


MADECO

Ratio Analysis
Consolidated Interim Financial Statements
As of September 30, 2011 and 2010

(Translation of a document originally issued in Spanish)

Index

Summary – Statement of Income

Sales revenue amounts to ThUS$337,425, showing an increase of 10% compared to the same period in 2010. This variation is explained by advances and improvements in the Packaging and Profiles units, partially compensated by lower revenues recorded in the Tubes Unit.

Operating income as of September amounts to ThUS$21,088, showing an increase of 30.8% compared to the same period in 2010. This improved performance is the consequence of the better results observed in all of the business units, but mainly in the Profiles unit, which shows operating income of ThUS$2,217 compared to the loss in the amount of ThUS$319 recorded during the same period in 2010.

Profit or loss attributable to the owner of the parent records earnings in the amount of ThUS$12,671, showing an increase of 95.3% compared to the earnings recorded over the first nine months of 2010. This is explained by advances in operating income and non-recurring earnings originated as a result of the sale of assets, partially compensated by higher finance costs and income tax expenses.

In light of the interpretations of new accounting standards (IFRS) the investment held by the Company in Peru (Peruplast S.A.) through Alusa S.A. has been recognized as a joint venture. In this regard and according to IAS 31, the financial statements of Madeco and its subsidiaries will only consolidate the proportionality of this ownership interest (50% in the case of Alusa S.A.). Also, this implementation is retroactive within the IFRS presentation standard; consequently, the financial statements of Madeco have been restated for the years 2009 and 2008, applying the corresponding changes. Finally, note that this change in the method used to consolidate the investment held by the Company in Peru does not affect to Madeco's earnings or net profits.

Consolidated Income

Consolidated Physical Sales

Consolidated physical sales as of period closing in September, 2011 show a decrease of 5.6% compared to the same period in 2010. This decrease is explained by the lower volume of tons produced in the Tubes Unit as a consequence of the closure of the copper sheets lines during the last quarter of 2010.

Ordinary Revenue (formerly Net Sales)

Ordinary revenue for the period amounts to ThUS$337,425 representing an increase of 10.0% compared to the same period in 2010. This advance is explained by the following:

(i) **Packaging:** An increase of 19.3% compared to the same period in 2010. This is the result of higher revenues recorded in Chile, Peru and Argentina. 82% of this variation is explained by higher average prices as a result of the increase in the price of raw materials, and 18% is explained by higher volumes sold in Chile and Peru.

(ii) **Tubes and Coin Blanks:** Revenues decreased by 5.5% compared to the same period in 2010. This variation is mainly explained by lower volumes sold as a result of the closing of the copper sheets lines during the last quarter of 2010.

(iii) **Profiles:** Revenues increased by 25.9% compared to the same period in 2010; this is explained mainly by an increase in the volumes sold as a result of higher activity.

Gross Margin

As of September 2011, the gross margin amounts to ThUS$60,183, representing an increase of 21.6% compared to the same period in 2010. This advance is explained by the increase in outsourcing[1] in the Profiles unit as well as in the Packaging unit, which showed increases of 48.3% and 28%, respectively. The situation mentioned above is partially compensated by higher manufacturing expenses due to higher activity and the strengthening of the Chilean peso compared to the U.S. dollar, which averaged 9% during the year.

Operating Income[2] and EBITDA[3]

Although these line items do not exist as such under the new presentation format, they have been included in the analysis in order to favor the historical comparison of the financial results of the business units of Madeco.

Consolidated operating income amounts to ThUS$ 21,088, which represents an increase of 30.8% compared to the same period in 2010. This increase is explained by the improved performance of the Profiles unit, the operating income of which amounts to ThUS$2,217 compared to a loss in the amount of ThUS$319. On the other hand, the Packaging and Tubes Unit record progress of 4.2% and 33.5%, respectively. Administrative and distribution

[1] Outsourcing: Ordinary revenues – cost of raw materials
[2] Considers the addition of the following line items: gross margin, distribution costs, marketing costs, administrative expenses and R&D expenses.
[3] Considers the operating income (explained above) from which depreciation costs are deducted.

expenses show an increase of 17.1% compared to the same period in 2010. This advance is the result of an average foreign currency exchange rate 9% lower than in 2010 and also explained by higher distribution expenses as a result of higher activity and freight costs related to products exported in Packages and Tubes.

The Company's EBITDA as of September 2011 showed an increase of 19.8% compared to the same period in 2010, with ThUS$31,773. This result is due to a better performance of the Profiles and Packaging units, which showed an increase of 112.6% and 7.3%, respectively.

Other Income (Expenses) of the Company[4]

Considering the financial effects of foreign currency translation of currencies other than the Company's functional currency and other effects outside the operation of the business, as period closing in September 2011, Madeco obtained earnings in the amount of ThUS$1,395 compared to the losses recorded as of September 2010 in the amount of ThUS$4,331. This difference is explained by extraordinary effects during 2011 as a result of:

(1) An increase of 76% in **other revenues by function** as a result of the sale of investment properties in the amount of ThUS$1,978 and higher dividends received from Nexans in the amount of ThUS$683.

(2) Earnings in the amount of ThUS$3,949 in **other earnings (losses)** compared to the loss of ThUS$3,172 recorded during the same period in 2010. This variation is explained by the earnings obtained from the sale of the shares of Nexans Colombia (ex Cedsa) for ThUS$4,750 performed during this year. During 2010 there were charges for ThUS$3,364 related to the adjustment of the selling price of the wire & cable unit due to the arbitration with Nexans.

These effects were partially compensated by the following:

(3) An increase of 44.2% in **other expenses by function** originated due to higher expenses related to contingencies in Brazil because during 2010, part of these expenses were charged to administrative expenses.

(4) An increase of 46.4% in **finance costs** as a result of a higher average debt due to the financing of the increase of ownership interest in Nexans and investments made in the Packaging unit.

(5) Losses for **foreign currency translation differences and indexation** in the amount of ThUS$1,437, compared to ThUS$153 recorded during the same period in 2010 due to the loss originated by the exposure in Reales and the depreciation of this currency compared to the U.S. dollar.

[4] Considers the addition of the following line items: other revenues and expenses by function, finance income and costs, foreign currency translation differences and indexation and other earnings (losses).

Income tax expense (income)

As of September 2011, income tax expenses amount to ThUS$ 6,522 compared to ThUS$ 2,321 recorded in 2010. These higher expenses are explained because during 2010 tax income and expenses were determined over an income/ expense amount based on tax accounting in Chilean pesos, which means that as a result of the strengthening of the Chilean peso during 2010, a tax loss was originated. During 2011 the Chilean Internal Revenue Service (SII) gave authorization to maintain the accounting in U.S. dollars.

1. Income by Business Unit

Packaging

The revenues of the Packaging unit amounted to ThUS$ 173,397, with an increase of 19.3% compared to 2010. This increase in revenues is explained by an increase in revenues in Chile, Peru and Argentina. 81.9% of these higher revenues are explained by higher prices due to the rise in the prices of raw materials and higher volumes sold.

Gross margin shows an increase of 18.6% compared to the same period in 2010. (i) 64.1% of this increase is explained by higher levels of outsourcing, partially compensated by higher production costs, and (ii) the remaining 35.9% of the increase is explained by a reclassification of storage costs made during 2011 from cost of sale to distribution expenses.

Administrative and distribution expenses showed an increase of 44.7% compared to the same period in 2010. 40.7% is explained by the reclassification of storage expenses from cost of sales to distribution expenses. The remaining 59.3% is explained by (i) higher distribution expenses in Chile related to higher freight costs and higher volumes sold; and (ii) by an average exchange rate 9% lower than the one recorded in the same period in 2010.

Operating income amounts to ThUS$19,956, representing an increase of 4.2% compared to September 2010. This is explained by the better performance of Chile, Peru and Argentina.

Tubes

Revenues amount to ThUS$ 117,939 as of September 2011, representing a decrease of 5.5% compared to the same period in 2010. This step back is explained by a decrease in the volumes traded in Chile as a result of the closing of the laminating unit in late 2010 and by the sale of the Coin Blank unit during the second quarter of 2011. These effects have been partially compensated by the increase in selling price due to the increase in the price of copper.

The gross margin shows an increase of 2.7% compared to the same period in 2010. This increase is explained by the improved performance of the Brass Mills unit in Chile and Argentina. The improvement of the performance in Chile is explained by lower production and outsourcing expenses as a result of the lower volumes produced. However, at unit level, outsourcing presents an increase of 30%. On the other hand, the Coin Blanks unit shows a decrease of 69.1% as a result of the sale of the subsidiary in early June 2011.

Administrative and distribution expenses present a decrease of 6.3% resulting from the decrease of 55.3% in the expenses of the Coin Blanks unit as a result of the sale of this subsidiary during the second quarter of 2011.

As of September 2011, operating income amounts to ThUS$3,359, representing an increase of 33.5% compared to the same period in 2010. This variation explains the improved performance of the Tubes Unit.

Profiles

Revenues show an increase of 29.5% equivalent to ThUS$ 45,869. This increase is mainly explained by the rise of 15.6% in volumes sold as a result of an increase in the activity of the construction sector and by the low base of comparison of the prior year due to the negative impact of the 2010 earthquake on both the factory and its branches.

Gross margin shows an increase of 54.1% compared to the same period in 2010, with ThUS$13,428. This is the result of an increase in outsourcing of 48.3% and higher volumes sold.

Administrative and distribution expenses show an increase of 24.1% compared to September 2010. This is due to the higher activity observed during the period and to an exchange rate 9% lower than the one recorded during the same period in 2010, in addition to higher distribution and selling expenses related to higher volumes sold.

Operating income records earnings in the amount of ThUS$2,217, which compares positively to the loss of ThUS$319 recorded during the same period in 2010. This is the result of improvements in outsourcing and higher activity recorded during the period.

Corporate

This business unit was created on the basis of the interpretation of international accounting standards, derived from the importance of the management of investments held by the Company, that is, the cash and shares of Nexans received after the sale of the Company’s Wire & Cables unit. Along with this, it groups other assets defined as investments (e.g. leased assets).

As of September 2011, operating income shows a loss of ThUS$4,444, which compares positively to the loss recorded during 2010 in the amount of ThUS$5,218.

2. Cash Flows Summary

(Amounts in ThUS$)	**9.30.11**	**9.30.10**
Net Cash Flows Provided by (Used in) Operating Activities	40,084	(2,637)
Net Cash Flows Used in Investing Activities	(234,753)	(19,175)
Net Cash Flows Provided by (Used in) Financing Activities	144,726	(22,478)
Net Decreasein Cash and Cash Equivalents	**(49,943)**	**(44,290)**
Effects of Foreign Currency Translation on Cash and Cash Equivalents	(1,935)	(2,869)
Net Decrease	**(51,878)**	**(41,421)**
Cash and Cash Equivalents, Statement of Cash Flows, Initial Balance	69,154	114,334
Cash and Cash Equivalents, Statement of Cash Flows, Final Balance	**17,276**	**72,913**

Cash flows from operating activities for 2011 are explained by the lower terms of collection and lower inventory volumes of the Tubes Unit as a result of the closing of the copper sheets lines. This effect has been partially compensated by the increase in the price of raw materials, especially copper.

On the other hand, cash flows from investing activities for the period are explained by the purchase of shares of Nexans included in the agreement signed with the company regarding the option of purchasing up to 20% of the ownership interest.

Cash flows from financing activities for the period are explained by the financing of the purchase of part of the shares of Nexans.

Finally, as of September 30, 2011, the Company held a cash and cash equivalent balance of ThUS$17,276, compared to ThUS$72,913 presented for the same period in 2010. This decrease is explained mainly by the financing and use of cash for the purchase of part of the shares acquired from Nexans.

3. Financial Indicators

Liquidity Ratios	Unit	9-30-11	12-31-10	% var.
Current Ratio[5] (Current Operating Assets / Current Operating Liabilities)	Times	1.05	2.27	(53.7%)
Acid Test ((Current Operating Assets - Inventory) / Current Operating Liabilities	Times	0.68	1.64	(58.3%)

Liquidity ratios have shown a decrease as a result of the partial use of cash and the financing of the increase of the ownership interest in Nexans, thus causing a reduction of 53.7% of its current ratio.

Debt Ratios	Unit	9-30-11	12-31-10	% var.
Debt Ratio ((Current Operating Liabilities + Non-current liabilities) / Total Equity)	Times	0.47	0.34	38.7%
Short-term Debt Portion (Current Operating Liabilities / (Current Operating Liabilities + Non-current Liabilities))	%	76.5%	67.7%	N/A
Long-term Debt Portion (Non-current liabilities / (Current Operating Liabilities + Non-current Liabilities))	%	23.5%	32.3%	N/A
Finance Cost Coverage ((Operating Income + Depreciation) / Finance costs)	Times	5.70	6.73	(15.5%)

Debt ratio showed an increase of 38.7% due to higher debts as a result of the financing of the purchase of shares in Nexans. These debt levels are in line with the figures from the prior quarter.

The coverage of finance costs decreased 15.5% as a result of higher finance costs originated by higher debt levels. This effect is partially compensated by the increase in EBITDA at the consolidated level.

Profitability Indicators and Earnings per Share	Unit	9-30-11	12-31-10	% var.
Return on Assets (Controller's Earnings / Average Assets)	%	2.29	(1.53)	N/A
Return on Equity (Controller's earnings / Average Equity)	%	3.37	(2.11)	N/A

[5] It does not consider assets-available-for-sale

Return on Operating Assets (Operating income / Average Assets)	%	4.00	3.04	N/A
Earnings per Share (Controller's earnings / every 1,000 Subscribed and Paid Shares)	US$	1.74	(1.95)	N/A
Dividend Yield (Dividends Paid over the Last 12 Months / Market Price of the Share at each year-end)	%	-	8.6	N/A

Increases in profitability indicators are explained globally due to the improved operational performance and to non-recurring earnings obtained at the non-operational level.

Activity Indicators	**Unit**	**9-30-11**	**12-31-10**	**% var.**
Total Assets	ThUS$	766,472	706,548	8.48%
Inventory Turnover (Cost of Sales / Average Inventory)	times	5.02	5.04	(0.40%)
Inventory Permanence (Average Inventory/ Cost of Sales) * 360	days	72	71	1.4%

During the current year, there have been increases in cost of sales and inventory levels. The latter has been hit by the volatility of the prices of metals this year and the higher activity recorded. However, during the last quarter of this year, it has been possible to reduce this margin considerably to levels similar to those recorded at year-end in 2010. This reduction can be seen in an analysis of inventory permanence, which at the middle of the year exceeded 75 days and during the third quarter reached an average of 72 days.

As of September 2011, physical inventory of copper and aluminum reached 1,746 and 2,575 tons, respectively. As of December 2010, copper and aluminum physical inventory reached 3,430 and 1,932, respectively.

4. Asset and Liability Analysis

Assets

Total assets of the company as of September 30, 2011 amount to ThUS$766,472, showing an increase of 8.5% compared to December 2010. This variation is explained as follows:

- Current Operating Assets
  They amount to ThUS$200,806, with a decrease of 30% compared to the balance as of December 31, 2010. This balance is explained mainly by a lower balance of cash and cash equivalents as a result of the financing of the purchase of shares in Nexans aimed at increasing the ownership interest in this company.

- Non-current Assets

Non-current assets present a balance of ThUS$565,666, which represents an increase of 34.8% compared to the balance as of December 2010. This variation is explained by the increase in the ownership interest in Nexans, to19.5% compared to the ownership interest of 8.9% recorded in December 2010.

Liabilities

As of September 30, 2011 liabilities amount to ThUS$ 243,736, compared to ThUS$177,715 as of December 2010; this difference is explained by the increase in the financial debt of Madeco S.A. derived from the financing of the purchase of shares in Nexans.

- Financial Debt

  The Company's bank debt groups its liabilities with banks and financial institutions (interest-bearing obligations) and the liabilities related to lease agreements, and amounted to ThUS$168,296 as of September 2011, representing an increase of 79.3% compared to the end of the prior year. This is explained by the higher debt of the Corporate unit aimed to finance part of the purchase of shares in Nexans.

Equity

Total equity as of June 30, 2011 amounted to ThUS$ 522,736, representing a decrease of 1.2% compared to December 2010.

- Paid-in Capital

  As of September 2011, paid-in capital amounted to ThUS$ 469,497, with an increase of 19.9% compared to the balance as of December 2010. This was the result of the issuance of 1,760,975 new shares, of which there are 156,179 remaining shares to be subscribed and paid.

- Other reserves

  Other reserves present a negative balance of ThUS$87,766 as of September 30, 2011 which is higher than the balance of ThUS$12,071 reached at the end of 2010; this is mainly explained by the variation of the fair value of shares and foreign currency translation of the investment in Nexans.

- Retained Earnings (accumulated losses)

  The Company presents retained earnings in the amount of ThUS$ 28,969 as of September 2011, a higher amount compared to ThUS$16,298 recorded as of December 2010. This increase is explained by the earnings recorded during the first semester of 2011 as a result of a good performance at the operational level in addition to the extraordinary non-operating earnings recorded in the period.

- Non-controlling Interests

These totaled ThUS$25,648 as of September 2011, compared to ThUS$22,372 at the end of 2010, due to variations in Madeco's companies that have minority shareholders. These variations are mainly explained by the larger earnings generated by companies in the Packaging unit.

5. Analysis of Markets, Competition and Relative Shares

The Company makes annual estimates of its market share in the different countries and segments it participates in. These estimates are mainly based on an analysis of available information which includes:

(i) internal data on production and sales.
(ii) import and export reports provided by customs authorities.
(iii) copper sales reports published by the Chilean Copper Corporation.
(iv) import and export reports published by Central Bank of Chile.
(v) sales information published by some competitors of Madeco and its subsidiaries.
(vi) information obtained informally from market participants and the Company's suppliers.

No third party or other independent company has provided estimates or confirmed the calculations and estimates of the Company's market shares. In the case of sources that use methods other than those of the Company, real results may differ. The following table shows, as of December 2010, the market share and the main competitors in each of the markets in which the Company operates:

Business Unit	**Market Share**	**Main Competitors**
Brass Mills		
Chile	63%	Conmetal and EPC
Argentina	7%	Pajarbol S.A., Sotyl S.A., Vaspia and Quimetal
Coin Blanks	6%	Poongsan (Corea), VDN and Royal Mint of England
Packaging		
Chile	33%	Edelpa and BO Packaging
Argentina	5%	Converflex (subsidiary of Arcor), Celomat and Bolsapel
Peru	58%	Emusa and Resinplast
Profiles		
Chile (Aluminum)	50%	Alcoa S.A. and Imports from China
Chile (PVC)	20%	Veka, Kommerling and Themco

Market Risk Analysis[6]

The main risk factors of the businesses of Madeco and its subsidiary and associate companies largely depend on economic growth rates in Chile, Peru and Argentina, as well as growth rates in the Company's main export markets.

Madeco is therefore subject to a series of exposures, such as price fluctuations of its principal raw materials, and variations in interest rates and the exchange rates of the various currencies other than the Company's functional currency (U.S. dollars). During the normal course of its business, the Company applies set policies and procedures to manage its exposure to these risks, contracting different financial derivatives (swaps, forwards, etc.). The Company does not carry out transactions for speculative purposes.

The Company's exposure to exchange risk arises from its positions in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than the functional currency, i.e. the U.S. dollar.

As of September 30, 2011 Madeco has the following accounting exposure at the consolidated level:

Accounting Exposure (ThUS$)	**Assets**	**Liabilities**
Chilean pesos	49,425	(46,056)
Unidad de Fomento	422	(7,858)
Euros	333,169	(886)
Argentine pesos	11,247	(21,155)
Soles	2,689	(4,055)
Reales	18,038	(6,538)
Other currencies		(15)
Total	414,990	(86,563)
Total exposure	328,427	
Exposure covered by investments or hedges	(330,554)	
Net Exposure	(2,127)	

The foreign currency exposure is an asset equivalent to ThUS$328,427. However, given that part of these assets relate to the Company's investments or are hedged, the exchange variations related to these investments are shown in the reserve account in equity, so Madeco's net exposure is a liability equivalent to US$2,127

[6] In order to complement the analysis of the Company's market risks, it is recommended to read note 29 to the financial statements of Madeco S.A.

The financing policy seeks to maintain a balanced structure between short and long-term sources of funds (financial debt, balance between accounts receivable and payable, etc.), a low risk exposure and funds aligned with the flows generated by each of the group companies. Both the risks related to customer credits and the risks of financial assets and liabilities are managed by the Company's management according to established policies and controls.

Regarding the management of the risk related to interest-rate variations and the effects that variable rates might have on the Company's financial statements, Madeco covers these variations through a review of the Company's net exposure, whether converting debt to fixed rates or with financial derivatives (e.g. rate swaps) that exchange variable rates for fixed rates.

As of September 30, 2011, the Companyheld close to 47% of its total financial debt at fixed rates.

Oil derivatives (resins of polyethylene, polypropylene, PVC, etc.) and copper are the Company's main raw materials. The Company's financial results are linked to the ability to acquire an adequate supply, a timely transfer pricing, an efficient inventory management and mitigation of the risk of price variations through hedges.

The risk associated with oil derivatives is managed according to the use of polynomials (adjustment methods) used by the Company with its main customers. These polynomials gather the principal variations of their components, adjusting them to market prices, and are adjusted between both parties periodically in order to mitigate the risks in the event of variations in the prices of the raw materials.

The management of the risk related to copper is managed by the Company through the use of financial derivatives which seek, as appropriate, to hedge cash flows or existing items (fair value). These financial instruments are taken out in conformity with the policies defined by the management of Madeco, which set hedging levels according to the market price of copper (the higher the value of copper, the more hedges are adopted). Also, the financial derivatives comply with the necessary documentation (definition of the relationship between the derivative and the hedged item, risk management objectives, efficiency tests, etc.). As of December 31, 2010 the Company had 1,950 tons of copper hedged by derivative contracts and as of September 30, 2011, the Company had 1,175 tons hedged under derivative contracts.

Personnel Structure[7]

No. of people	9.30.11	12.31.10	% var.
Executives	44	47	(10.4%)
Professionals and technicians	606	610	(0.5%)
Employees	1,695	1,759	(3.4%)
Total	**2,345**	**2,416**	(2.8%)

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[7] The consolidated personnel structure figures consider 100% of the employees of Peruplast.