Annual Report 1991







Pictures in Cover and Board of Directors' Report

Top: Vitro Flat Glass Division: production facilities of Vitro Flotado, S. A. de C. V.

(I y II), Auto Templex, S. A. de C. V. and Vitro Flex, S. A. de C. V., located in

Villa de Garcia, Nuevo Leon, Mexico. Pages 8 - 17.

Bottom: Vitro Household Products Division: the Acros-Whirlpool Centro Industrial

(Acros-Whirlpool Industrial Center), located in Apodaca, Nuevo Leon,

Mexico. Pages 18 - 30.

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

Financial Highlights (billions of pesos of December 1991)

	Actual 1991	Actual 1990	% Var.
Total sales	11,371	10,873	5
Consolidated sales	9,281	9,239	(<u></u>
Integral cost of financing	428	445	(4)
Income before extraordinary items	710	735	(3)
Net income of majority interest	573	710	(19)
Net income	664	868	(24)
Capital expenditures	1,221	916	33
Return on equity *	9.70 %	12.4 %	
Current ratio	1.76	1.41 *	
Liabilities/stockholders' equity	0.98	0.96 *	
EBIT/assets *	11.23 %	11.81 %	
EBIT/sales *	13.69 %	13.72 %	
Operating cash flow/sales *	21.60 %	20.54 %	

 $^{^{\}ast}\,$ These ratios are calculated using nominal pesos of the period.

Message from the Chairman



To our Stockholders:

Economic Environment

A decade has passed since the start of the financial crisis, and the sacrifices and efforts of the different sectors of our country have begun to show greater evidence of significant improvements with the results achieved in 1991. For the third consecutive year, the growth of the economy surpassed the population increase, together with a reduction in inflation to levels not seen since fifteen years ago. The scheme of economic agreements has been fundamental in obtaining such success.

Contrary to protectionist tendencies present in the world, our country promotes the establishment of free trade agreements. This process of economic opening, both internal and external, has required structural changes in all sectors in order to enhance competitiveness. The international community has recognized this fact.

Sales and Earnings

The sales of the Corporation were similar, in constant terms, to the previous year. In spite of having achieved a growth in volume of units sold, at a consolidated level, the pact to maintain prices in order to decrease inflation, and the revaluation of our currency, did not allowed a more significant growth in sales.

Notwithstanding the difficult economic environment in the international arena, exports totalled 352 million dollars, a sum never before registered in the history of Grupo VITRO, and which reflects a growth of 16% in regard to the previous year.

Income before financial expenses and taxes represented a margin of 14% of sales, similar to our performance in 1990, in real terms. The factors which negatively impacted on the performance of sales of the Corporation, minimized the advances in efficiency and productivity which Grupo VITRO obtained in its operations during the year.

The increase in income tax payments, and certain non-recurring items, affected net income and net income of majority interest, decreasing, in real terms, 24% and 19%, respectively, in relation to last year.

Financial Structure

The financial position of Grupo VITRO has, through the years, characterized itself by its solidity. During the period reported, it saw its liquidity improved, thanks to the consolidation of certain bank debts and the efficient management of working capital.

During a year in which an intense program of capital expenditures was carried out, the financial leverage of the Corporation experienced no significant variation, due to the healthy generation of funds from its operations.

Special Events

Grupo VITRO's commitment to firmly support the economic development of our nation, and the foreign communities in which we operate, was again confirmed through the start-up of important projects and joint ventures. The total investments in fixed assets, carried out in 1991, represents the largest ever in the history of our company. The creation of jobs, either directly or indirectly, the industrial development of priority zones, updating of technology and the permanent search for foreign markets for our products, are all essential factors in making decisions for investments on the part of the Corporation.

Within this context, important expansions were concluded at the Vitro Flat Glass Division, specially the installation of our third float glass furnace and the start-up of operations at Auto Templex, S. A. de C. V. At the same time, Vitro Household Products Division consolidated its production facility with the start-up of the Acros-Whirlpool Industrial Center. These projects, now a reality, are the result of the joint effort between these Divisions and their foreign partners, Pilkington, PLC, in the flat glass area, and Whirlpool Corporation, in the domestic household product line.

Our strategy for market globalization and complementarity of products and technology, was reconfirmed through the joint ventures of the Vitrocrisa Division with Corning Incorporated and American Silver Company, confirming our philosophy of associations with world class corporations. These joint investments represent a new scheme of associations for Grupo VITRO, given the fact that the Corporation participates simultaneously in businesses in Mexico, as well as in the foreign operations of our partners.

The acceptance of our Corporation in the international financial markets, as well as in our country, was evident through the successful placements of shares carried out during the year. The international profile of Grupo VITRO, and the access to the most important financial market in the world, were the foundation for the decision to list Vitro, Sociedad Anonima at the New York Stock Exchange.

Outlook

In the growth process of any organization, there are periods which are the beginning of a new era of development of greater dynamism. For Grupo VITRO, the period of 1991 has this significance. Thanks to the effort and dedication of all our personnel, important achievements were obtained which will give firm support to the future of our Corporation.

In this last decade of the century, the common denominator of a successful company will be its capacity to compete on an international level. A free trade environment so requires.

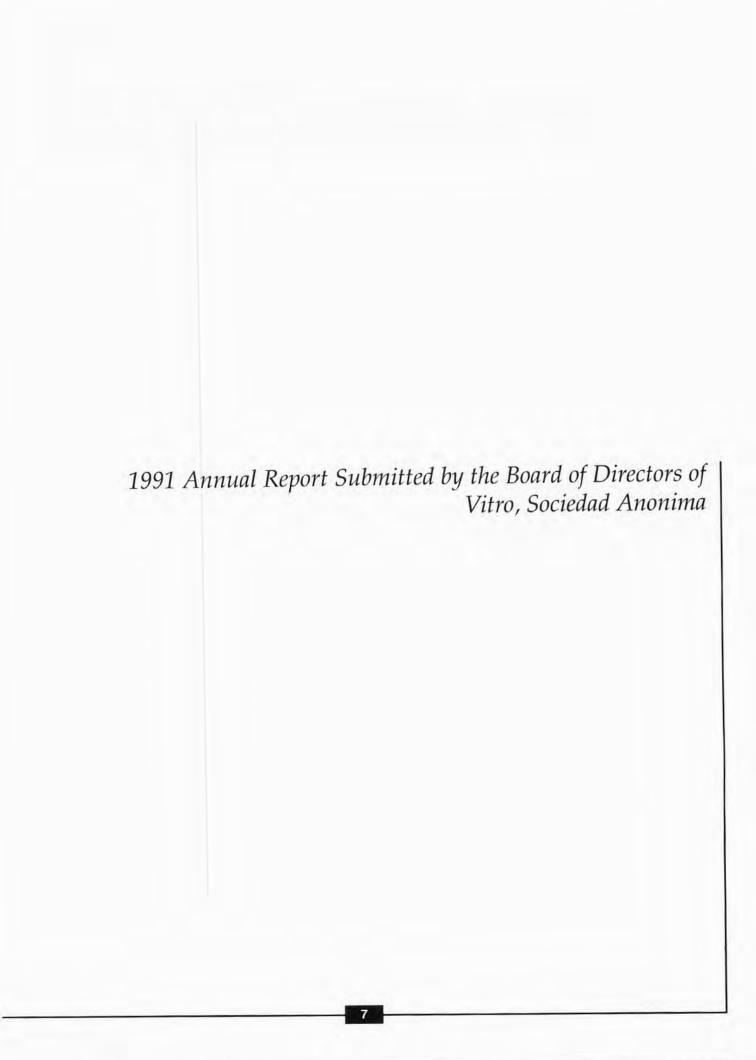
Our constant search for the most advanced technology, the experience gained over several decades of participation in the export markets, and the location of our production facilities abroad, are the indication of our readiness to meet higher levels of competitiveness.

The challenges facing Mexico and Grupo VITRO will be greater every day. We have the confidence that with what we have achieved up to now, as a country, and as a company, will enable us to successfully face whatever challenges the future will bring.

Adrian Sada G.

Chairman of the Board







1991 ANNUAL REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF VITRO, SOCIEDAD ANONIMA

Overview

Within the economic environment that we will describe, Grupo VITRO continued its global positioning initiatives, enhanced operational and organizational competitiveness, strengthened its financial position, and updated the technology of its facilities to better meet the challenges of the future.

The Mexican macroeconomic environment

Fundamental changes in Mexico's economic structure, which had a major impact in 1991 were: the progress in negotiating the Free Trade Agreements, and strategies focused on countering inflation.

Among the principal structural changes were a new agricultural policy, the sale of state own enterprises and banks, and an announced restructuring of the educational sector. These measures continue to be designed in order to obtain greater efficiencies in economic activity through the free operation of markets.

Efforts are being made to correct the Mexican agricultural sector which has been characterized by slow growth and low productivity, through new strategies including the termination of land grants, a change in the common land regulations, and the capitalization of farmland.

In 1991 the sale of public companies continued. Among them were Telefonos de Mexico, steel companies, and nine banks, including the two most prominent. During this period, investment opportunities were opened to the private sector in areas previously controlled only by the government namely: railways, airports, roads, and oil drilling operations.

Education reform is clearly focused in improving Mexican productivity. Transformation in this sector relies on administrative decentralization, the possible formalization of education provided by religious organizations, increased public spending for education, and the linking of education with marketplace considerations.

As its main goal, Mexican economic policy is aimed to drastically reduce inflation without sacrificing growth. Proposed solutions include the strengthening of public finances, control of monetary aggregates, renovation of the Pact for Stability and Economic Growth (the Pact), and a lower slippage of the peso. Additional focus was placed in stimulating private investment.



Inflation in 1991 was 18.8%, lower than the 29.9% registered in 1990. One major reason for this reduction was the balance of public finances. Excluding the income from the sale of state own companies and banks, a deficit of 1.5% of the Gross Domestic Product (GDP) was registered, lower than the 3.5% accounted for in 1990, and the lowest recorded since 1968. In addition, the reduction in inflation allowed for a decline of interest rates.

Two important instruments in the government's anti-inflation policy operative, since 1988, includes the mechanism of pacts or agreements and the use of the exchange rate as an anchor. The first, when maintained throughout long periods, generates distortions in the economy. The second has resulted in a continued revaluation of the peso, stimulating imports and lowering competitiveness in exports.

The GDP grew 3.5% in real terms during 1991. Significant growths were obtained in the services, transport, and communications sectors. Manufacturing grew by 3.7%. Economic activity increased the level of employment, and the number of workers affiliated with the Social Security system grew by 6.4% during the period January-November, in relation to 1990. An overall greater demand for labor increased salaries in the manufacturing sector.

The external sector is currently the most vulnerable issue in the economy. The 1991 deficit in the trade balance was 11 182 million dollars. Imports grew significantly due to the reactivation of the economy, the opening of our markets, and lower slippage of the peso. Reserves, however, reached a record figure of 20 082 million dollars up to November, 1991, as a result of strong investments from abroad. A major part of the dollars coming into the country were channeled into financial investments.

The United States macroeconomic environment

In 1991, the North American economy was affected by the recession which began in the latter part of 1990 and up to year-end had shown no sign of permanent recovery. Inflation, however, is low, and the balance of payments showed a slight improvement.

Gross National Product (GNP) in the United States decreased during the fourth quarter of 1990 and the first two quarters of this year, gaining ground, albeit hesitantly, in the third quarter of 1991. Overall 1991 GNP registered a decrease of 0.7%.

Industrial production decreased by 1.9%, and manufacturing decreased by 2.2% during 1991. Particularly depressed were the iron, steel and automotive sectors. Durable consumer goods showed no signs of recovery, although the service sector appears not to have been impacted by the recession.



Inflation continues to be low, with a rate of 3.3% in 1991, largely a result of the recession and the softness in energy prices.

Trade balance in 1991 showed a deficit of 73 400 million dollars, a remarkable reduction in comparison to the 109 200 million dollars registered in 1990. This is due to the lower volume of imports and the decrease in the price of oil, as well as to an increase in exports stimulated by a weakening dollar and the search for external markets to minimize the recession's effect on the economy.

Within the economic environment described, the markets in which Grupo VITRO participates showed the following behavior:

	MEXICO	USA
	%	%
Automotive	21.1	(10.8)
Domestic appliances	11.9	(1.3)
Capital goods	11.7	(1.7)
Wines and liquors	7.8	(5.9)
Soft drinks	3.6	3.8
Processed foods	3.4	1.0
Construction	2.6	(8.0)
Soaps and detergents	2.5	(3.6)
Beer	2.1	1.8
Pharmaceuticals	(0.4)	6.4

Grupo VITRO in 1991

Within this frame of reference, the principal activities of the company were as follows:

The amounts mentioned herein are expressed in constant Mexican pesos as of December 1991, except where indicated to the contrary. Growth rates are expressed in real terms, excluding the effect of inflation and refer to the percent variation of 1991 compared to the previous year. Values in foreign currency are expressed in dollars of the United States of America.



Sales

Total sales rose to 11 371 billion pesos, representing a growth of 4.6% over last year.



Factors that negatively affected performance included: the continuation of the Pact which begun at the end of 1987, to which Grupo VITRO has adhered in order to help fight inflation; the recession in the United States which has negatively impacted the export volume of some Grupo VITRO divisions; the behavior of prices in the U.S. -generally stable or decreasing- which limited Grupo VITRO price increases in order to maintain competitive position; and the continued revaluation of the peso, which reached a level of 40% over January 1988. The policy of peso revaluation not only effectively reduces prices on imported products, but also undermines cost competitiveness of Mexican export products.

The factors mentioned also significantly affected Grupo VITRO's operations in Mexico, which registered an increase in total sales of only 2.1%. Sales in dollars of Anchor Glass Container Corporation increased 1.2%, thanks to negotiations carried out during the last months of 1990 and beginning of 1991, involving medium-term contracts which secured the level of sales and production of the company, regardless of the U.S. economy's recessionary status.



Consolidated sales reached 9 281 billion pesos, 0.5% above last year.



To take full advantage of future market potential, and to tap into profitable organizational synergies, the soda lime glass operations of Mexico and the United States, together with Central America, were grouped in one new enterprise: North America Containers.

By division, the comparison of sales in regard to last year were as follows:

SALES BY DIVISION (billions of pesos)

		% Var. vs.
	1991	1990
Containers USA	3,637	(2.9)
Containers Mexico	2,404	4.0
Vitro North America Containers	6,041	(0.3)
Vitro Household Products	1,193	16.1
Vitro Flat Glass	1,026	0.4
Vitro Chemical, Fibers and Mining	630	(6.0)
Vitro Glassware	582	(8.8)
Vitro Capital Goods	278	5.3



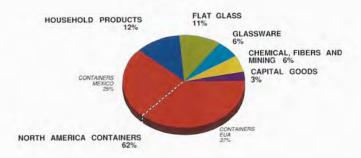
The percentage share of sales by Division were:

SALES BY DIVISION

(percentage share)

	1991	1990
Containers USA	37	39
Containers Mexico	25	24
Vitro North America Containers	62	63
Vitro Household Products	12	10
Vitro Flat Glass	11	10
Vitro Glassware	6	7
Vitro Chemical, Fibers and Mining	6	7
Vitro Capital Goods	3	3

SALES BY DIVISION 1991 (PERCENTAGE SHARE)





The most relevant events of each Division during the year are described below:

Vitro North America Containers

Glass Containers Mexico

In spite of the contraction of domestic sales for beer bottles, this segment showed satisfactory results, with a growth of 1% over last year.

Exports in this area maintained its growth trend, reaching 145 million dollars, 25% over last year, representing 19.6% of sales. The continued search for market niches, and the promotion of containers with more added value, were the determining success factors in this division's performance.

The average utilized capacity was of 82%, similar to last year's level.

To meet anticipated future market growth in Mexico's northwestern zone, the project of Vidriera Mexicali, S. A. de C. V. was authorized, with an investment of 150 billion pesos.

Anchor Glass Container Corporation

Now comprising part of the North America Containers division, Anchor had results which can best be described as outstanding. The company showed a growth of 1.2% over last year, measured in dollars, in spite of the U.S. economic recession, which decreased overall industry 1% compared to 1990.

With very important increases in productivity, it was possible to manufacture 4% more units than in the previous year, resulting in the company's highest production in its history. This was achieved notwithstanding the closing of three plants in 1990 and one more, in San Leandro, California, in mid-1991.

Investments in fixed assets, mainly oriented to update technology, reached the sum of 88 million dollars, in accordance with the strategic plan originally drawn up at the time of the acquisition.

The debt of 250 million dollars, which was due in four years term, was refinanced in June through the placement of bonds with an average life of seven years, and with more favorable interest rates for the company. These bonds were placed with major institutional investors in the United States.



Containers Other

Sales in this area were negatively affected by the decisions of certain key plastic container customers to move toward vertical integration. This trend was partially offset by the timely introduction of new state-of-the-art containers.

Results by product line, in value, compared to the previous year were:

Containers and plastic caps	(22)	%
Borosilicate products	(2)	%
Luggage	(9)	%

To consolidate the plastic operations and optimize organizational structure, Compañia General de Plasticos, S. A. de C. V., and Regiomold, S. A. de C. V., were merged with Regioplast, S. A. de C. V. The operations of Vitroplast Monterrey, S. A. de C. V., were closed down. Productos Kimax, S. A. de C. V., closed down its operations in Mexico City and merged with Ampolletas, S. A. de C. V., located in the State of Queretaro.

In June, Productos Para Viaje, S. A. de C. V., was acquired in order to better serve the domestic and international markets through a more diversified line of products.

Vitro Flat Glass

Due to the activity generated by the domestic markets served by this division, it was possible to achieve a volume growth of 11% in construction glass and 15% in automotive glass.

However, the level of prices in this division remained stable on some products and tended to decrease in others, affected by price performance in international markets.

Regardless of decreases in U.S. automobile production, exports in this area showed an increase of 14.6%, and represented 28.9% of sales in this product line.

With an investment of 452 billion pesos during the year, the automotive complex curvature glass plant, Auto Templex, S. A. de C. V., was put into operation and a second furnace of Vitro Flotado, S. A. de C. V. started operations in October to meet present and future demand. Technological upgrades and capacity expansion for Quimica "M", S. A. de C. V., Cristales Inastillables de Mexico, S. A. de C. V., and Vidrio Plano de Mexico, S. A. de C. V., were started, with an investment



of 75.2 billion pesos, which will allow to more responsively serve the growing markets in which we participate.

1991 was another year in which, thanks to the efforts of its personnel, this division received acknowledgements for outstanding quality and service from the Secretaria de Comercio y Fomento Industrial (Ministry of Commerce and Industrial Development), Nissan Mexicana, S. A. de C. V., and the Ford Motor Company in the U.S.

Vitro Household Products

The domestic demand for household appliances allowed this division to post a sales growth of 19.5%.

At the same time, exports of major appliances grew significantly: 152% with respect to last year, which represents a 7.4% of sales of this product line.

During the first quarter of the year, the acquisition of the Instituto Mexicano de Investigaciones en Manufacturas Metal-Mecanicas, A. C. (Mexican Institute of Metal Mechanical Research, IMEC), was completed at a cost of 18 billion pesos. Staff talent has since been assigned to the development of processes and products for the division, in coordination with the research centers of our partner, Whirlpool Corporation.

During the year, and with an investment of 392 billion pesos, the Acros-Whirlpool Centro Industrial (Acros-Whirlpool Industrial Center) in Apodaca, Nuevo Leon, was completed. This complex includes plants for the manufacture of refrigerators, washing machines, compressors, plastic products, molds, and dies, as well as the Centro de Tecnología Avanzada (Center of Advanced Technology) for refrigerators and washing machines.

During the last quarter of the year, the remaining 48% of the electrical relay company Controles Electricos Comasa, S. A., was acquired.

The component sector of the division producing compressors, valves, thermostats and motors experienced a decrease of 48% in relation to last year, caused by the temporary suspension of compressor production during the period required for relocation to the new facility.

Acero Porcelanizado, S. A. de C. V. (APSA), experienced a decrease in sales in comparison with the previous year, a result of both the economic situation prevalent in the United States and aggresive competition in the Mexican market. During the second half of the year, transfer was completed of the operations of Porcelan, S. A. de C. V., in the state of Puebla, to the plant of APSA, a change made necessary to enhance the competitive position of this product line.

Wholesale chain stores registered a decrease of 1% over last year.



Vitro Glassware

The anti-inflation policy which begun at the end of 1987 has been successful but continues to affect this division. The revaluation of the peso, as well as the importation of consumer goods which are not under the price control of the Pact, have had a dramatic bearing on the division's companies competitive position. Furthermore, the import tariff disadvantage relative to the United States for products from this segment, coupled with that country's recession, limited export levels during the year.

Nevertheless, with the introduction of new products, and new market and distribution strategies, the performance of Vitrocrisa can be considered satisfactory. Total sales of this division decreased only 8.8%, and export sales were affected by only 10% in comparison with last year.

The competitive position of this product line, in spite of the open economy and the globalization of markets, continues to be very significant. During the year, the association with American Silver Co. was completed with the acquisition from Vitro, Sociedad Anonima of 49% of Vitrocrisa Cubiertos, S. A. de C. V., and our purchase of 49% of World Tableware International Inc., located in the United States.

The total investment for this negotiation was of 30.8 billion pesos. With this joint venture, Vitrocrisa Cubiertos, S. A. de C. V., is guaranteed as the key supplier for our partner in its various markets, and the product lines of our company are complemented with products that assure complete coverage for the Mexican market. Presently in progress is the installation of equipment in Mexico transferred from a plant in Taiwan.

The dedication of its personnel earned them authorization for the international quality norm ISO-9001, which becomes mandatory as of 1993 in the European Economic Community. The division's achievement is heightened by its being the first company in Mexico to receive this distinction.

In August 1991, the division announced the intent to form a joint venture with Corning Incorporated. And after obtaining necessary authorizations from the Government of the United States, the joint venture was formalized on January 2, 1992. The specifics involved Vitro, Sociedad Anonima acquisition of 49% of the Consumer Products division of Corning Inc. At the same time, Corning purchased 49% of the Vitrocrisa division, excluding Vitrocrisa Cubiertos, S. A. de C. V. To this division was added Acero Porcelanizado, S. A. de C. V., which products are complementary to the joint venture and maximize market advantages. Vitro, Sociedad Anonima's investment will amount to 136 million dollars. In 1991, the combined sales of this joint venture represented more than 800 million dollars. The complementarity of the two companies -in products, technology, distribution systems, and business philosophy- motivated the search for this association.



Vitro Chemical, Fibers and Mining

The performance of this division was affected in different degrees by the revaluation of the peso against the dollar, the instability of international prices, and the Pact.

For Silicatos y Derivados, S. A. de C. V., growth was up 18% compared to last year. Arcillas Tratadas, S. A. de C. V. (ATSA) had to face stiff foreign competition seeking to unload excess production. At the same time, a decrease in the economic activity of the United States seriously affected those business supplied by ATSA, and led to a consequent decline in prices. As a result of the above, this area decreased 2% in relation to last year. In fiberglass, in spite of an increase in volume of 3% over last year, the decline in world prices of this product led to a decrease in value of 13% compared to 1990. The revaluation of the peso was again a determining factor for Industria del Alcali, S. A. de C. V. and the Raw Materials area, which registered a negative growth in value of 3% and 10%, respectively, compared to last year. Emper Industrial, S. A. de C. V. did, however, increased its sales by 23% in regard to last year.

Competitive cost is indispensable in the new Mexican economic environment. For this reason, the initiation of the project to exploit a sodium chloride mine was authorized at Hidalgo, Nuevo Leon, which will benefit Industria del Alcali, S. A. de C. V. Investment is estimated at 22.3 billion pesos.

The borate project at Magdalena, Sonora gained ground in market testing and in the control of concentration processes.

Vitro Capital Goods

The efforts by this division were oriented to enhance its competitiveness, emphasizing greater product control and timely supply and service to customers.

Fabricacion de Maquinas, S. A. de C. V. (FAMA), showed a growth of 8% over last year, thus carrying out its strategic function of supporting the companies of Vitro, Sociedad Anonima.

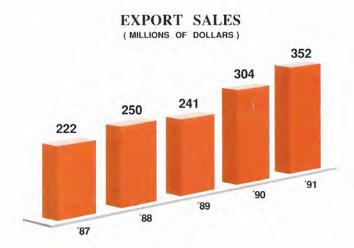
Peerless Tisa, S. A. modified its market and product strategies, completed an organizational restructuring, and posted a sales increase of 6% compared to last year.



Vitro Foreign Trade

Exports

Grupo VITRO most significant market continued to be its exports. Notwithstanding a loss of competitiveness in Mexican exports due to the performance of the revaluation of the peso against the dollar, export sales reached a total of 352 million dollars, 20.2% of consolidated sales, excluding the sales of Anchor Glass Container Corp.



Export breakdown by division is as follows:

EXPORT SALES (millions of dollars)

	1991	% Var. vs. 1990
Vitro North America Containers (Mexico)	145	25
Vitro Flat Glass	91	15
Vitro Glassware	60	(10)
Vitro Household Products	25	92
Vitro Capital Goods	18	7
Vitro Chemical, Fibers and Mining	13	(6)
TOTAL	352	16



Balance of Payments

Trade balance continued favorable, representing 32 million dollars at year-end. The balance of payments was positive at 68 million dollars, far better than last year, which showed a negative balance of 184 million dollars. These results were positively impacted by foreign loans obtained for the expansion of Vitro Flotado, S. A. de C. V.'s installations.

Associated Companies

Brazil

While Brazil's economy continued its erratic fluctuation, Nadir Figueiredo Industria e Comercio, S. A., in which Grupo VITRO has a minority interest, presented satisfactory results.

Central America

Empresas Comegua, S.A., in which Grupo VITRO participates with 49% of its capital, had very favorable results, showing an increase in sales of 61% over last year. Following resolution of the 1990 labor problem in one of its Guatemalan subsidiaries, the company's industrial plants are in the process of updating their technology, in order to more effectively participate in the new structure of the North America Containers Division.

World Tableware International Inc.

Grupo VITRO participates with a 49% ownership in this company, as of August, 1991. Its sales in the United States were affected by the recession in that country, resulting in a decrease over last year.

Cydsa, S. A.

The decrease in international prices and the revaluation of the peso imposed significant pressures on this company. As a result, sales decreased by 3% compared to the previous year.

Exports, on the other hand, continued to grow, totalling 174 million dollars, 14% over last year. Grupo VITRO holds a 49.9% ownership participation in this company.



Investments in Fixed Assets

Of top priority are those investments oriented towards: increasing capacity to timely supply the markets which Grupo VITRO serves, updating the technology of industrial installations both to enhance competitiveness in the new Mexico, and to ensure the safety of our people and care of the environment. Investments in fixed assets over the year totaled 1 221 billion pesos, the highest in the history of the company.

Key projects included:

- · Updating of technology for Anchor Glass Container Corp. and soda lime containers in Mexico
- · Start-up of construction of Vidriera Mexicali, S. A. de C. V.
- · Completion of the second float glass furnace in Vitro Flotado, S. A. de C. V.
- · New plant for complex curvature automotive glass (Auto Templex, S. A. de C. V.)
- · Updating of technology for Quimica "M", S. A. de C. V., Shatterproof de Mexico, S. A. de C. V., Cristales Inastillables de Mexico, S. A. de C. V. and Vidrio Plano de Mexico, S. A. de C. V.
- · Completion of the Acros-Whirlpool Centro Industrial (Acros-Whirlpool Industrial Center)
- · New technology for Vitrocrisa
- · Insulation preformed fiber glass pull pipe extrusion plant and new furnace technology
- · Environmental protection

CAPITAL EXPENDITURES (BILLIONS OF PESOS) 1,221 916 404 311 98 90 91



Human Relations

In order to successfully compete Grupo VITRO must position its companies at least equal to or better than similar organizations. Of prime importance in achieving this objective is the organizational structure, and for this reason all Grupo VITRO divisions are in the process of "changing the way of doing things" to avoid being at disadvantage and if possible be a step ahead.

The number of persons working with Grupo VITRO and its subsidiaries totalled 45 091 and was comprised as follows:

	PERSONNEL		
	1991	1990	% Var.
Grupo VITRO in Mexico	37,476	38,734	(3.2)
Anchor Glass and other companies in the United States	7,615	7,544	1
TOTAL	45,091	46,278	(2.6)

DEDCOMME

Eventhough Grupo VITRO was involved in the operational start-up of numerous new production units, the number of personnel decreased 2.6% in comparison to last year.

In keeping with the recognition that quality must be the way of life of our organization, and to advance in this direction, the Corporation instituted the "Adrian Sada Treviño" integral quality award.

On December 9th, 1991, a Glass Museum was completed in the original building of the corporation located in Vidriera Monterrey, S. A. de C. V.'s premises. This facility is the only one of its type in Latin America and is now open to the public.

With the support of the unions and all personnel, it was possible to complete another year of labor stability. It becomes more evident each day that we must unify efforts to meet the challenges of an open economy and competitive global environment in which we have to participate. The distinctive advantage Grupo VITRO brings to bear is clearly its personnel, who today, as in the past, remain our greatest asset.

Free Trade Agreements

The negotiations for Free Trade Agreements have progressed at a surprisingly rapid pace. At the



end of 1991, the first agreement had been signed with the Republic of Chile. In 1992, the signing of agreements with the United States and Canada, Colombia and Venezuela are foreseen.

Coordination of Grupo VITRO's internal and external needs in this arena has been made possible with the assistance of the Foreign Trade division. The magnitude of these commitments, and their consequences in both the mid- and long-term for the country's well being, are such that no effort required to reach a successful conclusion should be spared.

Stock market and financial activities

The Finance Division, Legal, Public and Banking Relations Division, along with Human Relations and Planning Division, and Vitro, Sociedad Anonima, were key elements in the successful placement of 13 million shares with investors in Mexico, the United States and Europe, including authorization from the U.S. Securities and Exchange Commission. This culminated on November 19th, 1991 with Vitro, Sociedad Anonima being listed on the New York Stock Exchange.

With the assistance of these corporate units, the renegotiation of Vitro International Corp.'s debt was obtained for 155 million dollars, due in four years, and at a very competitive interest rate for the Corporation. The Legal, Public and Banking Relations Division participated in the refinancing of Anchor Glass Container Corporation's debt.

Strict adherence to our obligations with the State, banks, domestic and foreign government agencies, shareholders, and Grupo VITRO personnel was made possible thanks to the orientation and support provided by these staff divisions.

Consolidated Information

The company conformed with the accounting principles issued by the Mexican Institute of Public Accountants. In accordance with these principles, the financial information presented is based on *Bulletin B-10* regarding "Recognition of the Effects of Inflation", as well as adjustments published in subsequent bulletins.

The figures presented below include the effect of the closure in 1991 of Neumatron, S. A., a decision taken jointly with our partner, Ingersoll-Rand Corporation, in view of the impossibility of competing successfully in world markets. Vidrio Neutro, S. A. and Industrias Quimicas Basicas, S. A. de C. V., were also closed down for the same reason.



It is of crucial importance to drive forward the future business of the Corporation, as well as it is important to discontinue operations which cannot demonstrate the competitive edge necessary for success.

CONSOLIDATED GENERAL BALANCE (billions of constant Mexican pesos as of December 1991)

ASSETS	1991	1990	% Var.	LIABILITIES	1991	1990	% Var.
Current assets	4,032	3,928	3	Short-term	2,290	2,746	(17)
Long-term				Long-term	4,431	3,760	18
investment	1,131	1,267	(11)	Total liabilities	6,721	6,506	3
Fixed assets (net)	6,347	6,265	1	STOCKHOLDERS EQUITY	6,846	7,032	(3)
Deferred							
charges	2,057	2,078	(1)				
				TOTAL			
TOTAL				LIABILITIES			
ASSETS	13,567	13,538	-	AND EQUITY	13,567	13,538	

Comments

Assets

Current assets increased 3% due to cash requirements necessary for the investment in Corning, Inc., while working capital was efficiently managed.

Long-term investments decreased by 11% due to the contraction in stockholders' equity of our



associated company, Cydsa, S. A., mainly as a result of the revaluation of its fixed assets according to international standards.

Fixed assets rose only 1% in spite of heavy investment, due principally to assets quoted at international prices whose revaluation indexes continued to be below inflation.

Liabilities

Total liabilities increased only 3% in spite of the fact of the financing of several investment projects.

Stockholders' equity

Integration of stockholders' equity, in accordance with its holders, was as follows:

(billions of constant Mexican pesos as of December 1991)

Stockholders' equity	1991	1990	% Var.
Grupo VITRO			
stockholders	5,970	6,063	(2)
Other			
stockholders	876	969	(10)
Consolidated			
stockholders' equity	6,846	7,032	(3)



The breakdown by account is as follows:

(billions of constant Mexican pesos as of December 1991)

	1991	1990
Grupo VITRO stockholders:		
Capital stock	1,252	1,239
Premium on sales of shares	300	_
Excess (shortfall) in restatement		
of capital	(1,415)	(660)
Retained earnings	4,760	4,774
Reserve for purchase of		
shares	419	_
Repurchase of Grupo VITRO's shares	81	
Net income	573	710
TOTAL	5,970	6,063
Other stockholders	876	969
Stockholders' equity	6,846	7,032

Stockholders' equity registered a decrease of 3%, in real terms, mainly due to the revaluation of assets quoted at international prices.

Income Statement

Continued improvement in our procedures and operations has begun to be reflected in our results. While ultimate goals are in the process to be realized, productivity gains were encouraging and suggest that the investment in time and effort has been well conceived.



CONSOLIDATED INCOME STATEMENT (billions of constant Mexican pesos as of December 1991)

	1991	1990	% Var
Consolidated sales	9,281	9,239	1
Cost of sales	6,603	6,673	(1)
Operating expenses	1,384	1,274	9
Income before			
financing	1,294	1,292	-
Integral cost of			
financing	428	445	(4)
Income after			
financing	866	847	2
Other income	106	17	524
Shares in net income			
of associated companies	71	113	(37)
Income before taxes and			
profit sharing	1,043	977	7
Income tax and profit sharing	333	242	38
Income before			
extraordinary items	710	735	(3)
Extraordinary items	(46)	133	_
Net income	664	868	(24)
Net income of			
majority interest	573	710	(19)
Net income of			
minority interest	91	158	(42)



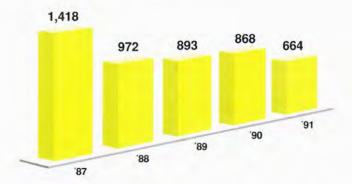
Operating income totaled 1 294 billion pesos, slightly higher than that of 1990 in constant terms. This is explained by non-recurring costs incurred with the objective of increasing the corporation's competitiveness, as well as by low slippage of the peso against the dollar, which has reduced our operating margins in export sales.

The integral cost of financing decreased 4% as a result of lower interest rates in the market during the year. On the other hand, income tax and profit sharing increased 38%. The cancellation of fiscal losses of previous years, due to current tax regulations, resulted in a 52% growth in income tax.

The results of our associated companies reflected a decrease of 37%, compensated for by other non-recurring income.

The negative impact of an extraordinary item concerning Anchor Glass Container Corporation, as a result of refinancing a portion of its debt, together with the before mentioned factors, resulted in a net income of 664 billion pesos, 24% lower than the previous year, while net income of majority interest amounted to 573 billion pesos, a decrease of 19%.

NET INCOME (BILLIONS OF PESOS)





SUMMARY (billions of constant Mexican pesos as of December 1991)

Consolidated sales	9,281
Net income	664
Net income of majority interest	573
Net income per share (pesos)	\$ 5,727.40
Operating income/assets (%) *	11.23
Operating income/sales (%) *	13.69
Operating cash flow/sales (%) *	21.60
Return on equity (%) *	9.70
Current ratio	1.76
Total liabilities/stockholders' equity	0.98

^{*} These ratios are calculated using nominal pesos of the period.

Conclusion

In a year in which the economic environment of the United States, and certain macroeconomic aspects of Mexico, were not altogether favorable, Vitro, Sociedad Anonima and its subsidiaries showed satisfactory results. Progress was made in restructuring the company to achieve competitiveness equal to international levels; the financial position of the Corporation improved; and important steps were taken to place the divisions of Vitro, Sociedad Anonima in the new global scheme that the country demands.

The Corporation continued to support the primary objectives of the nation, an effort made possible thanks to the contributions of all our personnel, to whom we extend recognition and gratitude. We also acknowledge the support and contributions of our clients, suppliers, bankers, shareholders, and the community in general.



Grupo VITRO is aware of the transformations now underway in our country, of the consequences of negotiations for broader commercial trade, of the importance of our continued support on behalf of Mexican development, and of our responsibility to our shareholders and the international communities in which we operate. In the future, as in the past, we shall continue to operate with these responsibilities in mind and in accordance with the conservative administrative policy which have historically characterized the Corporation.

BOARD OF DIRECTORS VITRO, SOCIEDAD ANONIMA





Vitro North America Containers

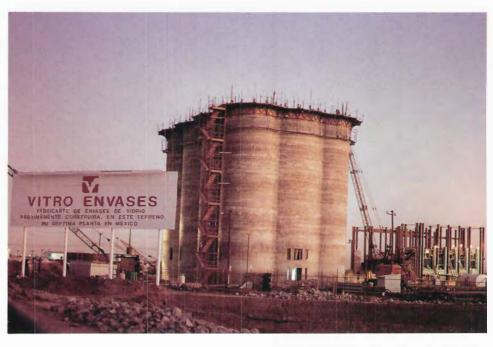
One of the most relevant events of 1991 was the start of negotiations which may eventually lead to the signing of a Free Trade Agreement between Canada, the United States and Mexico. This fact alone makes it clear that the competitive environment for all countries involved is one and the same, and as such, we must meet the challenge.

Therefore, in accordance with this new environment, the Vitro North America Containers Division was established, which will enable Vitro to consolidate all operations for the production of containers on the American continent.

The integration of a global unit capable of combining the strengths of its individual components places us as the best positioned soda lime glass container supplier for the North and Central American markets.

Mexico

During 1991, the performance of our soda lime glass container operation in Mexico achieved a remarkable degree of international competitiveness. Exports of glass containers reached unprecedent-



ed levels because we were able to supply our customers' growing needs, while at the same time remaining the low cost producer. This performance reflects our competitiveness not only in specialized market niches, but also in high volume products that are attractive to U.S. producers.

In addition, by mid year, we began the construction of Vidriera Mexicali, S. A. de C. V. This new facility will supply the needs of our customers in both the Northwest region of Mexico and the West Coast of the United States.

Vidriera Mexicali will use state-of-the-arttechnology, allowing it to produce top qual-





ity products and to operate with high standards of productivity.

At the same time, the design and equipment of this plant was undertaken using the strictest norms of pollution control, thus preserving a healthy environment in the region.





In the building of this facility, we are rationalizing production capacity at other locations. This will translate into a geographical relocation of capacity, in accordance with the evolution of our markets.

The Plastics operation concentrated the production of containers and closures in Regioplast, S. A. de C. V., thus reducing fixed costs. We also started developing the market for high technology closures such as the Flex Band and Daina caps, both of which are tamper proof. These caps assure the consumer that the product purchased in our containers maintains the same integrity with which it is manufactured. It is important to point out that, during 1991, Plásticos Bosco, S. A. de C. V., continued to increase its sales, due to improvements in products and packaging, as well as strong positioning in its distribution channels.

Vitro Sam, S. A. (Samsonite) acquired Productos Para Viaje, S. A. de C. V., thus complementing its existing product lines and increasing its market share in Mexico. This acquisition provides the opportunity of developing our own brands for the North American and European mar-

kets, especially in soft-sided luggage, where our competitive position is strongest.

We have restructured our borosilicate operation. An agreement with Kimble Glass Inc. will allow us to take advantage of the competitive position of our Mexican facilities. Under the agreement, these companies will jointly supply foreign markets, ensuring substantial growth for the future. Vidrio Neutro, S. A. and Productos Kimax, S. A., closed their facilities in the Mexico City area, which contributed to alleviate the ecological problem faced by this Mexican region. The production of labware was transferred to the ampules plant in Queretaro, and the manufacture of borosilicate tubing was closed as the reduced size of the market did not permit to operate with the required economies of scale.

Central America

After a year of suspended activity, our soda lime glass container plant in Guatemala renewed its operations, achieving a stable and efficient performance. Our facility in Costa Rica continued operating



with good results. In addition, we are proceeding with an ambitious modernization program which will place our facilities in Guatemala and Costa Rica at the forefront in technology.

United States of America

During its second year as a member of the Grupo VITRO family, Anchor Glass continued its program of rationalization and modernization of facilities, which resulted in the closing of our San Leandro, California facility and major furnace and re-machining projects at our Winchester, Indiana and Jacksonville, Florida, plants. Each project re-





sulted in the installation of the latest furnace technology and the use of state-of-the-art forming machines and electronic inspection equipment.

FAMA has played a vital role in Anchor's drive towards modernization, on the one hand supplying the highly productive forming machines required, and on the other, helping to rebuild existing equipment.

The economic environment faced by Anchor was unfavorable. The United States economy suffered from a recession in 1991, with little or no growth in most industries; and although glass container industry shipments for 1991 were down approximately 1% from 1990 levels, Anchor managed to increase its unit shipments by approximately 4% in the same period.

Several significant sale accomplishments contributed to the increase in unit shipments. Among the most notable was the negotiation and signing of long-term agreements with breweries to supply increased volumes. Other significant accomplishments were dramatic increases in the sale of flavored sparkling waters and iced tea. Anchor has a significant share of this expanding product line.

The juice industry and Anchor consolidated a strong relationship during 1991. In response to increased volume, we installed a new 10 section FAMA narrow neck press and blow machine in Jacksonville, which has produced a consistently high quality containers.

Our Consumer Products Group expanded its sales volume by 50% in 1991, with the addition of candle containers, and a major increase in home canning business.

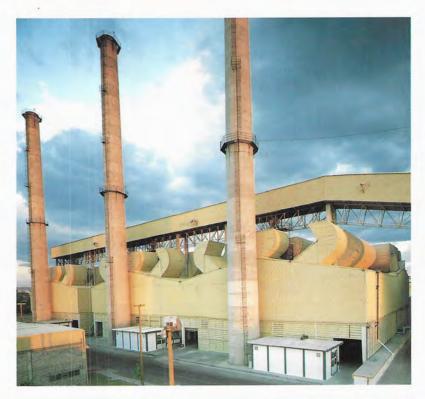
In June, the Latchford Pack-



aging Group was formed and is expected to make a significant contribution to Anchor's results with its sales of glass, corks, and capsules to wineries in California.

Anchor's financial strategy for 1991 has provided the company with additional flexibility as it carries out its long-term modernization program.

A strong competitive position has been achieved by Anchor Glass. Delivering quality products and providing excellent service have helped to build long-term, solid relationships with major glass container customers.











These relationships will produce a steady volume of business, enabling us to have maximum utilization of our production capabilities.

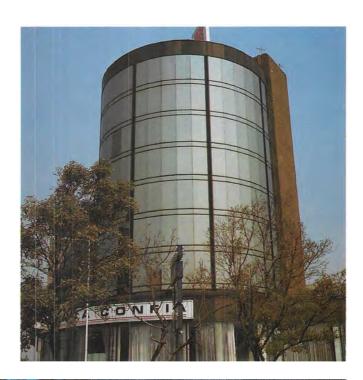
Continued change is the underlying factor of the businesses that comprise the Vitro North America Containers division. Our organization is constantly being transformed with a view to achieving total quality and a full and complete market orientation. By maintaining these guidelines, meeting challenges, and taking advantage of opportunities generated by today's rapidly changing world, we are confident of our continued success.

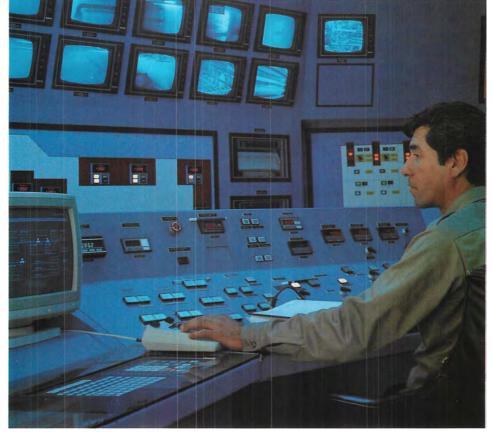
Vitro Flat Glass

Versatility in the uses of flat glass is increasing, thanks to technological advances. This allows designs of complex specifications to be fully satisfied, while offering characteristics that no other material can offer.

This Division, in its more than 50 years of operations, has always been a leader of technologies needed to supply the construction, automotive, and furniture markets of the country.

In the sheet and float area, with the start-up of the VF-2 furnace in October of 1991,



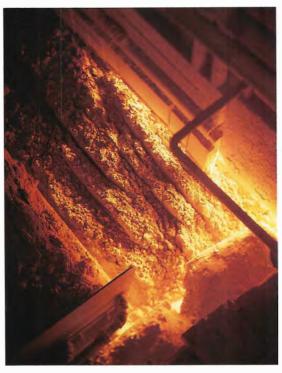




installed capacity was increased by 187 000 metric tons per year. This unit was built with an investment of 123 million dollars. For 1992, the repair and expansion of the VF-1 is scheduled.

These increases in our installed capacity will allow us to guarantee the timely supply of domestic market demand in the future, while continuing to serve export markets.

In the area of safety products installed capacity was increased with the start-up of





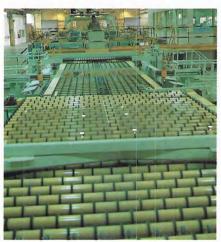
Auto Templex, S. A. de C. V., which is located in Villa de García, N. L. The total investment was 27 million dollars.

At the same time, production capacity expansions at Cristales Inastillables de Mexico, S. A. de C. V. (Crinamex) and Shatterproof de Mexico, S. A. de C. V., were started, which will allow us to continue satisfying the demands of a growing automotive market.

During 1991, the construction industry initiated its recovery and our sales of flat glass reported an increase of 11% over the previous year.

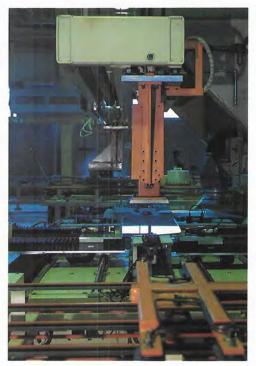
With regard to safety products, the dynamics of the automotive sector, with its growth of 21% in value, allowed us to obtain an increase in volume of 15%.



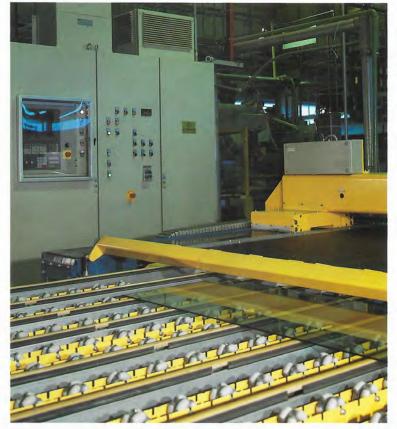












In order to be in closer contact with the domestic market, the marketing strategy has dictated the opening of regional distribution centers.

Our presence in the Central American market was reinforced with the opening of a sales office in Guatemala City, to service that important market.

Technology, marketing, quality, and service are fundamental elements needed to maintain and increase our market share. It is for this reason that the Flat Glass division strives every day to improve in each of these areas, so we can fully satisfy the needs of our customers in a more agile and demanding world.

Vitro Glassware

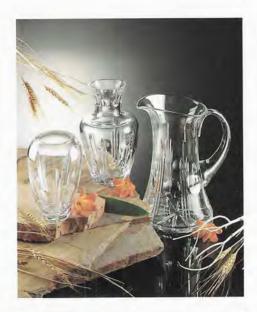
Cristalería, the first company of the Vitrocrisa division, was established more than 50 years ago. Since then, our mission has been to satisfy the market needs for household products for table and kitchenware, ornaments and gifts, containers for the candle and food packaging industry, and glass complements for appliance manufacturers.

Supported by an extensive and diversified distribution network, and by the prestige that our trademarks have: Crisa, Termocrisa, Pyr-o-Rey, Fortecrisa, Pyr-o-Ware, Kristaluxus, Newcristal, Cien Crystal, Cufin and Cufinox, we have satisfied the needs of our industrial clients, wholesale customers, and end users, consolidating our position of leadership in most of the market segments that we service.

During 1991, Vitrocrisa faced strong global competition in all markets, the challenges of an extended U.S. economic recession, and a limited recovery of the consumer's purchasing power in Mexico. Aware of these aspects, Vitrocrisa continued with its strategy to improve productivity and quality, to rationalize resources and to develop and implement joint ventures that

will increase and complement competitiveness.

On July 25th., 1991, Vitrocrisa and the American firm of Amsilco signed a partnership agreement to operate World Tableware International Inc. (WTI), a leader in the institutional market of tableware products in the U.S., and with ample experience in the European and Asian markets. With this joint-venture we achieve product complementation with

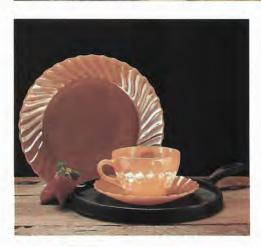












Vitrocrisa Cubiertos, S. A. de C. V., as well as important operational synergies.

At the end of November, after an audit performed by the Bureau Veritas Quality International, Vitrocrisa Cubiertos, S. A. de C. V., received the International Certification of its Quality Assurance Program ISO-9001, given by the National Accreditation of Cer-

tification Bodies. This is the first Mexican company to recieve such recognition.

In August 6th., 1991, we signed a letter of intent with Corning Inc., to jointly create a company with worldwide coverage in table and kitchenware products for the end user.

With this perspective, Acero Porcelanizado, S. A. de C. V. and Intermex Trading Co., as well as the companies in the wholesale area, have been transferred to Vitrocrisa's Division, in order to have in one unitall of Grupo VITRO's companies that are focused on the table and kitchenware consumer markets.

Negotiations were successfully concluded after satisfying all legal requirements in the U.S. and Mexico, regarding these kinds of associations.

The association was established by the creation of two new companies:

- Corning Vitro Corp., located in the U.S., incorporating all assets and businesses of Corning Consumer Products Division from all over the world.
- Vitro Corning, S. A. de C. V., located in Mexico, incorporating all assets and businesses of Vitrocrisa Division from all over the world, but

excluding Vitrocrisa Cubiertos and its association with WTI, as well as the companies of the wholesale area.

Under this structure, Grupo VITRO owns 49% of the Company in the U.S., and 51% of the Company in Mexico.

Among the table and kitchenware products manufactured by Corning, some of the better known brands are: Visions, Corelle, Corning Ware, Pyrex and Revere.

This association will permit Vitrocrisa and Corning Consumer Products to complement their product lines, technologies, production capacities and distribution networks, therefore creating synergies which will strengthen and improve the competitive position and the global orientation of both Corporations.

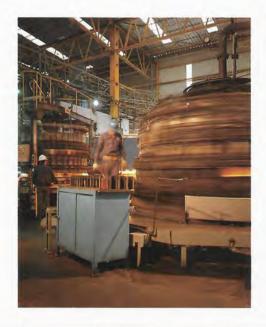
The evolution of the domestic market in 1991 was unfavorable, decreasing our sales in real terms. However, we were able to optimize the use of our installed capacity and improve the efficiency of our manufacturing processes, thus partially offsetting the deterioration of our operating results.

Importation of substitute products, the renovation of the













Pact, the loss in competitiveness in the exchange rate and the economic recession in the U.S., were the main threats to our product-market strategy.

We were successful in consolidating our participation in the international markets by being loyal to our export tradition and by doubling our efforts.

During the year, we put special emphasis on the technological updating of different soda-lime manufacturing processes, on the establishment of automated systems for finished and in-process product handling, as well as in the implementation of integral productivity programs through training and personnel motivation, and the restructuring of the organization based on new methods and work systems.

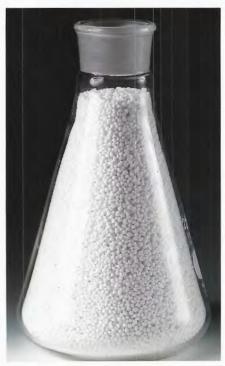
We reconfirm our goal of being oriented to international markets, with the intention of improving our competitiveness. The total quality program supported on the criteria of continuous and permanent improvement is the key for the future development of Vitrocrisa and its companies in a growing competitive global environment.

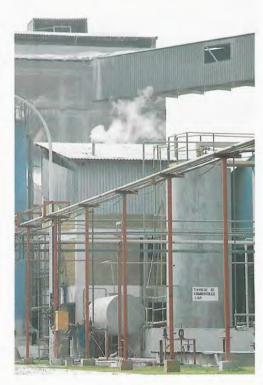
Vitro Chemical, Fibers and Mining

During 1991, the operations of Industria del Alcali, S. A. de C. V., Materias Primas Monterrey,S. A. de C. V., and the Mining area of the Basic Industries division, were merged with Vitro Fibras, S. A., and the chemical companies of Vitro PQ, S. A. of the Fibers and Silicates division, to form the current Chemical, Fibers and Mining division. The objective of this reorganization was to achieve the best synergetic structure in technology, productive processes, purchases and markets, plus the rationalization of staff functions, thereby obtaining important personnel reductions, simplified and homoadministrative geneous systems, and above all an improved coordination in the chemical and mining markets.

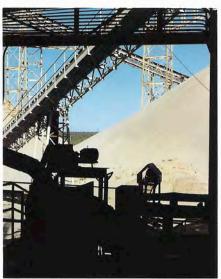
Chemical Area. Industria del Alcali, S. A. de C. V., concentrated its efforts in the upgrading of its productive processes in order to reach the maximum utilization of its installed capacity, restructuring its technology research projects, and increasing of its export markets for calcium chloride, used for highway deicing in the United States, and the petroleum industry in the Arab Emirates. The initiation













of the works to exploit a sodium chloride mine located in Hidalgo, Nuevo Leon, will complement its domestic industrial marketing performance for this product.

With the objective of reducing costs and obtaining a rationalization of its manufacturing facilities, Vitro PQ, S. A., concentrated its production of aluminum sulfate at Emper Industrial, S. A. de C. V., in Puebla, closing the plant of Industrias Quimicas Basicas, S. A. de C. V., in Veracruz, both companies being acquired at the end of last year, and initiated export of this product to Central America. Arcillas Tratadas, S. A., continued to develop and introduce a pelletized presentation of its precipitated silica, to compete with similar imported products being offered in Mexico. It also extended its product line to formulate products for the veterinarian-poultry industry.

In the area of sodium silicates, Silisol, S. A. de C. V., in Escobedo, Nuevo Leon, continued to operate as a dissolving plant to serve the northeastern market, and started up a furnace for this product which incorporates a new gas burner technology. Important

reductions of this fuel over conventional furnaces of the same size have thereby been obtained.

Vitro Fibras, S. A. This company focused its efforts on the rationalization of its product line and the improvement of certain physical characteristics of its insulation products such as density. Also, a new batch house was concluded, which will permit this company to obtain important savings in the cost of raw materials. The installation of equipment for the manufacturing of insulation pipe ducts, purchased from our partner Owens-Corning Fiberglas, was concluded. This will allow us to supply increased quantities of this product to the United States through the distribution channels of this American company, with improved efficiency and quality.

Mining. Materias Primas Monterrey, S. A. de C. V. redesigned its purchasing processes and continued its research in areas such as improved milling and magnetic















separation. Next year this will drastically reduce its chemical processes, with the expected cost savings obtained by eliminating some manufacturing steps and the decreased utilization of chemical products. Also, an organization restructuring in this sector was implemented to obtain important reductions in general expenses.

At the end of the year, exports to Costa Rica were initiated for silica sand, and sales were increased to the Californian market for micronized feldspar used by the paint industry.

Analyses for the mining and processing of colemanite (borates) were completed, allowing us to start the construction of a plant in the state of Sonora to serve the Japanese and Mexican fiberglass reinforcements markets. The project for the exploration of natural soda ash was redesigned, and the process for the potential exploitation of the sodium sulfate deposit in Sonora was initiated.

Vitro Household Products

1991 was a challenging year for the Vitro Household Products Division. The Division's various activities were oriented to improve the organization in order to provide better products and services, and to increase customer satisfaction. We consolidated our position in the domestic market, increased our exports, designed a new system for product development, initiated a Total Quality Program, and made significant progress in the learning curve at our new production facilities. These achievements were accomplished while installed capacity experienced significant growth.

Sales increased 16% with respect to 1990, in great part due to the opening of our new plants.

Products

During the year we introduced new products into the market, including: automatic and semiautomatic washers with 5 kg. capacity, incorporating world class technology; the new line of ranges "Nueva Imagen" with sealed top; and 12- and 14-foot two-door nofrost refrigerators.

















All of these new products are sold in Mexico and abroad under the *Acros*, *Whirlpool*, *Roper*, *KitchenAid*, *Kenmore*, *Philips*, *Crolls*, and *Supermatic* brands.

Exports of vertical freezers, refrigerators and ranges to the U.S., Canada and Central America experienced a high growth during the year.

Capital Expenditures

Thirty million dollars were invested in fixed assets, mainly in the construction of new manufacturing facilities for the production of compressors, molds and dies, and in improvements in the plants which manufacture refrigerators (Supermatic), washers (Interlav), and plastic components (Viplasticos). Our installed capacity grew one third with respect to 1990.

The most important achievement, however, was the completion of the Acros-Whirlpool Industrial Center, a 120-acre compound located in Apodaca, Nuevo Leon, close to Monterrey, Mexico, where our plants produce refrigerators, washers, compressors, plastic parts, molds and dies. Forty percent of

our 7000 employees work in this Center. We were honored in the inauguration of this Industrial Center by the presence of the President of Mexico, Mr. Carlos Salinas de Gortari.

Technology

In order to strengthen our technological capabilities, we acquired IMEC (Mexican Institute of Metal Mechanical Research) which has become our new Advanced Development Center. More than 100 engineers and highly qualified technicians have been assigned to various product development projects to assure the competitiveness of our processes and products.

This Advanced Development Center, combined with the technology of Whirlpool Corporation, our partner and world leader in household appliances, will provide our organization with an important competitive advantage in both domestic and world markets.











Outlook for 1992

Our actions must be directed toward servicing our customers through the continuous improvement of all elements of our organization, but above all enhancing the capabilities of our main resource, our people. This will allow the Vitro Household Products Division to look to the future with optimism and confidence, to successfully meet the competitive challenges in the Mexican market under a free trade environment, as well as to become a world class competitor in the global appliance market.

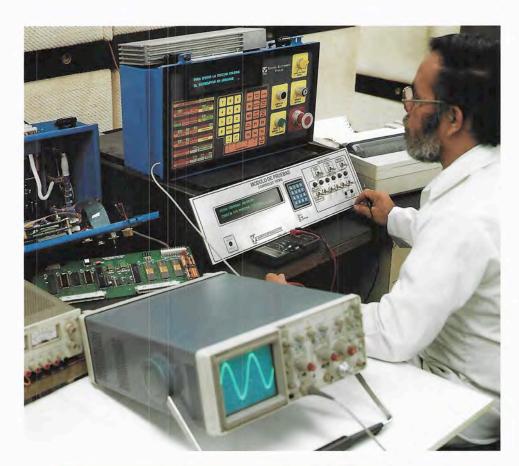
To meet these challenges our entire organization is involved in a program called the Quest for Excellence through Customer Satisfaction. This program will bring our technological, training, quality, and leadership programs, together with the motivation and drive of our personnel, to assure the permanent satisfaction of all our customers' needs.

Vitro Capital Goods

The changes in Mexico's economic policies towards a greater liberalization of imports, and the negotiations of the North America Free Trade Agreement, have had a great impact on this Division in the last two years.

Product characteristics and pricing policies had to be modified according to international standards and open competition. Radical changes in the structure of operating areas had to take place, with special emphasis on cost reduction and a better utilization of all resources to improve productivity and quality.

Traditional systems and procedures needed to be changed in order to direct our efforts to manufacture products with the latest technology, and to provide our customers with the capital goods that ensure mutual success.













Fabricación de Máquinas, S. A. de C. V.

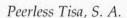
One of FAMA's main goals was to provide proper support for the strategic objectives and plans of the newly created division Vitro North America Containers.

New and more productive forming machines and equipment were provided to refurnish Anchor Glass Container Corp. production plants, thus improving its position as a dependable supplier for its customers and markets.

For the modernization and improvement of the Central American glass container plants, three forming machines were shipped in 1991, in order to conclude this project in early 1993.

With quality and service, the mold area continued to improve its competitive position, increasing participation in the domestic and export markets, mainly in the U.S., Central and South America.

A substantial increase in sales volume was reached in the mold area, as a result of good service, price, and quality level. Our local market share improved and a larger participation was obtained in the exports to U.S., Central, and South America.

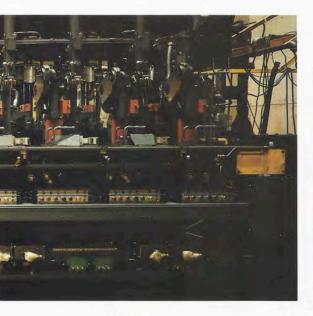


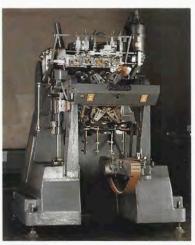
The decreased investment and the cost reduction programs implemented by our main customers, Petroleos Mexicanos (PEMEX) and Comision Fe-













deral de Electricidad (CFE) during 1991, affected our sales volume. Nevertheless, a 6% increase was achieved in real terms, compared to the previous year. Since the profitability of the company had not been satisfactory, in the last quarter its overhead was reduced and the sales area and distribution channels were restructured. Future growth is foreseen in the investment programs of PEMEX and CFE which should benefit our Company.

In the year, 15 large pumping units, 750 to 1 000 H.P. each, were supplied for an hydraulic project of the State of Nuevo Leon named "El Cuchillo".





Vitro Human Relations and Planning

Grupo VITRO companies maintained their traditional harmonious relationships with their workers, and continued negotiating the modernization of their collective labor agreements.

Grupo VITRO continued optimizing the management and provision of social welfare benefits granted to its personnel, adapting them to the new requirements of the Corporation.

Vitro Club extended its scope to other regions of Mexico, spreading the application of our social improvement model in order to raise the standard of living of our members and their families.

To stimulate the creative and innovative efforts of our personnel, we established the Technological Development Annual Award, participating 121 researches.

To promote continuous improvement in the quality of products and services provided by Grupo VITRO, the Corporation instituted the Commendation for Integral Quality "Adrian Sada Treviño", in rec-









ognition of our former Chairman of the Board.

We promoted the further growth of Grupo VITRO's executives in international competitiveness. At the same time, we focused our efforts on maintaining personnel compensation systems in full accordance with marketing conditions.

We refined and expedited our macroeconomic and industry analyses. We also adapted our strategic planning process to enable us to give a fast response to the changing environment and to the evolution of Grupo VITRO's markets.

We continued our intensive support of the internationalization projects of Grupo VITRO, and we also strengthened the internal communication in our organization.

The most important contribution of Grupo VITRO's Art Center during the current year was the creation of the Glass Museum, the first of its kind in Latin America.

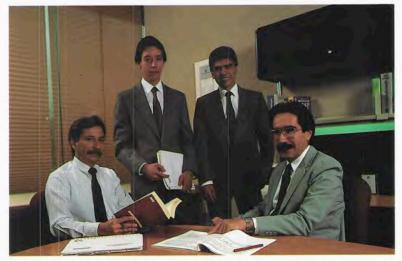
Vitro Finance

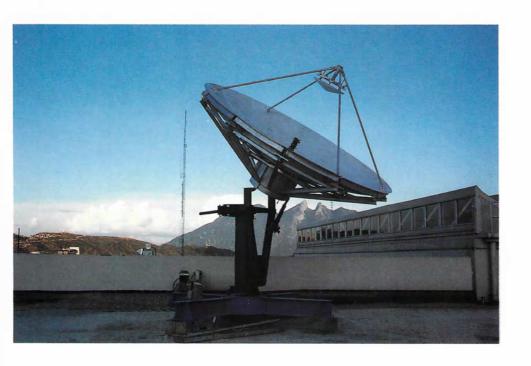
The services provided by the Finance division to all Grupo VITRO's Divisions were restructured to make them more efficient, reducing the size of the organization to adapt it to actual needs and obtain the synergy and modernity demanded by the internationalization of our businesses.

With a view to modernizing and speeding up the process of electronic information, computing equipment was standardized, which will also allow the development and introduction of common systems throughout all the companies of the Group.

The Corporate Information area was reoriented to give priority to corporate systems and technological support for all Grupo VITRO Divisions. The communication system was extended, thus achieving superior quality and speed, as well as a significant reduction in cost. In addition, voice mail project was completed.







Price and payment conditions, both with domestic and foreign suppliers, improved notably in the acquisition of materials, as well as in the transportation of raw materials and finished products by railway and road.

Strict adherence to the generally accepted Accounting Principles in those countries where our companies are located continued to be a primary objective. Furthermore, the accounting and fiscal policies were maintained, in order to ensure the strict compliance of our obligations.

We are actively working on the implementation of a new financial system, uniform for all the companies of Grupo VITRO, which will allow the development of accounting and financial information to adequately respond to this new era of global competition. In order to take advantage of this new system, a project was begun to monitor the auditing function through computerized information.

Vitro Legal, Public and Banking Relations

Grupo VITRO made significant progress in its efforts to internationalize its operations during 1991. The objectives of our Corporation to maintain and enhance worldwide competitive levels were realized with responsive support from the Legal, Public and Banking Relations Division.

As the political and economic structures in the world transform, all organizations are required to react swiftly to those changes in order to recognize the opportunities they present and rise to the challenges they bring. We have assumed this with the firm conviction of the need to adapt our services to the changing environment.

In the Legal sphere, the advice and support needed by the business units of the Corporation were provided as required. Likewise, the position of Grupo VITRO on the negotiations within the frame of the Free Trade Agreements, carried out by our country, were firmly presented on different forums, supported by our office in Washington, D.C. We assisted in finalizing the joint venture agreements reached with Corning Incorporated and with American Silver Company (Amsilco).









In the Financial area, significant progress was achieved in enhancing the sources of funds for Grupo VITRO. This effort supported the attainment of credits needed by the Divisions to assist their expansion programs, as well as refinancing projects, specially in the case of our subsidiary, Anchor Glass Container Corporation. In regard to the equity market, we actively participated in the two placements of shares made during the year, simultaneously in Mexico and abroad, attracting investments to the Corporation of more than 260 million dollars. All the areas of the Division contributed in the effort of the listing of Vitro, Sociedad Anonima on the New York Stock Exchange last November.

In the field of Financial Communications, the Division provided support to the Annual Shareholders' Meeting, designed and produced the Annual Report, and created Audio Visual support as required; all directed at enhancing the corporate image, as well as the communication with all the institutions and individuals interested in the development of Grupo VITRO.

Vitro, Sociedad Anonima

Vitro, Sociedad Anonima continued its fundamental objective of providing financial and administrative resources to the companies of the Corporation. Due to the evolution and development of our companies' operations, requirements in these areas have increased.

Recognized as a major corporate participant in the Mexican Stock Market, Vitro, Sociedad Anonima, continues to maintain the high marketability of its shares, providing its stockholders with a satisfactory return on investment.

During 1991 two share placements were made on the Mexican and International markets, obtaining the listing on the New York Stock Exchange. The resources obtained contributed to the financing of divisional projects.

Our traditional policy of profit reinvestment has enabled us to retain the solid financial position of our Corporation, ensuring the stability and sustained growth of our subsidiary companies.





Vitro Foreign Trade

World economy is presently immersed in a process in which all countries are becoming more interdependent, with the principal focus being on the efficient operation of free markets.

Scientific and technological developments have modified production processes, and the revolution of telecommunications has reduced distances, brought markets closer, modified consumption and production patterns, and intensified competition and complementarity between countries.

No nation wanting to develop its economy and achieve higher standards of living can put aside all these changes, due to the fact that it would mean economic and technological stagnation, along with

social relapse.

In response to this structural change, Mexico has followed a process of comprehensive reforms characterized by commercial integration with many countries, defining, in the process, specific formulas which enable us to respond to the challenges of a global economy and take advantage of the complementarity between economies.

The North American Free Trade Agreement, as well as the economic complementarity agreements with other countries, brings challenges, opportunities and threats to Mexico, and requires a profound analysis to define strategies for Grupo VITRO in order to strengthen its international competitive position.

Intensive work has been



carried out with the public and private sectors to support the process of research, evaluation, definition, and negotiation of those agreements.

Internally, there has been continuous support to Grupo VITRO's divisions in defining their positions with regard to such agreements, in order to maintain competitiveness.

It is expected that in 1992 there will be a series of agreements with other countries, in addition to those presently in process, and we will focus our efforts to continue supporting these negotiations in order to build strong support for the internationalization of Grupo VITRO and its companies.



Board of Directors

Adrián Sada G. Chairman

Adrián Sada T.

Eduardo G. Brittingham

Javier Iriondo V. Examiner

Tomás González Sada

Andrés Yarte Cantú

Julio Escámez F.

Adolfo Larralde R. 약

Alternate Board Members:

Mario Garza G.

Ernesto Martens R.

Virgilio Garza Jr. 🕆 Alfonso F. Rodríguez

Alejandro Garza Lagüera

Juan F. Muñoz

Alternate Examiner:

Pablo González Sada Secretary Federico Sada G.

Salvador González G. Jr.

Corporate Officers

Ernesto Martens R.
President and Chief Executive
Officer

Juan Manuel Holguín President Vitro Chemical, Fibers and Mining Roberto César Treviño President Vitro Finance

Federico Sada G.

President

Vitro North America Containers

Tomás González Sada President Vitro Household Products

José Antonio López President Vitro Legal, Public and Banking Relations

Gerardo Sada Z.
President
Vitro Flat Glass

Carlos G. Segovia G.
President
Vitro Capital Goods

Luis Morales Doria President Vitro Foreign Trade

Julio Escámez F.
President
Vitro Glassware

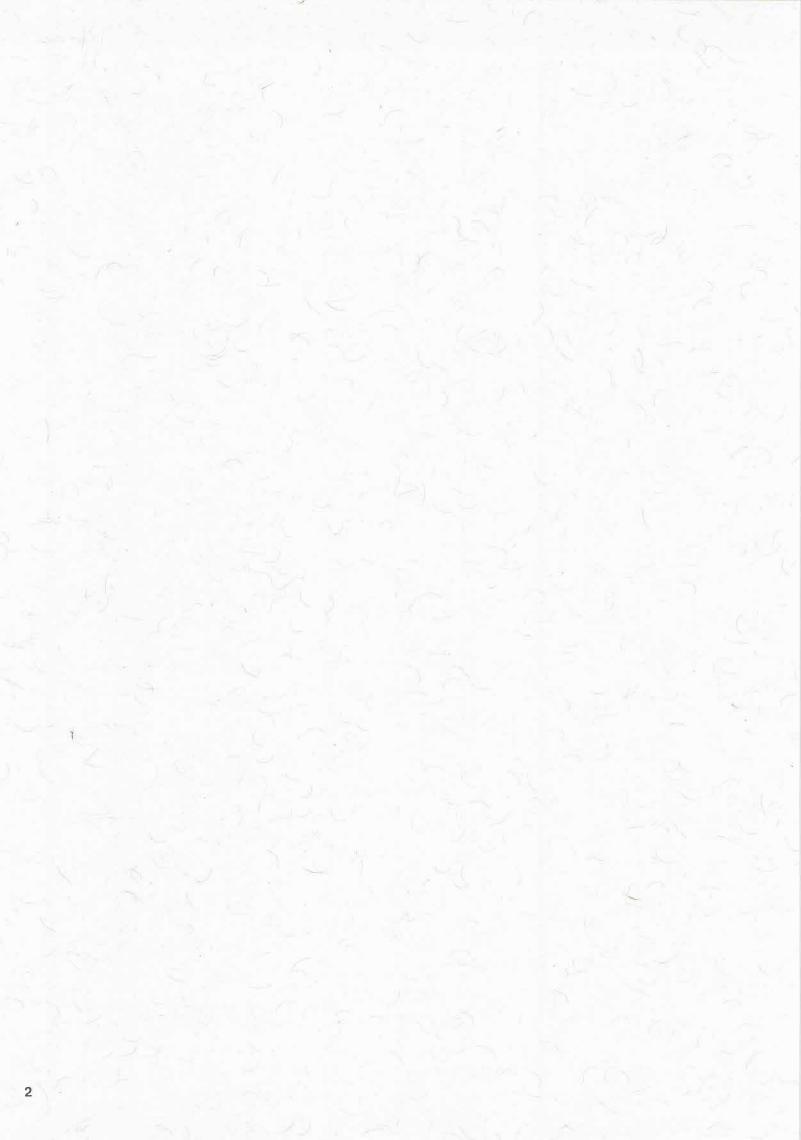
Mario Garza G. President Vitro Human Relations and Planning

Pablo González Sada President Vitro, Sociedad Anonima



Financial Statements

Financial Statements of Vitro, Sociedad Anonima



Galaz, Gómez Morfín, Chavero, Yamazaki

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

We have examined the balance sheets of Vitro, Sociedad Anónima, as of December 31, 1991 and 1990, and the related statements of income, variations in stockholders' equity and changes in the financial position for the years ended at December 31, 1991, 1990 and 1989. Such financial statements are responsibility of the Company's management. Our examinations were made in accordance with generally accepted auditing standards and accordingly, included such test of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the subsidiaries and associated companies mentioned in the note 2-a) were examined by other auditors and our opinion, regarding the amounts reported by these companies, is based only on the auditors' report issued by such other auditors. The total assets of the companies above mentioned represent 13% and 12% of the consolidated total assets in 1991 and 1990, respectively, whereas their net income represents 13%, 17% and 24% of the consolidated net income in 1991, 1990 and 1989, respectively.

In order to desclose in an adequate form the financial information of the economic entity integrated by Vitro Sociedad Anónima and Subsidiaries, the consolidated financial statements are required, which were prepared by separate and they are audited by certified public accountant (note 2a).

In our opinion, the accompanying financial statements referred to in the first paragraph, in conjunction with the consolidated financial statements mentioned in the former paragraph, present fairly the financial position of the legal entity, Vitro, Sociedad Anónima as of December 31, 1991 and 1990, and the results of its operations, variations in its stockholders' equity and changes in its financial position for the years ended at December 31, 1991, 1990 and 1989, in conformity with generally accepted accounting principles.

Celso Javier Treviño E.
Public Accountant

Monterrey, N.L. México, March 16, 1992

Member International

Deloitte Ross Tohmatsu

VITRO, SOCIEDAD ANONIMA BALANCE SHEET

AS OF DECEMBER 31, 1991 AND 1990

(Billions of constant Mexican pesos as of December 31, 1991)

	<u>1991</u>	1990
ASSETS		
Cash and cash equivalents	Ps. 426	Ps. 12
Receivables for services to subsidiaries	249	19
Recuperable taxes		9
Other receivables	85	7
Company's own shares reacquired (note 3)	81	592
Current assets	841	639
Investment in subsidiaries and		
associated companies (note 4)	3,889	4,404
Land and buildings (note 5)	15	12
Furniture and equipment (note 5)	7	6
Construction in progress		2
Excess of cost over book value of net assets		
acquired, net of accumulated amortization	1,758	1,811
	5,669	6,235

Total assets	Ps.	6,510	Ps.	6,874

	December 31,				
LIABILITIES	1	1991		<u>1990</u>	
Commercial paper	Ps.	256	Ps.	475	
Accounts payable to subsidiaries		10	4.0	12	
Income tax and value added tax payable		127		152	
Other payables		5		1	
Short-term liabilities		398		640	
Accounts payable to subsidiaries		142	71	171	
Total liabilities		540		811	
Contingent liabilities (note 6)					
STOCKHOLDERS' EQUITY					
Capital stock		100		87	
Restatement of capital stock		1,152	W.A.	1,152	
Capital stock restated		1,252		1,239	
Paid-in capital		300		V	
Excess (shortfall) in restatement of capital		(1,415)		(660)	
Excess of book value over cost of shares					
in subsidiaries and associated companies		970		961	
Reserve for reacquisition of	1				
company's own shares (note 3)		419			
Common shares reacquired (note 3)		81			
Retained earnings		3,790		3,813	
Net income for the year	_	573	تكل	710	
Total stockholders' equity (note 8)		5,970		6,063	
Total liabilities and stockholders' equity	Ps.	6,510	Ps.	6,874	

Roberto César Treviño G.

President

Ernesto Martens R.

President and Chief Executive Officer

VITRO, SOCIEDAD ANONIMA INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989

(Billions of constant Mexican pesos as of December 31, 1991)

	1991	<u>1990</u>	1989
Share in net income of subsidiaries and associated companies	Ps. 521	Ps. 673	Ps. 717
Other operating revenues	7	9	
Revenues from operations	528	682	717
Administrative expenses	8	5	6
Operating income	520	677	711
Total financing cost:			
Financial expenses	81	185	104
Financial revenue	22	61	68
Gain due to monetary position	<u>78</u> (19)	160 (36)	43
Income after financing	539	713	718
Other income	90		
Income before taxes	629	713	718
Income tax and tax on assets	56	3	4
Net income for the year	Ps. 573	Ps. 710	Ps. 714

VITRO, SOCIEDAD ANONIMA STATEMENT OF VARIATIONS IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989 (Billions of constant Mexican pesos as of December 31, 1991)

	Capital Stock	Paid-in Capital	Excess (Shortfall) in Restatement of Capital	Excess of Book Value Over Cost	Net Income for the Year	Retained Earnings	Stock- holders' Equity
	7	- 1			- 1 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		
Balance at December 31, 1988	Ps. 1,214	Ps.	Ps. 363	Ps. 961	Ps. 776	Ps. 2,735	Ps. 6,049
Net income from prior year					(776)	776	
Dividends (3,469 pesos per share)		- 1				(243)	(243)
Loss due to holding non-monetary assets		- 1 / V	(234)				(234)
Net income for the year			(20 2)		714		714
Balance at December 31, 1989	1,214		129	, 961	714	3,268	6,286
Net income from prior year					(714)	714	
Stock dividend (25%)	25					(25)	1
Dividends (2,788 pesos per share)						(144)	(144)
Loss due to holding non-monetary			(700)		- 7		(700)
assets			(789)		710		(789) 710
Net income for the year		-		-	710		710
Balance at December 31, 1990	1,239		(660)	961	710	3,813	6,063
Net income from prior year				-	(710)	710	
Stock dividend (14.3%)	13					(13)	2
Paid-in capital		300			1		300
Dividends (2,777 pesos per share)						(220)	(220)
Loss due to holding non-monetary assets			(755)	,			(755)
Excess of book value over cost of shares in subsidiaries and			17				1
associated companies				9			9
Net income for the year					573		573
Balance at December 31, 1991	Ps. 1,252	Ps. 300	Ps. (1,415)	Ps. 970	Ps. 573	Ps. 4,290	Ps. 5,970

VITRO, SOCIEDAD ANONIMA STATEMENT OF CHANGES IN THE FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 1991, 1990 AND 1989 (Billions of constant Mexican pesos as of December 31, 1991)

OPERATING ACTIVITIES:	1991	1990	<u>1989</u>
Net income	Ps. 573	Ps. 710	Ps. 714
Add (deduct) non-cash items:			10, 711
Depreciation and amortization	1	1	1
Share in net income of subsidiaries and		-150	
associated companies	(105)	137	34
X X	469	848	749
Change in other current assets and liabilities, net	(111)	(69)	123
Resources generated from operations	358	779	872
FINANCING ACTIVITIES:			
Short-term bank loans	1,080	600	590
Monetary effect on liabilities with			
financing cost	(80)	(121)	(42)
Payment of short-term loans	(1,219)	(362)	(384)
Proceeds (investment in) from shares			
held in trust	787	(47)	(90)
Dividends paid	(220)	(144)	(243)
Resources generated (used)			
in financing activities	348	(74)	(169)
INVESTING ACTIVITIES:			
Recovery of other investments		20	
Investment in fixed assets	(2)	(3)	
Investment in subsidiaries and associated			
companies	(290)	(854)	(633)
Resources (used) in investing activities	(292)	(837)	(633)
Net increase (decrease) in cash and			
temporary investments	414	(132)	70
Balance at beginning of year	12	144	74
Balance at end of year	Ps. 426	Ps. 12	Ps. 144

VITRO, SOCIEDAD ANONIMA

NOTES TO FINANCIAL STATEMENTS (Billions of constant Mexican pesos as of December 31, 1991)

1. Activities of the Company

Vitro, Sociedad Anónima is a holding company, the subsidiaries of which manufacture and market glass containers, flat glass for architectural and automotive uses, glassware and enamelware for table and kitchen use, major household appliances, chemical and fiberglass products and other related products, mineral resources and capital goods.

2. Principal Accounting Policies

(a) <u>Investment in subsidiaries and associated companies</u> - This investment is valued by the equity method, taking into account the proportional part of the net income and stockholders' equity of the subsidiaries and associates that corresponds to the Company, based on the financial statements of the issuers at December 31, 1991 and 1990.

The 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. and Vitro Do Brasil Industria e Comercio, Ltda., and the associated companies Empresas Comegua S.A. and subsidiaries and World Tableware International, Inc., are audited by firms of public accountants other than the Company's principal auditor.

The excess on the acquisition of stocks in subsidiaries is determined on the basis of book value at the date of acquisition. It is a policy to amortize the excess of cost over book value over 40 years.

The financial statements represent the equity of Vitro Sociedad Anónima in the stockholders' equity and in the net income of its subsidiaries and associates, which are prepared for legal purposes; however, the consolidated financial statements are required in order to adequately reflect the financial information of the economic entity, these were prepared and audited by public accountant.

The following is a summary of the financial statements cited in the preceding paragraph:

		December 31,		
		1991	l	1990
	Ps.	13,567	Ps.	13,538
		6,721		6,506
The second		573		7 10
		Ps.	Ps. 13,567 6,721	Ps. 13,567 Ps. 6,721

(b) <u>Accounting method for the treatment of the effects of inflation</u> - The financial statements of the Company have been prepared in accordance with Bulletin B-10, "Recognition of the Effects of Inflation on the Financial Information", as amended, issued by the Mexican Institute of Public Accountants, which recognizes the effects of inflation. The Third Amendment to Bulletin B-10 (the Third Amendment), issued in 1989 and effective for fiscal years beginning January 1, 1990 and thereafter, has been adopted in such 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.

As a result of the adoption of the Third Amendment, the Company's financial statements have been restated as follows:

- (1) Balance sheets prior to December 31, 1991 and the statements of income and variations in stockholders' equity for the periods presented, have been restated to reflect Mexican pesos at their purchasing power as of December 31, 1991 using the Mexican National Consumer Price Index (INPC) published by the Bank of Mexico (Central Bank).
- (2) Bulletin B-12 addresses the appropriate presentation of the statement of changes in financial position where the financial statements have been restated to constant pesos in accordance with the Third Amendment. Bulletin B-12 establishes that the generation and application of resources are represented by the difference between beginning and ending financial statement balances in constant pesos, adjusted for the effect of holding non-monetary assets. Bulletin B-12 also provides that monetary and foreign exchange gains and losses be excluded from non-cash items in the determination of resources generated from operations.

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

<u>Inventories and cost of sales</u> - Subsidiaries' inventories are valued at the price of the last purchase made during the period, 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.

Anchor's inventories are valued by the "last in, first out" method. The value of the inventory at the date of the balance sheet approximates its replacement value.

<u>Land, buildings, machinery and equipment</u> - 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, determined from appraisals performed annually by independent appraisers registered with Comisión Nacional de Valores, Mexico's Securities and Exchange Commission (CNV).

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.

<u>The excess of cost over fair value of net assets acquired</u> - The excess of cost over fair value of net assets acquired of Mexican subsidiaries is restated using the 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), published by the U.S. Department of Labor and such excess is translated to Mexican pesos at the exchange rate at the date of the most recent balance sheet presented.

<u>Excess (shortfall) in restatement of capital</u> - 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.

<u>Restatement of capital stock and retained earnings</u> - Capital stock and retained earnings 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.

<u>Exchange fluctuations</u> - 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 at the end of each month.

<u>Gain (loss) from monetary position</u> - 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 as part of the total financing cost. For companies located in the United States of America, the result due to monetary position is calculated using the CPI.

- (c) <u>Maintenance expenses</u> Maintenance and repair expenses are recorded as costs and expenses in the period when they are carried out.
- (d) <u>Seniority premiums, retirement plans and severance payments</u> In Mexican companies, statutory seniority premiums for all personnel are considered as costs in the periods in which services are rendered. Periodic costs are calculated on the basis of actuarial computations, 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 cost of past services is amortized over the average period required for workers to reach their retirement age. Actuarial computations are updated if events requiring this take place.

For the Company's Mexican companies, the payments for the retirement plans made during 1989 and from January to September 1990, were charged directly to expenses in the year in which they were made. In September 1990, the Company changed the method by which it computes the cost of its Mexican companies' retirement plans to an actuarial based method. The liability for such plans for the last quarter of 1990 and for the year of 1991, computed using the actuarial method, was charged to expenses for 1990 and 1991 respectively. The actuarial method used is the projected unit credit method, under which the cost of past and future services are included, and both are amortized during the average expected years of service of the participants.

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

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, and the cost of past services is amortized over a 15 year period.

- (e) <u>Income tax</u> For the Company's Mexican companies, income tax expense is computed in accordance with the partial liability method, as required by Mexican Accounting Bulletin D-4, under which deferred income taxes are provided for identifiable, non-recurring timing differences (i.e., those that are expected to reverse over a definite period of time) at rates in effect at the time such differences arise, and reversed at those same rates at the time such differences reverse. Anchor accounts for income taxes under U.S. Accounting Principles Bulletin 11.
- (f) <u>The excess of cost over fair value of net assets acquired</u> The excess of cost over fair value of net assets acquired primarily relates to Anchor and it is amortized on a straight line basis over a 40 year period. Amortization expenses for the years ended December 31, 1991, 1990 and 1989 were, Ps. 46, Ps. 41 and Ps. 6, respectively.
- (g) <u>Other income</u> Net income for the period ended December 31, 1991 includes non-recurring revenues of Ps. 84 relating to a receivable in such amount based on an adjustment in the pricing of certain purchases from Mexican government's enterprises. Such amount is included in other income for the period.

3. Company's own shares reacquired

The Company held nearly an 84% interest in a trust which held common shares of the Company (the Common Shares Trust) and which ended on November 1991. During April and November of 1991, two offerings were made in Mexico and abroad for 13,000,000 common shares. The difference between the total of both sales, net of its related expenses and its restated acquisition cost is considered as paid-in capital in the stockholders' equity. All the shares left after the last offering in the Common Shares Trust were acquired directly by the trustees according to their proportional ownership; the company acquired 1,923,801 common shares and they were included into the balance sheet as an asset. The market price of the stock in the Mexican Stock Exchange at December 31, 1991 was Ps. 76,000.

On April 1991 the Company's stockholders' meeting authorized the appropriation of retained earnings on the amount of Ps. 500 for the reacquisition of the Company's own shares. This amount is included in retained earnings of the statement of variations in stockholders' equity.

4. Investment in subsidiaries and associated companies

a) The analysis of this investment follows:

December 31,			
1991	1990		
Ps. 2,758	Ps. 3,137		
1,131	1,267		
Ps. 3,889	Ps. 4,404		
	1991 Ps. 2,758 1,131		

b) Associated companies are considered to be those in which Vitro, Sociedad Anónima holds, as a permanent investment, less than 50% of its capital stock.

5. Property, machinery and equipment

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

December 31,			
19	91	19	90
Ps.	4	Ps.	4
	12	. 10	9
	(1)		(1)
Ps.	15	Ps.	12
	9		8
	(2)		(2)
Ps.	7	Ps.	6
	Ps.	1991 Ps. 4 12 (1) Ps. 15 9 (2)	1991 19 Ps. 4 Ps. 12 (1) Ps. 15 9 (2)

6. Contingencies

Documents drawn on various subsidiaries have been underwritten for Ps. 598 payables in U.S. dollars and Ps. 161 payables in Mexican pesos.

Anchor is a defendant in various environmental related cases. In addition, Anchor is one of many defendants in numerous cases alleging exposure to asbestos and silica by former employees of the closed Palestine, Texas plant. The defendants are primarily the suppliers of the products in question, but include Anchor as a former employer of the plaintiffs. The cases are in discovery. 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 which the Company believes is not material.

7. Foreign Exchange Operations

At December 31, 1991 the assets and liabilities denominated in foreign currency (different to the Mexican Peso) consist of the following (presented in U.S. dollars and its equivalent in Mexican Pesos at the exchange rate at December 31, 1991).

	Millions of Dollars	Mexican Pesos
Monetary assets	\$ 136	Ps. 418
Investment in subsidiaries		
and associated companies	356	1,096
Monetary liabilities	1	3

8. Stockholders' Equity

- (a) Capital stock of the Company consists of 100,000,000 and 87,500,000 ordinary, nominative, paid-up shares, without par value, as of December 31, 1991 and 1990, 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 payment of income tax by the Company.
- (c) The breakdown of the stockholders' equity consists of the following:

	December 31, 1991				
	Historical Value	Restatement		stated alue	
Capital stock	Ps. 100	Ps. 1,152	Ps.	1,252	
Paid-in capital	291	9		300	
Excess of book value over cost	126	844	H	970	
Retained earnings	1,152	3,138		4,290	
Net income for the year	535	38		573	

9. Amortizable Tax Losses

At December 31, 1990, the Company's Mexican companies had tax losses pending amortization in the amount of Ps. 331, and tax on the companies' assets to be credited amounting to Ps. 93. As a result of a change in Mexican Income Tax Law occurring in 1991, such Mexican companies eliminated the amortization of the restatement of the net operating losses carry-forwards prior to 1987. As a consequence of this the balance of net operating losses carry-forwards pending amortization was write-off and the asset tax was credited.

At December 31, 1991, Anchor had net operating loss carry-forwards and investment tax credit carry-forwards of approximately Ps. 215 and Ps. 18, respectively, expiring at various dates through 2006. The utilization of these carry-forwards will be limited due to changes in the tax law made by the U.S. Tax Reform Act of 1986, and will be restricted to offsetting future taxable income.

10. Business Acquisitions

In November 1989, the Company acquired Anchor for \$338 million. This acquisition has been accounted for as a purchase, and the acquired assets and liabilities have been recorded at their estimated fair values at the date of acquisition.

11. Subsequent Event

On January 2, 1992, the company completed a joint venture with Corning Incorporated, whereby the last received a cash payment of \$ 131 million dollars; a note for \$ 6.4 million dollars payable on July 1993 and 49% ownership in the new company Vitro Corning S.A. de C.V. On the other hand the Company received 49% ownership in the new company Corning Vitro Corporation; the Company transferred the assets and business of several subsidiaries from the Glassware Division to the new company Vitro Corning S.A. de C.V.; likewise, Corning Inc. transferred the assets and business of several subsidiaries from the Consumers Product Division to the new company Corning Vitro Corp.

Consolidated Financial Statements of Vitro, Sociedad Anonima and Subsidiaries

Galaz, Gómez Morfín, Chavero, Yamazaki

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

We have examined the balance sheets of Vitro, Sociedad Anónima and Subsidiaries, as of December 31, 1991 and 1990, and the related consolidated statements of income, variations in stockholders' equity and changes in the financial position for the years ended at December 31, 1991, 1990 and 1989. Such financial statements are responsibility of the Company's management. Our examinations were made in accordance with generally accepted auditing standards and accordingly, included such test of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the subsidiaries and associated companies mentioned in the note 2-b) were examined by other auditors and our opinion, regarding the amounts reported by these companies, is based only on the auditors' report issued by such other auditors. The total assets of the companies above mentioned represent 13% and 12% of the consolidated total assets in 1991 and 1990 respectively, whereas their net income represents 13%, 17% and 24% of the consolidated net income in 1991, 1990 and 1989 respectively.

In our opinion, the acompanying consolidated financial statements referred to above present fairly the consolidated financial position of Vitro, Sociedad Anónima and Subsidiaries as of December 31, 1991 and 1990, and the consolidated results of its operations, variations in its stockholders' equity and changes in its financial position for the years ended at December 31, 1991, 1990 and 1989, in conformity with generally accepted accounting principles.

Celso Javier Treviño E. Public Accountant

Monterrey, N. L. México, March 16, 1992

V revision

Member International

Deloitte Ross Tohmatsu

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(Billions of constant Mexican pesos as of December 31, 1991)

Millions of U.S. dollars (Convenience Translation)

			(Convenience Translation
	Decem	nber 31,	December 31,
ASSETS	1991	1990	1991
Cash and cash equivalents	Ps. 1,164	Ps. 689	\$ 378
Trade receivables, net of allowance for			
doubtful accounts of Ps. 8 and Ps. 9	883	848	287
Other receivables	259	206	84.
Inventories (note 5)	1,645	1,593	535
Company's own shares reacquired (note 4)	81	592	26
Current assets	4,032	3,928	1,310
Investment in associated companies	1,131	1,267	367
Land and buildings (note 6)	1,741	1,566	566
Machinery and equipment (note 6)	4,328	4,278	1,406
Construction in progress	278	421	90
Excess of cost over fair value of net assets acquired,			
net of accumulated amortization of Ps. 93 and Ps. 47	1,766	1,816	574
Other assets	291	262	95
	9,535	9,610	3,098
Total assets	Ps. 13,567	Ps. 13,538	\$ 4,408
LIABILITIES			*
Short-term borrowings (note 7)	Ps. 967	Ps. 1,190	\$ 314
Current portion of long-term debt	155	362	50
Trade payables	547	560	178
Other current liabilities	433	432	141
Accrued compensation and employee benefits	188	202	61
Current liabilities	2,290	2,746	744
Long-term debt (note 8)	3,695	2,862	1,201
Capital lease transactions and notes receivable, net (note	e 9) 93	93	30
Seniority premiums, pensions and			
other (note 3-c)	643	805	209
Long-term liabilities	4,431	3,760	1,440
Total liabilities	6,721	6,506	2,184
STOCKHOLDERS' EQUITY			
Minority interest in consolidated subsidiaries	876	969	285
Majority interest:			
Capital stock	100	87	32
Restatement of capital stock	1,152	1,152	374
Capital stock restated	1,252	1,239	406
Paid-in capital	300	1,20	98
Excess (shortfall) in restatement of capital	(1,415)	(660)	(460)
Excess of book value over cost of shares in subsident su			
and associated companies	970	961	315
Reserve for reacquisition of Company's own	100		
shares (note 4)	419		136
Common shares acquired (note 4)	81		26
		3.813	
The meane for the year			
Total stockholders' equity (note 13)			
		Ps. 13538	
Total habilities and stockholders equity	1		====
1	Haw		
Retained earnings Net income for the year Total stockholders' equity (note 13) Total liabilities and stockholders' equity	3,790 573 5,970 6,846 Ps. 13,567	3,813 710 6,063 7,032 Ps. 13/538	1,232 186 1,939 2,224 \$ 4,408

Ernesto Martens R.

President and Chief Executive Officer

The accompanying notes are an integral part of this financial statement.

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENTS

(Billions of constant Mexican pesos as of December 31, 1991, except for per share amounts)

Will be the second			21	Millions of U.S. dollars (Convenience Translation)
	1991	r ended Decembe	1989	Year ended December 31,
				1991
Net sales	Ps. 9,281	Ps. 9,239	Ps. 6,094 .	\$ 3,015
Cost of sales	6,603	6,673	3,936	2,145
Gross profit	2,678	2,566	2,158	870
Selling, general and		The state of	· New	
administrative expenses	1,384	1,274	1,077	450
Operating income	1,294	1,292	1,081	420
Total financing cost:				
Interest expense	935	1,148	1,131	304
Interest income	127	214	662	41
Gain from monetary position	380	489	95	124
	428	445	374	139
Income after financing	866	847	707	281
Other income (expenses), net (note 3-g)	106	17	(11)	34
Share in net income of unconsolidated				
associated companies	71	113	162	24
Income before income tax,	- 1	-	7	
workers' profit sharing and	65			
extraordinary items	1,043	977	858	339
Income tax (note 15)	263	173	189	85
Profit sharing to workers	70	69	105	23
Income before extraordinary items	710	735	564	231
Extraordinary items, net (note 16)	(46)	133	329	(15)
Net income for the year	664	868	893	216
Net income of minority interest	91	158	179	30
Net income of majority interest	Ps. 573	Ps. 710	Ps. 714	\$ 186
Earnings per common share (based on	437	0		
100,000,000 shares outstanding for all periods):				
Income before extraordinary items	Ps. 7,098	Ps. 7,355	Ps. 5,645	\$ 2,306
Extraordinary items	(460)	1,331	3,288	(149)
Minority interest	(911)	(1,584)	(1,789)	(296)
Net earnings per common	- 1	2 100	1	N. Della
share	Ps. 5,727	Ps. 7,102	Ps. 7,144	\$ 1,861

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Billions of constant Mexican pesos as of December 31, 1991)

	Capital Stock	Paid-in Capital	Excess (Shortfall) in Restatement of Capital	Excess of Book Value over Cost	Net Income for the Year	Retained Earnings	Minority Interest	Stockholders' Equity
Balance at December 31, 1988	Ps. 1,214	Ps.	Ps. 363	Ps. 961	Ps. 776	Ps. 2,735	Ps 958	Ps. 7,007
Net income from prior year Dividends (3,469 pesos	37				(776)	776		
per share)						(243)		(243)
Loss due to holding								
non-monetary assets			(234)					(234)
Increase in minority interest							86	86
Net income for the year					714			714
Balance at December 31, 1989	1,214		129	961	714	3,268	1,044	7,330
Net income from prior year					(714)	714		
Stock dividend (25%)	25				(, = = /	(25)		
Dividends (2,788 pesos per share)						(144)		(144)
Loss due to holding						(111)		(111)
non-monetary assets			(789)					(789)
Decrease in minority interest			(, , , ,				(75)	(75)
Net income for the year					710			710
Balance at December 31, 1990	1,239		(660)	961	710	3,813	969	7,032
Net income from prior year					(710)	710		
Stock dividend (14.3%)	13				(, 10)	(13)		
Paid-in capital		300				(10)		300
Dividends (2,777 pesos						(220)		
per share) Loss due to holding						(220)		(220)
non-monetary assets			(755)					(755)
Excess of book value over cost of s subsidiaries and associated com				9				9
Decrease in minority interest							(93)	(93)
Net income for the year					573			573
Balance at December 31, 1991	Ps. 1,252	Ps. 300	Ps.(1,415)	Ps. 970	Ps. 573	Ps. 4,290	Ps. 876	Ps. 6,846
							=	

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Billions of constant Mexican pesos as of December 31, 1991)

				Millions of U.S. dollars (Convenience Translation)
	Yea	ar ended Decembe		Year ended December 31,
OPERATING ACTIVITIES:	1991	1990	1989	1991
Net income	Ps. 664	Ps. 868	Ps. 893	\$ 216
Add (deduct) non-cash items:				
Depreciation and amortization	723	782	534	234
Provision for seniority premiums, pensions				
and other	(12)	(144)	17	(4)
Share in net income of unconsolidated associated				
companies	(71)	(113)	(162)	(23)
Cancellation of FICORCA contract		13	191	
Discount from prepayments to foreign banks	4	(11)	(226)	
Deferred income tax and workers' profit sharing		(6)	(43)	(2)
	1,298	1,389	1,204	421
(Decrease) in trade payables	(13)	(3)	(45)	(4)
Decrease (increase) in trade receivables	(34)	2	77	(11)
(Increase) in inventories	(186)	(267)	(156)	(60)
Other current assets and liabilities, net	(78)	(256)	(122)	(25)
Resources generated from operations	987	865	958	321
FINANCING ACTIVITIES:				
Short-term bank loans	4,447	5,325	4,108	1,444
Long-term bank loans	2,702	2,547	836	878
Capital stock contributed by minority interest	18	2	8	6
Monetary effect on liabilities with financing cost	(655)	(721)	(239)	(213)
Payment of short-term loans	(4,670)	(6,065)	(2,786)	(1,517)
Payment of long-term loans	(1,583)	(772)	(774)	(514)
Proceeds (investment in) from shares held in trust	787	(47)	(90)	255
Dividends paid to stockholders of				
Vitro, Sociedad Anónima	(220)	(144)	(243)	(71)
Dividends paid to minority interest	(105)	(129)	(161)	(34)
Payment of capital stock to minority interest		(35)		
Resources generated (used) in				
financing activities	721	(39)	659	234
INVESTING ACTIVITIES:				
Sale of fixed assets	89	46	22	29
Investment in land and buildings and machinery				
and equipment	(1,221)	(916)	(440)	(397)
Investment in subsidiaries	(33)	(13)	(1,176)	(11)
Other	(68)	(107)	(6)	(22)
Resources (used) in investment activities	(1,233)	(990)	(1,600)	(401)
Net increase (decrease) in cash and cash		-		
equivalents	475	(164)	17	154
Balance at beginning of year	689	853	836	224
Balance at end of year	Ps. 1,164	Ps. 689	Ps. 853	\$ 378

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Billions of constant Mexican pesos as of December 31, 1991)

1. Activities of the Company

Vitro, Sociedad Anónima is a holding company, the subsidiaries of which manufacture and market glass containers, flat glass for architectural and automotive uses, glassware and enamelware for table and kitchen use, major household appliances, chemical and fiberglass' products and other related products, mineral resources and capital goods.

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.

The consolidated financial statements for all periods have been presented in pesos of constant purchasing power as of December 31, 1991, as required by the third amendment to Bulletin B-10 and Bulletin B-12 issued by the Mexican Institute of Public Accountants (see note 3).

The consolidated financial statements presented herein are expressed in billions of constant Mexican pesos as of December 31, 1991. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended December 31, 1991 have been translated into United States dollars at the rate of 3,078 pesos per one dollar, the rate of exchange set by the Banco de Mexico on December 31, 1991. 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 are included in the consolidated financial statements.

On November 2, 1989, 100% of the shares of Latchford Glass Company and 98.9% of the shares of Anchor Glass Container Corporation were acquired. These companies are located in the United States of America and are referred to hereafter in the consolidated financial statements as Anchor.

The 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. and Vitro Do Brasil Industria e Comercio, Ltda., and the associated companies Empresas Comegua S.A. and subsidiaries and World Tableware International, Inc. are audited by firms of public accountants other than the Company's principal auditor.

In order to consolidate 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). The assets, liabilities, stockholders' equity (except capital stock) and the income statement accounts were translated using the exchange rate as of the date of the most recently presented balance sheet (see note 3).

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.

An analysis of the investment in associated companies follows:

Cydsa, S.A.
Empresas Comegua, S.A.
World Tableware International, Inc.

35	Ps. 1,16
14	10
32_	
31	Ps. 1,26
	14 32

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

Balance Sheet Data:

Millions of U.S. dollars (Convenience Translation)

				(Convenience Translation)
		Decer	mber 31,	December 31,
		1991	1990	1991
Current assets		Ps. 1,317	Ps. 1,433	\$ 428
Non-current assets		1,731	1,903	562
Current liabilities		748	798	243
Long-term debt		270	103	88
Minority interest		71	93	23
Stockholders' equity		1,959	2,342	636

Income Statement Data:

	Year ended December 31,			(Convenience Translation) Year ended December 31,		
	1991	1990	1989	1991		
Revenues	Ps. 2,405	Ps. 2,478	Ps. 2,564	\$ 781		
Gross profit	687	657	718	223		
Net income Dividends paid to	107	221	310	35		
Vitro, Sociedad Anónima	33	28	28	11		

Empresas Comegua, S.A. manufactures and markets glass containers and is located in the Republic of Panama and has subsidiaries in Costa Rica and Guatemala. Summary information of Empresas Comegua, S.A. and World Tableware International, Inc. 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, which recognizes the effects of inflation. The Third Amendment to Bulletin B-10 (the Third Amendment), issued in 1989 and effective for fiscal years beginning January 1, 1990 and thereafter, 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. As a result of the adoption of the Third Amendment, the Company's consolidated financial statements have been restated as follows:

- (1) Consolidated balance sheets prior to December 31, 1991 and the consolidated statements of income and stockholders' equity for the periods presented, have been restated to reflect Mexican pesos at their purchasing power as of December 31, 1991 using the Mexican National Consumer Price Index (INPC) published by the Bank of Mexico (Central Bank). For companies located in the United States of America the price index used to restate U.S. dollars is the Consumer Price Index-All Urban Consumers-All Items, Unadjusted (CPI) published by the U.S. Department of Labor.
- (2) Bulletin B-12 addresses the appropriate presentation of the statement of changes in financial position where the financial statements have been restated to constant pesos in accordance with the Third Amendment. Bulletin B-12 identifies items in the generation and application of resources representing differences between beginning and ending financial statement balances in constant pesos, adjusted for the effect of holding non-monetary assets. Bulletin B-12 also provides that monetary and foreign exchange gains and losses be excluded from noncash items in the determination of resources generated from operations.

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

- \cdot <u>Inventories and cost of sales</u> Inventories are valued at the price of the last purchase made during the period, 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 Anchor are valued by the "last in, first out" method. The value of the inventory at the date of the balance sheet approximates its replacement value.
- · <u>Land and buildings and machinery and equipment</u> 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, determined from appraisals performed annually by independent appraisers registered with Comisión Nacional de Valores, Mexico's Securities Commission (CNV).

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

- · <u>Excess of cost over fair value of net assets</u> The excess of cost over fair value of net assets acquired of Mexican subsidiaries is restated using the INPC. The excess of cost over fair value of net assets acquired of Anchor is restated applying the CPI, and such excess converting 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.
- · <u>Restatement of capital stock and retained earnings</u> Capital stock and retained earnings 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.
- · <u>Exchange fluctuations</u> 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.
- · <u>Gain (loss) from monetary position</u> 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 due to monetary position is calculated using the CPI.
- (b) <u>Maintenance expenses</u> Maintenance and repair expenses are recorded as costs and expenses in the period when they are incurred.
- (c) <u>Seniority premiums, retirement plans and severance payments</u> In Mexican companies, statutory seniority premiums for all personnel are considered as costs in the periods in which services are rendered. Periodic costs are calculated on the basis of actuarial computations, 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 cost of past service is amortized over the average period required for workers to reach their retirement age. Actuarial computations are updated if events requiring this take place.

For the Company's Mexican companies, the payments for the retirement plans made during 1989 and from January to September 1990, were charged directly to expenses in the year in which they were made. In September 1990, the Company changed the method by which it computes the cost of its Mexican companies' retirement plans to an actuarial based method. The liability for such plans for the last quarter of 1990, and for the year of 1991, computed using the actuarial method, was charged to expense for 1990 and 1991 respectively. The actuarial method used is the projected unit credit method, under which the cost of past and future services are included, and both are amortized during the average expected years of service of the participants.

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

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, and the cost of past service is amortized over a 15 year period.

Unrecognize prior service cost pending amortization of seniority premium and pension plans for 1991 and 1990 is Ps. 61 and Ps. 88 respectively. Net periodic pension cost for both concepts for 1991 and 1990 is Ps. 79 and Ps. 60 respectively, including the amortization of prior service cost.

- (d) <u>Income tax</u> For the Company's Mexican companies, income tax expense is computed in accordance with the partial liability method, as required by Mexican Accounting Bulletin D-4, under which deferred income taxes are provided for identifiable, non-recurring timing differences (i.e., those that are expected to reverse over a definite period of time) at rates in effect at the time such differences arise, and reversed at those same rates at the time such differences reverse. Anchor accounts for income taxes under U.S. Accounting Principles Bulletin 11.
- (e) Excess of cost over fair value of net assets acquired The excess of cost over fair value of net assets acquired primarily relates to Anchor and is amortized on a straight line basis over a 40 year period. Amortization expense for the years ended December 31, 1991, 1990 and 1989 were Ps. 46, Ps. 41 and Ps. 6, respectively.
- (f) <u>Capital lease transactions and notes receivable, net</u> This financial statement caption includes capital lease obligations and notes receivable between the Company and a third party. At the date of the acquisition of Anchor, capital lease obligations and notes receivable were recorded at their present value using the current rate of interest for such transactions. The capital lease and note receivable agreements provide for the legal right of offset of rental payments to the third party against the promissory notes due the Company.
- (g) <u>Other income</u> Net income for the period ended December 31, 1991 includes non-recurring income of Ps. 84 relating to a receivable in such amount based on an adjustment in the pricing of certain purchases from Mexican government sector enterprises. Such amount is included in other income for the period.

4. Company's own shares reacquired

The Company had an aproximate 84% interest in a trust which holds Common Shares of the Company (the Common Shares Trust) which was ended on November of 1991. During April and November of 1991 two offerings were made in Mexico, United States of America and internationally for 13,000,000 Common Shares. The difference between the total sales price of both offerings, net of its related expenses and the restated acquisition cost is considered as paid-in capital in the stockholders' equity. All shares left after the last offerings in the Common Shares Trust were acquired directly by the trustees according to the proportion on their ownership; the Company acquired 1,923,801 Common Shares and they are presented in the consolidated balance sheet as an asset. The market price of the stock on the Mexican Stock Exchange at December 31,1991 was Ps. 76,000 (in pesos).

On April 1991 the Company's Stockholders' meeting authorized the appropriation of retained earnings on the amount of Ps. 500 for the reacquisition of the Company's own shares. This amount is included in retained earnings on the Consolidated Statement of Stockholders' Equity.

5. Inventories

Inventories are summarized as follows:

	Decen	nber 31,
	1991	1990
Semi-finished and finished products	Ps. 1,068	Ps. 1,033
Raw materials	261	228
Packaging materials	42	41
	1,371	1,302
Spare parts	159	190
Refractories	42	30
Merchandise in transit	44	47
Other	29	24
	Ps. 1,645	Ps. 1,593
		-

6. Land and buildings and machinery and equipment

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

	December 31,
	1991 1990
Land	Ps. 415 - Ps. 309
Buildings	1,763 1,664
Accumulated depreciation	(437) (407)
	Ps. 1,741 Ps. 1,566
Machinery and equipment	Ps. 7,030 Ps. 6,915
Equipment under capital leases	290 315
Accumulated depreciation	(2,992) (2,952)
	Ps. 4,328 Ps. 4,278

7. Short-Term Borrowings

Short-term borrowings consists of the following:

	December			r 31,	
	19	991	1	990	
Bank borrowings	Ps.	707	Ps.	641	
Commercial paper		256		509	
Other	-	4	3	40	
	Ps.	967	Ps.	1,190	

At December 31, 1991 and 1990, short-term borrowings denominated in Mexican pesos totalled Ps. 484 and Ps. 764, respectively and short-term borrowings denominated in foreign currency (all of which are denominated in U.S. dollars) totalled Ps. 483 and Ps. 426, respectively.

8. Long-Term Debt

Long-term debt consists of the following:

	Decem	nber 31,
	1991	1990
U.S. Companies (Payable in U.S. dollars):		1 - 1
Floating Rate Series A Senior Secured Notes due July 15, 1998 (Series A Notes)	Ps. 117	Ps
Series B Senior Secured Notes (Series B Notes), interest at 9.91% payable quarterly, principal payable 1996 through 1999	622	7 2 3
Floating Rate Series C Senior Secured Notes, due 1996 through 1999 (Series C Notes)	31	
Senior Secured Notes, interest at 11.28% payable quarterly, principal payable in December 1994 Term note facility	477	384
Senior subordinated debentures, interest at 13.375% payable semi-annually, redemption at the option of the Company on or after October 15, 1991 with		•
mandatory annual redemption of Ps. 115 in each of 1998 and 1999 and the balance of Ps. 232 in 2000; less unamortized discount of Ps. 37 at December 31, 1990, Ps. 35 at December 31, 1991, based on an imputed interest rate of 15.00%	427	438

(Table continued on following page)

	Decemb	per 31,
	1991	1990
U.S. Companies (Payable in U.S. dollars):	1 1	
Subordinated notes, interest at 13.25% payable semi-annually, principal payable in 1995; less unamortized discount of Ps. 15 at December 31, 1990 and Ps. 13 at December 31, 1991, based		
on an imputed interest rate of 15.00%	234	239
Other	70	92
Mexican Companies (Payable in U.S. dollars):		
Secured term notes, interest payable semi-annually with a LIBOR-based rate plus 1.75%, principal payable in semi-annual install-		
ments through June 2000	428	89
Unsecured term loan, monthly interest based on LIBOR plus 6%, principal payable in April 1993	170	
Unsecured term loans, some with variable interest rates based on U.S. Treasury Bills and LIBOR plus 2% and others with fixed rates ranging from 8% to 11.5%, principal payable in several installments until		
September 1996	86	10
Other	31	21
Mexican Companies (Payable in Mexican pesos):		
Secured term notes, variable interest rates based on Mexican Treasury Bills and the banks' weighted average cost of financing payable quarterly, principal payable in several installments until April 1996	110	108
Unsecured term loans, variable interest rates based on Mexican Treasury Bills and the banks' weighted average cost of financing payable monthly, principal payable in several installments until August 1996	322	442
Unsecured long-term lines of credit, variable interest rates based on Mexican Treasury Bills and the banks' weighted average cost of financing payable monthly, principal payable in several installments until June 1996	668	795
Other	57	37
	3,850	3,224
Less current maturities	155	362
	Ps. 3,695	Ps. 2,862

The schedule of principal payments of long-term debt as of December 31, 1991 is as follows:

Period ended December 31,				
1993			Ps.	738
1994				969
1995				468
1996				198
1997 and after				1,322
			Ps.	3,695
		1 K		

The Series A Notes and Series C Notes bear a floating rate of interest at the three-month LIBOR rate, as defined, plus 2.0%. The interest rate is adjusted quarterly at the commencement of each interest period. Interest on the Series B Notes is fixed at 9.91% per annum. Interest for all such Notes is payable quarterly commencing July 15, 1991.

The Series A Notes provide for no mandatory prepayment of principal prior to maturity on July 15, 1998. The Series B Notes and Series C Notes require mandatory annual prepayments commencing July 15, 1996 as follows:

	Required Prep of Princip		ent
	Series B Notes		ies C otes
July 15, 1996	Ps. 78	Ps.	4
July 15, 1997	155		8
July 15, 1998	78		4
July 15, 1999	311		15

Upon sale of any assets of Anchor or change in control of Anchor additional prepayments may be required by the terms of the Note Purchase Agreement governing the Series A Notes, the Series B Notes and the Series C Notes (the Notes).

Anchor has a \$50 million Working Capital and Letter of Credit Facility (the Working Capital Facility) which permits Anchor to choose between interest rate options, to specify the portion of the borrowing covered by specific interest rate options and to specify the interest rate period to which certain interest rate options are to apply.

The Notes and the Working Capital Facility are secured by all inventories, accounts receivable and property, plant and equipment of Anchor (net book value of Ps. 2,186 at December 31, 1991). Both the Note Purchase Agreement and the Working Capital Facility provide for various covenants that restrict the ability of Anchor to incur additional indebtedness, sell or transfer assets, make investments, enter into transactions with or make distributions to affiliates and pay dividends or make other distributions in respect of its capital stock, as well as require it to meet various financial maintenance tests. These financial maintenance tests include fixed charge coverage, net worth, current ratio and debt to equity tests. The total restricted net assets of the Company were Ps. 1,416 as of December 31, 1991.

Debt of Mexican companies for the amount of Ps. 447 (were Ps. 451 when originally contracted) are secured by fixed assets and inventories with a fair value of Ps. 653 at December 31,1991.

9. Capital Lease Transactions and Notes Receivable, Net.

Anchor leases certain operating facilities from Anchor Glass Container Associates Limited Partnership (AGCA), formerly Wesray Container Associates. When these leases were executed in 1983 and 1984, the partners in AGCA included two members of senior management and four members of Anchor's Board of Directors.

At December 31, 1991 and 1990, Anchor had outstanding capital lease obligations of Ps. 89 and Ps. 88, respectively, net of notes receivable (AGCA Notes) in connection with such lease operations. Of this amount, Ps. 4 and Ps. 5, respectively, are short-term notes receivable net of related debt. The total capital lease obligations at such dates were Ps. 290 and Ps. 302, respectively, and the notes receivable in connection with such leases at such dates were Ps. 201 and Ps. 214, respectively.

10. 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.

Annual rental expense for all operating leases and future minimum lease payments under non-cancellable operating leases are not material.

11. Contingencies

Anchor is a defendant in various environmental related cases. In addition, Anchor is one of many defendants in numerous cases alleging exposure by former employees of the closed Palestine, Texas plant, to asbestos or silica. The defendants are primarily the suppliers of the products in question, but include Anchor as a former employer of the plaintiffs. The cases are in discovery. 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.

12. Foreign Currency Operations

(a) At December 31, 1991 the assets and liabilities denominated in foreign currency (different to the Mexican peso) consist of the following (they are presented in U.S. dollars and its equivalent on Mexican pesos).

	1	llions dollars	_	xican sos
Monetary Assets		\$ 37	Ps.	113
Inventories		12		38
Fixed Assets		466		1,434
Monetary Liabilities		416		1,280

(b) Foreign operations during the year of 1991.

	+5	illions dollars		xican
Exports		\$ 263	Ps.	810
Imports		231		711
Interest Expense Net		(9)		(28)

(c) Anchor is the most important subsidiary located outside Mexico, relevant information about this company is shown in note 19.

13. Stockholders' Equity

- (a) Capital stock of the Company consists of 100,000,000 and 87,500,000 ordinary, nominative, paid-up shares, without par value, as of December 31, 1991 and 1990, 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 payment of income tax by the Company.
 - (c) Minority interest in consolidated subsidiaries consists of the following:

-		December 31,		
		1991	19	990
Capital Stock	Ps.	878	Ps.	875
Paid-in capital		24		20
Excess (shortfall) in restatement of capital		(489)		(392)
Excess of book value over cost		11		11
Retained earnings		361		316
Net income for the period		91		158
Other	-			(19)
	Ps.	876	Ps.	969

(d) Majority interest stockholders' equity consist of the following:

	- 2	December 31, 1991	
	Historic Cost	Restatement	Restated Value
Capital Stock	Ps. 100	Ps. 1,152	Ps. 1,252
Paid-in capital	291	9	300
Excess of book value over			
cost of shares in subsidiaries			
and associated companies	126	844	970
Retained earnings	1,152	3,138	4,290
Net income for the period	535	38	573

14. Amortizable Tax Losses

At December 31, 1990, the Company's Mexican companies had tax losses pending amortization (net operating loss carry-forwards) in the amount of Ps. 331 attributable to the majority interest, and Ps. 125 attributable to the minority interest; and tax on the companies' assets to be credited amounting to Ps. 93 attributable to the majority interest and Ps. 3 attributable to the minority interest. As a result of a change in Mexican Income Tax Law occurring in 1991, such Mexican companies' eliminated the amortization of the restatement of net operating losses carry-forwards prior to 1987. As a consequence of this the balance of net operating losses carry-forwards pending amortization was write-off and the asset tax was credited.

At December 31, 1991, Anchor had net operating loss carry-forwards and investment tax credit carry-forwards of approximately Ps. 215 and Ps. 18, respectively, expiring at various dates through 2006. The utilization of these carry-forwards will be limited due to changes in the tax law made by the U.S. Tax Reform Act of 1986, and will be restricted to offsetting future taxable income.

15. Income Tax

- (a) Deferred tax provisions amounting to Ps. 3 in 1991 and to Ps. 36 in 1990 correspond principally to the reserve for furnace repair.
- (b) At December 31, 1991, there were Ps. 740 of inventories that had already been deducted for tax purposes, and Ps. 37 as a provision for seniority premium payments that had not been deducted. 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,		
	1991	1990	1989
Effective income tax rate	25.2 %	17.7 %	22.0 %
Purchase deductions	7.6	9.0	10.5
Difference between tax and financial accounting for monetary gain	3.2	7.9	2.0
Share in net income of associated companies	2.4	4.1	7.0
Reserves	(0.6)	3.9	3.9
Restated cost of sales	(0.4)	(1.7)	(3.3)
Loss in foreign companies and minority interest	(3.4)	(1.9)	(3.3)
Difference between tax and financial accounting for depreciation	0.3	(2.0)	(4.9)
Expense deduction	0.3		-
Effect of change in tax law	(4.3)		_
Other	4.7	(1.0)	3.1
Statutory income tax rate	35.0 %	36.0 %	37.0 %

16. Extraordinary Items

The following extraordinary items are included in the consolidated income statements:

	Year ended December 31,					
	199	91	19	90	_1	989
Income (loss) from early extinguishment of						
debt (net of tax expense (benefit) of Ps. (1), Ps. 4 and Ps. 114, respectively)	Ps.	(46)	Ps.	4	Ps.	107
Utilization of net operating loss carry-forwards (net of asset tax of Ps. 0, Ps. 41 and Ps. 50)				129		222
(included tax of 15. 5) 15. 17 and 15. 55)	Ps.	(46)	Ps.	133	Ps.	329

17. Business Acquisitions

In November 1989, the Company acquired Anchor for \$ 338 million. This acquisition has been accounted for as a purchase, and the acquired assets and liabilities have been recorded at their estimated fair values at the date of acquisition. The operating results

of the acquired entities are included in the Company's consolidated results of operations from the date of the acquisition.

The following unaudited pro-forma summary presents the consolidated results of operations of the Company as if the acquisition had occurred at the beginning of 1989 (billions of constant Mexican pesos as of December 31, 1991, except per share data):

	Year ended December 31,	
	1989	
Net sales	Ps. 9,125	
Income before extraordinary items	380	
Net income of majority interest	530	
Earnings per common share:		
Income before extraordinary items	3,800	
Net income of majority interest	5,300	

The above amounts are based upon certain assumptions and estimates which the Company believes are reasonable, and do not reflect any benefit from economies which might be achieved from combined operations. The pro-forma results do not necessarily represent results which would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

18. Subsequent event

Effective January 2, 1992, the Company completed the joint venture with Corning Incorporated, whereby the last company received a cash payment of \$131 million dollars, a note for \$6.4 million dollars payable on July 1993 and 49% ownership in the new company Vitro Corning, S. A. de C. V. In return the Company received 49% ownership in the new company Corning Vitro Corporation. The Company transferred the assets and business of several subsidiaries from the Division of Glassware to the new company Vitro Corning, S. A. de C. V.; likewise Corning Inc. transferred the assets and business of several subsidiaries from the Consumers Products Division to the new company Corning Vitro Corp.

19. 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:

Yea	r ended Decembe	er 31,	
1991	1990	19	89
Ps. 1,120	Ps. 1,061	Ps.	921

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

- Segment	Principal Products
Containers	Glass and plastic 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
Capital Goods	Glass forming machines and molds

Anchor is treated as a separate segment because it is a U.S. subsidiary that produces and sells containers independent of the Company's Containers Division, and is included from its acquisition date of November 2, 1989.

	Contain	ers	Anchor	Flat Glass	Household Products	Glassware	Chemical, Fibers and Mining		Corporate and Other	Consolidated
1989			2		13	/				-(
Net sales	Ps. 2,226	Ps	. 530	Ps. 1,055	Ps. 1,012	Ps. 690	Ps. 728	Ps. 243	Ps. 22	Ps. 6,506
Interdivisional sales and other	10		0	8	2	23	259	110	0	412
Consolidated net sales	2,216		530	1,047	1,010	667	469	132	22	6,094
Operating income	365		(12)		167	86 .	151	(38)	16	1,081
Assets	2,962		4,354	1,468	1,064	863	883	366	1,698	13,658
Capital expenditures	98		23	20	142	80	46	16	15	440
Depreciation	210		36	94	28	55	46	21	7	497
Amortization	9		10	14	0	2	2	0	0	37
1990										
Net sales	Ps. 2,312	Ps	. 3,747	Ps. 1,022	Ps. 1,028	Ps. 638	Ps. 670	Ps. 264	Ps. 19	Ps. 9,700
Interdivisional sales and other	11		0	8	2	30	248	162	0	461
Consolidated net sales	2,301		3,747	1,014	1,026	608	422	102	19	9,239
Operating income	344		290	321	151	64	123	(23)	22	1,292
Assets	2,674		4,232	1,486	1,185	824	881	344	1,912	13,538
Capital expenditures	183		235	163	165	54	45	11	60	916
Depreciation	178		267	86	27	51	41	19	7	676
Amortization	5		85	14	0	1	1	0	0	106
1991						7				
Net sales	Ps. 2,404	Ps	. 3,637	Ps. 1,026	Ps. 1,193	Ps. 582	Ps. 630	Ps. 278	Ps. 11	Ps. 9,761
Interdivisional sales and other	34		0	11	4	31	218	178	4	480
Consolidated net sales	2,370		3,637	1,015	1,189	551	412	100	7	9,281
Operating income	459		314	266	102	27	89	9	28	1,294
Assets	2,544		4,155	1,698	1,317	834	806	286	1,927	13,567
Capital expenditures	283		276	378	104	118	41	9	12	1,221
Depreciation	139		260	78	33	52	34	17	10	623
Amortization	0		73	15	3	1	2	0	6	100