


MADECO

Reasoned Analysis
Consolidated Financial Statements
As of September 30, 2012 and 2011
(Translation of Analysis originally issues in Spanish.)

Table of Contents

1. Summary of the Statement of Income 4

2. Results by Business Unit 7

3. Summarized cash flows 9

4. Financial Indicators 10

5. Analysis of Assets and Liabilities 12

6. Analysis of Markets, Competitors and Relative Share 13

7. Personnel Structure 17

1. Summary of the Statement of Income

Operating revenues stands at ThUS$ 316,333 in 2012, down 6.3% year-on-year. This variation is due to lower revenues for the Tubes unit, as a result of lower sales volumes and a drop in average copper prices (LME).

The profit (loss) from operational activities[1] totals ThUS$ 70,968, up from the ThUS$ 28,509 reported for the same period of 2011. This trend is mainly explained by recognition of badwill worth ThUS$ 68,026[2] and ThUS$ 3,927 from respective investments in Nexans and Empaques Flexa. This effect was partially offset by: (i) higher litigation fees and expenses in Brazil amounting to ThUS$ 7,494 as of now, and (ii) a ThUS$ 6,186 loss, as a result of a change in equity in affiliate company Nexans as a consequence of the higher number of shares associated to conversion of bonds into shares and the employee compensation plan[3].

The profit (loss) attributable to the controlling entity records a profit amounting to ThUS$ 41,427, which is higher than the profit amounting to ThUS$ 12,671 recorded in 2011.

In accordance with the French laws and the applicable IFRS, Nexans does not publish financial statements in March and September. As a consequence and upon Madeco's request, the Superintendency of Securities and Insurance ("SVS") granted the latter authorization to use the financial statements of this French company, as of December and June, respectively as the last available and reliable information to account for the investment in that company using the equity method for the accounting closing dates in March and September referred to above.

For further information with regard to the investment of Madeco in Nexans, see Note 14 of the Financial Statements.

In light of the interpretations of International Financial Reporting Standards ("IFRS") the investments of the Company in Peru (Peruplast S.A.) and Colombia (Flexa) through Alusa S.A. have been recognized as a joint venture. On the basis of the foregoing and according to IAS 31, only a proportion of such ownership (50% for Alusa S.A.) will be consolidated in the financial statements of Madeco and its subsidiaries. Likewise, this implementation has been retroactively applied under the new IFRS. Accordingly, the financial statements of Madeco have been modified for the years 2008 and 2009. Finally, this change introduced, to the manner in which the investment of the Company in Peru is consolidated, does not affect the net profits of Madeco.

[1] Profit (loss) from operational activities according to the new definitions of the SVS includes the gross profit, other income by segment, distribution costs, administration expenses, other expenses by segment and other profits (loss).
2 Number includes badwill as a result of a change in accounting criteria for investments and share purchases in later periods.
[3] Employee compensation plans include an issue of 499,984 shares.

Consolidated Results

Ordinary Income (previously Exploitation Income)

By September, revenues reached ThUS$ 316,333 for the period, down 6.3% on the same period of 2011. This amount is explained by the lower revenues from the Tubes unit, with a 27.8% decrease year-on-year. This trend comes down to volumes sold going down 10,6% due to lower tube demand in the export market and average copper prices plummeting 18.9%.

This was offset in part by a 10.6% rise in revenues from the Profiles segment on the same period of 2011, as a result of physical volumes sold going up 18.2%, thanks to the increased commercial activity observed in the period.

Gross profit

Gross profits in the period total ThUS$ 55,897, down 7.1% year-on-year. This decrease comes down to lower sales volumes and the more competitive and complex environment the Tubes units is facing. This situation is partially offset by improved results by the Profiles and Packaging divisions, which presented respective increases by 9.6% and 2.6%.

Profit (Loss) from Operational Activities[4] and EBITDA[5]

The profit (loss) from operational activities amounts to ThUS$ 70,968, which is above the ThUS$ 28,509 profit recorded the same period of 2011. This is explained by:

(i) The recognition of ThUS$ 68,026[6] associated with the badwill, as a result of applying the equity method of accounting to value the investments made in Nexans and ThUS$ 3,927 is associated with the badwill, as a result of applying the equity method of accounting to value the investments made in Empaques Flexa, which was performed in the Package unit in June.

[4] Profit (loss) from operational activities according to the new definitions of the SVS includes the gross profit, other income by segment, distribution costs, administration expenses, other expenses by segment and other profits (loss).
[5] It considers the gross profit and administration and distribution expenses, from which the charges associated with depreciation are deducted.
[6] Includes badwill, as a result of a change in accounting criteria for investments and share purchases in later periods.

These effects are partially made up by:

(ii) A ThUS$ 6,186 loss explained by foreign exchange differences for the investment in Nexans[7], due to the increase in the number of Nexans shares associated with the conversion of bonds to shares and the employee compensation plan.

(iii) Higher fees, expenses and provisions for litigation in Brazil, worth ThUS$ 7,494.

(iv) A lower gross profit due to a decrease in commercial activity for the Tube segment.

On the other hand, by September 2012 the Company EBITDA reached ThUS$ 27,091 with a clear 14.7% decrease on the figure reported for the same period of 2011. This result is mainly explained by a lower EBITDA for the Tubes unit on the back of sales volumes decreasing. The trend is partially offset by a 20.9% increase in the Profiles unit EBITDA, thanks to more dynamic activity.

Profits (losses) before taxes [8]

Considering financial effects and share in profits (losses) of affiliate companies and joint ventures, as well as foreign exchange adjustments at the closing of September 2012, for use of a currency different from the Company´s functional currency, a profit was reported amounting to ThUS$ 61,793, up from the ThUS$ 22,483, reported for the same period in 2011. This variation is explained mainly by the badwill recognized during 2012, by investments made in Nexans (ThUS$ 68,026[9]) and Empaques Flexa (ThUS$ 3,927). These effects were partially made up by:

(i) Greater financial costs due to higher average debt reported in the period, as a result of the purchase of Nexans shares and the financing of Envases Flexa acquisition.

[7] Employee compensation plan includes an issue of 499,984 shares.
[8] Includes the sum of financial revenue lines, financial costs, share in profits (losses) of affiliates or joint ventures, foreign exchange differences and readjustments.
[9] Includes badwill originated in the changing accounting criteria for investments and share purchases in later periods

(ii) Recognition of the share in profits (losses) in the Nexans´ affiliate, using the equity method as of June 2012, which turned out a loss of ThUS$ 2,086. For more information see note 14 in the Financial Statements

Income tax income (expense)

As of September 2012, the income tax charge amounted to ThUS$ 16,999 that is negatively compared to the charge amounting to ThUS$ 6,522 in 2011. The foregoing results from the charge associated with the profit recorded in the period due to the recognition of the badwill that resulted from the change in the accounting for criterion regarding the investment made in Nexans.

2. Results by Business Unit

Packages

By September 2012, revenues from the Packaging unit reached ThUS$ 180,171, up 3.9% on the figure reported in the same period of 2011, as a result of higher sales volumes in Peru and Argentina and the consolidation of 50% of the Colombian operation (Flexa), by June on. These effects appear to be offset in part by lower sale prices, brought about by a drop in raw material costs.

Gross profits as of September of 2012 amounted to ThUS$ 36,106, up 2.6% on the gain reported in 2011. This trend is explained by the consolidation of the Colombian operation and an increased activity in Peru, a situation that was offset in part by a reduced commercial activity in Chilean operations.

The Company EBITDA[10] accumulated a ThUS$ 26,175 profit, only slightly lower than the figure reported in the same period of 2011. This comes down to a lower gain in Argentina and Chile and the partially compensating effects of the 50% consolidation (from June 2012 on) of the Colombian operation and an increased activity in Peru.

Tubes

As of September 2012, the income amounted to ThUS$ 85,151, which represents a 27.8% decrease compared to the same period in 2011. This is due to a 10.6 % decrease in the volumes sold, as a consequence of lower demand in the export market, and average prices show an 18.9% decrease due to a lower average price of copper.

[10] It considers the gross profit and administration and distribution expenses from which the charges associated with depreciation are deducted.

The gross profit amounts to ThUS$ 4,911 as of September 2012, down from the gain reported year-on-year, worth ThUS$ 11,415. This occurs as a result of lower sale volumes, due to a more competitive export market.

As of September 2012, the EBITDA shows a loss amounting to ThUS$ 389, which is lower than the profits recorded in 2011 amounting to ThUS$ 4,797, as a result of a lower gross profit partially compensated by an 18.9% decrease in the administration and distribution expenses.

Profiles

As of September 2012, the income of the period shows an increase of 10.6% amounting to ThUS$ 50,746. This progress is mainly explained by the 18.2% increase in the commercialized volumes partially offset by lower average prices associated to a drop in the international price of aluminum.

As of September 2012, the accumulated gross profit amounts to ThUS$ 14,711, showing a 9.6% increase compared to the same period in 2011. This growth is explained by an increase in commercialized volumes, partially offset by higher commercialization costs.

The Company EBITDA, as of September 2012, shows a 20.9% increase on the same period of 2011, amounting to ThUS$ 5,818. On the other hand, sales margins come at 11.5%, up from the 10.5% reported in year 2011. This trend is due to an increased activity in the period and a reduction in administrative and distribution expenses as a proportion of sales.

Corporate

This business unit was created as a consequence of interpreting the international accounting standards considering the relevance of the investments of the Company, that is, cash and the shares in Nexans received after the sale of the Cable unit of the Company. In addition, it groups other assets defined as investments (e.g. leased assets).

From January 2012, through its 20% ownership in Nexans, Madeco gains a significant influence over the former, changing the criterion to account for this investment now using the equity method of accounting. By September 2012, the share in Nexans is 20.87%, down from the 21.25% observed in June 2012, as a result of a dilution brought about by issue of 499,984 shares as part of the employee compensation plan.

3. Summarized cash flows

(Amounts in ThUS$)	Sep-30-12	Sep-30-11
Net cash flows provided by Operation Activities	7,476	40,084
Net cash flows used in Investment Activities	(20,996)	(234,753)
Net cash flows provided by Financing Activities	8,145	144,726
Net Decrease in Cash and Cash Equivalents	**(5,375)**	**(49,943)**
Effects of the Variations in Foreign Exchange Rates on Cash and Cash Equivalents	145	(1,935)
Net Variation	**(5,230)**	**(51,878)**
Cash and Cash Equivalents, Statement of Cash Flows, Initial Balance	20,835	69,154
Cash and Cash Equivalents, Statement of Cash Flows, Final Balance	**15,605**	**17,276**

The lower cash flows, from operating activities as of September 2012, are due to (i) reduced commercial activity during 2012 in the Tubes segment; (ii) a higher working capital investment in the Packaging unit to face a more dynamic activity in Peru and an adjustment in market terms and conditions in Argentina. These effects are partially offset by tax refunds from absorbed losses (PPUA), amounting to US$ 8 million, reported by Madeco S.A for the first half of 2011.

Furthermore, the lesser use of funds from investment activities in the period is explained mainly by the purchase of Nexans shares during 2011, with equity reaching up to 19% in the French multinational.

Cash flows from financing activities reached ThUS$ 8,145, less than that recorded in 2011 in the amount of ThUS$ 144,726. This lower cash flow is explained by the financing of the purchase of shares of Nexans during 2011.

Finally, as of September 30, 2012, the cash and cash equivalent balance of the Company amounted to a total of ThUS$ 15,605 compared to the ThUS$ 17,276, presented for the same period in 2011.

4. Financial Indicators

Liquidity Ratios	Unit	Sep-30-12	Dec-31-11	% var.
Current Liquidity[11] (Current Assets in Operation / Current Liabilities in Operation)	Times	1.31	1.63	(19.7%)
Acid test ratio ((Current Assets in Operation - Inventory) / Current Liabilities in Operation)	Times	0.80	1.05	(23.3%)

The liquidity ratios have decreased, as a result of an increase in the current liabilities, due the existences of more current provisions and higher current debt of the Package unit, as a consequence of the acquisition of the operation in Colombia (Flexa).

Indebtedness Ratio	Unit	Sep-30-12	Dec-31-11	% var.
Indebtedness Ratio ((Current Liabilities in Operation + Non Current Liabilities) / Total Equity)	Times	0.46	0.51	(9.9%)
Short Term Debt Portion (Current Liabilities in Operation / (Current Liabilities in operation + Non Current Liabilities))	%	55.1%	45.9%	
Long Term Debt Portion (Non Current Liabilities / (Current Liabilities in operation + Non Current Liabilities))	%	44.9%	54.1%	
Financial Expenses Coverage (Ebitda / Financial Expenses)	Times	3.41	6.74	(49.4%)

The indebtedness ratio showed a 9.9% decrease, due to an increase in the total equity caused by a negative balance in the Reserves amounting to ThUS$ 16,031, which is lower than the negative balance, as of December 2011, that amounted to ThUS$ 120,126. This is a consequence of the change in the criterion to account for the investment in Nexans from other non-current financial assets to investments accounted for using the equity method of accounting and higher accumulated profits of ThUS$71,136, compared to ThUS$29,709, as of December 2011.

[11] It does not include assets available for sale.

The expense coverage showed a 49.4% decrease due to higher financial expenses derived from the higher debt and a lower EBITDA[12] of the period.

Profitability Ratios and Earnings per Share	**Unit**	**Sep-30-12**	**Dec-31-11**	**% var.**
Asset Profitability (Controlling entity's profit / Average Assets)	%	6.56	2.65	148.0%
Equity Profitability (Controlling entity's profit / Average Equity)	%	10.21	3.94	158.9%
Operational Assets Profitability (Operational Result[13] / Average Assets)	%	2.66	3.04	(12.7)%
Earnings per Share (Controlling entity's profit / every 1,000 Subscribed and Paid Shares)	US$	5.70	2.64	115.9%
Dividend Return (Dividends Paid the last 12 Months / Market price of share, as of each period closing)	%	2.14%	N/A	N/A

Activity Indicators	**Unit**	**Sep-30-12**	**Dec-31-11**	**% var.**
Total Assets	ThUS$	941,744	741,369	27.0%
Inventory Turnover (Sales Cost / Average Inventory)	Times	4.67	5.04	(7.2)%
Inventory Permanence (Average Inventory / Sales Cost) * 360	Days	77	71	8.5%

As of September 2012, the Company had 1,771 and 2,193 tons of copper and aluminum in stock. As of December 2011, the Company had 1,710 and 2,002 tons of copper and aluminum in physical stock.

[12] It considers the Gross Profits and Administration and Distribution Expenses, from which the charges associated with depreciation are deducted.

[13] It considers the Gross Profit, Administration and Distribution Expenses

5. Analysis of Assets and Liabilities

Assets

The total assets of the Company, as of September 30, 2012, amount to ThUS$ 941,744, which shows a 27.0% increase compared to December 2011. This variation is due to:

- Current Assets in Operation
  They amounted to ThUS$ 223,139, up 17.0% from the balance reported by December 31 of 2011. This higher balance comes down to increases in the Trade Receivables and Inventories categories, which went up by 21.7% and 23.1% on the figures reported by December 2011, respectively, as a result of the 50% consolidation of Flexa.

- Non Current Assets
  The balance amounts to ThUS$ 718,605, which represents an increase of 30.5% compared to the balance as of December 2011. This variation is due to the change in the criterion to account for the investment in Nexans from other non-current financial assets to an investment accounted for using the equity method (for further details see note 14 of the Financial Statements).

Closing accounting period	09.30.2012 ThUSD
Investment in associated entity accounted for using the equity method - initial balance as of 01.11.2012	**296.476**
Additions to investments in associates	17.118
Negative acquired goodwill recognized immediately (c.1)	68.026
Ordinary interest in profits (losses)	(2.086)
Dividends received	(7.948)
Recognized equity reserve (employee share options and convertible fair value bonds) (c.2)	8.778
Fair value conversion (c.3 y c.5)	9.143
Increase (decrease) in foreign exchange rate (c.5)	(3.041)
Reversal of investment equity effects (c.4)	110.320
Losses from changes in equity (c.6)	(6.186)
Total changes in investments in associated entities	**194.124**
Final balance as of period closing	**490.600**

Liabilities

Liabilities, as of September 30 of 2012, reached ThUS$ 295,039, up from ThUS$ 249,220, as of December 2011. This increase is due to:

(i) An increase by 75.7% in current financial liabilities resulting from the financing of Envases Flexa acquisition.

(ii) An increase in other current provisions, as a result from higher reserves associated with fees and labor litigation expenses in Brazil.

Equity

The total equity, as of September 31, 2012, amounted to ThUS$ 646,705, which represents a 31.4% increase compared to December 2011.

- Issued Capital
  As of September 2012, paid-in capital reached ThUS$ 475,525, which represents a 1.3% increase in comparison to the balance from December 2011. This as a consequence of the auctioning of 156 million shares remaining from the capital increase of 2011.

- Other Reserves
  The negative balance amounts to ThUS$ 16,031, which is lower than the negative balance, as of December 2011, that amounted to ThUS$ 120,126. This variation is due to the adjustment for the change in the criterion to account for the investment in Nexans from other non-current financial assets to investments accounted for using the equity method (for further details see note 24b of the Financial Statements).

- Withheld Income(Withheld Losses)
  This item showed profits amounting to ThUS$ 71,136, as of September 2012, which is higher than the amount of ThUS$ 29,709, as of December 2011. This increase is due to the profits recorded during the current year.

- Non-controlling Interests
  This item amounted to ThUS$ 29,651, as of September 2012, which is higher than the balance amounting to ThUS$ 26,681, at the end of 2011. This is due to the fluctuations that occurred in the companies of Madeco with non-controlling shareholders. These fluctuations are due to the higher profits earned by the Package units in the companies.

6. Analysis of Markets, Competitors and Relative Share

On a yearly basis the Company makes estimates of the market share in the different countries and segments it operates in. Such estimates are based on the analysis of available information that includes:

(i) internal data with respect to production and sales.

(ii) import and export reports provided by the customs authorities.

(iii) copper sales reports published by Corporación Chilena del Cobre (Chilean Copper Corporation).

(iv) import and export reports published by the Central Bank of Chile.

(v) sales information presented to the public by some of Madeco's competitors and its subsidiaries

(vi) information provided informally by market participants and suppliers of the Company.

No third party or other independent company has provided estimates or confirmed the calculations and market share estimates of the Company. For sources using methodologies other than those used by the Company the results may vary. The table below shows, as of December 2011, the market share and the most important competitors in each of the markets the Company operates are detailed as follows:

Business Unit	**Market Share**	**Most important competitors**
Tubes and Plates		
Chile	63%	Conmetal and EPC
Argentina	8%	Pajarbol S.A., Sotyl S.A., Vaspia and Quimetal
Packages		
Chile	31%	Edelpa and BO Packaging
Argentina	5%	Converflex (a subsidiary of Arcor), Celomat and Bolsapel
Peru	55%	Emusa and Resinplast
Profiles		
Chile (Aluminum)	42%	Alcoa S.A. and Imports from China
Chile (PVC)	20%	Veka, Kommerling and Themco

Market Risk Analysis[14]

The main risk factors inherent to the activity carried out by Madeco and its subsidiaries and associated companies greatly depend on the level of economic growth in Chile, Peru and Argentina as well as the economic growth levels in the main export markets of the Company.

Likewise Madeco is exposed to a number of factors such as, fluctuations in the prices of its main raw materials, variations in the interest rates and foreign exchange rates of currencies other than the functional currency of the Company (US dollar). During the regular course of business the Company applies policies and procedures established to manage its exposure to these effects through different financial derivatives (swaps, forwards, options, etc.). The Company does not carry out these operations with speculative purposes.

[14] In order to complement the market risk analysis of the Company, please see note 29 of the financial statements of Madeco S.A.

The exposure to foreign exchange risk of the Company derived from the positions held by Madeco in cash and cash equivalents, debts with banks, bonds and other assets and liabilities indexed to currencies other than its functional currency. i.e. the US dollar.

As of September 30, 2012, Madeco has maintained a consolidated level to the following accounting exposure:

Accounting Exposure (ThUS$)	**Assets**	**Liabilities**
Unidad Fomento (peso-denominated inflation-indexed monetary unit)	1	7,379
Chilean Peso	52,878	43,091
Euros	491,202	134
Other currencies	30,264	7,398
Argentine Peso	15,366	24,579
Soles	3,490	4,670
Reales	17,279	15,407
Total	**610,480**	**102,658**
Exposed Balance	507,822	
Hedged Positions	(490,600)	
Net exposure	**17,222**	

The total exposure in foreign currencies is an asset equivalent to ThUS$ 507,822. Notwithstanding the foregoing, as a portion of these assets corresponds to the investments in Nexans or is hedged, the foreign exchange variations relative to these investments are recognized in the equity reserve account and do not affect directly the statement of income, therefore the net exposure of Madeco corresponds to an asset equivalent to ThUS$ 17,222.

The financing policy is intended to keep a balanced structure between the current and non-current financing sources (financial debts, balance between the accounts receivable and payable, etc.), a low exposure to risk and funds in line with the flows generated by each entity of the Company. The risks associated with the customer loans and the risks associated with financial assets and liabilities are managed by the management of the Company in accordance with the policies and controls previously established.

In relation to the management of risk associated with the interest rate fluctuations and the effects the variable rates might have on the financial statements of the Company, Madeco hedges these fluctuations by reviewing the net exposure of the Company, placing fixed rate debts or financial derivatives (e.g. rate swaps) that change variable rates by fixed rates.

As of September 30, 2012, almost 33.8% of the Company's total financial debt was at fixed rate.

Oil by products (polyethylene resins, polypropylene, PVC, etc.) and copper constitute the main raw materials of the Company. The financial result of the Company is related to the ability to acquire the proper supplies, timely price transfer, an efficient stock handling and the mitigation of risks associated with the price fluctuation using hedges.

The risk associated with oil by products is managed with polynomials (adjustment methods) used by the Company with its most important customers. These polynomials include the main fluctuations of their components and adjust them to the market prices. Such polynomials are adjusted by both parties periodically, so as to limit the risks of raw material price fluctuations.

In order to manage the risk associated with copper, the Company uses financial derivatives that are assigned as required to hedge cash flows or existing entries (fair value). These financial instruments are taken in accordance with the policies defined by the management of Madeco that sets out the hedge levels according to the copper market price (the higher the value of copper the more hedges there are). In addition, financial derivatives comply with the required documentation (definition of the relationship between a derivative and a hedged entry, risk management objectives, efficiency tests, etc.). As of December 31, 2011, the Company had 1,100 and 160 tons of copper and aluminum hedged by derivative contracts. As of September 30, 2012, the Company had 1,675 and 307 tons of copper and aluminum hedged, by derivative contracts.

In relation to the investment made by Madeco S.A. in Nexans, an agreement was executed in March 2011, by which Madeco S.A. would have the option to increase its ownership in up to 20% in the French multinational. This share might increase up to 22.5% to the extent that the price of Nexans shares is below €40. The term to exercise this option is 18 months to reach 15% and three years to total the 20%. As of September 2012, Madeco S.A. holds 20,87% in Nexans. With this percentage in the ownership of the multinational, three representatives of Madeco sit on the Board of Directors and one of them as a member of the compensation and appointment committee, Madeco has a significant influence in Nexans, therefore from January 2012 this investment is accounted for using the equity method of accounting (for further information see note 14 of the Financial Statements). This investment will be exposed to the risks inherent to the cable business. The eventual impacts on the financial statements of Nexans, also have an impact on the statement of income of Madeco through the net worth, while the foreign exchange rate variation between the functional currency of Madeco S.A. and the Euro, the currency used in the financial statements of Nexans, has an impact on the Equity Reserve Account of the Company[15]..

[15] *For further information see note 14 of the Financial Statements*

7. Personnel Structure[16]

Number of People	09.30.12	12.31.11	% var.
Executives	51	44	15.9%
Professionals and Technicians	659	588	12.1%
Employees	2,165	1,681	28.8%
Total	**2,875**	**2,313**	**24.3%**

CRISTIÁN MONTES L.
GENERAL MANAGER
MADECO S.A.

[16] The consolidated personnel numbers consider the total number of employees of Peruplast.