MADECO

Reasoned Analysis
Consolidated Financial Statements
As of March 31, 2012 and 2011
(Translation of Analysis originally issues in Spanish.)

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1. Summary of the Statement of Income

Operating income amounts to ThUS$103,112, showing a 5% decrease compared to the same period in 2011. This fluctuation is due to the lower income earned by the Tube unit partially compensated by the higher income earned by the Profile unit.

The profit (loss) from operational activities[1] amount to ThUS$47,075 which is higher than the profits amounting to ThUS$10,974 recorded within the same period in 2011. This is due to the recognition of the badwill amounting to ThUS$53,476 in the investment in Nexans.

The profit (loss) attributable to the controlling entity records a profit amounting to ThUS$32,907 which is higher than the profit amounting to ThUS$7,265 recorded in 2011.

In accordance with the French laws and the applicable IFRS, Nexans does not publish financial statements on March and September. In 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. This meant that in order to account for the investment during the period related to these financial statements only the effects triggered by the foreign exchange differences (dollar/ Euro) were taken into consideration as well as the ownership changes occurring within the same period.

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

In the light of the interpretations of International Financial Reporting Standards ("IFRS") the investment of the Company in Peru (Peruplast S.A.) through Alusa S.A. has 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; therefore the financial statements of Madeco were modified for the years 2008 and 2009 accordingly. 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).

Consolidated Results

Consolidated Physical Sales

Consolidated physical sales as of March 2012 closing show an increase of 1.8% compared to the same period in 2011. This increase is due to the 18.9% growth in the Profile volumes, partially compensated by a 7.4% decrease in Tube volumes.

Ordinary Income (previously Exploitation Income)

Ordinary income of the period amounts to ThUS$113,112, which is 5% below the income recorded within the same period in 2011. This amount is due to the 20.6% increase in the Profile unit income compared to the same period in 2011 as a result of an 18.9% increase in physical volumes within the period. This effect is partially compensated by the lower income from the Tube unit which show a decrease of 20.5% compared to the same period in 2011 as a result of a 7.4% decrease in the volumes sold and a 14.1% decrease in the average prices as a result of the lower average price of copper.

Gross profit

The gross profit of the period amounts to ThUS$16,435, showing a 12.4% decrease compared to the same period in 2011. This results from a decrease in factories and an increase in manufacturing expenses in the Tube unit as lower volumes were sold and the increasingly more complex competitive environment. This effect is also associated with lower margins in the Package unit due to a time lag between the higher prices of raw materials and the transfer of the sales prices to customers and higher non recurrent production costs that result from the start-up of the new plant in Peru and the reorganization that took place in the plant in Chile.

Profit (Loss) from Operational Activities[2] and EBITDA[3]

The profit (loss) from operational activities amounts to ThUS$47,075, which is above the ThUS$ 10,974 profit recorded the same period of 2011. This is explained by:

(i) The recognition of ThUS$53,476 associated with the badwill as a result of applying the equity method of accounting to value the investments made in Nexans.

(ii) Higher fees, expenses and legal proceedings provisions in Brazil.

[2] 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).
[3] It considers the gross profit and administration and distribution expenses from which the charges associated with depreciation are deducted.

(iii) Lower gross profit of 12.4% explained above.

In turn the Company's EBITDA as of March 2012 amounted to ThUS$7,948, showing a 20.0% decrease with respect to the profit recorded for the same period in 2011. The foregoing is due to the lower EBITDA in the Tube and Package units as a result of lower gross profits and administration and distribution expenses slightly below the ones recorded in 2011. These effects are partially compensated by a higher EBITDA in the Profile unit with a 47.3% increase.

Other Income (Expense) of the Company[4]

In consideration to the financial effects and adjustments made due to differences in currencies other than the functional currency of the Company, as of March 2012 the Company obtained profits amounting to ThUS$33,485 above the profits amounting to ThUS$8,396 recorded within the same period in 2011. This variation is due to:

(i) Higher profit (loss) from operational activities as explained above.

(ii) A 69.8% increase of financial expenses compared to the same period in 2011 due to the higher average debt of the period as a result of financing the higher share ownership in Nexans.

Income tax expense (income)

As of March 2012 the income tax charge amounted to ThUS$11,737 that is negatively compared to the charge amounting to ThUS$2,164 in 2011. The foregoing results from the charge amounting to ThUS$11,868 associated with the profit recorded in the period due to the recognition of the badwill amounting to ThUS$53,476 that resulted from the change in the accounting for criterion regarding the investment made in Nexans.

2. Results by Business Unit

Packages

The income of the Package unit amounted to ThUS$53,917 almost the same as in 2011. This is due to a 5.5% increase in the income obtained in Peru compensated by the lower income in Chile and Argentina.

[4] It considers the aggregate of the income lines, financial costs, foreign exchange differences and adjustment.

The gross profit amounts to ThUS$ 9,780 which is 13.7% below the income obtained in 2011 due to lower margins in the Package unit caused by a time lag between the higher prices of raw materials and the transfer of the sales prices to customers and higher non recurrent production costs as result of the start-up of the new plant in Peru and the reorganization that took place in the plant in Chile.

The EBITDA[5] amounts to ThUS$7,458 which is 13.7% below the EBITDA of the same period in 2011. This is due to the lower gross profit (explained above) and administration and distribution expenses that are similar to the expenses of the prior year. The sales margin is 18.1% which is below the 21.0% of the same period in 2011.

Tubes

As of March 2012, the income amount to ThUS$32,066 which represents a 20.5% decrease compared to the same period in 2011. This is due to a 7.4% decrease in the volumes sold as a result of delayed sales of plates within the first semester of 2011[6]. In addition, average prices show a 14.1% decrease due to a lower average price of copper.

The gross profit amounts to ThUS$1,818 below the profits recorded during the same period in 2011, that is, ThUS$3,627 which results from the lower volumes sold and a more competitive market.

The EBITDA shows a loss amounting to ThUS$108 which is lower than the profits recorded in 2011 amounting to ThUS$1,614 as a result of a lower gross profit partially compensated by a 10.3% decrease in the administration and distribution expenses.

Profiles

The income of the period shows an increase of 20.6% amounting to ThUS$ 17,038. This is due to an 18.9% increase in the volumes sold as the activity has revitalized.

The accumulated gross profit amounts to ThUS$17,038, showing a 26.4% increase compared to the same period in 2011. This increase is due to an improved economic activity within the period and a 9.1% increase in the average prices.

The EBITDA shows a 47.3% increase compared to the same period in 2011 amounting to ThUS$ 1,969 with an 11.6% margin on sales, which is above the 9.5% margin in 2011. This results from a 26.4% increase in the gross profits partially compensated by a 9.9% increase in administration and distribution expenses.

[5] It considers the Gross Profits and Administration and Distribution Expenses from which the charges associated with depreciation are deducted.
[6] By the end of 2010, the plates unit was closed as the Company lost competitiveness in this business area.

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.

3. Summarized cash flows

(Amounts in ThUS$)	**Mar-31-12**	**Mar-31-11**
Net cash flows provided by Operation Activities	1,798	10,566
Net cash flows (used in) Investment Activities	(1,878)	(37,033)
Net cash flows provided by (used in) Financing Activities	245	(954)
Net Increase (Decrease) in Cash and Cash equivalents	**165**	**(27,421)**
Effects of the Variations in Foreign Exchange Rates on Cash and Cash equivalents	123	(1,615)
Net Variation	288	(29,036)
Cash and Cash equivalents, Statement of Cash flows, Initial Balance	20,835	69,154
Cash and Cash equivalents, Statement of Cash flows, Final Balance	**21,123**	**40,118**

The lower flows from operational activities during the first semester of 2012 are due to the recovery of the working capital of the Tube Unit during the first semester of 2011 as a result of the rolling unit closure.

In turn, the lower flows from investment activities of the period are due to a cash increase occurred in 2011 as the guarantee deposit granted in connection with the arbitration proceeding with Nexans was released and the sale of shares in Nexans Colombia (former Cedsa) for a total amount of ThUS$23,179. This effect is partially compensated by the reclassification of ThUS$53,100 from the cash account or equivalent to other financial assets as they are over 90 day time deposits.

Finally, as of March 31, 2012 the cash and cash equivalent balance of the Company amounted to a total ThUS$21,123 compared to the ThUS$40,118 presented for the same period in 2011. This decrease is due to the use of cash to purchase the shares in Nexans.

4. Financial Indicators

Liquidity Ratios	Unit	Mar-31-12	Dec-31-11	% var.
Current Liquidity[7] (Current Assets in Operation / Current Liabilities in Operation)	Times	1.50	1.63	(8.2%)
Acid test ratio ((Current Assets in Operation - Inventory) / Current Liabilities in Operation)	Times	0.98	1.05	(6.1%)

The liquidity ratios have decreased as a result of an increase in the current liabilities due the existences of more short term provisions.

Indebtedness Ratio	Unit	Mar-31-12	Dec-31-11	% var.
Indebtedness ratio ((Current Liabilities in Operation + Non Current Liabilities) / Total Equity)	Times	0.42	0.51	(16.2%)
Short Term Debt Portion (Current Liabilities in Operation / (Current Liabilities in operation + Non Current Liabilities))	%	49.3%	45.9%	7.3%
Long Term Debt Portion (Non Current Liabilities / (Current Liabilities in operation + Non Current Liabilities))	%	50.7%	54.1%	(6.2%)
Financial Expenses Coverage (Ebitda / Financial Expenses)	Times	3.23	6.74	(52.1%)

The indebtedness ratio showed a 16.2% decrease due to an increase in the total equity caused by a negative balance in the Reserves amounting to ThUS$18,101 which is lower than the negative balance as of December 2011 that amounted to ThUS$120,126 as 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.

The expense coverage showed a 52.1% decrease due to higher financial expenses derived from the higher debt and a lower EBITDA[8] of the period.

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[7] It does not include assets available for sale.
[8] It considers the Gross Profits and Administration and Distribution Expenses from which the charges associated with depreciation are deducted.

Profitability Ratios and Earnings per Share	Unit	Mar-31-12	Dec-31-11	% var.
Asset Profitability (Controlling entity's profit / Average Assets)	%	16.10	2.65	508.4 %
Equity Profitability (Controlling entity's profit / Average Equity)	%	24.70	3.94	526.5 %
Operational Assets Profitability (Operational Result[9] / Average Assets)	%	2.06	3.04	(32.3 %)
Earnings per Share (Controlling entity's profit / every 1,000 Subscribed and Paid Shares)	US$	4.53	2.64	71.6%
Dividend Return (Dividends Paid the last 12 Months / Market price of share as of each period closing)	%	N/A	N/A	N/A

Activity Indicators	Unit	Mar-31-12	Dec-31-11	% var.
Total Assets	ThUS$	893,973	741,369	20.6%
Inventory Turnover (Sales Cost / Average Inventory)	times	5.17	5.04	2.7%
Inventory Permanence (Average Inventory / Sales Cost) * 360	days	70	71	(2.0%)

As of March 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.

5. Analysis of Assets and Liabilities

Assets

The total assets of the Company as of March 31, 2012 amount to ThUS$893,973, which shows a 20.6% increase compared to December 2011. This variation is due to:

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

- Current Assets in Operation

  Current Assets in Operation amounted to ThUS$200,316, showing a 5.0% increase compared to the balance as of December 31, 2011. This higher balance is due to an increase in Trade Receivables and Other Receivable, current that show an 8.7% increase compared to December 2011.

- Non Current Assets

  The balance amounts to ThUS$693,657 which represents an increase of 25.9% 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 to the Financial Statements).

Closing accounting period	**03.31.2012 ThUSD$**
Investment in associated entity accounted for using	
the equity method - initial balance as of 01.11.2012	296,476
Negative acquired goodwill immediately recognized (c.1)	53,476
Share in profit (loss)	Not available
Increase (decrease) in foreign exchange	13,121
Reversal of investment equity effects (c.2)	110,32
Other increase (decrease)	-619
Total changes in investments in associated entities	176,298
Final balance as of year end	472,774

Liabilities

The liabilities as of March 31, 2012 amounted to ThUS$266,310, which is higher than the amount of ThUS$249,220 as of December 2011. This is due to the increase in other short term provisions as a result of an increase in the provisions and expenses and fees associated with the labor trials in Brazil.

- Financial Debt

  The financial debt of the Company includes the assets of the same with banks and financial institutions which amount to ThUS$249,220, which is higher than the balance recorded as of December 2011 that amounts to ThUS$ 162,851.

Equity

The total equity as of March 31, 2012 amounted to ThUS$ 627,663, which represents a 27.5% increase compared to December 2011.

- Issued Capital

  As of March 2012, the paid in capital amounted to ThUS$ 469,497 which is the same amount as of December 2011.

- Other Reserves

  The negative balance amounts to ThUS$ 18,101, which is lower than the negative balance as of December 2011 that amounted to ThUS$ 120,126. This variation is due to the adjustment of ThUS$ 101,881 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 25b to the Financial Statements).

- Withheld Results (Withheld Losses)

  They show profits amounting to ThUS$ 62,616 as of March 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

  They totaled the amount of ThUS$ 27,263 as of March 2012, which is higher than the balance amounting to ThUS$ 26,681 at the end of 2011 due to the fluctuations 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:

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[10]

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.

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.

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

As of March 31, 2012 Madeco has a consolidated level to the following accounting exposure:

Accounting Exposure (ThUS$)	**Assets**	**Liabilities**
Unidad Fomento (unit indexed by inflation)	4,064	7,817
Chilean Peso	55,339	43,785
Euros	473,358	164
Other currencies	-	22
Argentine Peso	13,139	20,663
Soles	3,219	4,022
Reales	19,172	16,557
Total	**568,291**	**93,030**
Exposed balance	475,261	
Hedged Positions	(472,774)	
Net exposure	**2,487**	

The total exposure in foreign currencies is an asset equivalent to ThUS$475,261. Notwithstanding the foregoing, as a portion of these assets corresponds to the investments in Nexans or is hedged, the foreign exchange variations relative to these investments are recognized in the equity reserve account and do not affect directly the statement of income, therefore the net exposure of Madeco corresponds to an asset equivalent to ThUS$ 2,487.

The financing policy is intended to keep a balanced structure between the short term and long term 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 March 31, 2012 almost 30.2% 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 most 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 tons hedged by derivative contracts. As of March 31, 2012 the Company had 1,375 tons hedged by derivative contracts. On the other hand, the Company has several derivative instruments intended to hedge the aluminum stock and the aluminum scrap sales margin[11]. As of December 2011, the Company had 160 tons of aluminum hedged by derivative contracts. As of March 2012 the Company had 150 tons of 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. The term to exercise this option is 18 months to reach 15% and three years to total the 20%. From the agreement date to the closing in March 2012 Madeco S.A. had acquired 3,135,333 additional shares of stock, thus having 19.83% ownership of Nexans. With this percentage in the ownership of the multinational, three representatives of Madeco in 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 to the Financial Statements). This investment will be exposed to the risks inherent to the cable business and the markets where Nexans operates in, having a global exposure. 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, which is the currency used in the financial statements of Nexans, has an impact on the Equity Reserve Account of the Company.

[11] Aluminum waste resulting from the process.

7. Personnel Structure[12]

Number of People	03. 31.12	12. 31.11	% var.
Executives	42	44	(4.5%)
Professionals and Technicians	588	588	0%
Employees	1,707	1,681	1.5%
Total	**2,337**	**2,313**	1.0%

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

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MADECO S.A.