
1995 ANNUAL REPORT
VITRO, S. A.
"In 1995, we started to lay the foundation for sustained growth necessary to increase shareholder value."

Vitro, S. A. produces glass containers, flat glass, auto glass, glassware, plastic, aluminum and household goods for commercial, industrial and consumer use. Vitro supplies numerous industries, including food and beverage, construction and automotive.

Based in Monterrey, Mexico, since 1909, Vitro has formed strategic alliances with a dozen large corporations around the world. It operates more than 100 production facilities in seven countries, including Mexico and the United States, and exports its products to more than 60 countries worldwide.

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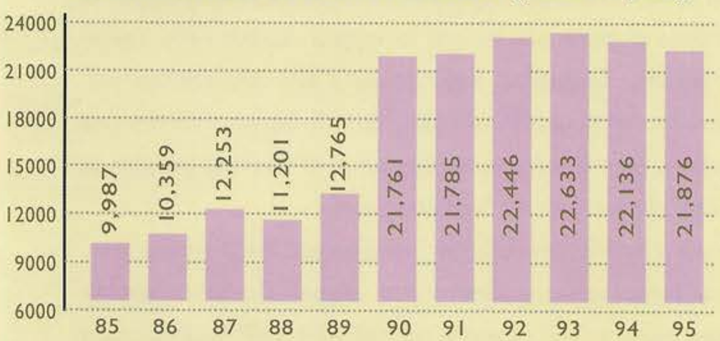
Financial highlights [In millions of constant pesos, except where indicated otherwise]

	1995	1994	% Change
Income statement			
Consolidated net sales	21,876.0	22,135.6	(1.2)
Export sales (Millions of dollars)	524.4	446.2	17.5
Operating income	2,737.2	1,756.1	55.9
Total cost of financing	2,235.4	2,635.0	(15.2)
Other income	201.5	57.8	248.4
Share in net income (loss) of unconsolidated associated companies	352.6	(543.7)	—
Income (loss) before income tax and PSW	1,055.9	(1,364.8)	—
Income tax and PSW	220.4	310.7	(29.1)
Net income (loss) of the period	835.5	(1,675.5)	—
Net income (loss) of majority interest	549.9	(1,733.0)	—
Balance sheet (as of December 31)			
Current assets	7,541.1	7,306.8	3.2
Total assets	34,550.1	33,150.9	4.2
Current liabilities	6,424.4	5,425.2	18.4
Total liabilities	21,112.2	20,478.5	3.1
Stockholders' equity	13,304.6	12,672.8	5.0
Stockholders' equity of majority interest	11,029.8	11,191.8	(1.4)
Capital expenditures	1,812.2	1,591.6	13.9
Personnel	35,317	36,694	(3.8)
Financial indicators			
Operating income/sales (%)	12.51	8.13*	
Sales/assets (times)	0.63	0.66*	
Current assets/current liabilities (times)	1.17	1.34*	
Total liabilities/stockholders' equity (times)	1.59	1.60*	

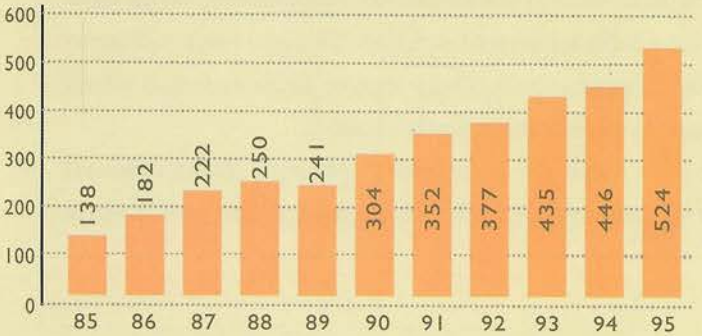
(*calculated using constant pesos of December 31, 1994)

Consolidated net sales (millions of pesos)

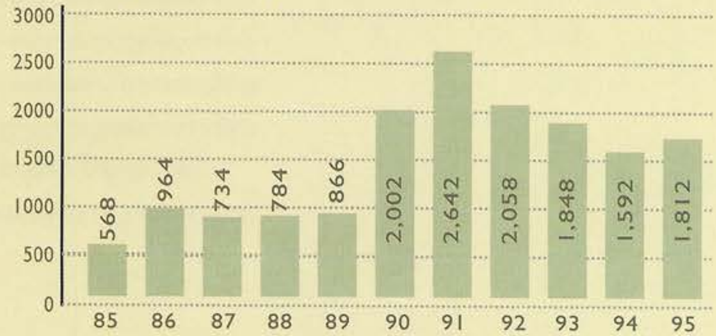


Net income (millions of pesos)

Export sales (millions of dollars)



Capital expenditures (millions of pesos)



Note: The exchange rate as of December 31, 1995 is used for all calculations within this document, according to generally accepted accounting principles in Mexico.

From the Chairman

"Vitro's international-marketing experience allowed us to expand sales for our quality products in international markets."

Dear Shareholders:

1995 was a year of significant challenges for Vitro. But, in spite of problems in the U.S. and in Mexico, Vitro made positive strides.

Vitro closed with a net income of $835.5 million pesos for the year. Our return on equity was 6.51%, and total sales increased for all operations except Anchor Glass Container Corporation and Household Products.

Vitro's consolidated net sales of $21,876 million pesos held to 1994 levels, with only a 1.2% decrease in real terms. Vitro's debt in 1995 did not increase over 1994, in terms of the debt-to-capital ratio.

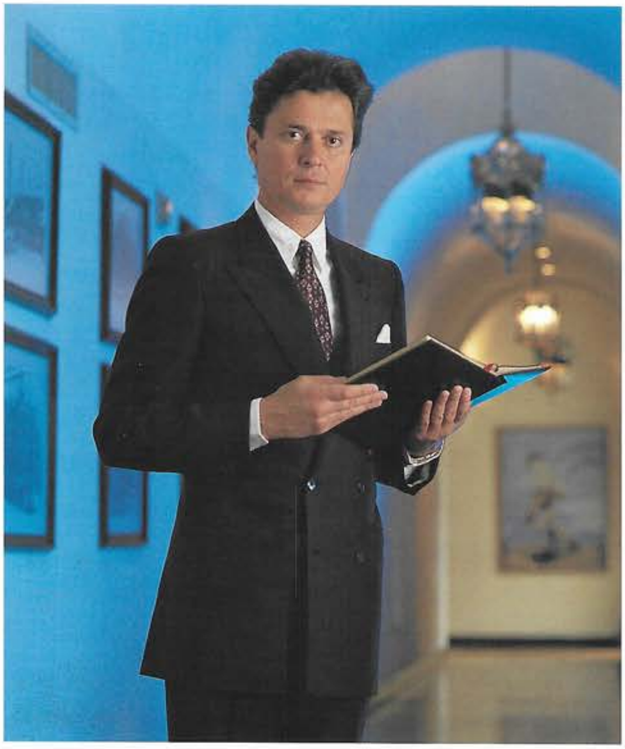
Export sales grew 17.5% last year, reaching $524.4 million U.S. dollars. These exports represented 34.9% of Vitro's total sales in Mexico, compared with 22% in 1994.

Vitro also faced several challenges:

- Competition continued to surge within the U.S. glass-container market, which has reached maturity and is expected to remain flat due to increased use of plastic containers.
- In 1995, debt and interest payments at Anchor Glass became too large for our U.S. operation to finance. In response, we restructured Anchor Glass' debt and intend to make an investment of up to $126 million in Anchor Glass in the next two years. A significant portion of these proceeds will be used to support Anchor Glass' capital expenditure program, which is designed to lower Anchor Glass' cost structure and improve competitiveness. In view of conditions within the U.S. market, we know that this is not enough. Anchor Glass will also need to take numerous efficiency measures in 1996, which could include closing some Anchor Glass plants.
- In spite of difficulties posed by Mexico's economic recession and rising interest rates, Vitro's international-marketing experience allowed us to expand sales for our quality products in international markets. This expertise, coupled with VVP America's good performance and Vitro's dedication to serving niche markets, allowed us to emerge as a competitive force in the Americas.

Difficulties within the financial sector in Mexico have had a negative effect on the country's banking community—and Serfin has been no exception. We expect results will correct as the economic situation and financial sector in Mexico improve. In the meantime, we will take every measure appropriate to reinforce this company's position.

After several difficult years within the petrochemical industry, CYDSA continued improving its products and took advantage of market conditions to produce good results in



1995, illustrating the company's real potential. CYDSA increased its exports by 39% and sales by 22%.

The complex environment we faced in 1995 underscored our need to seek internal reform to meet the challenges of an increasingly competitive economy. In the year ahead, we will be adopting new strategies and structures designed to build on Vitro's strengths.

We will consolidate administrative and certain other functions across Anchor Glass and Glass Containers Mexico. This will allow these operations to increase efficiency in administration, production and purchasing and will forge stronger bonds with our glass-container customers.

We will also continue exploring ways to lower our cost structure and focus on increasing profitability and shareholder value.

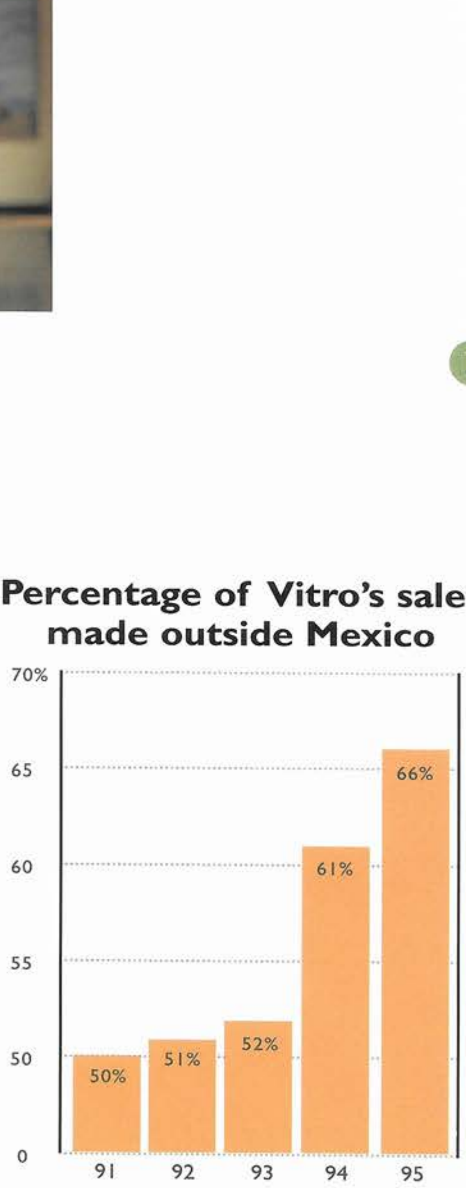
Realizing that our debt level and our debt service reduces our flexibility, we will continue to explore strategies that will allow us to improve this situation. We will also work to divest our company of unprofitable business and improve our interest-coverage ratio.

The work being undertaken at Vitro and the renewed dedication to shareholder value are what our company needs to create a successful future.

I look forward to that future with confidence.

Adrián Sada G.
Chairman of the Board
Vitro, S. A.

Percentage of Vitro's sales made outside Mexico



Almost two-thirds of Vitro's sales were made outside of Mexico in 1995.

From the President and Chief Executive Officer

"The changes we make in 1996 will pull Vitro's operations even closer together, as we approach North, Central and South America as a single market without boundaries."

Dear Shareholders:

Management and all Vitro employees have the duty to provide our customers with quality products and services — and provide our shareholders with a good return on their investment.

This is why, looking at the overall performance of last year, I am not pleased.

Even though we made profits in 1995, we did not add value to our stockholders' investment.

Recognizing the need to change this, in 1995, we started to lay the foundation for sustained growth necessary to increase shareholder value. This commitment underscores our dedication to meeting our investors' expectations. We have already begun examining financial tools that will allow us to more clearly measure the success of our investments and their contributions to the stockholders' portfolio. And we intend to continue to make shareholder value the ideal that drives each operation, each department and each process.

Assessing our strengths

While Vitro's year-end results did not match our expectations, we did quite well in many respects. In fact, our operating income rose 55.9% against 1994, which represents a margin of 12.5%. In addition, we increased our exports by 17.5%, surpassed industry standards for safety in most areas and increased the quality of our products and services.

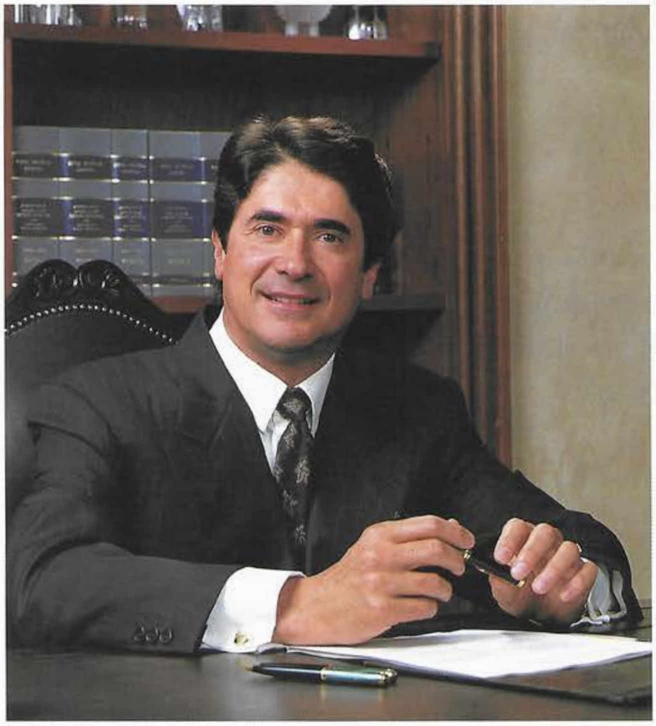
In 1995, we also resolved some of the problems surrounding Anchor Glass' operations. Our confidence in Anchor Glass' ability to compete successfully in the U.S. glass-container market led us to restructure its debt and commit to a significant investment in Anchor Glass facilities and equipment last December. Anchor Glass' major creditors, echoing our confidence, agreed to amend the terms of their loans. And in an additional show of support, a group of institutional lenders agreed to provide a new $130 million secured revolving line of credit.

Our focus on increasing exports brought outstanding results last year. All operations are now players in international markets.

Vitro Fibras won Mexico's National Quality Award for 1995, the most important award for quality in Mexico.

New management strategies for 1996

The progress we made last year following some enhanced strategic initiatives is proof that we will continue to pursue business strategies that focus on creating value for stockholders in the coming years.



Our recent accomplishments still fall short of what needs to be done to deliver higher returns to you, our investors. We need to reduce our debt, to restructure our business portfolio, and to increase our cost competitiveness. We are taking an important step in this process by implementing the financial management concepts of Economic Value Added (EVA®) throughout the company. This methodology, which measures economic returns on invested capital, shows a very strong correlation to enhanced market valuation.

In addition, we understand that the stock market needs timely and accurate economic information. Vitro will enhance its external communications efforts accordingly, bringing to the market a better understanding of our intrinsic value and prospects.

The changes we make in 1996 will pull Vitro's operations even closer together, as we approach North, Central and South America as a single market without boundaries. We will consolidate functions and streamline operations. We will create cross-cultural management teams whose coordinated efforts can increase our competitiveness in international markets. And we will continue to forge alliances that complement our strengths and offer opportunities to better serve our customers.

In this report, we will detail how Vitro is building on its base of fine services and products, undertaking new strategies for the changing market, and how we will make more efficient use of our financial resources in 1996.

In today's challenging economic climate, maintaining leadership often requires that we make difficult decisions. The changes taking place over the coming months will affect every aspect of Vitro... all to a central purpose: increasing the economic value of our company.

As a team, we at the executive committee consider ourselves personally accountable to you, Vitro's investors, who rightfully demand innovative, forthright management. Fulfilling that role is our commitment.

Federico Sada González
President and CEO
Vitro, S. A.

Making progress in challenging economic times

Vitro's regional and international operations gave us new opportunities in this tough economic market.

In 1995, the Mexican economic recession and the devaluation of the peso created unique problems for most companies with operations in Mexico. From December 19, 1994, to December 31, 1995, the peso tumbled over 120% against the dollar, making the price of foreign goods and services costly. Inflation increased 52%, and skyrocketing interest rates cut into shareholders' earnings. However, Vitro's regional and international operations gave us new opportunities in this tough economic market. We increased export sales 17.5% as our customers stepped up orders for our outstanding products and services.

We increased supply to Central and South America. Moreover, through our alliance with Pechiney International (PY:NYSE), we began supplying aluminum containers to the dynamic Central American market.

This, in part, helped the company improve its operating margin in Mexican operations to levels not seen in the past five years.

Vitro's more than 50 years of experience in international markets also allowed us to increase emphasis on exports and take advantage of the opportunities offered by the North American Free Trade Agreement (NAFTA). In the short period since NAFTA's implementation, we have increased international sales 30%.

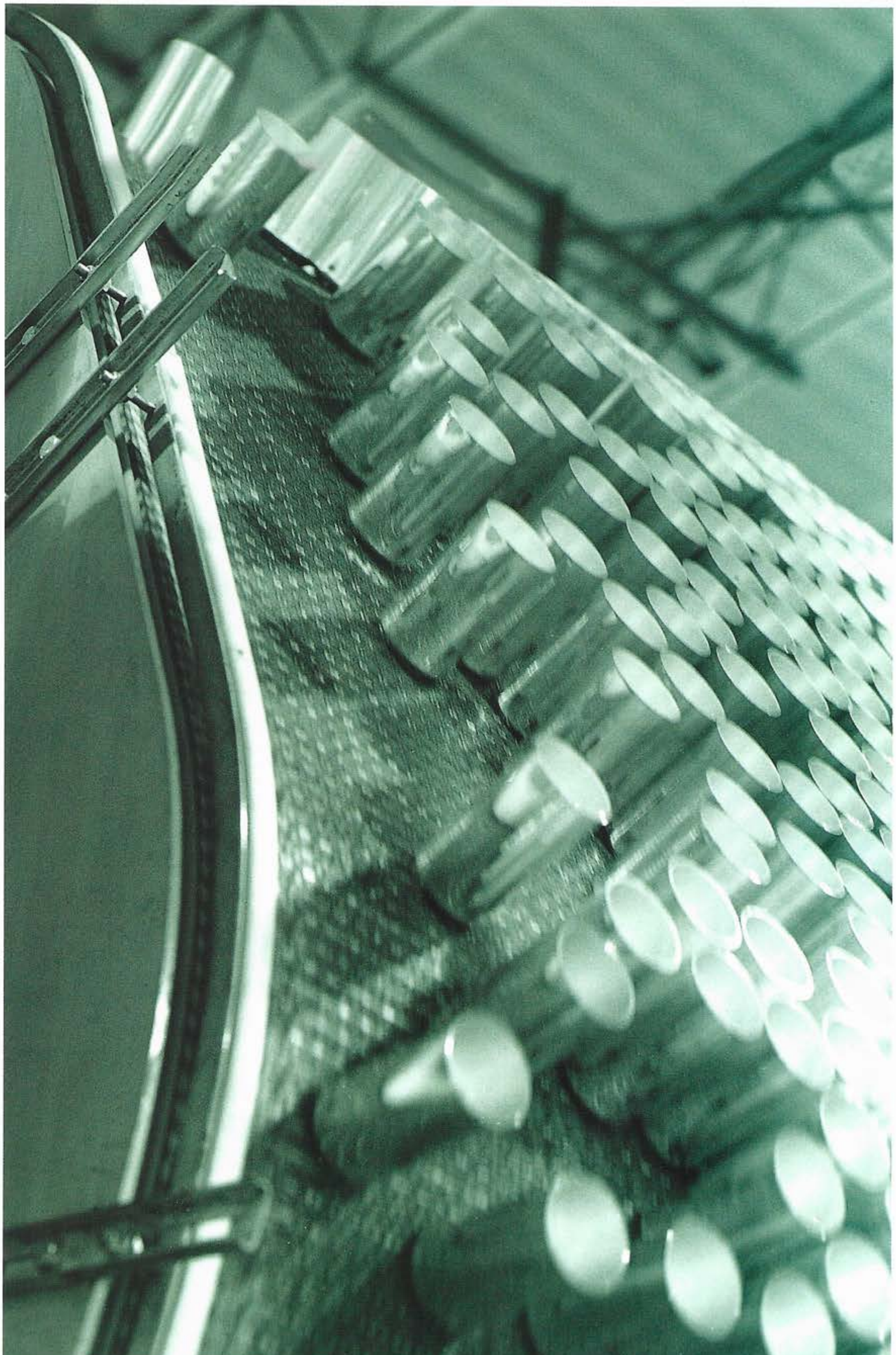
Cost cutting is a major step toward the goal of increasing competitiveness in the new open market. We have already implemented aggressive cost-control measures in our Glass Containers Mexico; Flat Glass; Household Products; Chemical, Fibers and Mining; and Glassware operations, and will increase these measures in the coming year.

The U.S. glass-container market

This remains a difficult time for the glass-container industry. In the U.S. market, glass-container usage has matured, and increased use of plastic containers has put pressure on Anchor Glass and every other glass-container manufacturer in the U.S. Increased competition has made this market even more challenging — and is leading us to re-examine our processes and consider how we can increase efficiency and cut our costs without sacrificing our service standards.

Restructuring Anchor Glass' debt has allowed us to concentrate on making them a stronger player in the U.S. glass-container market. This year, we will modernize equipment, cut costs and explore new opportunities. Anchor Glass will also work closely with Glass Containers Mexico, consolidating operations to eliminate duplication of services as we aggressively move to treat Mexico, the U.S. and Canada as a single market.

We believe these solutions will help us better serve our multi-national customers as Vitro works to become the leading glass-container company in North America.



Vitro-American National Can, which opened in September, 1995, in Querétaro, Mexico, is expected to produce one billion aluminum cans a year.

Building on our base of excellent products and services

Flat Glass, Glass Containers Mexico and Packaging each experienced outstanding sales gains in 1995.

In 1995, Vitro Fibras won Mexico's National Quality Award, *the most prestigious quality award in Mexico.*

Key to increasing share value is continued investment in our strongest markets. Vitro is continuing to build on the accomplishments of Flat Glass, Glass Containers Mexico and Packaging, each of which experienced outstanding sales gains in 1995.

In spite of Mexico's economic recession, Flat Glass increased its sales by 9.8% including exports. We anticipate that demand for flat glass in Central and South America will continue to grow in the coming decade. We recently began expansion and modernization of Flat Glass' Mexico City plant. This $77 million project will almost double the capacity of the float glass plant from 3,500 tons per week to 6,100 tons per week.

Vitro's Flat Glass subsidiary for the U.S., VVP America, had a stellar year in 1995. Sales for VVP increased 5.4%. This increase is due in part to our strategy of growth into new markets. Last year, VVP, which already had more than 120 outlets in the U.S., opened three new distribution centers, extending its service in the high-growth states of California, Arizona and Florida.

Sales for Glass Containers Mexico increased 16.7% in 1995. This reflected the operation's success in entering new markets, identifying new uses for glass containers and substituting imports. The success of this business led Vitro to expand our glass-container market in South America by purchasing Bolivia's leading glass-container manufacturer, Vidrio Lux.

Packaging experienced a 21.7% increase in sales last year, aided by Vitro's joint venture with Pechiney International to produce beverage cans. Called Vitro-American National Can, the new aluminum can plant began operations in September, 1995. Nevertheless, due to the fact that Vitro owns only 50% of this company and sold its share of Altro, S.A. during 1994, the resulting increase in sales was 3.4%. Packaging also expanded its sales opportunities by developing new markets for its other products (ampules and machinery) in Brazil, England, Central America and the U.S. — which led exports to increase 19.4%.

Adding value through service

No company can survive without the loyalty of its customers — the final judges of not only our product quality, but the knowledge and skills we bring to the table. Vitro's dedication to providing service that goes beyond customer expectations led us to invest heavily in our people and our processes in 1995.

Vitro's most valuable resource is its people, and last year our corporation devoted an average of 5.6 workdays of training per worker.

Through the Vitro Center for Human Development and Anchor Glass' Center of Excellence, we teach new job skills and improve leadership and interpersonal skills for

Modernization and expansion of our flat glass plant in Mexico City will almost double the capacity of the plant from 3,500 to 6,100 tons of float glass per week.

Last year, Vitro devoted 1,270,000 man-hours to training — an average of 5.6 workdays of training per worker.

thousands of employees every year. Through this training, employees are gaining a better understanding of how they, as individuals and as teams, can increase Vitro's ability to compete in the global market.

Improving customer service. In 1995, Vitro dedicated itself to improving customer service beyond expectations by:

- *Providing estimates more quickly.* An integrated computer software system installed to improve efficiency at Anchor Glass corporate headquarters replaced older systems governing everything from accounting and procurement to finished goods inventory and sales-order processing. This new system allows Anchor Glass to provide its customers with accurate information more quickly, giving the company an important advantage over competitors.
- *Shortening the time it takes to develop a product.* Last year, Vitro's Samurai program within Glass Containers Mexico shortened time for developing containers 36.7% — from 12 to 7.5 weeks.
- *Improving our ability to deliver even large orders quickly.* To improve customer service response time, Vitro Fibras opened a service center in Bogota, Colombia, in association with Owens Corning (U.S. and Brazil) and Fiberglass of Colombia. Flat Glass through its subsidiary, VVP America, opened a new office in Detroit to better serve the needs of automotive customers.

Vitro Suppliers Excellence Program. Quality doesn't begin at Vitro, it begins with our suppliers, whose equipment and materials are integral in creating the fine products we develop for our end customers. That's why, in 1995, Vitro established the Vitro Suppliers Excellence Program. Through this program, we work with our suppliers to create a "value-added chain," which ensures that Vitro's high standards for quality are enforced at every step of production — so that the Vitro products that reach our customers are the best possible products we can deliver.

National Award for Quality. Efforts to improve quality are showing results. Vitro Fibras won the National Quality Award in Mexico for the first time. Industria del Alcali and Vitro PQ Química were also two of four finalists for this award.

Creating more efficient operations

In 1995, Vitro introduced re-engineering programs and related projects designed to streamline our processes and procedures. These efforts are helping increase efficiency and flexibility.

Flat Glass' Re-engineering 2000 program, designed in part to improve response time to customers, brought outstanding results. This year, employees reduced by 50% the time it takes to provide their customers with quotations, as well as deliveries and service. Fabricación de Máquinas' re-engineering project, Fenix XXI, reduced administrative costs within the machinery area by 30%.

Outstanding industrial safety in 1995 sets new standards. Vitro is also committed to providing our employees with comprehensive training in safety and accident prevention, and last year, that training resulted in the best year for industrial safety in the history of Vitro. VVP America and our glass containers operations in Mexico and the U.S. led their respective industries in industrial safety, and Vitro Fibras was recognized as the safest fiberglass plant in the world.

VVP America and glass-containers operations lead their industries in industrial safety for 1995.

The Rewards of Excellence

Once again, in 1995, the people of Vitro proved their ability to create the highest-quality products and service for our customers.

Mexico's National Quality Award.

EL PREMIO NACIONAL
DE CALIDAD
1995

Last year, Vitro Fibras took first place in this prestigious competition; Vitro PQ Química, S. A. and Industria del Alcali, S. A. were among the top four finalists. In addition, Vidriera Monterrey, S. A. and Vidriera Querétaro, S. A. won the state quality award in Nuevo León and Querétaro, respectively.

Turner Construction Company, Outstanding Performance Award. *Super Sky, a company of the Vitro Flat Glass operation, competed against more than 150 firms to receive Turner Construction's performance award.*

Whirlpool Corp., Quality Achievement Team Award. *Vitro's Household Products was presented with two silver and two bronze awards for product development and service.*

Mexican Association of Packaging and Crating, Stellar Bottles Award. *For the third year in a row, Glass Containers Mexico was given six Stellar Bottles Awards: two in food, two in soft drinks, one in perfumes and one in wine.*

World Packaging Organization, WorldStar Award. *World Packaging Organization distinguished Glass Containers Mexico with two WorldStar Awards in this international competition.*

Glass Packaging Institute, Clear Choice Award. *Anchor Glass was granted two Clear Choice Awards for development of beverage containers for Pepsi-Cola's Smooth Moos Shake and Jack Daniels Whiskey's Special Edition wine product.*

Heublein Corporation, Supplier of the Year. *Anchor Glass was granted this coveted award for outstanding service in 1995.*

Developing strategies to meet a demanding international marketplace

Our fast turn-around on small production runs lets us provide international markets with products often unavailable through other sources.

In today's fast-paced global marketplace, Vitro's ability to adapt is giving us a competitive edge and helping us build a successful future. In 1995, we continued our expansion into niche markets abroad. With our ability to provide fast turn-around on small production runs, we are able to reach international markets with products often unavailable through other sources.

Expanding our reach to international markets

Vitro has more than 50 years' experience serving the international marketplace. Today, all of Vitro's operations are selling to international markets, with special emphasis on the growth markets of Central and South America.

In 1995, Vitro's exports from Mexico reached a record $524.4 million in U.S. dollars, an increase of 17.5% over 1994. Overall, exports represented 34.9% of total Mexican operation sales, and 66%, or two-thirds, of Vitro's sales were from outside Mexico.

Almost every Vitro operation increased its exports last year. Exports by Chemical, Fibers and Mining rose 53%. Household Products' exports grew 34.4% and Glass Containers Mexico's exports grew 25.1%. Exports for Packaging increased by 19.4%, and Flat Glass increased by 11.9%.

Providing new and better products

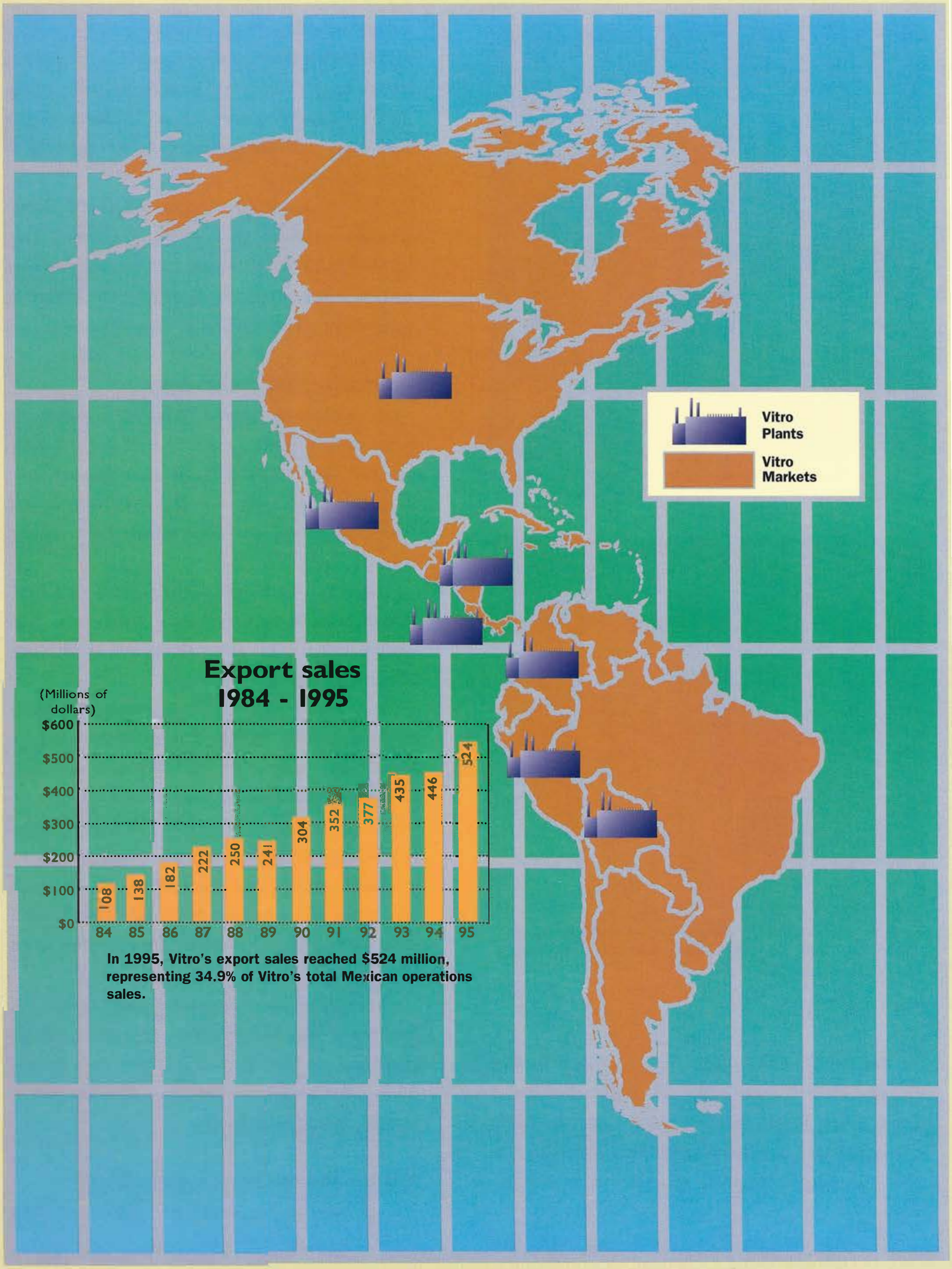
Today, competing effectively requires special expertise to meet the ever-changing demands of new markets. Vitro has done just this by developing the products our customers need today and anticipating the needs of our customers tomorrow.

Creating new product lines internally. Glass Containers Mexico's focus on new uses for glass containers yielded good results. As a whole, our glass containers operations in Mexico and the U.S. (Anchor Glass) produced 330 new products in 1995 — or almost one new product a day.

Responding to the need for more economical appliances for the Mexican market, last year, Vitro also began offering a new line of low-cost stoves, new washing machines and refrigerators through our Household Products operations.

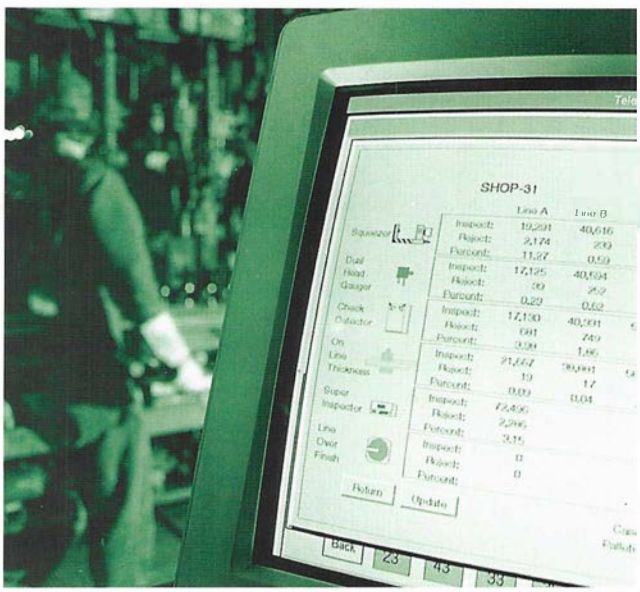
Growing through strategic alliances. Vitro's associations with other technological leaders has also resulted in profitable developments in the past year.

In 1995, Flat Glass began working with the Monsanto Company at the Química "M" facility, to produce polyvinyl butyral, used in the production of windshields. This alliance meets the strategic need of both companies and the facility is currently moving toward increasing its capacity. It has also given Flat Glass access to new technology that can further improve product development and manufacturing.



In 1995, Vitro's export sales reached $524 million, representing 34.9% of Vitro's total Mexican operations sales.

Creation of top quality products such as this fiberglass being produced at Vitro Fibras is a requirement for every Vitro plant.



Anchor Glass' new technology inspects bottles for defects, so they can be eliminated quickly.

The Anchor Glass partnership with Coors Brewing Company resulted in the production of glass containers at Coors' Wheat Ridge, Colorado, plant. Called the Rocky Mountain Bottle Company, the partnership will modernize the plant, expanding its capacity by one-third over the next two years.

To improve efficiency and competitiveness through access to better technology, Household Products recently formed an association with the French company Delta Sourdillon, a leader in the production of valves and thermostats for ranges, which acquired 25% of Acrotec, S. A. This alliance will give Vitro access to the latest technology in the production of stove components.

A major licensing agreement with General Mills allowed Glassware to begin offering "Betty Crocker" oven bakeware in 1995. This natural extension into clear glass cookware is an outstanding opportunity for the operation to reach out to retail and supermarket chains in the U.S.

Improving our technology

Vitro's dedication to improving technology is making our plants more adaptable to the needs of our customers. Improved production capabilities also mean plants can create products more efficiently — in turn, allowing us to offer products and services to market niches that other companies cannot.

Tintex Plus, a solar-control product developed by Vitro Flotado, S. A. for use in fabrication of automotive glass, provides drivers with additional comfort by absorbing infrared and ultraviolet light.

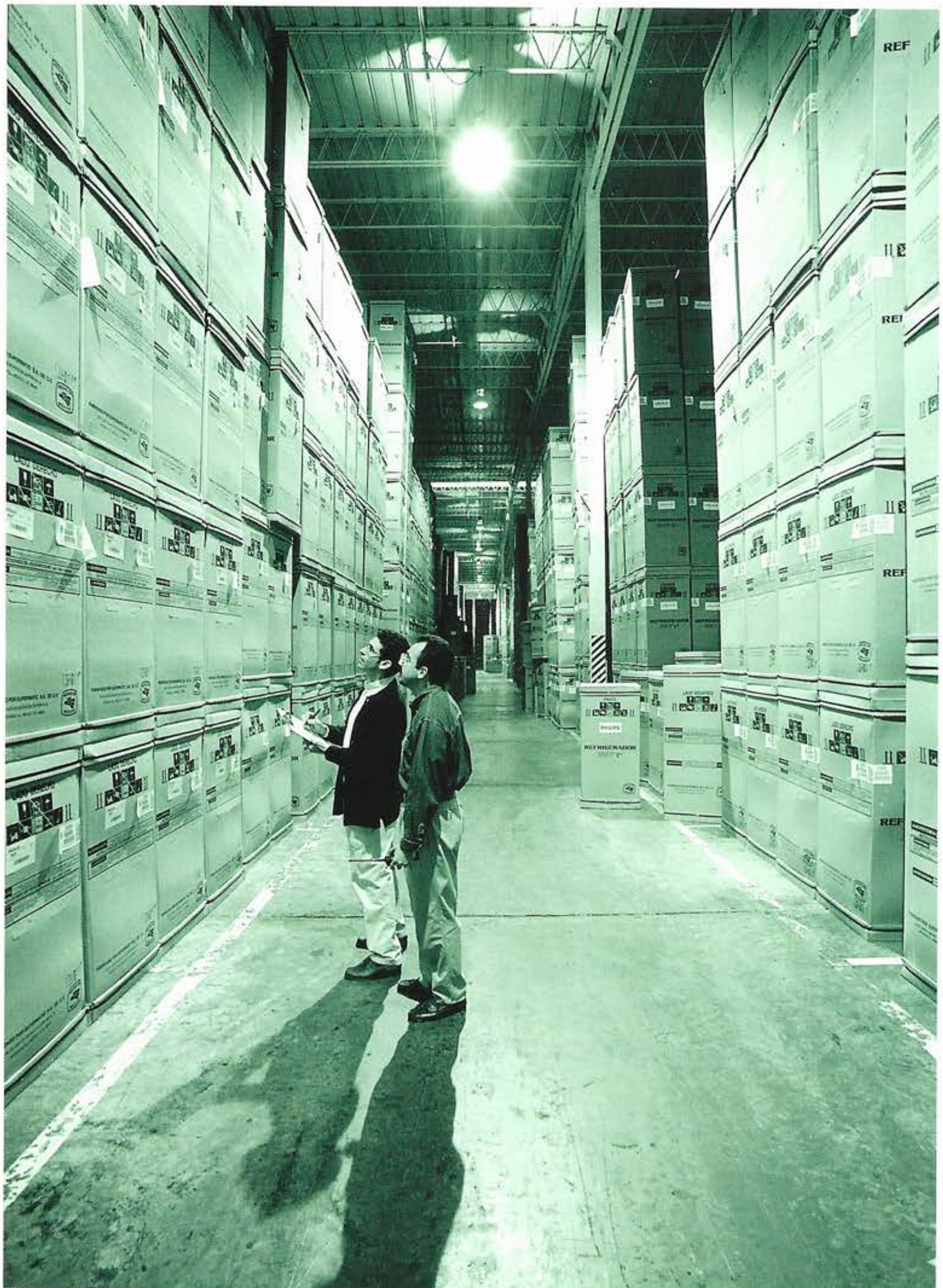
Anchor Glass' new computer technology automatically inspects glass bottles for manufacturing defects, so they can be eliminated quickly and reliably. Glassware's process for increasing glass opacity led to a new line of glassware for the Middle Eastern market, and a new furnace design developed by Fabricación de Máquinas consumes 40% less energy.

Household Products developed a new family of compact washers for the U.S. and Canadian markets, as well as new compact refrigerators and economic gas ranges for the Mexican market.

In addition, a patented process for purifying silica sand, developed by Materias Primas Monterrey, was instrumental in opening operations of a new silica plant in Costa Rica. Among other benefits, the new process allows the plant to virtually eliminate toxic emissions.

Pioneering environmental efforts

Last year, Vitro's environmental efforts included anticipating standards for air and water purity, using equipment such as



Household Products and almost every other Vitro operation increased its exports last year.

oxy-fuel systems, dust collectors, water-treatment plants and emissions-control systems, and constructing temporary storage facilities for non-toxic waste.

Household Products started production of CFC (Chlorofluorocarbon)-free refrigerators. CFC, a pollutant found in the foam and coolant of refrigerators, was replaced by substances that do not damage the ozone layer.

Acting in cooperation with several gas-research agencies, Anchor Glass developed technology that reduces nitrogen oxide (NOx) emissions by 50%.

In addition, improvements made to furnaces used by Glassware and Glass Containers Mexico resulted in increased efficiency, decreased energy consumption and reduced pollution levels.

Making more efficient use of financial resources

Our goal is to create a profitable, high-growth business.

Vitro is working to make more efficient use of capital by lowering operating costs, increasing profitable revenue, and making long-term, value-enhancing investments. We have begun re-analyzing Vitro's capital investments to ensure they meet or exceed stockholders' expectations. Our goal is to create a profitable, high-growth business.

Improving our return on capital

Vitro's return on capital was 6.5% in 1995. Improving cost-competitiveness and efficiency are the keys to increasing that return even more as we push to build shareholder value in 1996 and beyond. While a variety of programs designed to boost efficiency are already in place, the coming year will see new changes as EVA is implemented.

EVA is a management tool that helps companies make decisions and more effectively guide their businesses for the benefit of investors.

EVA measures the value added over expected return on investment. In other words, it calculates the difference between net operating profit after taxes and a charge for usage of capital necessary to run the business. EVA can also be expressed in a simple equation:

Economic Value Added (EVA) = Net operating profit after taxes - a charge for the use of capital (Capital x the cost of Capital)

Reducing the cost of our capital investments

The total cost of financing was reduced by 15.2% in 1995, and Vitro's operating income for 1995 was $2,737.2 million pesos, an increase of 55.9% from last year.

The restructuring of Anchor Glass' debt was designed to serve Vitro's long-term interests while providing plant modernizations necessary to increase profitability.

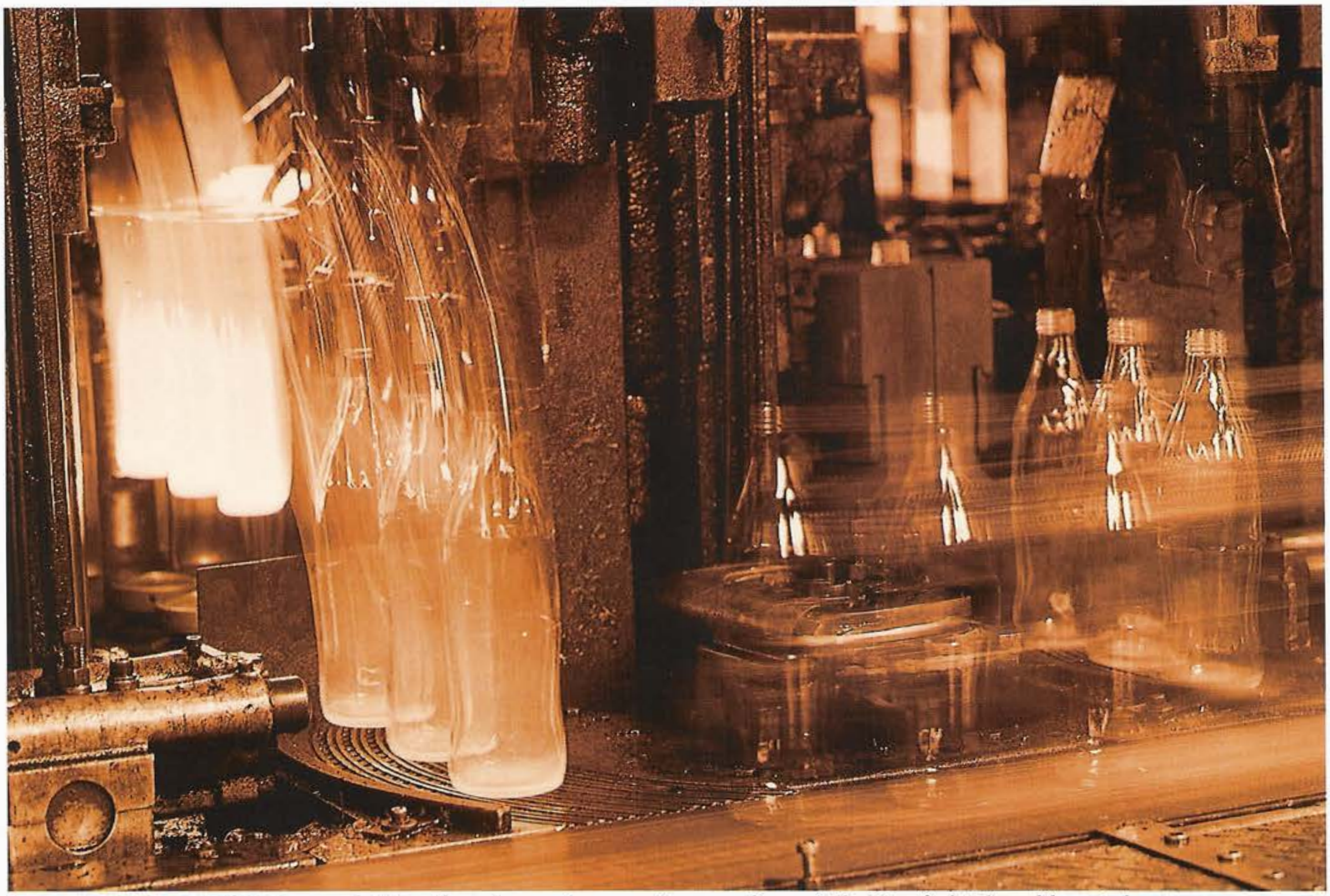
An important portion of Vitro's debt is related to investments in Anchor Glass and Grupo Financiero Serfin, which have not provided an acceptable return.

We recognize the current debt situation as temporary and will continue to explore, by all means available, methods to improve this situation, substantially reducing such indebtedness as well as improving our interest-coverage ratio.

Vitro is undergoing an in-depth analysis of its business portfolio that will lead to the divestiture of businesses that do not comply with the minimum profitability levels that the corporation is undertaking.

The funds obtained from these divestitures will primarily be applied to the reduction of debt in the company.

Vitro is confident that all the measures that are going to be implemented in 1996 will increase shareholder value.


Our investment in Vidrio Lux made Vitro the primary glass-container supplier to Bolivia's soft-drink and beer industries.

Restructuring our portfolio

To maintain our edge in the increasingly competitive marketplace, we plan to concentrate on our strengths. We expect to continue streamlining our operations by investing only in complementary products and services that show profit potential.

Our expansion and modernization of Flat Glass' Mexico City plant is designed to almost double the plant's flat glass production, in anticipation of Central and South American product demand. We intend to invest up to $126 million in Anchor Glass facilities and equipment over the next two years, as we prepare to streamline the company to further increase efficiency.

Acquisitions. Vitro opened new doors for customers in South America with the acquisition of Vidrio Lux, S. A. of Bolivia, that country's leading producer of glass containers. This investment makes Vitro the primary glass container supplier to Bolivia's soft-drink and beer industries and allows us to increase our presence in this emerging market.

Divestitures. Following a decision to concentrate on competing in the consumer-appliance production market, Household Products sold two compressor factories last year. Fabricación de Compresores Mexico, and Fabricación de Compresores Monterrey were acquired by Electrolux of Sweden and the Danish Danfoss Group, respectively. In addition, Glassware decided to move its Flatware operation from Mexico City to Monterrey.

Anchor Glass closed three of its 17 plants in 1995 — one in Waukegan, Illinois, one in Huntington Park, California, and one in Keyser, West Virginia, — as it consolidated operations to reduce costs and increase competitiveness. The Cliffwood, New Jersey, plant also closed in January, 1996, as Anchor Glass adjusted to the realities of the U.S. glass-container market.

Vitro, S. A. Board Members

Standing: Ernesto Martens Rebolledo, Andrés Yarte Cantú, Dionisio Garza Medina, Pablo González Sada (Secretary), Julio Escámez Ferreiro, and Abelardo Morales Purón (Examiner)

Seated: Eduardo G. Brittingham, Tomás González Sada, Federico Sada González (President/CEO), Adrián Sada González (Chairman), Adrián Sada Treviño, Juan F. Muñoz and Alejandro Garza Lagüera [John Hennessy not pictured]

Vitro at a glance

Vitro, S. A. comprises six operational and three corporate divisions representing more than 70 companies in North, Central and South America.

Adrián Sada G.
Chairman of the Board
Vitro, S. A.

Federico Sada González
President/CEO
Vitro, S. A.

Financing and Development

Legal, Public and Corporate Affairs

Finance

Containers

PERCENTAGE OF SALES
54%

COMPANIES
VIDRIERA MONTERREY
VIDRIERA MÉXICO (I&II)
VIDRIERA GUADALAJARA
VIDRIERA TOLUCA
VIDRIERA LOS REYES
VIDRIERA QUERÉTARO
VIDRIERA MEXICALI
VIDRIERA GUATEMALTECA
VIDRIERA CENTROAMERICANA
ANCHOR GLASS CONTAINER CORPORATION
VIDRIO LUX
METALÚRGICA ORIENTAL
PROCESADORA DE MATERIAS PRIMAS
VITRO PACKAGING, INC.

PRODUCTS
GLASS CONTAINERS

SERVICES
DISTRIBUTION AND SALES

Flat Glass

PERCENTAGE OF SALES
23%

COMPANIES
VIDRIO PLANO DE MÉXICO
VITRO FLOTADO
VITRO FLEX
CRISTALES INASTILLABLES DE MÉXICO
AUTOTEMPLEX
SHATTERPROOF DE MÉXICO
QUÍMICA "M"
DISTRIBUIDORA NACIONAL DE VIDRIO
VVP AMERICA (SUPER SKY, ACI GLASS, BINSWANGER GLASS, BINSWANGER MIRROR AND GLASSCRAFT)

PRODUCTS
FLOAT AND TEMPERED GLASS, SOLAR CONTROL GLASS, AUTOMOTIVE SAFETY GLASS, GLASS TABLE TOPS POLYVINYL BUTYRAL

SERVICES
FLAT, AUTO AND FABRICATED GLASS INSTALLATION; GLASS AND METAL SKYLIGHT DESIGN AND INSTALLATION; SALES AND DISTRIBUTION

Glassware

PERCENTAGE OF SALES
7%

COMPANIES
VITROCRISA
ACERO PORCELANIZADO
PROVEEDORA DEL HOGAR
WORLD CRISA
CRISA CORPORATION

PRODUCTS
GLASSWARE, OVENWARE, TABLEWARE, ENAMELWARE PRODUCTS; STAINLESS-STEEL, SILVER-PLATED FLATWARE, AND OEMS GLASS PRODUCTS

SERVICES
DISTRIBUTION AND SALES

Household Products

PERCENTAGE OF SALES
9%

COMPANIES
SUPERMÁTIC
FABRICANTE DE APARATOS DOMÉSTICOS (FADSA MONTERREY AND CELAYA)
CROLLS MEXICANA
VIPLÁSTICOS
FABRICACIÓN DE COMPRESORES SAN LUIS
ACROTEC
VITROMÁTIC COMERCIAL
CENTRO DE TECNOLOGÍA (CETEC)
SERVICIO ACRO-WHIRLPOOL

PRODUCTS
REFRIGERATORS, FREEZERS, WASHING MACHINES, CLOTHES DRYERS, RANGES, ELECTRONIC COMPONENTS, VALVES, THERMOSTATS, MOLDS AND DIES, PLASTIC COMPONENTS

SERVICES
TECHNOLOGICAL DEVELOPMENT, TECHNICAL SERVICE, DISTRIBUTION AND SALES

Chemical, Fibers and Mining

PERCENTAGE OF SALES
5%

COMPANIES
INDUSTRIA DEL ALCALI
VITRO FIBRAS
VITRO PQ QUÍMICA
MATERIAS PRIMAS MONTERREY
MATERIAS PRIMAS MINERALES DE SAN JOSÉ
MATERIAS PRIMAS MINERALES DE LAMPAZOS
MATERIAS PRIMAS MINERALES DE AHUAZOTEPEC
MATERIAS PRIMAS MAGDALENA
SÍLICE ORIENTAL

PRODUCTS
SILICA SAND, FIBERGLASS PRODUCTS, SODIUM CARBONATE, SODIUM BICARBONATE, SODIUM CHLORIDE, CALCIUM CHLORIDE, FELDSPAR, SILICATES, METASILICATES ALUMINUM SULFATE

Packaging

PERCENTAGE OF SALES
2%

COMPANIES
FABRICACIÓN DE MÁQUINAS
AMPOLLETAS
TUBOPLAST
ENVASES CUAUTITLÁN
PLÁSTICOS BOSCO
VITRO AMERICAN NATIONAL CAN

PRODUCTS
AMPULES, VIALS, LABORATORYWARE, PLASTIC CONTAINERS, DISPOSABLE PLASTICWARE, GLASS-FORMING MACHINERY, ELECTRONIC EQUIPMENT, EQUIPMENT FOR THE GLASS AND PLASTIC INDUSTRIES, ALUMINUM CANS

Managing our capital structure

We are committed to creating added value for shareholders.

As Vitro looks to the year ahead, we are committed to creating added value for shareholders.

By lowering Vitro's cost of capital and improving the efficiency of our operational resources, we are working to more precisely anticipate our long-term cash-flow needs.

This will give our company the foresight necessary to assure that capital funds required for continuing investment in future growth will be available from internal and external sources as needed.

Stock performance

The price range for Vitro's common stock on the New York Stock Exchange and the Mexican Stock Exchange over 1995 was as follows.

	1995			
	NYSE ADR (in dollars)		BMV Shares (in pesos)	
	High	Low	High	Low
First Quarter	14	7	19.7	12.84
Second Quarter	12	7.375	20.6	14.77
Third Quarter	10.625	7.5	21.05	16.3
Fourth Quarter	8	4.375	16.9	11.1

One ADR represents three ordinary shares.

Note: Adjusted by dividend.

Independent Auditors' Report

Board of Directors and Stockholders of
Vitro, Sociedad Anónima
San Pedro, Garza García, N. L.

We have audited the accompanying consolidated balance sheets of Vitro, Sociedad Anónima and Subsidiaries as of December 31, 1994 and 1995, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1995 (all expressed in millions of Mexican pesos). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the subsidiaries and associated companies mentioned in note 2-b), were audited by other auditors and our opinion, regarding the amounts reported by these companies, is based only on the report of such other auditors. The total assets of the companies above mentioned represent 18% in 1994 and 1995 of the consolidated total assets, whereas their net sales represent 18% of the consolidated net sales in 1993, 1994 and 1995.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The auditors of the associated company Grupo Financiero Serfin, S. A. inform in their report, that the Mexican economic crisis has had a significant effect in the financial sector, that such effect has been recognized in the financial statements of the associated company for the year ended December 31, 1995, and that the effects for 1996 can not be predicted, but may affect the capitalization limits required by its subsidiaries.

In our opinion, based upon our audits and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vitro, Sociedad Anónima and Subsidiaries as of December 31, 1994 and 1995, and the consolidated results of their operations, variations in their stockholders' equity and changes in their financial position for the years ended at December 31, 1993, 1994 and 1995, in conformity with accounting principles generally accepted in Mexico.

Our audits also comprehended the translation of Mexican peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in note 2. Such U.S. dollar amounts are presented solely for the convenience of readers.

The accompanying financial statements have been translated into English language for the convenience of users.

Celso Javier Treviño E.
Public Accountant

Deloitte Touche
Tohmatsu
International

Monterrey, N. L. Mexico, March 11, 1996.

Vitro, Sociedad Anónima and Subsidiaries
Consolidated Balance Sheets
(Millions of constant Mexican pesos as of December 31, 1995)

	December 31,		Millions of U.S. dollars (Convenience Translation) December 31,
	1994	1995	1995
ASSETS			
Cash and cash equivalents	Ps. 754	Ps. 1,144	$ 148
Trade receivables, net of allowance for doubtful accounts of Ps. 46 and Ps. 44	2,318	2,243	290
Other receivables	537	545	70
Inventories (note 5)	3,698	3,609	466
Current assets	7,307	7,541	974
Investment in associated companies (note 2)	3,863	4,296	555
Land and buildings (note 6)	4,786	5,648	730
Machinery and equipment (note 6)	9,718	9,659	1,248
Construction in progress	592	534	69
Excess of cost over fair value of net assets acquired, net of accumulated amortization of Ps. 717 and Ps. 883	5,155	4,969	642
Intangible pension asset	424	301	39
Other assets	1,306	1,602	207
	25,844	27,009	3,490
Total assets	Ps. 33,151	Ps. 34,550	$ 4,464

	December 31, 1994	December 31, 1995	Millions of U.S. dollars (Convenience Translation) December 31, 1995
LIABILITIES			
Short-term borrowings (note 7)	Ps. 1,892	Ps. 2,995	$ 387
Current portion of long-term debt	411	415	54
Trade payables	1,380	1,353	175
Accrued expenses payable	319	325	42
Other current liabilities	948	898	116
Accrued compensation and employees benefits	475	438	56
Current liabilities	5,425	6,424	830
Long-term debt (note 8)	13,007	12,660	1,636
Seniority premiums, pensions and other long-term liabilities (note 10)	2,046	2,028	262
Long-term liabilities	15,053	14,688	1,898
Total liabilities	20,478	21,112	2,728
Excess of book value over cost of net assets acquired	—	133	17
STOCKHOLDERS' EQUITY			
Majority interest:			
Capital stock: no par value shares issued and outstanding, 300,000,000 and 360,000,000	300	360	47
Restatement of capital stock	2,538	2,552	329
Capital stock restated	2,838	2,912	376
Paid-in capital	591	591	76
Excess (shortfall) in restatement of capital	(2,172)	(2,518)	(325)
Minimum pension liability adjustment	(139)	(240)	(31)
Appropriated retained earnings for reacquisition of Company's own shares	1,300	1,300	168
Retained earnings	10,507	8,435	1,090
Net (loss) income for the year	(1,733)	550	71
Total majority interest	11,192	11,030	1,425
Minority interest in consolidated subsidiaries	1,481	2,275	294
Total stockholders' equity (note 14)	12,673	13,305	1,719
Total liabilities and stockholders' equity	Ps. 33,151	Ps. 34,550	$ 4,464

Roberto César Treviño G.
President of Finance Division

Federico Sada G.
President and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

Vitro, Sociedad Anónima and Subsidiaries
Consolidated Income Statements

(Millions of constant Mexican pesos as of December 31, 1995, except for per share amounts)

	Year ended December 31, 1993	Year ended December 31, 1994	Year ended December 31, 1995	Millions of U.S. dollars (Convenience Translation) Year ended December 31, 1995
Net sales	Ps. 22,633	Ps. 22,136	Ps. 21,876	$ 2,827
Cost of sales	16,864	16,808	15,538	2,008
Gross profit	5,769	5,328	6,338	819
General, administrative and selling expenses (note 4)	3,652	3,572	3,601	465
Operating income	2,117	1,756	2,737	354
Total financing cost:				
Interest expense	2,280	1,996	4,772	617
Interest income	229	199	170	22
Exchange loss, net (note 13-d)	—	1,514	1,698	219
Gain from monetary position	764	676	4,064	525
	1,287	2,635	2,236	289
Income (loss) after financing	830	(879)	501	65
Other income (expense), net (note 3-f)	115	59	202	26
Share in net income (loss) of unconsolidated associated companies	230	(544)	353	45
Income (loss) before income tax and workers' profit sharing	1,175	(1,364)	1,056	136
Income and asset tax (note 16)	48	185	109	14
Profit sharing to workers (note 16)	45	126	111	14
Net income (loss) for the year	Ps. 1,082	Ps. (1,675)	Ps. 836	$ 108
Net income of minority interest	Ps. 184	Ps. 58	Ps. 286	$ 37
Net income (loss) of majority interest	898	(1,733)	550	71
	Ps. 1,082	Ps. (1,675)	Ps. 836	$ 108
Earnings per common share (based on 360,000,000 outstanding shares for all periods):				
Net income (loss) for the year	Ps. 3.003	Ps. (4.653)	Ps. 2.322	$ 0.300
Minority interest	(0.511)	(0.161)	(0.794)	(0.103)
Net earnings (losses) per common share	Ps. 2.492	Ps. (4.814)	Ps. 1.528	$ 0.197

The accompanying notes are an integral part of these financial statements.

Vitro, Sociedad Anónima and Subsidiaries
Consolidated Statements of Changes in Financial Position

(Millions of constant Mexican pesos as of December 31, 1995)

	Year ended December 31, 1993	Year ended December 31, 1994	Year ended December 31, 1995	Millions of U.S. dlls. (Convenience Translation) Year ended December 31, 1995
OPERATING ACTIVITIES:				
Net income (loss) for the year	Ps. 1,082	Ps. (1,675)	Ps. 836	$ 108
Add (deduct) non cash items:				
Depreciation and amortization	1,693	1,677	1,825	236
Provision for seniority premiums, pensions and other	24	71	4	—
Share in net income of unconsolidated associated companies	(230)	544	(353)	(45)
Negative goodwill		(45)	(51)	(7)
Income from sale of subsidiaries and associated companies	(49)	—	(58)	(7)
Deferred income tax and workers' profit sharing	(413)	—	8	1
	2,107	572	2,211	286
(Decrease) increase in trade payables	(6)	103	(44)	(6)
Decrease (increase) in trade receivables	31	(221)	172	22
Decrease (increase) in inventories	376	(28)	(100)	(13)
Change in other current assets and liabilities, net	(686)	986	(40)	(5)
Resources generated from operations	1,822	1,412	2,199	284
FINANCING ACTIVITIES:				
Short-term bank loans	3,277	4,830	6,565	848
Long-term bank loans	3,658	7,570	8,671	1,120
Capital stock contributed by minority interest	—	46	56	7
Monetary effect on liabilities with financing cost	(788)	(723)	(4,396)	(568)
Payment of short-term loans	(2,905)	(4,812)	(4,378)	(566)
Payment of long-term loans	(3,266)	(6,021)	(5,985)	(773)
Dividends paid to stockholders of Vitro, Sociedad Anónima	(510)	(477)	(265)	(34)
Dividends paid to minority interest	(151)	(198)	(94)	(11)
Resources (used in) generated from financing activities	(685)	215	174	23
INVESTMENT ACTIVITIES:				
Sale of fixed assets	117	61	448	58
Investment in property and buildings and machinery and equipment	(1,848)	(1,592)	(1,812)	(234)
Investment in subsidiaries and associated companies	(60)	(606)	(533)	(69)
Sale of subsidiaries and associated companies	701	90	58	7
Other	(219)	(92)	(144)	(18)
Resources used in investment activities	(1,309)	(2,139)	(1,983)	(256)
Net (decrease) increase in cash and cash equivalents	(172)	(512)	390	51
Balance at beginning of year	1,438	1,266	754	97
Balance at end of year	Ps. 1,266	Ps. 754	Ps. 1,144	$ 148

The accompanying notes are an integral part of these financial statements.

Vitro, Sociedad Anónima and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Millions of constant Mexican pesos as of December 31, 1995)

	Capital stock	Paid-in capital	Excess (shortfall) in restatement of capital	Minimum pension liability adjustment	Retained earnings	Net income (loss) for the year	Minority interest	Stock-holders' equity
Balance at December 31, 1992	Ps. 2,838	Ps. 591	Ps. (3,183)	Ps.	Ps. 10,766	Ps. 1,130	Ps. 1,920	Ps. 14,062
Appropriation of net income from prior year					1,130	(1,130)		
Dividends (Ps. 1.70 pesos per share)					(510)			(510)
Loss from holding non-monetary assets			(551)					(551)
Decrease in minority interest							(510)	(510)
Minimum pension liability adjustment				(241)				(241)
Net income for the year						898		898
Balance at December 31, 1993	Ps. 2,838	Ps. 591	Ps. (3,734)	Ps. (241)	Ps. 11,386	Ps. 898	Ps. 1,410	Ps. 13,148
Appropriation of net income from prior year					898	(898)		
Dividends (Ps. 1.59 pesos per share)					(477)			(477)
Gain from holding non-monetary assets			1,562					1,562
Increase in minority interest							71	71
Minimum pension liability adjustment				102				102
Net (loss) for the year						(1,733)		(1,733)
Balance at December 31, 1994	Ps. 2,838	Ps. 591	Ps. (2,172)	Ps. (139)	Ps. 11,807	Ps. (1,733)	Ps. 1,481	Ps. 12,673
Appropriation of net loss from prior year					(1,733)	1,733		
Stock dividend (20%)	74				(74)			
Dividends (Ps. 0.74 pesos per share)					(265)			(265)
Loss from holding non-monetary assets			(346)					(346)
Increase in minority interest							794	794
Minimum pension liability adjustment				(101)				(101)
Net income for the year						550		550
Balance at December 31, 1995	Ps. 2,912	Ps. 591	Ps. (2,518)	Ps. (240)	Ps. 9,735	Ps. 550	Ps. 2,275	Ps. 13,305

The accompanying notes are an integral part of these financial statements.

1. Activities of the company

Vitro, Sociedad Anónima is a holding company, the subsidiaries of which manufacture and market glass and plastic containers, thermoformed articles, aluminum cans, flat glass for architectural and automotive uses, glassware and enamelware for table and kitchen use, fiberglass insulation and reinforcements, chemical products, mineral resources, household appliances, capital goods, and research and development of technology.

2. Basis of presentation and principles of consolidation

a) Basis of presentation

The consolidated financial statements of Vitro, Sociedad Anónima and subsidiaries (the Company) are prepared in accordance with accounting principles generally accepted in Mexico (Mexican GAAP) as further described in note 3.

Pursuant to notification from the Central Bank published on November 15, 1995, amounts expressed in Mexican currency in these financial statements and notes are no longer preceded by the word "new" or the abbreviation "NPs".

The consolidated financial statements presented herein are expressed in millions of constant Mexican pesos as of December 31, 1995. However, solely for the convenience of users, the consolidated financial statements as of and for the year ended December 31, 1995, have been translated into United States dollars at the rate of 7.7396 pesos per one dollar, the rate of exchange set by Banco de México on December 31, 1995. The translation should not be construed as a representation that the amounts shown could be so converted into U.S. dollars at such rate.

b) Consolidated subsidiaries

Those companies in which Vitro, Sociedad Anónima holds more than 50% of the capital stock or the control of them are included in the consolidated financial statements. For those companies in which the Company has a joint control the proportionate consolidation method is used.

The subsidiary companies Vitro O.C.F., S. A. de C. V. and subsidiary, Vitromátic, S. A. de C. V. and subsidiaries, Vitro P.Q., S. A. and subsidiaries, Vitro Flex, S. A. de C. V., Empresas Comegua, S. A. and subsidiaries and Vitro Do Brasil Industria e Comercio, Ltda., and the associated companies, Grupo Financiero Serfin, S. A. de C. V. and subsidiaries, and Regioplast, S. A. de C. V. are audited by firms of public accountants other than the Company's principal auditor.

In order to consolidate the financial statements of the companies located in the United States of America, the effect of inflation was taken into consideration in accordance with Bulletin B-10, as amended. Such companies' financial statements are initially prepared in accordance with United States generally accepted accounting principles (U.S. GAAP) and they are translated into Mexican pesos under the current rate method. The assets, liabilities, stockholders' equity (except capital stock) and the income statement accounts are translated using the exchange rate as of the date of the most recently presented balance sheet. The cumulative translation adjustment is included as a component of the stockholders' equity.

All significant intercompany balances and transactions have been eliminated in consolidation.

c) *Investment in associated companies*

Associated companies are those companies in which Vitro, Sociedad Anónima holds, as a permanent investment, less than 50% of the capital stock. Such investments are accounted for by the equity method. Those associated companies whose financial statements are prepared in accordance with accounting principles different from Accounting Principles Generally Accepted in Mexico are restated to conform with them before they are accounted by the equity method. The amount of Ps. 310 was credited in the consolidated net income for this concept, for the year ended December 31, 1995.

An analysis of the investment in associated companies follows, in parenthesis appears the percentage of ownership as of December 31, 1995:

	December 31,			
	1994		1995	
Cydsa, S. A. (49%)	Ps.	1,659	Ps.	1,794
Grupo Financiero Serfin, S. A. de C. V. (20%)		1,780		2,402
Empresas Comegua, S. A.(49%)		336		—
Regioplast, S. A. de C. V. (50%)		55		50
Compañía Manufacturera de Vidrio del Perú Ltda. S. A. (23%)		33		50
	Ps.	3,863	Ps.	4,296

Cydsa, S. A., a Mexican company, primarily manufactures and distributes petrochemical products in Mexico. Summary information of Cydsa, S. A. for all years presented follows:

Balance sheet data:

	December 31,				Millions of U.S. dollars (Convenience Translation) December 31,	
	1994		1995		1995	
Current assets	Ps.	2,360	Ps.	2,617	$	338
Non-current assets		6,505		6,456		834
Current liabilities		2,365		2,354		304
Long-term debt		2,992		2,990		386
Minority interest		86		168		22
Majority stockholders' equity		3,422		3,532		456

Income statement data:

	For the year ended December 31,						Millions of U.S. dollars (Convenience Translation) Year ended December 31,	
	1993		1994		1995		1995	
Net sales	Ps.	4,362	Ps.	4,552	Ps.	5,558	$	718
Gross profit		1,047		1,126		1,624		210
Majority net income (loss)		(68)		(1,114)		126		16
Dividends paid to Vitro, Sociedad Anónima		59		—		—		—

Grupo Financiero Serfin, S. A. de C. V. (GFS), a Mexican firm, is a financial conglomerate; on July 1995 the Company increased its investment in GFS from a 10% interest to a 20%. Summary information of GFS follows:

	December 31,			Millions of U.S. dollars (Convenience Translation) December 31,
	1993	1994	1995	1995
Current assets	Ps. 313	Ps. 9	Ps. 38	$ 5
Investment in subsidiaries	5,035	5,525	7,482	967
Total assets	5,348	5,539	8,453	1,092
Total liabilities	8	266	53	7
Stockholders' equity	5,340	5,273	8,400	1,085
Net income	1,153	244	109	14

Empresas Comegua, S. A. manufactures and markets glass containers, is located in the Republic of Panama and has subsidiaries in Costa Rica and Guatemala, it was an associated company and as such was accounted by the equity method, but on May, 1995, the Company obtained its control and since then is fully consolidated. Summary information of Regioplast, S. A. de C. V. and Compañía Manufacturera de Vidrio del Perú Ltda. S. A. is not provided as it is not material.

3. Principal accounting policies

a) *Accounting method for the treatment of the effects of inflation*

The consolidated financial statements of the Company have been prepared in accordance with Bulletin B-10, "Recognition of the Effects of Inflation in the Financial Information," as amended, issued by the Mexican Institute of Public Accountants (IMCP), which recognizes the effects of inflation. The Third Amendment to Bulletin B-10 (the Third Amendment), has been adopted in such consolidated financial statements. The Third Amendment requires the restatement of all comparative financial statements to constant pesos as of the date of the most recent balance sheet presented.

The following is a description of the items that have been restated and the methods used:

Inventories and cost of sales - Inventories are valued at the price of the last purchase made during the year, or at the latest production cost or, in some cases, at standard cost, without exceeding the net realizable value. Cost of sales is determined by using the price of the last purchase prior to the date of consumption, the latest production cost at the time of sale or the standard cost. The inventories of the subsidiary Anchor Glass Containers Corporation (Anchor) are valued under the "last in, first out" method, at the end of the period inventories are adjusted to restate them at their current value.

Land, buildings, machinery and equipment - Expenditures for land, buildings, machinery and equipment, including renewals and betterments which extend useful lives, are capitalized. These investments are expressed at their net replacement value, based on appraisals performed annually by independent appraisers registered with Comisión Nacional de Valores (Mexico's Securities and Exchange Commission).

Depreciation is calculated using the straight line method, taking into consideration the useful life of the asset, in order to depreciate the original cost and the revaluation. The depreciation begins in the month in which the asset comes into service. The useful lives of the assets are as follows:

	Years
Buildings	20 to 50
Machinery and equipment	5 to 20

Excess of cost over fair value of net assets – The excess of cost over fair value of net assets acquired of Mexican subsidiaries and associated companies is restated using the Indice Nacional de Precios al Consumidor (INPC). The excess of cost over fair value of net assets acquired of Anchor is restated applying the Consumer Price Index - All Urban Consumers - All Items, Unadjusted (CPI), and such excess is translated to Mexican pesos at the exchange rate at the date of the most recent balance sheet presented.

Excess (shortfall) in restatement of capital – This item, which is an element of stockholders' equity, reflects the accumulated effect of holding non-monetary assets and the effect of the initial monetary position gain or loss. The accumulated effect of holding non-monetary assets represents the increase in the specific values of non-monetary assets in excess of or below the increase attributable to general inflation as measured by the INPC.

Restatement of capital stock and retained earnings – Capital stock and retained earnings, for Mexican companies, are restated using the INPC from the respective dates such capital was contributed or income generated to the date of the most recent balance sheet presented. Retained earnings for U.S. companies are restated using the CPI index.

Exchange fluctuations – Exchange gains or losses included in the cost of financing are calculated by translating monetary assets and liabilities denominated in foreign currencies at the exchange rate in effect at the end of each month.

Gain (loss) from monetary position - The gain (loss) from monetary position reflects the result of holding monetary assets and liabilities during periods of inflation. Values stated in current monetary units represent a decreasing purchasing power as time goes by. This means that losses are incurred by holding monetary assets over time, whereas gains are realized by maintaining monetary liabilities. The net effect is presented in the income statement for the year as part of the total financing cost. For companies located in the United States of America, the result from monetary position is calculated using the CPI.

b) Maintenance expenses

Maintenance and repair expenses are recorded as costs and expenses in the period when they are incurred.

c) Seniority premiums, retirement plans and severance payments

In Mexican companies, statutory seniority premiums and pensions plans for all personnel are considered as costs in the periods in which services are rendered. Periodic costs are calculated in accordance with the accounting pronouncement Bulletin D-3 issued by the IMCP and the actuarial computations were made by an independent actuary, using estimates of the salaries that will be in effect at the time of payment. Personnel not yet eligible for seniority premiums are also taken into account, with any necessary adjustments made in accordance with the probability of their acquiring the required seniority. The past service cost is amortized over the average period required for workers to reach their retirement age. Anchor's retirement plans are principally non-contributory, covering almost all employees. The funding policy of Anchor is to pay at least the minimum amount required by the Employee Retirement Income Security Act of 1974. For financial statement purposes, the projected unit credit method is used.

Severance payments are charged to expense in the year in which such payments are made.

*d) **Income tax***

Income tax expense for the Mexican companies, is computed in accordance with the partial liability method, as required by Bulletin D-4 issued by the IMCP, under which deferred income taxes are provided for identifiable, nonrecurring timing differences and that are expected to reverse over a definite period of time, at the tax rates in effect at the end of each period.

*e) **Excess of cost over fair value of net assets acquired***

The excess of cost over fair value of net assets acquired before December 31,1991, is being amortized on a straight-line basis over a period of 40 years. The excess of cost over fair value of net assets acquired after December 31,1991, is being amortized on a straight-line basis over a period of 20 years. Amortization expense for the years ended December 31, 1993, 1994, and 1995, were Ps. 156, Ps. 161 and Ps. 166, respectively.

*f) **Excess of book value over cost of net assets acquired***

These excesses are amortized to operations in a 18 month period, beginning the date they are generated. The unamortized balance is presented as excess of book value over cost of net assets acquired after total liabilities and before stockholders' equity. For the years ended December 31, 1994, and 1995, the amortization credited to operations amounted to Ps. 45 and Ps. 51, respectively.

4. Restructuring charges in Anchor

During 1994, plans were developed to reduce in Anchor, its cost structure and improve productivity. This restructuring program relates primarily to the consolidation of manufacturing operations to optimize their utilization and provides for the closure of three manufacturing plants during 1995. The consolidated income statement for 1994 includes Ps. 318 of pretax charges relating to this program; this item is affecting net operating income for that year. Additionally, fixed assets related to the restructuring plan were valued at their net realizable value and it caused a reduction in their value in the amount of Ps. 403. An additional restructuring charge has been recorded in the first quarter of 1996 (see note 19 "Subsequent events")

5. Inventories

Inventories are summarized as follows:

	December 31, 1994	December 31, 1995
Semi-finished and finished products	Ps. 2,620	Ps. 2,552
Raw materials	603	531
Packaging materials	102	142
	3,325	3,225
Spare parts	268	235
Refractories	45	30
Merchandise in transit	54	89
Other	6	30
	Ps. 3,698	Ps. 3,609

6. Land, buildings, machinery and equipment

Land, buildings, machinery and equipment are summarized as follows:

	December 31, 1994	December 31, 1995
Land	Ps. 1,331	Ps. 1,530
Buildings	4,882	5,927
Accumulated depreciation	(1,427)	(1,809)
	Ps. 4,786	Ps. 5,648
Machinery and equipment	Ps. 19,120	Ps. 19,171
Equipment under capital leases	54	52
Accumulated depreciation	(9,456)	(9,564)
	Ps. 9,718	Ps. 9,659

7. Short-term borrowings

Short-term borrowings consist of the following:

	December 31, 1994	December 31, 1995
Bank borrowings	Ps. 1,442	Ps. 1,615
Commercial paper	448	1,380
Other	2	—
	Ps. 1,892	Ps. 2,995

At December 31, 1994, and 1995, short-term borrowings denominated in Mexican pesos totalled Ps. 570 and Ps. 1,547, respectively, and short-term borrowings denominated in foreign currency (all of which are denominated in U.S. dollars) totalled Ps. 1,322 and Ps. 1,448, respectively.

8. Long-term debt

Long-term debt consists of the following:

	December 31, 1994	December 31, 1995
Foreign companies (payable in U.S. dollars):		
Floating rate series A and C senior secured notes, variable interest rate, payable quarterly, principal payable from 1996 through 1999.	Ps. 382	Ps. 372

	December 31, 1994	December 31, 1995
Series B senior secured notes, interest at 9.91%, payable quarterly, principal payable from 1996 through 1999.	Ps. 1,607	Ps. 1,564
Senior notes, series A, interest at 10.25%, payable semiannually, principal payable in 2002.	796	774
Guaranteed unsecured notes, interest at 9%, payable semiannually, principal payable in October, 1997.	557	542
Senior subordinated debentures, interest at 9.875%, payable semiannually, principal payable in 2008.	1,591	1,548
Unsecured loans variable interest rates, payable semiannually, principal payable semiannually through 2003.	—	211
Other	37	74
Mexican companies (payable in U.S. dollars):		
Secured notes, interest payable semiannually with a LIBOR based rate plus 1.75 points, principal payable semiannually through October, 2001.	819	598
Secured loan, interest based on LIBOR plus 2.25 and 1.25 points, principal payable semiannually until 2001.	181	147
Unsecured loans, with variable interest rates, based on U.S. Treasury Bills plus 2.5 points payable semi-annually, principal payable in several installments until March, 1996.	18	6
Secured notes, interest based on LIBOR plus 0.325 points, principal payable in July, 1997.	210	310

	December 31,	
	1994	1995
Secured notes, market interest rate, principal payable partially through August, 1999.	Ps. 1,178	Ps. 574
Unsecured loans, market interest rate, principal payable partially through 1999.	976	1,243
Secured loans, interest payable based on prime rate plus 2.50 points semiannually, principal payable until 1999.	—	101
Other	43	29
Mexican companies (payable in Mexican pesos):		
Unsecured loans, interest based on average interbank rate plus 0.85 points, principal payable in December, 1997.	836	550
Unsecured loan, interest based on leading rate plus 5.25 points, principal payable in 2001.	587	1,450
Secured notes, variable interest rates based on market conditions, principal payable in several installments until 2001.	1,287	1,499
Unsecured loans, variable interest rates based on market conditions, principal payable in several installments until 2000.	2,311	1,431
Other	2	52
	13,418	13,075
Less current maturities	411	415
	Ps. 13,007	Ps. 12,660

The schedule of principal payments of long-term debt as of December 31, 1995 is as follows:

Year ended December 31,		
1997	Ps.	5,219
1998		1,798
1999		2,460
2000		308
2001 and after		2,875
	Ps.	12,660

As of December 31, 1995, bank loans for the amount of $153 million U.S. dollars used to fund the export activity of the Company have been reclassified to long term debt, because they will be substituted for new loans according with the new export activities being taking place. Additionally, for these operations the Company has a long-term stand-by credit line with Banca Serfin, S. A.

In some of the Company's long term debt agreements, certain restrictions and covenants are set forth that require to maintain various financial ratios. On January, 1996, Anchor entered into a Noteholder Restructuring Agreement (see note 19 "Subsequent events").

Anchor's debt for a total of Ps. 1,935 is secured with inventories for Ps. 1,398, trade receivables for Ps. 296 and fixed assets for Ps. 3,087. Mexican companies' debt for a total of Ps. 1,225 is secured with fixed assets and inventories with a value of Ps. 1,878 as of December 31, 1995.

9. Capital lease transactions and notes receivable, net

Anchor leased certain operating facilities from Anchor Glass Container Associates Limited Partnership (AGCA), formerly Wesray Container Associates. The leases between Anchor and AGCA provided for a purchase option to acquire all of the leased facilities from AGCA for a cash payment and forgiveness of the remaining balance of AGCA indebtedness to Anchor.

On December 22, 1993, Anchor irrevocably deposited with a trustee, funds equal to the purchase price necessary to acquire all of the leased facilities in 1994. Anchor purchased the leased facilities on June 30, 1994.

10. Pensions plans and seniority premiums

As mentioned on note 3 c), disclosures required by this Bulletin and a summary of data based on actuarial computations is given below as of December 31, 1994, and 1995.

	December 31,			
	1994		1995	
Accumulated benefit obligation	Ps.	3,138	Ps.	3,479
Projected benefit obligation		3,320		3,624
Plan assets at fair value		1,963		2,421
Unrecognized prior service cost and plan changes		238		169
Unrecognized net (gain) or loss		226		357
Unrecognized transition obligation		268		156
Projected net liability		960		903
Additional minimum liability		566		526
Net periodic cost		222		210

Assumptions:

	Mexican Companies		USA Companies	
	1994	1995	1994	1995
Discount rate	11%	12.5%	8.5%	7.25%
Expected rate of return on plan assets	12%	15.0%	9.0%	9.0%
Compensation increase	7%	8.5%	5.0%	5.0%

11. Leases

In addition to the capital lease transactions of Anchor discussed in note 9, the Company also leases distribution and office facilities, machinery, transportation, data processing and office equipment under non-cancellable leases which expire at various dates through 2003. These leases generally provide for fixed rental payments and include renewal and purchase options at amounts which are generally based on fair market value at expiration of the lease. Total rental payments by the time they expire will amount to approximately Ps. 1,034.

Annual rental expense for all operating leases for the years ended December 31, 1993, 1994, and 1995, were Ps. 173, Ps. 191 and Ps. 224, respectively.

12. Contingencies

Anchor is a defendant in various environmental related cases. The Company believes that the ultimate outcome of this litigation will not materially affect its financial position or future operations. The Company is not otherwise a party, and none of its assets are subject to any other pending legal proceedings, other than ordinary routine litigation incidental to its business and against which the Company is adequately insured or indemnified or which the Company believes is not material.

13. Foreign currency operations

a) At December 31, 1995, the assets and liabilities denominated in foreign currency (other than Mexican pesos) of the Company's Mexican subsidiaries consist of the following:

	Millions of U.S. dollars	Millions of Mexican pesos
Monetary assets	$ 146	Ps. 1,130
Inventories	24	186
Fixed assets	537	4,156
Monetary liabilities	654	5,061

b) Foreign operations of the Company's Mexican subsidiaries during the year of 1995:

	Millions of U.S. dollars	Millions of Mexican pesos
Exports	$ 509	Ps. 3,939
Imports	323	2,500
Interest expense, net	52	402

c) Anchor is the most important subsidiary located outside Mexico; relevant information about this company is shown in note 18.

d) During the year of 1994 and 1995, the Mexican peso was devaluated against the U.S. dollar from an exchange rate of Ps. 3.1071 per one dollar on December 31, 1993, to Ps. 4.995 and Ps. 7.7396 on December 31, 1994, and 1995, respectively; the effect of this devaluation was an exchange loss before taxes of Ps. 1,514, and Ps. 1,698, respectively, and it is included in the consolidated income statement in the caption of total financing cost. On March 11, 1996, issuance date of these consolidated financial statements, the exchange rate was Ps. 7.6237 per one U.S. dollar.

14. Stockholders' equity

a) Capital stock of the Company consisted of 300,000,000 and 360,000,000 ordinary, nominative, paid-up shares, without par value, as of December 31, 1994, and 1995, respectively.

b) Stockholders' equity includes accrued profits and results from the restating of assets which, in case of distribution, will be subject, under certain circumstances, to the payment of income tax by the Company.

c) Minority interest in consolidated subsidiaries consist of the following:

	December 31, 1994	December 31, 1995
Capital stock	Ps. 1,738	Ps. 1,548
Shortfall in restatement of capital	(1,003)	(442)
Retained earnings	688	883
Net income for the period	58	286
	Ps. 1,481	Ps. 2,275

d) Majority interest stockholders' equity consists of the following:

	December 31, 1995 Nominal value	Restatement	Restated value
Capital stock	Ps. 360	Ps. 2,552	Ps 2,912
Paid-in capital	291	300	591
Minimum pension liability	(240)	—	(240)
Retained earnings	536	9,199	9,735
Net income for the period	461	89	550

15. Amortizable tax losses

At December 31, 1995, the majority and minority interest of Mexican subsidiaries have tax losses carry forwards in the amount of Ps. 580 and Ps. 264, respectively, and an asset tax to be recovered in the amount of Ps. 152 and Ps. 28, respectively.

At December 31, 1995, U.S. subsidiaries of the Company had net operating losses and investment tax credit carry forwards of approximately Ps. 1,856 and Ps. 67, respectively, expiring at various dates through 2009. The utilization of the restricted carry forward losses will be limited due to changes in the tax law made by the U.S. Tax Reform Act of 1986.

16. Income tax and profit sharing to workers

a) The income tax and the profit sharing to workers included in the results are:

	December 31		
	1993	1994	1995
Income tax:			
Current	Ps. 362	Ps. 88	Ps. 175
Deferred	(326)	(7)	(66)
	36	81	109
Asset tax	12	104	—
	Ps. 48	Ps. 185	Ps. 109

	December 31		
	1993	1994	1995
Profit sharing to workers:			
Current	Ps. 139	Ps. 129	Ps. 131
Deferred	(94)	(3)	(20)
	Ps. 45	Ps. 126	Ps. 111

The most important balances of deferred taxes presented on the balance sheet under other assets are:

	December 31	
	1994	1995
Deferred tax for provision of furnace repair	Ps. 178	Ps. 201
Deferred tax benefit for the deduction of inventories (see note 16-d)	355	340

b) At December 31, 1995, there were Ps. 1,247 of inventories and Ps. 193 as a provision for seniority premium payments; no deferred taxes have been provided with respect to these items in accordance with Mexican GAAP.

c) The reconciliation between the Company's effective income tax rate and the statutory income tax rate is as follows:

	Year ended December 31,		
	1993	1994	1995
Effective income tax rate	4.08 %	(13.6)%	10.3 %
Purchase deductions	(4.09)	0.7	1.9
Benefits on tax losses not recognized	—	12.6	—
Asset tax	(1.02)	7.7	—
Difference between tax and financial accounting for monetary gain	4.12	(0.3)	9.6
Share in net income of associated companies	6.63	13.5	12.5
Reserves	(1.22)	3.1	(3.9)
Loss in foreign companies and minority interest	(13.47)	24.8	(16.0)
Difference between tax and financial accounting depreciation	11.07	(4.0)	11.0
Inventories from 1986 deduction	24.21	—	—
Other	4.44	(10.5)	8.6
Statutory income tax rate	34.75 %	34.0 %	34.0 %

d) As a result of changes in income tax regulations made during the year of 1993 Mexican companies can deduct, for income tax purposes through the next 30 years, beginning December 31, 1992, the inventories held on December 31, 1986, or 1988, which ever are lower. This deduction will be made actualized using the INPC of June of each year on which the deduction is made.

The ending balance as of December 31, 1993, of these inventories represented Ps. 816 and is considered as a deductible temporary difference. A deferred tax asset for the amount of Ps. 366 was recorded during the year of 1993.

e) Effective January 1, 1995, a change in the Asset Tax Act took place, allowing the Mexican companies the right to offset against the asset tax any excess of the income tax over the asset tax paid during the last three years. The amounts that can be offset as of December 31, 1995, are Ps. 89 for the majority interest and Ps. 147 for the minority interest. The amortization of this concept in 1995 was Ps. 86 in the majority interest.

17. Related party information

The associated company Grupo Financiero Serfin, S. A. de C. V. has made loans to the Company as of December 31, 1995, in the amount of Ps. 855 of which Ps. 7 are short term loans and Ps. 848 are long term loans. Also the Company has short term deposits in this associated company in the amount of Ps. 230.

18. Business segment data

Export sales, substantially all of which are transacted in U.S. dollars and which account for a significant portion of the Company's revenues, are principally to the United States and Canada and were as follows:

Year ended December 31,		
1993	1994	1995
Ps. 3,367	Ps. 3,455	Ps. 3,939

The Company is engaged principally in seven industry lines which are Containers, Anchor, Flat Glass, Glassware, Household Products, Chemical, Fibers and Mining, and Packaging. The principal products of each of the industry segments are summarized below:

Segment	Principal products
Glass Containers	Glass containers
Anchor	Glass containers
Flat Glass	Flat glass for construction and automotive industries
Glassware	Glassware for table and kitchen use
Household Products	Home appliances and enamelware
Chemical, Fibers and Mining	Silica sand, soda ash and fiberglass
Packaging	Plastic and aluminum can containers, and, glass forming machines and molds for plastic and glass containers.

Anchor is treated as a segment because it is a U.S. subsidiary that produces and sells containers for that market.

A summary of certain segment information follows:

	Glass Containers	Anchor Glass	Flat Glass	Household Products	Glassware	Chemical, Fibers and Mining	Packaging	Corporate and Others	Consolidated
December 31, 1993									
Net sales	Ps. 4,263	Ps. 9,305	Ps. 4,100	Ps. 2,187	Ps. 1,509	Ps. 1,026	Ps. 913	Ps. 49	Ps. 23,352
Interdivisional sales	49	62	12	43	10	294	249	0	719
Consolidated net sales	4,214	9,243	4,088	2,144	1,499	732	664	49	22,633
Operating income	834	384	686	172	(102)	114	56	(27)	2,117
Assets	4,978	11,702	4,448	2,117	1,826	1,576	1,079	5,021	32,747
Capital expenditures	272	960	184	114	90	67	26	135	1,848
Depreciation	293	698	128	62	85	74	62	13	1,415
Amortization	8	202	35	12	9	3	0	9	278
December 31, 1994									
Net sales	Ps. 3,824	Ps. 8,751	Ps. 4,600	Ps. 2,373	Ps. 1,407	Ps. 1,011	Ps. 736	Ps. 12	Ps. 22,714
Interdivisional sales	10	10	26	43	3	241	245	0	578
Consolidated net sales	3,814	8,741	4,574	2,330	1,404	770	491	12	22,136
Operating income	627	(15)	814	223	(7)	123	59	(68)	1,756
Assets	5,705	14,733	4,662	2,495	2,291	1,684	917	664	33,151
Capital expenditures	354	757	76	146	71	106	36	46	1,592
Depreciation	261	636	205	71	79	71	49	15	1,387
Amortization	11	221	18	11	2	3	0	24	290
December 31, 1995									
Net sales	Ps. 4,462	Ps. 7,478	Ps. 5,052	Ps. 1,999	Ps. 1,516	Ps. 1,225	Ps. 761	Ps. 745	Ps. 23,238
Interdivisional sales	8	0	21	28	8	283	286	728	1,362
Consolidated net sales	4,454	7,478	5,031	1,971	1,508	942	475	17	21,876
Operating income	881	(35)	1,198	189	107	299	148	(50)	2,737
Assets	7,133	13,337	5,071	2,280	1,949	1,651	1,140	1,989	34,550
Capital expenditures	378	698	128	182	54	56	230	86	1,812
Depreciation	332	602	245	81	88	86	45	23	1,502
Amortization	12	248	21	8	13	14		1 6	323

19. Subsequent events

Restructuring and other Charges

In January, 1996, formal plans were approved at Anchor to further restructure certain operations to better utilize its manufacturing capacity and announced the closure of one plant and the closure of one furnace in another plant. A restructuring charge of Ps. 194 will be recorded in the consolidated income statement of the Company in the first quarter of 1996. Additionally, fixed assets related to this restructuring plan were valued at their net realizable value and it caused a reduction in their value in the amount of Ps. 281.

Note Restructuring Agreement

Effective January 12, 1996, Anchor entered into the Noteholder Restructuring Agreement with the holders of the Senior Secured Notes. The Agreement provides for, among other things, consent by the holders to the replacement of the current Credit Agreement and waiver by the holders to identified defaults or events of default existing on the effective date or which may occur during the restructuring period. The restructuring period is defined as the period between the effective date and the termination date, which would occur no later than June 30, 1998. Among the conditions to the agreeme t it includes a capital contribution of the Company to Anchor of $40 million U.S. dollars effective on January, 1996, a commitment from Vitro to contribute an additional $25 million U.S. dollars on or before January 31, 1997; and based on future liquidity needs of Anchor, additional contributions of up to $61 million U.S. dollars during the restructuring period.

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