



Integrated Annual Report



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2016

integrated
ANNUAL
REPORT

[SCOPE OF THE REPORT]

FOR THE THIRD CONSECUTIVE YEAR, SIGDO KOPPERS IS ISSUING ITS INTEGRATED ANNUAL REPORT UNDER THE STANDARDS DEFINED BY THE INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC), PROVIDING INFORMATION ON HOW THE COMPANY GENERATES VALUE FOR ITS SHAREHOLDERS, OTHER STAKEHOLDERS, AND THE SOCIETY IN GENERAL.

This integrated report covers the period from 1 January to 31 December 2016 and includes information on the operations and performance of Sigdo Koppers S.A. and its international subsidiaries.

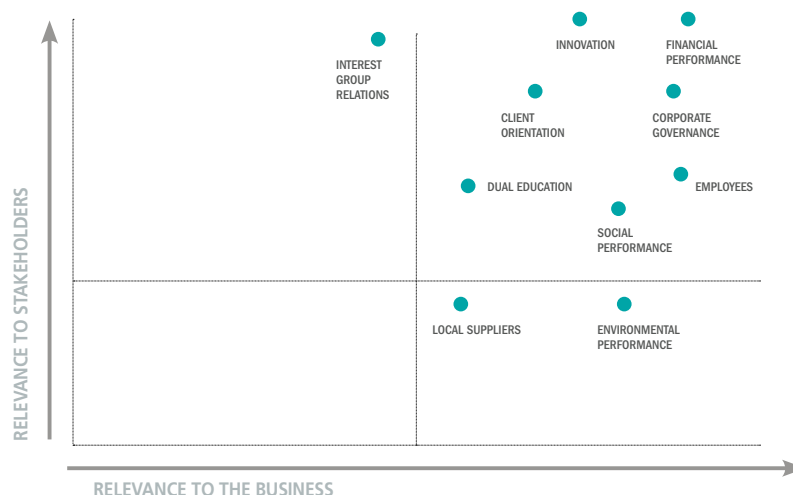
/1 DETERMINATION OF MATERIALITY

Materiality was determined for Sigdo Koppers S.A. through an analysis of information from primary and secondary sources within the organization. The final stage of the materiality determination consisted in aligning national and international standards governing the preparation of financial reports, integrated reports, and sustainability reports, namely, General Rule N° 30, the International Integrated Reporting Council (IIRC) methodology, and the international GRI standards.

The process was carried out in two phases: an internal analysis and an analysis by external stakeholders

/2 MATERIAL ISSUES

The material issues identified for the Sigdo Koppers group in 2016 were the following:



In the following table, it is established in which company of Sigdo Koppers, it is material each aspect:

	FINANCIAL PERFORMANCE			ENVIRONMENTAL PERFORMANCE				SOCIAL PERFORMANCE			
	CORPORATE GOVERNANCE	FINANCIAL PERFORMANCE	INNOVATION	ENERGY EFFICIENCY	EMISSIONS	ENVIRONMENTAL INCIDENTS	WASTE MANAGEMENT	EMPLOYEES	COMMUNITY	CLIENTS	SUPPLIERS
ICSK	x	x						x		x	x
PVSA	x	x		x				x	x	x	x
Fepasa	x	x				x	x	x		x	x
SK Godelius	x	x	x					x		x	x
Enaex	x	x	x	x	x	x	x	x	x	x	x
Magotteaux	x	x	x	x	x		x	x		x	x
SK Comercial	x	x					x	x	x	x	x
SKBergé	x	x						x	x	x	x

[LETTER FROM THE CHAIRMAN]

Dear Shareholders:

In the name of the Board of Directors of Sigdo Koppers S.A., I am pleased to present the 2016 Annual Report and Financial Statements.

In the context of a globalized economy, investors are increasingly interested in having a broader, more comprehensive understanding of a company's management practices, not only in terms of financial returns, but also regarding environmental and social performance and corporate governance, so as to incorporate this information into their investment analysis processes.

At the same time, one of the most important challenges facing companies today is ensuring our sustainability. This implies generating strategies that allow us to correctly project our long-term development and duly integrate these issues into our business model.

At Sigdo Koppers, we are fully committed to this challenge. Thus, for the third consecutive year, we have prepared our Annual Report under the framework of the Integrated Reporting Committee (IIRC). The IIRC model aims to provide a broader vision of a company's performance, via the presentation of concise, high-quality, consistent information not only on last year's financial performance, but also on our activities in the social and environmental realms and on our relationship with our stakeholders, with a focus on value creation in the long term. Our goal is to contribute to a full reporting on our operations in the different companies and markets in which we participate.



In the past year, our country experienced a more difficult, complex business scenario, particularly in the mining industry. This translated into the postponement of projects in Chile and the region, which affected all suppliers to the sector, including our companies.

As a result of these trends, economic growth in Chile was 1.6% in 2016. This low growth occurred in a context of reform and low confidence levels, which was exacerbated by the instability in external markets.

In this contracting scenario, Sigdo Koppers recorded net earnings of US\$85 million last year and consolidated income of US\$2.19 billion.

The less dynamic mining and industrial sectors, together with slower activity in machinery and equipment sales and rentals in South America, had a direct effect on the bottom line in some of our businesses. Nevertheless, as has been the case throughout the Sigdo Koppers group's more than 50 years of experience, we see this low growth cycle as an opportunity to make our operations more efficient, to strengthen and consolidate our long-term competitive position, and to implement cost-reduction plans in our different subsidiaries—plans which are now in full swing.



US\$ **85**
million

SIGDO KOPPERS NET EARNINGS

Thus, in the last year, each of our subsidiaries reached key milestones, aimed at providing an adequate stimulus to their business. Ingeniería y Construcción Sigdo Koppers (ICSK) took on the challenge of expanding operations and entering the market in Brazil, through the implementation of new projects. Puerto Ventanas opened its new 46,000 ton bulk storage warehouse, with state-of-the-art receiving systems. Work also began on the Site 3 project, which includes the assembly of a new copper concentrate transfer system.

Enaex focused on consolidating the integration of two companies acquired in 2015 (namely, Davey Bickford and Britanite), developing new products to meet clients' needs, and entering new markets, including Mexico. Magotteaux and SK Comercial both implemented a fixed-cost-reduction plan. The latter, in particular, is facing a generalized contraction in the machinery and equipment rental market in South America.

In line with our objectives, Sigdo Koppers holds sufficient liquidity and a conservative level of debt, which allows us to comfortably meet our commitments while also providing the flexibility to react quickly and easily to challenges and opportunities.

We remain optimistic for a recovery of activity in 2017, although most forecasts suggest that the bulk of the recovery will occur in 2018. We trust that all possible measures will be taken to return our country to its growth path, which is the critical driver of development.

Despite the more complex scenario for business expansion, we are not discouraged. On the contrary, we have embraced the challenge of using our full capacities to demonstrate the leadership of the Sigdo Koppers group and its subsidiaries in each of the businesses in which we participate.

For many years now, we have been working to develop a culture of innovation, which underpins the internationalization process that we are successfully implementing through our subsidiaries. This process is important and necessary for our development as a company and for the diversification of risks, while also imposing new goals and tasks for consolidating our position as a Group with a global presence. To that end, we are dedicated to developing a policy that incorporates best practices, based on the experience of international companies and the individual characteristics of all our companies.

**FOR MANY YEARS NOW, WE HAVE BEEN
WORKING TO DEVELOP A CULTURE OF
INNOVATION,**
WHICH UNDERPINS THE
INTERNATIONALIZATION PROCESS THAT WE ARE
SUCCESSFULLY IMPLEMENTING THROUGH OUR
SUBSIDIARIES.





US\$
2.19
billion

IN THIS CONTRACTING SCENARIO, THE CONSOLIDATED
INCOME OF SIGDO KOPPERS WAS US\$2.19 BILLION.

Here again, our Corporate Sustainability Policy is central. This policy requires us to establish a corporate governance framework that promotes ethical and transparent behavior throughout the organization; to build solid relationships with our strategic partners; to foster value creation for our clients; to pursue business development that considers social and environmental issues; and, of course, to ensure the well-being of our team, working to strengthen their skills and abilities.

In line with this policy, 2016 was the first year of operation of the Chile Dual Educational Foundation, which uses a model of excellence to effectively link businesses with technical schools. We decided to support this initiative as a Group not only based on its potential aspect, but because it furthers the social contribution objectives that we have established for our business.

This and other initiatives—especially in the area of community, staff, environmental, and corporate relations—have brought the company international recognition. Since 2015, Sigdo Koppers has been included in the Dow Jones Sustainability Index Chile, which encompasses 21 companies from the Santiago Stock Exchange's IGPA Index (Índice General de Precios de Acciones). This year, Enaex was added to the index, the first of its kind headquartered in Chile. The indicator uses a “best-in-class” methodology, developed by S&P Dow Jones Indices (S&P DJI), to choose the most sustainable companies in their respective industries and combine them into a single index, in order to provide the market with better information for investment decisionmaking.

As a Group, our long-term strategy is to position ourselves as a strategic international supplier for our mining and industrial clients. We will continue to deepen our efforts to provide new and better value-added solutions, with the quality and excellence for which we are known.

At the same time, we remain alert to the opportunities that may arise. All of our companies, activities, and businesses reflect a real commitment to supporting the development of the many markets in which we operate.

Finally, I want to thank our shareholders, directors, executives, and all the employees of the different Sigdo Koppers companies, who are the driving force behind our development. I also want to thank our clients, suppliers, and financial institutions, for their confidence in our company.

JUAN EDUARDO ERRÁZURIZ OSSA
Chairman of the Board
Sigdo Koppers S.A.



THE COMPANY AT A GLANCE



Chapter / 1

MISSION

To be a comprehensive supplier group and a leader in services and products for the mining and industrial sectors, providing our clients with the highest quality and generating value for our shareholders and development opportunities for our staff.

VISION

To grow profitably, continuously, and sustainably, consolidating our development in the different industries and markets in which we participate and identifying new investment opportunities in line with our long-term vision.

[THE COMPANY AT A GLANCE]

SIGDO KOPPERS S.A. IS A CORPORATE GROUP OF CHILEAN ORIGIN, WITH A LONG-TERM VISION IN THE DEVELOPMENT OF ITS BUSINESSES AND A RECOGNIZED TRAJECTORY OF INNOVATION AND LEADERSHIP. THE GROUP PARTICIPATES IN THE SECTORS OF ENGINEERING AND CONSTRUCTION, PORT, RAILWAY TRANSPORT, ROCK FRAGMENTATION, MILLING BALL PRODUCTION, REPRESENTATION, DISTRIBUTION AND RENTAL OF MACHINERY, AND MARKET OF VEHICLES OF PRESTIGIOUS BRANDS.

Since 1960, the company has achieved sustained growth in business volume thanks to the ability to identify new investment opportunities within its industrial, technological, and commercial competencies.

The Group currently has operations in North America, South America, Europe, and Asia.

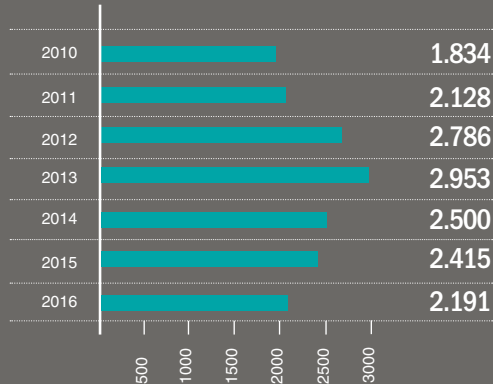


THREE-PRONGED APPROACH

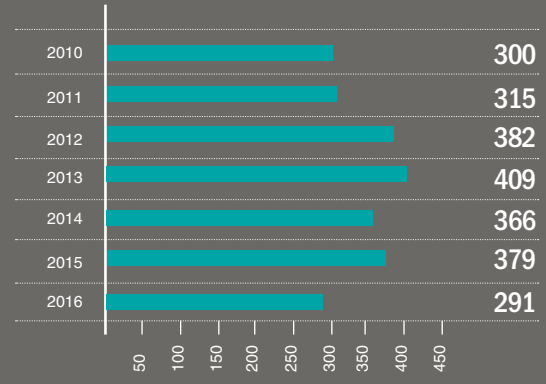
/ financial performance

7 companies in the group implemented innovation programs in 2016.

CONSOLIDATED SALES



CONSOLIDATED EBITDA



/ social performance

10,383

permanent employees and
3,412 employees with
project contracts.

244

students participated
in programs
implemented by the
Chile Dual Educational
Foundation in 2016.

The Sigdo
Koppers Group
developed a
Code of Ethics
and Conduct for
its suppliers.

US\$2.9 million

invested in training

/ environmental performance

6 of the Group's 8
main subsidiaries
measure their
emissions.



In 2016 the
Group made
environmental
investments of
US\$4.7 million.



DEFINITION OF AN ENVIRONMENTAL
APPROACH

85%

of the Group's companies and
subsidiaries have defined their
environmental approach.



IDENTIFICATION OF ENVIRONMENTAL
RISKS

53%

of Sigdo Koppers companies
and subsidiaries have identified
their environmental risks.

[BUSINESS AREAS]

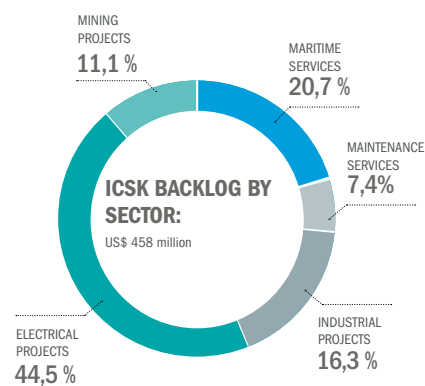


**INGENIERIA Y CONSTRUCCION
SIGDO KOPPERS**

INDUSTRIAL CONSTRUCTION AND LARGE-SCALE ASSEMBLY

Founded in 1960, Ingeniería y Construcción Sigdo Koppers S.A. (ICSK) specializes in integrated industrial construction, with services encompassing engineering, civil works, electromechanical assembly, training, and national and international supply, including transport to the work site and installation.

The company has direct operations in Chile, Peru, and Brazil and operates in a range of productive sectors, including mining, power generation and transmission, industrial construction, and civil, maritime, and infrastructure works.



Subsidiaries:



SK ECOLOGIA
Una Empresa Sigdo Koppers

SK SI
SK INDUSTRIAL S.A.



SKCOMSA
Una empresa Sigdo Koppers

DESSAU

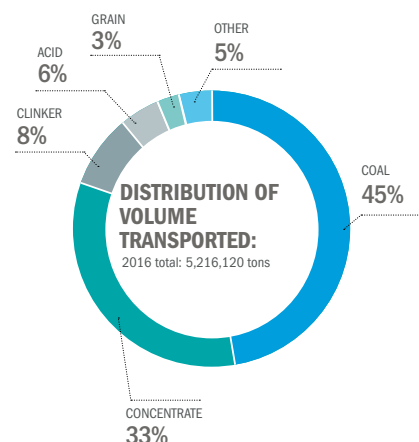


LARGEST DRY BULK PORT IN THE CENTRAL REGION OF THE COUNTRY

Situated in Quintero Bay, Puerto Ventanas S.A. enjoys a favorable geographic location due to the proximity of the industrial developments in central Chile and Mendoza, Argentina.

The port has four mooring sites that can receive ships of up to 70,000 tons. The facilities are completely mechanized, with a loading and unloading capacity of over 20,000 tons a day. Moreover, the port is completely free of siltation problems, has ample warehouses and stacking yards, and provides integrated land transport services through its rail subsidiary, Ferrocarril del Pacífico S.A. (Fepasa).

Subsidiaries:



A TECHNOLOGY FIRM ORIENTED TOWARD DEVELOPING INDUSTRY SOLUTIONS

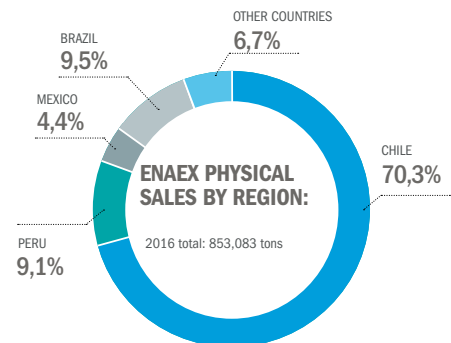
SK Godelius S.A. is an engineering and knowledge firm that provides a range of services with a focus on designing, implementing, and managing solutions in the vertical market for the mining and industrial sectors. The company's central activities include a range of remote operations, including heavy machinery, vehicles, robots, and complex processes. The projects developed by SK Godelius are intensive in the use of new technologies, such as robotics, artificial intelligence, mechatronics, automation, and telecommunications.



MAIN SUPPLIER OF AMMONIUM NITRATE, EXPLOSIVES, AND ROCK FRAGMENTATION SERVICES IN LATIN AMERICA

Enaex S.A. has direct operations in Chile, Peru, Colombia, Brazil, and France, the latter countries through Britanite and Davey Bickford. Its products are sold in over 40 countries. The company is vertically integrated in the production of its most important raw materials, which ensures a reliable, high-quality supply. In addition, the company handles almost the entire rock fragmentation value chain, from the production of materials used in the manufacture of explosives through blasting, for which it employs expert personnel and state-of-the-art technology.

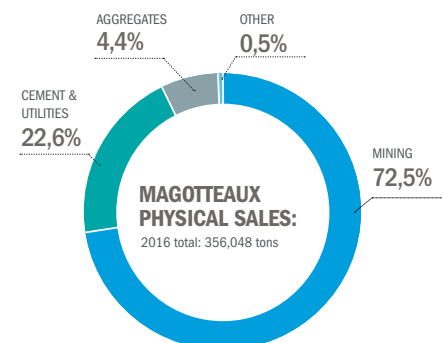
Subsidiaries:



DEVELOPMENT, PRODUCTION AND SALE OF GRINDING MEDIA AND WEAR PARTS

Magotteaux Group S.A. is a Belgian company that was acquired by Sigdo Koppers in 2011. The company's plants produce high-chrome grinding balls (capacity: 320,000 tons a year), low-chrome and forged steel balls (capacity: 104,000 tons a year), and casting parts (capacity: 66,000 tons a year) used in milling processes in the mining, cement, thermal power generation, quarrying, recycling, and dredging industries.

This global company has 19 plants, mainly located in Belgium, Brazil, the United States, Canada, and Thailand, as well as 28 sales offices and research centers for product development and process optimization.



COMPAÑÍA DE HIDRÓGENO DEL BÍO BÍO

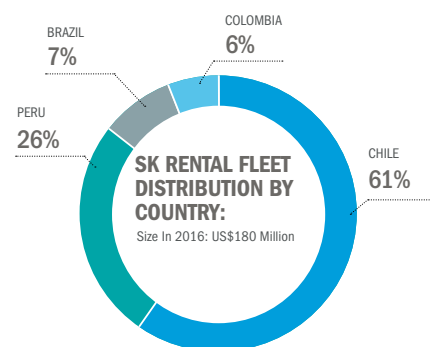
A HIGH-PURITY HYDROGEN PRODUCTION PLANT

The Compañía de Hidrógeno Bío Bío S.A. (CHBB) is the proprietor of a high-purity hydrogen production plant, which exclusively supplies the Bio-Bio Refinery of the Empresa Nacional del Petróleo (ENAP), located in Hualpén in Chile's VIII Region. This build-operate-transfer (BOT) project represents the coalescence of Sigdo Koppers's capacities in terms of the detection of new business opportunities, association with leading firms, and the integrated execution of industrial projects, from the planning, investment, and financial management through the civil engineering, construction, and start-up, through its subsidiary SK Ingeniería y Construcción.



MACHINERY AND EQUIPMENT SALES AND RENTAL COMPANY

SK Comercial S.A. (SKC) and its subsidiaries provide machinery and equipment rentals and sales, supply sales, and technical service for a wide range of world-leading brands. With a presence in Chile, Peru, Brazil, and Colombia, SKC conducts its business activities in the main productive sectors of the economy, including mining, construction, agriculture, forestry, and land and air transport.

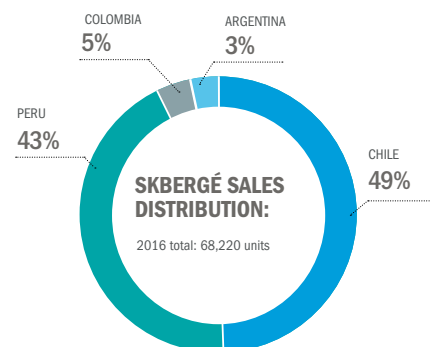


Subsidiaries:

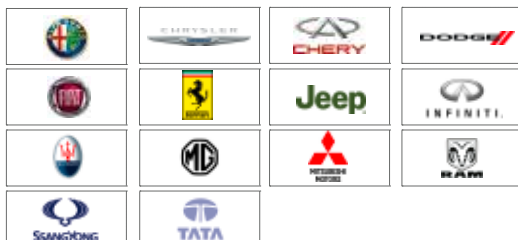


A LEADER IN THE LATIN AMERICAN AUTOMOTIVE MARKET

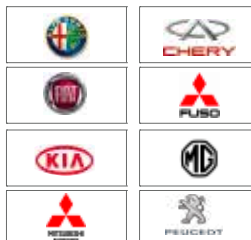
SKBergé S.A. is one of the main automotive distributors in Latin America, with a presence in Chile, Peru, Argentina, and Colombia. The company has a number of premium brand franchises, maintains an extensive dealer network, supplies related parts, and provides technical service. Sigdo Koppers S.A. participates in SKBergé through its subsidiary SK Inversiones Automotrices S.A. (SKIA), which controls 40% of the shares of SKBergé S.A.



BRANDS CHILE



BRANDS PERU



BRANDS ARGENTINA



BRANDS COLOMBIA



[INTERNATIONAL PRESENCE]





PRODUCTION PLANTS AND DIRECT OPERATIONS

[HISTORY]

IN 1960 THE CHILEAN FIRM INGENIEROS ASOCIADOS SIGMA DONOSO JOINED KOPPERS CO. OF PITTSBURGH, UNITED STATES, TO FORM INGENIERÍA Y CONSTRUCCIÓN SIGDO KOPPERS S.A., GIVING RISE TO WHAT TODAY IS SIGDO KOPPERS.

1960

1974

A group of professionals within Ingeniería y Construcción Sigdo Koppers gained control of the company by buying shares. They launched a growth process through the opening of new business lines and the creation of companies, becoming one of the largest industrial conglomerates in Chile.

1975

Creation of S.K. Comercial S.A. for the sale and marketing of industrial and agricultural machinery and heavy-duty vehicles.

1986

Entry into the automobile distribution business, with the creation of Comercial Itala S.A.

Acquisition of Empresa Eléctrica Emec S.A., an electricity distribution company that would later take over Transnet S.A. in Chile and Energía San Juan S.A. in Argentina.

1987

Acquisition of a controlling share of CTI Compañía Tecno Industrial S.A. and Somela S.A.

1990

Sigdo Koppers bought into Enaex S.A.

Creation of SK Ecología S.A., environmental solutions.

Purchase of Frimetal S.A., an Argentine appliance company.

1993

Takeover of Enaex, after acquiring a majority share.

Expansion of Enaex into Peru, with the creation of a subsidiary in that country.

1997

Start-up of production of high-tech plastic films, through the subsidiary Sigdopack S.A.

Launch of the expansion project for the Enaex ammonium nitrate plant, to reach a production capacity of 450,000 tons.

1998

Entry into the machinery leasing business, through SKC Rental S.A.

Expansion of Ingeniería y Construcción Sigdo Koppers into Peru, through the creation of SSK Montajes e Instalaciones S.A.C.

1999

Sale of the electric company Empresa Eléctrica EMEC to Compañía General de Electricidad S.A. (CGE).

2001

Affiliation with the Spanish group Bergé in order to expand business in automobile representation and sales.

Acquisition of a controlling share of Puerto Ventanas S.A.

2003

Takeover of Ferrocarriles del Pacífico S.A., through Puerto Ventanas S.A.

2005

Sigdo Koppers was established as the parent company of the Group.

Initial public offering of Sigdo Koppers S.A.

Start-up of operations of Compañía de Hidrógeno del Bío Bío S.A. (CHBB), a high-purity hydrogen producer.

SK Comercial began distributing Volvo machinery in Argentina.

Entry into large-scale construction, through Constructora Logro S.A.



2016

2006

Creation of SKC Rental in Peru.

SKBergé S.A. began the brand representation and sale of Kia automobiles in Peru and Argentina.

Creation of SK Industrial S.A., subsidiary of Ingeniería y Construcción Sigdo Koppers.

Sigdo Koppers signed the United Nations Global Compact.

2007

SKBergé gained the brand representation and distribution of Chery automobiles.

2008

Santander Consumer Chile, a partnership between SKBergé and Santander Consumer Finance, initiated operations for financing purchases in the automotive sector.

2009

Enaex received carbon credits from the United Nations (UN).

Sigdo Koppers placed its first corporate bond issue in Chile, for UF 3,000,000.

2010

SKBergé entered the Colombian market to represent the brands in the Chrysler group.

Enaex implemented the expansion of its Prillex América plant, increasing production to 800,000 tons.

SKC Rental started operations in Brazil.

2011

Sale of all shares of CTI Compañía Tecno Industrial to Electrolux.

Acquisition of the Belgian-based corporation Magotteaux S.A.

Ingeniería y Construcción Sigdo Koppers S.A. acquired a majority share of Construcciones y Montajes COM S.A.

2012

Sigdo Koppers concluded a capital increase through the issue of 275,000,000 new shares (US\$453 million).

Start-up of operations of SKC Transporte S.A., representative of Kenworth and DAF trucks.

Sigdo Koppers issued a corporate bond in Chile for UF 2,000,000.

Inauguration of the Sigdo Koppers Technical Training Center in Talcahuano.

2013

SKC Rental initiated operations in Colombia.

Sigdo Koppers sold its subsidiaries Sigdopack S.A. and Sigdopack Argentina S.A. to Oben Holding Group.

2014

Entry of Enaex into Peru, through the purchase of the explosives company Chemtrade S.A.C.

Sigdo Koppers obtained certification of its Crime Prevention Systems by BH Compliance.

2015

Enaex S.A. acquired 90.82% of the French company Davey Bickford S.A.S.

Sigdo Koppers S.A. created the Chile Dual Educational Foundation, to support technical education in the country.

Sigdo Koppers S.A. was added to the Dow Jones Sustainability™ Chile Index.

Enaex S.A. acquired control of Britanite through the purchase of 100% of the company's shares.

2016

Ingeniería y Construcción Sigdo Koppers S.A. (ICSK) acquired the company Dessau Chile Ingeniería, to increase its capacity to execute engineering, procurement, and construction (EPC) projects.

Puerto Ventanas S.A. inaugurated its new "La Greda" dry bulk storage facility, with a storage capacity of 46,000 tons.

ICSK started up operations in Brazil, through a partnership with the local firm Alumini, for the execution of power transmission projects.

SKBergé S.A. added Peugeot to its operations in Colombia.



CORPORATE GOVERNANCE

Chapter / 2



[VALUES]





Respect for life

We prioritize health, safety, and the quality of life. We aim to achieve sustainable growth by caring for the environment and promoting the well-being of related communities.

Integrity

We behave ethically, fairly, and responsibly with our stakeholders.

Client focus

We build long-term relationships of trust with our clients.

Excellence

We provide high-quality products and services, and we push ourselves to innovate and to find the best solutions.

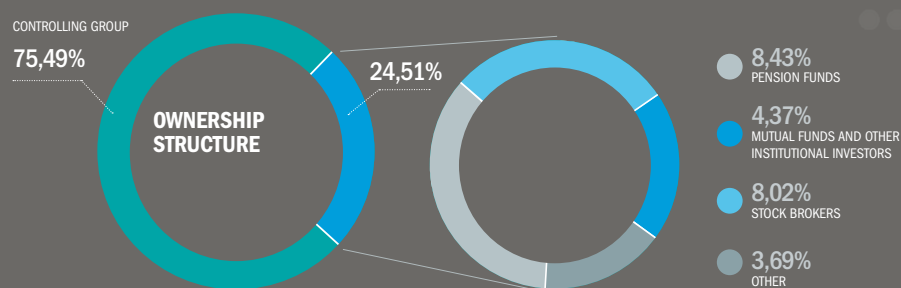
[BOARD OF DIRECTORS]

THE CORPORATE GOVERNANCE OF THE SIGDO KOPPERS GROUP AIMS TO ENSURE THE SUSTAINABILITY OF THE ORGANIZATION, GENERATING VALUE FOR ITS SHAREHOLDERS AND STAKEHOLDERS.

THE COMPANY'S CORPORATE GOVERNANCE PRACTICES PROMOTE TRANSPARENCY AND MARKET EFFICIENCY; VERIFY COMPLIANCE WITH ALL LEGAL REGULATIONS; PROTECT THE RIGHTS OF SHAREHOLDERS; GUARANTEE TIMELY ACCESS TO RELEVANT INFORMATION; AND ENSURE THAT STRATEGIC AND FINANCIAL DECISIONS ARE BASED ON A LONG-TERM VISION.

DIRECTORS COMMITTEE

Sigdo Koppers has a Directors Committee, whose functions include examining the external auditors' reports and the company's financial statements; proposing external auditors and credit rating agencies to the board of directors; reviewing operations governed by Title XVI of Chilean Law N° 18,046; and preparing a report on these operations. The Directors Committee also examines the remuneration systems and compensation plans of the managers, upper executives, and employees of the corporation; prepares an annual report on their activities; and advises the Board of Directors on whether or not to contract an auditing firm for services that are not performed by the external auditors.





1 / JUAN EDUARDO ERRÁZURIZ OSSA
Chairman of the Board and Executive President

4.108.103-1
Civil Engineer
Universidad Católica de Chile

4 / JUAN ANDRÉS FONTAINE TALAVERA
Board Member

6.068.568-1
Business Administration
Universidad Católica de Chile

2 / NAOSHI MATSUMOTO TAKAHASHI*
Vice President

3.805.153-9
Business Administration
Universidad Católica de Chile

5 / CANIO CORBO LIOI*
Independent Board Member

3.712.353-6
Civil Industrial Engineer
Universidad Católica de Chile

3 / HORACIO PAVEZ ARO
Board Member

9.737.844-4
Civil Engineer
Universidad de Chile

6 / JAIME VARGAS SERRANO*
Board Member

7.035.696-1
Business Administration
Woodbury University California,
USA

7 / NORMAN HANSEN ROSÉS
Board Member

3.185.849-6
Civil Engineer
Universidad Católica de Chile

* Members of the Directors Committee

[MANAGEMENT]



1 JUAN EDUARDO ERRÁZURIZ OSSA
Executive President
Sigdo Koppers S.A.

4.108.103-1
Civil Engineer
Universidad Católica de Chile

2 JUAN PABLO ABOITIZ DOMÍNGUEZ
General Manager
Sigdo Koppers S.A.

7.510.347-6
Civil Industrial Mechanical Engineer
Universidad Católica de Chile MBA,
Universidad Católica de Chile

3 GONZALO CAVADA CHARLES
Chief Financial Officer
Sigdo Koppers S.A.

10.773.694-8
Civil Engineer
Universidad Católica de Chile
MBA, Cambridge University, U.K.

4 ALEJANDRO REYES PIZARRO
Comptroller
Sigdo Koppers S.A.

8.386.498-2
Commercial Engineer
Universidad de Santiago
MA in Tax Planning and Management
Universidad de Santiago
MA in Business Law
Universidad Adolfo Ibañez

[EXECUTIVES OF SUBSIDIARIES AND AFFILIATES]



1 SANDRO TAVONATTI POLLI
General Manager
Ingeniería y Construcción Sigdo Koppers S.A.
10.203.296-9
Civil Structural Engineer
Universidad de Chile

2 JORGE OYARCE SANTIBAÑEZ
General Manager
Puerto Ventanas S.A.
8.255.558-7
Transport Execution Engineer
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MBA, Federico Santa María University

3 JUAN ANDRÉS ERRÁZURIZ DOMÍNGUEZ
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Universidad Católica de Chile

4 FERNANDO BRACCO NAHSON
General Manager
SK Godelius S.A.
21.712.347-K
Industrial Mechanical Engineer
University of the Republic of Uruguay

5 SÉBASTIEN DOSSOGNE
General Manager
Magotteaux Group S.A.
Civil Electromechanical Engineer
University of Liège

6 FRANCISCO JAVIER ERRÁZURIZ DOMÍNGUEZ
General Manager
SK Comercial S.A.
9.090.852-9
Commercial Engineer
Universidad Católica de Chile

7 RAFAEL SAINZ
General Manager
SKBergé S.A.
25.457.710-3
Bachelor of Law
Complutense University of Madrid

* In 2016, Cristián Brinck Mizón and Francisco Errázuriz Domínguez acted as the general managers of Ingeniería y Construcción Sigdo Koppers and SKBergé, respectively.

SIGDO KOPPERS ASPIRES TO MAINTAIN A WORK ENVIRONMENT AND BUSINESS PRACTICES IN LINE WITH ITS BUSINESS PRINCIPLES AND ETHICAL GUIDELINES. **COMPLIANCE WITH THIS OBJECTIVE BOTH AT OUR HEADQUARTERS AND IN OUR SUBSIDIARIES IS MONITORED THROUGH CORPORATE GOVERNANCE AND SPECIFIC INSTRUMENTS.**





THE GROUP HAS CERTIFICATION FROM BH COMPLIANCE FOR ITS CRIME PREVENTION SYSTEM, CORPORATE GOVERNANCE STANDARDS, SOCIAL RESPONSIBILITY, AND SUSTAINABLE DEVELOPMENT.



[MANAGEMENT TOOLS]

/1

CORPORATE CODE OF ETHICS

In late 2016, Sigdo Koppers S.A. presented its new Corporate Code of Ethics, which sets forth the values, principles, and standards of conduct that the company has defined as fundamental and which provide the basis for future business development. The new code updated the guidelines governing the company and all its collaborators in terms of their relationships with stakeholders and their behavior under all circumstances.

The code is based on the ethical and business practices that Sigdo Koppers has fostered in its subsidiaries through its corporate governance. These include the search for excellence, integrity, commitment, teamwork, perseverance, consistency, respect, honesty, and responsibility. These essential principles must be present in all the Group's activities.

These internal guidelines commit the company and all its employees to demonstrate ethical behavior and conduct in their labor relations, operations, sales, the protection of confidential information, conflicts of interest, health, safety, the environment, and anti-corruption, in all the companies in the Group. The updated code was issued to the Group's entire staff.



/2

CRIME PREVENTION MODEL

As part of its corporate governance practices, Sigdo Koppers enforces strict standards of compliance with Law N° 20.393 on the prevention of crime and corruption, throughout its operations.

The company and its subsidiaries are opposed to all forms of corruption, including extortion, bribery, graft, money laundering, and concealment. The most recent crime prevention policy was diffused to employees of the different subsidiaries through 34 special training workshops, which were attended by 964 people. Sigdo Koppers does not tolerate business practices that seek to gain an advantage through the use of illegal or improper means.

No employee and/or consultant is authorized to undertake activities that could compromise the organization, either in fact or in appearance, through corrupt actions.

Sigdo Koppers and its subsidiaries disseminate their business ethics, anti-corruption, and crime prevention policies through talks, training workshops, the corporate web page, and internal publications.



/3

FAIR COMPETITION

The corporate governance principles of Sigdo Koppers S.A. and its subsidiaries promote and respect fair competition, a fundamental value governing all our areas of business.

Client relationships must be based on free market competitive practices. The Code of Ethics clearly establishes the guidelines that must govern these relationships and all related conduct, which must never sacrifice the integrity of the projects under development by the company or any of its subsidiaries. It is expressly prohibited for board members, executives, or any other staff member to undertake any type of spoken or written agreement with competitors, clients, or suppliers that hinders free and fair trade.

All employees must consult with the legal representative for their business area prior to preparing and signing agreements and contracts or undertaking any actions that could infringe on the laws or regulations governing trade and competition.

In 2016, fair trade workshops were held for the general managers of all the companies in the Group.



SIGDO KOPPERS PROFILE

Chapter / 3



THE SIGDO KOPPERS BUSINESS MODEL SEEKS TO PROVIDE COMPREHENSIVE SOLUTIONS FOR OUR CLIENTS, COMPLEMENTING THE CAPABILITIES OF THE DIFFERENT COMPANIES IN THE GROUP.

KEY PARTNERS

Mining, electricity, forestry, infrastructure, and industrial companies

Automobile and machinery manufacturers

Raw material and key input suppliers

Technology developers

Shareholders

Regulatory agencies

Trade unions

Financial institutions

KEY ACTIVITIES

Sales and marketing of services and products for mining and industry

Development of infrastructure and industrial projects

Automobile and machinery sales

Research and development

Logistics

KEY RESOURCES

Qualified human resources

Production plants

Brand reputation

Sales representation

COST STRUCTURE

Human resources

Inputs (NH₃, FeCr, scrap metal)

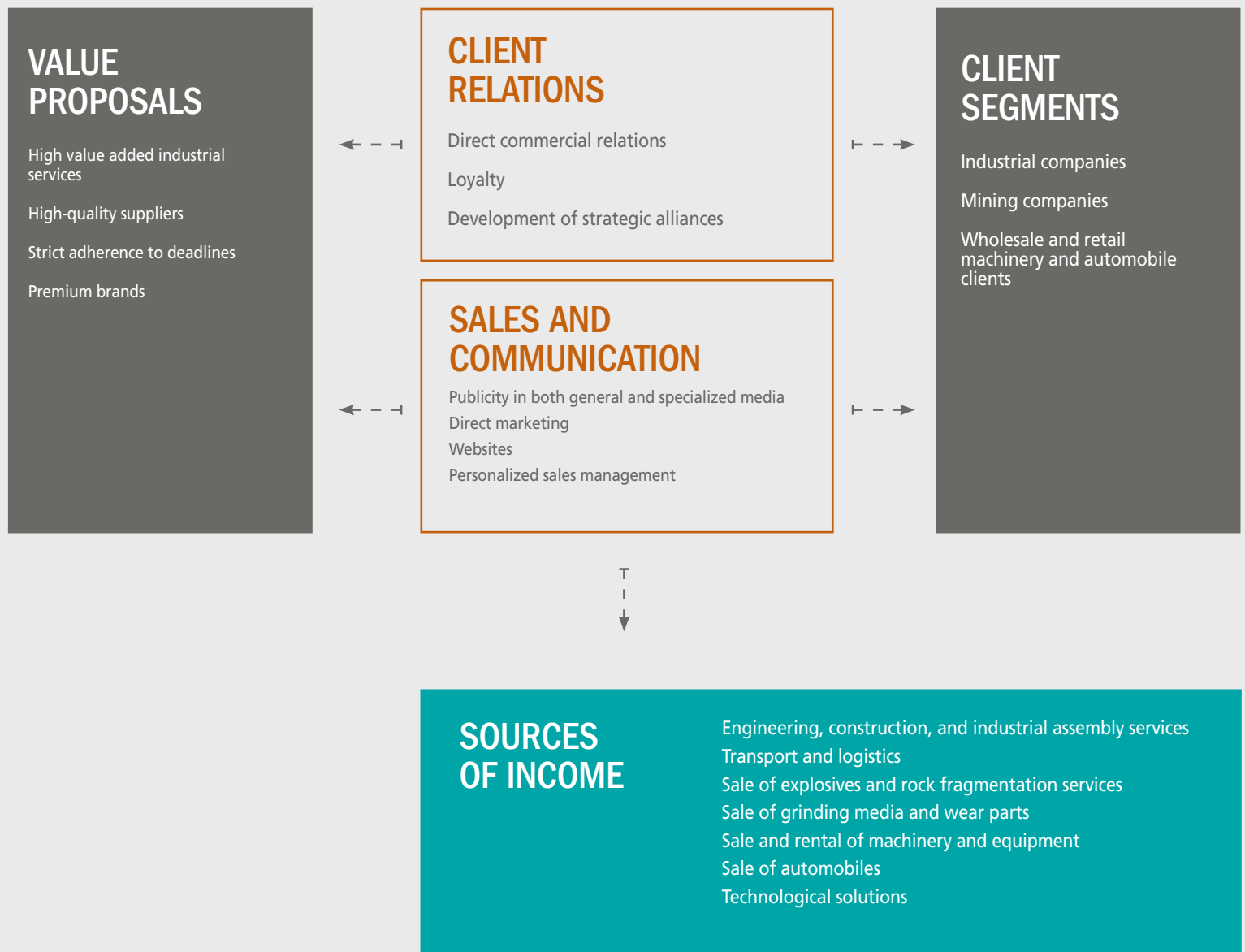
Cost of logistics

Energy

Depreciation of infrastructure

[BUSINESS MODEL]

The Group is focused on the industrial sector, where its experience and installed capacity are instrumental for producing high value added products and services.



mining and industrial value chain

SIGDO KOPPERS AIMS TO BE A STRATEGIC PARTNER FOR THE LARGE INDUSTRIAL COMPANIES, PROVIDING COMPLEX SOLUTIONS AND HIGH VALUE ADDED IN THE MAIN PHASES OF THE MINING VALUE CHAIN.



DEVELOPMENT



OPERATION



Sigdo Koppers is involved in the development of key industrial investment projects through Ingenieria y Construcción Sigdo Koppers (ICSK).

**INGENIERÍA Y CONSTRUCCIÓN
SIGDO KOPPERS S.A.**

ICSK provides engineering, construction, and large-scale assembly services to the mining sector, power generation and transmission companies, industrial projects, and civil, maritime, and infrastructure works.



Through Enaex, SKC, and SKBergé, Sigdo Koppers provides solutions for the main phases of mining and industrial operations.



ENAEX S.A.

Enaex is the main supplier of explosive-grade ammonium nitrate in the region and a leader in rock fragmentation services and the development and sale of high-value-added explosives.



SK COMERCIAL S.A.

SK Comercial imports, distributes, and leases machinery and equipment for the mining and industrial sectors and is also present in the agricultural and passenger transport sectors.

SKBERGÉ S.A.

SKBergé is one of the main suppliers of commercial vehicles for mining, industrial, and service companies.

[CORPORATE STRATEGY]

The development strategy of Sigdo Koppers aims to consolidate the company's position as a leading supplier of services and products for the mining and industrial sectors. The company analyzes each of its investment opportunities based on this objective, taking a long-term perspective.

PROCESS

LOGISTICS



Through Magotteaux and SK Godelius, Sigdo Koppers provides solutions for the optimization of the main material processing stages of mining and industrial operations.



MAGOTTEAUX GROUP S.A.

Magotteaux manufactures and sells high value added casting wear parts and grinding media, used by large-scale mining and other industries such as cement, power stations, and dredging.

SK GODELIUS S.A.

SK Godelius develops technologies that optimize clients' operational processes. In particular, the company creates, installs, and operates remote systems and machinery and process automation.



Sigdo Koppers provides logistics and load transfer services for the mining, forestry, industrial, and electric sectors, through Puerto Ventanas (PVSA) and Fepasa.



PUERTO VENTANAS S.A.

PVSA is the main dry bulk port in the central region of Chile, providing load transfer and storage services.

In addition, subsidiary Fepasa S.A., provides logistics and load transfer services by railways and trucks.

[OPPORTUNITIES AND RISKS]

ONE OF THE STRENGTHS OF SIGDO KOPPERS AND OUR EXECUTIVES IS THE ABILITY TO CORRECTLY ASSESS THE MARKET,

IDENTIFYING POTENTIAL

OPPORTUNITIES AND RISKS FOR

THE COMPANY'S DIFFERENT

BUSINESS AREAS, WHICH

SUPPORTS ADAPTATION TO

CHANGING SCENARIOS.





/opportunities

INTERNATIONALIZATION OF THE BUSINESS AREAS

Sigdo Koppers is committed to the internationalization of our activities, as evidence by the entry into new markets and the strengthening of our position in countries where we have operations. The company is constantly analyzing overseas investment opportunities, deriving from favorable situations or the achievement of synergies between companies, to foster the development of business areas that are not yet internationalized.

DEVELOPMENT OF SYNERGIES

The opportunity to develop synergies among our companies is one of the main competitive advantages of Sigdo Koppers, since it allows the company to offer more comprehensive solutions for our clients. The achievement of synergies can also lead to greater cost efficiency and a better use of resources.

INNOVATION AND DEVELOPMENT

The application of innovation to different processes all across the value chain allows our subsidiaries to offer new and better services to all their clients. The development of new processes, products, and services translates into increased competitiveness for the companies.

STAKEHOLDERS' CONFIDENCE

The Group's close relationship with our main stakeholders allows us to develop business sustainability independent of the current market scenario. In the face of potential market contractions, stakeholders' confidence in Sigdo Koppers makes it possible to continue developing the different business areas, while also appropriately addressing external contingencies.

BUSINESS EFFICIENCY

The Group views market slowdowns as an opportunity to improve our processes through internal evaluations aimed at increasing efficiency. The company's environmental, social, and financial performance are strengthened by this policy.

/risks

The operational risk factors facing the Sigdo Koppers Group must be analyzed as a function of the different industries in which we operate.



CONSTRUCTION AND ASSEMBLY INDUSTRY: Ingeniería y Construcción Sigdo Koppers S.A. (ICSK)

- Dependence on economic cycles. The execution of large industrial investment projects is strongly tied to the economic cycle in the countries where ICSK has operations.
- **Price volatility of the inputs for the different projects in which the company is involved.** To mitigate this problem, which could result in losing tenders due to higher costs, the company negotiates commercial agreements with its main suppliers, which translates into an economic advantage for the projects in question and a better utilization of resources.

PORT AND TRANSPORT BUSINESS: Puerto Ventanas S.A. and Ferrocarril de Pacífico (Fepasa)

- **Lower shipments due to the drop in economic activity in the country.** . The operation of this business is mainly based on long-term contracts, mostly in dollars, which mitigates this risk.
- **Availability of railways.** This risk is mitigated through contractual clauses in the contracts between Fepasa and the state railway company (Empresa de Ferrocarriles del Estado, EFE) to ensure adequate railway maintenance.
- **Competition in land transport from trucks.** Fepasa has a number of competitive advantages, including the capacity to transport large volumes of cargo, greater energy efficiency, and lower environmental pollution. It also has a truck transport division, which extends service coverage.



INDUSTRIAL AREA

INDUSTRIAL EXPLOSIVES SUPPLY AND ROCK FRAGMENTATION SERVICES: Enaex S.A.

- **Impact of mining sector activity.** This business area is influenced by the level of activity in the Chilean mining industry, where large-scale mining directly and indirectly accounts for about 90% of sales.
- **Sales related to the investment cycle.** Growth in the use of explosives is related to the expansion of existing mines and the opening of new mines, which require fragmenting larger volumes of rock to maintain the production level. For civil works, rock fragmentation services and explosives supply are determined by investment in infrastructure, such as hydroelectric power stations, dams, tunnels, oil drilling, and roads.
- **Variability of the international price of ammonia.** The ammonia price is sensitive to oil and natural gas prices. Cost fluctuations are passed through to sales contracts with a lag, through indexation formulas.

STEEL WEAR PARTS INDUSTRY: Magotteaux Group S.A.

- **Price fluctuations in the key raw materials used in production.** To manage this risk, the company tries to maintain the lowest exposure possible to its main inputs, by aligning demand with the production schedule so as to keep inventories low.
- **Sensitivity of the company's income to the main industries where the products are sold.** The company's main markets are the mining and cement industries. This risk is mitigated by diversifying the markets in which the company operates.

COMMERCIAL AND AUTOMOTIVE AREA

MACHINERY SALES AND RENTALS INDUSTRY: SK Comercial S.A.

- **Dependence on capital goods investment.** The company has established a brand and product diversification strategy, selling machinery and equipment in a range of industries.
- **Dependence on the output level in client industries.** To minimize this risk, the company has built a diversified client portfolio, which constitutes an operational hedge against downturns in specific sectors of the economy.

AUTOMOTIVE INDUSTRY: SKBergé S.A.

- **Dependence on consumers' income level and access to financing.** This, in turn, depends on the dynamism of the economies in which SKBergé operates. To minimize this risk, the company has built operations in Chile, Argentina, Peru, and Colombia, pursuing a multi-brand strategy to reach different client segments.
- **Exposure to exchange rate fluctuations of the currencies of car-manufacturing countries.** To further reduce this risk, the company implements an active hedging strategy using currency forwards.



TRHEE- PRONGED STRATEGY



Chapter / 4





[SUSTAINABILITY POLICY]

THE SUSTAINABILITY POLICY DEFINED BY SIGDO KOPPERS, IN LINE WITH THE COMPANY'S VALUES, PROVIDES GUIDELINES FOR THE SUSTAINABLE DEVELOPMENT OF THE DIFFERENT BUSINESS AREAS AND TAKES INTO ACCOUNT ALL OF OUR KEY STAKEHOLDERS.

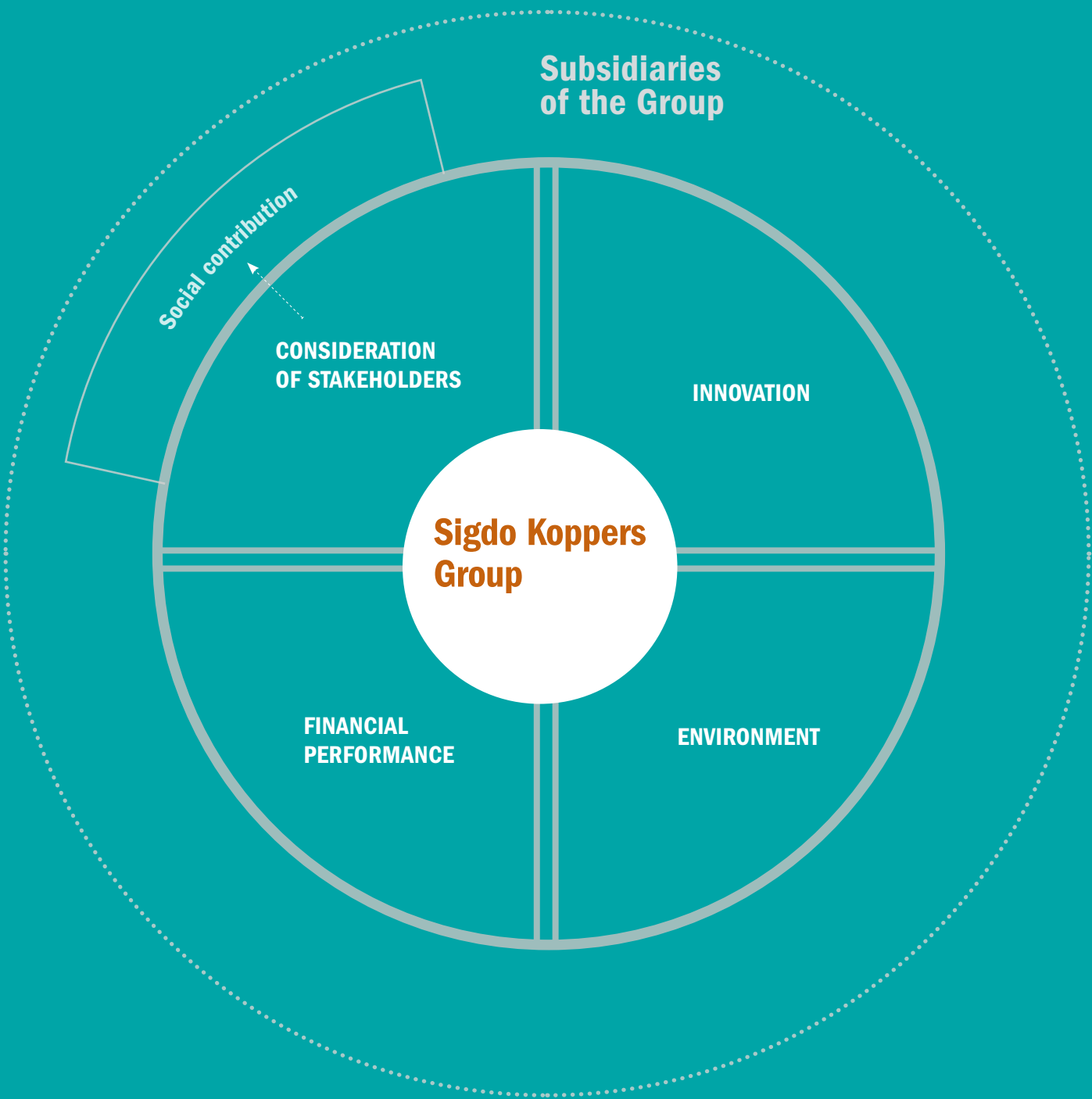
These guidelines are expected to be followed by all our employees, regardless of their position in the organization or the location where the company provides its services.



THE POLICY FRAMEWORK ESTABLISHES GUIDELINES FOR EACH OF THE GROUP'S SUBSIDIARIES TO SET GOALS AND CARRY OUT ACTION PLANS ASSOCIATED WITH THEIR BUSINESS, BASED ON A STRATEGY THAT HAS SUSTAINABILITY AT ITS CORE.

The sustainability policy is made up of four management guidelines:

- Innovation
- Environment
- Financial performance
- Consideration of stakeholders – Social contribution





/1 INNOVATION

The Group and its subsidiaries is constantly seeking solutions to reinforce our competitive position, improve operational safety, and increase sustainability, through the implementation of new practices and technologies in production and management. We also promote innovations that could reduce any potential environmental impacts.

/2 ENVIRONMENT

The Group promotes environmental responsibility in all our business areas. We aim to establish management mechanisms that ensure the systematic identification and control of environmental impacts, incorporating innovative practices and new technologies to improve processes and achieve continuous progress in this area.

/3 FINANCIAL PERFORMANCE

In pursuing responsible returns and value creation for shareholders and society, the goal is to provide the best service, which implies achieving process efficiency, controlling costs, improving profitability, implementing risk and crisis management, and always meeting the specific needs of our clients.

/4 CONSIDERATION OF STAKEHOLDERS

To implement the company's three-pronged approach, Sigdo Koppers has identified groups of stakeholders for each business area based on their impact on decisionmaking in the organization. These groups are as follows:

- Employees
- Investors and shareholders
- Suppliers
- Authorities and regulators
- Communities

Social contribution

SIGDO KOPPERS S.A. VIEWS EDUCATION AS A KEY FACTOR FOR SOCIAL PROGRESS AND ECONOMIC DEVELOPMENT. THE COMPANY HAS THEREFORE CHOSEN TO FOCUS ITS SOCIAL CONTRIBUTION ON THE IMPLEMENTATION OF TECHNICAL DUAL EDUCATION PROGRAMS.

Social contribution is a sub-category of the consideration of stakeholders, since it encompasses joint work carried out by the Group for its employees and communities.

[STAKEHOLDERS]



STAKEHOLDERS IN SIGDO KOPPERS GROUP

• Employees

The upper management of the subsidiaries has direct contact with Sigdo Koppers S.A. (parent company), and decisions are made jointly for generating value for the subsidiaries' shareholders, clients, and employees.

• Investors and shareholders

For the Group, process efficiency and transparency are fundamental issues. A central objective is to generate long-term returns for shareholders and investors, while meeting high standards of quality and access to relevant information for decision making.

• Clients

Sigdo Koppers aims to meet the needs and expectations of their clients, providing high-quality, innovative, competitive products and services in a timely manner.

• Suppliers

The Sigdo Koppers Group aims to maintain open, transparent communications with its suppliers, establish fair agreements for both parties, promote local suppliers, and foster respect for sustainable development.

• Authorities and regulators

The companies in the Group are committed to complying with all legal standards and regulations applicable to their operations.

• Communities

The Group works with the people who live within the area of impact of our operations to establish relationships built on trust, credibility, and transparency and to contribute to progress for the community.

Sigdo Koppers is committed to supporting students at vocational-technical high schools through a dual education program, which implements a model of excellence establishing links between the schools and the company. The program includes customization of the curriculum, teacher training, the design of the dual education experience, and internships. The students can thus graduate from high school with better prospects for finding a job and/or continuing their studies.



/2

STAKEHOLDERS BY SUBSIDIARY

	CLIENTS	COMMUNITY	SHAREHOLDERS	SUPPLIERS AND CONTRACTORS	EMPLOYEES	REGULATORS	LOCAL AUTHORITIES	TRADE UNIONS
Sigdo Koppers S.A.	x		x		x	x	x	
ICSK	x		x	x	x	x	x	x
PVSA	x	x	x	x	x	x	x	x
Fepasa	x		x		x	x	x	x
SK Godelius	x		x		x	x	x	x
Enaex	x	x	x	x	x	x	x	x
Magotteaux	x	x	x	x	x	x	x	x
SK Comercial	x	x	x	x	x	x		x
SKBergé	x	x	x	x	x	x		x

[2016 RESULTS: SIGDO KOPPERS S.A. AND SUBSIDIARIES]

01/ financial performance

20
16
—

memoria anual
REPORT
INTEGRADO



THE GROUP RECORDED NET EARNINGS OF US\$85.0 MILLION IN 2016, DOWN 37% FROM YEAR-END 2015. THIS PERFORMANCE REFLECTS THE CONTRACTION IN THE MINING AND INDUSTRIAL SECTORS IN THE DIFFERENT MARKETS WHERE THE COMPANY HAS OPERATIONS.

TO FACE THIS SITUATION, AND TO STRENGTHEN THE LONG-TERM COMPETITIVE POSITION OF THE GROUP, SIGDO KOPPERS IS IN THE PROCESS OF IMPLEMENTING REORGANIZATION AND COST-EFFICIENCY PLANS WITHIN THE DIFFERENT SUBSIDIARIES.

—

CONSOLIDATED FINANCIAL STATEMENT	In US\$ millions and percent		
	Dec / 2015	Dec / 2016	Change
Consolidated income	2.414.522	2.191.291	-9,2%
Consolidated EBITDA ⁽¹⁾	377.711	291.026	-23,0%
<i>EBITDA margin (%)</i>	<i>15,6%</i>	<i>13,3%</i>	
Pro-forma consolidated EBITDA ⁽²⁾	432.684	336.351	-22,3%
Income (loss)	203.702	125.764	-38,3%
SIGDO KOPPERS INCOME	134.987	85.009	-37,0%

(1) EBITDA: Earnings before interest, tax, depreciation, and amortization.

(2) Pro-forma EBITDA: EBITDA + Income from related companies.

In 2016, Sigdo Koppers recorded consolidated income of US\$2.19 billion, a reduction of 9.2% relative to 2015. When the subsidiary SKBergé is included, of which Sigdo Koppers has a 40% interest, the Group's total income was US\$3.53 billion, a decrease of 6.7% relative to total income in 2015. This decline is largely due to the exchange rate effect of fluctuations in the peso-dollar exchange rate on the companies that keep their books in pesos (ICSK, Fepasa, SK Rental, and SKBergé), together with lower sales in the industrial sector and a slowdown in the machinery and equipment sales and rental business of SK Comercial.

BUSINESS AREAS	INCOME (US\$ millions)			EBITDA (US\$ millions)		
	Dec / 2015	Dec / 2016	Change	Dec / 2015	Dec / 2016	Change
SERVICES	619.850	587.841	-5,2%	72.221	32.710	-54,7%
Ingeniería y Construcción SK	488.018	455.443	-6,7%	28.903	-1.802	-106,2%
Puerto Ventanas	131.832	132.398	0,4%	43.318	34.512	-20,3%
INDUSTRIAL	1.457.492	1.323.386	-9,2%	263.548	230.611	-12,5%
Enaex	761.766	691.731	-9,2%	181.056	165.479	-8,6%
Magotteaux	692.284	628.520	-9,2%	80.415	63.362	-21,2%
SK Inv. Petroquímicas	3.442	3.135	-8,9%	2.077	1.770	-14,8%
COMMERCIAL AND AUTOMOTIVE	347.412	299.837	-13,7%	50.657	27.921	-44,9%
SK Comercial	347.412	299.837	-13,7%	50.760	28.017	-44,8%
SKIA ⁽¹⁾	-	-	-	-103	-96	6,8%
Parent eliminataions and adjustments ⁽²⁾	-10.232	-19.773		-8.715	-216	
CONSOLIDATED TOTAL	2.414.522	2.191.291	-9,2%	377.711	291.026	-23,0%

(1) SK Inversiones Automotrices S.A. (SKIA) does not record the income of SKBergé because it holds 40% of its shares and, therefore, does not consolidate its financial statements.

(2) Eliminations and adjustments as of December are mainly due to consolidated intercompany eliminations.

BUSINESS AREAS	INCOME OF SK FIRMS (US\$ millions)			% SK	INCOME ATTRIBUTABLE TO PARENT (US\$ millions)		
	2015	2016	Change		2015	2016	Change
SERVICES	56.304	32.152	-42,9%		32.144	17.658	-45,1%
Ingeniería y Construcción SK	31.408	12.695	-59,6%	60,43%	18.980	7.672	-59,6%
Puerto Ventanas ⁽¹⁾	24.896	19.457	-21,8%	50,01%	13.164	9.986	-24,1%
INDUSTRIAL	135.420	109.480	-19,2%		89.640	70.344	-21,5%
Enaex	104.582	85.337	-18,4%	60,72%	63.503	51.818	-18,4%
Magotteaux ⁽²⁾	29.396	22.936	-22,0%	97,75%	24.943	17.526	-29,7%
SK Inv. Petroquímicas ⁽³⁾	1.442	1.207	-80,2%	0,00%	1.194	1.000	-16,2%
COMMERCIAL AND AUTOMOTIVE	28.688	5.689	-80,2%		28.654	8.015	-72,0%
SK Comercial	225	-16.574	-7466,2%	85,77%	192	-14.216	-7504,2%
SKIA	28.463	22.263	-21,8%	99,99%	28.462	22.231	-36,2%
Income of SK firms	220.412	147.321	-33,2%		150.438	96.017	-36,2%
Parent adjustments					-15.451	-11.008	
CONSOLIDATED SK INCOME					134.987	85.009	-37,0%

(1) The income from Puerto Ventanas was adjusted in SK Inversiones Portuarias S.A., the company through which Sigdo Koppers controls Puerto Ventanas.

(2) Figures for Magotteaux include income from SK Sabo Chile S.A. The income attributable to the parent company was adjusted in the different companies through which Sigdo Koppers controls Magotteaux.

(3) The income from Compañía de Hidrógeno del Bio Bio (CHBB) was adjusted in SK Inversiones Petroquímicas S.A., the company through which Sigdo Koppers controls CHBB.



The Services Area recorded sales of US\$587.8 million, which represents a reduction of 5.2% relative to the previous year. The income of Ingeniería y Construcción Sigdo Koppers (ICSK) fell 3.5% in pesos. This is in line with the lower level of man hours worked (physical sales), due to a reduction in the projects executed in the year. In 2016, ICSK won projects totaling US\$363 million. One of the highlights of the year was the construction of the Mejillones-Cardones power transmission line for ECL, a project that was awarded to the company toward the end of the first quarter of 2015. Puerto Ventanas (PVSA) recorded a slight increase in income of 0.4%, due to the combined effects of (1) a decrease in load transfers in the port business, particularly copper concentrate and coal; and (2) an increase in income in the subsidiary Ferrocarril del Pacífico (Fepasa), as a result of new contracts for copper concentrate transfers in Codelco's El Teniente mine.

The Industrial Area recorded sales of US\$1,323.4 million, down 9.2%. This reflects the impact of lower commodity prices, which were partially passed through to the clients. At Enaex, income fell 9.2%. The decrease is largely explained by lower ammonium prices (-39%), together with lower physical sales of ammonium nitrate (-9%), due to a drop in both exports and national sales after some clients reduced their production. At Magotteaux, sales totaled US\$628.5 million, a decrease of 9.2%. This largely reflects lower physical sales of grinding balls and wear pieces (casting) and a larger share of sales of lower priced products (forged steel balls).

Finally, in the Commercial and Automotive Area, SK Comercial (SKC) recorded income of US\$299.84 million, a reduction of 13.7% relative to the previous year. Income was affected by (1) a significant slowdown in machinery sales, due to lower investment in the region; and (2) the exchange rate effect from consolidating the results of SK Rental Chile, whose contracts and financial statements are in pesos.

The cost of sales decreased 8.0% relative to 2015, in line with lower sales. Some subsidiaries, most notably Enaex, recorded a higher operating margin, which was offset by a lower performance in Ingeniería y Construcción Sigdo Koppers, Puerto Ventanas, and SK Comercial.

Consequently, Sigdo Koppers recorded a consolidated EBITDA of US\$291.0 million, which represents a drop of 23.0% relative to the previous year. The pro-forma consolidated EBITDA, which includes the earnings of firms that are not consolidated, was US\$336.4 million, down 22.3% from 2015.

Net income for Sigdo Koppers was US\$85.0 million, mainly due to lower profits in the Commercial and Automotive Area, combined with lower earnings in the Industrial and Services Areas, which were

affected by the complex economic scenario and greater price pressure. Another factor was the increase in the corporate income tax rate in Chile, from 22.5% in 2015 to 24% in 2016, which decreased earnings by approximately US\$2.5 million.

In the Services Area, ICSK recorded a -58.2% drop in net income in pesos (-59.6% in USD). This was mainly due to the joint effect of a drop in the level of direct activity and a lower performance in the Bechtel-ICSK (BSK) joint venture, together with losses generated by an earth-moving consortium (50/50) in Peru. Puerto Ventanas had net income of US\$19.5 million, which is 21.8% lower than in 2015. This drop is explained by a reduction in coal and copper concentrate transfers in the port business and a reduction in load transfers in the railway business, as well as higher costs due to the collapse of a railway bridge over the Toltén River and production problems in Codelco Andina in the first half of 2016.

In the Industrial Area, Enaex had net income of US\$85.3 million, down 18.4% from 2015. The company's profits were affected by a combination of lower physical sales, tighter operating margins at Enaex and some of its foreign subsidiaries, and higher production costs due to maintenance at one of the plants. Magotteaux recorded a 22% decline in net income, largely due to a reduction in physical sales and smaller margins in the grinding ball business, which saw an increase in the share of low-margin products. The casting business, however, recorded higher profits despite lower physical sales. Additionally, despite higher restructuring costs, there was a decrease in administration and sales costs by 2.6%, which reflects the cost control process that is being implemented in the company.

Finally, in the Commercial and Automotive Area, SK Comercial recorded a loss of US\$16.6 million. This reflects slower activity in the machinery rental business in the different markets in which the company operates, together with a complex scenario in the machinery sales and distribution market in Chile, due to low demand for machinery. Additionally, there was an extraordinary loss of US\$5.3 million because of the Chilean Internal Revenue Service's rejection of interest expense deductions taken in prior years. SK Inversiones Automotrices had net income of US\$22.3 million, which is 19.2% lower in pesos than at year-end 2015 (-21.8% in USD). This reduction is explained by smaller margins and a drop in units sold by SKBergé.

US\$
1.68
billion

AS OF 31 DECEMBER 2016, SIGDO KOPPERS
HAD A TOTAL CONSOLIDATED EQUITY OF
US\$1.68 BILLION, WHICH REPRESENTS AND
INCREASE OF 6.8%.





CLASSIFIED CONSOLIDATED BALANCE SHEET

US\$ millions

	Dec / 2015	Dec / 2016	Change
Total current assets	1.131.576	1.165.976	3,0%
Fixed assets	1.161.598	1.187.522	2,2%
Other noncurrent assets	1.181.849	1.195.992	1,2%

TOTAL ASSETS	3.475.023	3.549.490	2,1%
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Total current liabilities	702.195	731.804	4,2%
Total noncurrent liabilities	1.199.082	1.137.344	-5,1%
Equity attributable to parent	1.188.685	1.268.867	6,7%
Equity attributable to subsidiary	385.061	411.475	6,9%

TOTAL EQUITY AND LIABILITIES	3.475.023	3.549.490	
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LIQUIDITY RATIOS

	UNIT	Dec / 2015	Dec / 2016
Current liquidity ⁽¹⁾	times	1,61	1,59
Quick ratio ⁽²⁾	times	1,12	1,17
Debt-to-equity ratio ⁽³⁾	times	1,21	1,11
Net financial debt / EBITDA	times	2,31	2,78
Net financial debt / (EBITDA + consortiums) ⁽⁴⁾	times	2,16	2,57
Net financial leverage ⁽⁵⁾	times	0,56	0,48

(1) Current liquidity = Current assets / current liabilities.

(2) Quick ratio = (Cash and cash equivalents + Accounts receivable and sales accounts) / Current liabilities.

(3) Debt-to-equity ratio = Total liabilities / Total equity.

(4) EBITDA + Proportional income of consortiums that are not consolidated.

(5) SK corporate bond covenant < 1.2 times.

[CONSOLIDATED BALANCE SHEET]

As of December 2016, the consolidated assets of Sigdo Koppers totaled US\$3.5 billion. Total current assets were US\$1.2 billion, made up primarily of consolidated cash and cash equivalents of US\$300.0 million (+22.3%), consolidated accounts receivable of US\$555.6 million (+3.0%), and inventories of US\$272.9 million (-7.9%). Consolidated fixed assets (property, plant, and equipment) were US\$1.9 billion, which represents an increase of US\$25.9 million. The Group's subsidiaries with the highest levels of fixed assets are Enaex (US\$499.4 million), Magotteaux (US\$255.4 million), Puerto Ventanas (US\$227.3 million), and SK Comercial (US\$147.3 million).

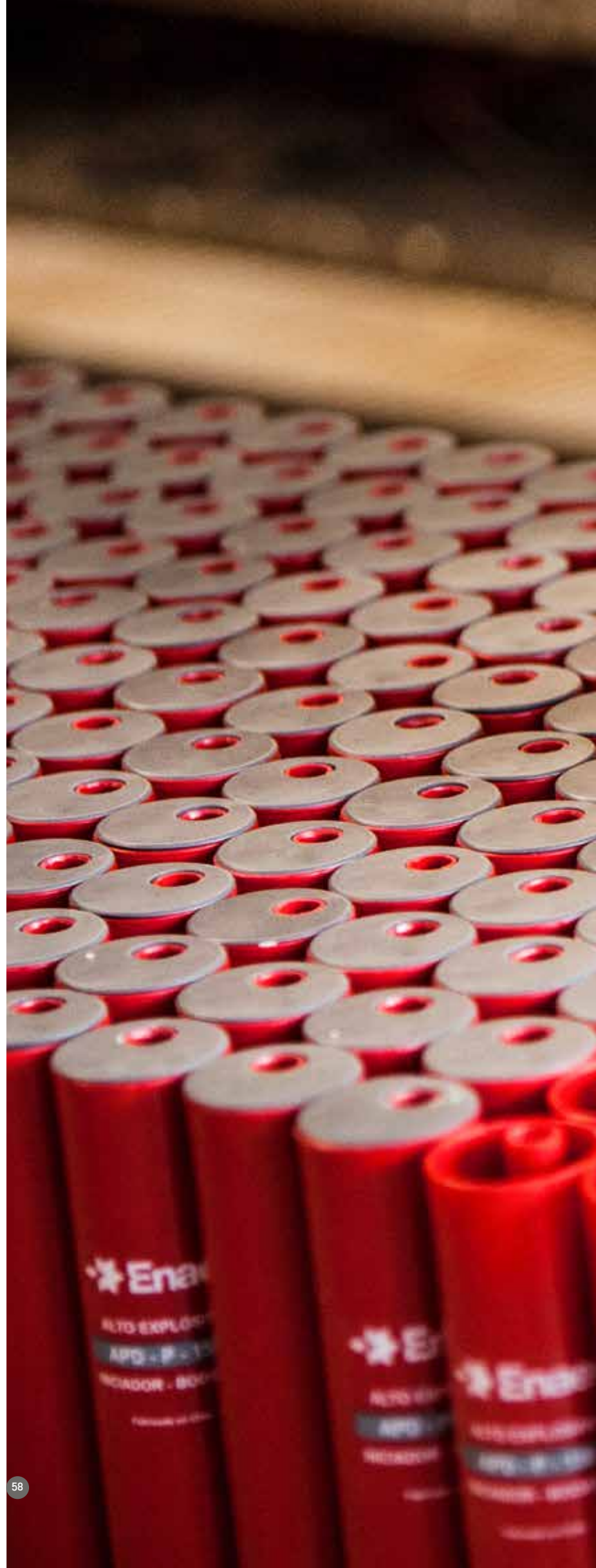
Total liabilities of Sigdo Koppers were US\$1.9 billion as of 31 December 2016, a reduction of US\$32.1 million relative to December 2015. Accounts payable were US\$303.0 million (+70%), while consolidated financial liabilities totaled US\$1.1 billion, with a reduction of US\$10.4 million. The increase is primarily associated with acquisitions by Enaex. At the parent level, financial liabilities were US\$241.1 million.

As of December 2016, Sigdo Koppers had a total consolidated equity of US\$1.7 billion, which represents 6.8% growth.

At year-end 2016, the debt-to-equity ratio (leverage) was 1.1 times, which is down slightly relative to December 2015. Net financial leverage (corporate bond covenant) was 0.5 times, which reflects an ample cushion relative to the covenant established at 1.2 times.

US\$
319.5
million

OPERATING CASH FLOW OF
SIGDO KOPPERS S.A.



CONSOLIDATED CASH FLOW

US\$ millions

	Dec / 2015	Dec / 2016	Change
Cash flow from operating activities	372.951	319.460	-14,3%
Cash flow from investing activities	-323.433	-117.600	63,6%
Cash flow from financing activities	-36.466	-162.023	344,3%
Net cash flow	13.052	39.837	205,2%
Effect of exchange rate on cash and cash equivalents	-8.734	2.282	-126,1%
Cash and cash equivalents	239.556	281.395	17,5%

[CASH FLOW STATEMENT]

Sigdo Koppers recorded cash flow from operations of US\$319.5 million as of 31 December 2016, which implies a decrease of 14.3% relative to 2015. Enaex had operating cash flow of US\$157.6 million; Magotteaux, US\$45.4 million; SK Comercial, US\$73.8 million.

Consolidated cash flow from investing activities was a negative US\$117.6 million as of December 2016. Investment in fixed assets (capital expenditures, or capex) totaled US\$128.1 million. By company, Puerto Ventanas invested US\$46.1 million in the construction of a new copper concentrate storage warehouse and the start-up of construction for improving Site 3. In Enaex, capex totaled US\$41.6 million, mainly for maintenance projects. Magotteaux recorded capex of US\$28.6 million, mostly tied to investments to expand the company's capacity in Brazil and to increase the operating efficiency of its different plants. In SKC, capex was US\$1.4 million. However, because of the incorporation of the sale of used machinery from the rental business (with the effect recorded in operating cash flow), the net capex of SKC was a disinvestment of US\$40 million (a smaller fleet at SK Rental).

Finally, as of 31 December 2016, cash flow from financing activities was a negative US\$162.0 million. The change in financial liabilities (net), including corporate bonds, was a negative flow of US\$44.1 million. This explains the combined effect of (1) an increase in financial liabilities in ICSK (US\$5.2 million) and Puerto Ventanas (US\$48.4 million); and (2) the payment of financial liabilities by Enaex and SK Comercial (US\$38.3 million and US\$71.3 million, respectively). At the parent level, Sigdo Koppers paid US\$7.5 million for bond amortization and increased bank debt by US\$15 million.

[INNOVATION AND DEVELOPMENT]

THE COMPANIES IN THE SIGDO KOPPERS GROUP ARE CONSTANTLY LOOKING FOR SOLUTIONS THAT BOOST SUSTAINABILITY, **THROUGH THE IMPLEMENTATION OF NEW PRACTICES AND TECHNOLOGIES IN PRODUCTIVE PROCESSES AND MANAGEMENT.**



Sigdo Koppers and its subsidiaries promote the development of innovative products and services in order to improve the Group's competitive position, provide better options for our clients, and reduce the potential environmental impact of our business operations.

Because people are the foundation for innovation, we aim to nurture the ability to generate ideas, and we value our employees' contributions as a key pillar of future growth.

In 2016, the Sigdo Koppers Group established two goals for all its subsidiaries to standardize the measurement of innovation within the Group, including performance objectives and indicators.



/1 SK LAB



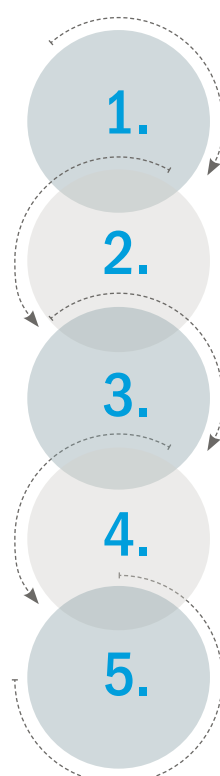
In 2016, Sigdo Koppers launched SK Lab, a space specifically created by the company to motivate, accelerate, and offer the companies in the Group a platform for facilitating the implementation of technological innovation projects.

SK Lab is a work unit within SK Godelius, whose objective is to contribute to the development of new business and new products for the Group, related to the emergence of new technologies (artificial intelligence, robotics, and so forth). The associated technological trends will require the acquisition of knowledge, the development of new products, new business models, and a new positioning strategy.

The specialist engineers and entities associated with SK Lab collaborate and work with the Sigdo Koppers Group's clients and companies to develop products and transformative business solutions, which give the companies a competitive advantage. To this end, a three-year plan was established to identify programs and lines of work and define the underlying objectives, with a cross-cutting scope. The results should provide a platform for the development of specific products.

In 2016, three programs were launched, in the areas of robotics, operations centers, and probes. In all three cases, companies in the Group are participating in the product development processes.

INSTITUTIONS ASSOCIATED WITH SK LAB FOR R&D:



SOLUTION DEVELOPMENT PROCESS

PARTICIPANTS

Solution development process	Group company
Technical survey of the business case	SK Lab Godelius Group company
Conceptual model of the solution	SK Lab Godelius Associated institutions
Development of the solution	SK Lab Godelius Associated institutions
Implementation of the solution	Group company



/2

R&D IN SUBSIDIARIES

US\$ **50.5**
million

INVESTED IN R&D AND INNOVATION
BY THE SIGDO KOPPERS GROUP

INNOVATION PROGRAMS IN 2016

	ICSK	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX	SKC	SKBERGÉ
Number of programs	12	2	5	6	4	4	2
Number of innovation workshops	4	4	4	65	1	1	1

AMOUNT INVESTED IN PROCESS IMPROVEMENTS OR NEW PRODUCTS IN 2016 (US\$ millions)

ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX
0,28	34,9	0,5	2,3	5,1	7,5

SK GODELIUS

Five innovation programs were developed for clients in 2016:

- Innovation program to improve competitiveness in the refinery yards, Codelco-Chuquicamata.
- Centralization and systematization of the pumping system at the Ojos de San Pedro Station, Codelco-Chuquicamata.
- Innovation program in robotics and remote operations, SK Godelius-Enaex.
- Innovation program for optimization, SK Godelius-Magotteaux.

US\$175 MILLION IN SALES OF NEW R&D SOLUTIONS (PRODUCTS, SERVICES, AND PROCESSES LESS THAN 5 YEARS OLD)

PUERTO VENTANAS

In 2016, under the framework of its process and facility modernization plan, Puerto Ventanas opened the "La Greda" copper concentrate storage facility, which incorporates the best available technology for handling dry bulk materials. The facility's state-of-the-art technology includes the emissions control system, featuring dust collectors and high-efficiency filters for optimal environmental control, which will raise environmental standards even higher.

Work started on the project "Site 3: Expansion, Improvement, and Modernization of the Copper Concentrate Loading System," which will be finished in the second half of 2017.

The port also carried out two important projects to improve processes: namely, upgrading the Andina warehouse and an electrical upgrade. The latter involved incorporating technology that supports more efficient operations.

ENAEX

In 2016, Enaex took important new steps in the development of products and services to solve specific client needs. For example, Vertex® is an effective, easy-to-use product that can help save costs in the blasting process, thanks to its versatility and capacity for expanding the mesh area. Since its introduction, Vertex® has been used successfully in the principal mines in Chile. In addition, the company cultivated innovative ideas and solutions through an alliance with BASF to implement the co-creation methodology, which is based on detecting the client's problems and then delivering innovative high-value solutions.

Davey Bickford improved its production processes with the installation of its first automatic electronic detonator assembly machine, which will allow the company to increase its global capacity.

Innovation management program:

This program has been in place at Enaex since 2014. Starting in 2016, the program includes the "Turingu" e-learning course, which provides an introduction to innovation topics. This year, 24 supervisors, 30 students, and 11 managers (sponsors) participated. The course ended with the preparation of an innovation pitch to a group of 10 first-line managers. Three projects were chosen for possible implementation in the company.

MAGOTTEAUX

As in the other subsidiaries in the Group, 2016 featured a number of projects managed in cooperation with external partners, including three successful initiatives that could translate into income growth in 2017.

In 2016, Magotteaux worked on improving the production efficiency of its Xcc® composite, which is used in many of the company's casting products. After numerous laboratory and field tests, the company was able to reduce the use of raw materials, thereby lowering costs and waste in the production of Xcc® products, while maintaining or even improving the performance of this technology.

Taking advantage of the opportunities offered by the new Xcc® developments, the VSI crusher parts (for impellers, anvils) were improved with wear-resistant liners, providing clients with a better performance and strengthening Magotteaux's market position in the aggregates industry.

Finally, with the help of the engineering center at the City College of New York, Magotteaux has developed and validated an accelerated test for high-temperature corrosion. This achievement will not only shorten the development time for new products, but also allow us to propose the right alloy for each application, which will effectively support sales efforts.

In 2017, these three projects are expected to contribute around US\$500,000 to gross margins.

Magotteaux has also continued to work on projects in conjunction with other subsidiaries, most notably in the area of the Internet of things (IOT). These efforts will lead to a continuous improvement in quality and processes, both internally and to the benefit of our clients.

02/ social performance

20
16
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Integrated
ANNUAL
REPORT





**THE CORPORATE CULTURE OF SIGDO KOPPERS
PUTS PEOPLE AT THE CENTER OF THE
ORGANIZATION.**

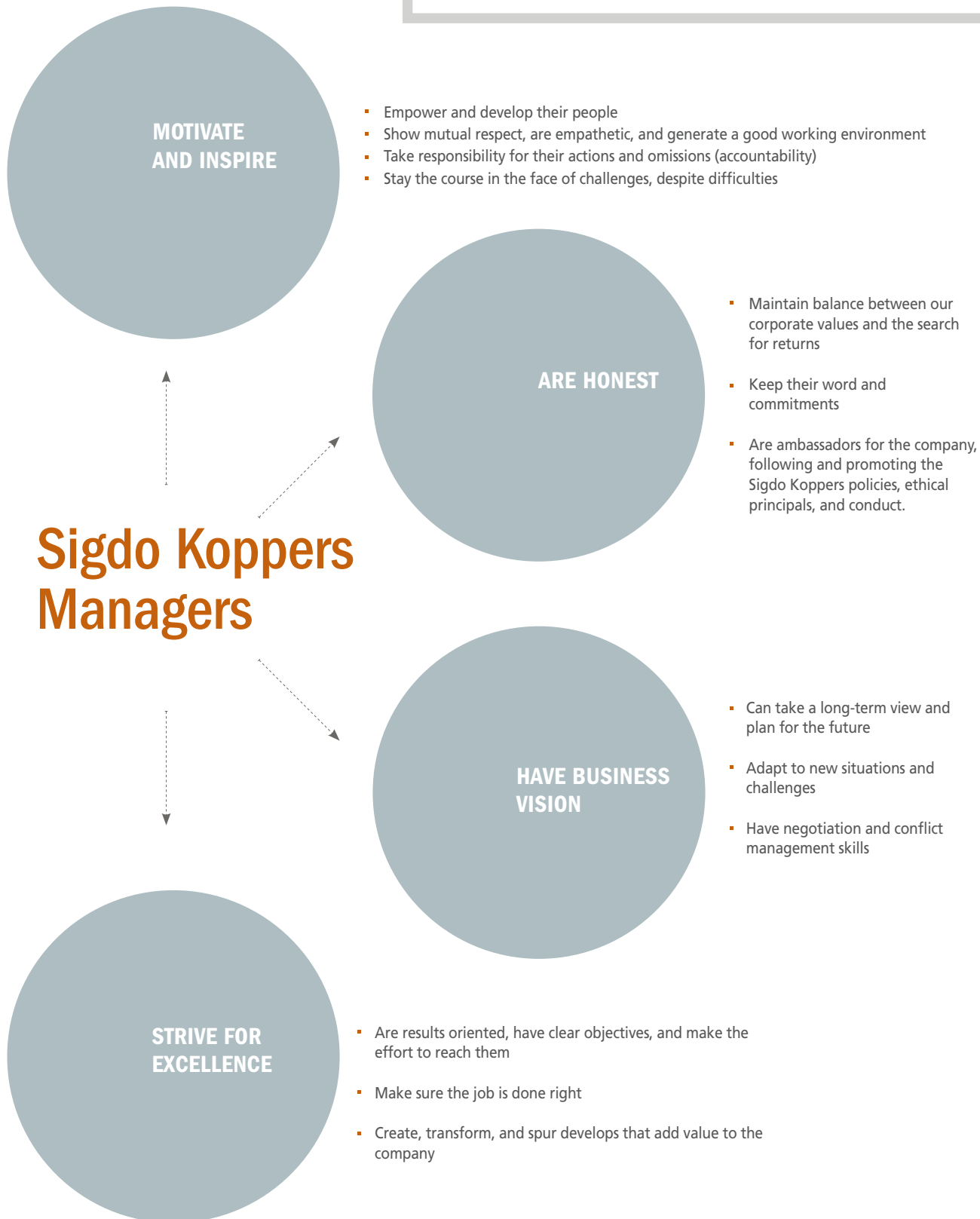
/1 OUR PEOPLE



HUMAN CAPITAL IS KEY TO THE COMPANY'S GLOBAL PERFORMANCE. ALL OF THE COMPANIES IN THE GROUP HAVE PROGRAMS FOR IMPROVING THE QUALITY OF LIFE OF OUR EMPLOYEES AND SUPPORTING THE EFFICIENCY OF THE ORGANIZATION.

TO ENSURE A COOPERATIVE RELATIONSHIP WITH OUR EMPLOYEES AND THUS FOSTER BOTH THEIR DEVELOPMENT AND THAT OF THE ORGANIZATION, IN 2016 THE SIGDO KOPPERS GROUP FOCUSED ON STRENGTHENING MANAGEMENT LEADERSHIP TO ACHIEVE GREATER PROCESS EFFICIENCY FOR THE COMPANY AND ITS SUBSIDIARIES.

A SIGDO KOPPERS MANAGEMENT PROFILE WAS DEFINED, ESTABLISHING THE CRITERIA FOR WHAT TO LOOK FOR AND STRENGTHEN IN OUR EMPLOYEES.





highlights

human resource

INCORPORACIÓN DEL 100% DE LOS TRABAJADORES EVENTUALES DE PUERTO VENTANAS A LA PLANTA DE LA COMPAÑÍA, CON CONTRATO DE RENTA FIJA, MEJORANDO SU ESTABILIDAD Y FORTALECIENDO EL COMPROMISO CON LA EMPRESA.



In addition, two human resources objectives were established for the company and all its subsidiaries:

- **STRENGTHEN GOOD ETHICAL AND BUSINESS PRACTICES.**
- **ENSURE STABLE, DECENT, AND SAFE JOBS, WITH POSSIBILITIES FOR PROFESSIONAL AND PERSONAL DEVELOPMENT FOR ALL EMPLOYEES.**

To achieve these objectives, concrete performance indicators were defined for all the subsidiaries, in order to define a baseline and standardize the way human resources practices are measured throughout the organization.



OBJECTIVE	INDICATORS	DEGREE OF COMPLETION IN 2016
Ensure that all employees know the Code of Corporate Ethics, Values and Crime Prevention Model.	<ul style="list-style-type: none"> Hold at least two dissemination actions in the year, by facility or work group, to inform and discuss the content. 	87,5%
Have in place an employee development program	<ul style="list-style-type: none"> Development and succession plan Turnover 	66,9%
Have in place training programs aligned with the specific needs of each business	<ul style="list-style-type: none"> N° of people trained N° of courses held N° of total training hours Use methodological instruments for presenting the main training issues 	85,3%
Define the organization's diversity baseline	N° of workers by: <ul style="list-style-type: none"> Gender Nationality Age Years of service Position Education level Workers' union or joint committee 	91,3%

Based on these indicators, we have been able to define a baseline of performance, and thus to establish specific goals for the future and assess the evolution of human resources practices across the organization.

Composition

As of 31 December 2016, Sigdo Koppers S.A. and its companies employ a total staff of 13,795 people, which includes 10,383 permanent plant employees and 3,412 project-based workers. The latter are mainly contracted by Ingeniería y Construcción Sigdo Koppers S.A. and its subsidiaries in the construction sector.

The following information only considers permanent plant employees, so as to be comparable from year to year.

COMPOSITION BY SEX AND NATIONALITY: BY PARENT AND SUBSIDIARIES

	MEN	WOMEN	LOCALS	FOREIGNERS	TOTAL
Sigdo Koppers S.A.	12	15	26	1	27
ICSK	1.029	194	1.190	33	1.223
PVSA	201	13	214	0	214
Fepasa	492	23	511	4	515
SK Godelius	9	5	12	2	14
Enaex	2.736	573	3.164	145	3.309
Magotteaux	2.735	300	743	2.292	3.035
SKC	911	157	1.057	11	1.068
SKBergé	712	266	950	28	978
Total	8.837	1.546	7.867	2.516	10.383

COMPOSITION BY AGE

	SIGDO KOPPERS S.A.	SUBSIDIARIES	TOTAL
Under 30 years	5	1.712	1.717
30 to 40 years	6	2.940	2.946
41 to 50 years	7	1.923	1.930
51 to 60 years	9	1.326	1.335
61 to 70 years	0	340	340
Over 70 years	0	14	14
Total	27	8.255*	8.282*



COMPOSITION BY YEARS OF SERVICE

	SIGDO KOPPERS S.A.	SUBSIDIARIES	TOTAL
Menos de 3 años	11	2.979	2.990
3 to 6 years	3	1.985	1.988
6 to 9 years	2	721	723
9 to 12 years	4	586	590
More than 12 years	7	1.984	1.991

Total	27	8.255*	8.282*
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* Data on composition by age and years of service for Magotteaux Group S.A. do not include plant personnel and operators (2,101 personas).

COMPOSITION BY POSITION

	MANAGERS, ASSISTANT MANAGERS, EXECUTIVES	PROFESSIONALS	WORKERS AND OPERATORS	TOTAL
Sigdo Koppers S.A.	3	24	0	27
ICSK	76	711	436	1.223
PVSA	7	134	73	214
Fepasa	13	56	446	515
SK Godelius	5	7	2	14
Enaex	135	779	2.395	3.309
Magotteaux	215	714	2.106	3.035
SKC	49	140	879	1.068
SKBergé	78	310	590	978
Total	581	2.875	6.927	10.383

Turnover

LABOR TURNOVER

ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX	SKC	SKBERGÉ
20,21	7,21	10,5	17,86	18,4	9,4	20,8	19,1*

* Only includes operations in Chile.
Turnover: [(hires + terminations) / 2] x 100 / average annual staff

Unions

NUMBER OF UNIONS							
ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX*	MAGOTTEAUX*	SKC	SKBERGÉ*
3	2	4	0	10	2	3	**

* Only includes operations in Chile.

** SKBergé has employee representative systems instead of unions.



Diversity and Wage Gaps

At Sigdo Koppers S.A., the technical skills and conduct of our employees will always take precedence over factors such as gender, age, and ethnicity. Nevertheless, achieving inclusive environments marked by collaboration and team work is part of the Group's culture that is transmitted to each of our companies at the global level.

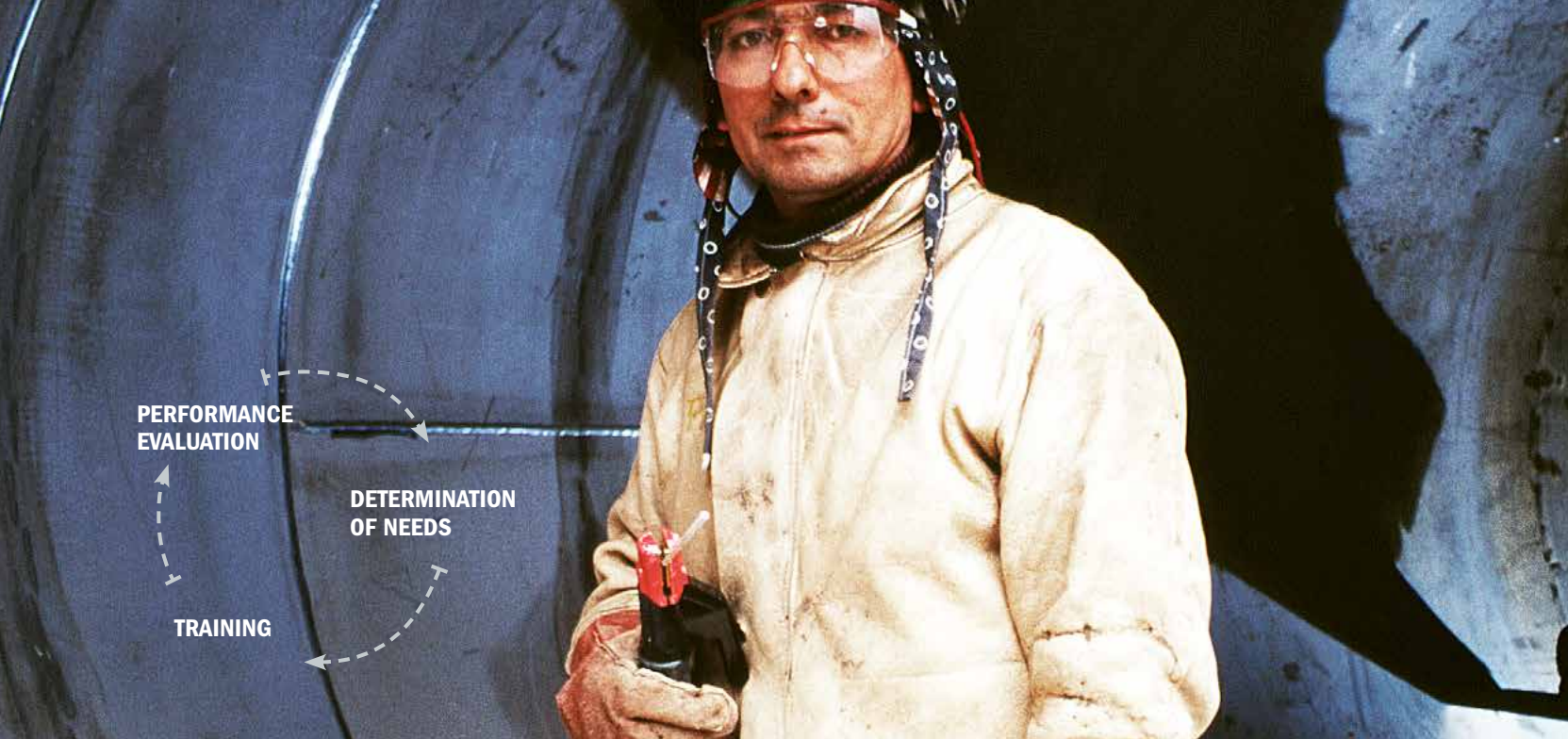
The companies in the Group have different business contexts and organizational structures that make it difficult to compare their workers' positions and functions. Therefore, information on diversity and wage gaps is only presented at the level of parent, Sigdo Koppers S.A.

Sigdo Koppers S.A. does not have wage gaps by gender, since men and women do not occupy the same positions or have the same responsibilities or functions within the organizational structure. Within the companies of the Group, the Human Resources Area is constantly assessing their employees' wage conditions, career development, and benefits to avoid the development of wage gaps.



SIGDO KOPPERS S.A.: DIVERSITY

BOARD OF DIRECTORS		GENERAL MANAGER AND PEOPLE WHO REPORT TO THE CEO		ORGANIZATION	
GENDER		GENDER		GENDER	
Men	7	Men	3	Men	12
Women	0	Women	0	Women	15
Chileans	7	Chileans	3	Chileans	26
Foreigners	0	Foreigners	0	Foreigners	1
AGE		AGE		AGE	
Under 30 years	0	Under 30 years	0	Under 30 years	5
30–40 years	0	30–40 years	0	30–40 years	6
41–50 years	0	41–50 years	1	41–50 years	7
51–60 years	2	51–60 years	2	51–60 years	9
61–70 years	1	61–70 years	0	61–70 years	0
Over 70 years	4	Over 70 years	0	Over 70 years	0
YEARS OF SERVICE		YEARS OF SERVICE		YEARS OF SERVICE	
Under 3 years	1	Under 3 years	0	Under 3 years	11
3–6 years	2	3–6 years	0	3–6 years	3
6–9 years	1	6–9 years	0	6–9 years	2
9–12 years	0	9–12 years	1	9–12 years	4
Over 12 years	3	Over 12 years	2	Over 12 years	7



Training Programs

In order to maintain high-quality professionals in their business management and operations, all the companies in the Group implement employee development programs.

Training is central to these programs, with a focus on the issues and areas identified by the workers themselves as needing improvement. For the identification process, Ingeniería y Construcción Sigdo Koppers (ICSK) uses a competency-based management model, whereas SK Comercial (SKC) and SK Godelius apply a 360° feedback survey.

In each subsidiary, training programs are directly related to the core business and are oriented toward practical issues to improve the organization's productivity. There are also leadership workshops and training events, in line with the management profile defined by Sigdo Koppers .

For operators, training was diffused via the means available to the workers, such as bulletin boards, screens, or internal newsletters.

Another important aspect of the development program is the employee performance evaluation. All out subsidiaries are required to implement these evaluations, which must include the following three points:

Measuring competencies involved in performance according to cargo platforms

Measuring leadership attributes from a global perspective

To know the degree of satisfaction and commitment with different areas associated with the experience of the company's employees

TRAINING IS A FUNDAMENTAL PART OF MANAGING A BUSINESS. THROUGHOUT ITS HISTORY, SIGDO KOPPERS HAS TAKEN CARE TO PROVIDE ONGOING TRAINING OF ITS WORKERS, IN ORDER TO CONTRIBUTE TO THEIR PERSONAL AND PROFESSIONAL DEVELOPMENT AND GENERATE A GOOD ORGANIZATIONAL CLIMATE.

HOURS OF TRAINING

	ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX	SKC	SKBERGÉ
Development and succession program	✓	✓	✓	✓	✓	✓	✓	✓
N° people trained	6.158	11	314	10	1.015	S/I	1.240	640
N° courses	136	16	18	4	469	S/I	119	171
Total hours of training	133.737	620	20.431	324	38.015	63.290	15.215	20.881
MH training (N° hours / monthly personnel)	31,18	11,8	36	23,14	37,45	20,85	13,75	21,35

INVESTMENT IN TRAINING

	ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX	SKC	SKBERGÉ
SENCE cost	\$525.722.459	\$9.524.000	\$63.666.508	-	\$29.542.382	-	\$189.170.703	\$90.473.807
Company cost	\$221.886.761	\$17.003.104	\$23.868.492	\$6.247.000	\$157.035.131	\$507.414.265	\$19.202.945	\$81.888.899
Total cost	\$747.609.220	\$26.527.104	\$87.952.112	\$6.247.000	\$186.577.513	\$507.414.265	\$208.373.648	\$172.362.706

training

IN 2016, THE GROUP'S EMPLOYEES RECEIVED 292,513 HOURS OF TRAINING.

Leadership Program

One of the main projects in 2016 was the Operational Leadership Program for management positions within the Sigdo Koppers companies, which advanced through the pilot program.

The program, which applies to all the companies in the Group, is being coordinated by SK Capacitación, with the participation of all the Human Resources Areas of the different companies. The objective is to prepare managers and supervisors to effectively lead their teams, covering issues such as accountability, effective communication, feedback, and basic labor law.

The first courses were given in October and November 2016, reaching a total of 39 people from Ingeniería y Construcción Sigdo Koppers, Enaex, SK Comercial, and SKBergé. The program will continue in 2017, with the goals of strengthening the transmission of the corporate culture, boosting motivation, and promoting fair treatment in labor relations.

Health and Safety

Worker health and safety is a fundamental concern for all the companies in the Group, in particular for those with higher risks due to the nature of their operations. In 2016, occupational health and safety was a material issue for all the companies in the Group.

Over the course of the year, all the subsidiaries of the Sigdo Koppers Group worked on developing health and

safety programs, to update their operations in line with regulatory requirements and the current environment.

In the year, this program was implemented in all the companies, establishing the following performance indicators:

HEALTH AND SAFETY PROGRAM INDICATORS

	ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAE	MAGOTTEAUX	SKC	SKBERGÉ
Frequency rate	4,34	1,7	16,8	0	0,27	1,41	13,17	7
Severity rate	130,99	14,17	557,26	0	55,31	0,17	273,33	117,1
Fatalities	0	0	0	0	0	0	0	2
Absenteeism rate	0,04	1,65	2,64	0,16	0,61	S/I	0,22	0,1

JOINT COMMITTEES

To better coordinate occupational health and safety in the Sigdo Koppers companies, all facilities with a staff of over 25 people have a Joint Health and Safety Committee composed of worker and employer representatives.



important initiatives

INGENIERÍA Y CONSTRUCCIÓN SIGDO KOPPERS S.A. (ICSK)

The company is committed to worker safety in all construction and assembly processes. The actions implemented have had positive results, steadily reducing the company's accident indicators over the last ten years.

ICSK is dedicated to the development of training and awareness campaigns on maintaining safe working conditions and programs on recognizing hazardous activities. This is a permanent task, which must consider the specific characteristics of each project that is currently in progress.

PUERTO VENTANAS S.A.

As in 2015, Puerto Ventanas continued its exceptional management of occupational safety in 2016, completing approximately two and a half years accident free. The conversion of temporary workers to permanent status reinforced safety and led to a reduction in incidents, which was recognized by the National Safety Council.

Puerto Ventanas was awarded for excellence in risk prevention and for having achieved 2,000,000 man hours with no accidents in the "Port" category.

FEPASA S.A.

For Fepasa, occupational safety efforts are focused on reducing the possibility of train accidents and improving the capacity to respond to a crisis in the event of an accident.

For the company, 2016 was an especially challenging year in terms of safety, due to two accidents involving Fepasa trains. In both cases, the internal accident protocols were activated, working to implement the best solutions for each case. Neither of the accidents resulted in any injuries.

ENAEX S.A.

One of the foremost values of Enaex is to safeguard life, a principle that is implemented through an integrated risk management in the company's operations. Activities are oriented toward strengthening the occupational health and safety of our workers. The objective is to maintain the highest possible degree of people's physical, mental, and social well-being.

To this end, the following activities are organized:

- Pre-occupational and occupational health exams.
- Risk factor assessments.
- Epidemiological vigilance.
- Control of occupational disease risk factors.

SK COMERCIAL S.A.

SK Comercial, SKC Servicios Automotrices, and SKC Logística were recognized by the National Safety Council for their risk prevention management. The companies obtained the highest indicators in their category, highlighting the effectiveness of their programs aimed at preventing the risk of occupational disease and accidents among their employees.

/2 CLIENTS



IN 2016, THE CENTRAL SALES MANAGEMENT OBJECTIVE FOR SIGDO KOPPERS AND ITS SUBSIDIARIES WAS TO ADD VALUE FOR THE CLIENT, WHILE MAINTAINING AND STRENGTHENING LONG-TERM RELATIONSHIPS.

To this end, customer loyalty programs or initiatives are being developed in all the subsidiaries in the Group. Additionally, a standardized indicator was established for all the Group's companies, in terms of carrying out client satisfaction surveys. Measuring the company's performance from the client's perspective is vital for providing a high value added service or product and supplying business solutions.



Supply Business Solutions



CLIENT-ORIENTED INITIATIVES

- **Project Evaluation:**
At the end of each project, the client is asked for a Satisfaction Survey, in which the client evaluates issues related to the performance and quality of the executed project.
- **Market Studies:**
The companies conduct studies to evaluate the individual image of the company and its competence according to business area.
- **Industrial Processes:**
To obtain a total knowledge of our clients processes, to generate products that deliver greater security and productivity to their operations. The initiative starts from the safety of the collaborators and is oriented, for example, to the development of robotics or remote control solutions that make viable processes that by their level of danger were not carried out (SK Godelius).
- **Enaex Value Simulator:**
Tool developed to quantify the value that the products and services of Enaex contribute to the operations of the clients.
- **Monitoring System:**
In order to improve the after-sales service and its profitability, SKBergé started to implement a vehicle performance and efficiency monitoring system, connected to a management platform that facilitates the diagnosis and provides a better service.



FOR THE SIGDO KOPPERS GROUP, THE PERFORMANCE OF SUPPLIERS AND SUBCONTRACTORS IS A CRITICAL ELEMENT IN THE COMPANY'S VALUE CHAIN. TO ENSURE QUALITY, EFFORTS HAVE BEEN MADE TO STANDARDIZED THE SUPPLIER SELECTION AND SEGMENTATION CRITERIA.

Initiatives in the year included improving control systems for managing this important stakeholder and identifying critical suppliers, so that each company can meet the quality standards of the Sigdo Koppers Group. The following indicators were the focus in 2016:

Percent of income used to pay suppliers.

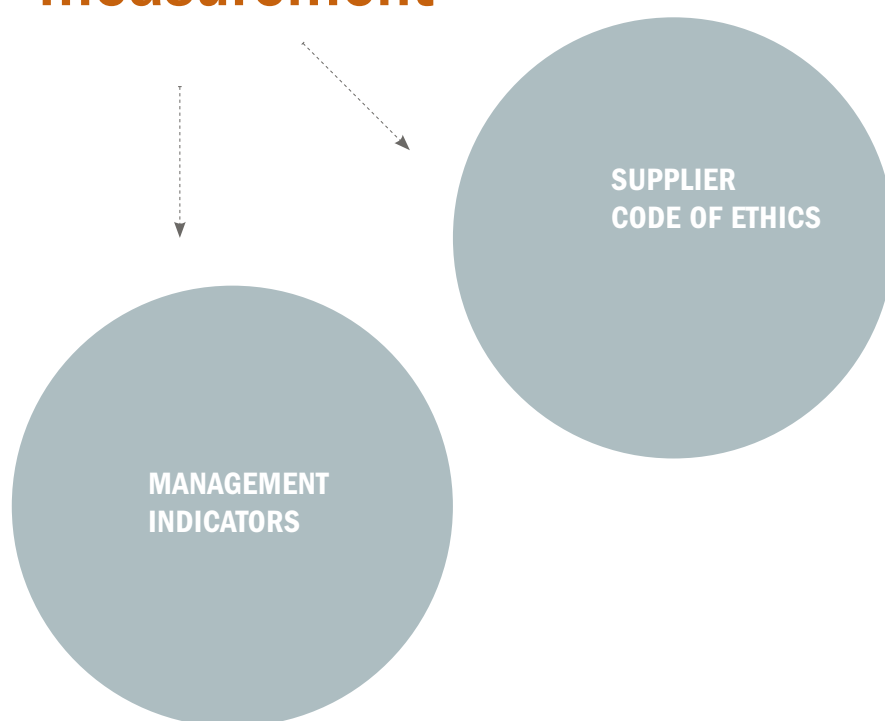
Development of a code of ethics and conduct for suppliers.

System to measure supplier quality.

Identification of critical and main suppliers.



Supplier management and measurement



In 2016, fully 100% of the company's subsidiaries identified the percentage of their income allocated to suppliers and classified their critical (or core) suppliers and their main suppliers (largest accounts). The rest of the indicators will continue to be implemented in 2017.

PERCENT OF INCOME ALLOCATED TO SUPPLIERS							
ICSK	PUERTO VENTANAS	FEPASA	SK GODELIUS	ENAEX	MAGOTTEAUX	SKC*	SKBERGÉ*
14%	30%	70%	40%	41%	54%	4,5%	4,5%

* For SKC and SKBergé, the calculation of income allocated to suppliers does not include machinery, equipment, and vehicles that they distribute.

goal

2017

2 / SUPPLIER CODE OF ETHICS

IMPLEMENT A SUPPLIER PAYMENT POLICY



One of the main objectives established in 2016 was the development of a code of ethics and conduct governing the actions of all our companies' suppliers. This manual is also intended to provide internal guidelines for choosing new suppliers and reviewing companies that currently sell products or provide services to the Group.

The manual establishes criteria in the following areas:

- **Purchasing processes:**

Suppliers will not make, offer, or accept any payment—whether monetary, in-kind, or in the form of some other benefit—with the objective of obtaining or maintaining any business or advantage for themselves or for a third party, in the process of contracting services or product purchases for Sigdo Koppers S.A. or our subsidiaries.

- **Gifts or invitations:**

Suppliers must not accept gifts or other courtesies from the company or any of our subsidiaries. Suppliers must not give or facilitate discounts or other special offers for the personal benefit of the company, with the exception of promotional items or other inexpensive benefits.

- **Labor standards:**

Suppliers must meet the labor standards established by Sigdo Koppers, which are focused on issues such as forced labor, human rights, work days, freedom of association, discrimination, and payment practices.

- **Health and safety:**

Suppliers must provide a safe working environment for their employees, free of risks to their health and safety.

- **Product quality and safety:**

All products and services delivered by suppliers must meet the quality and safety standards required by law in the respective country and company.



3/ LOCAL SUPPLIERS

In 2016, the Group began identifying local suppliers. This was determined to be an important next step, given the Group's concern for the impact of its operations on the areas where those operations take place. There is also a conviction that developing local suppliers is one of the ways the Group can give back to communities, and identification is an indispensable part of that process.

In the last year, the firms in the Sigdo Koppers Group established a definition of local suppliers, as any supplier located in the same region as the company's operations. Based on this definition, several companies were able to measure the share of local suppliers in the total.

Companies that have not yet identified their local suppliers will begin the process in 2017.

IN 2016, TWO COMPANIES STAND OUT FOR USING LOCAL SUPPLIERS:

- ICSK: 15% OF SUPPLIERS ARE LOCAL
- PUERTO VENTANAS: 16% OF SUPPLIERS ARE LOCAL



THE SIGDO KOPPERS GROUP SEEKS TO MAINTAIN HARMONIOUS RELATIONSHIPS WITH THE COMMUNITIES LOCATED NEAR OUR OPERATIONS AND TO CONTRIBUTE TO IMPROVING QUALITY OF LIFE AND PROMOTING LOCAL DEVELOPMENT, BASED ON A STRATEGY FOR CREATING SHARED VALUE THROUGH PARTNERSHIP ACTIVITIES.

In particular, the Group promotes the development of relationships built on trust and transparency. Each business unit must take into account the surrounding communities' interests and expectations when making decisions and planning activities.

One particular priority for the company is dual technical education, which is a key factor for social progress and economic development. Sigdo Koppers has therefore adopted the implementation of dual educational programs in technical fields as its main tool for social contribution.

As part of their activities, our subsidiaries have incorporated support for dual educational programs in technical areas related to their business, thereby disseminating the Group's good practices and generating an important social benefit.



/1 SOCIAL INVESTMENT PROGRAMS

For each subsidiary, the relationship with the surrounding communities depends on the nature of the business and the area in which they are located.

Enaex and Puerto Ventanas specifically addressed community relations in 2016.

PUERTO VENTANAS

The focus of the Port's community relations is to establish relationships based on trust and transparency, by delivering information on the Port's different activities and services and articulating the link through spaces for community integration. In 2016 the main partnership activities in the community of Ventanas were as follows:

- **Visits to the Port:**
The Port is open for visits, with the objective of encouraging people from the neighboring community of Ventanas to personally learn how the port operates.
- **Employability:**
Efforts were made in 2016 to improve job opportunities and conditions in the Port's area of influence through two main measures: first, the conversion of temporary workers to permanent status; and second, the provision of training opportunities for vulnerable families in the area.

ENAEEX

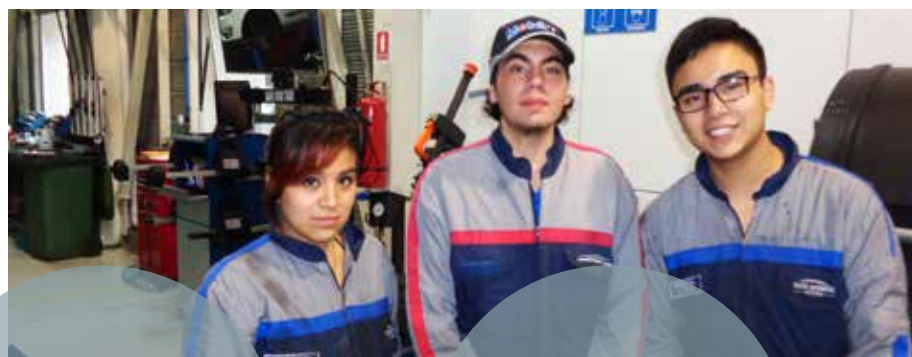
The company is committed to creating shared value for the surrounding communities, especially in Mejillones and Calama. In 2016 community relations activities included the following:

- **Open Door Program:**
The production plants are open for visits by members of the community, so as to ease any doubts about operational safety standards. In 2016, the visits focused on groups of youth from Mejillones.
- **HAZMAT training program for local firefighters and Enaex emergency crews:**
For the third consecutive year, Enaex awarded scholarships for training on Emergency Management involving Hazardous Materials (HAZMAT) in the United States.

/2 DUAL EDUCATION

Sigdo Koppers founded the nonprofit Chile Dual Educational Foundation, and sits on the board, to promote the implementation of dual education programs in its subsidiaries.

Dual education takes place in conjunction with an educational establishment and consists in bringing students into one of the companies in the Group, where they take part in the company's operations as part of their regular training process. The result is a high-quality training design, where learning takes place on two fronts: at the school (theoretical classes) and at the company (practical workshops). The process involves both managers and workers, with some selected workers serving as mentors for the students, who are supported throughout the process.



TECHNICAL
TRAINING

FOLLOW-UP

AUDITING

ongoing advisory services

- **Advisory services:**
The company appoints a dual education program manager, who is the main liaison between the company and the foundation and who provides support throughout the educational process.
- **Training:**
Technical students are chosen for the training program based on a profile previously created by the Foundation.
- **Follow-up:**
The company and the school hold periodic meetings in support of the program.
- **Auditing:**
The student's school monitors the student's progress, while the Foundation audits the process within the company, with the support of the company's internal dual education program manager.



CHILE DUAL EDUCATIONAL FOUNDATION 2016

N° of students in dual programs*	N° of trained mentors	N° of audits	Employability and continuity of studies
244	138	5	89%

* Includes students in programs implemented by the Foundation in companies that are not part of the Sigdo Koppers Group.

DUAL EDUCATION BY SUBSIDIARY

	ICSK	PUERTO VENTANAS	ENAEX	SKC	SKBERGÉ
N° of dual students	5	8	26	46	121*
N° of trained mentors	5	3	20	32	78*

* Includes the dual education program in SKBergé and licensed dealers.

03/

environmental performance

20
16
—

Integrated
ANNUAL
REPORT



IN ACCORDANCE WITH OUR STRATEGIC GUIDELINES AND SUSTAINABILITY POLICY, ENVIRONMENTAL PERFORMANCE AND THE MITIGATION OF THE IMPACT OF SUBSIDIARIES' OPERATIONS ARE ESSENTIAL FOR SIGDO KOPPERS.

THE GROUP MAINTAINS A FIRM COMMITMENT TO ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT. ENVIRONMENTAL RESPONSIBILITY IS PROMOTED IN ALL OUR BUSINESS AREAS, THROUGH MANAGEMENT MECHANISMS THAT ENSURE THE SYSTEMATIC IDENTIFICATION AND CONTROL OF ENVIRONMENTAL IMPACTS, AS WELL AS THE INCORPORATION OF INNOVATIVE TECHNOLOGIES THAT HELP IMPROVE PROCESSES AND ACHIEVE CONTINUAL PROGRESS IN THIS AREA. THE COMPANY ALSO SEEKS TO PROGRESSIVELY INCREASE EFFICIENCY IN THE USE AND MANAGEMENT OF NATURAL RESOURCES.





MOST OF THE COMPANIES IN THE GROUP HAVE RECEIVED ISO 14000 CERTIFICATION, WHICH REGULATES ENVIRONMENTAL MANAGEMENT SYSTEMS.

Our companies implement raw materials controls, comply with provisions on the handling of hazardous substances, and invest in improving the environmental conditions of their production plants. Moreover, the carbon credit project put in place by Enaex is considered the largest of its kind in Chile.

As in other performance areas, the Group set specific targets for 2016, focused mainly on standardizing the measurement of environmental indicators, with guidelines for each business area.

These targets and indicators were set with the objective of minimizing the impact of operations and contributing to a cleaner environment.



COMPLIANCE WITH STANDARDIZED ENVIRONMENTAL INDICATORS

GOAL	PERFORMANCE INDICATOR	COMPLIANCE IN 2016
All subsidiaries define an environmental approach and risk identification system.	Define an environmental approach.	84,7%
	Have in place an environmental management system.	57,9%
	Identification of significant environmental risks that could have an impact on the business.	53,4%
All companies identify the sources and type of emissions generated.	Collect the data to establish an emissions baseline.	49%
All companies identify their energy sources.	Collect the data to establish an energy baseline.	55,9%
All companies identify their water consumption sources.	Maintain a record of sources and m3 of water consumption and treatment.	59,1%
All companies identify their wastes.	Maintain a waste inventory.	48,5%
All companies maintain a record of past environmental events.	Number of environmental events by severity level (1 to 3).	76,8%



ENERGY EFFICIENCY IS A SIGNIFICANT MATERIAL FACTOR FOR PUERTO VENTANAS, ENAEX, AND MAGOTTEAUX.

PUERTO VENTANAS

**IN 2016, PUERTO VENTANAS
IMPROVED ITS ENERGY
PERFORMANCE BY 5%.**

In 2016, Puerto Ventanas S.A. (PVSA) advanced on the implementation of its Energy Efficiency Management System, which provides guidelines on a set of actions and procedures oriented toward achieving a more responsible and efficient energy consumption. This program is highly important given that energy is the company's main input.

The objectives of the Energy Efficiency Management System are as follows:

.....
Maintain an energy efficiency management system to identify opportunities for savings.
.....

Objectively quantify energy performance, using meters installed in the loading dock system.
.....

Design activities to reduce energy use by 5.0% by December 2016.
.....

Maintain the energy efficiency seal, obtained in 2014.
.....

Ensure that all new projects, modifications, or renovations prioritize the use of energy-efficient technologies.
.....

Identify the operational controls applicable for reducing electricity consumptions.
.....



ENAEX:

Over the last five years, Enaex S.A. has developed concrete initiatives—at both the operational and corporate levels—to reduce the consumption of purchased energy, with a focus on self-supply and self-generation (vapor compression).

In 2016, Enaex invested approximately US\$3.1 million in improving energy efficiency. A backpressure steam turbine was purchased to generate a maximum of 1.4 MW of power, which increased the self-supply of energy by nearly 50%.

Additionally, the company has a system for measuring its energy consumption, which allows it to establish efficiency targets year to year and thus to test the effectiveness of its energy-saving programs.

**IN 2016, ENAEX
INVESTED
APPROXIMATELY
US\$3.1 MILLION IN
IMPROVING ENERGY
EFFICIENCY**

ENAEX: ENERGY CONSUMPTION

	2014	2015	2016
Total electricity consumption (MWh)	42.830	52.834	49.597
Annual LPG consumption (L)	2.913.508	1.701.045	1.079.215
Annual gasoline consumption (L)	12.105	16.143	10.401
Annual diesel consumption (L)	3.005.364	3.850.754	4.987.415
Steam (renewable energy) (MWh)	43.822	24.929	34.120

MAGOTTEAUX:

Because Magotteaux's plants vary widely in terms of the type of facility, geographic location, and other factors, the company's energy efficiency plan must be adapted to the specific characteristics of the different operations. **Therefore, each of the plants designs the actions its will take to reduce energy consumption and promote a more efficient use of resources.**

ISO 50001 was implemented in six of the company's plants in 2016 and will be extended to all other operations in 2017.

MAGOTTEAUX: ENERGY CONSUMPTION

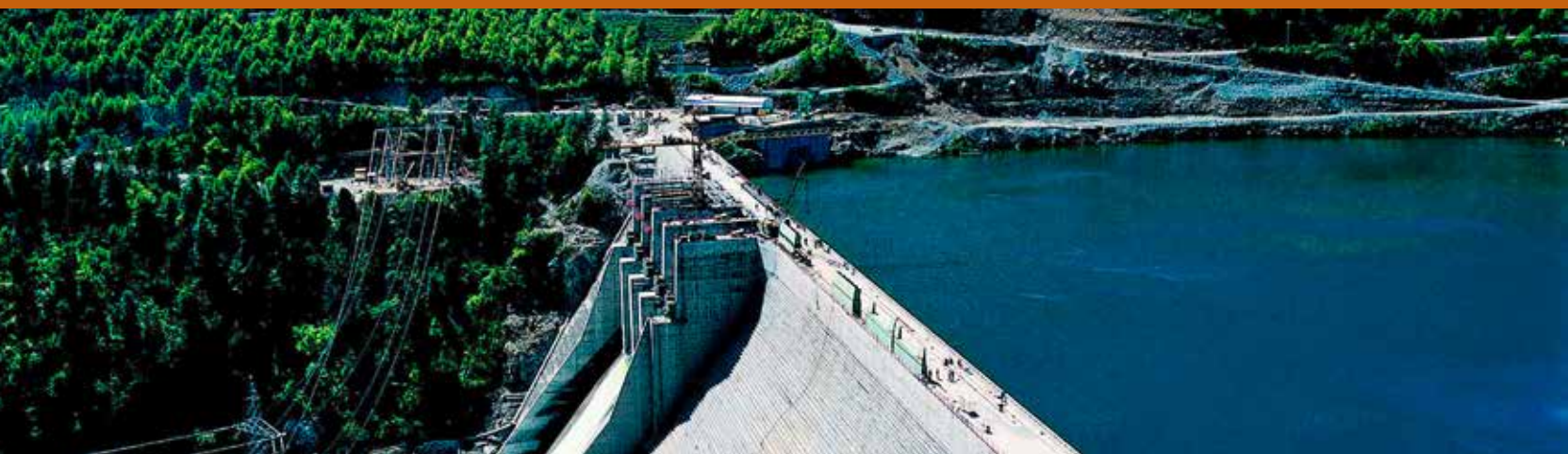
	2014	2015	2016
Chile (MWh)	67.445	70.372	65.823
Total international (MWh)	410.805	466.575	448.519

[EMISSIONS]

Over the last few years, climate change has become a critical issue for society as a whole and for all individual actors. Climate change originates in the greenhouse effect caused by the increase in the concentration of gases in the atmosphere, which retains heat. Those gases occur naturally, but their concentration has increased mainly due to human actions such as the burning of fossil fuels.

Environmental protection for future generations is a fundamental concern of the Sigdo Koppers Group. The company is committed to a rational use of resources in all operations and the minimization or mitigation of the environmental impact of all activities.

Atmospheric emissions were a significant factor for Enaex and Magotteaux



MAGOTTEAUX:

The company measures the emissions of all its operations worldwide. Based on the results, investment decisions are made for improving the company's environmental performance in terms of atmospheric emissions.

In Chile, the main emissions are particulate matter and CO₂. In 2016, the company invested in new bag filters to control fugitive emissions at the Til Til plant. This investment totaled US\$47,283.

MAGOTTEAUX: CO₂ EMISSIONS, IN TONS

	2014	2015	2016
Chile	25.629	26.741	25.013
Total international (MWh)	136.568	153.789	145.667

ENAEX:

THE COMPANY MANAGES ITS PERFORMANCE BASED ON THREE ENVIRONMENTAL PILLARS:

- Compliance with sustainability standards
- Low carbon production
- Rational use of natural resources

The company prioritizes production processes with low carbon emissions in planning its plant operations. Enaex has reduced its GHG emissions since 2007, through the implementation of two Clean Development Mechanism (CDM) projects to reduce nitrous oxide (N₂O) emissions from the production of nitric acid. These projects are recorded with the United Nations for the purpose of issuing certified emission reductions (CERs) and participating in the carbon market established under the Kyoto Protocol in 2005.

The corporate carbon footprint has been recalculated annually since 2012, including in 2016. This indicator measures the environmental impact of the company's operations using the Green House Gas Protocol methodology.

The reduction in CO₂ equivalent emissions is explained, in part, by the investment in a backpressure steam turbine, which increased the self-supply of steam energy and reduced emissions by almost 40,000 tons of CO₂eq.

To better analyze its emissions, Enaex has developed an emissions intensity index, to measure and evaluate the impact of the initiatives aimed at reducing greenhouse gas emissions. The index shows the tons of CO₂ equivalents per ton of production.

ENAEX: CO₂ EQUIVALENT EMISSIONS, IN TONS

2014	2015	2016
1.168.658	1.494.989	1.134.634

ENAEX: EMISSIONS INTENSITY INDEX (IN TC02EQ./TNA)

2014	2015	2016
0,4	0,8	0,3

goal

REDUCE THE INDEX THROUGH IMPROVEMENTS IN WASTE MANAGEMENT AND TRANSPORT.

As a result of the CDM and energy efficiency projects, the emissions intensity index was reduced by 0.5 tons of CO₂ equivalents per ton produced.

[ENVIRONMENTAL INCIDENTS]

In 2016, the Sigdo Koppers Group established criteria for classifying environmental incidents, as follows:

- **Level 1 incident:**
Minor impact on the physical or biological environment, with no significant consequences for the ecosystem.
- **Level 2 incident:**
Moderate impact on the physical or biological environment, with severe but reversible consequences for the ecosystem and with formal intervention by the authorities.
- **Level 3 incident:**
Significant impact on the physical or biological environment, with long-term or irreversible damage and with serious or very serious sanctions by the environmental authority.

Based on these criteria, the companies classified their environmental incidents according to the three levels. In 2016, Ferrocarril del Pacífico S.A. (Fepasa) and Enaex had material environmental incidents.

FEPASA

The company had three environmental incidents in 2016:

- Oil spill in Temuco. The incident, which occurred on 27 November 2016, was classified as level 1.
- Oil spill in Vilcuya. The incident, which occurred on 28 November 2016, was classified as level 1.
- Freight car derailment into the Toltén River, with no spills. The incident, which occurred on 18 August 2016, was due to a bridge collapse over the Toltén River while a Fepasa train was crossing, causing seven freight cars to fall into the river. The state railway company, which owns the tracks, is responsible for removing the cars from the river.

This incident is currently classified as level 1, as there have not been any significant consequences for the ecosystem to date, and the risks are under control. However, the authorities intervened given the magnitude and potential impact of the event.

ENAEX

There were two environmental incidents in 2016:

- Ammonia spill at the loading dock of the Prillex Plant. The incident, which occurred on 24 November 2016, was classified as level 2. The environmental superintendent intervened with an inspection that, based on the particulars of the incident, did not result in sanctions.
- Red smoke emission at the Loa River Plant. The incident, which occurred on 1 December 2016, was classified as level 1.



[WASTE MANAGEMENT]

In 2016, the Sigdo Koppers Group issued guidelines to the subsidiaries for establishing a waste baseline in each business area. This includes the creation of a waste inventory with a breakdown of waste generation by type and associated cost.

The results show that waste management is a significant issue in Fepasa, Enaex, Magotteaux .

FEPASA:

In 2016, Fepasa invested US\$11,791 in a new hazardous waste warehouse.

FEPASA: WASTE MANAGEMENT

Hazardous waste generation	171.6 tons/year
Cost of hazardous waste disposal, per ton	US\$252
Non-hazardous waste generation	96 tons/year
Cost of non-hazardous waste disposal, per ton	US\$106

ENAEX:

Each production plant keeps an informal waste register, but there is no consolidated inventory or an established traceability system. However, based on the guidelines issued by the Group, the company will work on creating an Integrated Waste Management System in 2017.

ENAEX: WASTE MANAGEMENT


Hazardous waste generation	195.242 tons/year
Cost of hazardous waste disposal	US\$12,264

MAGOTTEAUX:

All the company's plants have ISO 14001 certification with the exception of the SK Sabo plant in Antofagasta, which should receive certification in 2017.

MAGOTTEAUX: WASTE MANAGEMENT

	CHILE	TOTAL INTERNATIONAL
Recycled waste	2,685 tons/year	52,310 tons/year
Cost of waste disposal	US\$66,350	US\$2,116,174
Total waste generation	5,850 tons/year	7,468 tons/year
Cost of waste disposal, per ton	US\$36	US\$947



GENERAL INFORMA- TION

Chapter / 5



**SIGDO KOPPERS S.A. WAS
CONSTITUTED AS A CORPORATION
THROUGH PUBLIC DEED ON 29 APRIL
2005,** SIGNED BEFORE THE NOTARY
PUBLIC RAÚL UNDURRAGA LASO IN
SANTIAGO. THE CORRESPONDING
EXTRACT WAS REGISTERED UNDER FOLIO
20,234, N° 14,650, IN THE SANTIAGO
BUSINESS REGISTRY FOR 2005, AND
PUBLISHED IN THE OFFICIAL GAZETTE ON
15 JUNE OF THE SAME YEAR.



A. [CONSTITUENT DOCUMENTS]

The statutes of Sigdo Koppers S.A. were modified through agreements reached at the first Extraordinary General Shareholders' Meeting, held on 7 July 2005 and extracted by the Notary Public Raúl Undurraga Laso in Santiago on the same date. The corresponding extract was registered under folio 23,816, N° 17,292, in the Santiago Business Registry for 2005, and published in the Official Gazette on 12 July 2005. An amendment to that extract was filed in the same registry and year, under folio 24,350, N° 17,682, and published in the Official Gazette on 14 July 2005.

On 9 September 2005, Sigdo Koppers S.A. was registered in the Securities Registry maintained by the Superintendence of Securities and Insurance (SVS) under N° 915. Sigdo Koppers S.A. listed its shares on the Emerging Companies Market on 4 October 2005; the shares began trading on 20 October 2005. Sigdo Koppers S.A. shares will be exempt from the capital gains tax based on the company's presence on the stock exchange.

B. [OWNERSHIP]

As of 31 December 2016, the capital of Sigdo Koppers S.A. is divided into 1,075,000,000 shares. The 16 largest shareholders as of that date are as follows:

NAME	SUBSCRIBED SHARES	% OWNERSHIP (*)
INVERSIONES BUSTURIA LIMITADA	100.941.752	9,39%
SOCIEDAD DE AHORRO KAIZEN LIMITADA	100.160.000	9,32%
SOCIEDAD DE AHORRO JUTLANDIA LIMITADA	100.160.000	9,32%
SOCIEDAD DE AHORRO CERRO DIECIOCHO LIMITADA	100.160.000	9,32%
SOCIEDAD DE AHORRO ERRAZU LIMITADA	100.160.000	9,32%
SOCIEDAD DE AHORRO HOMAR LIMITADA	100.160.000	9,32%
CREDICORP CAPITAL S.A. CORREDORES DE BOLSA	46.165.200	4,29%
PIONERO FONDO DE INVERSION MOBILIARIO	41.159.000	3,83%
MALAGA ASESORIAS Y CONSULTORIAS SPA.	33.361.009	3,10%
VALORES SECURITY S.A. CORREDORES DE BOLSA	21.897.556	2,04%
INVERSIONES KAIZEN DOS SPA.	21.850.000	2,03%
INVERSIONES CERRO DIECIOCHO DOS SPA.	21.850.000	2,03%
INVERSIONES HOMAR DOS SPA.	21.850.000	2,03%
INVERSIONES JUTLANDIA DOS SPA.	21.850.000	2,03%
INVERSIONES BUSTURIA DOS SPA.	21.850.000	2,03%
INVERSIONES ERRAZÚ DOS SPA.	21.850.000	2,03%

C. [CONTROL OF THE CORPORATION]

On 7 July 2005, a joint action and control agreement was signed between the following corporations: Inversiones Errazú Ltda., whose final controller is Mr. Juan Eduardo Errázuriz Ossa (ID: 4,108,103-1); Inversiones Kaizen Ltda., whose final controller is Mr. Naoshi Matsumoto Takahashi (ID: 3,805,153-9); Inversiones Jutlandia Ltda., whose final controller is Mr. Norman Hansen Rosés (ID: 3,185,849-6); Inversiones Cerro Dieciocho Ltda., whose final controller is Mr. Mario Santander García (ID: 2,485,422-1); Inversiones Homar Ltda., whose final controller is Mr. Horacio Pavez García (ID: 3,899,021-7); and Inversiones Busturia Ltda., whose final controller is the Aboitiz family, made up of José Ramón Aboitiz Domínguez, Juan Pablo Aboitiz Domínguez, Francisco Javier Aboitiz Domínguez, Rodrigo Ignacio Aboitiz Domínguez, Gonzalo Gabriel Aboitiz Domínguez, María Gloria Aboitiz Domínguez, and Carmen Gloria Domínguez Elordi. This agreement is effective through 2033.

CONTROLLING LEGAL ENTITY	N° Direct Shares	Direct Ownership	Final Controller (Natural Person)	N° Indirect and Related Party Shares	% Indirect and Related Party Shares Ownership	N° Total Shares	Total Ownership
Sociedad de Ahorro Errazú Limitada	100.160.000	9,32%	Juan Eduardo Errazuriz Ossa	8.725.688	0,81%	130.735.688	12,16%
Inversiones Errazú Dos SPA (2)	21.850.000	2,03%					
Sociedad de Ahorro Kaizen Limitada	100.160.000	9,32%	Naoshi Matsumoto Takahashi	5.478.338	0,51%	127.488.338	11,86%
Inversiones Kaizen Dos SPA (2)	21.850.000	2,03%					
Sociedad de Ahorro Cerro Dieciocho Limitada	100.160.000	9,32%	Mario Santander García	10.050.000	0,93%	132.060.000	12,28%
Inversiones Cerro Dieciocho Dos SPA (2)	21.850.000	2,03%					
Sociedad de Ahorro Jutlandia Limitada	100.160.000	9,32%	Norman Hansen Rosés	2.946.431	0,27%	124.956.431	11,62%
Inversiones Jutlandia Dos SPA (2)	21.850.000	2,03%					
Sociedad de Ahorro Homar Limitada	100.160.000	9,32%	Horacio Pavez García	16.475.315	1,53%	138.485.315	12,88%
Inversiones Homar Dos SPA (2)	21.850.000	2,03%					
Inversiones Busturia Limitada	100.941.752	9,39%	Familia Aboitiz Domínguez ⁽¹⁾	1.611.433	0,15%	124.403.185	11,57%
Inversiones Busturia Dos SPA (2)	21.850.000	2,03%					
Málaga Asesorías y Consultorías SPA (2)	33.361.009	3,10%	Socios Sigdo Koppers ⁽²⁾	0	0,00%	33.361.009	3,10%
TOTAL	766.202.761	71,27%		45.287.205	4,21%	811.489.966	75,49%

D. [EQUITY SHARES]

1. Stock exchange transactions

The following table summarizes the quarterly statistics on the volume and price of shares traded on the Santiago Stock Exchange, the Electronic Stock Exchange of Chile, and the Valparaíso Stock Exchange in 2016.

PERIOD	Number of shares traded	Total amount traded (CLP)	Average price (CLP)
I Quarter 2016	19.143.987	15.680.149	819,1
II Quarter 2016	4.976.747	4.327.857	869,6
III Quarter 2016	2.296.052	1.962.043	854,5
IV Quarter 2016	25.743.993	22.076.434	857,5

At year-end 2016, 41% of Sigdo Koppers S.A. shares were traded on the exchange. Based on the volumes traded, the company is included in the local stock index (IPSA) in 2016.

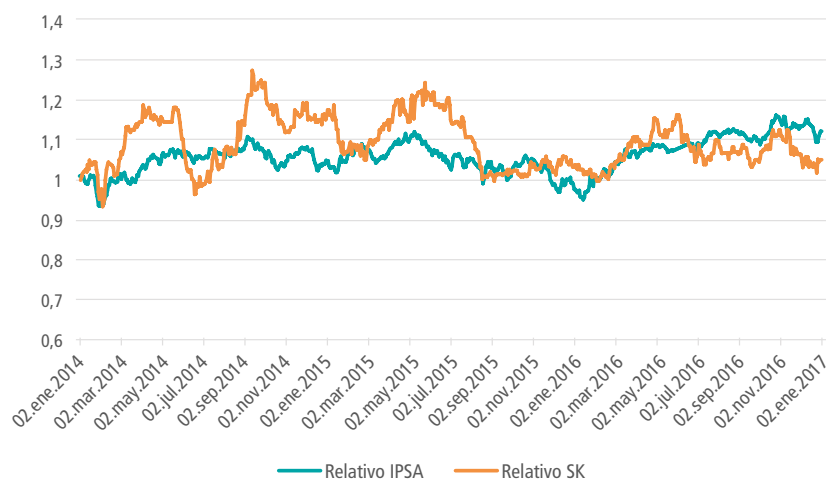
2. Trading of shares

The following table outlines the share transactions of majority shareholders, directors, chief executives of the parent company and subsidiaries, and other related natural or legal persons in 2016.

NAME	Relation	Purchases	Sales	Amount (CLP)	Share Price (*)	No. Transactions	Intention
Inversiones Kaizen Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Cerro Dieciocho Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Homar Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Jutlandia Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Errazu Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Busturia Dos SPA	Controlling shareholder		1.800.000	1.530.000.000	850	1	Sale
Inversiones Las Brisas Limitada	Related subsidiary		20.016	17.614.080	880	1	Sale
Inversiones Las Brisas Limitada	executive		8.437	7.475.182	886	1	Sale

3. Share performance

A comparison of the relative price of SK shares versus the IPSA stock index (%) in the last three years shows that Sigdo Koppers S.A. shares have had returns of 5.3% in the last three years, versus 12.3% for the IPSA. The higher IPSA returns were mainly in 2016, due to the lower earnings recorded by Sigdo Koppers this year. The company's net earnings dropped 37% due to the contraction in the mining and industrial sectors in the different markets where Sigdo Koppers does business.



E. [BOARD COMPENSATION]

In compliance with the provisions of Law N°18,046, the compensation of the Board of Directors of Sigdo Koppers S.A. for the year was determined at the General Shareholders' Meeting held on 25 April 2016.

In 2016, the Directors received a total fixed compensation of UF18,020, a reduction of 11.7% relative to 2015, and a variable compensation of UF27,812 (UF26,758 in 2015).

BOARD COMPENSATION (UF)

	BOARD OF DIRECTORS				DIRECTORS COMMITTEE			
	2016		2015		2016		2015	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Juan Eduardo Errázuriz O.	4.240	6.544	4.800	6.296	-	-	-	-
Naoshi Matsumoto T.	3.180	4.908	3.600	4.722	707	1.091	800	1.049
Norman Hansen R.	2.120	3.272	2.400	3.148	-	-	-	-
Horacio Pavez G.	800	3.272	2.400	3.148	267	1.091	800	1.049
Jaime Vargas S.	2.120	3.272	2.400	3.148	440	-	-	-
Juan Andrés Fontaine	2.120	3.272	2.400	3.148	-	-	-	-
Canio Corbo L.	2.120	3.272	2.400	3.148	707	1.091	800	1.049
Horacio Pavéz A.	1.320	-	-	-	-	-	-	-

BOARD COMPENSATION: SIGDO KOPPERS SUBSIDIARIES (UF)

	Ingeniería y Construcción Sigdo Koppers S.A.		Puerto Ventanas S.A.		Ferrocaril del Pacífico S.A.		Enaex S.A.		Magotteaux S.A.		SK Rental Group S.A.		Totales	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Juan Eduardo Errázuriz O.	720	720	2.477	2.660	-	-	864	864	1.695	1.752	360	960	6.116	6.956
Naoshi Matsumoto T.	360	360	1.240	1.330	178	693	432	432	-	-	200	720	2.410	3.535
Norman Hansen R.	360	360	-	-	-	-	432	432	-	-	-	-	792	792
Horacio Pavez G.	-	-	-	-	1.067	1.053	-	432	-	-	-	-	1.067	1.485

The Directors do not receive incentives such as bonuses, equity compensation, stock options, etc.

The Directors of the parent company received the indicated gross compensation in 2015 and 2016, for the performance of their duties as Director of the indicated subsidiary.

VARIABLE COMPENSATION: SIGDO KOPPERS SUBSIDIARIES (UF)

	Enaex S.A.	
	2016	2015
Juan Eduardo Errazuriz O.	7.591	7.849
Naoshi Matsumoto T.	5.061	5.233
Norman Hansen R.	-	3.925
Horacio Pavéz G.	3.796	3.925

F. [REPORT ON THE ACTIVITIES OF THE DIRECTORS COMMITTEE]

In 2016, the Committee fulfilled all its legal obligations, undertaking the following activities:

1. Considered the program of operations with related companies, projected by management in 2015, contained in paragraphs (a) and (c) of Article No. 147 of the Corporate Law.
2. Reviewed the variable remuneration and compensation plans of the chief executives and employees of the company.
3. Analyzed the brand positioning and corporate identity strategy, proposed by management.
4. Analyzed the services quoted by Deloitte Auditores y Consultores Ltda. that fall outside the regular external audit and decided to recommend that the Board contract the services.
5. Reviewed and approved the financial statements, presented by corporate management, for the year ending on 31 December 2015 and the independent auditor's report submitted by Deloitte Auditores y Consultores Limitada.
6. Proposed external auditors and private credit rating agencies to the Board, which were submitted at the Ordinary General Shareholders' Meeting held in 2016.
7. Examined material issues on the financial statements relative to the months of March, June, and September, in conjunction with the external auditors.

G. [DIVIDENDS]

1. Distribution of profits

In 2016, Sigdo Koppers S.A. had a net income of US\$85,008,403, which the Board of Directors proposed to distribute as follows:

- US\$21,984,825 to cover interim dividends N°44, N°45, and N°46 paid in June, September, and December 2016, respectively.
- US\$18,393,250 to pay the final dividend.

The Board of Directors thus proposes to distribute, with a charge to income in 2016, a final dividend of US\$0.01711 per share, which will be paid in its equivalent in pesos based on the exchange rate published in the Official Gazette on 02 May 2017.

Once the Board's proposal has been accepted, the corporation's capital and reserves would be as follows:

EQUITY		KUS\$
Share capital		667.267
Capital surplus		122.672
Retained earnings		725.880
Other reserves		(261.812)
EQUITY ATTRIBUTABLE TO THE PARENT		1.254.007

2. Distributed dividends (historical)

The following table lists historical dividends:

Dividend	Type	Date	CLP/Share	Total Dividend (CLP)
N° 1	Interim 2005	06 Oct 05	\$ 9,02	\$ 5.411.400.000
N° 2	Interim 2005	20 Dec 05	\$ 2,70	\$ 2.160.000.000
N° 3	Final 2005	15 May 06	\$ 5,34	\$ 4.273.872.000
N° 4	Interim 2006	28 June 06	\$ 3,50	\$ 2.800.000.000
N° 5	Interim 2006	28 Sep 06	\$ 4,50	\$ 3.600.000.000
N° 6	Interim 2006	28 Dec 06	\$ 5,00	\$ 4.000.000.000
N° 7	Final 2006	11 May 07	\$ 6,91	\$ 5.528.000.000
N° 8	Interim 2007	28 June 07	\$ 3,60	\$ 2.880.000.000
N° 9	Interim 2007	28 Sep 07	\$ 5,00	\$ 4.000.000.000
N° 10	Interim 2007	26 Dec 07	\$ 6,00	\$ 4.800.000.000
N° 11	Final 2007	09 May 08	\$ 8,50	\$ 6.800.000.000
N° 12	Interim 2008	27 June 08	\$ 3,70	\$ 2.960.000.000
N° 13	Interim 2008	29 Sep 08	\$ 5,10	\$ 4.080.000.000
N° 14	Interim 2008	29 Dec 08	\$ 5,00	\$ 4.000.000.000
N° 15	Final 2008	08 May 09	\$ 7,40	\$ 5.920.000.000
N° 16	Interim 2009	30 June 09	\$ 4,00	\$ 3.200.000.000
N° 17	Interim 2009	28 Sep 09	\$ 5,17	\$ 4.136.000.000
N° 18	Interim 2009	28 Dec 09	\$ 5,73	\$ 4.584.000.000
N° 19	Final 2009	13 May 10	\$ 11,10	\$ 8.880.000.000
N° 20	Interim 2010	29 June 10	\$ 5,30	\$ 4.242.560.000
N° 21	Interim 2010	27 Sep 10	\$ 6,95	\$ 5.560.000.000
N° 22	Interim 2010	23 Dec 10	\$ 7,82	\$ 6.256.000.000
N° 23	Final 2010	24 May 11	\$ 14,45	\$ 11.560.000.000
N° 24	Interim 2011	23 June 11	\$ 5,58	\$ 4.464.000.000
N° 25	Interim 2011	21 Sep 11	\$ 7,13	\$ 5.704.000.000
N° 26	Interim 2011	20 Dec 11	\$ 9,01	\$ 7.208.000.000
N° 27	Final 2011	10 May 12	\$ 22,52	\$ 24.213.994.880
N° 28	Interim 2012	19 June 12	\$ 5,80	\$ 6.231.070.875
N° 29	Interim 2012	26 Sep 12	\$ 5,99	\$ 6.437.140.313
N° 30	Interim 2012	12 Dec 12	\$ 6,94	\$ 7.461.879.870
N° 31	Final 2012	13 May 13	\$ 12,65	\$ 13.598.750.000
N° 32	Interim 2013	20 June 13	\$ 7,25	\$ 7.793.750.000
N° 33	Interim 2013	25 Sep 13	\$ 6,05	\$ 6.503.750.000
N° 34	Interim 2013	18 Dec 13	\$ 7,18	\$ 7.718.500.000
N° 35	Final 2013	13 May 14	\$ 14,63	\$ 15.727.250.000
N° 36	Interim 2014	17 June 14	\$ 6,36	\$ 6.837.000.000
N° 37	Interim 2014	16 Sep 14	\$ 6,75	\$ 7.256.250.000
N° 38	Interim 2014	16 Dec 14	\$ 7,82	\$ 8.406.500.000
N° 39	Final 2014	12 May 15	\$ 14,59	\$ 15.684.250.000
N° 40	Interim 2015	16 June 15	\$ 6,40	\$ 6.880.000.000
N° 41	Interim 2015	22 Sep 15	\$ 6,97	\$ 7.492.750.000
N° 42	Interim 2015	22 Dec 15	\$ 7,99	\$ 8.589.250.000
N° 43	Final 2015	10 May 16	\$ 16,59	\$ 17.834.250.000
N° 44	Interim 2016	21 June 16	\$ 5,34	\$ 5.740.500.000
N° 45	Interim 2016	14 Sep 16	\$ 4,44	\$ 4.773.000.000
N° 46	Interim 2016	20 Dec 16	\$ 3,89	\$ 4.181.750.000



3. Dividend Policy

In accordance with corporate statutes, unless otherwise agreed at the Shareholders' Meeting by unanimous vote of all issued shares, the company must annually distribute a cash dividend to shareholders, proportionally to their shareholdings, a minimum of 30% of net profits in each period.

However, it is the intention of the Board of Directors to distribute more than 30% of net profits, subject to the cash flow situation, the company's periodic earnings forecast, and a number of other conditions, which will be assessed by the Board.

H. [COMPENSATION OF CHIEF EXECUTIVES]

The total compensation earned by the General Manager and other chief executives in 2016 was US\$669,021. The company also paid its executives a voluntary bonus in 2016 tied to the company's profits.

I. [FINANCING AND INVESTMENT POLICY]

Sigdo Koppers is always looking for new investment opportunities, both within its current subsidiaries and in new businesses. Investments in capital replenishment and organic growth of each company are self-financed with own funds. When the magnitude of the investment exceeds the generation capacity of these funds, the company policy is to use a combination of external financing sources proportionate to the type of project and the business risk. The company's investments are analyzed under strict criteria of value creation for shareholders.

Sigdo Koppers has defined an investment strategy of always having a range of investment projects in progress. These are located both in Chile and abroad, given the global nature of the company, with operations in the Americas, Asia, and Europe.

L. [SUPPLIERS AND CLIENTS]

As parent company, Sigdo Koppers does not have either clients or significant supplier relations.

With regard to the subsidiaries, the Commercial and Automotive Area have two suppliers that account for over 10% of the purchase invoices in that business segment.

In terms of clients, the Services Area has one client that accounts for 10% or more of sales; the same applies to the Industrial Area.



J. [BANKS]

Sigdo Koppers S.A. has total bank loans of US\$50 million with Scotiabank. The company also maintains a relationship with other banks for checking accounts, bank credit lines, and routine treasury and supplier payment transactions.

Sigdo Koppers S.A. has a relationship with the following banks:

Banco BBVA
Banco Itaú Corpbanca
Banco de Chile
Banco de Crédito e Inversiones (BCI)
Banco Santander
BNP Paribas
HSBC
JP Morgan Chase
Scotiabank
Corpbanca NY
Banco BICE
Banco Security
BTG Pactual

In addition, Sigdo Koppers S.A. has five cross-currency swap contracts, with Banco BBVA, Banco de Crédito e Inversiones (two contracts), Banco de Chile, and Banco Santander, for a total of UF 3.9 million.

K. [PROPERTIES]

The corporation is the owner of the eighth floor of the building located at Málaga 120 and the associated parking areas, which serves as the main corporate offices.

L. [INSURANCE AND CONTRACTS]

The corporation maintains a broad range of insurance policies with leading insurance companies for all the most important assets of both the parent company and its subsidiaries, covering buildings, machinery, installations,

vehicles, and so forth. The risks covered by these policies include earthquakes, terrorism, fire, accidents, lost profits, and the civil liability of the company and its directors and chief executives.

M. [BRANDS AND PATENTS]

All the brands with which Sigdo Koppers S.A. and its subsidiaries work are duly registered, either by the parent, the subsidiary, or the licensing company, as appropriate.

N. [RISK FACTORS]

The risk factors affecting Sigdo Koppers S.A. must be analyzed based on the different industries in which the Group operates. This analysis is presented in chapter 03 and note n°5 (financial risk management and definition of coverage) of the company's consolidated financial statements, available in this annual report.

O. [LEGAL ADVISORS]

Villarroel y Compañía Limitada.

P. [EXTERNAL AUDITORS]

Deloitte Auditores y Consultores Limitada.

Q. [CREDIT RATING]

The credit rating of Sigdo Koppers S.A. is performed by ICR and Fitch Ratings, for both the corporate shares and debt issues.

Equity rating

In May 2016, ICR issued its first rating of First Class Level 2 for Sigdo Koppers S.A. shares, with an outlook of "Stable."

In July 2016, Fitch Ratings maintained the equity rating of First Class Level 2 for Sigdo Koppers S.A. shares, with an outlook of "Stable."

The securities issued by the company maintained a classification of "Approved" by the rating agency, according to the current system and in accordance with Decree Law 3,500 on the Individual Capitalization Pension System.

Debt rating

In May 2016, ICR issued its first rating of AA- for local debt issues by Sigdo Koppers S.A., with an outlook of "Stable."

In July 2016, Fitch Ratings maintained the rating of A+ for local debt issues by Sigdo Koppers S.A., with an outlook of "Stable."

The following table shows the credit rating on the local debt issues of Sigdo Koppers S.A.

	BOND SERIES 565 ⁽¹⁾	BOND SERIES 566 ⁽²⁾	BOND SERIES 705 ⁽³⁾	BOND SERIES 706 ⁽⁴⁾
ICR	AA-	AA-	AA-	AA-
Fitch Ratings	A+	A+	A+	A+



CONSOLIDATED FINANCIAL STATEMENTS

Chapter / 6





[INDEPENDENT AUDITORS' REPORT]

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- STATEMENT OF CHANGES IN NET EQUITY
- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- MATERIAL EVENTS DURING THE PERIOD
- REASONED ANALYSIS



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INDEPENDENT AUDITORS' REPORT

To the shareholders and directors of Sigdo Koppers S.A.

We have conducted an audit of the attached consolidated financial statements of Sigdo Koppers S.A. and subsidiaries, including the consolidated statement of financial position as of 31 December 2016 and 2015 and the corresponding consolidated comprehensive income, changes in net equity, and cash flow statements for the years ended on those dates and the corresponding notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Management is also responsible for the design, implementation, and maintenance of an internal control system to ensure that the preparation and reasonable presentation of these consolidated financial statements is free of material misstatements, whether due to fraud or error.

The auditor's responsibility

Our responsibility is to issue an opinion on the consolidated financial statements, based on our audit. We did not audit the financial statements of SK Bergé S.A. and SK Bergé Financiamiento S.A., which as of 31 December 2016 have total assets of KUS\$86.669 and deferred income of KUS\$22.323 (KUS\$76.512 and KUS\$28.065, respectively, on 31 December 2015). These financial statements were audited by other auditors, who have provided us with their reports. Our opinion on the amounts included in these two investments is based solely on the report submitted by the other auditors. We conducted our audit in accordance with generally accepted auditing standards in Chile. These standards require that we plan and perform the audit to attain a reasonable degree of assurance that the financial statements are free of material misrepresentations.


An audit includes implementing procedures to obtain auditing evidence supporting the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risk of material misstatements in the financial statements, whether due to fraud or error. On making these risk assessments, the auditor considers the internal controls relevant to the preparation and reasonable presentation of the company's consolidated financial statements in order to design appropriate auditing procedures given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports submitted by other external auditors, the aforementioned financial statements fairly present, in all material respects, the financial position of Sigdo Koppers S.A. and its subsidiaries as of 31 December 2016 and 2015 and the results of its operations and its cash flow for the years then ended on those dates in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).


2 March 2017
Santiago, Chile


Daniel Joignant P.
ID: 10.732.096-2

Consolidated statement of financial position

As of 31 December 2016 and 2015 (in thousands of US\$)

ASSETS	Note	31.12.2016	31.12.2015
	N°	KUS\$	KUS\$
Current assets			
Cash and cash equivalents	7	281.395	239.276
Other current financial assets	8	18.211	5.650
Other current nonfinancial assets	9	530	636
Current trade debtors and other accounts receivable	10	555.578	539.654
Current accounts receivable from related entities	11	4.021	15.862
Current inventories	12	272.910	296.416
Current tax assets	14	27.890	25.898
Total current assets other than assets or groups of assets classified as held for sale or held for distribution to owners		1.160.535	1.123.392
Noncurrent assets other than assets or groups of assets classified as held for sale or held for distribution to owners		5.441	8.184
Total current assets		1.165.976	1.131.576
Noncurrent assets			
Other noncurrent financial assets	8	1.095	781
Other noncurrent nonfinancial assets	9	756	12.268
Noncurrent accounts receivable	10	33.022	35.478
Noncurrent accounts receivable from related entities	11	14.505	13.352
Equity method investments	16	94.968	90.540
Intangible assets (other than goodwill)	20	654.275	650.147
Goodwill	19	294.041	288.103
Property, plant, and equipment	17	1.187.522	1.161.598
Noncurrent tax assets	14	1.453	4.143
Deferred tax assets	21	101.877	87.037
Total noncurrent assets		2.383.514	2.343.447
TOTAL ASSETS		3.549.490	3.475.023

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

As of 31 December 2016 and 2015 (in thousands of US\$)

LIABILITIES AND EQUITY	Note	31.12.2016	31.12.2015
	N°	KUS\$	KUS\$
Current liabilities			
Other current financial liabilities	22	297.552	251.940
Trade and other accounts payable	24	303.072	283.157
Current accounts payable to related entities	11	11.779	33.425
Other current provisions	26	26.232	36.767
Current tax liabilities	14	6.364	9.189
Current provisions for employee benefits	25	59.895	63.731
Other current nonfinancial liabilities	27	26.910	23.986
Total current liabilities		731.804	702.195
Noncurrent liabilities			
Other noncurrent financial liabilities	22	812.908	868.896
Noncurrent accounts payable	24	1.364	8.968
Noncurrent accounts payable to related entities	11	11.979	13.555
Other noncurrent provisions	26	16.223	22.637
Deferred tax liabilities	21	247.242	245.541
Noncurrent provisions for employee benefits	25	47.628	39.205
Other noncurrent nonfinancial liabilities	27	-	280
Total noncurrent liabilities		1.137.344	1.199.082
Total liabilities		1.869.148	1.901.277
Equity			
Share capital	28	667.267	667.267
Share premiums	28	122.672	122.672
Capital surplus	28	740.740	701.434
Other reserves	28	(261.812)	(302.688)
Equity attributable to the owners of the parent company		1.268.867	1.188.685
Noncontrolling interests		411.475	385.061
Total equity		1.680.342	1.573.746
TOTAL LIABILITIES AND EQUITY		3.549.490	3.475.023

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of other comprehensive income by function

For the years ended on 31 December 2016 and 2015 (in thousand of US\$)

	Note N°	Accumulated	
		01.01.2016	01.01.2015
		31.12.2016	31.12.2015
		KUS\$	KUS\$
Income from ordinary activities	29	2.191.291	2.414.522
Cost of sales		(1.707.389)	(1.856.514)
Gross income		483.902	558.008
Other income		21.873	14.688
Cost of distribution		(75.787)	(78.963)
Administrative expenses		(237.443)	(226.128)
Other expenses, by function		(24.641)	(13.355)
Other income (loss)	31	4.482	(882)
Income (loss) from operating activities		172.386	253.368
Financial income	32	4.410	5.311
Financial expenses	33	(54.413)	(52.569)
Share in income (loss) of associates and joint ventures that are recognized using the equity method	16	45.453	54.973
Exchange differences		(1.459)	(13.808)
Income from indexation adjustments		(1.236)	2.198
Income (loss), before taxes		165.141	249.473
Capital gains tax on continuing operations	21	(39.377)	(45.771)
Income (loss) from continuing operations		125.764	203.702
Income (loss) from discontinued operations		-	-
Income (loss)		125.764	203.702
Income (loss), attributable to			
Income (loss), attributable to the owners of the parent company		85.009	134.987
Income (loss), attributable to noncontrolling interests		40.755	68.715
Income (loss)		125.764	203.702
Income per basic share			
Income (loss) per basic share from continuing operations		0,0791	0,1256
Income (loss) per basic share from discontinued operations		-	-
Income (loss) per basic share		0,0791	0,1256

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of other comprehensive income by function

For the years ended on 31 December 2016 and 2015 (in thousand of US\$)

	Accumulated	
	01.01.2016	01.01.2015
	31.12.2016	31.12.2015
	KUS\$	KUS\$
Income (loss)	125.764	203.702
Other comprehensive income		
Items of other comprehensive income that will not be reclassified to income in the period, before taxes		
Other comprehensive income, before taxes, accounting income (loss) from defined benefits plans	(635)	(405)
Other comprehensive income that will not be reclassified to income in the period, before taxes	(635)	(405)
Items of other comprehensive income that will be reclassified to income in the period, before taxes		
Differences from foreign currency translation		
Income (loss) from differences from foreign currency translation, before taxes	54.288	(105.161)
Other comprehensive income, before taxes, differences from foreign currency translation	54.288	(105.161)
Cash flow hedges		
Income (loss) from cash flow hedges, before taxes	13.189	(5.611)
Other comprehensive income, before taxes, cash flow hedges	13.189	(5.611)
Other comprehensive income that will be reclassified to income in the period, before taxes	67.477	(110.772)
Other items of other comprehensive income, before taxes	66.842	(111.177)
Capital gains taxes on items of other comprehensive income that will not be reclassified to income in the period		
Capital gains tax associated with the new measure of defined benefits plans in other comprehensive income	273	48
Capital gains taxes on items of other comprehensive income that will not be reclassified to income in the period	273	48
Capital gains taxes on items of other comprehensive income that will be reclassified to income in the period		
Capital gains tax associated with cash flow hedges in other comprehensive income	(3.378)	1.546
Capital gains taxes on items of other comprehensive income that will be reclassified to income in the period	(3.378)	1.546
Other comprehensive income	63.737	(109.583)
Comprehensive income	189.501	94.119
Comprehensive income attributable to		
Comprehensive income attributable to the owners of the parent company	129.768	59.008
Comprehensive income attributable to noncontrolling interests	59.733	35.111
COMPREHENSIVE INCOME	189.501	94.119

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flow

direct method

For the years ended on 31 December 2016 and 2015 (in thousand of US\$)

	Accumulated	
	01.01.2016	01.01.2015
	31.12.2016	31.12.2015
	KUS\$	KUS\$
Cash flow from operating activities		
Cash inflows from operating activities	2.599.254	2.838.475
Cash receipts from the sale of goods and rendering of services	2.428.312	2.641.945
Cash receipts from royalties, fees, commissions, and other revenue from ordinary activities	18.313	11.395
Cash receipts from premiums and claims, annuities and other policy benefits	-	96
Cash receipts from the leasing and subsequent sale of assets held for leasing to third parties and subsequently held for sale	126.546	156.175
Other cash receipts from operating activities	26.083	28.864
Cash outflows from operating activities	(2.286.548)	(2.460.844)
Cash payments to suppliers of goods and services	(1.692.235)	(1.755.139)
Cash payments to employees or on behalf of employees	(486.539)	(546.011)
Cash payments for premiums and claims, annuities and other policy liabilities	(8.061)	(6.818)
Cash payments to manufacture or acquire assets held for leasing to third parties and subsequently held for sale	(49.904)	(43.473)
Other cash payments related to operating activities	(49.809)	(109.403)
Net cash flow from operations	312.706	377.631
Dividends received	43.894	39.115
Interest received	2.179	2.827
Capital gains tax paid (reimbursed)	(38.474)	(43.612)
Other cash inflows (outflows)	(845)	(3.010)
Cash flow from operating activities	319.460	372.951
Cash flow from investing activities		
Cash payments to acquire control of subsidiaries or other businesses	(698)	(175.809)
Cash payments to acquire noncontrolling interests	-	(7.640)
Other cash receipts from the sale of equity or debt instruments of other entities	16.322	-
Other payments to acquire equity or debt instruments of other entities	-	(10.531)
Other payments to acquire shares in joint ventures	(896)	-
Loans to related entities	(3.808)	-
Proceeds from the sale of property, plant, and equipment	2.393	2.678
Purchase of property, plant, and equipment	(128.073)	(130.359)
Proceeds from the sale of intangible assets	2	-
Purchase of intangible assets	(5.043)	(6.738)
Proceeds from long-term assets	(390)	1.000
Proceeds from government subsidies	(355)	-
Cash receipts from the repayment of advances and loans to third parties	862	6.220
Other cash inflows (outflows)	2.084	(2.254)
Cash flow from investing activities	(117.600)	(323.433)
Cash flow from financing activities		
Proceeds from the issue of shares	169	229
Proceeds from long-term loans	184.118	323.753
Proceeds from short-term loans	413.212	405.223
Loans to related entities	81.353	69.466
Payment of loans	(628.080)	(674.189)
Payment of financial leasing liabilities	(13.315)	(14.287)
Payment of loans to related entities	(56.826)	(84.422)
Proceeds from government subsidies	-	304
Dividend payments	(83.611)	(108.322)
Interest payments	(44.214)	(37.955)
Other cash inflows (outflows)	(14.829)	83.734
Cash flow from (used in) financing activities	(162.023)	(36.466)
Increase (decrease) in cash and cash equivalents, before exchange rate effect	39.837	13.052
Effect of changes in the exchange rate on cash and cash equivalents	2.282	(8.734)
Increase (decrease) in cash and cash equivalents	42.119	4.318
Cash and cash equivalents at the beginning of the period	239.276	234.958
CASH AND CASH EQUIVALENTS	281.395	239.276

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in net equity

For the years ended on 31 December 2016 and 2015 (in thousands of US\$)

ITEM	Note N°	Share capital	Share premium	Foreign currency translation reserves	Cash flow hedge reserves	Reserves for (loss) on defined benefit plans	Other miscellaneous reserves	Other reserves (total)	Retained earnings (accumulated losses)	Equity attributable to parent	Noncontrolling interests	Total equity
		KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Opening balance on 01.01.2016	28	667.267	122.672	(177.370)	(4.054)	(3.939)	(117.325)	(302.688)	701.434	1.188.685	385.061	1.573.746
Initial equity		667.267	122.672	(177.370)	(4.054)	(3.939)	(117.325)	(302.688)	701.434	1.188.685	385.061	1.573.746
Comprehensive income:												
Income	28	-	-	-	-	-	-	-	85.009	85.009	40.755	125.764
Other comprehensive income	28	-	-	32.740	12.246	(227)	-	44.759	-	44.759	18.978	63.737
Total comprehensive income		-	-	32.740	12.246	(227)	-	44.759	85.009	129.768	59.733	189.501
Dividends	28	-	-	-	-	-	-	-	(45.767)	(45.767)	(37.912)	(83.679)
Increase (decrease) from transfers and other changes	28	-	-	-	-	-	(3.883)	(3.883)	64	(3.819)	4.593	774
Total changes in equity		-	-	32.740	12.246	(227)	(3.883)	40.876	39.306	80.182	26.414	106.596
CLOSING BALANCE ON 31.12.2016		667.267	122.672	(144.630)	8.192	(4.166)	(121.208)	(261.812)	740.740	1.268.867	411.475	1.680.342

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in net equity

For the years ended on 31 December 2016 and 2015 (in thousands of US\$)

ITEM	Note N°	Share capital	Share premium	Foreign currency translation reserves	Cash flow hedge reserves	Reserves for (loss) on defined benefit plans	Other miscellaneous reserves	Other reserves (total)	Retained earnings	Equity attributable to parent	Noncontrolling interests	Total equity
		KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Opening balance on 01.01.2015	28	667.267	122.672	(103.593)	(2.114)	(3.677)	(112.145)	(221.529)	630.445	1.198.855	403.634	1.602.489
Initial equity		667.267	122.672	(103.593)	(2.114)	(3.677)	(112.145)	(221.529)	630.445	1.198.855	403.634	1.602.489
Comprehensive income:								-				
Income	28	-	-	-	-	-	-	-	134.987	134.987	68.715	203.702
Other comprehensive income	28	-	-	(73.777)	(1.940)	(262)	-	(75.979)	-	(75.979)	(33.604)	(109.583)
Total comprehensive income		-	-	(73.777)	(1.940)	(262)	-	(75.979)	134.987	59.008	35.111	94.119
Dividends	28	-	-	-	-	-	-	-	(64.065)	(64.065)	(43.869)	(107.934)
Increase (decrease) from transfers and other changes	28	-	-	-	-	-	(2.628)	(2.628)	67	(2.561)	3.572	1.011
Increase (decrease) from changes in ownership shares of subsidiaries without loss of control	28	-	-	-	-	-	(2.552)	(2.552)	-	(2.552)	(13.387)	(15.939)
Total changes in equity		-	-	(73.777)	(1.940)	(262)	(5.180)	(81.159)	70.989	(10.170)	(18.573)	(28.743)
CLOSING BALANCE ON 31.12.2015		667.267	122.672	(177.370)	(4.054)	(3.939)	(117.325)	(302.688)	701.434	1.188.685	385.061	1.573.746

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS



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[CONSOLIDATED FINANCIAL STATEMENTS NOTES]

[GENERAL INFORMATION OF SUBSIDIARIES]

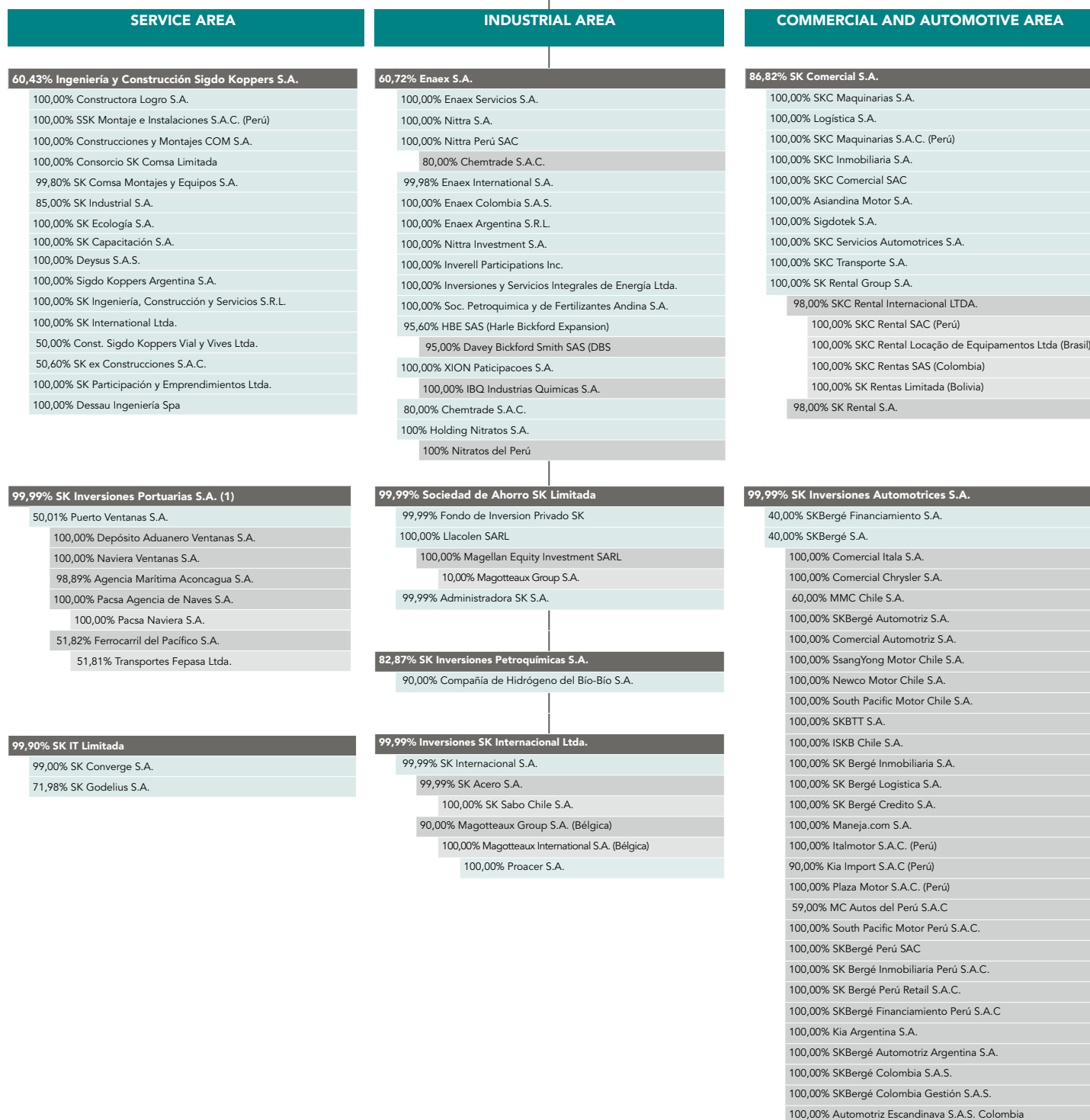
For the years ended on 31 December 2015 and 2016. The notes to the consolidated financial statements and the general information on subsidiaries is contained on the pendrive included with this annual report.



Ownership structure

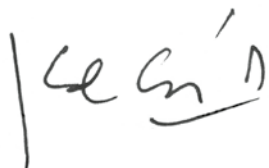
As of 31 December 2016

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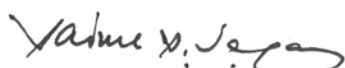
The undersigned declare themselves responsible for the veracity of the information included in this 2016 Integrated Annual Report.



Juan Eduardo Errázuriz Ossa
RUT: 4.108.103-1
CHAIRMAN OF DE BOARD



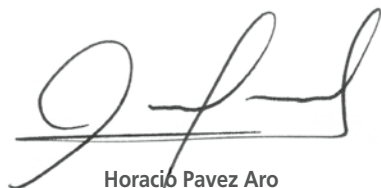
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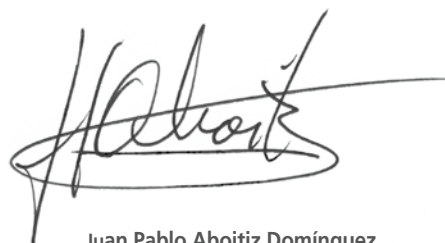
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