



ING. ADRIAN SADA T.



ANNUAL
REPORT
1977



DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

ADRIAN SADA T.	Chairman of the Board
ROGELIO SADA Z.	
DIONISIO GARZA SADA	
ALEJANDRO GARZA LAGÜERA	
ALFONSO F. RODRIGUEZ	
JUAN F. MUÑOZ	
MARIO GARZA G.	Secretary and Board Member
EDUARDO G. BRITTINGHAM	
JULIO ESCAMEZ FERREIRO	
ANDRES G. SADA	
ROBERTO GARZA SADA	
VIRGILIO GARZA JR.	
EXAMINERS	
SALVADOR GONZALEZ G. JR.	Proprietary
VIRGILIO M. GALINDO	Deputy

EXECUTIVE OFFICERS

ROGELIO SADA Z.	Chief Executive Officer
ERNESTO MARTENS R.	Director Container Division
JULIO ESCAMEZ FERREIRO	Director Glassware and Commercial Division
GERARDO SADA Z.	Director Flat Glass Division
FRANCISCO J. GARZA	Director Basic Industries Division
RAUL GONZALEZ QUIROS	Director Fibers and Silicates Division
OSCAR SAMANIEGO R.	Director Finance and Administrative Services Division
MARIO GARZA G.	Director Human Resources and Planning Division
ADOLFO LARRALDE R.	Director Legal, International, Public and Banking Relations Division
ADRIAN SADA GONZALEZ	Chief Executive Officer BANPAIS, S.A.





MESSAGE TO STOCKHOLDERS

For the Companies of Fomento de Industria y Comercio, S.A.'s Group, 1977 was a period of good performance, great activity and substantial progress, having accomplished some very promising results.

Consolidated net sales resulted higher than \$7,000 million pesos, an increase of more than 40% over 1976. Our volume was incremented by approximately 7%; this means our markets grew at a pace similar to that of the past few years.

Our export sales deserve special mention; they totaled over 40 million dollars, a record high of more than 56% above those of 1976; while in the five previous fiscal periods our sales abroad represented an average of 6.5% of the consolidated net sales, in 1977 this indi-

cator rose to more than 13%.

An important event was the diversification of our international business, particularly in the South American area; our stability in such markets was most significant. Consolidated net earnings were greater than \$600 million pesos, an increase of more than 125% as compared to 1976. Profits of F.I.C.'s Stockholders were above \$540 million.

We are most satisfied with the results achieved; the increment was significant considering the price control system in effect during the past business period which prevented our recovering on time the margin's deterioration derived from cost increases. However, the culmination of our promotional campaign to take the maximum advantage of our installed capacity, the significant growth in our productivity and our export sales were deciding factors in obtaining such outstanding results.

We successfully continued with our control of current assets, the moderate increase having been due to a greater sales volume and inflation.

Capital expenditures in fixed assets amounted to \$417 million pesos. These expenses were made to purchase machinery and equipment to improve productivity in our Companies and to carry out improvements considered essential for a sound and healthy operation.

Our liabilities were maintained stable during 1977, despite the deterioration in the parity of the Mexican peso against the dollar. Such stability was accomplished by the control exercised over the growth of our assets, the equilibrium in our liabilities in Mexican and foreign currencies together with an adequate generation of funds in our Companies which enabled us to punctually comply with our commitments.

The effects of a sudden and unexpected parity change in the Mexican peso experienced in 1976 have already been overcome by the Companies of the Group. We have learned to live within the flotation system and feel confident that future variations in the exchange rate will not have a significant bearing on the earning power of our Companies or on our stockholders' equity.

Our Trade Balance representing the difference between what was actually received and that paid abroad for interest as well as for the goods and technology we exported and imported, rendered a positive figure of more than \$10 million dollars. It is important to point out that this is the first time we have produced a figure favorable to the country's economy and this was possible due mainly to our outstanding performance in foreign markets.

On the other hand, Financiera del Norte, S.A. succeeded in merging its financial institutions and its commercial and mortgage banks into one sole corporation now known as BANPAIS, S.A. In this manner Financiera del Norte, S.A. accomplished its objective and will be in position to provide integral banking services to its distinguished clientele.

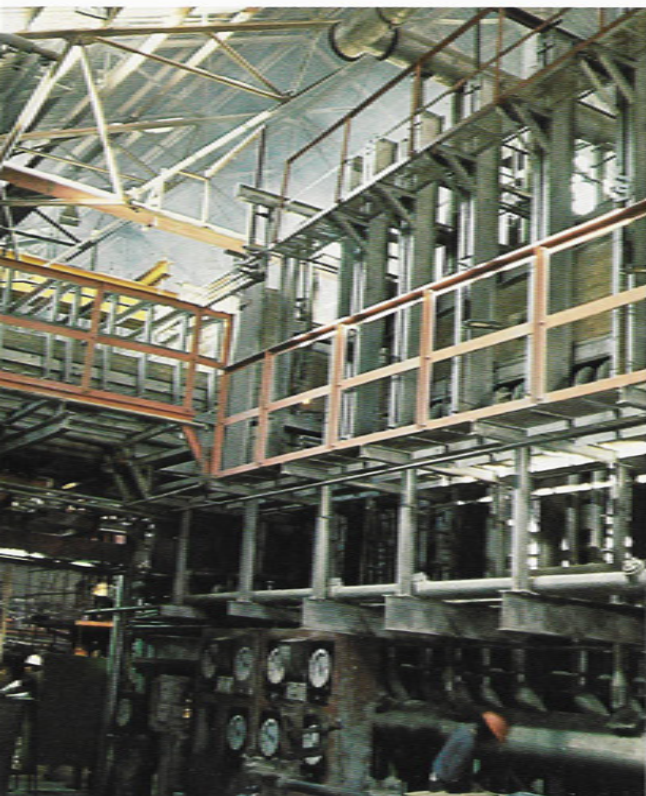
F.I.C.'s and BANPAIS's financial structures were strengthened significantly by funding the latter with adequate capital to satisfactorily meet the requirements derived from the volume of its operations and by F.I.C. acquiring the shares of the Group's industrial enterprises, that until then were in the hands of BANPAIS, thereby consolidating and obtaining full control of the totality of Fomento de Industria y Comercio, S.A.'s shares of stock.

The country's stability, the growth of our trade markets and the efficiency of our Companies lead us to look into the future with optimism, since we have full confidence in achieving our objectives, thus complying with our responsibility as prominent businessmen and contribute with our efforts in our daily activities to the social welfare of all concerned.

Cordially yours,

ADRIAN SADA T.

Chairman of the Board and President



\$1,568.0 million pesos, having observed a strong increment of \$538.0 million, 52.0% higher than in 1976.

This increment is the result of our negotiations to merge into Financiera del Norte, S.A. the Credit Institutions which until then constituted the BANPAIS Banking Group, subsisting the former with its new name BANPAIS, S.A., Institución de Banca Múltiple, that is, one single corporation now providing a thorough coverage of banking services. In connection therewith, a package of shares of industrial enterprises and of BANPAIS' Institutions was purchased for \$530.0 million pesos, having paid in cash twenty percent, \$106.0 million, of the total sum and the balance \$424.0 million pesos at a four-year term with the shares as collateral.

In consideration of the above, our Total Liabilities in Mexican Currency, duly consolidated, rose to \$597.0 million pesos. The increment against Liabilities as at December 31, 1976 was \$395.0 million.

Our Net Worth amounted to \$971.0 million pesos, \$142.0 million or 17.0% higher than the previous period.

Net Income of the year was \$175.0 million pesos, an increase of 28.0% over the past year.

To maintain the constant growth of the Group and ensure its stability, it has been planned to continue with the traditional policy of reinvesting a high percentage of the profits.

Its primary objective is the integration and diversification of the Group by creating, developing, transforming or acquiring enterprises and to act as a means of economic equilibrium to provide and avail its subsidiary companies with the financial resources necessary for their operations. At the close of the business period, Total Assets amounted to



TOTAL SALES

million pesos

4000

4000

3000

3000

2000

2000

1000

1000

0

0

1973

1974

1975

1976

1977

1000

1400

1600

2000

3100



million pesos, an increase of 51.9% over 1976.

Our international business was a determining factor and played a major role in the outstanding results of the fiscal period, consolidating the Division as a strong exporter of containers to Latin American markets, particularly Venezuela and Central America. Export sales rose to \$332.6 million pesos, an unprecedented increase of 296.9% compared with 1976.

In 1977 the plastics market was quite irregular, having curbed the growth level of the previous years. Sales totaled \$119.6 million pesos, 37.9% higher than in 1976.

The productivity level was most satisfactory: its man-hour index improved 12.4% above the figure of the previous business period.

Our capital expenditures in the year amounted to \$246.6 million pesos, the gross of this sum having been allocated to the acquisition of new glass and plastic making machines, new mouldings and equipment to improve the productivity of the Companies of the Division.

The above results were accomplished by the performance of 7,189 persons who worked in this Division during 1977 and whose efforts helped our Companies to adequately supply the market requirements. The Container Division created 523 additional employments this year.

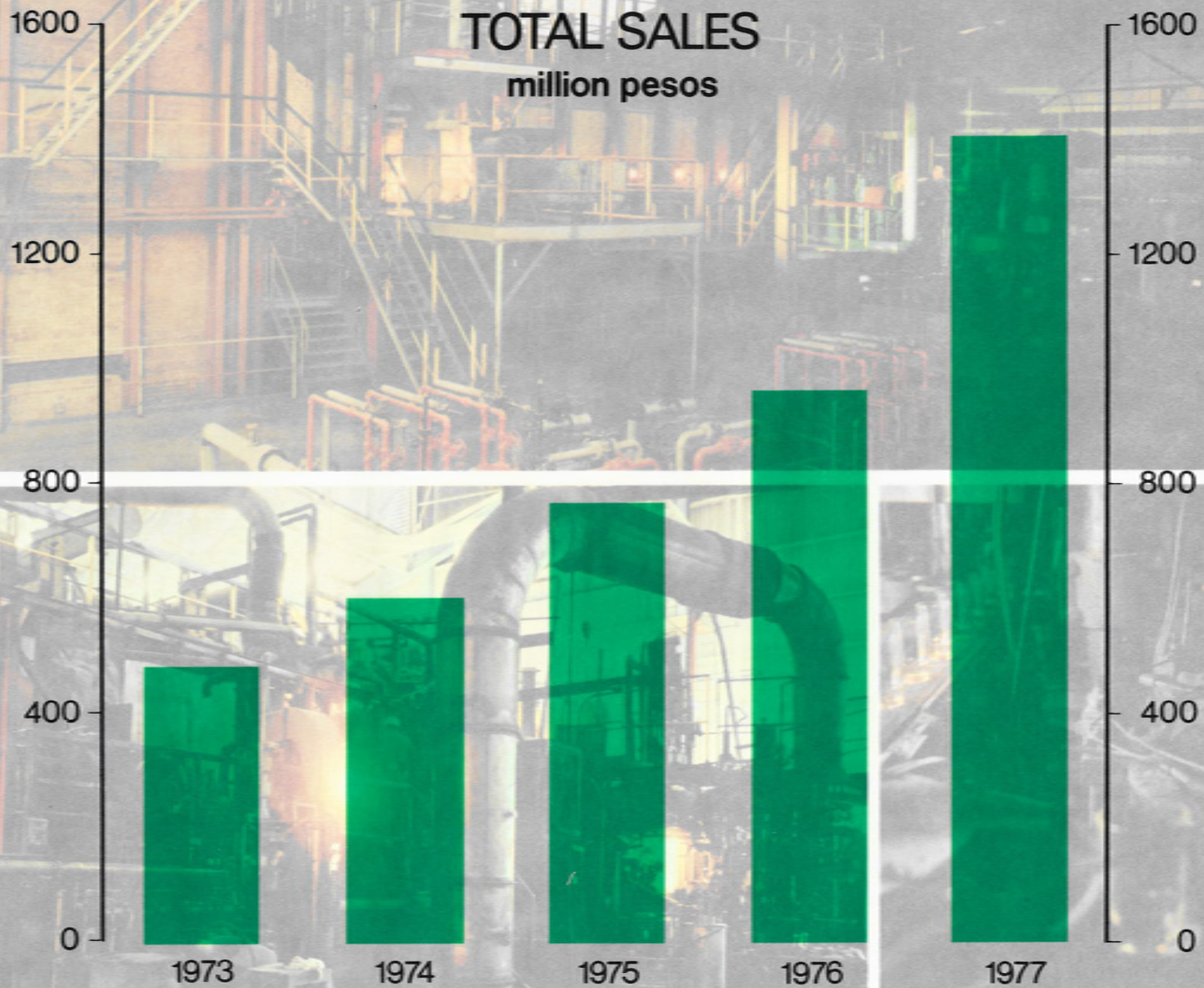
1977 was exceptionally good for the Container Division; a greater demand for our products from the countries we serve was a primary contributor to these results.

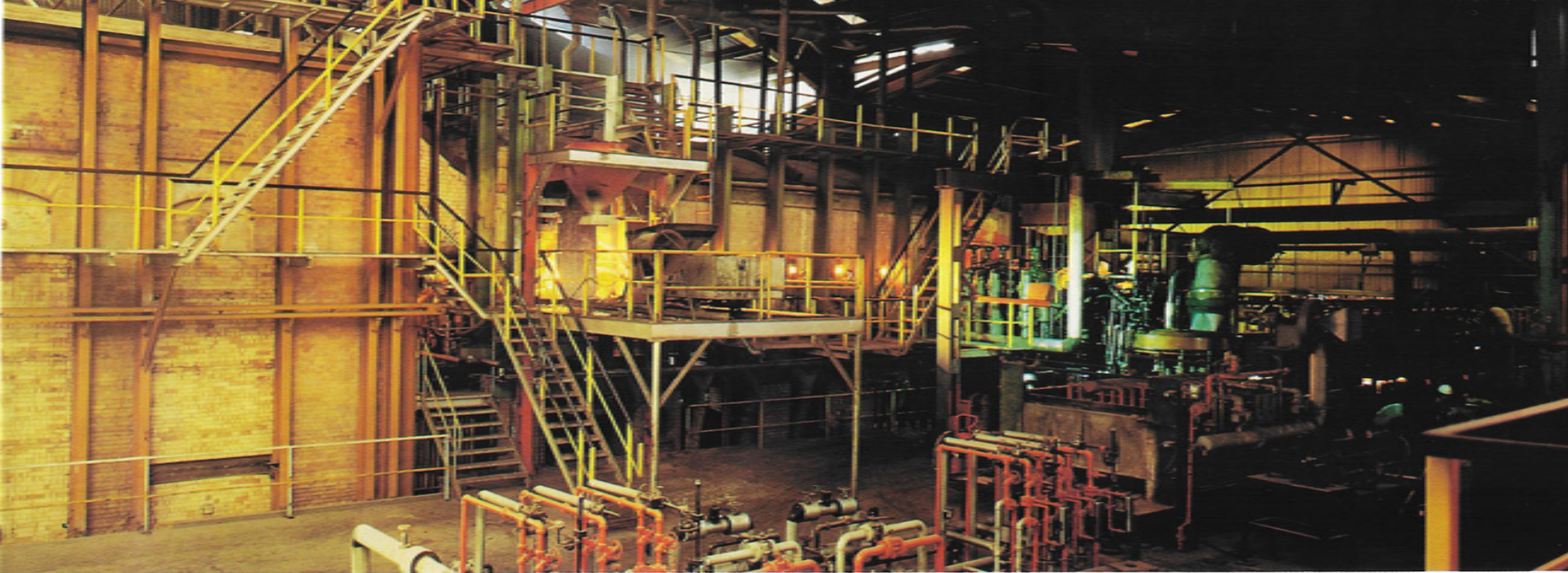
The Companies Vidriera Monterrey, S.A., Vidriera México, S.A., Vidriera Los Reyes, S.A. and Vidriera Guadalajara, S.A. form the Container Division. This year the consolidated sales were up substantially, amounting to \$3,075.2



TOTAL SALES

million pesos





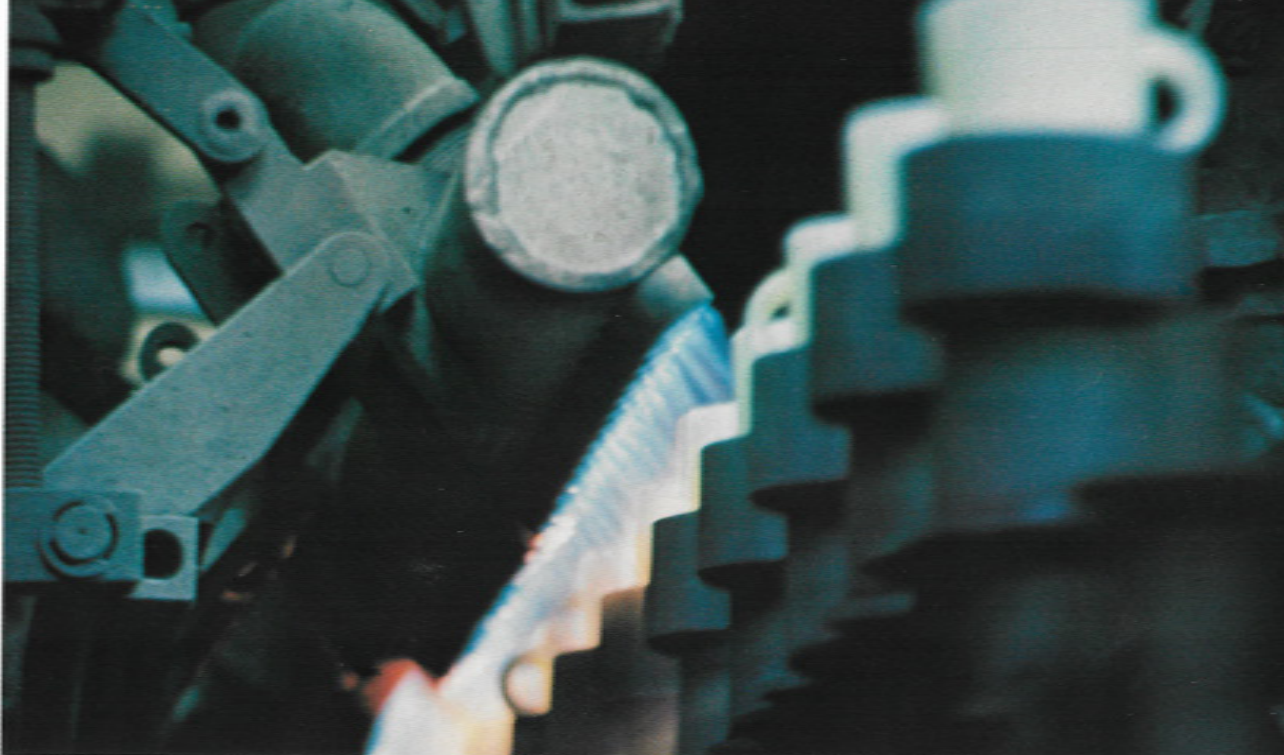
As a result of an improved performance, sales of the Glassware Division rose to \$1,407.9 million pesos, 46.0% over the 1976 level.

Great activity was exerted to expand our domestic market where, despite the acute economic situation of our country, we experienced a genuine growth.

Our exports were greatly increased; the devaluation of the Mexican peso afforded an invaluable opportunity to considerably increment our production capacity of items that favorably compete in the United States, European and South American markets.

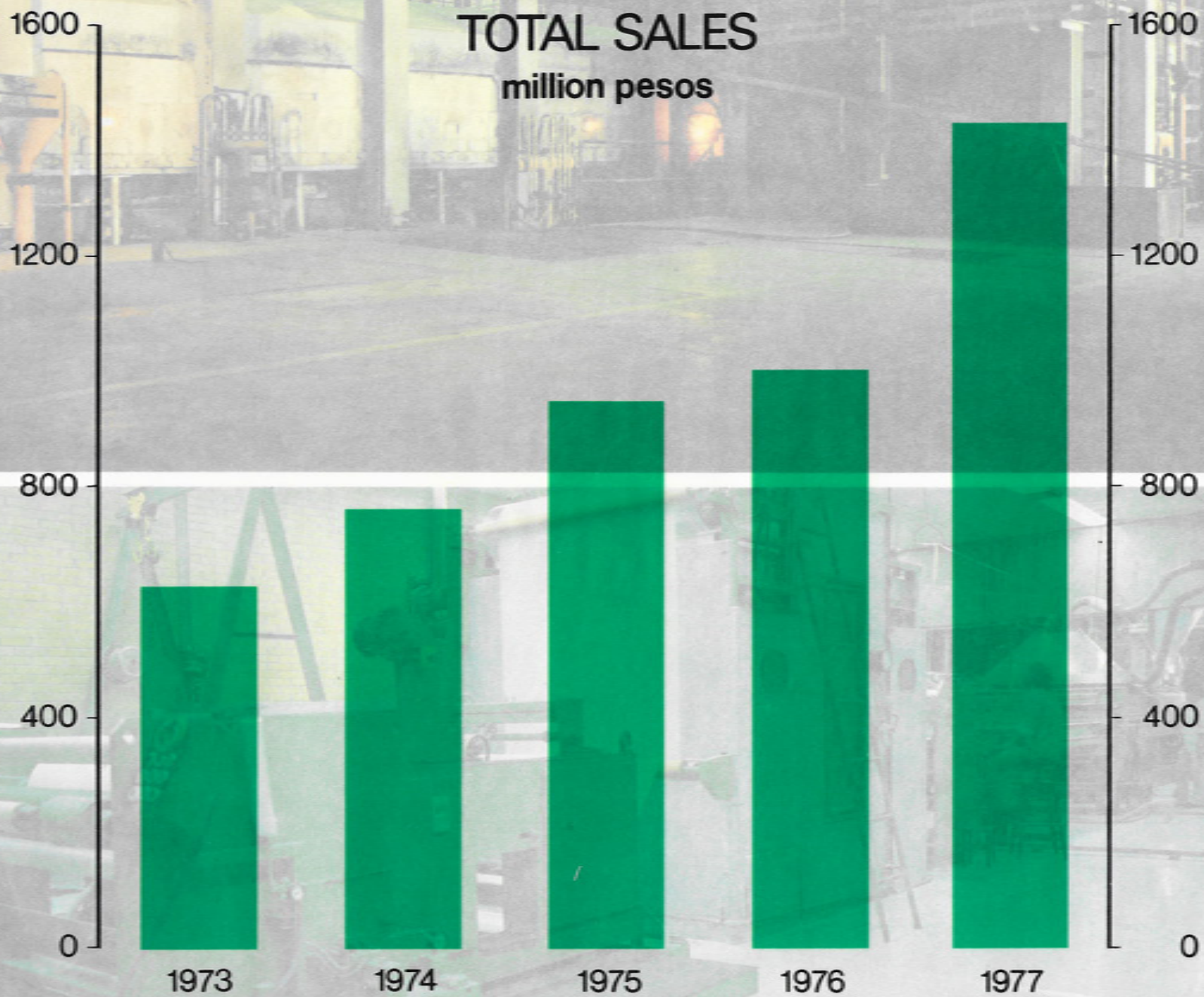
Our productivity in 1977 was 11.0% higher than that of the previous business period; this enabled us to increment our work force to 5,384 people and cooperate in this manner in remedying somewhat the unemployment problem which Mexico is encountering at this time.

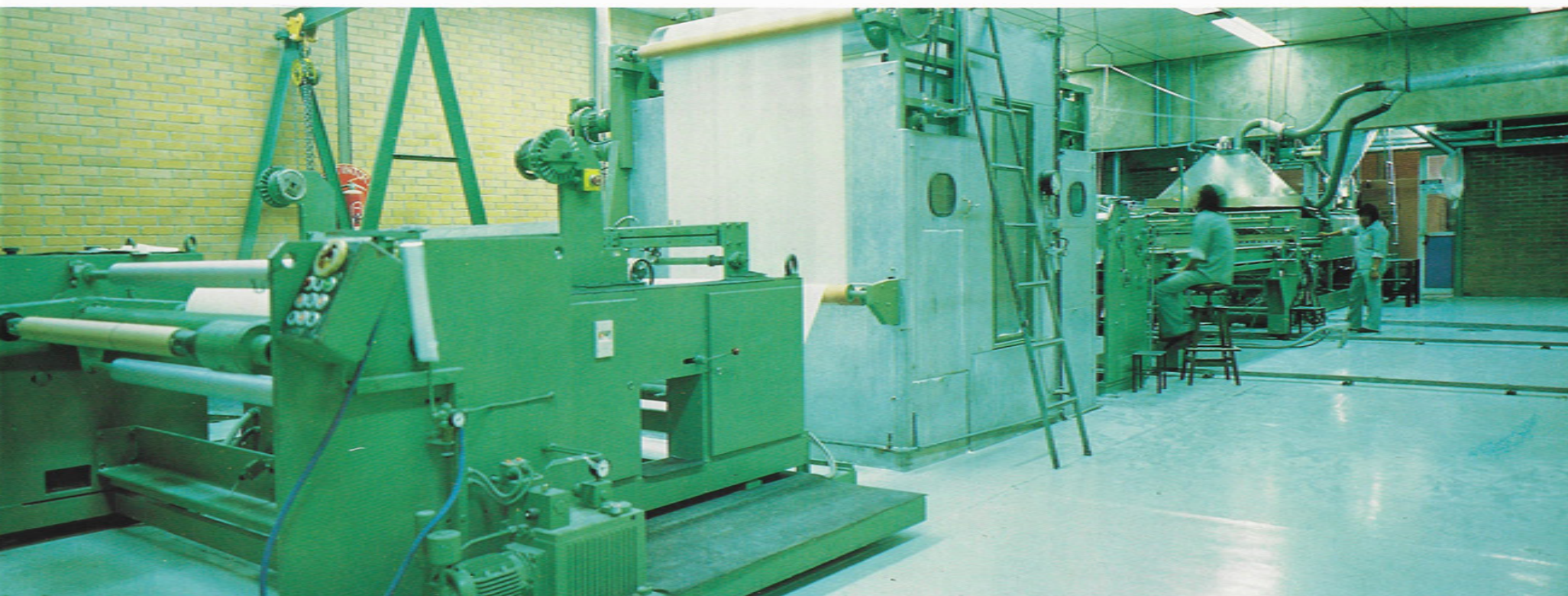
The Division invested \$77.7 million pesos in fixed assets, principally to achieve greater production volumes.



TOTAL SALES

million pesos





The Construction Business suffered a significant set-back throughout the first six months of the year; however, a slight improvement was noted during the rest of the period. Automobile manufacturers sold the 1977 models at a pace 15% slower than in 1976; this indicates they barely reached the 1973 level, that is, an accumulated decline of 4 years as a result of the crisis encountered by this industry.

Despite the above and the increasing competition of flat glass manufacturers, the companies of the Flat Glass Division: Vidrio Plano, S.A., Vidrio Plano de México, S.A., Cristales Inastillables de México, S.A. and Química "M", S.A., as a whole, totaled sales in the amount of \$1,429.0 million pesos, an increase of 30.4% over the previous year.

One half of the increment is for products related to the Automotive Industry due, in part, to a greater participation in that market and to having increased the volume of our exports. Actually, the sales of 2.4 and 3.0 mm float glass used in the manufacture of windshields were incremented to \$146.0 million pesos, 46.0% above 1976. Laminated safety and toughened glass increased its sales to \$413.0 million pesos, 49.5% higher than the previous year; the PVB plastic film used in rolled glass reached the sum of \$490 million pesos, an increment of 83.0%.

The results shown above were made possible by the wonderful joint cooperation and efforts of 2,818 people.



TOTAL SALES million pesos

1600

1200

800

400

0

1600

1200

800

400

0

1973

1974

1975

1976

1977

420

680

750

1050

1450



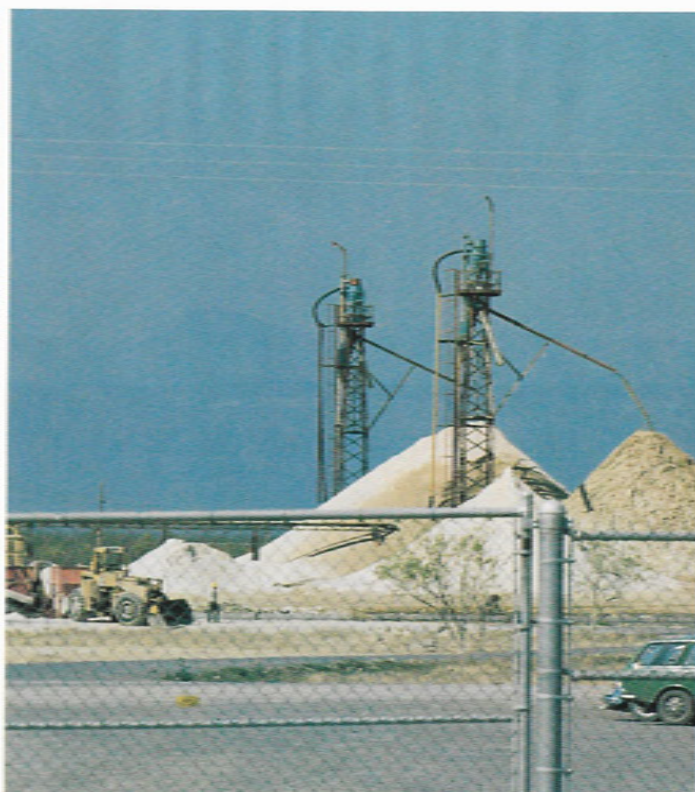
In addition to the technological developments of F.I.C.-Research, the Division manufactures machinery and moulding equipment for the glass and plastic industries, as well as sodium carbonate, silica sand, water pumps and fluid control equipment.

The annual sales of the Division rose to \$1.4 billion pesos during 1977, 40.0% higher than the previous year. Its sales in the international markets amounted to \$4.5 million dollars, 60.0% over those of 1976.

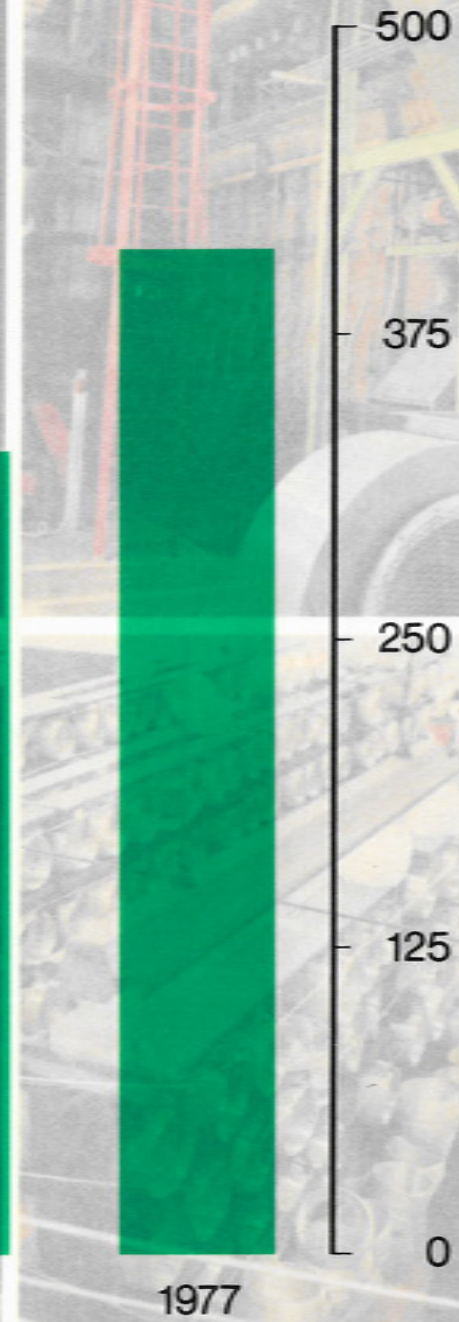
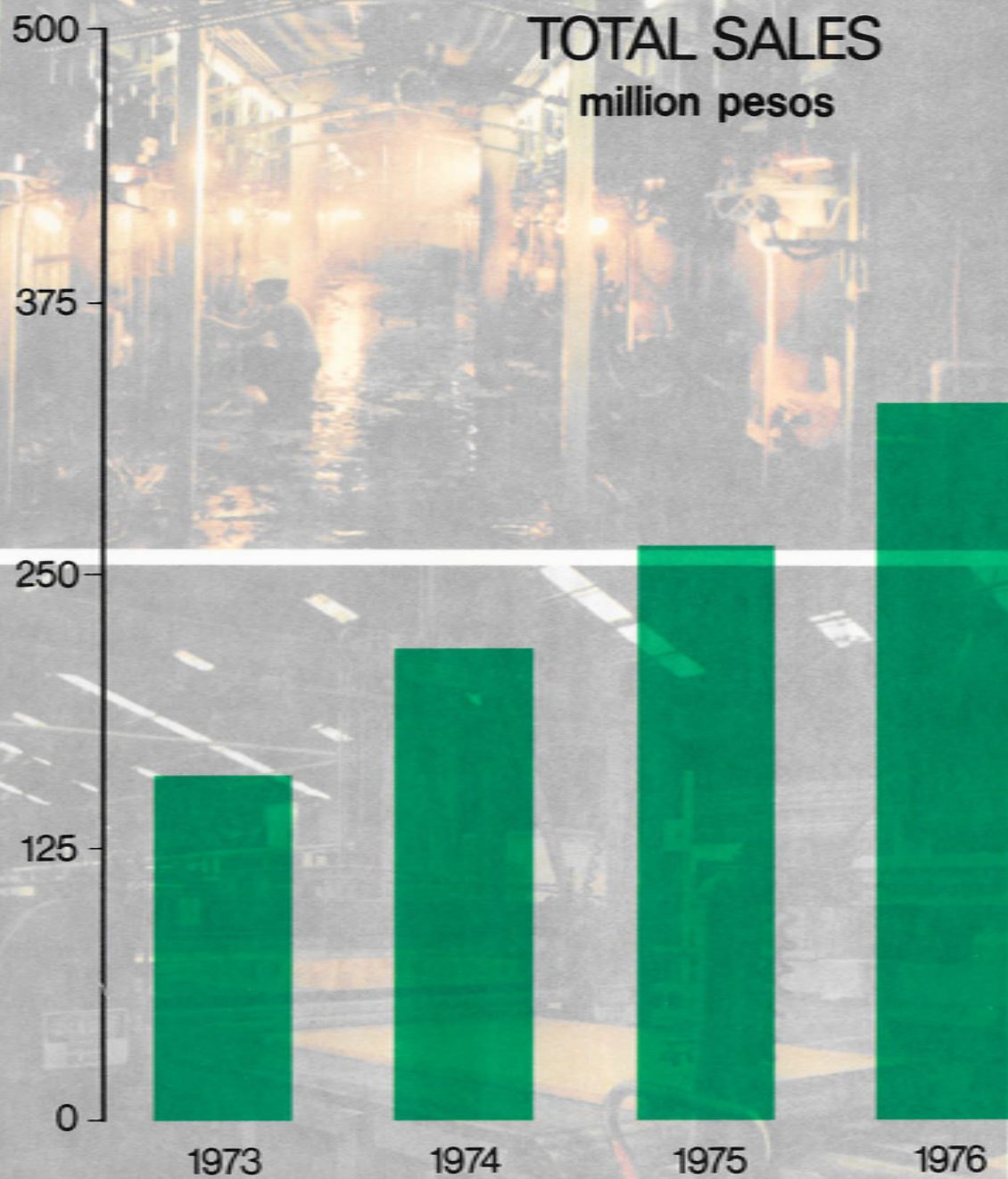
Capital Expenditures during the present fiscal period totalled \$80.0 million pesos; \$60.0 million in Fixed Assets and \$20.0 million in Research and Development activities. Investments in Fixed Assets were made fundamentally to ensure timely delivery and availability of sodium carbonate and silica sand. The Research and Development was mainly aimed to maintain technological leadership in the areas of glass making machinery and forming equipment.

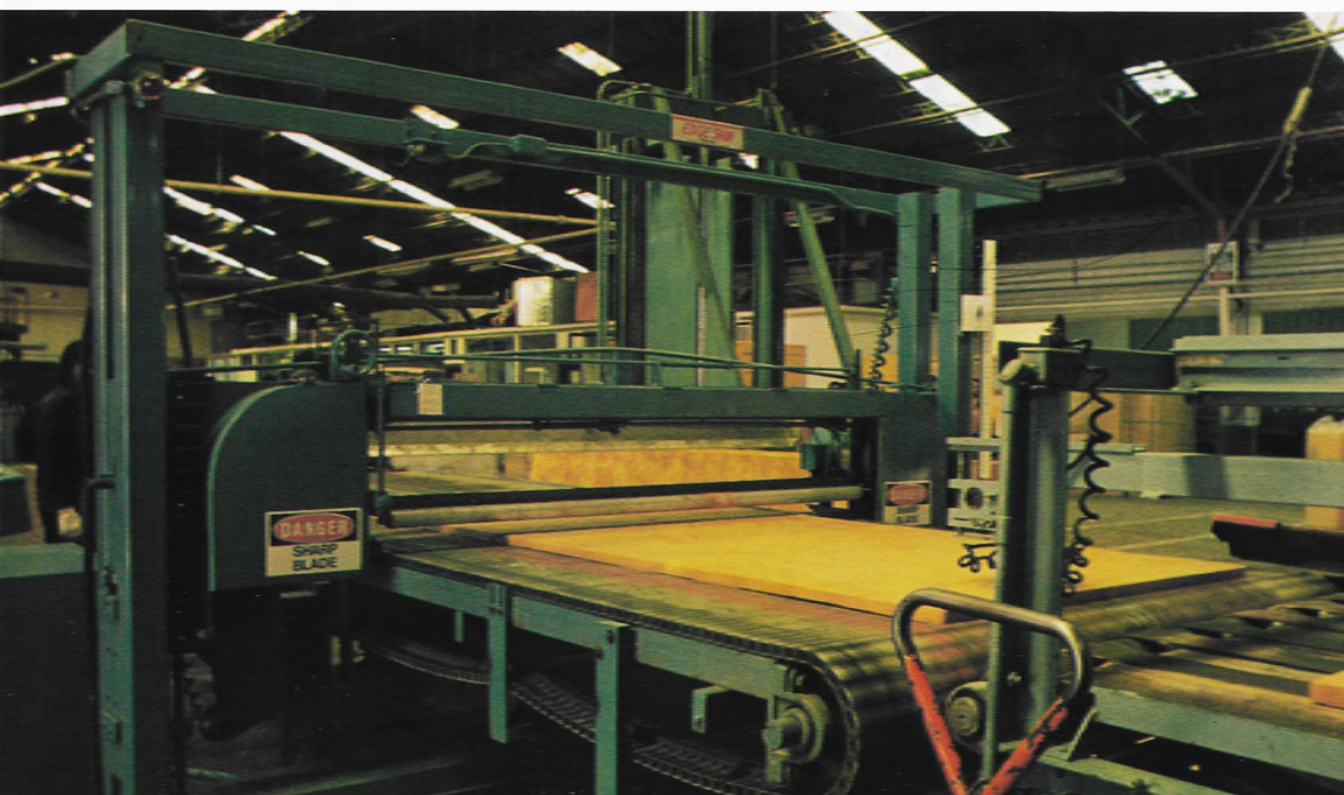
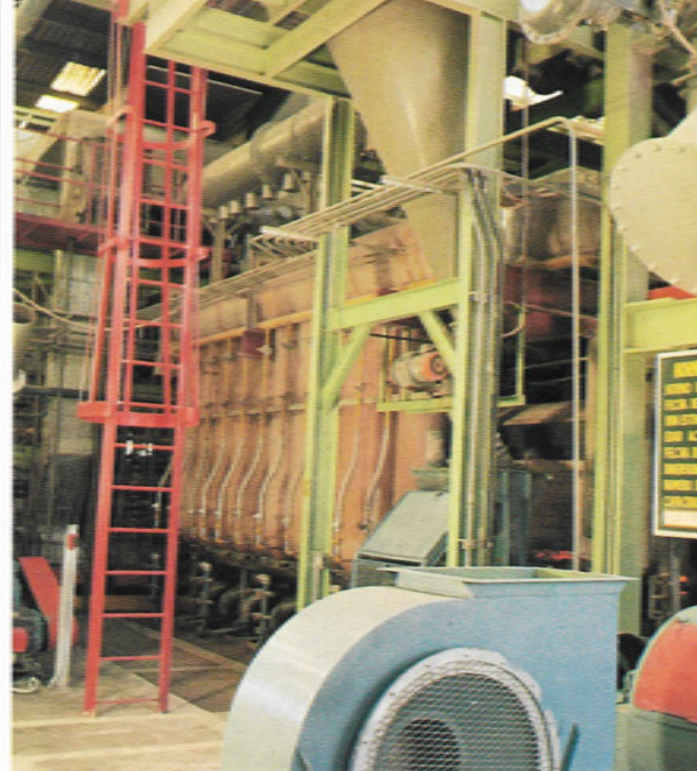
The legal entities within the Division are Industria del Alkali, S.A., Fabricación de Máquinas, S.A., Materias Primas Monterrey, S.A., Peerless Tisa, S.A. and F.I.C.-Research.

F.I.C.- Research was legally structured and integrated into the organization for the main purpose of promoting and carrying out technological developments in areas related to the glass industry. With this the Division plans to further enhance the development of the glass industry and contribute to the country's economy.



TOTAL SALES
million pesos





Capital Expenditures in 1977 totaled \$16.7 million pesos, \$10.5 were allocated to increase the manufacturing capacity of our facilities, as planned on a medium term basis, and the balance for improvements in our production equipment. At the end of the year the Company had a work force of 500 people.

VITRO—FIBRAS, S.A.

Sales in 1977 grew to \$223.6 million pesos, an increase of 10.8% from the previous business period. Eliminating the effects of price increases, sales actually declined 7.4%. i.e. Insulation Materials 9.1% Reinforcements 2.2%.

As compared with 1976, the production in the Insulation and Reinforcement sections had a setback, dropping 2.4% and 9.7% respectively.

In 1977 our Company suffered the effects of the devaluation of the Mexican peso which had a strong impact on the consumption of our products, particularly those related with the construction industry.

On the other hand, as a result of the new exchange rate, our products became more competitive in foreign markets and by the end of the year the demand had increased somewhat. Our international business amounted to \$12.8 million pesos, representing 5.7% of our sales volume. In 1978 we anticipate an upturn in our exports representing approximately 16% of our total sales.

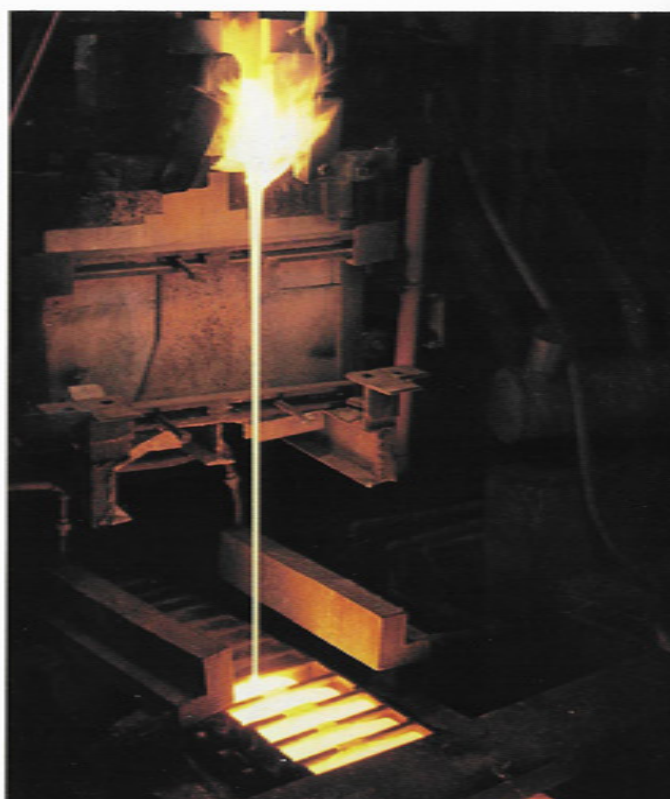
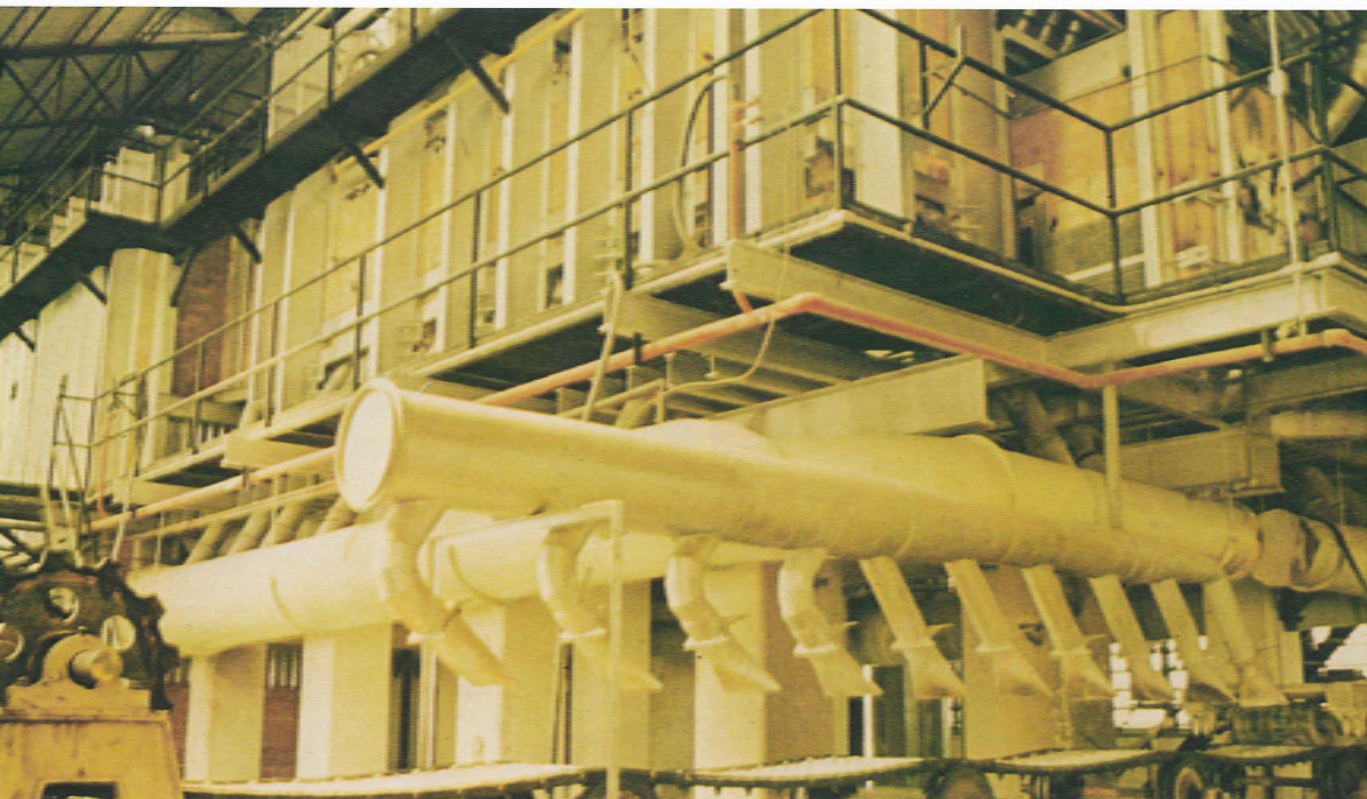
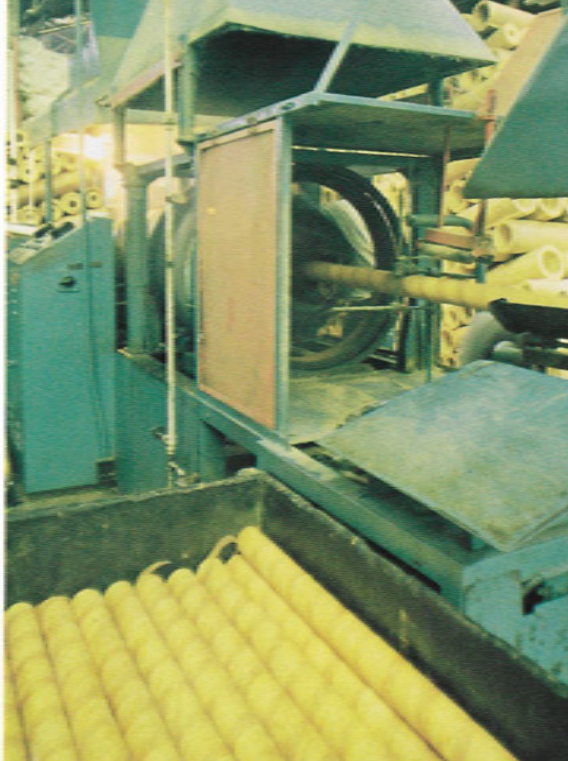
SILICATOS Y DERIVADOS, S.A.

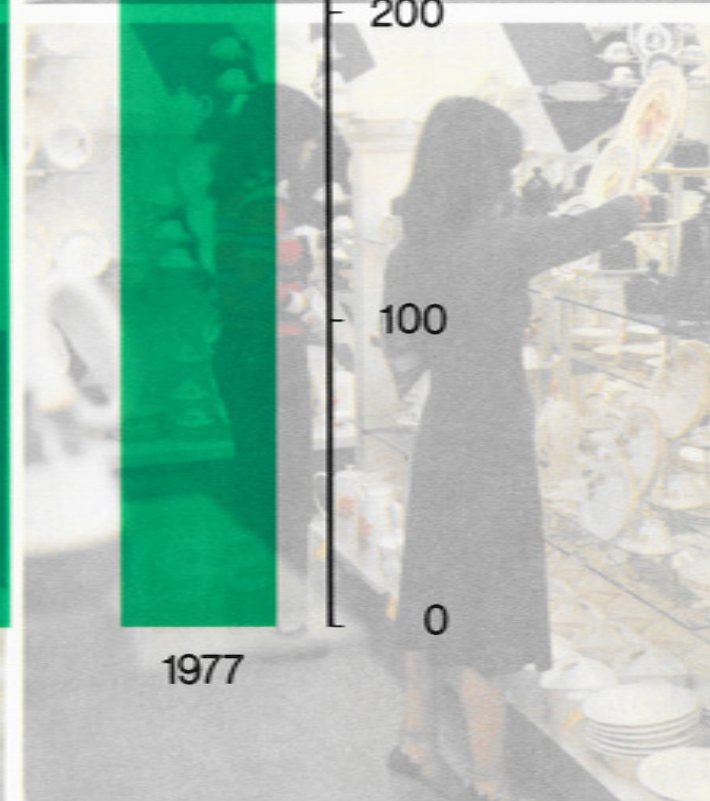
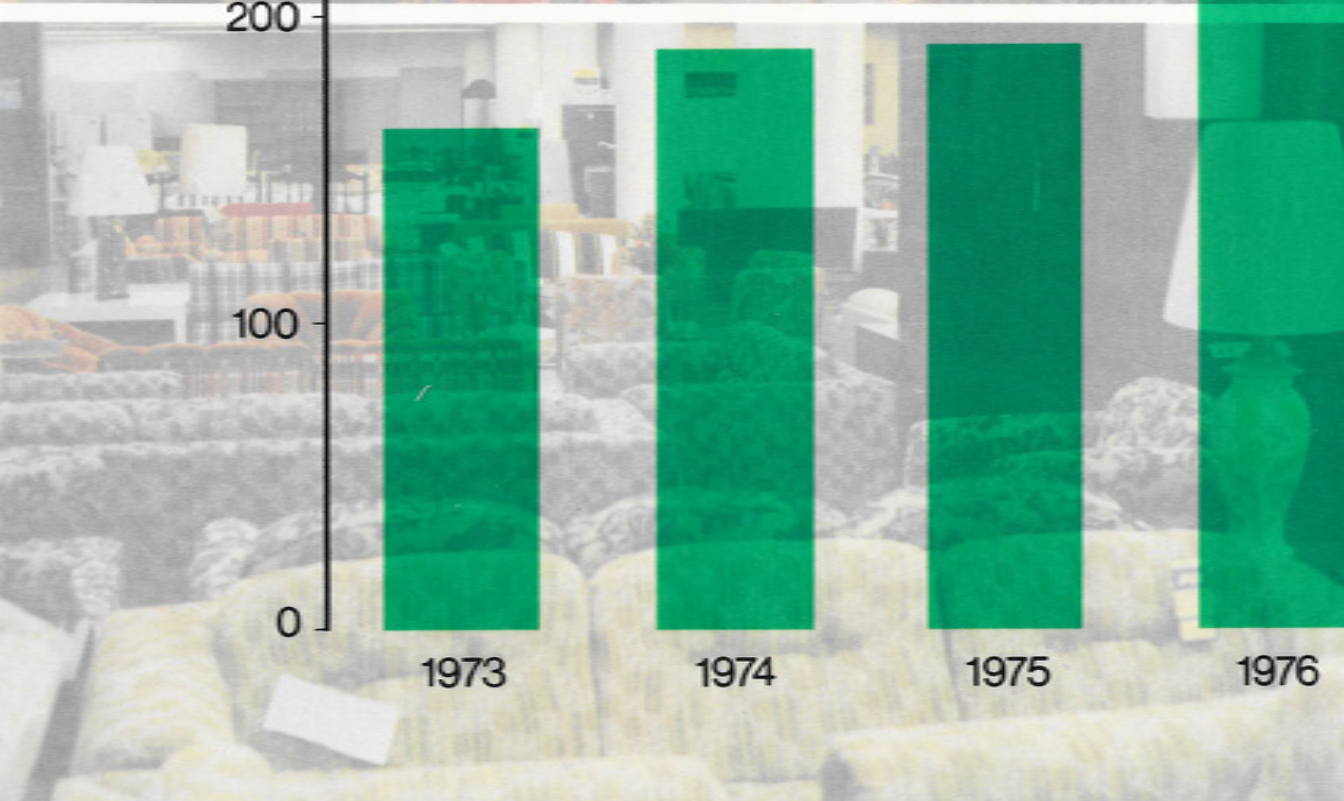
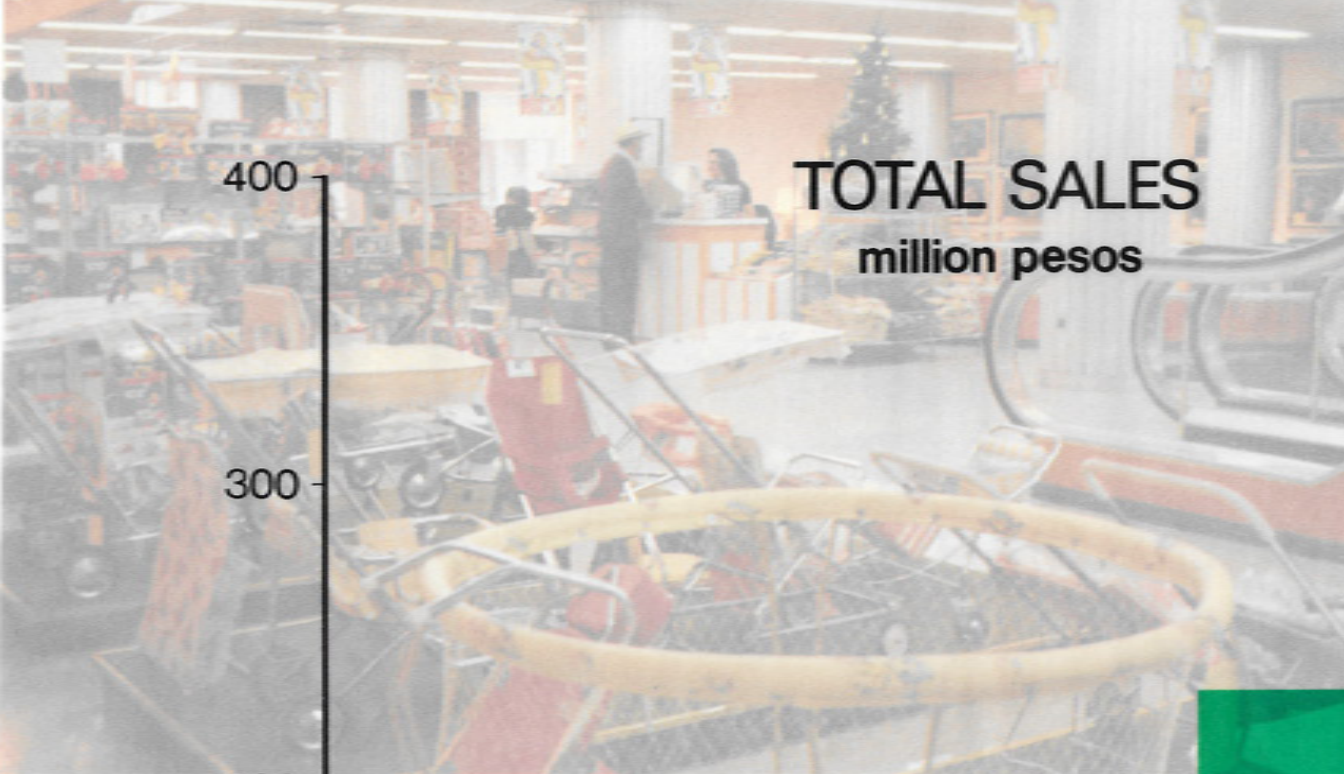
The year ended with sales totaling \$187.0 million pesos, an increase of 47.0%. The actual growth of our sales after eliminating the effects of price increases was 15.7%.

In 1977 our production was 28.7% higher than the previous period. This increase was made possible by a greater market demand as well as by the need to increment our inventories of finished products to ensure a sufficient supply while Furnace No. 1 undergoes a general overhauling scheduled for the early part of 1978.

Fixed Assets investments during the year amounted to \$11.8 million pesos, the majority of this expenditure being for the construction of a melting furnace for sodium silicates and auxiliary equipment for dissolving and filtering operations necessary to supply the increasing market demand.

The number of employees and workers at the end of 1977 was 156.







As was expected, retail activities throughout the country were practically stagnant during the year. This situation made us develop a strategy for the expansion of our activities in the wholesale area by adding new lines to those we are already handling and to obtain greater geographical coverage in the distribution of our products than we ever had before.

Sales of the Division reached the sum of \$296.2 million pesos, an increment of 29.0% over 1976.

At year-end we were handling 15 Retail Stores and 9 Wholesale Outlets located in Monterrey, Saltillo, Torreón, Chihuahua, San Luis Potosí, León, Guadalajara, Mérida, Villahermosa, Campeche and Coatzacoalcas.

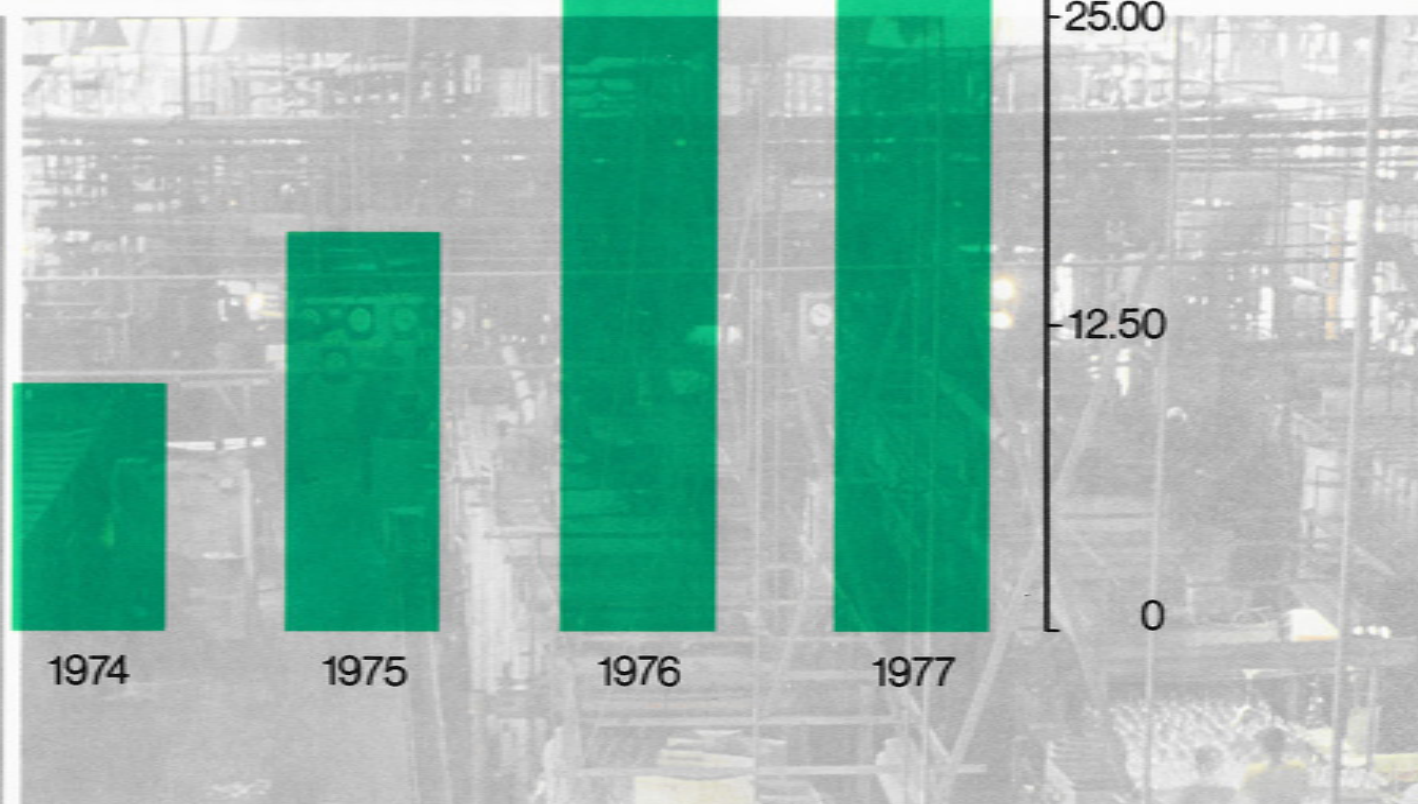
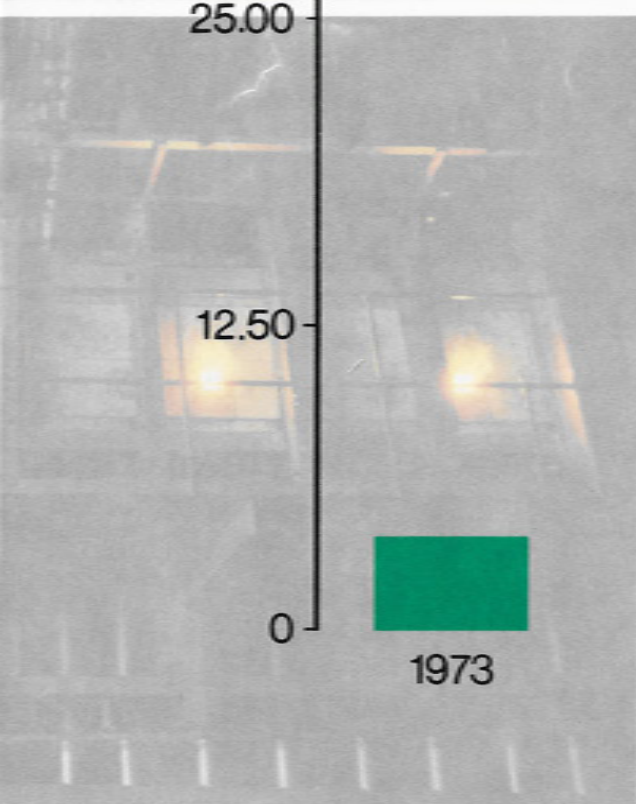
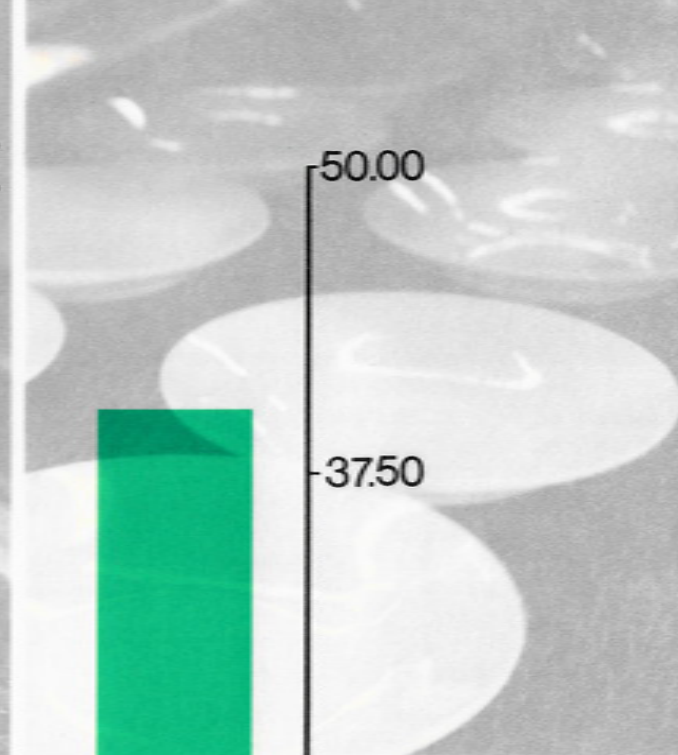
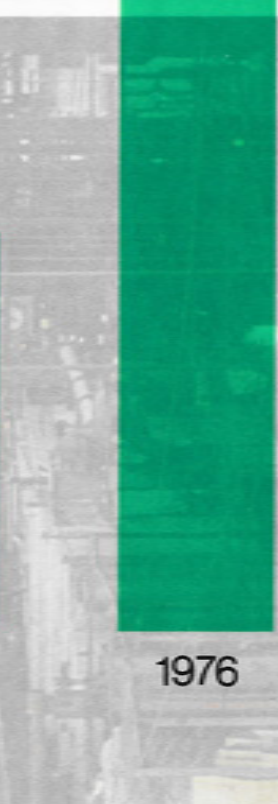
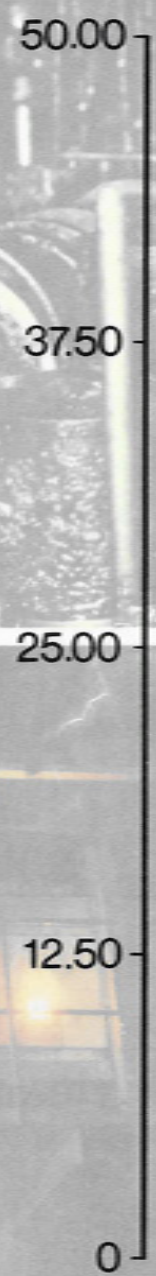
Capital expenditures were allocated primarily to increase our sales volumes, having invested \$2.6 million pesos for such purpose during the year.

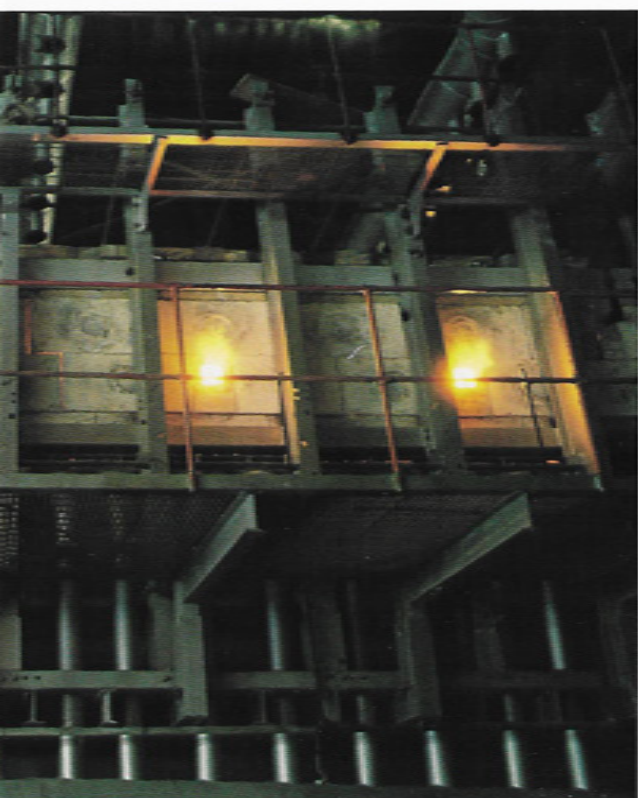
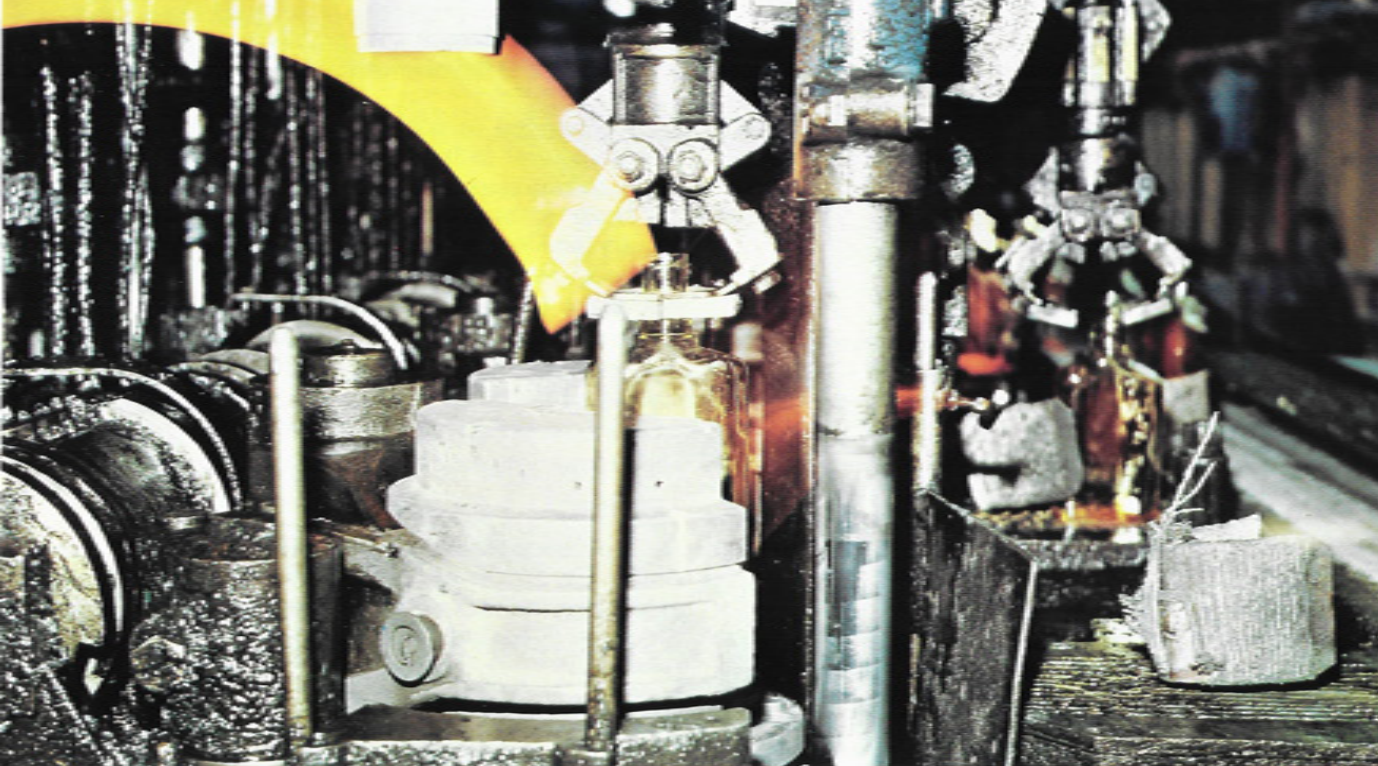




TECHNICAL ASSISTANCE

million pesos





INDUSTRIA CENTROAMERICANA DE VIDRIO, S.A.

Sales rose to \$830.0 million pesos. The actual growth, on the basis of units sold, was 27.9% in comparison with the previous year.

In 1977, 327.5 million pieces were produced, 16.4% more than in 1976. This increase was due to the plant having worked at full capacity throughout the year to allow the Company to meet the increasing market demand.

Investments amounting to \$33.2 million pesos were made in fixed assets. The gross of this investment was to expand the production capacity.

1977 ended with a staff including employees and workers of 1225 people.

SILICE DE CENTROAMERICA, S.A.

Sales in 1977 amounted to \$111.3 million pesos. The total tonnage sold was 33.0% higher than in 1976.

Total production increased by 25.0% as compared to the year earlier period. This increase together with a substantial improvement in the quality of the products abroad.

was achieved by an additional modest investment of \$6.6 million pesos on equipment and certain adjustments in the milling process.

Personnel working in the Company at the close of the year was of 108 people.

VIDRIERA CENTROAMERICANA, S.A.

This Company was founded in Cartago, Costa Rica in 1973. Construction works started in 1974 but due to the economic recession had to be interrupted the following year.

An increasing market demand experienced in 1976 and 1977 indicated the convenience of reviving this project and around the middle of 1977 its construction was renewed; our plans are for this plant to begin producing during the third quarter of 1978 with a work force of 380 people.

The estimated investment for this new production unit is around \$280.0 million pesos.

BRASIVIDRO LIMITADA

In 1977, Fomento de Industria y Comercio, S.A., had

Sales amounted to \$401.6 million pesos, representing an increment of 38.0% over 1976.

The excellent operation of this Company was a deciding factor to outperform the main competitor in the country and we were able to accomplish some very promising results.

The initial facilities completed five years of uninterrupted performance with outstanding results.

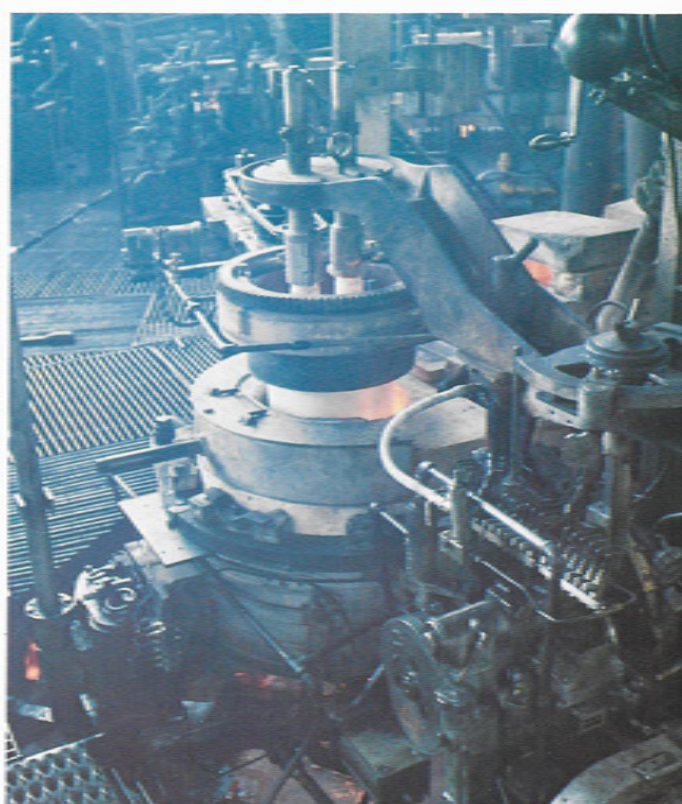
During December 1977 the installed capacity was expanded to be better equipped to take care of the increasing market demand in the years to come.

The company operated with a staff of 584 people.

TECHNICAL ASSISTANCE

As has been the case in previous years, the F.I.C. Group has placed special emphasis in expanding the exportation of its technology to Europe, the United States and several countries in Central and South America.

In 1977, earnings derived from technology sold abroad rose to \$40.0 million pesos, representing an increase of 41.3% over the past business period.





HUMAN RESOURCES AND PLANNING DIVISION

At the end of 1977 the number of people employed by the Companies of the F.I.C. Group averaged 22,195.

During the period and through Acción Social Regiomontana, A.C., Cooperación Social, A.C. and Clínica Vidriera, A.C. the Group disbursed a total of \$212.6 million pesos, an increase of \$58.3 million pesos or 37.8% more than the previous year.

Our personnel and their beneficiaries received 186,745 baskets of quality foodstuffs totaling \$106.9 million pesos. A portion of such expenditure was absorbed by our companies and represented a saving for the employees over market prices of \$82.8 million pesos.

During the 1976-1977 school year 4,359 children received free education in our kindergartens, grammar and junior high schools; 738 gratuitous scholarships were awarded to employees and their beneficiaries in local educational institutions at a professional level and to obtain master degrees. In addition, 506 people received recoverable scholarships. The cost involved in our educational facilities for 1977 amounted to \$24.6 million pesos without considering the expense for the companies in providing training courses and seminars to improve the employees efficiency.

Fomento Inmobiliario y de la Construcción, S.A. built 103 homes for the workers and employees in Mexico City and 431 in Monterrey as a follow-up of our housing program. This investment totaled \$102.4 million pesos.

These last two groups of houses added to those previously delivered to our working personnel total 4,382 units distributed in Monterrey, Mexico City and Guadalajara.

1,749,850 meals with a total cost of \$38.0 million pesos were served in our various company restaurants. Of this amount \$21.2 million pesos were subsidized by the Monterrey Glass Group.

Clínica Vidriera, A.C. provided a total of 527,783 medical services to the workers and their beneficiaries. The gross cost of such services amounted to \$59.5 million pesos; after deducting the reversion fee received from the Social Security which this year rose to \$37.7 million pesos, this expense represents a cost of \$21.8 million pesos, \$5.6 million higher than the previous year.

To further improve our services, modern medical equipment is constantly added to our Clinic. In 1977, \$6.3 million pesos were invested in a new Siemens X-Ray equipment. A wide range of services were afforded to the Companies of the Group by our Legal Department in charge of Labor Matters as well as by the Industrial Relations and Corporate Planning sub-divisions.





FINANCE AND ADMINISTRATIVE SERVICES DIVISION

Representaciones Generales, S.A., and Fomento de Comercio Exterior, S.A. de C.V. provided efficient corporate services on Finance, Internal Auditing, Laboratory Research, Importation and Traffic, Purveyance by Contract, Energetics, Data Processing and Foreign Trade during the 1977 business period.

5,000 auditing-days were employed by the Internal Auditing Section in revising the Companies' accounting books. Such revisions are presently directed to Operational Auditing. Purveyance by Contract to Companies of the Glass Group amounted to \$62.0 million pesos, 50.0% higher than in 1976. This system made possible an average saving of 17.0%.

The Research Laboratory provided services related to physical analyses of raw materials, glass, oils and grease; sam-

pling and measurement of fumes, smoke and dust let out by the stacks of industrial plants and that which is in the air to prevent environmental pollution. It also produced the gold paste and plaque used for decoration of glass items.

Utilization of data processing improved notoriously compared with the previous year. Special emphasis has been given to planning and developing systems for the purpose of optimizing their use as a tool in the administration of the companies. Currently, 31 remote terminals have been installed, Mexico City and Guadalajara being connected via microwaves with the central processor located in Monterrey.

Fomento de Comercio Exterior, S.A. de C.V. is in charge of merchandising the products manufactured by our companies in the international markets, along with commodities of other external concerns; acting also as advisor and providing services in the field. It has a network of 38 representatives and distributors conveniently located throughout the world to market the merchandise of the 29 affiliated enterprises. During the 1977 business period \$43.5 million dollars in sales were obtained from its exports to 59 countries of the world; this represents a significant increase of 45.0% above those of 1976. In Mexican Currency these sales amounted to \$971.0 million, 110.0% higher than in 1976.



LEGAL, INTERNATIONAL, PUBLIC AND BANKING RELATIONS DIVISION.

The Monterrey and Mexico City legal offices provided innumerable services to the Companies of the Group, among which were: consultation, preparation of agreements, filing applications for price increases, negotiations pertaining to internship of foreign technicians, amendments to capital stocks and bylaws of the Companies and handling all matters with, and the

presentation of writs before governmental administrative bodies, the filing of appeals, tax claims and injunctions, as well as the control and review thereof, having been successful in all instances. It also negotiated the tax treatment of charging as an expense the resources disbursed to manage the Technological Research Center.

As in past business years, the International Legal Office provided assistance to the Monterrey Glass Group. During 1977 intervened in thirty negotiations related to the sale and purchase of technology, amendments to agreements, acquisition of equipment, merchandising contracts with foreign concerns. In addition, handled all negotiations with the Technological and Foreign Investment Authorities, and coordinated legal expertise for consultation on international operations and managed the matters relative to the Latin American Association of Glass Producers.

The Public Relations area efficiently coordinated visits to our installations; handled the distribution of contributions and quotas paid to Businessmen's Associations and continued with F.I.C.'s initiative to promote cultural activities in the community, improve the knowledge and development of fine arts by organizing the Fourth Painting Contest and the First on Sculpture,

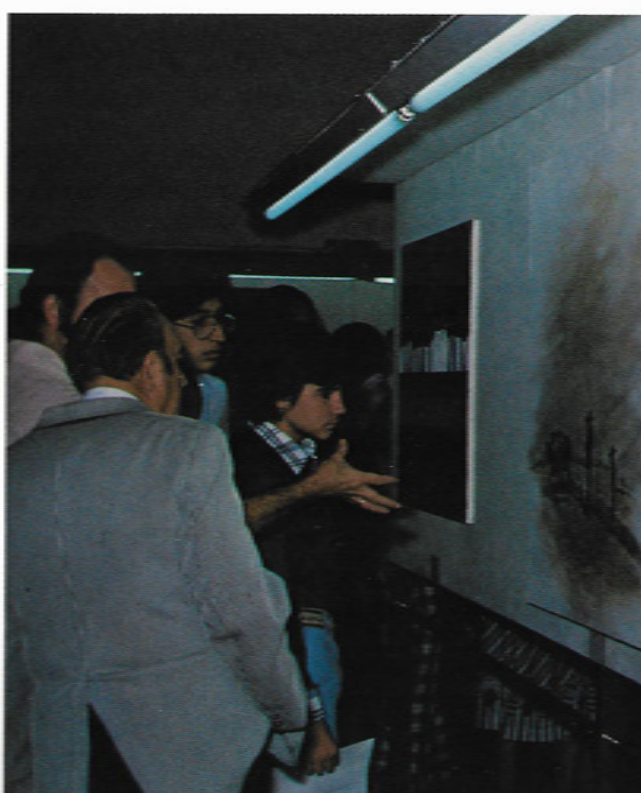
Graphics and Original Works Applied on Paper.

The Banking Relations Department continued serving all the Companies of the Group including F.I.C.'s associates in Central America and assisted them in solving their financial requirements.

In addition to the usual consulting services on International Banking matters, in 1977 this office took charge of our relations with local banks, having succeeded in opening credit lines with some of the most important banking institutions in the country.

Additionally, new financial sources were explored, among which is the issuance of unsecured debentures for one of the companies of the Monterrey Glass Group.

During 1977 two new areas, Corporate Image and Public Relations Mexico were instituted. The former as its name indicates, is in charge of developing and projecting profusely the image of the F.I.C. Group at national and international levels, using for such purpose all means of communication available. The latter to coordinate and encourage our companies to strengthen their relations with the government sector and participate in activities carried out by the Businessmen's Associations.



TOTAL ASSETS

million pesos

12000

12000

9000

9000

6000

6000

3000

3000

0

0

1973

1974

1975

1976

1977





and Monterrey were conditioned for the purpose of centralizing all personnel of the different institutions in the administrative areas of BANPAIS.

The geographic expansion of BANPAIS' services continued in 1977. New offices were opened in Reynosa, Tamps., Cd. Juarez, Chih., Puebla, Pue., Querétaro, Qro., Culiacán, Sin. and Tlalnepantla, State of Mexico.

In addition to the above, two new branches were inaugurated in Mexico City and Monterrey to offer our clientele a more comprehensive range of services.

Consequently, BANPAIS now has fifty offices in key cities conveniently located throughout the country.

The restructure of BANPAIS has notoriously impacted the yield of operations generating income, obtaining in 1977 profits in the amount of \$58.0 million pesos which represent a growth of 84.0% over those of 1976.

BANPAIS, incremented its total resources during this period by \$2,148.0 million pesos, a growth of 26.0% as compared to 1976.

The consolidation of the administrative restructure to integrate the Group initiated in 1976 was finally accomplished this year with very favorable results.

As a part of such integration, the offices in Mexico City

Internal work required to obtain approval from the Competent Authorities to constitute the institutions forming Grupo Financiero BANPAIS into one sole organization to be known in the future as BANPAIS, S.A., Institución de Banca Múltiple was begun during the last six months of the year. Operations under the new name will start January 1, 1978.



