



VITRO, SOCIEDAD ANONIMA



Annual Report 1989

Financial Highlights

(millions of pesos)

	Actual 1989	Actual 1988	% Change in Constant pesos
Total sales	4'182,705	3'481,901	0.1
Consolidated sales	3'359,990	2'821,759	(0.8)
Integral financing cost	189,036 *	232,029 *	(32.1)
Net income	568,953	479,955	(1.2)
Capital expenditures	253,059	201,132	4.8

Return on equity	12.6%	13.5%
Current ratio	1.46	1.74
Liabilities/stockholders' equity	0.33	0.32
EBIT/assets	15.90%	20.08%
EBIT/sales	19.24%	23.68%
Operating cash flow/sales	29.58%	35.23%

* This figure does not include prepayments of foreign debt, because it is considered in the "Extraordinary items" concept in the Income Statement.

Message from the Chairman



To our stockholders:

Economic Environment

During 1989 the Pacts for Economic Stability and Growth (the "Pacts") continued to regulate the development of Mexico's economy, with mixed results. Inflation was brought down to the lowest level of the decade, a signal achievement considering that the economy started to grow again at the same time. On the other hand, the Federal Government suffered a social impact as a result of the reduction in its public outlays, companies reduced their profitability levels, and the great majority of the Mexican people experienced a decrease in their real income, all in order to allow the economy to achieve a degree of stabilization.

The strategy of opening the economy to world trade was accompanied by a gradual adjustment in the exchange rate based on the year's inflation, a slight decrease in Central Bank reserves, a worsening of the trade balance, and high real interest rates.

Sales and Earnings

Sales to the domestic market behaved similarly to the previous year as a result of an increase in sales volume which made up for the depressed prices.

Export sales, on the other hand, continued their vigorous diversification, making it possible for GRUPO VITRO's companies to have a presence, through their products, in a growing number of countries and in new markets. This strategy enabled us to practically maintain our export levels.

As a consequence of the sales price controls resulting from the Pact, operating profit registered a sensible reduction with respect to the previous year. Notwithstanding the benefit of non-recurring financial gains, net income decreased by 1%.

Financial Structure

In 1989, seven years of intense efforts to reduce long-term foreign currency debt reached their culmination. That debt amounted to US\$ 758 million in 1983; now practically all of it has been repaid. This result was made possible to a great extent by our healthy generation of cash flow and the credit support provided by the Mexican financial system. The financial structure has remained solid, by means of a reduced leverage, together with assets and equity growing at a rate higher than inflation.

Special Events

The trend toward market globalization, the consolidation of the world glass industry, and the opening of our country to foreign trade lent firm support to the strategic decision to acquire Anchor Glass Container Corporation and Latchford Glass Company, both glass container producers based in the United States. Even though spectacular results are not expected from these companies in the short-term, their acquisition gives GRUPO VITRO a firm presence in the world's largest market, enhancing its ability to allocate human and financial resources to the development of state-of-the-art technology. Another expected benefit will be the vigorous activity generated in the export sales of capital goods.

On the subject of important developments, special mention must be made of significant growth in Vitro's Household Products Division. In just two years, it has reached third place in sales among GRUPO VITRO's Divisions. The prospects for exports from this Division are very encouraging once the joint venture with Whirlpool Corporation in the major home appliances sector begins to reach the marketplace in 1990.

Recognition is due the people employed in all our Divisions for their hard work, dedication, and professional excellence in an environment that represents greater difficulties than ever before.

Outlook

As we enter the last decade of this century, we are confident that we have laid the foundations for our future development in a world opening up to trade and, therefore, to competition. The challenge to be faced both in Mexico and in the world is huge and complex. Continued efforts must be made to reduce inflation if we are to enjoy healthy growth. This will mean more discipline and sacrifices for all sectors. Inflation must be eradicated in order to achieve lasting growth. We believe the efforts our country has made to accomplish this will bear fruit in the near future.

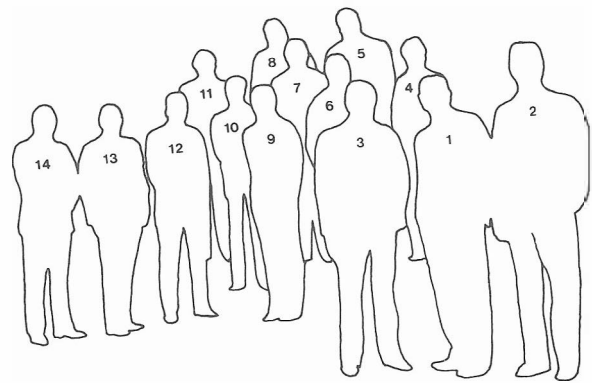


ADRIAN SADA T.
Chairman of the Board

*1989 Annual Report Submitted
by the Board of Directors of
Vitro, Sociedad Anónima*

Board of Directors

- 1.- Adrián Sada T. (Chairman)
- 2.- Adrián Sada G. (Vice-Chairman)
- 3.- Ernesto Martens R.
- 4.- Tomás González Sada
- 5.- Julio Escámez F.
- 6.- Federico Sada G.
- 7.- Mario Garza G.
- 8.- Dionisio Garza Sada
- 9.- Pablo González Sada
- 10.- Juan F. Muñoz
- 11.- Alejandro Garza Lagüera
- 12.- Eduardo G. Brittingham
- 13.- Adolfo Larralde Rangel (Secretary)
- 14.- Javier Iriondo V. (Examiner)



Alternate Board Members: Virgilio Garza Jr. y Alfonso F. Rodríguez

Alternate Examiner: Salvador González G. Jr.



MACROECONOMIC ENVIRONMENT

Continued structural changes during the year, the renovation of the Solidarity Pacts for Stability and Economic Growth, and the foreign debt renegotiation process were the most relevant events of 1989. Such events helped clarify government policy, reduce instability, and obtain better-than-projected growth at the expense of greater distortion of prices and a weakening of the trade balance.

Financial and transportation deregulation were structural measures added to the liberalization of foreign trade and to efforts by the public sector to reduce its participation in productive activities.

The Solidarity Pacts were based on the continued efforts to coordinate price and wage stability, a sliding exchange rate policy and an official commitment to adhere to budgetary goals.

Likewise, the foreign debt was renegotiated, involving postponement of the debt service contracted with the Paris Club, the procurement of new loans from international organizations, and agreement on an options package with the international private banking community.

The summary of the year's result is: less instability in consumer prices, reducing annual inflation from 51.2% in 1988 to 19.7%; the gross national product (GNP) grew 2.9%, while industrial production and manufacturing output increased by 4.7% and 6%, respectively; this brought about a real improvement of labor income amounting to 5%, represented by the manufacturing salaries and wages index.

The policies aimed at structural change resulted in a greater availability of credit for the private sector, the reduction of transportation costs, access to new foreign markets, and the involvement of the private sector - both domestic and foreign - in activities previously reserved for the State. The most optimistic expectations resulting from foreign debt renegotiation contributed to a moderate return on capital and to a reduction of more than ten percentage points in nominal interest rates during the second semester.

The continuation of mutually agreed price increase restraints resulted in an additional distortion of prices as demonstrated by the behavior of free and controlled goods. This led to inefficient allocation of resources and the reduction of operating margins, with the resulting decapitalization and technical decline of some industries.

The trade balance was also affected, showing a deficit of US\$650 million influenced by extremely vigorous imports that resulted from opening up the economy to free trade and from the exchange rate policy.

As has been the case in stabilization programs similar to ours, expectations of economic agents kept real interest rates high at a level of 30%, producing uncertainty in capital investments due to the high cost of capital. Likewise, the amount of scheduled government outlays was five percentage points higher than anticipated, forcing the authorities to eventually increase prices in goods and services in order to lessen the fiscal imbalance.

The Mexican people are committed to helping eradicate the inflationary problem; in such an arduous task, GRUPO VITRO is no exception. Efforts aimed at that goal meant an extended, albeit, attenuated sacrifice in operating margins during the year, through the reactivation of some important sectors of the economy and the promotion of exports.

The markets served by GRUPO VITRO showed the following growth:

Automotive	29.4%
Domestic Appliances	24.0%
Beer	14.7%
Soaps and Detergents	12.9%
Capital Goods	12.3%
Soft Drinks	6.8%
Wines and Liquor	3.9%
Construction	3.0%
Pharmaceuticals	1.7%
Processed Foods	1.4%

Within the economic environment described here, the company's performance was as follows:

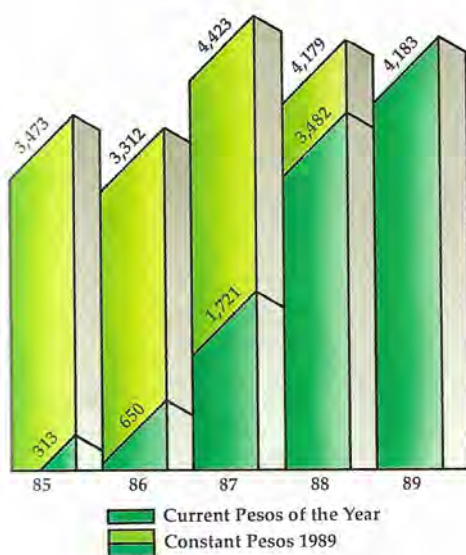
SALES

The higher level of activity in the principal sectors served by the company resulted in significant growth in volume, allowing GRUPO VITRO to partially mitigate the adverse impact of controlled prices held below the rate of inflation.

(Amounts in Mexican currency are expressed in 1989 pesos unless otherwise indicated. Growth rates refer to the percentage change in 1989 with respect to the previous year. Likewise, the amounts stated in foreign currency refer to United States dollars.)

Total company sales rose to 4,183 billion pesos, a figure similar to that of the previous year.

TOTAL SALES
(Billions of Pesos)



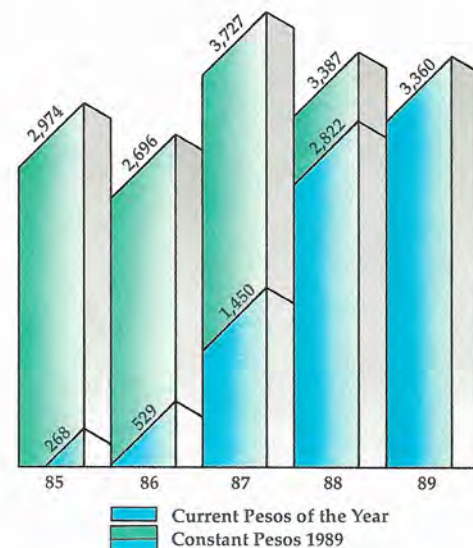
At the same time, consolidated sales amounted to 3,360 billion pesos, 1% lower than the 1988 level.

During 1989, the performance of Divisional sales was as follows:

Sales by Division
(Volume Growth)

	<u>1989</u> (%)	<u>1988</u> (%)
Vitro Household Products	24	18
Vitro Containers	10	(8)
Vitro Flat Glass	8	9
Vitro Glassware	8	—
Vitro Fibers and Silicates	7	10
Vitro Basic Industries	1	(16)
Other	1	—

CONSOLIDATED SALES
(Billions of Pesos)



The percentage share of the Divisions in sales was:

Sales by Division
(Percentage Share)

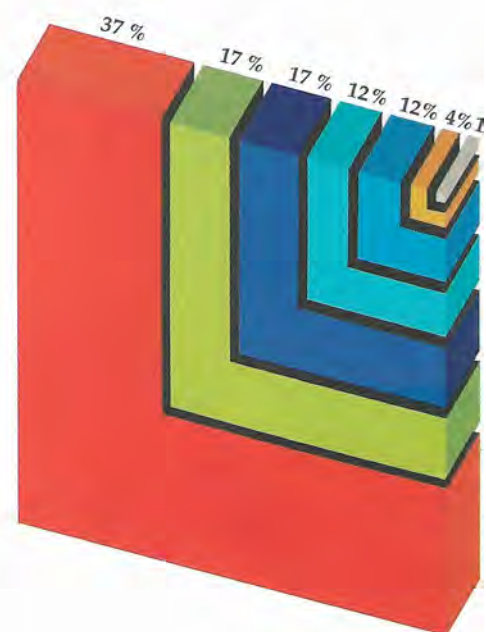
	<u>1989</u>	<u>1988</u>
Vitro Containers	37	36
Vitro Flat Glass	17	18
Vitro Household Products	17	15
Vitro Basic Industries	12	13
Vitro Glassware	12	12
Vitro Fibers and Silicates	4	5
Other	<u>1</u>	<u>1</u>
	100	100

The development of domestic economic activity, the opening up of the economy to free trade, the renewed strength to control inflation and the unfair commercial practices of some countries with which Mexico has business relations made it necessary to modify the competitive strategy of GRUPO VITRO and its Divisions.

The most relevant features of each Division are described below.

VITRO CONTAINERS

The recovery in the Division's principal markets was a determining factor in the satisfactory results achieved. Significant volume growth took place, as follows:



Soda lime glass containers	14%
Borosilicate glass products	32%
Luggage	19%
Plastic containers and closures	22%

Average 1989 capacity utilization in soda lime glass was 74%, twelve percentage points higher than the previous year.

Division exports remained vigorous, growing 15% and representing 12% of total sales.

These results were largely due to the introduction of new products to the domestic and foreign markets, continued efforts to maintain the single service container, and the development of new designs.

We are particularly proud of the recognition awarded by the Ministry of Commerce and Industrial Promotion to our subsidiary Altro Samsonite, S.A. de C.V. for the excellent quality of its products.

VITRO FLAT GLASS

The strong activity of the Division's markets contributed to achieving favorable results, with the following increases measured in units:

Construction Flat Glass	7%
Automotive Flat Glass	1%

The above made it possible to utilize 78% of the Division's installed capacity, which compares favorably with the 76% for the previous year.

Despite the decline of production in the automotive industry in the United States, Division exports amounted to US\$82 million, representing 32% of sales. The application of the integral quality concept and the day-to-day efforts for improvement were once again recognized by Chrysler Corporation, Nissan Mexicana, S. A. de C. V., and General Motors de México, S. A., as well as the Ministry of Commerce and Industrial Promotion.

VITRO HOUSEHOLD PRODUCTS

Demand for the Division's appliances in 1989 showed sustained vigor, with a growth of 61% including domestic and imported goods; imports were necessary in order to complement the various segments of the domestic market. The manufacture of these products for Philips Mexicana, S. A. de C. V. was started and greatly contributed to the increase in Division sales.

In fixed assets investments, an expansion of the Supermátic, S.A. de C.V. refrigerator plant was implemented with an investment of 42,124 million pesos. Field tests by the Division as well as by our partner Whirlpool Corporation were completed. This sets the foundation for the launch of a new export line during the first quarter of 1990.

Likewise, with an investment of 48,106 million pesos, two additional home appliance projects were started and are scheduled for completion this year. This will permit the internationalization of Division products and will increase GRUPO VITRO's share in world markets.

It is estimated that these projects will represent a substantial increase in the Division's exports.

Local demand for enamelware evidenced a growth of 4% during the year, 88% of which was supplied by Mexican companies and the remainder by imports from Pacific Basin countries.

Nowadays, it is essential to update production and marketing strategies in order to compete effectively in world markets. Therefore, it was considered appropriate to close Troqueles y Esmaltes, S. A., during the month of March and open Acero Porcelanizado, S. A. de C. V., which has the characteristics required to compete in the domestic and foreign markets.

The chain of wholesale stores consolidated its operations by a growth of 9% and increased its coverage at a domestic level.

Division exports amounted to US\$6.2 million, but were adversely affected by the closing of Troqueles y Esmaltes, S. A. and by the economic decline of the Republic of China, to which we exported the compressors made by Consorcio Manufacturero, S. A. de C. V.

VITRO BASIC INDUSTRIES

The capital goods domestic market remained depressed due to lack of investments from the public sector. This had a negative effect on Division sales, which dropped 10%. In spite of this, the continued search for new foreign markets, as well as an increase in the Division's share in its traditional markets, increased exports to US\$24 million representing 14% of total sales.

Due to its growing importance as a strategic unit in the supply of equipment for the GRUPO VITRO companies, both in Mexico and abroad, Fabricación de Máquinas, S. A. de C. V. has been transferred from the Vitro Basic Industries Division and now reports directly to GRUPO VITRO's Chief Executive Officer.

The area of raw materials showed satisfactory performance, growing 6% as a result of greater demand from customers. Exports also showed a significant increase, up 24%.

Exports of chemical products increased 3% as a result of worldwide economic activity. On the other hand, the number of oil drilling operations decreased in Mexico as well as abroad, so calcium chloride sales dropped 49%.

During the last quarter of 1989, the expansion of the table salt plant was completed. This will enable us to supply the regional market, which had not been adequately serviced since September 1988.

In our borate project, pilot plant tests were completed. During 1990, the possibility of building the first production unit to supply the export market will be evaluated.

The current situation of the country is not favorable for the development of companies engaged in the capital goods business. For this reason we made the decision, together with our partners, to close Quantron, S. A. de C. V.

VITRO GLASSWARE

Despite the import tariff disadvantage existing in Mexico and the countries with whom we have trade relations, the Division achieved favorable results. Sales volume increased by 8% due to a timely change in marketing strategies.

Sales abroad continued their upward trend with 6% growth, representing 34% of the total sales of this Division.

The presence of our products continues to expand in the United States market. During the year, we opened a factory outlet in Vacaville, California.

The personnel of this Division deserves special recognition for having launched the new line of lead crystal products, known as *Cien*, aimed to the top layer of the export market. This product combines the use of advanced technology, innovative design, and new marketing practices, which will enable us to compete with products of worldwide renown.

Despite the loss of competitiveness of the peso against the yen and European currencies, exports to Japan and Europe continue to be successfully promoted.

Utilization of installed capacity in the Division was 73% compared to 70% of the previous year.

VITRO FIBERS AND SILICATES; PRECIPITATED SILICA

Fiber glass experienced a moderate volume growth of 8% in 1989; however, price controls during the period caused a decline of 8% in the amount of sales.

The campaign to diversify markets and products using sodium silicate and its by-products resulted in a volume growth of 9% and a value growth of 4%. The Division continued improving its strategy of consolidation by acquiring Silicatos del Bajío, S. A. de C. V. and Silisol, S. A. de C. V., located in Irapuato, Guanajuato and Monterrey, Nuevo León through its sub-holding Vitro P.Q., S. A.

At the same time, Vitro P.Q., S. A. approved a project to install a precipitated silica plant in Colombia using our own technology. This is the first step towards the internationalization of this line of business.

Export sales, with the support of one of our partners, Owens-Corning Fiberglas, rose 42% above the previous year and represented 10% of total sales.

Use of installed capacity was 84% in fiber glass, 81% in silicates, and 95% in precipitated silica.

FOREIGN TRADE

Exports continued to be the most important market served by GRUPO VITRO, so our Divisions continued to direct their best efforts towards penetrating new markets and offering products of optimum quality.

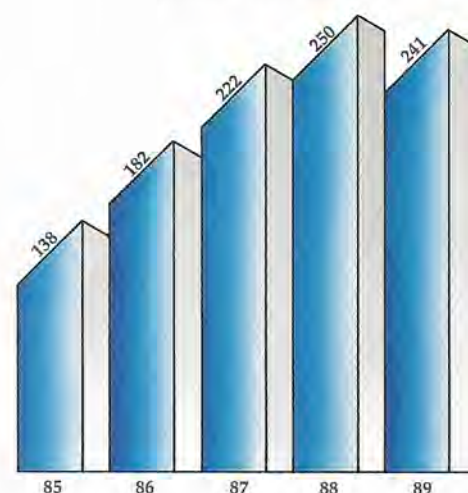
However, throughout the year certain difficulties arose. In the United States the production of automobiles was reduced, affecting exports of automotive glass. Likewise, exports of refrigerator compressors was affected by the collapse of the Republic of China's market. The closing of the Troqueles y Esmaltes, S. A. plant interrupted our enamelware export activity.

In view of the above, the value of exports was US\$241.4 million, which meant a decline of 4% against previous year, and represented 18% of the company's net sales.

Today's Mexico must effectively compete in world markets, offering products and services with internationally competitive and recognized quality standards. GRUPO VITRO has accepted this challenge and has been acting accordingly. Our definition of quality reads; "Quality is a way of life for GRUPO VITRO in which we anticipate and consistently provide expected value to our customers, both internal and external, for the products and services we provide."

To achieve this objective, we must put this definition into practice and make it a way of life for each and every person who has the pride of working in GRUPO VITRO.

EXPORT SALES
(Millions of Dollars)



BALANCE OF PAYMENTS

Our trade balance remained favorable, at plus US\$53.7 million; however, it declined 44% as a result of the need for greater imports of certain raw materials.

The company's balance of payments was favorable, at plus US\$38 million, although it showed a decrease of 56% due to imports of capital goods used for the capacity expansion of the Household Products Division and the technological updating of our companies. However, after prepayment of our dollar debt during the year, our balance of payments became negative, at minus US\$68 million.

STRATEGIC INVESTMENTS

National and world events such as Mexico's new free trade policy, market globalization, worldwide consolidation of industries and multiple alliances, etc., led GRUPO VITRO to modify its growth strategies. Therefore, in order to protect its domestic market and expand its presence internationally, the decision was made to acquire Anchor Glass Container Corporation and Latchford Glass Company in the U.S.A. This acquisition was made through our newly formed subsidiaries C Holdings Corp. and THR Corp.

ANCHOR GLASS CONTAINER CORPORATION

This company, originally registered on the New York Stock Exchange, serves mainly the beer, soft drink, food, wine, and liquor markets. In 1989, with a work force of 8,345, sales amounted to US\$1,022 million, which represented a volume of 8,254 million containers. It currently operates 19 plants, 17 located east of the Rocky Mountains and 2 in the State of California, which operate 115 glass container production lines. It presently has 4 plants that are not in operation. The company has 20 sales offices and 26 additional warehouses for finished products. In addition, it has 2 equipment production and repair plants and one plant for the production of molds.

Anchor Glass Container Corporation is the second largest company in size engaged in this line of business in the United States, with a market share of 24%. Its sales composition in 1989 was as follows:

SALES
(Percentage Share)

Beer	37
Food	25
Soft drinks	16
Liquor	13
Wine	7
Other	2
	<u>100</u>

The headquarters of the company is located in Tampa, Florida.

LATCHFORD GLASS COMPANY

Latchford Glass Company is a regional enterprise with 2 plants located in Oakland and Huntington Park, California, U. S. A.

The labor force at the end of 1989 numbered 743, and sales totaled US\$116 million. This company mainly serves the food, wine and liquor markets. Its regional share is 16%, with a 2% share nationally.

GRUPO VITRO IN THE INTERNATIONAL CONTAINER MARKET

GRUPO VITRO's share in the United States container market is now 27%, including these two new companies as well as our exports of the Container Division. In terms of production lines, considering our Central American companies, GRUPO VITRO is among the leaders at an international level.

Furthermore, we have a significant number of synergies that are beneficial to our companies. One of these is particularly important: the supply of equipment to the recently acquired companies will be made by Fabricación de Máquinas, S. A. de C. V. (FAMA), and exports are estimated to reach US\$40 million per year during the first five years.

GRUPO VITRO once again confirms its original strategy, which consists of having the latest of the state-of-the-art technology available as an essential condition to compete in cost, quality, and service in international markets.

INTERNATIONAL OPERATIONS

Brazil

Despite the difficulties experienced by the Brazilian economy during the year, with unfavorable impacts on the majority of the companies in the country, Nadir Figueiredo Industria e Comercio, S. A., in which we hold a minority interest, achieved satisfactory results.

Central America

The Central American Group of companies in which we participate showed favorable results in spite of the many difficulties suffered by countries in that region. Hence, sales declined only 2%, assisted by the introduction of new containers to cover new markets as well as continued export efforts.

INVESTMENTS IN FIXED ASSETS

Mexican companies encounter more intense competition every day in all markets due to the increasing number of participants. In view of this, the GRUPO VITRO divisions must be alert, not only to maintain their market, but to increase it. In this manner they will be in position to participate internationally with products that are competitive in cost, quality and service.

Investments in fixed assets were aimed at increasing the production capacity allotted to foreign markets, updating and developing advanced technology, and increasing the availability of products required by domestic and international markets.

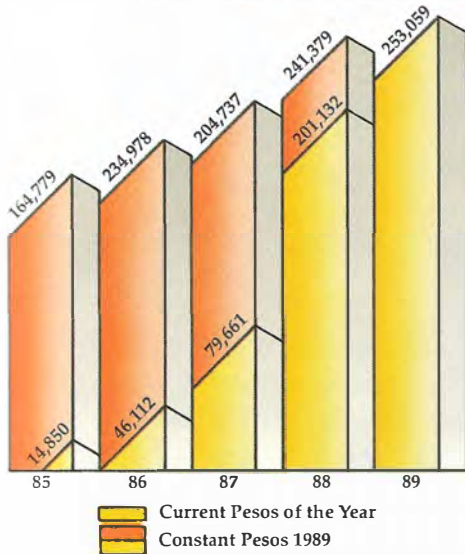
The amount of fixed assets investments made during the year was 253,059 million pesos, the most important being:

- Installation of energy-saving equipment, particularly in Industria del Alkali, S. A. de C. V. and the raw materials sector;
- Updating the technology of glass container forming lines;
- Blow-molding equipment for plastic containers, with in-mold label;
- New technology for plastic closures;
- Updating technology of ampoule-forming machines;
- Expansion of our refrigerator plant and the start-up of 2 plants for other domestic appliances to be sold on the international markets;
- Increase capacity for table salt plant;
- Updating equipment for the manufacture of parts used in molds and glass-forming machines;
- Increasing precipitated silica production capacity, and updating technology of process control to improve product quality; and
- Completion of the pilot plant to determine the most economical process to beneficiate colemanite ore.

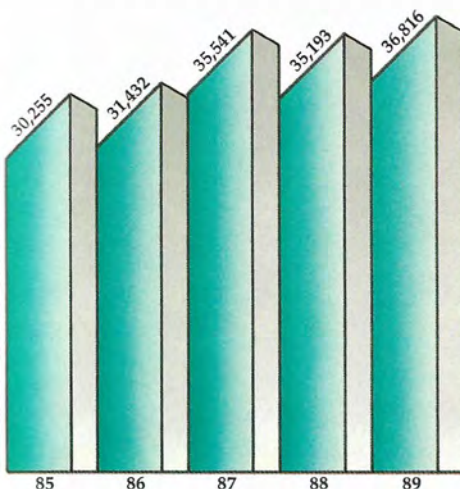
HUMAN RELATIONS

The increased economic activity in the country and, in addition, the start-up of operations in our installed capacity expansion, resulted in an increase in the number of personnel employed in GRUPO VITRO, up from 35,193 at the end of 1988 to 36,816 at the end of 1989, representing an increase of 5%.

CAPITAL EXPENDITURES
(Millions of Pesos)



PERSONNEL



The history of GRUPO VITRO began 80 years ago with the name of Vidriera Monterrey, S. A. Since then it has actively participated in the development of the country. During this period, thousands of persons, the list of which would be endless, have devoted their strength to serving our company; to them we wish to express our everlasting acknowledgement and gratitude for showing us that our company's most valuable asset is its people. Those of us who now have the pride of being a part of it offer our best efforts and strength to continue along the same path.

**FINANCIAL AND ADMINISTRATIVE SERVICES DIVISION;
 LEGAL, PUBLIC AND BANKING RELATIONS DIVISION;
 HUMAN RELATIONS AND PLANNING DIVISION; AND
 VITRO, SOCIEDAD ANONIMA.**

Our permanent commitment is to fully meet our obligations to the State, banks, domestic and foreign government agencies, Stockholders, and our personnel. Only the support and guidance of the executives in these areas have made it possible to succeed.

CONSOLIDATED INFORMATION

The accounting principles issued by the Mexican Institute of Public Accountants were faithfully and scrupulously adhered to, except for the fact that as of the date of the Financial Statements, the investment in C Holdings Corp., THR Corp., Anchor Glass Container Corp., and Latchford Glass Co., had not been consolidated.

In accordance with such principles, the financial information presented herein is based on Bulletin B-10 regarding "Recognition of the Effects of Inflation", as well as adjustments published in subsequent bulletins.

CONSOLIDATED GENERAL BALANCE
 (Millions of Pesos)

Assets	1989	1988	% Var. in Constant pesos	Liabilities	1989	1988	% Var. in Constant pesos
Current Assets	1'610,250	1'365,656	(1)	Short-term	1'102,611	782,644	18
Long-Term	1'178,197	634,497	55	Long-term	395,480	373,903	(12)
Fixed				Total Liabilities	1'498,091	1'156,547	8
assets (Net)	3'188,228	2'661,146	0	Stockholders'			
Deferred				Equity	4'525,169	3'561,030	6
Charges	46,585	56,278	(31)				
Total				Total			
Assets	6'023,260	4'717,577	7	Liabilities			
				and Equity	6'023,260	4'717,577	7

REMARKS

Assets

Current assets declined 1% due to the efficient management of working capital. At the same time, cash and marketable securities fell 13%, due to investments made abroad and foreign debt prepayments.

Long-term investments showed a growth of 55%, basically attributable to our participation in CYDSA and to the acquisition of the previously mentioned companies in the United States of America.

In spite of investments made during the year, our fixed assets showed no increase for the fact that revaluation indexes, applicable to assets quoted at international prices, were lower than inflation.

Deferred assets declined 31% due to the cancellation of the FICORCA surcharge derived from debt prepayments.

Liabilities

Significant investments made during the year increased our total liabilities by 8%.

Long-term foreign debt, which amounted to US\$225 million at the close of the previous year, was reduced to just US\$13 million at the end of this business period.

Stockholders' Equity

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

STOCKHOLDERS' EQUITY	(Millions of Pesos)		% Change in Constant Pesos
	1989	1988	
GRUPO VITRO Stockholders	3'850,834	3'042,795	6
Other Stockholders	674,335	518,235	9
Consolidated Stockholders' Equity	4'525,169	3'561,030	6

The breakdown by account is as follows:

	(Millions of Pesos)	
	1989	1988
GRUPO VITRO Stockholders:		
Capital Stock	70,000	70,000
Restatement of Capital Stock and Retained Earnings	2'848,369	2'262,654
Excess (deficit) in Restatement of Equity	156,864	204,246
Shares held in trust	(272,861)	(219,474)
Retained Earnings	585,402	341,393
Net income	463,060	383,976
Total	3'850,834	3'042,795
Other Stockholders	674,335	518,235
Stockholders' Equity	4'525,169	3'561,030

Stockholders' Equity registered a considerable increase of 6% in real terms.

INCOME STATEMENT

By joining the Solidarity Pact for Stability and Economic Growth, GRUPO VITRO adversely affected its profit margins by not applying price increases to compensate the rise in costs and expenses. Likewise, the new tax assessed on assets had an impact on income. However, some extraordinary items favorably affected the income, offsetting the negative results mentioned here.

CONSOLIDATED INCOME STATEMENT

	(Millions of Pesos)		% Change in
	1989	1988	Constant Pesos
Consolidated Sales	3'359,990	2'821,759	(1)
Cost of Sales	2'075,177	1'651,631	5
Operating Expenses	638,327	501,852	6
Income before Financing	646,486	668,276	(19)
Integral cost of Financing: Interest Expense and Income	234,400	320,717	(39)
Results from Monetary Position	(45,364)	(88,688)	(57)
Total	189,036	232,029	(32)
Share in net income of Associated Companies	95,185	112,475	(29)
Other Income, Net of Other (Expenses)	(5,930)	11,070	—
Income Before Income Tax and Workers' Profit Sharing	546,705	559,792	(19)
Income Tax and Workers' Profit Sharing	205,923	204,354	(16)
Income Before Extraordinary Items	340,782	355,438	(20)
Extraordinary Items	228,171	124,517	53
Net Income	568,953	479,955	(1)
GRUPO VITRO interest	463,060	383,976	1
Net Income, Other interests	105,893	95,979	(8)

REMARKS

By diminishing sales by 1% and increasing cost of sales by 5% and operating expenses by 6%, income before financing was reduced 19% as a result of the lag in prices of our products. The overall financing cost declined 32% due to a reduction in average liabilities.

Income before extraordinary items dropped 20%, while nonrecurring events lessened their decline, such as the financial benefit derived from debt prepayment, which amounted to 61,723 million pesos, and the amortization of consolidated fiscal losses from previous years in the amount of 166,448 million pesos.

Overall, net income for the period rose to 568,953 million pesos, 1% less than the previous year.

As in the past years, our participation in CYDSA favorably contributed to our results.

Net income to GRUPO VITRO stockholders was 463,060 million pesos, 1% higher than in 1988.

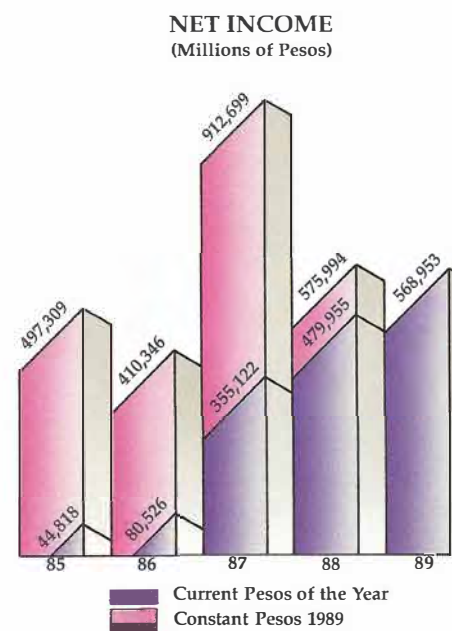
The following summary confirms that despite the factors mentioned, it has been possible to maintain a healthy financial position.

SUMMARY

(Billions of Pesos)

1989

Consolidated Sales	3,360
Net Income	569
Net Income GRUPO VITRO Interest	463
<hr/>	
Net Income per Share (Pesos)	6,615.14
Operating Income Before Financing, Tax and Profit Sharing/Total Assets (%)	15.9
Operating Income Before Financing, Tax and Profit Sharing/Sales (%)	19.2
Operating Cash Flow/Sales (%)	29.6
Return on Equity (%)	12.6
Growth in Net Worth (%)	10.7
Current Ratio	1.46
Total Liabilities/Stockholders' Equity	0.33



All commitments to our creditors were fully met.

CONCLUSION

GRUPO VITRO and its Subsidiaries and Associates in Mexico subordinated their objectives to those of our country. Results for the year 1989 demonstrate this. GRUPO VITRO has contributed throughout 25 months to the national goal of reducing inflation. We particularly want to highlight the continued efforts for improvement of our personnel, GRUPO VITRO's most valuable asset.

GRUPO VITRO expresses its most sincere gratitude to our customers, suppliers, bankers, and Stockholders, for their continued support.

Throughout its 80 years of existence, GRUPO VITRO has experienced innumerable vicissitudes. Today, as always, GRUPO VITRO is conscious of its responsibility to contribute with enthusiasm and determination to the progress of our country, and to continue to look after our Stockholders' interests, through a conservative and firm administrative policy.

BOARD OF DIRECTORS
VITRO, SOCIEDAD ANONIMA

*Divisional
Information*

Corporate Officers



Adrián Sada T.
Chairman of the Board



Adrián Sada G.
Executive Chairman
of the Board



Ernesto Martens R.
President and Chief
Executive Officer



Federico Sada G.
Vitro Containers
President



Gerardo Sada Z.
Vitro Flat Glass
President



Julio Escámez F.
Vitro Glassware
President



Mario Garza G.
Vitro Human Relations
and Planning
President



Oscar Samaniego R.
Vitro Finance and
Administrative Services
President



Francisco J. Garza
Vitro Basic Industries
President



Juan Manuel Holguín
Vitro Fibers and Silicates
President



Tomás González Sada
Vitro Household Products
President



Carlos G. Segovia G.
Fabricación de Máquinas, S. A.
Vice-President



Adolfo Larralde R.
Vitro Legal, Public and
Banking Relations
President



Roberto César Treviño
Vitro, Sociedad Anónima
President

Vitro Containers



*Fábrica de Vidriera Monterrey, S.A.
Monterrey, Mex.
Aquí principió a trabajar en Dic. 8 de 1909.*



Vidriera Monterrey 1909

The year 1989 marks a memorable event: 80 years ago Vidriera Monterrey, S. A., the first company of Vitro Containers - and of GRUPO VITRO - was founded on December 9, 1909.

During this period of time the world has undergone significant changes: the social, economic and geographical environments have been altered. Mexico is no exception. At the turn of the century, our country had a population of less than 20 million, a meager infrastructure, and a low educational level. Today, 80 years later, Mexico has over 80 million people, a vast communications network, the 12th highest gross national product in the world, and an improved educational level, with some of our university graduates performing successfully in international markets.

During the same period, Vitro Containers Division has experienced a similarly impressive development. What started as a small factory with only one furnace producing a single type of bottle is now a group of highly diversified businesses.

Today we produce - in addition to a wide variety of glass containers - plastic bottles, closures, and tubing; ampoules, vials, tubing and labware made of borosilicate glass; thermoformed plastic containers for both consumer and industrial uses, as well as luggage and furniture.

In all these endeavors, Vitro Containers Division is the undisputed leader in Mexico, and exports many of its products.

In soda lime glass, we have 6 plants throughout Mexico, with 27 furnaces and 91 machines with the most advanced technology in the world. We manufacture over 3 billion containers for domestic and foreign markets, exporting to the U.S.A., Latin America, and the Caribbean.

In 1964 Vitro Containers Division initiated operations in Central America, where we have 2 plants with 3 furnaces and 12 machines to produce soda lime glass containers and tumblers. In addition, there are facilities to manufacture ampoules and vials made of borosilicate glass as well as plastic containers and closures. Our operations in this region also include the production of raw materials, such as silica sand and feldspar.

Vitro Containers Division started producing plastic bottles in 1974. Today, plastic products are our second most important business. We have 5 plants that manufacture a vast array of products from a wide range of materials: containers, closures, and other articles.

In 1979, Vitro Containers Division joined forces with Owens-Illinois to manufacture borosilicate glass products, and today the joint venture has 3 facilities to produce tubing, ampoules, flasks, vials, and labware for the Mexican and export markets.

In partnership with Samsonite Corporation since 1986, Vitro Containers Division has since been producing all types of luggage as well as casual furniture and injected plastic containers for dairy products and other uses.

Vitro Containers Division has come a long way in the last 80 years. Our growth has been the result of the efforts and endeavors of many generations of workers, staff, and managers. The example set by these people allows us to face the future with enthusiasm. The next 8 decades will encompass greater and more rapid changes than those experienced in the past. The future requires that we gather all our knowledge, abilities and determination in order to maintain our technological leadership, handle our facilities with the highest safety standards, and motivate our personnel to continue serving the requirements of our markets with the standards of quality and service demanded by the new environment of international competitiveness.

Our goal is to perform at levels of excellence in all our endeavors, to enrich the legacy of those who preceded us.



Vitro Flat Glass

Vitro Flat Glass Division was founded in 1936 when Vidrio Plano, S. A. was formed in Monterrey, Nuevo León.

It has been a pioneer in Mexico in the manufacture of flat glass for the growing construction industry. During the last 54 years, it has developed a wide range of products for various market segments and for the community as a whole.

From simple clear or rolled glass for glazing, over the years specialized glasses have been developed, including athermic, reflective, laminated for architectural applications, bulletproof and thermoacoustical units, tempered architectural safety glass, and a complete line for the automotive industry.

From the original vertical draw manufacturing process, major technological developments were incorporated in our Division, allowing us to have the latest technologies available worldwide, offering our customers high quality products, and covering all the needs required by the market; such as tempered, laminated, colored, and reflective glass with a layer of metallic ions which impart thermal properties and aesthetic characteristics.



Vidrio Plano 1940, plant view



In the construction, automotive, and furniture markets, sales in Mexico grew by 16% in 1989, allowing us to start-up facilities that had been idle in previous years.

In order to reinforce our market position in the conversion of raw glass to table tops and related products, a new strategy was implemented for the domestic market.

In 1990, the construction of a state-of-the-art float glass production facility will be started, enabling us to fulfill all our domestic requirements as well as to sustain our presence in foreign markets in the long-term.

The Division endeavors to remain on the leading edge of technology. As an example of this, Química "M", S.A., using the co-extrusion process, started production of banded polyvinyl butyral (P.V.B.) film, used to make automotive windshields. With this innovation, it has enhanced P.V.B. film quality and at the same time increased production capacity.

In 1990, the safety glass area will complete the installation of a new plant which will allow the tempering of automobile glass with the complex curvatures required by the automotive industry's new aerodynamic designs.

The Division's constant efforts to maintain quality were recognized during the year. For its consistently high and competitive quality, Crinamex, S.A. de C.V. was awarded the National Quality Prize by the Ministry of Commerce and Industrial Promotion, and Vitro Flex, S.A. de C.V. received the "PENTASTAR" award from Chrysler Corporation in recognition of its excellent quality and reliability.

Vitro Glassware

For more than fifty years, when the first of the Vitrocrisa companies -Cristalería, S.A.- was constituted, our efforts have been aimed at meeting the needs of the houseware and gift markets with glassware, tableware and ovenware products, glass lighting parts, ornaments and decorative items, offering the consumer a wide range of quality products under the umbrella of our prestigious trademarks: *Crisa, Termo-crisa, Pyr-o-Rey, Fortecrisa, Pyr-o-Ware, Kristaluxus and Cufin*. An intensive and diversified network of distributors back-up our service level, enabling us to satisfy the needs of industrial clients and consumers, thereby consolidating our leadership in the majority of the markets we serve.

The efforts and expertise of our people enable us to satisfy the domestic as well as international markets on a competitive basis, with our traditional lines of handmade glassware and lead crystal as well as with our specialized industrial products line.

During 1989, aware of the challenges of an industrial environment in the context of the new Pact of Stability and Economic Growth and our government's open market policy, that considerably increased the level of imports, Vitro Glassware Division continued its strategy of investing in the modernization of its manufacturing facilities, technologies, and product innovation as a means of maintaining international competitiveness and reorienting its resources to cope with an environment of global competition.

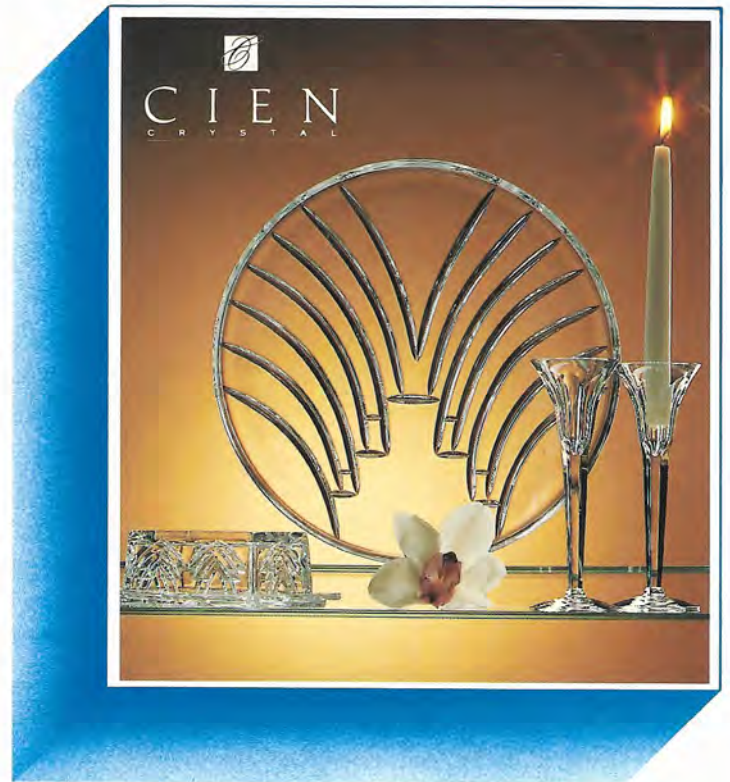
The development of the domestic market in 1989 was favorable in terms of volume. This enabled us to optimize the use of our installed capacity, thereby improving productivity and efficiency in our manufacturing processes. Our sales in the domestic market once again showed a trend of growth in real terms; this has increased our participation in the glassware, ovenware and stainless steel flatware businesses and has permitted us to maintain our position in the tableware business.

Significant replacement product imports and the unbalanced trade tariffs between Mexico and the United States and other countries in several product lines, represent the major threats to our current product-market strategy.



Panoramic View of Crisa

Continuing with our exporting tradition, we have increased our share in international markets. Our exports maintained their continued growth and represented 35% of our consolidated sales. Crisa Corporation, our sales and marketing company in the United States, continues to be one of the leading suppliers of glassware and glass lighting parts, tableware, ovenware, and industrial products made of borosilicate glass for the United States and Canadian markets.



To strengthen our share in the gift market and to support the technological innovations of our lead crystal operations, a new contemporary design product line was developed. This product will be sold through the most prestigious stores in the international markets under the trademark "Cien".

We have begun the last decade of the twentieth century with the firm determination to maintain and improve our competitiveness on the international scene. The creativity and enthusiasm of our people for continued improvement will enable us to meet the quality specifications and standards of service required by our customers and will be the key to the future development of Vitro Glassware and its subsidiaries in an environment of global competition.



own competitive arena. Due to this effort, we are now offering amongst many products a calcium chloride product for the food industry and a microfeldspar for the ceramic industry, both for the U.S.A. market; a silica sand with special specifications for float glass; a factory specialized service to optimize air compressors; and a high-efficiency water pump for irrigation systems on the North American market.

We are certain that we are on the right track. We must simultaneously achieve acceptable results in the short-term and build a promising future. The world of tomorrow will be global and highly competitive. If we fail to anticipate and prepare ourselves for the business environment of the nineties, we will have condemned our businesses to mediocrity and low profitability.

Fortunately all these changes are already generating concrete benefits, giving us productivity improvements while simultaneously offering great advantages to our customers.

This flexibility has basically allowed us to meet three objectives: to offer a greater variety of products, to differentiate our existing products, and to reduce our total processing time, which places us in synchrony with worldwide technological trends.

By tailoring our processes to the client in this way, we have added a special value to our products and services that is highly appreciated by users because it allows them to stand out in the markets they serve and establish an advantage in their



Vitro Fibers and Silicates



For our Division, 1989 was a complex year in which all of our companies showed positive sales growth figures as measured in tonnage. However, the Pact for Economic Stability and Growth did not allow us to increase sales prices at a sufficient rate to offset inflation. Due to the cost reduction programs and the adequate use of installed capacity, the financial results achieved remained at acceptable levels.

For Vitro Fibras, S. A.'s insulation business, the year was marked by the introduction of additional products geared for new market segments, as was the case of the home insulation campaign kicked off in Monterrey, Nuevo León as a test city for a national program that will be finished in 1990 aimed at saving energy in private homes and covering the northern cities of our country that have severe weather conditions; and by the acceptance of our insulation products for use in a very important project involving kitchen stoves manufactured in Mexico for export. We started the implementation of

the "Statistical Process Control" project as the initial step for the integration of the "Total Quality Management" program in this company and improved our packaging material in order to increase our competitiveness in foreign markets.

Our new material "Vitro Silka" (a calcium silicate based insulation product), has been accepted by Mexican industry to cover the need for insulating systems with higher temperature requirements than can be handled by fiber glass, thus providing the marketplace with a broader product portfolio than in previous years.

In the reinforcement business, we continued serving the important export market for "wet chopped" fiber and started the project to link up with the 85 KV circuit in order to insure an adequate energy supply, and set up the control and customer support laboratory. In the molding area, we were able to develop products manufactured by the hot press process for the automotive and electrical markets, which begins to consolidate our strategy of becoming molders of products that require high technology and strict specifications in addition to normal high investment requirements for molds.

The silicate business was considerably enlarged by the midyear acquisition made through our holding company "Vitro P.Q., S. A." of Silicatos del Bajío, S. A. de C. V., and Silisol, S. A. de C. V., sodium and potassium silicate producers located in Irapuato, Guanajuato and Monterrey, Nuevo León, respectively. These new operations will increase our traditional domestic market leadership for these

chemical products and will put us in a better position to serve current and future customer needs in the Central and Northeast areas of Mexico, plus improving our positioning for our export programs. We feel it was the best way to celebrate Silicatos y Derivados, S. A. de C. V.'s 25th Anniversary during 1989.

Additionally, the programs to extend the use of sodium silicate to other fields outside the detergent market continued to generate considerable results in the paper, cardboard, and water treatment areas.

For the specialty chemicals area of Arcillas Tratadas, S. A. de C. V., the year was full of new product developments for the human consumer market, high quality newspaper production, paint manufacture, and the approval of our product specifications and performance by international customers and markets. This will lessen the dependence of our sales on the rubber market, in which the sole and heel sector has been affected by imports of finished products into Mexico.

Exports of sodium, magnesium, and potassium silicates, sodium metasilicates, and precipitated silica maintained their previous pace, solidifying our position in the United States, European, New Zealand, and Australian markets.



Vitro Fibras, April 1958

Vitro Household Products

1989 was a year of great challenges. Immersed in an intense process of change, Mexico was determined to modernize its economic and social structures.

Vitro Household Products Division responded to the challenge. Product lines were upgraded with the integration of state-of-the-art technology. Quality and productivity continued to be guidelines in a cultural environment where harmony and solidarity prevailed and an ongoing concern to satisfy our customers' needs and demands continued to be a top management priority.

Enamelware

Seeking the required levels of international competition, Troqueles y Esmaltes, S.A. closed down its operations. In order to satisfy the market demand for porcelainized steel, a new and modern corporation was subsequently formed: Acero Porcelainizado, S. A. de C. V.

In response to the ever-increasing sophistication of consumer tastes, new and inspiring designs were introduced to maintain sales volume in a highly competitive domestic market.



Kitchen, 1937

Major Appliances

The major appliances market was particularly vigorous during 1989. Unit sales saw a significant increase due to the economic conditions fostered by the Mexican Government's Solidarity Pact, and the company's efforts, including the start-up of *Philips* appliance production, the consolidation of Vitromático Comercial with the resulting growth in distribution and service centers, and the procurement of exclusive distribution rights to the *Kitchen Aid* product line.

The first stage of the Supermático, S. A. de C. V. refrigerator plant expansion was completed, and construction of two other manufacturing facilities began. These projects are being developed in conjunction with technical personnel from Whirlpool Corporation and will enhance the Division's capability to respond to growing domestic demand, strengthen its export potential, and gain a competitive edge in quality and cost.

Components

The Component Business Unit registered important productivity gains. Product redesign reduced compressor manufacturing costs, and the 1/2 HP compressor for commercial refrigeration was introduced into the Mexican market. Manufacturing levels of valves and thermostats rose considerably compared to 1988.



Wholesale Merchandising Chain

The Wholesale Merchandising network was consolidated into one organization during 1989. At this time 30 strategically located distribution centers serve the domestic market nationwide.

Vitro Household Products Division met the challenges imposed by the elimination of Mexican trade barriers. Customer satisfaction continues to be the overriding priority. The Division has come a long way in its effort to consolidate its position in the domestic market and continues to strengthen its base with the training of its personnel and the renovation and construction of state-of-the-art facilities to ensure its future position in the international arena.

Vitro Household Products Division stands firm in its belief that the pursuit of excellence is the organization's driving force.

Vitro Human Relations and Planning

Human relations in our companies have traditionally been very harmonious. This has helped to strengthen our competitiveness in the national and international markets.

We have improved our programs to enhance the quality of life inside and outside the work environment, especially in preventing occupational accidents within the GRUPO VITRO companies. We have also increased the number of factory cafeterias, remodeled the Clinica Vidriera, A. C. hospital, and increased cultural, recreational, and sports activities within the corporation. Among the latter, the most outstanding was the celebration, at regional and national levels, of the *First GRUPO VITRO Children and Youth 1989* games with the participation of 1,375 athletes, sons and daughters of our employees, attended by 70,000 spectators, all relatives of the competitors.

Another achievement was the expansion of Vitro Club to Guadalajara, Jalisco and to Mexico City and vicinity.

To enhance personnel planning, development, and motivation, we have

consolidated a system of individual performance analysis and planning. The "Roberto G. Sada" scholarship program was diversified in order to include administration, technology, and marketing. A system was implemented to acknowledge and reward technological development within GRUPO VITRO. An international marketing program was established for GRUPO VITRO executives in conjunction with "The American Graduate School of International Management" to enhance management's capabilities in this area.

We supplied all the necessary data as well as the planning tools to support GRUPO VITRO companies in their strategic planning needs for global competition.

The GRUPO VITRO Arts Center promoted very important cultural activities such as The First Workshop and Exposition of Creativity with Glass, and coordinated the "El Vidrio en México" (Glass in Mexico) exhibition, which brings together the complete history of the glass industry in Mexico.



Symphony Orchestra Concert 1949, in front of Vidriera's Gymnasium

Vitro Financial and Administrative Services

To support the competitive and growth strategies of GRUPO VITRO, the Finance and Administrative Services Division made a greater effort to improve the quality of the services it offers to the companies and businesses of GRUPO VITRO.

Special emphasis was placed this year on the review and dissemination of fiscal provisions to ensure that they are applied according to legal regulations. Accounting and control policies were developed or updated to unify criteria, increase efficiency, improve administrative control, and ensure the observance of accounting and fiscal principles and requirements.

In order to provide better control and assure the accurate determination of re-valuation, depreciation, cost, and insured amount, 95% of the companies of the GRUPO VITRO now employ the fixed assets control system.

The telecommunication network was improved and its transmission speed was increased through the installation of 6 satellite stations and a private microwave channel allowing direct communications among 7 switchboards, 8 mainframes, and 4 local networks in Mexico City, Monterrey, Nuevo León, and Laredo, Texas. Enhancing network capacity not only improved internal communications, but also supported GRUPO VITRO's international marketing efforts.

To obtain a better and more economical transportation service, a joint effort was started in GRUPO VITRO. Greater cooperation from national and international suppliers was obtained in order to continue to support the commitment made to our Government for The Pacts of Stability and Economic Growth of Mexico.

Continuous support was given to the companies through traditional audits focused on accounting and operating procedures, primarily aimed at improving quality in accounting records and operational controls by closely supervising the correction plans issued by the companies in response to the reports.



Vitro Legal, Public and Banking Relations

This Division provided services to Vitro, Sociedad Anónima and its Subsidiaries in the fields of law, finance, and public relations, both in Mexico and abroad. It also implemented activities in the area of corporate financial communications, giving support to GRUPO VITRO's annual shareholders' meeting and producing the annual report.

Among the important achievements of 1989 was our supporting role in establishing GRUPO VITRO's presence as an international company. The Division was an active co-participant in the acquisition of the U. S. companies: Anchor Glass Container Corporation and Latchford Glass Company. It also provided traditional legal services such as formulating strategies, giving legal advice, attending to numerous legal questions, filing a variety of suits and appeals, and supporting the companies in legal matters arising from the recent Mexican Government policy of opening the country to foreign trade and investment.

Planning, negotiating, executing, and closing the acquisition of Anchor Glass Container Corporation and Latchford Glass Company called for considerable efforts from executives of this Division in

conjunction with personnel from other Divisions, all closely supervised by Vitro, Sociedad Anónima's senior management.

The long-term foreign debt reduction program was also concluded during the year being reviewed. Our already excellent relations with the Mexican and international banking communities were maintained, enabling us to obtain the necessary credit funds for the operations and investment projects of GRUPO VITRO's Subsidiaries.

The global challenge that GRUPO VITRO will have to face in the coming years has set the guideline to search for alternative financing instruments in international markets. Due to the acquisition of the companies in the U. S., GRUPO VITRO will meet new challenges that must be faced and overcome by employing our best talents, so the services rendered by this Division can meet the requirements of the new GRUPO VITRO.



Members of First Board of Directors, Industria del Alkali 1962

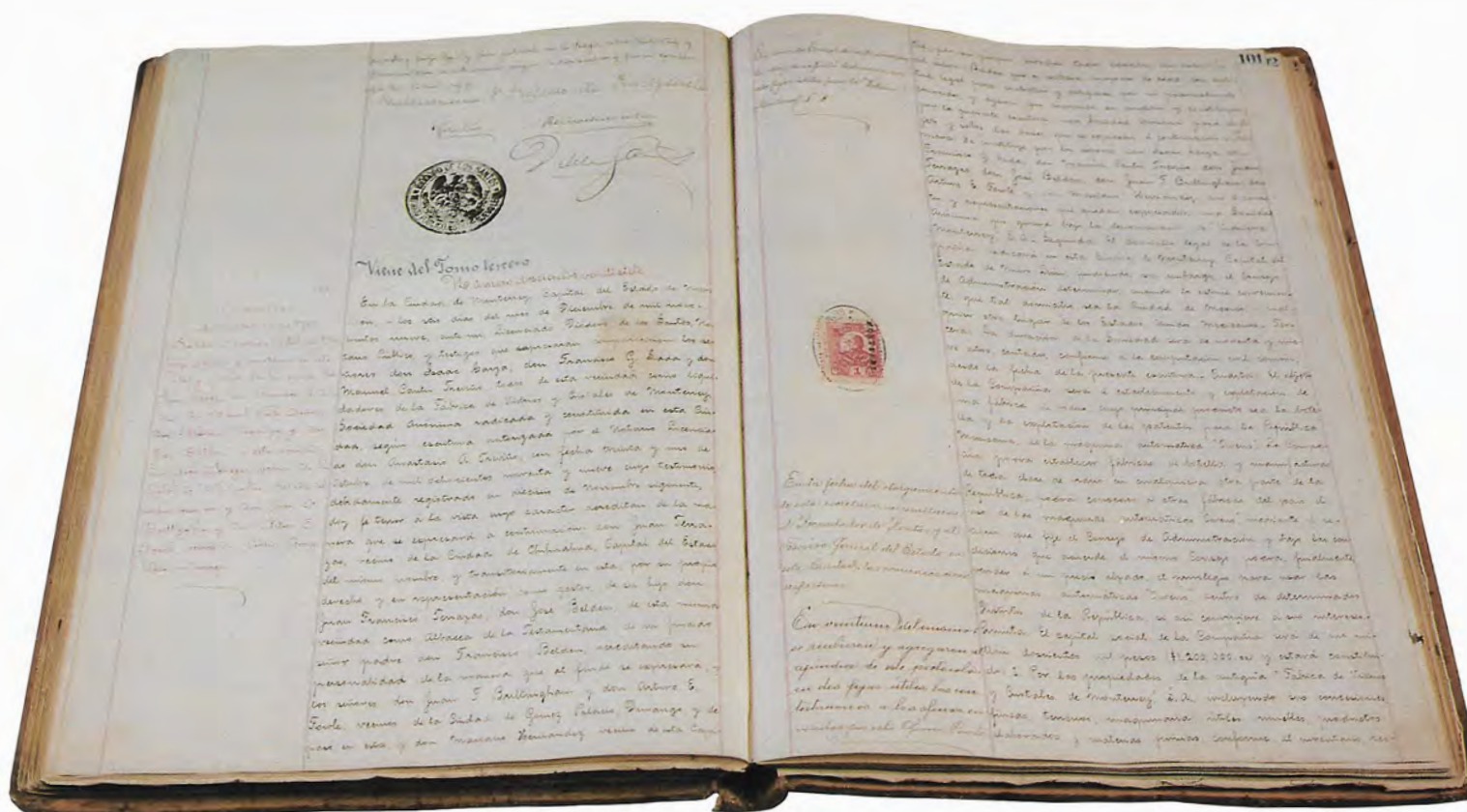
Vitro, Sociedad Anónima

Vitro, Sociedad Anónima achieved its essential objectives: to integrate and consolidate its operations through the creation, development, transformation, and acquisition of companies; and to be the driving force behind economic stability, providing its Subsidiaries with the financial and administrative resources required for sound growth.

During the fiscal year, Vitro, Sociedad Anónima, contributed 82 billion pesos to improve the financial structure of its Subsidiaries and 305 billion pesos to acquire 97 % and 100 % equity of Anchor Glass Container Corporation and of Latchford Glass Company, respectively.

On the stock market, Vitro, Sociedad Anónima continued to have a privileged position, and its shares were among the most active on the market.

To maintain the company's good financial standing and guarantee the stability and continued growth of its Subsidiaries, Vitro, Sociedad Anónima plans to continue applying its policy of high profit reinvestment.



Articles of Incorporation of Vidriera Monterrey

Fabricación de Máquinas, S. A.

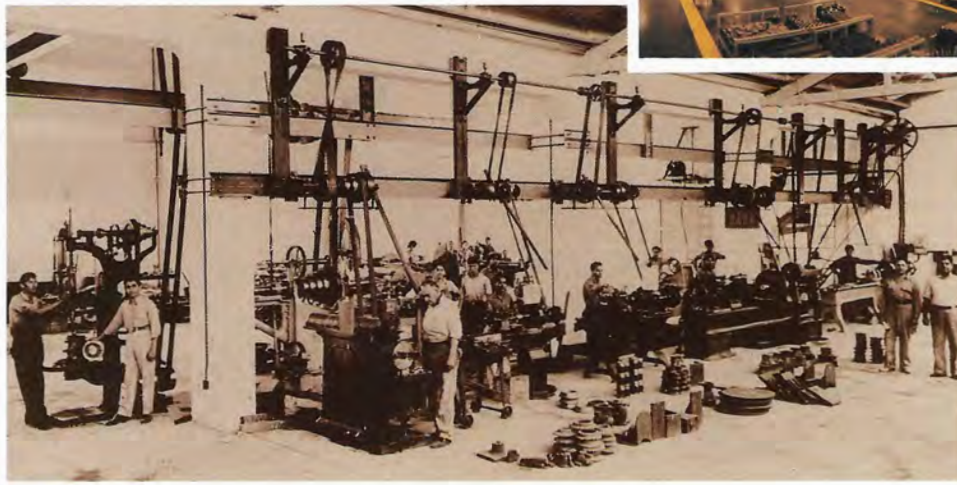
The lack of suppliers during the World War II crisis and the need for molds and machinery for the glass industry gave rise to the first GRUPO VITRO vertical integration with the founding of "Fabricación de Máquinas, S. A." on February 11, 1943.

FAMA started with 6 machine-tools that had the old belt transmission system and 37 workers, comprising a small shop for manufacturing molds and glass-forming machinery, initially the I. S. 2-section single-cavity machines; nowadays, we are producing the most modern and productive I. S. 10-section triple-cavity machines.

The development of this Company has been rapid and constant. At the present time it has five operating areas:

- 1) Fama-Metallurgy
(Forging and Foundry-Castings)

Products: Castings of special alloys for glass and plastic molds and for different types of machinery. The forge generates parts for machinery and the automotive and oil industries.



Fabricación de Máquinas, S. A. workshop, 1943

2) Fama-Mold Equipment

Products: Mold equipment for the glass, crystal, and plastics industries.

3) Fama-Machinery

Products: Glass-forming machinery.

4) Fama-Industrial Equipment

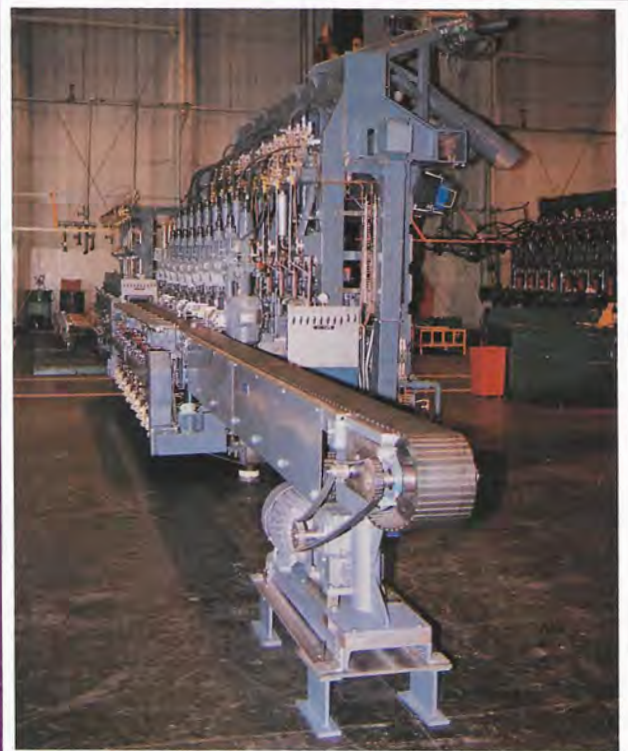
Products: Ancillary equipment for the glass, packaging and other industries.

5) Fama-Electronic Equipment
(A recently created area)

Products: Electronic controls for machinery operation and process control in the glass container and crystal ware industries.

FAMA products not only supply GRUPO VITRO requirements, they also play a role in diverse international markets: North America, South America, Europe, Southeast Asia, the Orient, and Oceania.

In order to simplify information and provide quick answers to our international customers, FAMA has a satellite system with the most sophisticated communication process, which adds reliability and promptness to our customer service.



FAMA not only develops technology to keep itself up to date, it also participates in various vanguard projects in coordination with Vitro - Tec and some other operating areas.

FAMA has modern and functional facilities and highly qualified personnel that allow its products to meet the market's most stringent requirements.

Acquisition of Anchor Glass Container Corporation and Latchford Glass Company



Anchor Glass Container Corporation was formed in April 1983 and acquired the business and certain assets of the Glass Container Division of Anchor Hocking Corporation through a leveraged buyout in May 1983.

Anchor acquired Midland Glass Company Inc. in March 1984.

Anchor Glass had an initial public offering in June 1986, and its common stock was first traded on the National Market System.

In April 1987 the company's stock began trading on the New York Stock Exchange.

In August 1987 Anchor Glass completed the acquisition of Diamond-Bathurst Inc., the fifth-largest domestic manufacturer of glass containers.

Anchor Glass Container Corporation, a packaging company dedicated to long-term, sustained growth, is one of the two largest manufacturers of glass containers in the United States.

The company produces and sells various flint (clear), amber and green glass containers for the beer, food, distilled spirits, beverages (soft drinks and bottled water), wine, toiletries and cosmetics industries. It also markets consumer items such as drinking mugs, glasses, pitchers and home canning products.

In December 1989 Anchor Glass had 20 sales offices in operation around the U.S., as well as 19 manufacturing plants with 40 glass-melting furnaces and an annual production capacity of approximately 60 million gross glass containers, depending on current product mix.



Latchford Glass Company, founded in 1917 and headquartered in Huntington Park, California, manufactures glass containers for the food, liquor, and wine industries. The company operates two manufacturing facilities in California, and has over 700 employees.

Anchor and Latchford will aggressively continue to modernize and upgrade facilities in order to establish themselves at the technological forefront of the glass container market and to improve their competitiveness in the packaging industry.

Due to significant transportation costs and the importance of prompt delivery to customers in the glass container industry, the company's manufacturing facilities are, for the most part, located in geographic proximity to its customers. Its 19 manufacturing and support facilities located in 15 states result in broad coverage of the total domestic glass container market.

Anchor customers include, among many others, Anheuser-Busch Inc., General Foods Corp., Heublein Inc., Miller Brewing Co., and Joseph E. Seagram & Sons Inc. Anchor ranked 340th on the 1989 Fortune magazine list of the 500 largest companies in the U.S. The company, headquartered in Tampa, Florida, employs over 8,000 people.



Vitro, Sociedad Anónima, is a Mexican company, manufacturer of glass and plastic containers; thermoformed articles, luggage; flat glass for architectural and automotive use; crystal products; fiber glass insulations and reinforcements, related industrial chemical products; enamelware articles, major appliances; mineral resources, capital goods and research and development of technology, related with the items mentioned above.

Apdo. Postal 184, San Pedro, Garza García, N. L. 66250, México.



VITRO, SOCIEDAD ANONIMA



Financial Statements

*Consolidated Financial Statements of
Viro, Sociedad Anónima*

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

(Mexican Currency)

We have examined the statement of financial position of Vitro, Sociedad Anónima, as of December 31, 1989 and 1988 and the related statements of income, variations in stockholders' equity and cash flow for the years then ended. Our examinations were made according to generally accepted auditing standards and, consequently, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The investment in shares in C Holdings Corporation and Subsidiaries in the amount of \$ 304,032 million is presented at its cost of acquisition for the reasons set forth in note 3-c and the rest of the investment in subsidiaries and associates represents the participation of Vitro, Sociedad Anónima in the stockholders' equity and in the results of its subsidiaries and associates; however, to adequately reflect the financial information of the economic entity, consolidated financial statements are required; these were prepared separately and audited by public accountant.

In our opinion, except for what is mentioned in the preceding paragraph, the accompanying financial statements referred to in the first paragraph, present fairly the financial position of Vitro, Sociedad Anónima as of December 31, 1989 and 1988 and the results of its operations, variations in stockholders' equity and cash flow for the years ended on such dates, in accordance with generally accepted accounting principles that were consistently applied.

The financial statements of the associates and subsidiaries cited in note 2 sub-clause a), are audited by other public accountants. Total assets of the companies mentioned amount to \$ 1'005,059 million in 1989 and \$ 1'347,673 million in 1988, representing 17% and 28% respectively of the total; likewise, their net income amounts to \$ 126,173 million in 1989 and \$ 107,110 million in 1988, representing 22% and 21% of the total, of Vitro, Sociedad Anónima and Subsidiaries, respectively.

GALAZ, GOMEZ MORFIN,
CHAVERO, YAMAZAKI



**CELSO JAVIER TREVIÑO E.
Public Accountant**

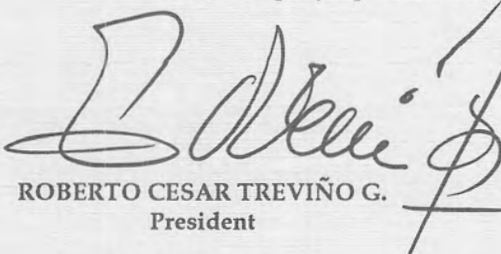
Monterrey, N.L., México, February 23, 1990.

VITRO, SOCIEDAD ANONIMA

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

ASSETS	1989	1988	LIABILITIES	1989	1988
Cash and temporary investments	\$ 93,622	\$ 39,285	Commercial paper	\$ 231,571	\$ 104,750
Receivables for services to subsidiaries	8,323	31,227	Accounts payable to subsidiaries	64,085	43,061
Receivables from subsidiaries	11,376	20,756	Income tax and value added tax payable	62,177	42,208
Recoverable taxes	8,029	49,204	Other payables	731	484
Other receivables	246	219	Short-term liabilities	\$ 358,564	\$ 190,503
Current assets	\$ 121,596	\$ 140,691	Accounts payable to subsidiaries	143,546	165,306
Receivables from subsidiaries		11,630	Total liabilities	\$ 502,110	\$ 355,809
Investment in shares (note 3)	4'214,909	3'231,938	CONTINGENT LIABILITIES (note 5)		
Land and buildings, net (includes revaluation, note 4)	8,576	7,076	STOCKHOLDERS' EQUITY (note 6)		
Furniture and equipment, net (note 4)	4,763	4,169	Capital stock	\$ 70,000	\$ 70,000
Excess of cost over book value of shares in subsidiaries	3,100	3,100	Restatement of capital stock and retained earnings	2'848,369	2'262,654
			Excess in restatement of capital	156,864	204,246
			Excess of book value over cost of shares in subsidiaries and associates	116,621	116,588
			Shares in trust (note 6)	(272,861)	(219,474)
			Retained earnings	468,781	224,805
			Net income for the year	463,060	383,976
				\$ 3'850,834	\$ 3'042,795
TOTAL ASSETS	\$ 4'352,944	\$ 3'398,604	TOTAL LIABILITIES AND EQUITY	\$ 4'352,944	\$ 3'398,604

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


ROBERTO CESAR TREVIÑO G.
President


ERNESTO MARTENS R.
President and Chief Executive Officer

VITRO, SOCIEDAD ANONIMA

INCOME STATEMENT
FOR THE BUSINESS YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

	1989	1988
Participation in earnings of subsidiaries	\$ 464,471	\$ 503,158
Other revenues		9,281
Revenues from operations	\$ 464,471	\$ 512,439
Administrative expenses	3,444	2,179
Operating income	\$ 461,027	\$ 510,260
Total financing cost:		
Financial expenses	\$ 62,733	\$ 50,603
Financial revenue	(40,978)	(32,141)
(Gain) loss from monetary position	(26,505)	34,961
	\$ (4,750)	\$ 53,423
Income before taxes	\$ 465,777	\$ 456,837
Income tax (*)	2,717	72,861
Net income for the year	\$ 463,060	\$ 383,976

(*) Income tax is not comparable, due to the fact that from 1989 the income from dividends are not accrued.

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

VITRO, SOCIEDAD ANONIMA

STATEMENT OF VARIATIONS IN STOCKHOLDERS' EQUITY
FOR THE BUSINESS YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

INCREASES:	1989	1988
Capital stock:		
Capitalization of retained earnings	\$ 64,000	\$ 64,000
Restatement of capital stock and retained earnings	585,715	945,280
Excess of book value over cost of shares in subsidiaries and associates	33	
Retained earnings:		
Application of earnings	383,976	291,634
Net income for the year	463,060	383,976
Total increases for the year	\$ 1'432,784	\$ 1'684,890
DECREASES:		
Excess in restatement of capital	\$ 47,382	\$ 377,927
Shares held in trust	53,387	219,474
Retained earnings:		
Capitalization of earnings		64,000
Dividends paid	140,000	77,483
Net income for the year:		
Transferred to retained earnings	383,976	291,634
Total decreases for the year	\$ 624,745	\$ 1'030,518
Net increase for the year	\$ 808,039	\$ 654,372
Balance at opening of business year	3'042,795	2'388,423
	\$ 3'850,834	\$ 3'042,795

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

VITRO, SOCIEDAD ANONIMA
CASH FLOW STATEMENT
FOR THE BUSINESS YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

OPERATING CASH FLOW:	1989	1988
Net income for the year	\$ 463,060	\$ 383,976
Add (less) non cash items:		
Depreciation and amortization	545	421
Deferred income tax		15,136
Participation in income of subsidiaries	(32,349)	(190,183)
Gains from monetary position	(23,188)	(21,953)
Resources provided by operations	\$ 408,068	\$ 187,397
Net operating financing or investment:		
Increase or decrease in receivables and payables for services rendered to subsidiaries	53,308	(33,887)
Increase or decrease in other receivables and payables	220	(1,319)
Increase in receivable and payable taxes	51,016	82,174
Cash generated from operations	\$ 512,612	\$ 234,365
 SOURCES OF FINANCING:		
Monetary effect on temporary investments	\$ 22,686	\$ 64,060
Long-term bank loans	368,020	104,750
Sale of shares and fixed assets		4,190
Other long-term accounts payable	270	34,614
Recovery of long-term accounts receivables from subsidiaries	11,900	35,276
Total sources of financing	\$ 402,876	\$ 242,890
Total sources of cash	\$ 915,488	\$ 477,255
 APPLICATIONS OF CASH:		
Monetary effect on liabilities with financing cost	\$ 26,003	\$ 7,146
Investment in shares in trust	53,387	219,474
Payments of long-term liabilities	253,101	50,323
Long-term accounts receivables	270	23,922
Investment in shares	388,134	199,644
Dividends	140,000	77,483
Purchase of fixed assets	256	713
	\$ 861,151	\$ 578,705
Increase (decrease) in cash	\$ 54,337	\$(101,450)
Balance at opening of business year	39,285	140,735
Balance as of December 31, 1989 and 1988	\$ 93,622	\$ 39,285

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

VITRO, SOCIEDAD ANONIMA

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 1989 AND 1988 (Figures in millions of Mexican pesos)

1.- ACTIVITIES OF THE COMPANY:

Vitro, Sociedad Anónima is a company holder of shares, the subsidiaries of which are engaged in the manufacture and sale of glass and plastic containers, thermoformed articles, luggage, flat glass for architectural and automotive uses, glassware for table and kitchenware, fiber glass insulators and reinforcements, chemical products, enamelware, home appliances, mineral resources, capital goods and research and development of technology.

2.- SIGNIFICANT ACCOUNTING POLICIES:

- a) Investment in shares - The investment in shares is valued by the equity method, recognizing the proportion corresponding to the company of the earnings and of the proprietary equity of the subsidiaries and associates based on the financial statements of the entities as of December 31, 1989 and 1988 which are audited by Galaz, Gómez Morfín, Chavero, Yamazaki, S. C., except for Vitromatic, S. A. de C. V., and subsidiaries, Vitro Fibras, S. A., Vitro P.Q., S. A. and subsidiaries, Vitro Flex, S. A., Crisa Corporation, Industrias Básicas International, Inc., Vitro Do Brasil Industria e Comercio, Ltda., and the associated Empresas Comegua, S. A., which are audited by other public accountants.

Excesses on acquiring stock in subsidiaries are computed on the basis of book value on the acquisition dates. It is policy not to amortize such excesses.

- b) Accounting treatment of effects of inflation - The financial statements that form the basis for the application of the equity method disclose the effects of inflation of those items where such effects are greatest.

Following is a description of the items that have been restated and of the methods used to do so:

- Inventories and cost of sales - Inventories of subsidiaries are valued at the latest purchase price during the business year or at latest production cost or, in some cases, at standard replacement cost, without exceeding net realization value. Cost of sales is also determined using the latest purchase price at the date of consumption, the latest cost of production at the time of sale or at standard cost, except for some companies that used the "last in - first out" method.
- Property, plant and equipment and depreciation thereof - In general, assets are valued at historic cost plus a valuation surplus based on assessments carried out by independent firms registered in the National Securities Commission (Comisión Nacional de Valores).

Depreciation is computed by the straight-line method, taking into account the useful life of the assets to depreciate the original cost and the revaluation, with effect from the month in which the asset comes into service.

- Amortizable expenses - The Group has restated balances of amortizable expenses, accumulated amortization and amortization for the period, using for this purpose factors derived from the National Consumer Price Index (Indice Nacional de Precios al Consumidor).
- Restatement of capital stock and retained earnings - The purpose of this restatement is to present shareholders' investment at the close of the business year in terms of the purchasing power of money equivalent to that on the dates when the capital was paid in and the earnings retained.
- Exchange fluctuations - Exchange fluctuations are considered as part of the total cost of financing and are applied directly to the income of subsidiaries.
- Result from monetary position - The monetary position result arises from carrying on the book assets and liabilities during periods of inflation, expressed in monetary units the nominal value of which has steadily decreasing purchasing power. In the case of monetary assets this results in a loss, whereas in the case of monetary liabilities a gain is realized. The net effect is shown in the period results of subsidiaries as part of the total cost of financing.
- Excess or shortfall in restatement of capital - This item is computed by taking the algebraic sum of the restated balances, whether debtor or creditor, of patrimonial result from monetary position and result from holding of non-monetary assets, including the initial gain obtained in the first restatement.

The result from holding of non-monetary assets is invariably shown directly under stockholders' equity.

- c) Maintenance expenses - Maintenance and repair expenses are recorded as expenses of the business period in which they are carried out.
- d) Deferred income tax - It is policy to show in the financial statements deferred taxes derived from important temporary differences and identifiable from origin, non-recurrent or replaceable for similar operating items and for a well defined period of time for their reversion.

3.- INVESTMENT IN SHARES:

a) The analysis of the investment is as follows:

	1 9 8 9	1 9 8 8
Shares of industrial and commercial companies	\$ 3'394,349	\$ 2'624,014
Shares of associated companies	820,560	607,924
	\$ 4'214,909	\$ 3'231,938

b) Associated companies are deemed to be those companies in which the company holds less than 50% of capital stock as a permanent investment.

One of the associated companies, Empresas Comegua, S. A., is incorporated in the Republic of Panama and its subsidiaries in Costa Rica and Guatemala. Its 1989 auditing report is not yet available. Capital contributions are taken into account at the rates of exchange ruling on the dates when they were made.

c) On November 2, 1989, the total capital stock of Latchford Glass Company and the 98.91% shares of Anchor Glass Container Corporation were acquired through THR Corporation and C Holdings Corporation. This investment is presented at cost of acquisition, since, as of this date the financial information is currently under study in relation with its adequacy with accounting principles generally accepted in Mexico to make them consolidate with the financial statements of the company.

d) In accordance with accounting principles, in order to reflect properly the financial information of the economic entity, consolidated financial statements are required. These are separately audited.

4.- PROPERTY, FURNITURE AND EQUIPMENT:

a) The detail of such fixed assets is as follows:

	1 9 8 9	1 9 8 8
Buildings	\$ 6,369	\$ 5,126
Accumulated depreciation	302	141
	\$ 6,067	\$ 4,985
Land	2,509	2,091
	\$ 8,576	\$ 7,076
Furniture and equipment	\$ 5,509	\$ 4,533
Accumulated depreciation	746	364
	\$ 4,763	\$ 4,169

The average depreciation rates were approximately 2% for buildings and 6% for furniture and equipment.

5.- CONTINGENT LIABILITIES:

Credit instruments drawn against several subsidiary companies have been guaranteed. The amounts are \$ 78,004 payable in U. S. dollars and \$ 121,335 payable in Mexican currency.

6.- STOCKHOLDERS' EQUITY:

- a) The capital stock is represented by 70'000,000 ordinary, nominative, fully-paid shares, with no indication of par value.
- b) Stockholders' equity includes accumulated capital and results from updating assets which in case of distribution, will be subject, under certain circumstances, to withholding income tax according to the corresponding legal regulations.
- c) There follows an analysis of the restatement of capital stock and retained earnings:

	1 9 8 9	1 9 8 8
Restatement of capital stock and other contributions	\$ 653,621	\$ 573,586
Restatement of retained earnings	2'194,748	1'689,068
	<u>\$ 2'848,369</u>	<u>\$ 2'262,654</u>

- d) The deficit for holding non-monetary assets of the 1989 business period rose to \$ 86,325 and \$ 567,314 in 1988.

e) Shares in trust:

A trust was constituted with Nacional Financiera, S. N. C., which holds the fiduciary property of stockholders' equity, constituted by 10'696,756 shares issued by Vitro, Sociedad Anónima.

Vitro, Sociedad Anónima's participation as the party who set up the trust fund and trustee as of December 31, 1989 is 83.67% with a cost of \$ 272,861.

7.- AMORTIZABLE FISCAL LOSSES:

As of December 31, 1989 tax losses pending amortization amounted to \$ 432,907 and tax on assets of the companies to be credited by \$ 32,554. The resulting tax benefit from amortization of such losses shall, in its case, be recognized during the period in which they are amortized.

8.- EFFECTS OF INFLATION IN THE COMPARISON OF THE FINANCIAL STATEMENTS:

General balance sheets as of December 31, 1989 and 1988 are expressed in currency of purchasing power as of such dates and the statements of income related to them are presented in currency of purchasing power of dates in which the company made such operations.

For the purpose of improving the comparability of the financial statements, there follows certain financial information adjusted, based on factors derived from the National Price Index.

	Updated figures	1988	Figures in financial statements 1988
Operating revenues (1)	\$ 464,471	\$ 614,927	\$ 512,439
Operating income (1)	461,027	612,312	510,260
Net income (1)	463,060	460,771	383,976
Total assets (2)	4'352,944	4'068,129	3'398,604
Total liabilities (2)	502,110	425,903	355,809
Stockholders' equity (2)	3'850,834	3'642,226	3'042,795

(1) The average factor used is 1.2

(2) The factor used is 1.197

*Consolidated Financial Statements of
Vitro, Sociedad Anónima and
Subsidiaries*

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

(Mexican Currency)

We have examined the consolidated statement of financial position of Vitro, Sociedad Anónima and Subsidiaries as of December 31, 1989 and 1988 and the related consolidated statements of income, variations in stockholders' equity and cash flow for the years ended on such dates. Our examinations were made according to generally accepted auditing standards and consequently, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except that since the investment in shares in C Holdings Corporation and Subsidiaries in the amount of \$304,032 million was not consolidated for the reasons set forth in note 2-b and we have no means of quantifying its effect, the attached financial statements herein mentioned, present fairly the consolidated financial position of Vitro, Sociedad Anónima and Subsidiaries as of December 31, 1989 and 1988 and the consolidated results of operations, variations in stockholders' equity and cash flow for the years then ended, in accordance with generally accepted accounting principles consistently applied.

The financial statements of the associate and subsidiaries mentioned in note 2 sub-clauses a) and b), are audited by other public accountants. Total assets of the mentioned companies amount to \$1'005,059 million in 1989 and \$1'347,673 million in 1988 representing 17% and 28% respectively of the total amount; likewise, their net income amounts to \$126,173 million in 1989 and \$107,110 million in 1988 representing 22% and 21% of the total, respectively.

GALAZ, GOMEZ MORFIN,
CHAVERO, YAMAZAKI



**CELSO JAVIER TREVIÑO E.
Public Accountant**

Monterrey, N.L., México, February 23, 1990.

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VITRO, SOCIEDAD A
 CONSOLIDATED STATE
 AS OF DECEM
 (Figures in mi

ASSETS	1989	1988
Cash	\$ 30,911	\$ 21,343
Marketable securities	449,884	432,930
Trade receivables, net	386,876	335,932
Other receivables	104,307	73,342
Inventories (note 4)	638,272	502,109
Current assets	\$ 1'610,250	\$ 1'365,656
Accounts receivable and other investments	\$ 55,979	\$ 28,947
Investment in associated companies and unconsolidated subsidiaries (note 2-b)	1'122,218	605,550
Land and buildings, (note 5)	918,403	731,272
Machinery and equipment, (note 5)	2'118,621	1'869,363
Investments in progress	151,204	60,511
Amortizable expenses, (note 6)	41,167	50,864
Excess of cost over book value of shares in subsidiaries (note 7)	5,418	5,414
Total long-term investments	\$ 4'413,010	\$ 3'351,921
Total assets	\$ 6'023,260	\$ 4'717,577

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

FINANCIAL STATEMENTS AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

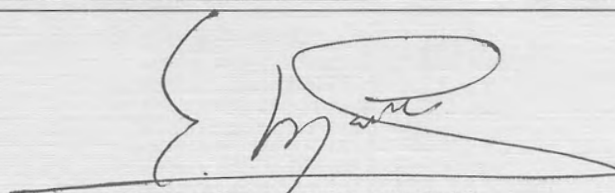
AS OF DECEMBER 31, 1989 AND 1988

(Amounts in thousands of Mexican pesos)

LIABILITIES	1989	1988
Bank loans	\$ 642,289	\$ 361,712
Current portion of long-term debt	50,069	54,126
Trade payables	178,890	139,512
Other payables	231,363	227,294
Short-term liabilities	\$ 1'102,611	\$ 782,644
FICORCA liabilities	\$ 21,343	\$ 274,980
Bank debt	357,707	90,431
Other liabilities	16,430	8,492
Long-term liabilities	\$ 395,480	\$ 373,903
Total liabilities (notes 8 and 9)	\$ 1'498,091	\$ 1'156,547

STOCKHOLDERS' EQUITY

Minority interest in consolidated subsidiaries (note 10-c)	\$ 674,335	\$ 518,235
Majority interest: (note 10)		
Capital stock	\$ 70,000	\$ 70,000
Restatement of capital stock and retained earnings	2'848,369	2'262,654
Excess in restatement of capital	156,864	204,246
Excess of book value over cost of shares in subsidiaries and associates	116,621	116,588
Shares held in trust (note 10-f)	(272,861)	(219,474)
Retained earnings	468,781	224,805
Net income for the year	463,060	383,976
	\$ 3'850,834	\$ 3'042,795
Total stockholders' equity	\$ 4'525,169	\$ 3'561,030
Total liabilities and stockholders' equity	\$ 6'023,260	\$ 4'717,577



ERNESTO MARTENS R.
President and Chief Executive Officer

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

	1989	1988
Net sales	\$ 3'349,561	\$ 2'813,515
Other operating revenues	10,429	8,244
	\$ 3'359,990	\$ 2'821,759
Cost of sales	2'075,177	1'651,631
Operating expenses	638,327	501,852
	\$ 646,486	\$ 668,276
Total financing cost:		
Financial expenses and income	\$ 234,400	\$ 320,717
Gain from monetary position	(45,364)	(88,688)
	\$ 189,036	\$ 232,029
Income after financing	\$ 457,450	\$ 436,247
Other (expenses) income, net	(5,930)	11,070
Share in net income of associated companies	95,185	112,475
	\$ 546,705	\$ 559,792
Income before income tax, and workers' profit sharing and extraordinary items	\$ 546,705	\$ 559,792
Income tax (note 12)	143,298	143,415
Profit sharing to workers (note 12)	62,625	60,939
	\$ 340,782	\$ 355,438
Income before extraordinary items	\$ 340,782	\$ 355,438
Extraordinary items, net (note 13)	228,171	124,517
	\$ 568,953	\$ 479,955
Net income for the year	\$ 568,953	\$ 479,955
Net income of minority interest	105,893	95,979
	\$ 463,060	\$ 383,976
Net income of majority interest	\$ 463,060	\$ 383,976

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

VITRO SOCIEDAD ANONIMA AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

OPERATING CASH FLOW:	1989	1988
Net income for the year	\$ 568,953	\$ 479,955
Add (deduct) non-cash items:		
Depreciation and amortization	291,882	238,874
Loss from monetary position	22,199	29,522
Restatement of cost of sales	45,387	80,631
Provision for seniority premium and other	10,282	6,228
Share in net income of unconsolidated associates	(95,185)	(112,475)
Cancellation of FICORCA contract	110,792	124,201
Discount from prepayments to foreign banks	(130,579)	(136,012)
Earnings on sale of shares of subsidiaries to the minority interest		13,484
Deferred income tax and workers' profit sharing	(25,372)	(20,027)
Exchange (income) loss	(1,547)	1,105
Resources provided by operations	\$ 796,812	\$ 705,486
Investment and financing:		
Increase (decrease) in trade payables	31,200	39,574
Increase (decrease) in trade receivables	(50,944)	(83,990)
Increase (decrease) in inventories	(163,720)	(106,342)
Other current assets and liabilities, net	(17,022)	68,555
Cash generated from operations	\$ 596,326	\$ 623,283
SOURCES OF FINANCING:		
Monetary effect on temporary investments	\$ 75,982	\$ 164,430
Short-term bank loans	2'170,904	570,789
Long-term loans	406,550	410,741
Capital stock contributed by minority interest	2,320	1,678
Sale of shares		5,844
Sales of fixed assets	13,206	16,478
Recovery of other investments	17,562	12,291
Total sources of financing	\$2'686,524	\$ 1'182,251
Total sources of cash	\$3'282,850	\$ 1'805,534
APPLICATIONS OF CASH:		
Monetary effect on liabilities with financing cost	\$ 143,545	\$ 282,640
Investment in property, plant, mach. and equip.	253,059	201,132
Increase in amortizable expenses	7,201	5,250
Long-term receivables	3,633	3,029
Payment of short-term credits	1'883,128	514,549
Payment of long-term loans	374,486	364,659
Dividends paid to Vitro, Sociedad Anónima stockholders	140,000	77,483
Dividends paid to minority interest	92,249	109,529
Investment in subsidiaries	305,640	
Investment in shares held in trust	53,387	219,474
Total applications of cash	\$3'256,328	\$ 1'777,745
Increase in cash and marketable securities	\$ 26,522	\$ 27,789
Opening balance	454,273	426,484
Balance as of December 31, 1989 and 1988	\$ 480,795	\$ 454,273

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

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES

STATEMENT OF VARIATIONS IN CONSOLIDATED STOCKHOLDERS' EQUITY
FOR THE BUSINESS YEARS ENDED DECEMBER 31, 1989 AND 1988
(Figures in millions of Mexican pesos)

INCREASES:	1989	1988
Capital stock:		
Capitalization of retained earnings	\$	\$ 64,000
Restatement of capital stock and retained earnings	585,715	945,280
Excess of book value over cost of shares in subsidiaries and associates	33	
Retained earnings:		
Application of earnings	383,976	291,634
Net income for the year	463,060	383,976
Total increases for the year	\$ 1'432,784	\$ 1'684,890
DECREASES:		
Excess in restatement of capital	\$ 47,382	\$ 377,927
Shares held in trust	53,387	219,474
Retained earnings:		
Capitalization of earnings		64,000
Dividends paid	140,000	77,483
Net income for the year:		
Transferred to retained earnings	383,976	291,634
Total decreases for the year	\$ 624,745	\$ 1'030,518
Net increase for the year	\$ 808,039	\$ 654,372
Increase in minority interest	156,100	13,555
Balance at opening of business year	3'561,030	2'893,103
	\$ 4'525,169	\$ 3'561,030

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

VITRO, SOCIEDAD ANONIMA AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1989 AND 1988 (Figures in millions of Mexican pesos)

1.- ACTIVITIES OF THE COMPANY:

Vitro, Sociedad Anónima is a company holder of shares, the subsidiaries of which are engaged in the manufacture and sale of glass and plastic containers, thermoformed articles, luggage, flat glass for architectural and automotive uses, glassware for table and kitchenware, fiber glass insulators and reinforcements, chemical products, enamelware, home appliances, mineral resources, capital goods and research and development of technology.

2.- PRINCIPLES OF CONSOLIDATION:

- a) Consolidated subsidiaries - Those companies in which the Group holds more than 50% of the capital stock are consolidated. The following are the principal consolidated companies:

Vidriera Monterrey, S. A. de C. V.	Crisa Corporation
Vidriera México, S. A.	Vitro P.Q., S. A.
Vidriera Los Reyes, S. A.	Vitro Fibras, S. A.
Vidriera Guadalajara, S. A. de C. V.	Fabricación de Máquinas, S. A. de C. V.
Vidriera Querétaro, S. A. de C. V.	Industria del Alkali, S. A. de C. V.
Vidriera Toluca, S. A.	Materias Primas Monterrey, S. A.
Envases de Borosilicato, S. A.	Vitromatic, S. A. de C. V.
Regioplast, S. A. de C. V.	Supermatic, S. A. de C. V.
Altro, S. A.	Estufas y Refrigeradores
Vitro Packaging Inc.	Nacionales, S. A. de C. V.
Vidrio Plano de México, S. A.	Acero Porcelanizado, S. A. de C. V.
Vitro Flotado, S. A.	Internacional de Lavadoras, S. A. de C. V.
Vitro Flex, S. A. de C. V.	Viplásticos, S. A. de C. V.
Vitrocrista Crimesa, S. A. de C. V.	Fabricación de Compresores, S. A. de C. V.
Vitrocrista Cristalería, S. A. de C. V.	* Mundicompresores, S. A. de C. V.

* This company was founded during the 1989 business period.

The consolidated companies are audited by Galaz, Gómez Morfín, Chavero, Yamazaki, S. C., with the exception of:

- Vitro Fibras, S. A., 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., which are audited by other firms of public accountants.

Excess on acquisition of stock in subsidiaries are determined on the basis of the book value at acquisition date. It is a policy not to amortize such excesses.

- b) Investment in unconsolidated associates and subsidiaries - Associated companies are deemed to be those in which less than 50% of its capital stock is held and is a permanent investment. Such investments are valued according to the equity method.

The detail of investment in unconsolidated associated companies follows:

	1 9 8 9	1 9 8 8
Associates:		
Cydsa, S. A.	\$ 738,558	\$ 551,542
Empresas Comegua, S. A. (1)	79,628	54,008
Subsidiary:		
C Holdings Corp. (2)	304,032	
	\$ 1'122,218	\$ 605,550

- (1) Empresas Comegua, S. A., which is audited by other public accountants, is located in the Republic of Panama and its Subsidiaries in Costa Rica and Guatemala; the certificate corresponding to 1989 is not yet available. Contributions to capital are presented at the exchange rate on the dates of the transactions and include the indirect participation of Vitro, Sociedad Anónima in retained earnings and in net income of the following companies which are controlled by Empresas Comegua, S. A.: Industria Centroamericana de Vidrio, S. A., Sílice de Centroamérica, S. A., Sílice de Costa Rica, S. A., Vidriera Centroamericana, S. A., Distribuidora Industrial y Comercial de Centroamérica, S. A. (Guatemala), Distribuidora Industrial y Comercial de Centroamérica, S. A. (Costa Rica), Centroamericana de Tapas, S. A., Fomento Industrial Centroamericano, S. A. y Envases de Borosilicato y Plástico, S. A.
- (2) On November 2, 1989, 100% of the shares of Latchford Glass Company and 98.91% of the shares of Anchor Glass Container Corporation was acquired through the companies THR Corporation and C Holdings Corporation. This investment was not consolidated in view of the fact that as of this date the financial information related with its adjustment to the accounting principles generally accepted in Mexico are under study, in order to make it fundable with the financial statements of the company.

3.- SIGNIFICANT ACCOUNTING POLICIES:

a) Accounting treatment of the effects of inflation

Disclosure is made in the basic financial statements of the effects of inflation on those items on which it has the greatest impact.

There follows a description of the items that have been restated and of the methods used to do so:

- Inventories and cost of sales

Inventories are valued at the price of the last purchase made during the year or at the latest production cost or, in some cases, at standard replacement cost, in no case exceeding the net realization value. The cost of sales was determined also by using the price of the latest purchase at the date of consumption, the latest production cost at the time of sale or at standard cost, except for some companies that used the "last in - first out" method.

- Property, machinery and equipment and depreciation thereof

These investments are expressed at their replacement net value determined based on appraisals carried out by independent experts registered at the National Securities Commission (Comisión Nacional de Valores).

Depreciation is computed by the straight-line method, taking into consideration the useful life of the assets to depreciate the original cost and the revaluation, with the effect from the month in which the asset comes into service.

- Amortizable expenses

The balances of amortizable expenses, accumulated amortization and period amortization are restated using factors derived from the National Consumer Price Index (Indice Nacional de Precios al Consumidor).

- Restatement of capital stock and retained earnings

The purpose is to present the stockholders' equity at the close of the year in terms of the purchasing power of money on the dates when capital was paid in and when earnings were retained.

- Exchange fluctuations

Exchange gains and losses are considered as part of the total cost of financing and directly affect the earnings of the period.

- Result from monetary position

The monetary position reflects the result of having monetary assets and liabilities during periods of inflation. Their values in current monetary units represent decreasing purchasing power as time goes by. This means that losses are made on holding monetary assets over time whereas gains are realized on holding monetary liabilities. The net effect is presented in the income statement for the year as part of the total cost of financing.

- Excess or shortfall in restatement of capital

This item is computed by taking the algebraic sum, whether debtor or creditor, of the restated balances of patrimonial result from monetary position and result from holding of non-monetary assets, including the initial gain obtained in the first restatement.

The result from holding of non-monetary assets is shown directly under stockholders' equity.

b) Maintenance expenses

Maintenance and repair expenses are recorded directly as costs and expenses for the fiscal year when they are carried out.

c) Amortization of deferred charges

Amortization is computed by the straight-line method at the rates indicated in note 6 which vary according to the type of amortizable expense.

d) Severance payments

Payments on account of indemnity and retirement are charged to the revenue of the year in which such payments are made.

The seniority premiums for all personnel are considered as costs of the years in which their services are rendered. These are recorded on the basis of actuarial computations considering the salaries that will be in effect at the time payment is made; personnel not yet eligible for seniority premium are also taken into account, the necessary adjustments being made in accordance with the probability of their acquiring the needed seniority. Cost of past services, after deducting the reserve already created, will be amortized in the average period required for workers to reach their retirement age. Actuarial computations are updated as the events that justify them take place.

e) Deferred income tax and profit sharing to workers

It is policy to show in the financial statements the effects which certain items have on the computation of income tax and profit sharing to workers, since, when charged against profits, their acknowledgement for fiscal purposes is deferred temporarily.

4.- INVENTORIES:

a) The breakdown is as follows:

	1 9 8 9	1 9 8 8
Finished products	\$ 336,572	\$ 258,928
Raw materials	109,954	98,092
Packing materials	17,565	14,417
	\$ 464,091	\$ 371,437
Spare parts	102,579	78,861
Refractories	11,175	8,185
Merchandises in transit	37,268	16,012
Others	23,159	27,614
	\$ 638,272	\$ 502,109

5.- FIXED ASSETS:

There follows the details of property, plant and equipment:

	1 9 8 9	1 9 8 8
Buildings	\$ 1'028,777	\$ 823,886
Accumulated depreciation	254,385	187,696
	\$ 774,392	\$ 636,190
Land	144,011	95,082
	\$ 918,403	\$ 731,272
Machinery and equipment	\$ 3'883,718	\$ 3'170,114
Accumulated depreciation	1'765,097	1'300,751
	\$ 2'118,621	\$ 1'869,363

The average of depreciation rates used was approximately 2% for buildings and 5% for machinery and equipment.

6.- AMORTIZABLE EXPENSES:

Details of the most important items making up this balance follow:

	1 9 8 9	1 9 8 8
Preoperating expenses	\$ 30,544	\$ 26,099
Installation expenses	3,743	3,809
FICORCA premium spread	2,338	15,399
Other minor items	4,542	5,557
	\$ 41,167	\$ 50,864

Amortization rates used vary between 5% and 10% according to the concept that originated them.

7.- RESTATEMENT OF 1988 FIGURES:

A subsidiary that originally reported an excess in cost over the net worth of shares, that as of December 31, 1988 amounted to \$ 63,942 cancelled such excess re-issuing the financial statements for that year. Consequently, the figures of the financial statements of Vitro, Sociedad Anónima and Subsidiaries were restructured.

8.- LIABILITIES:

a) Maturity of long-term debt is as follows:

	Payable in:		Total
	Mexican currency	United States currency	
1991	\$ 85,672	\$ 8,958	\$ 94,630
1992	177,326	215	177,541
1993	42,432		42,432
1994 and following	44,810		44,810
FICORCA	21,343		21,343
Seniority premium	11,249		11,249
Other reserves	3,475		3,475
	\$ 386,307	\$ 9,173	\$ 395,480

In addition, under short-term debt there are balances payable in U. S. dollars totaling \$ 136,883 in 1989; likewise, balances of collectibles in the same currency amounting to \$ 161,713. Currency conversion was made at \$ 2,650 per U. S. dollar.

b) The situation of the foreign currency denominated debt is as follows: (in U. S. dollars).

- With commercial banks, documented via:

	Amount	Maturity
Floating rate notes	\$ 9'237,500	1990 - 1991
Promissory notes	1'500,000	1990 - 1991
Syndicated credits through International Finance Corporation	7'900,000	1990
	\$ 18'637,500	
- With International Finance Corporation	3'900,000	1990 - 1995
	\$ 22'537,500	

Total debt is recorded with FICORCA so hence to determine the short-term maturities of FICORCAS's balance, the amounts to be realized within the forthcoming twelve months are taken into consideration, reducing interest that are to accrue during the same period. To that effect, a FICORCA rate was estimated for 1990 of 26.81%, which produced a short-term maturity of \$ 8,270.

- c) Seniority premium - In accordance with the policy mentioned in note 3-d, the amount corresponding to past services rendered pending amortization is \$11,143 in 1989 and \$10,009 in 1988. The charge to revenue of the period amounted to \$6,810 in 1989 and \$6,228 in 1988 including the amortization of seniority premium arising from past services.
- d) Guarantees - Liabilities totaling \$42,355 which amounted to \$46,839 when contracted, are guaranteed by fixed assets with a restated value of \$91,437 as of December 31, 1989.

9.- CONTINGENT LIABILITIES:

Liabilities for indemnities and retirement payments have not been quantified as of December 31, 1989 and 1988.

10.- STOCKHOLDERS' EQUITY:

- a) Capital stock of the company is represented by 70'000,000 ordinary, nominative, fully-paid shares, without indicating a par value.

b) Stockholders' equity includes accrued profits and results from updating the assets which in case of distribution, will be subject, under certain circumstances, to the withholding income tax in accordance with the corresponding legal regulations.

c) Analysis of minority interest in consolidated subsidiaries:

	1989	1988
Capital stock (1)	\$ 198,060	\$ 195,740
Restatement of capital stock and retained earnings	609,402	434,391
Premium on shares sold	573	573
Excess in restatement of capital	(242,803)	(201,099)
Excess of book value over the cost	169	142
Retained earnings	3,041	(7,491)
Net income for the year	105,893	95,979
	\$ 674,335	\$ 518,235

(1) Includes capitalized revaluation surplus of \$ 570 in 1989 and 1988.

d) The restatement of capital stock and retained earnings is made up as follows:

	1989	1988
Restatement of capital stock and other contributions	\$ 653,621	\$ 573,586
Restatement of retained earnings	2'194,748	1'689,068
	\$ 2'848,369	\$ 2'262,654

e) The loss for holding non-monetary assets in the business year 1989 amounted to \$ 137,102 and to \$ 749,009 in 1988.

f) Shares in trust:

A trust with Nacional Financiera, S. N. C. has been constituted which holds the fiduciary property of the equity placed in trust in 10'696,756 shares issued by Vitro, Sociedad Anónima.

Vitro, Sociedad Anónima's participation as the party who set up the trust fund and trustee as of December 31, 1989 is 83.67% with a cost of \$ 272,861.

11.- AMORTIZABLE TAX LOSSES:

As of December 31, 1989 there are fiscal losses pending amortization in the amount of \$ 432,907 and tax on the assets of the companies to be credited amounting to \$ 32,554. The resulting fiscal benefit from amortization of such losses shall be acknowledged, in this case, during the period in which they are amortized.

12.- DEFERRED TAXES:

- a) On the total deferred taxes included in the results for the net sum of \$ 25,372 in 1989 and \$ 20,027 in 1988, \$ 26,381 in 1989 and \$ 23,670 in 1988 correspond to deferred taxes from reserve for reparation of furnaces; the rest corresponds to other minor items.
- b) As of December 31, 1989 there are \$ 416,003 of investments that have already been deducted for tax purposes and \$ 11,249 as a provision for seniority premium that has not been deducted; on these items there were no deferred taxes in accordance with generally accepted accounting principles.

13.- EXTRAORDINARY ITEMS:

The following extraordinary items are included in the statement of income.

- a) During 1989 and 1988 some subsidiaries prepaid the debt they had with foreign banking institutions, which was recorded in the trust for the coverage of exchange risks (FICORCA). In view of such prepayment, a net financial income after taxes of \$61,723 in 1989 and \$39,777 in 1988 was obtained.
- b) During the 1989 and 1988 business periods fiscal losses of previous years were amortized; this accounts for a tax benefit of \$ 166,448 and \$ 84,740 respectively. The amount of the 1989 business period has been deducted by \$ 32,554 corresponding to the tax on the companies' assets that could not be credited during the year.

14.- EFFECTS OF INFLATION IN THE COMPARISON OF THE FINANCIAL STATEMENTS:

General balance sheets as of December 31, 1989 and 1988 are expressed in currency of purchasing power as of such dates and the income statements related to them are presented in currency of purchasing power of dates on which the company carried out its operations.

For the purpose of improving the comparison of the financial statements of the 1988 business year, there follows certain financial information adjusted on the basis of factors derived from the National Consumer Price Index.

	Updated figures		Figures in financial statements
	1989	1988	1988
Net sales (1)	\$ 3'349,561	\$ 3'376,218	\$ 2'813,515
Operating income (1)	646,486	801,931	668,276
Income before extraordinary items (1)	340,782	426,526	355,438
Total assets (2)	6'023,260	5'646,940	4'717,577
Total liabilities (2)	1'498,091	1'384,387	1'156,547
Stockholders' equity (2)	4'525,169	4'262,553	3'561,030

(1) The average factor used is 1.2.

(2) The factor used is 1.197.



**VITRO, SOCIEDAD ANONIMA
and Subsidiaries
Financial Highlights**

(As of December 31st, 1989)

In Millions of Dollars (Except as Indicated)	Actual 1988 Audited	Actual 1989 Audited	Actual 1989 vs. Actual 1988 (%)
Total Sales	1,535.1	1,696.8	+ 10.5
Consolidated Net Sales	1,244.1	1,363.0	+ 9.6
Export Sales	250.4	241.4	(3.6)
Export Sales/Consol. Net Sales (%)	20.1	17.7	—
Net Income	211.6	230.8	+ 9.1
Total Debt	343.4	404.3	+ 17.7
EBDIT	439.2	403.4	(8.1)
Capital Expenditures	88.9	102.7	+ 15.5
Total Assets	2,073.7	2,272.9	+ 9.6
Total Liabilities	508.4	565.3	+ 11.2
Stockholders' Equity	1,565.3	1,707.6	+ 9.1
Tot. Debt to Tot. Capitalization (%)	16.56	17.79	
EBIT to Real Interest (Times)	3.30	3.88	
EBDIT to Real Interest (Times)	4.91	5.96	
Total Debt to EBDIT (Times)	0.78	1.00	
Personnel	35,193	36,816	+ 4.6

EBDIT: OPERATING INCOME PLUS NON CASH ITEMS

EBIT: OPERATING INCOME

TOTAL DEBT: TOTAL BANK DEBT

TOTAL CAPITALIZATION: TOTAL ASSETS

REAL INTEREST: NOMINAL INTEREST RATE MINUS INFLATION RATE

THE EXCHANGE RATES APPLIED WERE:

A) INCOME STATEMENT AND CASH FLOW: MONTHLY AVERAGE CONTROLLED
EXCHANGE RATE

B) BALANCE SHEET: YEAR-END CONTROLLED EXCHANGE RATE:

FOR 1989: \$ 2,650 PS./U.S. DLL.

FOR 1988: \$ 2,281 PS./U.S. DLL.