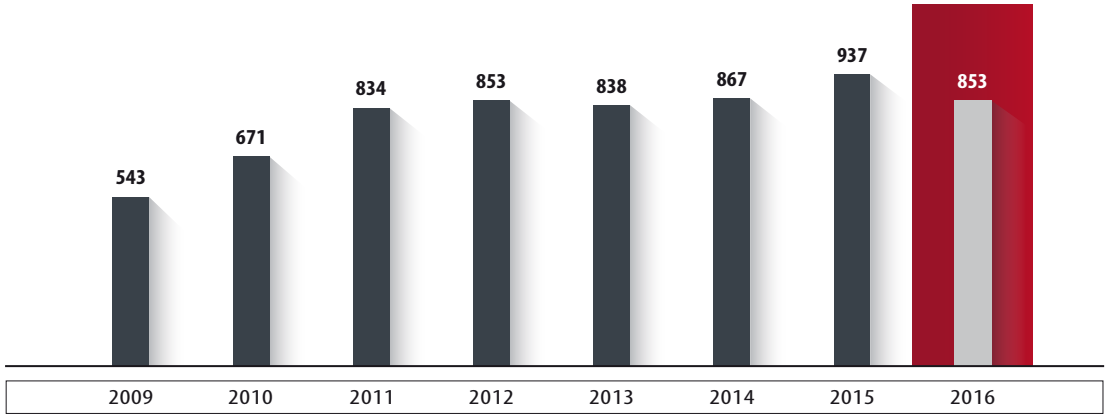
KEY FIGURES FOR ENAEX S.A.

	2009	2010	2011	2012	2013	2014	2015	**2016**
Average Price of Ammonia (US$/ton)	272	406	577	605	547	549	458	**278**
Ammonium Nitrate Production (thousands of tons/year)	472	642	738	811	773	782	782	**700**
Number of Employees	1,221	1,311	1,392	1,558	1,703	1,970	3,533	**3,309**
Number of Production Plants	4	4	4	4	5	7	13	**13**
Number of Service Plants	20	22	23	25	25	25	24	**24**
Number of Mobile Manufacturing Units	69	70	71	86	100	106	124	**121**

ENAEX S.A. SALES VOLUMES

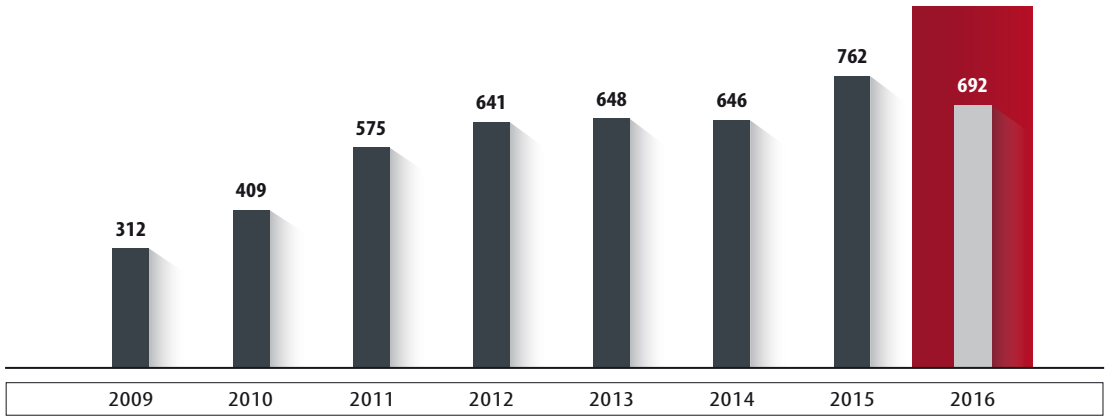
THOUSANDS OF TONS*

*EXPLOSIVES, AMMONIUM NITRATE AND CHEMICALS

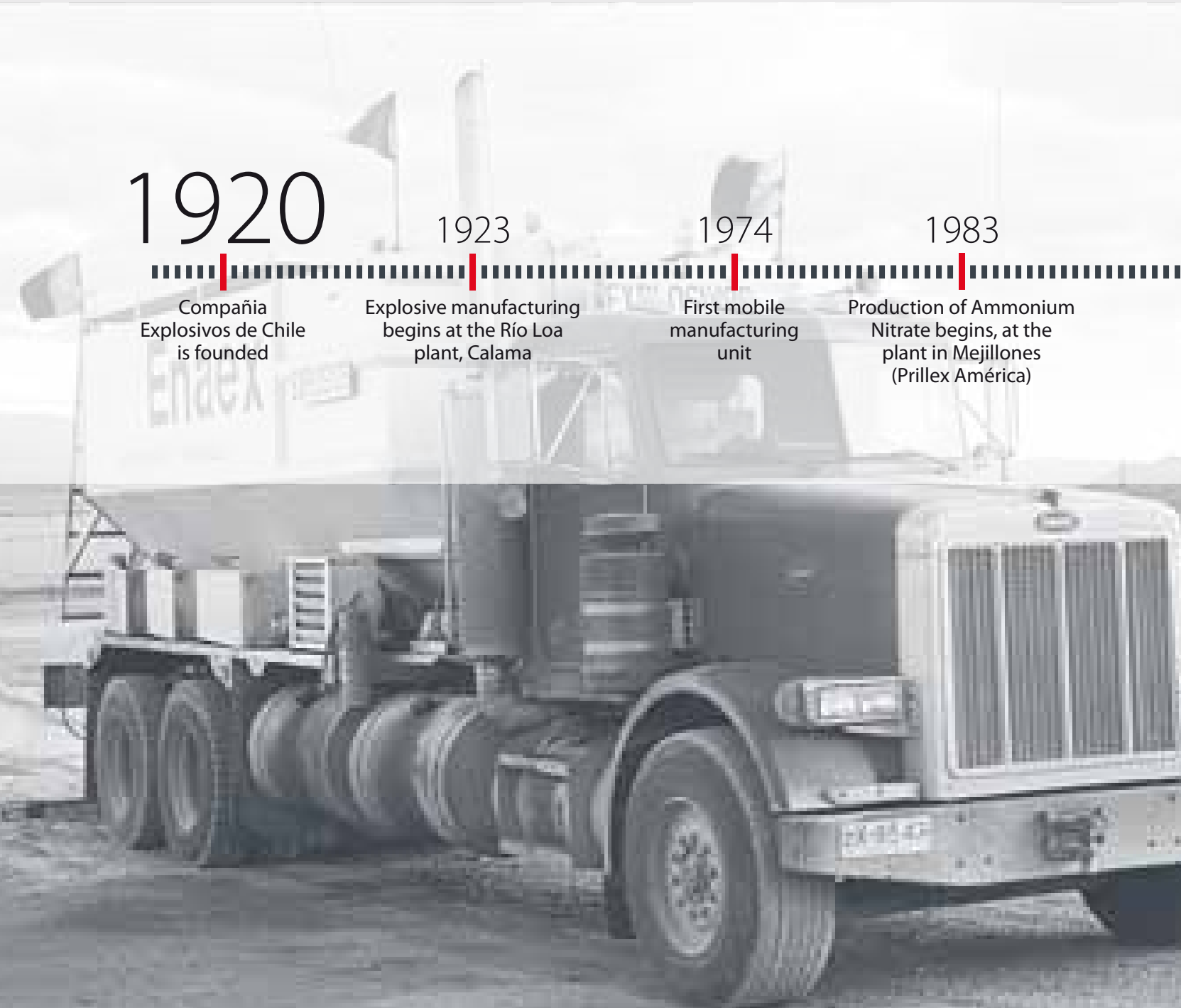


ENAEX S.A. SALES REVENUE

IN MILLIONS OF US$



COMPANY HISTORY



1920 Compañía de Explosivos de Chile was founded on November 9.

1923 Explosive manufacturing began at the Río Loa plant. The corporate name was changed to Compañía Sudamericana de Explosivos.

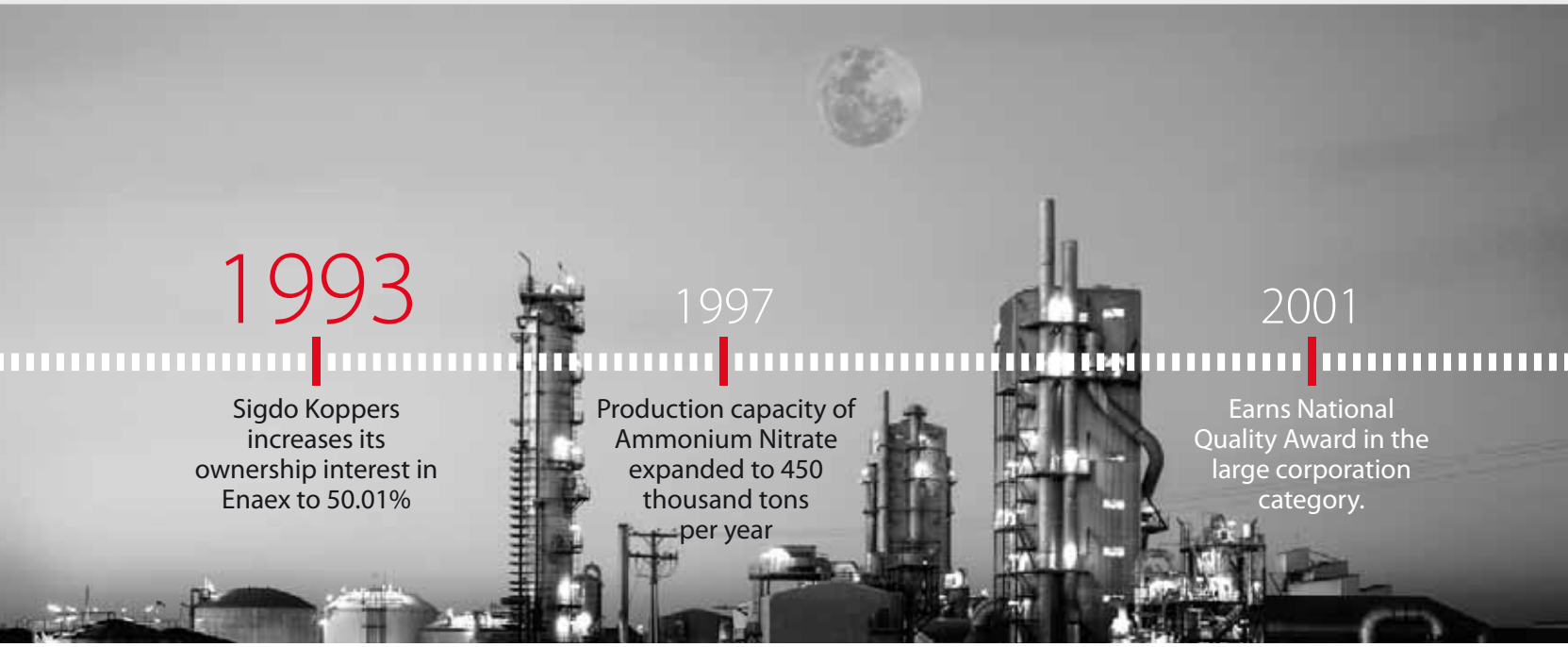
1972 Through the Chilean Economic Development Agency (CORFO), the Chilean government took full control of the Company, changing its name to Empresa Nacional de Explosivos.

1983 Production of nitric acid and Ammonium Nitrate began at the plant in Mejillones (Prillex América), allowing the Company to independently supply itself with the main raw material in its explosives.

1987 The Company was privatized through acquisition by Chilean investors, FAMAE, and U.S.-based Austin Powder Company.

1989 The Company's corporate name was changed to ENAEX S.A.

1990 Sigdo Koppers acquired a 33% interest in Enaex S.A.



1991 Enaex was formed as a publicly held corporation.

1992 Construction of a new Ammonium Nitrate plant began on the Company's property in Mejillones.

1993 Sigdo Koppers increased its ownership interest in Enaex to 50.01%. Production capacity at the nitric acid and Ammonium Nitrate plant increased.

1994 Enaex S.A. and Austin Powder Co. created Enexsa S.A. in Peru, which subsequently changed its name to Samex S.A.

1997 The Ammonium Nitrate project began with an investment of approximately US$130 million in a new plant with production capacity of 350,000 tons/year. This investment brought the Company's total capacity to 450,000 tons/year.

1999 Production of Ammonium Nitrate began at the new plant in Mejillones.

2000 The Company acquired 56.55% of Samex (Peru), boosting Samex's growth and Enaex's international expansion.

2001 Enaex earned the National Quality Award (Premio Nacional a la Calidad) in the large corporation category.

2003 Enaex and Dyno Nobel ASA merged their subsidiaries in Peru to create a new company, Dyno Nobel Samex S.A., which provides comprehensive blasting services in the Peruvian market.

2006 The Company carried out a successful capital increase of US$68 million and secured two loans totaling US$125 million in order to finance the new Ammonium Nitrate plant in Mejillones. The Company decided to implement a carbon credit project in Mejillones.

2007 Subsidiary Enaex Argentina SRL was created to serve the growing Argentine market. The carbon credit project and construction of a new Ammonium Nitrate plant began.

2008 The carbon credit project's certified emissions reduction initiative was launched. Subsidiary Enaex Servicios S.A. was created and the Company was split into manufacturing and service divisions. Enaex sold its share of Peruvian affiliate Dyno Nobel Samex to Orica.

2009 The carbon credits project was approved under the Kyoto Protocol and the United Nations officially issued the first emissions reduction certificates, allowing Enaex to sell its carbon credits to Mitsubishi Corporation in Japan.

2010 The new Ammonium Nitrate plant (Panna 4) opened, bringing total production to 850 thousand tons and making it the world's largest explosive-grade ammonium nitrate production complex.

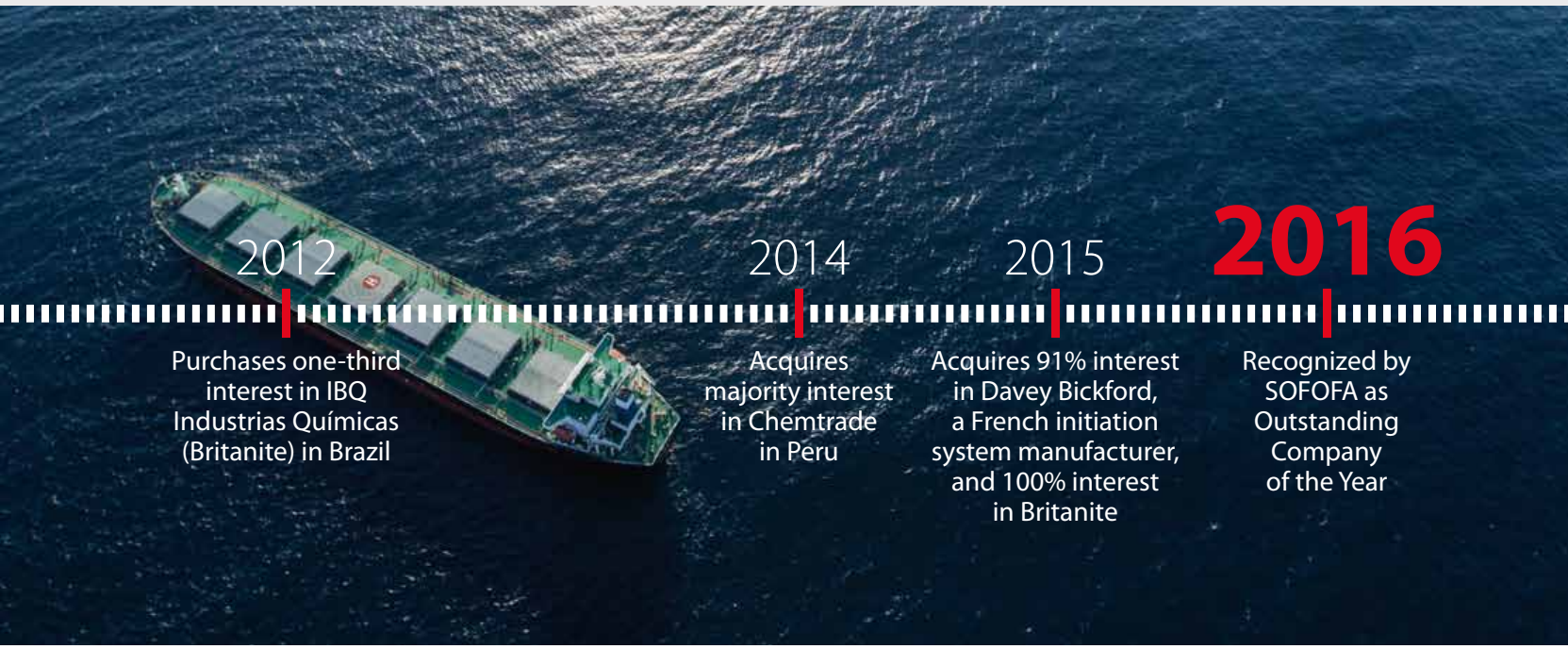
2011 The Prillex complex reached its maximum, nominal capacity, at 850 thousand tons of Ammonium Nitrate per year. UNFCC approved the Panna 4 carbon credit project. Enaex solidified its position as the national leader in CO_2 reduction and emission of carbon credits (Certified Emission Reduction, CERs).

2012 Enaex acquires a one-third stake in IBQ Industrias Químicas (Britanite). In late 2012, Enaex launched a new project called "The New Enaex Cycle", updating its image and headquarters, aligning them with new growth and productivity challenges.

2013 Contracts were renewed with major mining clients in Chile and new contracts were signed for sites owned by Antofagasta Minerals and Anglo American. Enaex was awarded 90% of the tons put out for bid. Sales of high explosives exceeded 2012 figures by 26%. This year was key in defining Enaex's focus on a model based on continuous innovation.

2014 In Peru, the Company acquired a majority interest in Chemtrade, a company through which it was awarded the Ammonium Nitrate supply contract for Minera Antamina. In Chile, new contracts were signed with the Collahuasi mines, increasing Enaex's domestic market share.

2015 Acquired 100% of IBQ Industrias Químicas (Britanite) and 91% of the Davey Bickford Group, a world leader in manufacturing electronic detonators. Phibrand, a Chilean company, named Enaex the Best Domestic Supplier 2015 for the mining industry. In October, Enaex conducted its first bond issuance on the local market, for a total of UF 2.5 million.



2016

Enaex earned important recognition this year in sustainable, social and international development. In the first half of the year, Principal Financial Group and First People Consulting recognized Enaex's place among the top ten companies with the highest commitment to the future and financial wellbeing of its employees with its Best Employee Financial Future award. In the second half of the year, Enaex became part of the Dow Jones Sustainability Index Chile (DJSI Chile), created by Santiago Exchange, S&P Dow Jones Indices and RobecoSAM. Then, it led the ranking of the Most Innovative Companies in Chile (Mining Services category) for the second year in a row. Finally, the Chilean Federation of Industry (SOFOFA) named the Company Outstanding Company of the Year, one of its most important national accolades.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

CHAIRMAN
Juan Eduardo Errázuriz Ossa
4.108.103-1
Civil Engineer

VICE CHAIRMAN
Jorge Carey Tagle**
4.103.027-5
Attorney

Juan Pablo Aboitiz Domínguez
7.510.347-6
Civil Engineer

Alejandro Gil Gómez
5.054.638-1
Businessman

Norman Hansen Fernández
6.062.403-8
Sociologist

Naoshi Matsumoto Takahashi*
3.805.153-9
Business Administration

Horacio Pavez García
3.899.021-7
Civil Construction

Kenneth Pickering Ewen
12.087.835-2
Mining Engineer

Sergio Undurraga Saavedra**
4.280.259-K
Business Administration

*Member of the directors' committee, related to the controller, created in accordance with art 50 bis of the Corporations Law.
**Member of the directors' committee, independent from the controller, created in accordance with art 50 bis of the Corporations Law.

COMPANY MANAGEMENT

Chief Executive Officer (CEO)
Juan Andrés Errázuriz Domínguez / 9.350.009-1
Civil Engineer

Chief Financial Officer (CFO)
Pablo Busquet Errázuriz / 11.472.210-3
Business Administration

Vice President Enaex Servicios S.A.
Edmundo Jiménez Gallardo / 12.622.945-3
Civil Engineer

Vice President Human Resources
Patricia Valenzuela Urra / 8.267.412-8
Psychologist

Vice President Supply Chain
Pablo Wallach Beovic / 12.585.165-7
Civil Engineer

Vice President Production
Claudio Yévenes Constanzo / 9.383.155-1
Civil Engineer

Major Companies Manager
Erik Muñoz del Pino / 7.719.693-5
Civil Engineer

Country Manager Chile
Luciano López Cordero / 12.227.163-3
Civil Engineer

Production Manager
Alejandro Castillo Hamati / 9.152.917-3
Civil Engineer

Supply Chain Manager
Iván Zapata López / 13.426.256-7
Civil Engineer

Operations Manager
Marcos Zamora Gómez / 8.651.367-6
Civil Engineer

Underground Mining Manager
Renato Ramírez Iglesias / 13.549.494-1
Civil Engineer

Sales and Innovation Manager
Miguel Angel Peña Duarte / 10.279.473-7
Civil Engineer

Planning, Development and Control Manager
Francisco Baudrand Biggs / 8.922.866-2
Civil Engineer

Accounting Manager
Berta Pasten Carrasco / 10.244.703-4
Public Accountant and Auditor

Regional HSEC and Operational Standards Manager
Jorge Rioja Ovando / 6.553.741-9
Civil Engineer

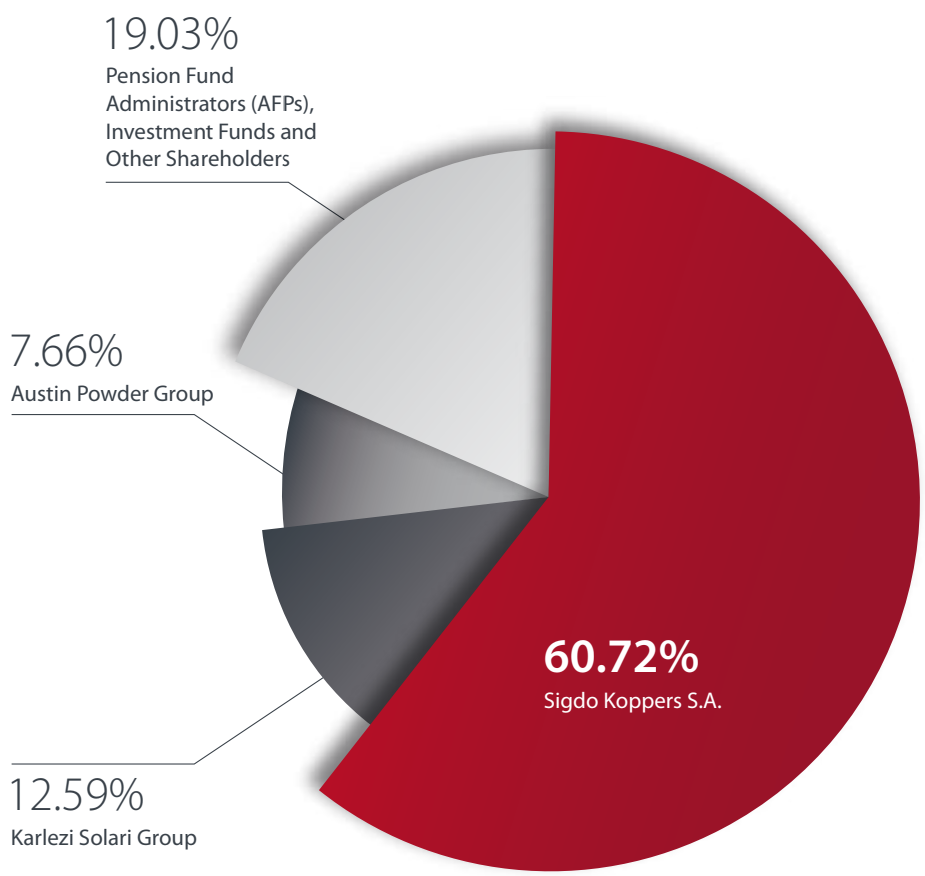
HSEC Manager
Leonel Cataldo Morales / 8.054.812-5
Civil Engineer

Corporate Controller
Fernando Moreno Pérez / 10.742.624-8
Accountant

OWNERSHIP STRUCTURE

In late 1990, the Sigdo Koppers S.A. Group acquired an interest in Enaex. Later, in 1993, the group became the Company's controlling shareholder. This prominent group has investments in: the service sector, through Ingeniería y Construcción Sigdo Koppers S.A., Puerto Ventanas S.A. and its subsidiary Fepasa; the industrial sector, through Enaex, Magotteaux and Compañía de Hidrógeno Bío; the automotive sector, through SKBergé S.A.; and importation, sales and leasing of heavy machinery, farm equipment and transportation for construction and inputs, through SK Comercial S.A.

AS OF DECEMBER 31, 2016, ENAEX S.A.'S SHARE CAPITAL WAS DISTRIBUTED AS FOLLOWS:



AS OF DECEMBER 31, 2016, ENAEX S.A.'S SHARE CAPITAL WAS DIVIDED INTO 123,000,000 SHARES AND THE COMPANY'S 12 MAIN SHAREHOLDERS WERE:

Shareholder	No. of Shares	Ownership Interest (%)
Sigdo Koppers S.A.	74,687,564	60.72
Moneda S.A. - Pionero Investment Fund	7,076,000	5.75
Inversiones Austin Powder Chile Ltda. (2)	7,046,125	5.73
Lucec Tres S.A. (1)	5,300,000	4.31
Inversiones Santa Filomena Limitada (1)	4,912,668	3.99
BTG Pactual Chile S.A.	4,414,389	3.59
Inversiones y Valores Harabuquen Ltda.	4,359,373	3.54
Inversiones Auguri Ltda. (1)	2,850,000	2.32
Agrícola Cechi Ltda. (1)	2,425,000	1.97
Eighty Three LLC (2)	2,375,000	1.93
Moneda Corredora de Bolsa Ltda.	747,530	0.61
Inversiones Schwember y Cia Ltda.	738,000	0.60

(1) Karlezi Solari Group.
(2) Austin Powder Group.

CORPORATE GOVERNANCE PRACTICES

In 2016, Enaex worked with an external firm to certify that its corporate governance standards comply with the practices recommended in Superintendency of Securities and Insurance General Character Standard No. 385.

The Company has a Corporate Governance Code and formal policies on issues including: proposal for candidates for director, orientation and ongoing training of new directors, hiring independent consultants, self-assessment by the Board of Directors, board confidentiality, insider information, and succession of key executives.

Risk Management

The Company's Corporate Risk Management Model includes a Risk Committee as well as formal risk management policies and procedures designed to provide reasonable certainty that objectives will be achieved and the Company's value will be maximized.

The Internal Control Area is responsible for coordinating updates to the corporate risk map, monitoring mitigation plans, auditing the main business risks and eliciting commitments to improve.

Communication and Independent Reporting on Control Areas

Direct, ongoing communication is maintained through quarterly board meetings. Once a year, the Chief Executive Officer is excused from the meeting while the Board analyzes performance in conjunction with:

a. Independent Auditors: Issues like the external audit program and its results, deviations and potential conflicts of interest related to the audit company or its personnel, among other issues.

b. The Chairman of the Risk Committee: Proper functioning of the risk management process, applied methodology, risk map, residual risk levels, recommendations for improvement, action and contingency plans, among other issues.

c. Internal Controller: The Internal Audit program and its results, process risks, detected weaknesses, recommendations for improvement, follow-up on action plans, strengthening the control environment and the effectiveness of the crime prevention model.

d. Human Resources Division and Sustainable Development Unit: Effectiveness of diversity and inclusion policies; organizational, social and cultural barriers that could inhibit natural diversity; as well as the usefulness of and reaction to sustainability reports distributed to relevant stakeholders.

Ethical Behavior and Self-Regulation

The Enaex Code of Conduct establishes the ethical-behavioral framework for directors, employees and/or consultants. Knowledge and application of the provisions are mandatory. The Enaex Corporate Ethics Committee is responsible for promoting values and ethical conduct within the organization, addressing and resolving complaints and conflicts of interest in a timely matter and enforcing the Code of Ethics.

Complaint Channel

Enaex has a formal procedure for processing reports of possible irregularities or illegal activities so that each is duly addressed. The procedure—which takes complaints from employees, shareholders, clients, suppliers or third parties—guarantees whistle blowers anonymity and freedom from retaliation.

Complaints can be made at:

- Complaint hotline (+56) 2 2837 7696
- Complaint e-mail (canaldedenuncias@enaex.com)
- Corporate website (www.enaex.com)

Crime Prevention Model (Law 20,393)

Law No. 20,393 establishes criminal liability of legal entities for the crimes of money laundering, terrorism financing, bribery of a public national or foreign official, and receiving stolen goods. To uphold the law with a preventative approach and maximum diligence, Enaex has a long-standing Crime Prevention Model. The model has been certified by an external company, BH Compliance, and is periodically audited to recertify.

CORPORATE VALUES:
WE ARE ONE

Our corporate values, reflected every day in employee attitude and commitment, are celebrated annually with the **Enaex Spirit Award.**

OUR PRIORITY:

LIFE

- We put people´s safety and integrity first.
- We are responsible with the environment.
- We are committed to the social development of the communities where we operate.

OUR OBSESSION:

EXCELLENCE

- We strive for the highest technological and service quality standards.
- We fulfill our commitments.
- We work as a team with high Accountability and honesty.

OUR VOCATION:

OUR CLIENTS

- We have a vocation for service.
- We are empathetic and cater to their needs.
- We see our relationships with customers as partnerships.
- Our passion is to provide solutions of exceptional value.

OUR STRENGTH:

INNOVATION AND ENTREPRENUERSHIP

- We encourage and develop on our people the audacity to find solutions.
- We take risks to solve resigned problems.
- We have a long-term mindset.

POLICY ON SUSTAINABILITY, DIVERSITY AND INCLUSIVENESS

THROUGH ITS POLICY ON SUSTAINABILITY, DIVERSITY AND INCLUSIVENESS, ENAEX SEEKS TO ESTABLISH MEASURABLE, LONG-TERM COMMITMENTS RELATED TO FOUR MAIN THEMES:

CONSIDERATION AND COLLABORATION WITH STAKEHOLDERS

• To promote ethical behavior and collaboration between all the organization's members.
• To promote close, transparent dialog with the communities where the Company operates, actively participating in the generation of social capital, especially through education and environmental protection.
• To endeavor to support local suppliers and socially responsible behavior, fostering collaborative relationships.
• To build cordial relationships with relevant authorities through timely compliance with applicable legal standards.
• To maintain and promote fair competition based on ethical business practices.

ENVIRONMENTAL PROTECTION

• To promote environmental responsibility in all business areas, seeking, first and foremost, to comply with all current rules and regulations.
• To progressively increase the efficiency with which the Company uses and manages natural resources.
• To maintain its leadership position in climate change management, maintaining low-carbon ammonium nitrate production and promoting energy efficiency initiatives.
• To encourage implementation of management systems that ensure ongoing process improvement as well as identification and control of environmental aspects.

INCLUSIVENESS AND DIVERSITY

• Conscious of the value of accepting differences, the Company seeks to eliminate discrimination and exclusion based on ethnicity, gender or other aspects that could affect an individual's dignity.

INNOVATION

• The Company considers innovation a key element in creating long-term value. Thus, its long-term strategy includes innovation in processes, products and services in areas like safety, sustainability and infrastructure.

STAKEHOLDERS

Our business success depends on harmonious, hand-in-hand work with all our stakeholders. Thus, we must work to identify the challenges facing the Company and areas for improvement.

Enaex maintains a holistic, strategic relationship with each of its primary stakeholders, thereby enabling effective communication in pursuit of mutual collaboration and sustainable competition.

The Company's primary stakeholders and the corresponding engagement plan is described below:

CLIENTS

To provide comprehensive solutions, focusing on client needs and expectations, delivering excellent, innovative, competitive products and services in a timely manner.

COMMUNITY

To support the social, economic and environmental development of the communities in which we operate, actively helping to generate social capital.

EMPLOYEES

To provide opportunities for development, equality, participation and teamwork while encouraging dialog and safety.

SUPPLIERS

To promote open, transparent and harmonious communication, contributing to the creation of shared value.

INVESTORS AND STAKEHOLDERS

To produce long-term profitability, while upholding high standards of quality, sustainability and transparency.

REGULATORY AUTHORITIES

To maintain a transparent relationship and actively comply with applicable legal standards.

COMPETITORS

To maintain fair competition based on ethical business practices.

CHAPTER 2

STRATEGY

COPPER ORE IN ROCK

BUSINESS MODEL

Client Relationships

- Specialized sales team
- On-site technical support
- Work-site staff
- CRM system
- Client satisfaction survey

Clients

- Major mining companies with operations in Argentina, Australia, Brazil, Chile, Colombia and Peru
- Clients purchasing Prillex Ammonium Nitrate and specialty explosive products in more than 40 countries
- Civil works clients

Distribution Channels

- Comprehensive logistics for product and service distribution in Chile and around the world

Revenue Sources

- Sale of blasting services
- Sale of raw materials and bulk explosive products
- Sale of high explosives
- Sale of initiation systems and accessories

VALUE PROPOSAL

Costs

- Inputs
- Compensation
- Depreciation and amortization
- Maintenance
- Logistics
- Other costs

Key Resources

- The world's largest Ammonium Nitrate production complex
- Packaged emulsions plants
- Bulk emulsions plant
- Detonator plant
- Service plants in mining work sites
- 121 Mobile Manufacturing Units
- Highly committed, competent employees

Key Activities

Specialized product manufacturing:

- Ammonium Nitrate
- Bulk explosives
- High explosives
- Initiation systems
- Accessories
- Customized blasting services
- Technological development
- Innovation
- Carbon credit project
- Energy efficiency

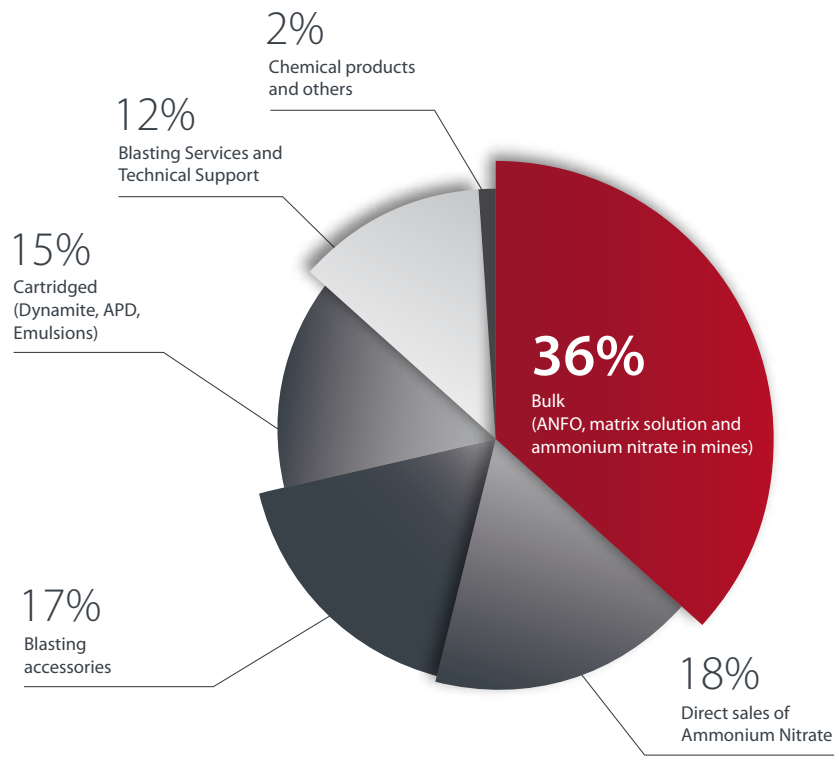
Key Partners

- Suppliers of inputs Suppliers of technology
- Innovation managers
- Firms specializing in research and development
- SK Group Companies Sigdo Koppers S.A.
- Legal advisors
- Audit firms National and International Banks
- Bondholders
- Clients
- Shareholders

PRODUCTS AND SERVICES

Thanks to our vast experience in Ammonium Nitrate production, Enaex has become the largest producer in Latin America and third in the world. With 96 years in the industry, it has established its leadership in the blasting services market for large-scale mining in Chile and become a major player in the region's explosives manufacturing market.

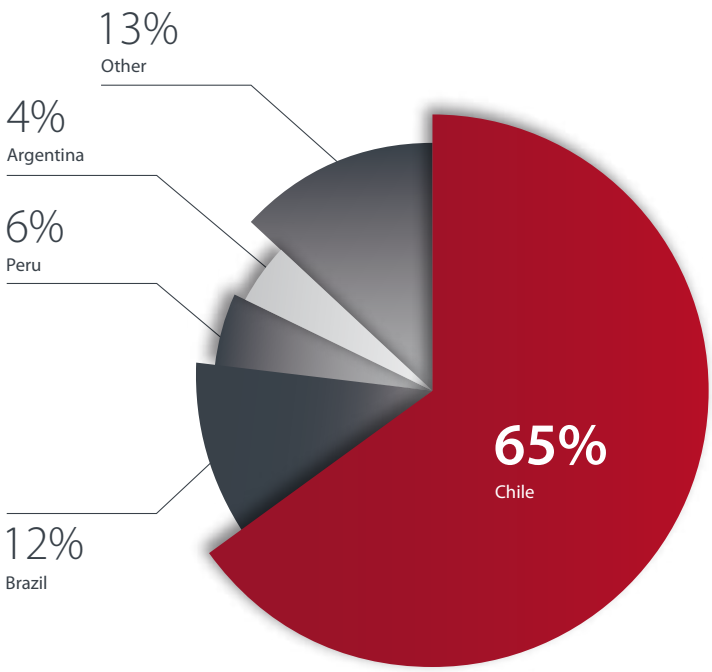
2016 SALES REVENUE BY PRODUCT/SERVICE



Ammonium Nitrate is also sold as a raw material used for on-site manufacturing of blasting agents at various mining sites. Enaex provides client- and site-specific solutions using Ammonium Nitrate and other products. Today, the Ammonium Nitrate produced by the Company is sold directly to clients within Chile and abroad, including important destinations like Peru, Argentina, Mexico, Japan and Australia.

In its explosives product line, Enaex produces a large amount of high explosives—including various types of dynamite, boosters, cartridge emulsions and detonators—at the Río Loa plant in Calama. These products are used in blasting for open-pit and underground mining as well as small- and medium-scale mining operations.

2016 SALES REVENUE BY MARKET



PRODUCT FAMILY

RAW MATERIALS FOR EXPLOSIVES
- Low-Density Ammonium Nitrate
- Prillex LR: Low-Density Ammonium Nitrate (Long Range)
- Prillex ULD: Ultra Low-Density Ammonium Nitrate
- Prillex HPURE: Emulsion-Grade High Purity Ammonium Nitrate
- Prillex FR: Ammonium Nitrate for Emulsions
- 84% Ammonium Nitrate Solution
- Emulsions
- Water Gels

BLASTING AGENTS
- Bulk ANFO (Aluminized)
- Heavy ANFO (pourable and pumpable)

HIGH EXPLOSIVES
- ANFO in sacks
- Packaged Emulsions
- Dynamite
- Coal Mine Permissible Dynamite
- Seismic Exploration
- Boosters
- Cone Boosters
- Landslide Control

INITIATION SYSTEMS
- Non-electric Detonators
- Electric Detonators
- Electronic Detonators
- Detonating Cords

OTHER PRODUCTS
- Koolkap Self-Inflating Bags
- Power Deck Plugs (Taponex)
- Quikdraw Cannons
- Flame Retardant
- Expansion Cement
- Rock Blasting Accessories

OTHER CHEMICAL PRODUCTS
60% Nitric Acid

BLASTING SERVICES AND CLIENT TECHNICAL SUPPORT

Thanks to ongoing efforts to meet our clients needs and add value, the Company has become the largest manufacturer and distributor of efficient, innovative explosives in Latin America. Enaex is also Chile's leading provider of comprehensive rock fragmentation services.

The Company has an extensive network of service plants to meet client needs and requirements. Located at the main mining sites throughout Chile, each plant provides a variety of services for the mining industry, such as: shot blasting, loading blasting agents, shallow mooring, plugging blast holes, checking blasting holes, and magazine management.

The blasting designs on which Enaex's services are based may be submitted by the client or proposed by the Company's highly qualified, experienced engineering team. These proposals enable Enaex to add value to client operations by training, advising and recommending the most appropriate techniques and products for each situation.

Leveraging its vast experience in blasting impact and knowledge of downstream crushing and grinding operations, the Company has optimized the fragmentation process and offers complete blasting engineering services, from blast hole design to blasting design.

Today, the Company offers the entire value chain for comprehensive rock fragmentation services. The quality of its products, ongoing innovation, technological development, efficient logistics and commitment to the client have made it a leader in the region.

CLIENT / MINE / YEAR SALES BEGAN

CHILE

Codelco	Codelco Northern Division (Chuquicamata, Radomiro Tomic, Ministro Hales)	**1922**
	Codelco El Teniente Division	**1922**
	Codelco El Salvador Division	**1959**
	Codelco Andina Division	**1970**
Anglo American	Los Bronces	**1995**
	Soldado	**1996**
Mantos Copper	Mantos Blancos	**1986**
	Mantoverde	**2007**
BHP Billiton	Escondida	**1989**
	Cerro Colorado	**2015**
Antofagasta Minerals	Los Pelambres	**1995**
	Centinela	**2000**
	Antucoya	**2014**
	Encuentro	**2014**
KGHM	Sierra Gorda	**2011**
	Franke	**2011**
TECK	Quebrada Blanca	**2012**
Minera Doña Inés de Collahuasi	Collahuasi	**2015**
Other companies	Cía. Explotadora de Minas S.C.M.	**1998**
	Minera Meridian	**2000**
	Cemento Polpaico	**2000**
	Atacama Kozán	**2002**
	Haldeam Mining Co. S.A.	**2006**
	Constructora Hochtief Tecsa S.A.	**2008**
	SQM Nitratos	**2008**
	Constructora Fe Grande	**2010**
	Minera Florida	**2011**
	Newmont	**2012**
	Orica	-
	Exsa	-
	Maxam	-

BRAZIL

Grupo Vale	**1995**

PERU

BHP Billiton	Antamina	**2014**

AUSTRALIA

Río Tinto	**2009**

PRODUCTION PLANTS

CHILE

Ammonium Nitrate Plant (Prillex América)

Located in Mejillones. Production of Ammonium Nitrate. Current production capacity: 850 thousand tons/year.

Multimatrix Plant (Prillex América)

Located in Mejillones. Production of bulk emulsions. Current production capacity: 250 thousand tons/year.

Dynamite and Explosives Plant (Río Loa)

Located in Calama. Production of cartridge explosives (dynamite, pentolite, PETN), ANFO in sacks and bulk emulsions.

Initiation Systems Plant (Río Loa)

Located in Calama. Production of non-electric detonators, non-electric dual detonators, non-electric trunk line detonator.

ANFO and Emulsions Plant (Punta Teatinos)

Located in La Serena. Production of emulsions and distribution center for Ammonium Nitrate and cartridge products.

ARGENTINA

Emulsions Plant and Distribution Center (Campanario)

Located in the Province of San Juan. Production of bulk emulsions.

BRAZIL

Emulsions and Boosters Plant

Located in Quatro Barras. Production of matrices, packaged emulsions, boosters and others.

FRANCE

Electronic Detonators and Other Accessories Plant

Located in the city of Héry. Production of electronic detonators and other accessories.

SERVICE PLANTS

Our service plants, which are located near clients mineral deposits and mining sites, feature all the equipment necessary for safe, high-quality, productive operations. The most noteworthy include: storage silos for Ammonium Nitrate and emulsions, magazines for storing high explosives and initiation systems, equipment for transporting raw materials, support offices and mobile manufacturing units. The latter are specially designed to transport raw materials (Ammonium Nitrate and oil) to be mixed on-site where they will be used. Mobile manufacturing units are custom designed and equipped for each mine, in accordance with the most stringent safety standards. As of December 2016, Enaex had a fleet of 121 mobile manufacturing units for open-pit mining operations and 16 trucks for underground mining operations.

MOBILE MANUFACTURING UNITS OPERATIONAL SUPPORT CHILE

Type of Mobile Equipment and/or Vehicle	Total
Mobile Manufacturing Units*	121
Mobile Loading Equipment for Underground Mining	16
Plugs	40
Cranes	12
Grinders	4
Mobile magazines	38
Pick-up trucks	148
Matrix solution (emulsions) transport trucks	92
Bulk Ammonium Nitrate transport trucks	63
Nasol transport trucks	5
Nitric Acid transportation trucks	14
Total	**553**

*25 are high tonnage Milodón trucks.

KEY PARTNERS

Legal Advisors	Villaroel y Compañía Limitada.
Auditors	Deloitte Auditores y Consultores Ltda.

Main insurance policies

- Physical damage, which covers physical assets under company ownership or responsibility, including loss due to business interruption resulting from an accident.
- Corporate third-party civil liability (third-party damages and operations in Mejillones port terminal).
- International transport for import/export goods.
- Vehicles and mobile equipment.
- Transportation and cabotage for all goods transported between the plants or distribution centers within Chilean territory.
- Personal accident coverage for all executives.
- Insurance policies on local sales credit and export loans.

Main Banks

DOMESTIC

BBVA
Banco Crédito e Inversiones
Banco de Chile
Banco Estado
Banco Itaú
Banco Santander
Banco Security
HSBC
Scotiabank

INTERNATIONAL

Bank of Tokyo-Mitsubishi
Bank of America Merrill Lynch
BNP Paribas
Corpbanca Colombia
Corpbanca New York
Citibank N.A.
HSBC New York
EDC
J.P. Morgan
Scotiabank
Société Générale

Suppliers

For supply of ammonia, the main raw material in the production of Ammonium Nitrate, Enaex holds a long-term supply contract with Trammo, a major player on the international ammonia market.

Enaex is constantly developing supplier relationships in order to obtain the best supply conditions. It establishes strategic supply relationships, especially for the raw materials, packaging and products that constitute approximately 80% of its purchases.

By reinforcing corporate management structures, the Company has achieved interesting synergies, which are further enhanced by our ongoing search, beyond ocean borders, for global supply opportunities.

To ensure sustainability, the Company also balances its suppliers to include both Chilean and international suppliers capable of making and faithfully fulfilling commitments.

The Company's main suppliers of raw materials and services include: Trammo, Nelson Brothers, Compañía de Petróleos de Chile, Pst Industries and Transporte Bello.

INNOVATION AND DEVELOPMENT

INNOVATION IS ALSO THINKING BIG

The Company has been working on systematizing the innovation management process in order to make innovation continuous and sustainable over time. A significant part of these efforts has focused on developing specialized products and services to meet our clients specific and significant everyday needs. Innovation focus points were established in order to harness factors affecting competitiveness and their respective solutions as guides on our search for new, positive, high-impact projects.

In 2016, the Company sought innovative ideas and solutions by partnering with BASF—the world's largest chemical company—to implement the co-creation methodology. This methodology detects client needs and uses the skills of supplier companies to meet them. A pioneer in its category, the methodology supplies high-value innovative solutions.

The Company also created an Innovation synergy group among Enaex subsidiaries. The process included global work meetings held in Santiago, Salt Lake City, Paris and Brisbane. One objective of these meetings to create a road map that provides a thorough understanding of the problems facing clients around the world in order to provide technological solutions.

Finally, it is important to highlight that as a result of great effort by each of the persons who has worked to boost innovation at the Company, Enaex earned first place in the Mining Services Category of Universidad de los Andes' Most Innovative Companies 2016 ranking for the second straight year. The ranking, in which more than 300 companies participate, is published in partnership with La Tercera newspaper.

NEARLY 20 PROJECTS IN THE INNOVATION PORTFOLIO

GLOBAL INNOVATION MEETINGS

FACTORS AFFECTING OPERATIONAL COMPETITIVENESS AND ENAEX SOLUTIONS

Enaex is the first explosives company in Chile to offer its clients a Carbon Footprint that is quantified by product unit and up to 40% lower than other industry suppliers.

ENERGY CONTROL:

Solutions that seek mine stability by controlling the energy used during material removal. These solutions aim to ensure sustainable operations with appropriate slope and wall controls.

Hidrex® and Panfex®

Explosives specially designed to control slopes and blasts.

REACTIVE ROCKS:

Solutions that seek to mitigate significant operating risks in mines where rocks react spontaneously when the rocky massif reaches high temperatures.

Pirex®

This blasting agent is specially designed to retard the reaction of Ammonium Nitrate and the pyrite in the rock.

ENERGY OPTIMIZATION:

Solutions that seek to maximize costs by replacing electric energy with chemical energy in the crushing and grinding processes. Optimized fragmenting processes generate considerable savings in the mining process.

High Fragmentation

Energex®

A high-energy, high-power explosive product that improves rock fragmentation.

Mesh Optimization

Vertex®

This blasting agent is characterized by its versatility, enabling cost reductions through mesh enlargement.

TRADEMARKS, PATENTS AND LICENSES

The Company's assets include several trademarks. Given their track record and use, some of the brands, including Amongelatina®, Iniciador APD®, Softrón® and Enaline®, have become market bellwethers. Milodón® is another of the Company's noteworthy trademarks. In terms of products, the following stood out in 2015 and 2016: Pirex®, Hidrex®, Energex®, Vertex®, Panfex® and Duolex®. The Company recently began registering trademarks like Enaex® and Prillex® for use in some of the countries where it plans to conduct business, including but not limited to: Australia, New Zealand, Indonesia and Japan. Furthermore, it owns the rights to emulsions manufacturing technology as well as QED Plus—Austin Powder Co.'s design, evaluation and blasting simulation software.

PRODUCTIVITY AND LOGISTICS:

Solutions that seek to increase the productivity of the blasting process, optimizing the time and resources required.

UBT Truck

Designed to manufacture and load emulsions in underground mines, this autonomously powered truck can operate for more than 12 hours.

High-Performance Truck®

MMU featuring greater unloading speed, which makes the blasting process more productive.

EVS®

Enaex Value Simulator is a technological tool developed to quantify the value generated by the products for operational mining processes.

Safelock®

A system that secures the detonator to the booster in order to prevent decoupling and making priming safer.

SUSTAINABILITY:

Solutions that seek to innovate in the social aspects of the blasting process in order to achieve sustainable development and community protection.

Analysis of Product Life Cycle and Carbon Footprint

Seeks to quantify the environmental impact of products during each of the individual processes involved in manufacturing, distribution, use and final disposal. Four environmental impacts were quantified in 2016: Climate change (carbon footprint of products) and consumption of water, non-renewable raw materials and purchased energy.

Blast Site Watch®

A system that measures and controls the vibrations from blasts located near communities.

OPPORTUNITIES AND RISK FACTORS

OPPORTUNITIES

DEVELOPING SYNERGIES

More than a year after the acquisition of new subsidiaries Britanite and Davey Bickford in 2015, Enaex continues developing important synergies to be leveraged in the short and medium-term. Britanite expanded the civil works knowledge base and provided direct access to iron and aluminum markets in Brazil. Now operating under the name Enaex Britanite, both brands' characteristics and commercial relationships with the regional mining and civil works sectors will optimize the Company's image in Brazil. On the other hand, the addition of Davey Bickford—with its leadership in initiation systems and presence on almost all continents—grants the Company access to an international distribution network. The Company continues reinforcing its regional leadership through subsidiaries Enaex Argentina, Enaex Peru and Enaex Colombia, which provide complete, comprehensive rock fragmentation service.

MULTICULTURAL UNIT

The Company instituted an integration program which includes all employees and is promoted in several languages so that the Company may benefit from shared potential, opportunities for collaboration and stronger dialog.

THE COMPANY'S MULTIPLE INTEGRATION PROCESSES MAKE IT MORE COMPETITIVE INTERNATIONALLY

EMPLOYEE EXCHANGE PROGRAM

The Company offers an inter-subsidiary fixed-term employee exchange program in order to spread best practices and identify potential synergies within the group.

INNOVATION AND TECHNOLOGICAL DEVELOPMENT

The Company has developed a technology portfolio including products and processes through in-house development, licensing agreements and technology exchange with industry leaders. This culture of innovation has enabled Enaex to win several bidding processes with new clients and report increasingly better results. With the acquisition of Davey Bickford, Enaex solidified its international leadership in mining innovation.

TRAINING TO IMPROVE PRODUCTIVITY

All employees have access to training and development programs that aim to help the Company meet high quality standards and maintain long-term relationships with all clients and suppliers. Furthermore, with the acquisition of Britanite, the Company managed to improve the efficiency of its logistics and supply processes.

RISK FACTORS

MARKET RISK

The Company is highly exposed to the region's copper mining industry, from which approximately 85% of revenue originates, directly or indirectly. Thus, following the 2015 acquisitions, the Company benefited from diversification and vertical integration of its operations with greater presence in other mining markets within the region and technological markets for initiation systems around the world.

International price competition for Ammonium Nitrate, which depends on fluctuations in installed capacity and global over-supply, is another risk and affects both local and export sales.

CREDIT RISK

Company revenues are tied to long-term relationships with regional clients renowned for their experience and solvency. According to company policy, loan insurance policies are purchased to cover the majority of clients in Chile and abroad with different risk. Even so, there are clients without coverage on certain markets where the Company operates, which implies possible credit risk.

ACCIDENT RISK

The Company holds insurance policies to cover physical loss to its property, losses due to resulting business interruptions, as well as civil liability.

INPUT AND PRODUCTION FACTOR RISK

The Company is impacted by variations in international ammonia prices, which are sensitive to oil and natural gas prices. To mitigate the risk of fluctuation in this input, client contracts stipulate periodic rate adjustments based on indexation formulas that account for this product. Risks in fluctuations in the cost of other relevant production inputs, like oil or electricity, are also covered using indexation formulas.

IT IS IMPORTANT TO NOTE THE COMPANY'S SOUND FINANCIAL POSITION, AS REFLECTED IN THE MAINTENANCE OF RISK RATINGS FROM FELLER RATE (AA-, STABLE OUTLOOK) AND FITCH RATINGS (AA-, STABLE OUTLOOK) IN 2016.

Instrument	Fitch Ratings	Feller Rate
Stock	Level 3	First class level 3
Bond Line	AA- (Stable)	AA- (Stable)

FINANCIAL RISK

The Company manages currency, interest rate and working capital financing risk. In exchange rate risk, in 2009 the Company defined the US dollar as its functional currency because the majority of its commercial operations and investments are in that currency.

Likewise, its financial obligations (both short and long-term) are primarily secured in that currency in order to reduce the exchange rate risk on cash flows and earnings. Since the local currency remains the functional currency of some subsidiaries, Enaex has some exposure to exchange rate fluctuations, primarily the euro and the Brazilian real. Thus, the Company maintains currency and interest rate swaps.

FINANCIAL POLICY

The Company's conservative financial policy has resulted in a sound financial position.

For major investment projects, Enaex policy allows a mixed financing structure, including external sources (local and international banks), publicly tendered bonds, company-generated funds and capital contributions. The Company aims to maintain a conservative medium-term debt structure and comfortable covenant cushion.

The Company's smaller investments aim to sustain growth and ensure normal replacement of operating assets, upgrades and new equipment to expand and improve production capacity. Such investments are generally funded with the Company's operating cash flows.

Short-term bank debt is generally used to cover working capital needs, which are primarily related to the purchase of ammonia. It is worth noting that levels of short-term bank debt can vary throughout the year as a result of fluctuations in the international price of ammonia and production process efficiency.

Given the importance Enaex places on efficiently managing financial resources and implementing strategies to face exchange market volatility, the Company maintains strict control of its investments, cash flows and working capital while focusing on maintaining its stock and credit ratings.

ENAEX'S MAIN CONSOLIDATED FINANCIAL RATIOS

	2009	2010	2011	2012	2013	2014	2015	**2016**
Financial Debt* / EBITDA	1.8x	1.8x	1.5x	1.3x	1.1x	1.2x	2.0x	**1.89x**
Liabilities / Equity	0.7x	0.7x	0.7x	0.7x	0.54x	0.57x	0.98x	**0.84x**
EBITDA / Financial Expenses	45.1x	31.3x	31.0x	31.6x	32.9x	37.5x	18.8x	**11.4x**

* Financial Debt (Total Financial Liabilities - Hedge Assets

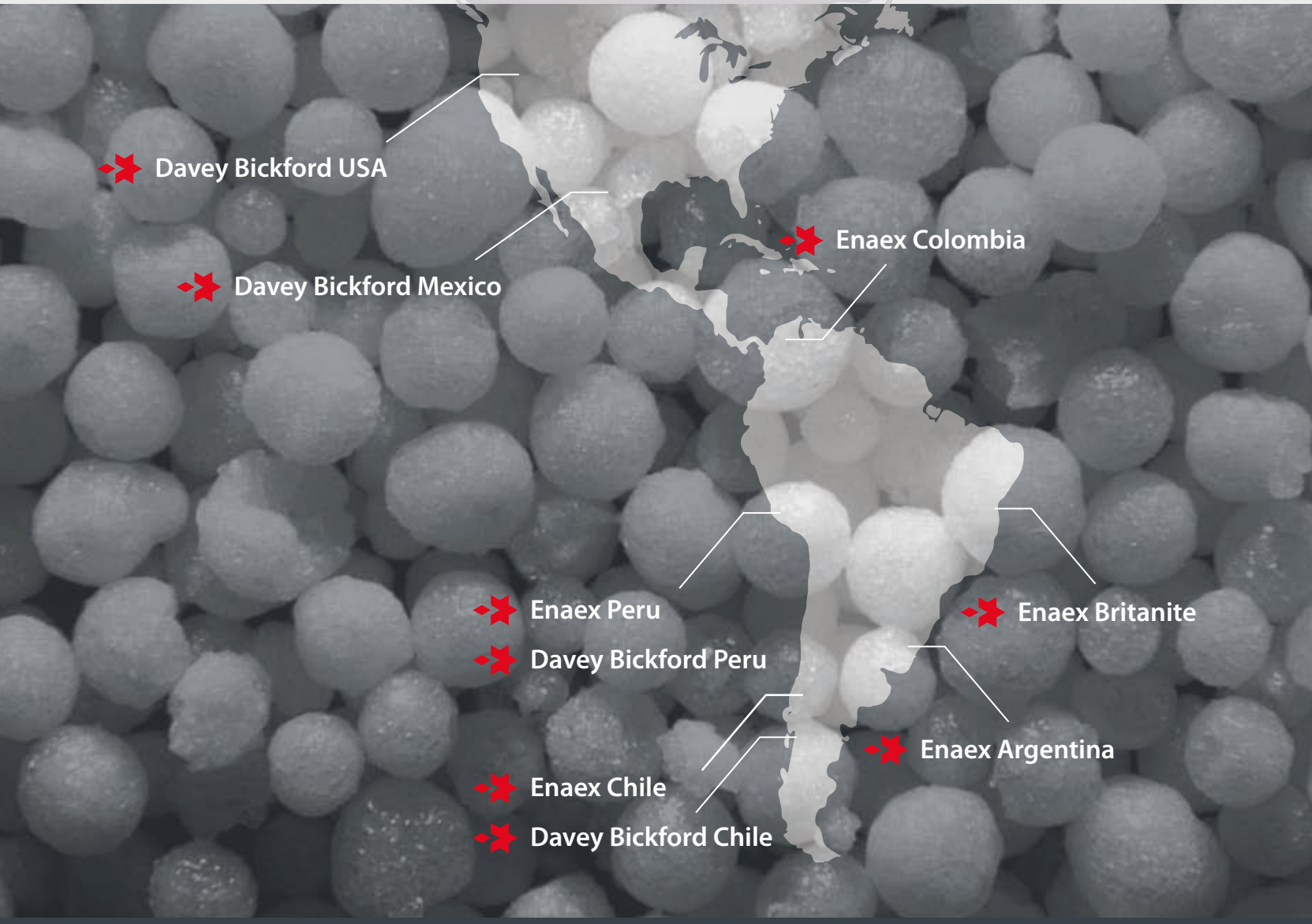
CHAPTER 3

BUSINESS AREAS

GOLD, BRONZE, COPPER AND IRON IN ROCK

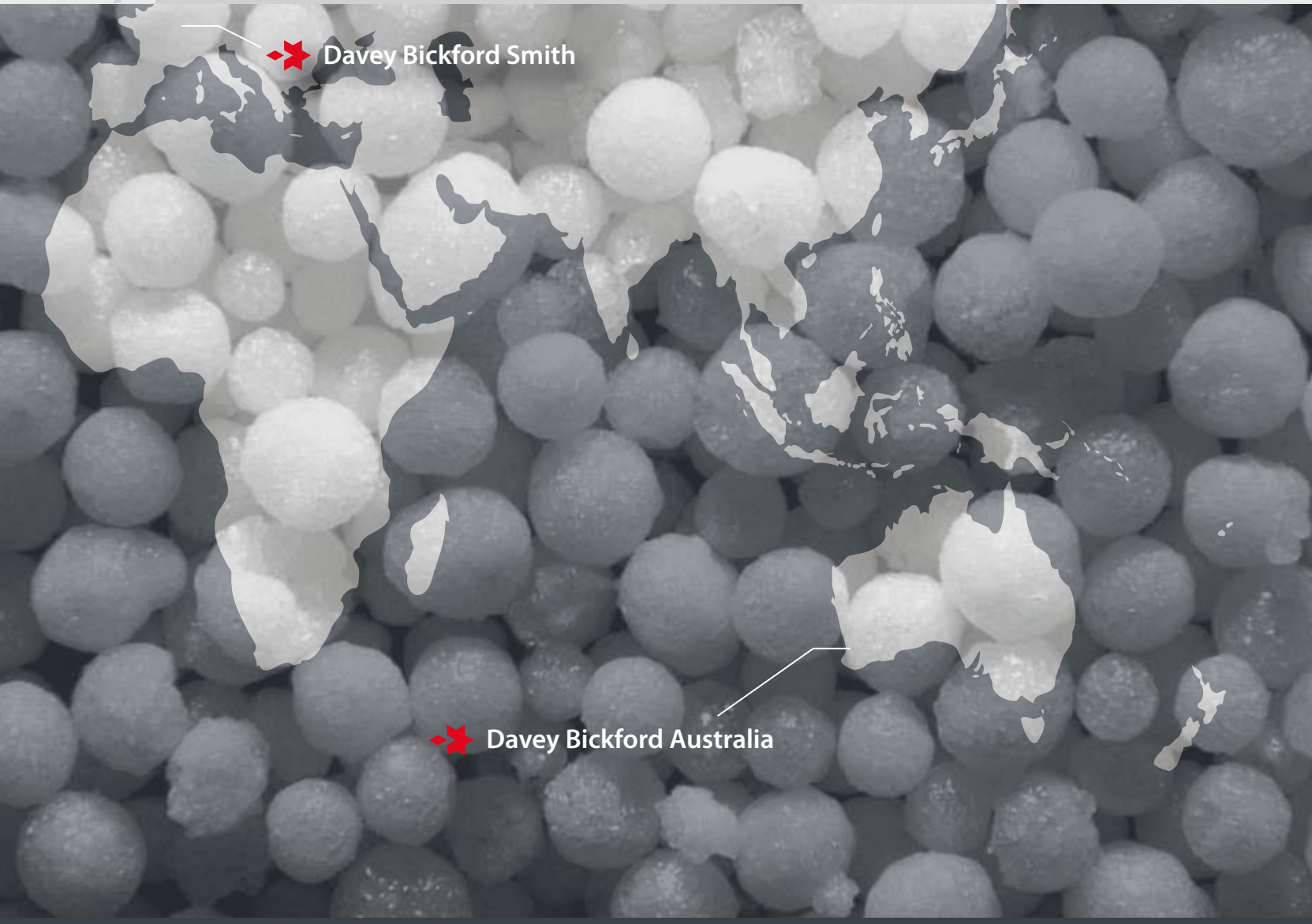
CORPORATE DEVELOPMENT PLANS

In 2016, significant strides were made toward solidifying Enaex's position as a global company able to operate in a multinational environment. It is currently the largest supplier of comprehensive rock fragmentation services for mining in Chile and Latin America.



The 2015 acquisitions helped the Company successfully achieve some of the first goals in the 2015-2020 strategic plan, like regional leadership and increased global presence. This year, it earned important recognition for strong leadership in innovation and development, which has focused on continuously improving process productivity with an emphasis on meeting client needs.

Thanks to this effort, the Company continues to win bids with new clients and is able to offer unique products. The Company's strong performance was also thanks to our employees, who have kept the highest quality standards and have embraced a global culture.



ENAEX ARGENTINA SRL

Enaex Argentina has been servicing open-pit and underground mines since 2007. It owns the High Explosives plant in Olavarría and, as of 2014, the Campanario Emulsions Plant (PEC) which has an annual production capacity of approximately 65,000 tons. This project secures supply for local clients, minimizing risks associated with import substitution policies, and increasing the probability of being awarded future contracts. The Company also performs underground loading operations with the Underground Bulk System—the first of its kind in Argentina—using UBS equipment and emulsions produced at the Campanario Emulsions Plant. In 2016, the Blast Hole and Blasting Seminar featured specialists from Argentina, New Zealand, Chile and Brazil presenting on everyday issues facing the quarry market. The Seminar was declared "of municipal interest" (Decree No. 2317, File No. 3601/16) as a space conducive to optimizing the quarrying production process.

ENAEX COLOMBIA S.A.S

The Company has been operating in Colombia since 2010, when it built and opened a high-tech packaged emulsions plant through a partnership contract with the defense industry. The mining energy sector is the main driver of the Colombian national economy. Colombia is home to large-scale, open-pit coal mining operations as well as gold, nickel, copper, limestone and iron ore operations, which are becoming important alternatives for the country's mining development. Likewise, Colombian roadway and port infrastructure development is in full swing. Consequently, there will be significant growth in the demand for explosives in coming years and important opportunities for blasting services and technical support.

ENAEX PERU

In 2014, the Company re-entered the Peruvian market, acquiring an 80% interest in Chemtrade, an explosives manufacturing and blasting accessories company that now operates under the name Enaex Peru. They also manufacture pyrotechnic detonators and ANFO in sacks, which are distributed primarily to the local market. Products like Ammonium Nitrate, boosters, dynamite and cartridge emulsions will also be imported, primarily from Chile. In 2015, the four-year Ammonium Nitrate supply contract with Peru's largest copper mine, Antamina (BHP) became effective.

ENAEX OPENS TO NEW MARKETS

ENAEX BRITANITE

E-BLASTING® FIRST E-PORTAL FOR EXPLOSIVES SALES

IBQ Industrias Químicas (Britanite), now Enaex Britanite, is an explosives and rock fragmentation services company founded in 1961. With more than 50 years of experience, it has a strong market share in recent major infrastructure projects in Brazil. Britanite's history is marked by entrepreneurial spirit, determination and the strength of its team. Today, the Company leads its segment in Brazil.

Its main products are detonating chord, pumpable and cartridged emulsions and electronic and non-electronic initiation systems. They primarily supply the heavy civil construction, mining and quarrying industries as well as a wide network of distributors. The Company differentiates itself by providing technical support and distribution to these industries. Headquartered in the city of Quatro Barras, Enaex Britanite operates in more than eight Brazilian states.

The Company developed the world's first e-portal for explosives sales, called E-Blasting®, which allows users to purchase products and have them delivered in just a few steps. The widely used portal was very well-received by clients.

DAVEY BICKFORD

Davey Bickford leads the world in design, manufacturing and distribution of electronic detonators, which are known for producing more precise results in the rock fragmentation process. Founded in France in 1831, the company has nearly 200 years of innovation experience in detonator chords, electric, non-electric and electronic detonators. Operating in France, Australia, Canada, the United States, Mexico, Peru and Chile, the company primarily serves the markets of blasting, excavation and seismic exploration for mining.

RECOGNIZED BY MINERA ESCONDIDA FOR ITS EXCELLENT PERFORMANCE IN SAFETY

With its history of ongoing innovation, the addition of Davey Bickford broadens Enaex's ability to innovate and develop new blasting solutions. Davey Bickford also focuses on safety, from design to implementation, for all its products. The company complements its products with services proven to increase productivity and save clients time and money. It proposes operating optimizations based on the use of electronic products and preventing any type of uncontrolled interruption.

SAFER PROCESSES THROUGH CORDLESS BLASTING SYSTEMS FOR UNDERGROUND MINING

In order to increase global capacity, the company implemented its first automatic assembly machine for electronic detonators in 2016. It also launched the "Big Data" innovation project to optimize client operations and has focused on integrating Latin American subsidiary teams with the Enaex Group.

MINING INDUSTRY

The 2016 drop in commodity prices was among the factors that triggered the global economic slowdown. The United States and the Eurozone both grew at a rate of nearly 1.6% after growing 2.6% and 2.0%, respectively, in 2015. Elsewhere, Chinese economic growth was about 6.7%, down from the 6.9% recorded in 2015.

Recent economic forecasts published by the World Bank in January 2017 show emerging economies maintaining growth similar to 2015, at about 3.5%, with India leading at nearly 7.0%. Chile managed growth of 1.7%, a rate lower than the 2.3% recorded in 2015, while the Brazilian economy contracted at a rate of nearly -3.4%. In 2017, developed economies are expected to experience increased growth. However, growth projections place Chinese figures around 6.5%, a decrease compared to the 2016 figure of 6.7%. On the other hand, Brazil is expected to grow at a rate of 0.50%, putting an end to two straight years of recession. Finally, in Chile, slight recovery is expected with growth rates of 2.0%.

COPPER PRICES

The economy was dominated by expectations of a hike in the US monetary policy rate, which was raised 25 base points in December 2016. The 2016 slowdown in China and the increase in copper production inventories drove the average price of the red metal down to US$2.21/lb from US$2.49/lb in 2015 and US$3.11/lb in 2014.

Cochilco forecasts average copper prices at US$2.40/lb for 2017 based on expectations of increased US economic growth as a result of the more expansionary fiscal policy promised by the new president. This growth will focus on infrastructure development and tax reduction, generating prospects of more accelerated demand growth. The Chinese manufacturing sector's pace of expansion has consolidated with sustained, higher-than-expected growth in the last quarter of 2016.

Preliminary global figures for 2016 show that the demand for refined copper grew 3.6% while supply rose 3.5%, maintaining upward pressure on the price of the metal. Cochilco estimates also show that global copper demand is expected to rise 2.6% in 2017 and 2.0% in 2018.

COPPER PRODUCTION

In 2016, Chilean mining operations produced nearly 5.55 million tons, down 3.9% relative to the 5.76 million tons produced in 2015 and 2014. According to Cochilco, copper production is expected to grow 4.3% in 2017 to 5.79 million tons, and 3.4% in 2018 to 6.0 million tons.

As of year-end 2016, the potential project portfolio and existing investment for 2025 total nearly US$49 billion. If the entire project portfolio comes to fruition, Chile can be expected to produce nearly 6.22 million tons in 2025.

EXPLOSIVES MARKET

The Company's business is primarily affected by the activity levels of the Latin American region's major mining companies, which directly and indirectly represent approximately 85% of copper production sales and approximately 5% of iron production sales. The remainder of the Company's sales are tied to production of other minerals by small and medium-scale mining operations, civil works and chemical sales.

In terms of the global explosives market, there was evidence of a worldwide over-supply of Ammonium Nitrate, which has driven prices down in 2016. Rather flat growth in local and regional market demand is expected in the short- and medium-term. This is primarily attributable to the postponement of new copper projects, as well as efficiency and production efforts by the large-scale mining industry.

The Company seeks to consolidate on the regional market, continuing to develop business in its Argentine, Brazilian, Colombian and Peruvian subsidiaries. Furthermore, the Company has entered new markets such as Asia Pacific, Oceania and North America, enabling it to diversify its sales and expand its global presence to around 40 countries.

CHAPTER 4

SOCIAL PERFORMANCE

GOLD, BRONZE, COPPER AND IRON IN ROCK

HUMAN RESOURCES MANAGMENT

In 2016, Enaex continued working toward meeting its strategic challenge of **becoming a global company able to operate in a multinational environment and to be the most prestigious company in the global mining industry.**

As part of the transformation, the following main initiatives were implemented in 2016:

ORGANIZATIONAL CULTURE

RECOGNITION PROGRAM

The recognition campaign, which aims to foster a culture that encourages positive employee attitudes, continued in 2016. This year, the number of awards rose approximately 188% to a rate of 5.13 per person as of December. Each year, the program culminates with the Enaex Spirit (Espíritu Enaex) award.

ORGANIZATIONAL CLIMATE

For the first time, the organizational climate survey was applied company wide, including employees from Enaex subsidiaries in a total of eight countries. This enabled the group to learn about employee perceptions regarding important issues like leadership, benefits, development opportunities, among others.

FLEXIBLE BENEFIT PROGRAM

The flexible benefit program allows employees to select benefits according to their individual needs. This year's enhanced program included additional alternatives within the Time Off and Bonus category. Launched in 2014, this year the participation rate reached 98%.

KNOWLEDGE MANAGEMENT

Given the highly specialized and growing nature of the Company, the Human Resources Division began designing a knowledge management model in 2015. The long-term project ensures the Company's ability to protect data and facilitate transfer of the knowledge that provides competitive advantage. The program, developed in house by Enaex, incorporates best practices for the industry.

COMMUNICATION

This year the communications focus was on a structured internal plan to ensure downward communication, and that messages are correct and are properly delivered to the different target audiences. The Company encouraged two-way communication as leaders took advantage of the "Commuica2" program, which provides scripts to area heads, who then share them with their teams in face-to-face meetings. The purpose of the program is to standardize communication and spark conversations with employees. Regarding inter-subsidiary communication, all companies now receive the We are Stronger Together (Juntos somos más fuerte) group newsletter. In order to ensure real impact, communications and campaigns are translated into 4 languages: Spanish, English, French and Portuguese.

PEOPLE AT THE RIGHT TIME

RECRUITING AND SELECTION

This year our employer brand was optimized by updating the image of our recruitment platform, cultivating relationships with universities and developing new selection formats.

TALENT DEVELOPMENT AND SUCCESSION PLANS

The Company uses a performance-potential matrix to continuously map and monitor its professional teams. Executives meet periodically to identify critical positions, succession plans and other relevant facets.

THE INTEGRATION PROCESS

The professional exchange between Enaex Britanite, Davey Bickford and Enaex S.A. is a highlight among Enaex integration initiatives. It seeks to create collaborative networks between the three companies, share best practices, identify potential synergies and draw the cultures within the Company closer. Furthermore, in 2016, the Company worked on integrating HR processes in the different countries, including variable incentive programs, talent management models and compensation models.

INTERNAL MOBILITY

This year, 79% of vacancies were filled from within the Company. Notably, some of these placements were international.

EMPLOYEE DATA

AS OF DECEMBER 31, 2016
THE COMPANY HAD 3,309 EMPLOYEES.

By Company	
Enaex Servicios S.A.	1,316
Enaex S.A.	385
Enaex Britanite	884
Davey Bickford	586
Other Subsidiaries	138

By Role	
Senior Management	17
Management	87
Supervisory	376
Middle-Management	76
General	1,150
Subsidiaries	1,603

TRAINING

Enaex provided more than 38,000 hours of training, covering 58% of the total workforce with an average of 34 training hours per person. Topics ranged from technical specialization, certifications and re-training of critical positions. Furthermore, the Enaex Training Center created a strong job training program and launched three schools focused on developing technical skills. The schools are: Service School, Production School and Support School.

THE NUMBER OF TRAINING HOURS PER PERSON DOUBLED IN 2016

TRAINING SCHOLARSHIP PROGRAM

In 2016, 34 employees had their studies funded by the scholarship program. The initiative gives preference to programs leading to technical and professional degrees over graduate degrees.

LEADERSHIP PROGRAM

Importantly, the natural leadership teams created in 2015 continue with five teams participating this year. Working with an expert consultant, the teams aim to optimize their strengths and seek opportunities to improve as a team.

One highlight in terms of operational leadership was the development program for high-potential professionals at service plants. This hands-on program trains participants on different technical and interpersonal skills that aim to develop their leadership roles.

LABOR RELATIONS

The Company conducted two successful collective bargaining processes. It also began the Union Leader Training Program, maintaining relationships based on teamwork. As in years past, union leadership gathered for its annual day of objective alignment and training on new trends.

In another area, the five highest-altitude mines earned the Heavy-Duty Work Qualification. The mines involved were Pelambres, Escondida, Quebrada Blanca and Radomiro Tomic as well as the plants at Mantoverde and Los Bronces.

ORGANIZATIONAL DIVERSITY

BY GENDER

	Board of Directors	Senior Management	Organization
Male	9	15	2,737
Female	0	2	572

BY NATIONALITY

	Board of Directors	Senior Management	Organization
Chilean	8	17	1,720
Brazilian	0	0	873
French	0	0	448
Other	1	0	268

BY AGE

	Board of Directors	Senior Management	Organization
Under 30	0	0	739
Between 30 and 40 years	0	4	1,265
Between 41 and 50 years	0	8	727
Between 51 and 60 years	1	4	500
Between 61 and 70 years	3	1	75
Over 70	5	0	3

BY YEARS OF SENIORITY

	Board of Directors	Senior Management	Organization
Between 0 and 3 years	0	2	1,160
Between 3 and 6 years	3	9	974
Between 7 and 8 years	0	1	206
Between 9 and 12 years	0	1	224
Over 12 years	6	4	745

*At Enaex, the salary gap between men and women is close to 4%.

RISK MANAGEMENT

In terms of comprehensive management of risks related to operating processes and resource protection, the 2016 campaign focused its efforts on enhancing worker occupational safety and health to maintain the highest possible level of physical, mental and social wellbeing among its people. The most common HSEC risk management activities include pre-employment and on-the-job health screenings, qualitative and quantitative assessments of risk agents, epidemiological surveillance and programs that specifically aim to control the risk of occupational disease. In accordance with one of Enaex's main values, "Our Priority, Life.", the Company has made special efforts to promote a healthy lifestyle and self-care in order to reduce cardio metabolic risks related to chronic diseases like obesity, high cholesterol, diabetes, and thus improve its employees' quality of life and job safety.

SAFETY STATISTICS

JANUARY - DECEMBER 2016

	Enaex S.A.	Enaex Servicios S.A
Frequency Rate*	4.44	1.11
Accident Rate**	0.97	0.22
Total Hours Worked	900,109	2,698,073
Average No. of Employees	411	1,338

* Number injured x 1,000,000/ Number of man hours worked

** Number injured x 100 / Number of workers

THE FOLLOWING ARE HIGHLIGHTS FROM THE 2016 EFFORTS TO IMPROVE EMPLOYEE OCCUPATIONAL HEALTH AND WELLBEING:

SCHOLARSHIP FOR HAZMAT TRAINING IN THE UNITED STATES

For the third straight year, the Company has awarded scholarships for training on Emergency Management involving Hazardous Materials (HAZMAT) in the United States. In 2016, the scholarships were awarded to two emergency response team members at the Prillex and Río Loa plants and four firemen from the Sixth Brigade of Antofagasta. The five-day course, aimed at Spanish speaking emergency response personnel, took place at the University of Texas. Participants earned a technical degree in responding to emergencies involving hazardous materials.

UPHOLD HSEC COMMITMENT TO WORKERS

Each year, several monthly campaigns are conducted to reinforce the logic and importance of self-care as a key to becoming a world-class company in terms of safety. Some of the 2016 campaigns were: "Safety Month" in April, "Wherever you work, stay grounded" in May, "Environment Month" in June, and "Take Care of your Hands" in July.

COMMUNITY INVOLVEMENT

Each year, the Company hosts activities to bring employees closer to the communities surrounding the Prillex América complex in Mejillones and the Río Loa plant in Calama.

DONATION OF MORE THAN 1,000 TREES FROM THE COMPANY'S GREENHOUSE TO SEVERAL COMMUNITY ENTITIES AND NEIGHBORS TO BE PLANTED IN DIFFERENT PARTS OF MEJILLONES

In 2016, the Prillex Plant continued its open-door program, which seeks to increase community awareness of the Company's operations by inviting the community into its plants for monthly visits and through employee visits to the community. In addition, several donations, primarily in the form of articles needed to begin interesting projects, were made to benefit young people in Mejillones. The Company was one of the main sponsors of the first National Microentreprenuers Conference, coordinated by the Mejillones Group of Female Microentreprenuers. School supplies were donated to the local community through the Municipality of Mejillones' Social Department. Funds raised during the 2016 Teletón matching campaign were also donated.

The Company donated safety goggles to the Juan José Latorre Benavente Educational Complex in order to prevent accidents and protect students in the workshops where they do their internships. Finally, through the Dual Education program 10 students joined plant operations. Each worked under the supervision of a mentor, then applied the knowledge gleaned to specific projects.

In terms of sustainable development activities, more than a thousand trees from the Company greenhouse were donated to different community entities and neighbors to be planted in different areas of Mejillones. On the other hand, students from the Environmental Trailblazers Academy at the Julia Herrera Varas School in Mejillones celebrated World Environment Day on June 5th. Finally, employees from all areas of the plant thoroughly cleaned the coastline on International Coastal Cleanup Day.

Two employee-guided tours, primarily for family members, were organized in order to show Calama's Río Loa plant, its production processes and self-care and safety culture to the community. At the end of the visit, each participant was given local plants and a message about preserving, caring for and protecting the environment and natural resources.

The Company also donated a recycling center to Parque El Loa, the green lung and recreational area for Calama residents. The donation will enable paper, glass and cans to be recycled while raising visitor awareness of the importance of recycling waste and protecting green areas.

CHAPTER 5

ENVIRONMENTAL PERFORMANCE

COPPER ORE

EMISSIONS MANAGEMENT AND CARBON CREDITS

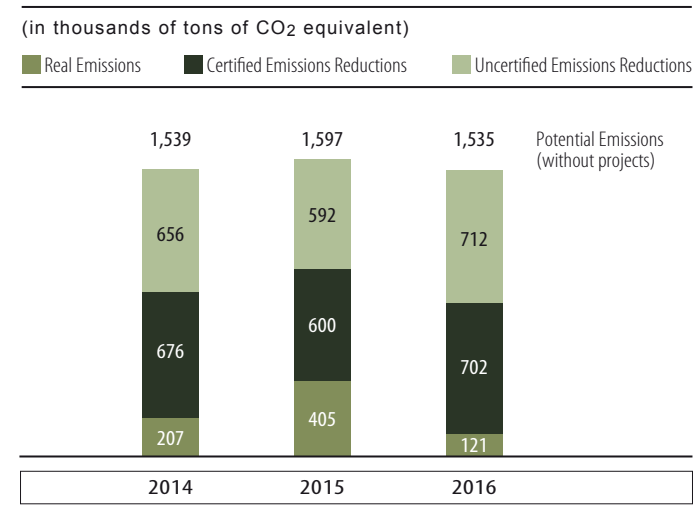
In 2006, the Company implemented a Clean Development Mechanism (CDM) project to reduce nitrous oxide emissions from the nitric acid plant. Thanks to this project, CO_2 equivalent emissions at the Prillex América complex in Mejillones are down 98%.

CARBON CREDITS

On June 26, 2015, the United Nations approved this project's accreditation for a second, seven-year period. Furthermore, the CDM project at the acid plant in Río Loa reduced emissions by approximately 50%.

In 2016, the United Nations issued the Company Certificates of Emissions Reductions (CERs) for nearly 702 thousand tons of CO_2 equivalent.

N_2O REDUCTION IN CDM PROJECTS



*Most recent measurement, May 2017.

THE 2016 CARBON FOOTPRINT, BROKEN DOWN BY PRODUCTION PLANT WAS: 97% PRILLEX AMÉRICA PLANT, 2% RÍO LOA PLANT AND 1% PUNTA TEATINOS AND OFFICES.

2016 CARBON FOOTPRINT

In 2012, Enaex began to assess the environmental impact of its operations, using Green House Gas protocol methodology to calculate the Company's carbon footprint. Calculations are made in order to seek continuous improvement, make performance information more transparent and strive to be a low-carbon emissions company. The initiative revealed the strengths of greenhouse gas emissions management, as well as opportunities for improving process efficiency. In 2016, emissions were approximately 1.2 million tons of $C0_2$ equivalent 78% of which were indirect emissions generated by third and related parties, mainly attributable to purchase of inputs.

ENERGY EFFICIENCY

Since 2010, the Company has developed energy efficiency projects that have significantly reduced operating costs while indirectly reducing CO_2 equivalent emissions. In 2016, the Prillex complex in Mejillones used steam to self-generate 50% of total potential consumption. In terms of greenhouse gas emissions, 27,000 tons of CO_2 equivalent were not released into the atmosphere.

Furthermore, a new energy efficiency project was implemented at the Prillex América Plant this year. The plant now has a backpressure turbine that will generate up to 1.4 additional megawatts of energy.

PRODUCT LIFE CYCLE ANALYSIS

In 2016, the Company developed a Life Cycle Assessment model for its products. This analysis uses ISO 14,040 and PAS 2050:2011 methodologies to estimate the environmental impact of the individual processes related to product manufacturing, distribution, use and availability and thus create a differentiating element for its clients.

The environmental impacts considered were: GHG emissions (tCO_2e), energy consumption and consumption of non-renewable raw materials. GHG emissions by ton of product can also be included as an emissions factor for the explosive products and thus be used to estimate the impact, in terms of tons of CO_2 equivalent, of blasting in the mining production process.

CO_2 equivalent emissions of Enaex products have been significantly reduced through the Company's Clean Development Mechanism (CDM) and Energy Efficiency (EE) projects.

THUS, BY USING ENAEX PRODUCTS, CUSTOMERS CAN REDUCE CO_2-EQUIVALENT EMISSIONS BY UP TO 40% IN THEIR BLASTING PROCESSES

Enaex
44