

Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

GLASSWORKS OF CHILE  
Form 20-F  
June 30, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2002

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-12752

Cristalerias de Chile S.A.  
(Exact name of Registrant as specified in its charter)

Glassworks of Chile Inc.  
(Translation of Registrant's Name into English)

-----  
The Republic of Chile  
(Jurisdiction of incorporation or organization)

Hendaya 60, Oficina 201  
Las Condes  
Santiago, Chile  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
American Depositary Shares, or ADSs, each representing three shares of common stock without nominal (par) value as evidenced by American Depositary Receipts, or ADRs.	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

-----  
Indicate the number of outstanding shares of each of the issuer's classes of

Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

capital or common stock, as of the close of the period covered by the annual report:

Common Shares without par value: 64,000,000

-----

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [ ]

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 [ ] Item 18 [X]

CRISTALERIAS DE CHILE S.A.

TABLE OF CONTENTS TO REPORT ON FORM 20-F

Page Number

PART I

ITEM 1: Identity Of Directors, Senior Management And Advisers..... 5
ITEM 2: Offer Statistics And Expected Timetable..... 5
ITEM 3: Key Information..... 5
ITEM 4: Information On The Company..... 14
ITEM 5: Operating and Financial Review and Prospects..... 43
ITEM 6: Directors, Senior Management And Employees..... 62
ITEM 7: Major Shareholders And Related Party Transactions..... 66
ITEM 8: Financial Information..... 69
ITEM 9: The Offer And Listing..... 72
ITEM 10: Additional Information..... 75
ITEM 11: Quantitative and qualitative disclosures about market risk..... 89
ITEM 12: Description Of Securities Other Than Equity Securities..... 97

PART II

ITEM 13: Defaults, Dividend Arrearages And Delinquencies..... 97
ITEM 14: Material Modifications To The Rights Of Security Holders
And Use Of Proceeds..... 97
ITEM 15: Controls and Procedures..... 97
ITEM 16: Reserved..... 98

PART III

ITEM 17: Financial Statements..... 98
ITEM 18: Financial Statements..... 98
ITEM 19: Exhibits..... 98
INDEX TO EXHIBITS..... 98
SIGNATURE ..... 100
CERTIFICATION ..... 101

# Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

## INTRODUCTION

Cristalerias de Chile S.A. is a public corporation (sociedad anonima) organized under the laws of the Republic of Chile. We completed our initial public offering of common shares in Chile in June 1904. We listed our common shares on the Santiago Stock Exchange, the Electronic Stock Exchange of Chile and the Valparaiso Stock Exchange under the symbol "Cristales". We also listed our common shares on the New York Stock Exchange under the symbol "CGW" and completed an initial public offering of ADSs in the United States in January 1994. Our principal executive offices are located at Hendaya 60, Oficina 201, Las Condes, Santiago, Chile, and our telephone number is 011-562-787-8855.

Inquiries and requests for additional information should be directed to Cristalerias de Chile S.A., Attention: Rodrigo Palacios Fitz-Henry, Chief Financial Officer, Cristalerias de Chile. Telephone requests may be directed to 011-562-787-8855.

### Special Note Regarding Forward-Looking Statements

This annual report contains, or incorporates by reference, forward-looking statements that involve risks and uncertainties. These forward-looking statements appear throughout this annual report, including, without limitation, under Item 3. "Key Information - Risk Factors," Item 4. "Information on Our Company" and 5. "Operating And Financial Review and Prospects". These forward-looking statements relate to, among other things:

- o our business model,
- o our strategy,
- o our current analysis of our risk management activities,
- o our expectations for entering into strategic relationships and joint ventures,
- o our expectations for capital expenditures for plant improvements,
- o our expectations for investing in technological research and development,
- o demand for wine, beer and non-alcoholic beverages,
- o the performance of the Chilean economy, and
- o other expectations, intentions and plans contained in this annual report that are not historical fact.

When used in this annual report, the words "expects," "anticipates," "intends," "plans," "may," "believes," "seeks," "estimates" and similar expressions generally identify forward-looking statements. These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, change in technology and changes in the marketplace. In light of the many risks and uncertainties surrounding our marketplace, you should understand that we cannot assure you that the forward-looking statements contained in this annual report will be realized.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

### PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report, all references to the "company," "Cristalerias," "Cristalchile" "we," "us," or "our" are to Cristalerias de Chile S.A. Unless otherwise specified, all references to "U.S. dollars," "dollars," or "US\$" are to United States dollars, and references to "Chilean pesos," "pesos," or "Ch\$" are to Chilean pesos; references to "UF" are to Unidades de Fomento, a daily indexed Chilean peso-denominated monetary unit that takes into account the effect of the Chilean inflation rate of the previous month.

We prepare our consolidated financial statements in Chilean pesos, and in accordance with generally accepted accounting principles in Chile, or Chilean GAAP, and the rules of the Superintendencia de Valores y Seguros relating thereto, which together differ in certain important respects from generally accepted accounting principles in the United States, or U.S. GAAP. References to "Chilean GAAP" in this annual report are to Chilean GAAP, as supplemented by the applicable rules of the Superintendencia de Valores y Seguros. Please, see Note 2 for our audited consolidated financial statements included in Item 18 of this annual report.

Pursuant to Chilean GAAP, our consolidated financial statements, and all of our other financial information, have been presented in pesos with constant purchasing power, as of December 31, 2002. Unless otherwise indicated, amounts stated in U.S. dollars have been translated from Chilean pesos, at an assumed rate, solely for the sake of convenience, and should not be construed as Chilean peso amounts actually representing such U.S. dollar amounts. The stated Chilean peso amounts can be converted into U.S. dollars at the exchange rate indicated. Unless otherwise stated, such U.S. dollar amounts have been translated from Chilean peso amounts, at a Chilean peso to U.S. dollar exchange rate of Ch\$718.61 to US\$1.00, which is the Observed Exchange Rate, as defined below in "Exchange Rates," reported by the Banco Central de Chile (the "Central Bank") on December 31, 2002.

-4-

### PART I

ITEM 1: Identity Of Directors, Senior Management And Advisers

Not Applicable

ITEM 2: Offer Statistics And Expected Timetable

Not Applicable

ITEM 3: Key Information

Selected Financial Information

The following tables present our selected financial information for each of the periods indicated. The selected financial information set forth below is presented in constant Chilean pesos, as of December 31, 2002. This information should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements, including the notes thereto, included elsewhere in this Form 20-F. Our consolidated

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

financial statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. Please, see Note 39 of the Notes for the Financial Statements, which provides descriptions of the principal differences between Chilean GAAP and U.S. GAAP.

The table below describes Chilean GAAP and U.S. GAAP income statement data, for the years ending on December 31, 1998, 1999, 2000, 2001 and 2002:

	AT AND FOR YEAR ENDED DECEMBER 31, Millions of constant pesos and millions of US				
	1998	1999	2000	2001	2002 (8)
<b>Income Statement Data:</b>					
<b>Chilean GAAP:</b> .....	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Net Sales .....	127,923	132,427	149,311	146,187	161,057
Operating income .....	24,390	24,116	31,778	33,563	41,610
Non-operating income (loss) .....	(577)	2,185	(7,163)	(8,699)	(13,002)
Equity in net income of related companies .....	334	1,037	(2,883)	(7,617)	(8,902)
Interest income (expense), net ..	591	547	(2,186)	(4,215)	(4,286)
Other non-operating income (expense), net .....	(786)	(835)	(961)	4,082	(2,810)
Price-level restatement, net ....	(717)	1,436	(1,133)	(951)	2,997
Income tax and minority interest	(4,805)	(4,321)	(6,517)	(8,398)	(10,948)
Net income .....	19,007	21,980	18,098	18,304	17,661
Net income per share (3) (in Ch\$)	296.99	343.42	282.77	286.00	275.95
Net income per ADS (3) (4) .....	890.98	1,030.24	848.31	858.00	827.84
Dividends per share (3) (5) .....	126.62	136.87	140.78	142.2 4	137.35
Dividends per ADS (3) (4) (5) .....	379.86	410.61	422.34	426.72	412.05
<b>U.S. GAAP:</b> .....	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Net Sales .....	127,924	132,427	149,311	146,187	161,057
Operating income .....	24,955	24,467	32,365	38,461	39,392
Non-operating income (loss) .....	(405)	3,316	(6,226)	(15,200)	(9,991)
Equity in net income (loss) of related companies .....	194	1,632	(3,079)	(9,411)	(8,709)
Interest income (expense), net ..	591	392	(2,060)	(3,045)	(3,924)
Other non-operating income (expense), net .....	(474)	(297)	(46)	(1,793)	(355)
Price-level restatement .....	(716)	(1,119)	(2,190)	(2,338)	(1,951)
Exchange differences .....	--	2,708	1,057	1,387	4,948
Income tax and minority interest	(4,990)	(4,471)	(6,831)	(8,209)	(11,698)
Net income .....	19,560	23,312	19,308	15,052	17,703
Net income per share (3) (4) ....	305.63	364.25	301.69	235.17	276.61
Net income per ADS (3) (4) .....	916.89	1,092.75	905.07	705.51	829.83

-5-

The table below describes Chilean GAAP and U.S. GAAP balance sheet data, as of December 31, 1998, 1999, 2000, 2001 and 2002:

AT AND FOR YEAR ENDED DECEMBER 31,

Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

	Millions of constant pesos and millions of US\$ (1) (				
	1998	1999	2000	2001	2002
Balance Sheet Data:					
Chilean GAAP: .....	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Total assets .....	281,353	304,876	374,790	404,922	452,478
Long-Term debt (6) .....	14,703	16,814	73,004	85,865	133,022
Shareholders' equity .....	185,721	199,231	209,406	219,790	231,330
U.S. GAAP:					
Total assets .....	290,828	311,511	384,288	411,096	460,284
Long-term debt (6) .....	14,703	16,814	73,004	85,864	133,022
Shareholders' equity .....	190,977	206,931	219,692	226,248	236,624
Operating Data (7):					
Chilean GAAP:					
Gross margin .....	35.3%	34.5%	37.4%	38.4%	41.2%
Operating margin .....	19.1%	18.2%	21.3%	23.0%	25.8%
Net margin .....	14.9%	16.6%	12.1%	12.5%	11.0%
Financial Ratios:					
Chilean GAAP:					
Total liabilities/Total assets ...	0.34x	0.35x	0.44x	0.46x	0.49x
Current assets/Current liabilities	2.99x	2.69x	2.46x	2.38x	4.51x

- (1) Financial information for the years ended December 31, 1998, 1999, 2000 and 2001 is restated in terms of constant pesos, as of December 31, 2002. Chilean peso amounts have been translated into U.S. dollars at the rate of Ch\$718.61 to US\$1.00, the Observed Exchange Rate on December 31, 2002.
- (2) Except per share, per ADS and Other Data amounts.
- (3) For the years 1998, 1999, 2000, 2001 and 2002, net income and dividends per share have been computed on the basis of 64,000,000 fully-paid shares outstanding, the weighted-average number of shares of common stock outstanding during each fiscal period.
- (4) Calculated on the basis of one ADS for three shares of common stock.
- (5) Dividend amounts represent amounts paid in the year earned, restated in Constant Chilean pesos of December 31, 2002. (6) Includes portion of long-term bank liabilities and bonds payable. (7) Shown as a percentage of net sales.
- (8) Financial statements for years 2001 and 2002 do not include the consolidation of Envases CMF S.A. (formerly Crowpla-Reicolite S.A.) because the ownership percentage in that company is 50% and Cristalerias does not have control.

-6-

Exchange Rates

Chile's Ley Organica Constitucional del Banco Central de Chile No.18,840, known as the Central Bank Act, enacted in 1989, relaxed restrictions on buying and selling foreign currencies in Chile. Prior to 1989, the law authorized the purchase and sale of foreign currencies in only those cases explicitly authorized by the Central Bank.

The Central Bank Act provides that the Central Bank may determine that certain purchases and sales of foreign currencies specified by law must be carried out in the market formed by banks and other institutions authorized

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

by the Central Bank for such purposes (the "Formal Exchange Market"). The Central Bank reports an exchange rate ("Observed Exchange Rate") which for any given date is computed by averaging prices from the previous day's transactions in the Formal Exchange Market. Banks and other institutions may affect purchases and sales of foreign currencies in the Formal Exchange Market at such rates as they freely determine from time to time.

Since 1989, the Central Bank has also made use of a referential daily rate ("Reference Exchange Rate") that factors in domestic and foreign inflation as well as variations in the parity between the peso and the U.S. dollar, the Euro and the Japanese Yen. As of December 30, 2002, the Reference Exchange Rate was Ch\$549.08 to US\$1.00. The Central Bank buys or sells foreign currency in the Formal Exchange Market to maintain the average exchange rate within certain limits. In order to promote exchange rate flexibility, however, as of September 2, 1999, the Central Bank decided to suspend its formal commitment to intervene in the foreign exchange market to maintain the limits on the range of exchange rates. It was, therefore, agreed that the Central Bank would intervene in the exchange rate market only in exceptional cases and that it would report such decisions. The Central Bank will continue to calculate and publish the daily referential exchange rate according to the regulations in effect as a medium-term benchmark for the market and for its use in contracts still in effect with that exchange rate.

The Central Bank has ruled that certain foreign currency transactions, including those transactions associated with foreign investment, may be effected only through the Formal Exchange Market. While authorized to effect transactions within a given pre-established range of exchange rates surrounding the Reference Exchange Rate, the Central Bank operates at the cash rate.

Foreign exchange transactions that may be effected outside the Formal Exchange Market can be carried out in the so-called Mercado Informal (the "Informal Exchange Market"), which is an accepted currency market in Chile. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate.

The following table sets forth the high, low, average and year-end Observed Exchange Rates for U.S. dollars for the periods indicated as expressed in pesos per US\$1.00, as reported by the Central Bank. No indication is made that the Chilean peso or U.S. dollar amounts referred to in this annual report actually represent, could have been or could be converted into, U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all. The Federal Reserve Bank of New York does not report a daily 12:00 P.M. buying rate for Chilean pesos:

Observed Exchange Rate (3)				
Year ----	Low (1) -----	High (1) -----	Average (2) -----	Year End -----
1997	411.85	439.81	420.64	439.18
1998	439.58	475.41	462.20	472.41
1999	470.23	550.93	512.85	530.07
2000	501.04	580.37	542.08	573.65
2001	557.13	716.62	636.39	654.79
2002	641.75	756.56	694.46	718.61
December 2002	692.94	718.61	701.95	718.61

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

### Observed Exchange Rate (3)

Year	Low (1)	High (1)	Average (2)	Year End
January 2003	709.22	738.87	722.48	N/A
February 2003	733.10	755.26	745.21	N/A
March 2003	725.79	758.21	743.28	N/A
April 2003	705.32	731.56	718.25	N/A
May 2003	694.22	713.73	703.58	N/A

- (1) Reflects pesos at historical values rather than constant pesos.
- (2) The average of Observed Exchange Rates for pesos on the last day of each full month during the relevant period.
- (3) Transactions carried out on the previous bank business day reported by the Central Bank
- Source: The Central Bank.

The Chilean government's economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could have a material adverse effect on the dollar value of an investor's return on investment. The Chilean peso has been subject to large devaluations in the past and may be subject to significant fluctuations in the future.

Cash distributions with respect to shares of common stock received by the depositary (currently The Bank of New York) will be received in Chilean pesos. The depositary will attempt to convert such pesos to U.S. dollars at the then prevailing exchange rate for the purpose of making dividend and other distribution payments with respect to the ADSs. If the value of the Chilean peso falls relative to the U.S. dollar between the declaration of dividends on the common stock and the distribution of such dividends by the depositary, the amount in U.S. dollars distributed to holders of ADRs will decrease. Consequently, the value of the ADSs and any distributions to be received from the depositary could be materially adversely affected by reductions in the value of the peso relative to the dollar.

-8-

### RISK FACTORS

Investors in our common shares should carefully consider, in light of their own financial circumstances and investment objectives, the following risk factors and the other information contained in this annual report.

#### Risks Relating to Our Company

We are controlled by the Elecmetal Group whose interest may be contrary to the interest of other holders of our common share or of our ADSs.

Compania Electrometalurgica S.A., a member of the group of companies that make up what is known as the Elecmetal Group, is our parent company. As of December 31, 2002, Compania Electrometalurgica S.A., together with other members of the Elecmetal Group, is the beneficial owner of approximately 52.1% of the outstanding shares of our company's common stock and thereby controls a majority interest of the company. Compania Electrometalurgica S.A. is a



## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

Chilean publicly-held corporation engaged in the steel foundry business and, through its related companies, a wide range of other business activities in Chile. Consequently, the Elecmetal Group has the power to elect a majority of our company's directors and to determine the outcome of substantially all matters to be decided by a vote of shareholders.

The decision of the Elecmetal Group to dispose of a significant number of its shares could adversely affect the trading price of our shares and ADSs.

A disposal by the Elecmetal Group of a significant portion of its shares of common stock or a perception that they would dispose of such shares could materially and adversely affect the trading price of the common stock on the Chilean stock exchanges (including the Bolsa de Comercio de Santiago, the "Santiago Stock Exchange"), the price of the ADSs and control of our company. See "Item 7. Major Shareholders--Control of Registrant". There can be no assurance that the Elecmetal Group will not dispose of shares of our company in the future.

We rely on a small number of customers for our net sales, and small changes in demand could affect our level of sales.

We sold our glass containers to more than 450 customers in 2002. Sales to our leading 10 customers accounted for approximately 67% of our net sales in 2002. Our three largest customers, [1] Vina Concha y Toro, Vina San Pedro and Sociedad Anonima Vina Santa Rita S.A., accounted for an aggregate of approximately 36% of the our sales of glass containers in 2002.

We are not party to any long-term supply contracts with our principal customers but, from time to time, enter into non-binding, annual letters of understanding with certain customers. Purchases are made by individual purchase orders or short-term contracts. Tiny changes in demand by our customers, among other changes, could affect our levels of sales and accordingly could have a material adverse impact on our company. There can be no assurance that our relationships with our customers will not undergo significant changes in the future.

---

[1] All these customers are located in Chile. There are no major customers outside Chile as measured by net sales.

Our sales levels are highly dependent on the level of Chilean wine exports.

The overall level of sales of our glass container operations and Sociedad Anonima Vina Santa Rita S.A, are each highly dependent on the general levels of sales, and, in particular, on the level of exports, of the Chilean wine industry. We estimate that in 2002, approximately 79.1% of net sales of wine bottles (which represented 61.8% of overall 2002 net sales) were attributable to exports by the Chilean wine industry. Sociedad Anonima Vina Santa Rita S.A's sales are also dependent on Chilean wine exports, as approximately 52.4% of its net sales in 2002 were derived from the export market. There can be no assurance that conditions in the Chilean wine industry, including changes in the wine export market, will not change in the future or that changes will not have a material impact on our business.

Our former use of Arthur Andersen-Langdon Clarke as our independent public accountants may pose risks to us and may limit the ability of our

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

security holders to seek potential recoveries from them related to their work.

On June 15, 2002, Arthur Andersen LLP, the U.S. member firm of Andersen Worldwide S.C. was convicted of federal obstruction of justice arising from the government's investigation of Enron Corp., and on August 31, 2002, Arthur Andersen LLP ceased its audit practice before the United States Securities and Exchange Commission. Our former independent accountant Arthur Andersen - Langton Clarke, was the Chilean member firm of Andersen Worldwide S.C. and as a result also ceased its audit practice before the Securities and Exchange Commission. As a foreign Securities and Exchange Commission registrant, we are required to file with the Securities and Exchange Commission annual financial statements audited by an independent public accountant registered to practice before the Securities and Exchange Commission. We engaged Ernst & Young Servicios Profesionales de Auditoria y Asesoria Limitada, independent accountants and a member firm of Ernst & Young International, to serve as our independent auditor for 2002. Arthur Andersen LLP had audited our financial statements for the years ended December 31, 2000 and 2001, and had consented to the incorporation by reference of their reports covering those financial statements in our annual report on Form 20-F for the year ended December 31, 2001, filed with the Securities and Exchange Commission. Our annual report on Form 20-F for the year ended December 31, 2002 includes the financial statements audited by Arthur Andersen LLP for our 2000 and 2001 fiscal years. If the Securities and Exchange Commission ceases to accept financial statements audited by Arthur Andersen LLP, we could experience additional costs or delays in making filings with the Securities and Exchange Commission. In addition, our securities holders may have no effective remedy against Arthur Andersen LLP - Langdon Clarke in connection with a material misstatement or omission in our 2000 and 2001 financial statements, particularly in the event that Arthur Andersen LLP ceases to exist or becomes insolvent as a result of the proceedings against it.

You may be unable to exercise preemptive rights in certain circumstances.

Law 18,046, known as the Chilean Companies Act, requires a Chilean company to offer shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage of such company whenever such company issues new shares. U.S. holders of ADSs may not be able to exercise these preemptive rights for common stock underlying their ADSs, thereby resulting in a dilution of the ADS holders' percentage interest in our company, unless a registration statement under the U.S. Securities Act of 1933, as amended, is effective with respect to such rights or an exemption from the registration requirement thereunder is available. We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits to the company of thereby enabling the exercise by the holders of ADSs of the

-10-

preemptive rights for common stock underlying their ADSs, and any other factors we consider appropriate at that time, in making a decision as to whether to file such a registration statement. No assurance can be given that any registration statement would be filed. If we elect not to file a registration statement, the depositary will attempt to sell affected ADS holders' preemptive rights in a secondary market (if one exists for such rights) and distribute the net proceeds to the affected ADS holders. Should the depositary not be permitted or otherwise be unable to sell such preemptive rights, the rights may be allowed to lapse with no consideration to be received by the holders of ADSs. Additionally, ADS holders' percentage

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

ownership in our company would be diluted.

### Risks Relating to Chile

Currency fluctuations could adversely affect our business and the value of our ADSs.

The Chilean government's economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could have a material adverse effect on the dollar value of an investor's return on investment. The Chilean peso has been subject to devaluations in the past and may be subject to fluctuations in the future. See "Exchange Rates".

The common stock underlying the ADSs is traded in Chilean pesos on the Santiago Stock Exchange and the Electronic Stock Exchange of Chile. Cash distributions with respect to shares of common stock received by the depositary will be received in Chilean pesos. The depositary will attempt to convert such pesos to U.S. dollars at the then prevailing exchange rate for the purpose of making dividend and other distribution payments in respect of the ADSs. If the value of the Chilean peso falls relative to the U.S. dollar between the declaration of dividends on the common stock and the distribution of such dividends by the depositary, then the amount of U.S. dollars distributed to holders of ADRs could decrease. Consequently, the value of the ADSs and any distributions to be received from the depositary could be adversely affected by reductions in the value of the peso relative to the dollar. There can be no assurance that the Chilean peso/U.S. dollar exchange rate will not fluctuate in the future, the Chilean peso will not lose value against the U.S. dollar or that such fluctuations in the exchange rate will not have a material impact on the our business and the value of the ADSs.

Inflation could adversely affect our financial condition, results of operations and the value of our shares and ADSs.

Although Chilean inflation has moderated in recent years, Chile has experienced high levels of inflation in the past. A rise in inflation could adversely affect the Chilean economy, our company, the value of the common stock and the value of the ADSs.

In addition, the our results of operation and financial condition may be affected if the rate of Chilean inflation exceeds the rate of inflation experienced in the United States or other major countries or trading partners of Chile, and the Chilean peso is not sufficiently devalued relative to the currencies of such countries. In these circumstances, the costs of imports from such countries may become more attractive to our domestic customers or exports packaged in our products may become less attractive to purchasers of such exports.

There can be no assurance that the performance of the Chilean economy, our operating results or the value of the ADSs will not be adversely affected by continuing or increased levels of inflation or that Chilean inflation will not increase significantly from current levels. See "Item 5. Operating and Financial Review and Prospects".

-11-

The market for our common stock may be volatile and illiquid.

Trading activity on the Santiago Stock Exchange, is on average, substantially less in volume, less liquid and often more volatile than that on the principal national securities exchanges in the United States. For the year ended December 31, 2002, only approximately 11% of securities listed in the

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

Santiago Stock Exchange traded 90% or more of the total trading days. We estimate that for 2002, our shares were traded on the Santiago Stock Exchange on an average of approximately 64.7% of such total trading days. The trading activity on the Santiago Stock Exchange may also be influenced by economic conditions of other Latin American countries as well as the trading activity on such countries' stock exchanges.

If Chile imposes controls on foreign investment and repatriation of investments, that may affect your investment in, and earnings from, our ADRs.

Currently, equity investments in Chile by non-Chileans are generally not subject to any exchange control restrictions affecting registration or repatriation of the investments and earnings therefrom, except for investments governed by Decree Law 600 of 1974, where the invested capital must remain in Chile for at least one year before it can be remitted abroad. In fact, as of April 19, 2001, investing in general investments are subject to only two requirements. Transactions (and all payments arising thereunder) must be performed exclusively through the Chilean Mercado Cambiario Formal ("Formal Exchange Market"), and they must be reported to the Central Bank. The ADR facility, however, as governed by the foreign exchange regulations in effect prior to April 19, 2001, was and is the subject of an agreement among The Bank of New York (as the legal successor of Citibank N.A., in its capacity as depositary for the shares of common stock represented by ADSs), our company and the Central Bank, executed pursuant to Article 47 of the Central Bank Act and to Chapter XXVI, Title I of the former Compendium of Foreign Exchange Regulations. This agreement is known as the Chapter XXVI agreement. The Chapter XXVI agreement is intended to grant the depositary and the holders of the ADRs access to the Formal Exchange Market. See "Exchange Rates." According to local law, the Chapter XXVI agreement may not be unilaterally amended by the Central Bank. Additionally, legal precedent indicates that Chapter XXVI agreements are not subject to future or current legislative changes. No assurances can be made, however, that additional Chilean restrictions applicable to holders of ADRs, the disposition of underlying shares of common stock or the repatriation of the proceeds from such disposition may not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions, if imposed. If for any reason, including changes in the Chapter XXVI agreement or Chilean law, the depositary is unable to convert Chilean pesos to U.S. dollars, investors would receive dividends or other distributions in Chilean pesos, which would likely subject the distributions to foreign exchange risk of the peso. (See "Foreign Investment Exchange Controls in Chile").

Chile has different corporate disclosure, governance and accounting standards than those you may be familiar with in the United States.

The securities laws of Chile which govern open or publicly listed companies (such as our company) principally aim to promote disclosure of all material corporate information to the public, but Chilean disclosure requirements differ from those in the United States in important respects. In addition, although Chilean law imposes restrictions on prohibited activities such as insider trading and price manipulation, the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

There are important differences between Chilean and U.S. accounting and reporting standards. As a result, Chilean financial statements and reported earnings may differ from those reported based on U.S. accounting and reporting standards. See Note 39 of the consolidated financial statements.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

There can be no assurance that Chilean or U.S. securities laws or accounting standards, or both, will not be modified or supplemented in the future.

You may have fewer and less well-defined rights as a shareholder than you might have in the United States.

Our by-laws (Estatutos) and the laws of Chile govern our corporate affairs. Principles of law applicable to our company and our shareholders may differ from those that would apply if we were incorporated in a jurisdiction in the United States. In addition, our shareholders may have fewer or less well-defined rights under Chilean corporate law to protect their interests against actions by our board of directors or principal shareholders than they might have as shareholders of a corporation subject to U.S. securities laws. The by-laws require the submission of certain shareholder and managerial disputes to arbitration in Chile. There can be no assurance that Chilean securities laws will not be changed to reduce protections afforded to investors of Chilean securities or that the Estatutos could be modified which could have a material adverse impact on our company and the value of the ADSs.

You may not be able to fully exercise your withdrawal rights.

In accordance with Chilean laws and regulations, any shareholder that votes against certain actions or does not attend the meeting at which such actions are approved may withdraw from our company and receive payment for our shares according to a prescribed formula if that such shareholder exercises its rights within certain prescribed time periods. Such actions triggering withdrawal rights include the approval of:

- o the transformation of our company into an entity that is not a corporation (sociedad anonima) governed by the Chilean Companies Law;
- o our merger with or into another company;
- o the sale of 50% or more of our assets, whether or not our liabilities are included, or the formulation of a business plan contemplating a sale on those terms;
- o creation of personal securities or asset-backed securities for the purpose of guaranteeing third-party obligations in excess of 50% of our assets;
- o the creation of preferential rights for a class of shares or an amendment to those already existing rights, in which case the right to withdraw only accrues to the dissenting shareholders of the class or classes of shares adversely affected;
- o the remedy of nullification of our documents of incorporation caused by a formality or an amendment to such documents that results in the granting of a right to such remedy; and
- o such other cases as may be established by the Bylaws (no such additional cases currently are specified in the Bylaws).

However, because of the absence of legal precedent as to whether a shareholder that has, at the same time, voted both for and against a proposal (such as the depositary) may exercise withdrawal rights with respect to those shares voted against the proposal, there is doubt as to whether holders of ADSs will be able to exercise withdrawal rights either directly or through the depositary.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

### ITEM 4: Information On The Company

#### Description of Business

##### General

Cristaleras de Chile S.A. is a corporation organized under the laws of the Republic of Chile. We were incorporated in 1904, and we completed our initial public offering of common share in Chile in June 1994. We listed our common shares on the Santiago Stock Exchange, the Electronic Stock Exchange of Chile and the Valparaiso Stock Exchange. We also listed our common shares on the New York Stock Exchange under the symbol "CGW" and completed an initial public offering of ADSs in the United States in January 1994. Our principal subsidiaries are:

Company Name	Jurisdiction
Sociedad Anonima Vina Santa Rita	Chile
Envases CMF S.A.	Chile
Constructora Apoger S.A.	Chile
Inmobiliaria Don Alberto	Chile
Cristalchile Comunicaciones S.A.	Chile
Cordillera Comunicaciones Holding Ltda.	Chile
Cordillera Comunicaciones Ltda.	Chile
Metropolic-Intercom S.A.	Chile
Comunicacion, Informacion, Entretencion y Cultura S.A.	Chile
Red Relevisiva Megavision S.A.	Chile
Zig-Zag S.A.	Chile
Simetral S.A.	Chile
Ediciones Chiloe S.A.	Chile
Ediciones Financieras S.A.	Chile
Cristalchile Inversiones S.A.	Chile
Rayen Cura S.A.I.C.	Argentina

We are the largest producer of glass containers in Chile, as measured by volumes as well as net sales. We estimate that during each of the last five years, we have supplied more than 80% of all glass containers produced in Chile, as measured by weight. Through an affiliate company, we also produce plastic containers, caps and crates.

We are also involved in Chile's wine, media and communications industries. We are a member of the Elecmetal Group under its parent company, Compania Electrometalurgica S.A. We, and other companies in the Elecmetal Group, hold a controlling interest in one of Chile's largest producers and exporters of bottled wine and in one of the three largest television networks in Chile. Moreover, since 1994, we have been involved in the cable television business through the acquisition, merger and operation of certain Chilean cable television companies. In October 1995, we participated in a joint venture with Intercom S.A., thus forming one of the two cable television companies currently operating in Chile.

##### History

We commenced operations in 1904 under the name Fabrica Nacional de Vidrios S.A. as a manufacturer of glass containers and dishware. Between 1904 and 1971, we expanded our operations, and

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

in 1929 adopted our present name. In 1971, we came under direct control of the Chilean government through the Corporacion de Fomento de la Produccion. In 1975, as part of a national program of privatization, Elecmetal, a private steel foundry business, acquired a 46% interest our company from Corporacion de Fomento de la Produccion and in 1976, acquired an additional 7.5% interest in our company from other shareholders.

In order to consolidate our position as the leading Chilean producer of glass containers, we entered into a technical assistance agreement in 1977 with a subsidiary of Owens-Illinois Inc. to acquire state-of-the-art glass bottle manufacturing technology. In 1980, we acquired a 50% interest in Cristal Owens Plasticos Ltda., a joint venture with Owens-Illinois Inc., to manufacture disposable plastic bottles for the non-alcoholic beverage market.

In 1982, we began to diversify beyond the container business by acquiring operations from other members of the Elecmetal Group. These acquisitions included a 20% interest in Sociedad Anonima Vina Santa Rita S.A, one of the largest Chilean producer exporters of bottled wine. In 1992, Sociedad Anonima Vina Santa Rita S.A established Vina Carmen S.A., which produces fine wines and in which Sociedad Anonima Vina Santa Rita S.A has a 99.9% stake.

Continuing our expansion in the packaging business, in 1988, we acquired a 50% interest in Reicolite S.A., a company engaged in the manufacturing and selling of plastic packaging products. In 1988, Owens-Illinois Inc. sold its 50% interest in Cristal Owens Plasticos Ltda. to Grupo Themco, a Chilean industrial group. In January 1996, we acquired an additional 49.99% interest in both Cristal Owens Plasticos Ltda. and Reicolite S.A. from Grupo Themco, thus increasing our interest in both companies to 99.99%. Cristal Owens Plasticos Ltda. and Reicolite S.A. were subsequently merged to form Crowpla Reicolite S.A., which commenced joint operations in January 1997.

Through a public auction in 1989, we acquired from a Chilean government-owned company a concession to operate a national television-broadcasting network through a 99.9%-owned subsidiary. The concession was subsequently transferred to Comunicacion, Informacion, Entretencion y Cultura S.A. As of December 31, 2002, we hold a 98.2% interest in Comunicacion, Informacion, Entretencion y Cultura S.A. As of December 31, 2002, Comunicacion, Informacion, Entretencion y Cultura S.A. held the following interests in media and communications companies:

- \* a 49.9% interest in Zig-Zag S.A., a publishing company;
- \* a 50.0% interest in Ediciones Chiloe S.A., which, in turn, holds a 74.8% interest in Ediciones Financieras S.A., the publishing company for El Diario Financiero, a Chilean financial newspaper; and most significantly;
- \* a 99.99% interest in Red Televisiva Megavision S.A., one of the three largest television broadcasting networks in Chile.

In December 1991, Grupo Televisa, S.A. de C.V. of Mexico, acquired a 49.0% interest in Red Televisiva Megavision S.A.

In January 1994, we issued 4,020,000 ADRs, each representing three shares of our common stock without par value, for approximately US\$96 million in two concurrent offerings in the United States and Chile. On January 31, 1994, we commenced a preemptive rights offering to certain of our shareholders who had not waived such rights and, in connection therewith, sold an additional 590,858 shares of common stock to such shareholders for approximately US\$4.8 million. Between May and July 1995, we issued 2,399,642 shares of common stock for the aggregate historical price of Ch\$7,481 million.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

-15-

Since July 6, 1995, we have had 64,000,000 common stock shares outstanding, representing our total registered stock capital.

We expanded our participation in the television and entertainment sector through the burgeoning cable television market. As part of our expansion plan, Cordillera Comunicaciones Ltda., known commercially as "Metropolis," was created in 1994 in association with worldwide cable TV leader TCI-Bresnan (which subsequently became Liberty Media Corporation).

In July 1995, we formed Constructora Apoger S.A. with a capital contribution representing 80% of its equity. Constructora Apoger S.A. was formed to build and sell approximately 16,500 square meters of office space in an 18-story building in Las Condes, Santiago. This building was completed in December 1997. As of December 31, 2002, 100% of the building's office space had been sold.

In October 1995, Cordillera Comunicaciones Ltda. agreed to a merge with Intercom S.A., a cable firm owned at that time by Compania de Telecomunicaciones de Chile S.A. and El Mercurio, creating Metropolis-Intercom S.A.

In 1996, Sociedad Anonima Vina Santa Rita S.A issued US\$20 million of its common stock, which we partially subscribed. During the second half of 1996, Sociedad Anonima Vina Santa Rita S.A acquired a 39.35% interest in Vina Los Vascos S.A., an important Chilean wine producer and exporter linked to Les Domaines Barons de Rothschild (Lafite), for approximately US\$5.8 million. In September 1997 Sociedad Anonima Vina Santa Rita S.A invested abroad for the first time, creating Vina Dona Paula S.A. in the Republic of Argentina.

On September 30, 1999, for approximately US\$16.2 million, we acquired a 40% interest in Rayen Cura S.A.I.C., a glass container company located in Mendoza, Argentina, from Vicasa S.A., a Spanish company. Vicasa S.A. currently holds the remaining 60% interest in Rayen Cura S.A.I.C.

In 1999, Sociedad Anonima Vina Santa Rita S.A. acquired an additional 3.65% interest in Vina Los Vascos S.A. for approximately US\$700,000.

In May 2000, we announced that we had settled an arbitration proceeding with Compania de Telecomunicaciones de Chile S.A. The arbitration was initiated in May 1998 to resolve our dispute with Compania de Telecomunicaciones de Chile S.A. over the development of internet services through Metropolis-Intercom S.A. Under the terms of the agreement, our unconsolidated subsidiary, Cordillera Comunicaciones Ltda., acquired the remaining 40% of Metropolis-Intercom S.A. and the latter acquired 100% of the HFC network it used from Compania de Telecomunicaciones de Chile S.A. Both acquisitions amounted to US\$270 million. As of December 31, 2002, Cristalchile and Liberty Media Corporation each owned 50% of Cordillera Comunicaciones Ltda.

During 2001, Sociedad Anonima Vina Santa Rita S.A acquired the "Terra Andina" brand from Pernod Ricard, Sur Andino S.A. was created as a subsidiary of Vina Carmen S.A. to administer this brand. As of December 31, 2002, Cristalchile owned 54.1% of Sociedad Anonima Vina Santa Rita S.A's outstanding shares and the Elecmetal Group, as a whole, held a 77.6% interest in Sociedad Anonima Vina Santa Rita S.A.



## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

On June 29, 2001, Cristalerias de Chile S.A., and Embotelladora Andina S.A. - the main bottler of the Coca-Cola system in Chile - executed contracts to establish a partnership or joint venture forming Envases CMF S.A., for the PET container business (previously carried out through their respective subsidiaries, Crowpla Reicolite S.A. and Envases Multipack S.A.). The partnership was

-16-

established by the incorporation of Andina Inversiones Societarias S.A. with 50% of the shares in that company through a capital increase. The remaining 50% of the shares are controlled by Cristalerias. The transaction allowed Crowpla Reicolite S.A. to obtain assets from Multipack to develop the PET container business.

On August 27, 2002, Comunicacion, Informacion, Entretencion y Cultura S.A. purchased Televisa S.A. de C.V. of Mexico's stake in Red Televisiva Megavision S.A., increasing its participation in Red Televisiva Megavision S.A. to 99.99%.

### Business Strategy

Our general business philosophy is consistent with that of the Elecmetal Group. The philosophy has been as follows:

- \* to make controlling investments in companies believed to be undervalued or to develop new businesses in Chile when these businesses are believed to have significant growth potential; and
- \* to actively manage such companies to maximize long-term growth and value.

The Elecmetal Group typically focuses on each company's core business and seeks to maximize its cash flow and profitability by installing experienced management from companies within the Elecmetal Group, as well as by establishing strategic relationships with relevant international business leaders.

Our strategy with respect to our packaging operations is:

- \* to maintain our dominant position in the production and sale of returnable and disposable glass containers in Chile by being more efficient in the production of glass containers through scale production and cost cutting;
- \* to promote the wider use of glass containers in Chile; and
- \* to increase our share of the Chilean market for plastic and certain other packaging products.

Our business strategy with respect to the media and communications business and the wine business is:

- \* to develop Metropolis-Intercom S.A. into an important broadband provider, through technological innovation, providing top quality consumer service and by being present in the main national markets;
- \* to improve the quality and variety of Red Televisiva Megavision S.A.'s program offerings and increase its share of the Chilean broadcast television advertising market; and

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

- \* to strengthen the market position of Sociedad Anonima Vina Santa Rita S.A through continued emphasis on the production and export of premium wines.

In accordance with our past practice and as a member of the Elecmetal Group, we seek to take advantage of additional growth opportunities by establishing new businesses, or by making investments in companies, that it believes would benefit from the Elecmetal Group's management expertise and business philosophy. Consistent with our prior experience in the packaging and the media

-17-

and communication arenas, we anticipate that any new investments may be made in association with experienced international companies capable of contributing financial, operating and technical assistance, to strengthen the competitive position and long-term prospects of the targeted business.

-18-

### I. Packaging Operations

#### Glass Containers

We are the largest producer of glass containers in Chile and estimate that we have supplied more than 80% of all glass containers produced in Chile, as measured by weight, during each of the past five years. We work closely with our customers to design and manufacture bottles in accordance with the changing needs of the Chilean customer (especially Chilean wine producers) and foreign customers.

We sell our products to several important sectors of the Chilean economy, including the wine, non-alcoholic beverage, beer, liquor, food and pharmaceutical industries.

The following table sets forth our glass container sales by market sector as a percentage of net sales revenues for the periods indicated:

YEAR (1):	1998	1999	2000	2001
Product Sector:				
Wine	62.9%	61.7%	60.1%	59.2%
Beer	11.3%	11.0%	10.7%	14.1%
Non-alcoholic beverages	10.9%	12.2%	16.3%	14.9%
Liquor	9.0%	10.4%	9.4%	8.3%
Food	4.9%	3.7%	2.7%	2.7%
Pharmaceuticals	1.0%	1.0%	0.8%	0.8%
TOTAL	100%	100%	100%	100%

(1) Each respective year ends December 31.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

### Wine

Chile is a country with a long tradition of wine production. Historically, Chilean winemakers targeted the domestic market where wine was widely sold in returnable bottles, jugs and other inexpensive containers. Since the 1990s, however, the focus of many wineries has shifted to the production of higher quality wines for export and domestic consumption.

The Chilean wine industry, is dominated by four companies:

- o Vina Concha y Toro S.A.
- o Vina Sociedad Anonima Vina Santa Rita S.A
- o Vina San Pedro S.A., and
- o Vina Santa Carolina S.A.

These companies account for approximately 61% of total wine sales in Chile. We currently supply most of the glass containers for these four companies, as well as other Chilean wine producers.

Largely as a result of the increased exports of Chilean wines, unit sales of our wine bottles increased 168% between 1997 and 2002, representing 50.4% of the our unit sales in 2002.

-19-

In 2002, the number of cases of wine in glass bottles exported by Chilean winemakers rose by 5.6% (21.4 million in 2001 to 22.6 million in 2002). Net sales increased by 2.3% (US\$511 million in 2001 and US\$522 million in 2002). The four leading vineyards and their subsidiaries experienced an aggregate increase in exported sales volume of 7.5%, while the remaining wine producers' export volume increased by 3.6%. For 2002, primary destinations of Chilean bottled wine exports included the United States (27.1%), the United Kingdom (24.0%), Japan (4.7%), Denmark (4.1%), Holland (4.1%), Sweden (4.0%), Finland (3.9%), Germany (3.7%), Canada (2.9%), Ireland (2.7%), Belgium (2.5%) and Brazil (2.2%).

The following table shows the growth of Chilean non-bulk wine exports:

YEAR (1):	1998	1999	2000	2001
-----	-----	-----	-----	-----
Export Cases				
Glass bottles (2)	18,265	18,043	20,596	21,416
Other containers (3)	392	852	1,000	1,631
	-----	-----	-----	-----
TOTAL	18,657	18,895	21,596	23,047

(1) Each respective year ends December 31.

(2) In thousands of cases containing 9 liters each.

(3) In thousands of cases containing nine one-liter tetra pack containers.

Source: Chilean Export Association.

We believe that approximately 79.1% of our sales of wine bottles in

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

2002 were attributable to wine exports. Nevertheless during 2002, we continued to introduce glass containers specially developed for the domestic market for family, table and fine wines, where the 1.5 liter screw-top bottle stands out.

The following table shows the number of units we sold and net sales related to the wine sector for the periods indicated:

YEAR (1): -----	1998 -----	1999 -----	2000 -----	2001 -----
Units (2)	225,247	241,107	273,744	289,855
Net Sales (3)	Ch\$30,469	Ch\$32,899	Ch\$36,978	Ch\$40,110

(1) Each respective year ends December 31.

(2) Units are set forth in thousands and include all glass containers sold in this sector regardless of size.

(3) Net sales are set forth in millions of pesos.

### Non-alcoholic Beverages

The non-alcoholic beverage market in Chile currently consists of soft drinks, mineral water and fruit-based juices. Based on industry sources, we estimate that these products accounted for approximately 85.8%, 7.2% and 7.0% of the non-alcoholic beverage market in 2002, respectively (85.5%, 7.4% and 7.1% in 2001).

We estimate glass containers represented approximately 14.86% of the Chilean non-alcoholic beverage container market, as measured by liters of beverages sold during 2002 (15.09% during 2001).

In 2002, the demand for soft drinks grew by approximately 2.3% over 2001. Approximately 14% of the Chilean market for soft drinks, measured in liters, was bottled in glass containers (14% in 2001). The remainder was bottled in PET bottles and one-way aluminum cans.

-20-

In 2002, the demand for mineral water remained flat with respect to 2001. Approximately 18.7% of the Chilean market for mineral water, measured in liters, was bottled in glass containers (20.0% in 2001). The remainder was bottled in PET and one-way PVC containers.

In 2002, the demand for fruit-based juices remained flat with respect to 2001. Approximately 21.5% of the Chilean market for fruit-based juices, measured in liters, was bottled in glass containers (21.0% in 2001).

The following table sets forth the number of returnable and disposable glass units we sold and our related net sales in the non-alcoholic sector for the periods indicated:

YEAR (1) -----	1998 -----	1999 -----	2000 -----	2001 -----
Units (2)	62,374	74,444	128,945	115,910

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

Returnable	18,472	15,892	18,426	18,208
Non-Returnable	43,902	58,552	110,519	97,702
Net sales (3)	Ch\$ 5,277	Ch\$ 6,531	Ch\$ 10,038	Ch\$ 10,074

- 
- (1) Each respective year ends December 31.
  - (2) Units sold are set forth in thousands and include all glass containers sold in this sector regardless of size.
  - (3) Net sales are set forth in of constant pesos.

### Beer

During 2002, there was no change in terms of per capita consumption of beer in Chile. Nevertheless, unit sales of non-returnable bottles posted a strong growth of 24.8%, due to an increase in the share of non-returnable containers in total containers used for beer. On the other hand, returnable bottles sales decreased by 13.0% in 2002 with respect to 2001 in unit terms as a result of the launching of new formats effected during the previous year.

As a whole, demand for glass containers in the sector rose during 2002. Our net sales to the beer sector grew by approximately 10.5% during 2002. As a result, net sales to the beer sector increased from 14.1% of our net sales in 2001 to 14.9% in 2002.

The following table sets forth the number of units we sold and our related net sales to the beer sector for the periods indicated:

YEAR (1):	1998	1999	2000	2001
-----	-----	-----	-----	-----
Units (2)	58,579	54,882	69,859	88,728
Returnable	14,157	19,458	13,402	17,532
Non-Returnable	44,422	35,424	56,457	71,196
Net sales (3)	Ch\$5,491	Ch\$5,835	Ch\$6,588	Ch\$9,583

- 
- (1) Each respective year ends December 31.
  - (2) Units are set forth in thousands and include all glass containers sold in this sector regardless of size.
  - (3) Net sales are set forth in millions of pesos

### Liquor

The Chilean domestic liquor industry currently consists primarily of the pisco segment, a local grape-based spirit, and all other domestically produced liquor. Net sales of liquor bottles fell by 5.8% during 2002 because pisco producers increased prices, which resulted in lower consumer demand for pisco.

-21-

The following table sets forth the number of units we sold and our related net sales to the liquor sector for the periods indicated:

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

YEAR (1):	1998	1999	2000	2001
Units (2)	43,213	53,827	54,183	50,483
Net Sales (3)	Ch\$4,382	Ch\$5,569	Ch\$5,798	Ch\$5,631

- (1) Each respective year ends December 31.  
(2) Units are set forth in thousands and include all glass containers sold in this sector, regardless of size.  
(3) Net sales are set forth in millions of pesos.

### Food

We are currently a principal supplier of glass containers to some of Chile's leading producers of packaged foods. In the Chilean glass-packaged food sector, glass containers are used primarily for tomato sauce, baby foods, jams, fruits and oil. The following table sets forth the number of units we sold and our related net sales to the glass-packaged food sector for the periods indicated:

YEAR (1):	1998	1999	2000	2001
Units (2)	39,127	30,400	23,848	26,051
Net sales (3)	Ch\$2,358	Ch\$1,959	Ch\$1,640	Ch\$1,840

- (1) Each respective year ends December 31.  
(2) Units are set forth in thousands and include all glass containers sold in this sector, regardless of size.  
(3) Net Sales are set forth in millions of pesos.

In general, the use of glass containers for packaging food is significantly less in Chile than in more developed economies. In 2002, net sales for the packaged food container sector decreased by 13.5% over 2001, while unit sales decreased about 12.9%. This decrease was due to adjustments experienced by this market and due to a lower demand of containers for food exports.

### Pharmaceuticals

Glass containers produced for the Chilean pharmaceutical sector are primarily used for cough suppressants, vitamins, antiallergenics and antibiotics, which are usually in the form of liquid syrup. We currently provide containers for these products to the principal pharmaceutical companies. Pharmaceuticals accounted for approximately 0.6% of our net sales of glass containers in 2002. In 2002, net sales for this segment decreased by 12.5%.

The following table sets forth the number of units we sold and our related net sales to the pharmaceutical sector for the periods indicated:

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

YEAR (1):	1998	1999	2000	2001
Units (2)	12,376	14,449	13,115	13,049
Net Sales (3)	Ch\$481	Ch\$529	Ch\$480	Ch\$520

- (1) Each respective year ends December 31.  
(2) Units are set forth in thousands and include all glass containers sold in this sector, regardless of size.  
(3) Net sales are set forth in millions of pesos.

### Plastic Containers

As of December 31, 2002, we had a 50.0% interest in Envases CMF S.A., a company engaged in the production of plastic containers, caps and crates. Envases CMF manufactures a variety of

-22-

plastic containers for such industries as non-alcoholic beverages, edible oils, wine, cleaning products, chemicals, lubricants, and agricultural business. During 2002, new formats were developed for wine, soft drinks, mineral water and juice.

In 2002, Envases CMF completed concentrating operations at a single plant, increasing the facility's size from 15 thousand to 23 thousand square meters. This reorganization was completed in July 2002 and improved Envases CMF's operating efficiency, and productivity. Profitability also improved as a consequence of a better sales mix.

Envases CMF's general business strategy is to diversify its line of products, to maintain its position as a leading Chilean producer of PET bottles and preforms and to diversify its production capacity to include new plastic products for the packaging market. Envases CMF was certified under ISO 9001 in 2001.

The following table sets forth the volumes sold by Envases CMF and the related net sales revenues for the periods indicated:

YEAR (1):	1998	1999	2000	2001
Metric Tons (2)	7,382	9,064	9,553	19,272
Net Sales (3) (4)	Ch\$9,638	Ch\$10,699	Ch\$13,004	Ch\$27,729
Net Profit	Ch\$58	Ch\$501	Ch\$625	Ch\$1,893

- (1) Each respective year ends December 31.  
(2) Metric tons include all plastic products sold in this sector, regardless of form.  
(3) Figures for years 1998 through 2000 only consider Crowpla Reicolite S.A. Figures for year 2001 include Crowpla plus Multipack for half of the year. Year 2002 considers operations for both companies during the whole period.  
(4) Net sales and net profit are set forth in millions of constant pesos.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

There are a variety of producers of PET bottles in Chile and one of them is owned by a beverage producer. As a manufacturer approved by The Coca-Cola company, Envases CMF supplies a significant percentage of bottles and preforms sold to the Coca-Cola system bottlers in Chile. Envases CMF's principal customers are the Coca-Cola bottlers, who in 2002, accounted for approximately 71% of net sales.

During 2002, Envases CMF's sales measured in tons decreased compared with aggregated sales of Crowpla Reicolite S.A. and Multipack sales for 2001 (24,147 tons in 2002 vs. 25,389 tons in 2001). This decrease is due to the strategy followed for preform exports to Latin America, where the region's credit risk did not allow the company to maintain volumes reached in year 2001. The sales decline was compensated with the development of some formats like the 2.0 lts. and 5 lts. PET bottles for family wines, which were readily accepted by the country's main wineries and returnable formats for soft drinks due to the introduction in Chile of a 2.5lt wide-neck returnable bottle for Coca-Cola. Volume sales of returnable PET bottles grew by 17.7% over 2001. Sales of non-returnable bottles for the soft drink market decreased by 6.2%, while non-returnable preforms grew by 8.0%. The latter is explained by the fact that one of the main clients from the Coca-Cola system switched from buying bottles to preforms. PET bottles sales for the juice market decreased by 19.2%, while PET bottle sales for cooking oils decreased by 6.4%.

During 2002, total sales in the plastic container business totaled Ch\$35,329 million. Despite achieving lower sales in tons, we had better results due to a better sales mix, with higher-margin products, and due to higher operating efficiency resulting from concentrating all production in a single plant.

-23-

### Customers

In 2002, wine producers, beer producers, soft drink bottlers, liquor producers and packaged food producers comprised approximately 99% of industry demand for glass containers in Chile. We currently have leading positions within these customer groups and believe that our market position gives us the ability to take advantage of new opportunities and areas of growth in each customer segment.

We sold our glass containers to more than 450 customers in 2002. Sales to our leading ten customers accounted for approximately 67% of our net sales in 2002. The three largest customers, Vina Concha y Toro, Vina San Pedro and Sociedad Anonima Vina Santa Rita S.A., accounted for approximately 36% of the our net sales of glass containers for 2002. Sales of wine bottles to Sociedad Anonima Vina Santa Rita S.A, an affiliate controlled by us, accounted for 8.9% of our net sales in 2002.

Generally, we do not enter into long-term supply contracts with our main clients, but does enter into non-binding annual letters of understanding with certain key customers from time to time. These letters of understanding allow us to estimate demand, as well as to plan production accordingly. Individual orders are made on the basis of purchase orders and short-term contracts of less than one year.

Any sustained interruption, curtailment of production, or use of alternative packaging products by any major customers could affect our sales levels and accordingly, could have a material adverse impact on our company.



## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

ISO 9001:2000

In order to strengthen the ongoing improvement process and to comply with higher demands of quality and customer service, in July 2002, we were certified under norm ISO 9001:2000 for "Design, production and commercialization of glass packaging and commercialization of special packaging". The reputed international institution Bureau Veritas Quality International (BVQI) conducted the audit for our Quality Management System. This certification is accredited by ANSI\*RAB in the United States of America and by UKAS in the European Community.

### Capital Expenditure Program

Our capital expenditure program for the glass container business is designed to achieve greater cost efficiencies and preserve our leadership in the glass container market in Chile. For 2000, 2001 and 2002, we invested US\$21.3 million, US\$33 million and US\$14.3 million respectively. We estimate that we will invest an additional US\$25.8 million during 2003, since furnace B is to be rebuilt and a new production line for this furnace is to be added. Over the next five years, we expect to invest approximately US\$5 million to US\$7 million per year in the glass container business in general plant improvements.

In 2002, we invested US\$14.3 million in fixed assets in the glass container business. This figure included US\$6.5 million associated with the partial refurbishing of furnace A and its packaging-forming machines, which now has an annual production capacity of 50,000 tons.

In 2002, Sociedad Anonima Vina Santa Rita S.A invested US\$5.7 million mainly in agricultural and oenologic areas. In the agricultural area, Sociedad Anonima Vina Santa Rita S.A maintained its fine varieties plantings and the development of an extensive technified irrigation system in its planted areas. Investments were made in civil works and winemaking equipment such as tanks, pumps, filters and cooling systems in the facilities located in Alto Jahuel, Palmilla and Vina Carmen S.A. These investments were aimed at increasing and renovating the fine winemaking facilities and increase fine

-24-

wine storage capacity. In 2002, Sociedad Anonima Vina Santa Rita S.A began operating a new distribution center and a new productive and storage facility, both under long-term lease contracts. The distribution center is located in San Bernardo (Metropolitan Region) and has more than 800 square meters. The winemaking and storage facility is located in Quinta de Tilcoco, has a 4.8 million liter capacity and is destined for the production of premium wines.

In 2002, Envases CMF invested approximately US\$2.4 million in new injection-molding equipment and blow-up machinery.

### SOFOFA Award 2002: Outstanding Industry

In October 2002, we were granted the "2002 Outstanding Industry Award" by the Sociedad de Fomento Fabril (SOFOFA), a Chilean Chamber of Commerce, in recognition of our contribution to the country's industrial and export developments. Our significant investments in and our incorporation of state-of-the-art technology, innovative environmental solutions, compliance with most demanding quality standards, as well as our continued support of professional development and personnel welfare were highlighted.

### Competition

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

During each of the last five years, we have accounted for more than 80% of all glass containers produced in Chile, as measured by weight. Significant direct domestic competition in the glass container business is currently limited to a single Chilean manufacturer with an estimated total capacity of 50,000 to 60,000 metric tons per year. Other significant current competitors are Argentine glass container manufacturers, whose production has historically exceeded domestic demand. Accordingly, Argentine glass container manufacturers have from time to time sold certain excess production in Chile.

Although there are currently no legal or regulatory barriers to entry into the Chilean market for glass containers, substantial investment is required to establish or acquire production and distribution facilities. Practical barriers, such as the development of client relationships and the need for economies of scale, may make the entry of additional direct domestic competitors more difficult. Nevertheless, there can be no assurance that new competition will not emerge.

Our primary competition comes from manufacturers of non-glass containers or glass substitutes. These containers include plastics, aluminum cans, steel cans, and tetra-packs. An increase in use of these containers may cause a reduction in demand for our glass containers. Local production and imports of different types of containers into the Chilean market may be expected to continue to heighten competition in the container industry during 2003 and beyond. This could materially and adversely affect profit margins of our sales of glass containers in the Chilean market and, accordingly, could materially affect our operating results.

The plastics industry is highly competitive. There is one competitor in the production of PET bottles for non-alcoholic beverages. This bottler uses in-house production facilities to satisfy its own needs and may at times, sell excess capacity to third parties. In addition, there is a variety of smaller privately-owned companies that manufacture PET containers. Our principal competitors in the production of plastic containers for detergents, lubricants, foods and other products are a variety of privately-owned companies, whose presence makes the market for plastic container products highly competitive.

-25-

### New Products--Research and Development

We seek to provide our customers with innovative product alternatives to meet their packaging needs. However, no single new product, refinement, or group of new products and refinements, has been introduced recently or is scheduled for introduction that would require significant or material investment in research and development. We do not anticipate significant investment in technological research and development in the near future. Rather, we intend to continue market research and to purchase established technologies in order to update and diversify our product line.

### Raw Materials

The primary raw materials used in manufacturing our glass containers are soda ash, silica, limestone and recycled glass. We obtain most of the silica sand we require from our own extraction facilities and processing plants located in the San Sebastian and El Turco districts in Cartagena, Chile. We obtain other raw materials from Chilean suppliers, with the exception of soda ash, which is obtained from foreign suppliers. The most significant materials in terms of cost are energy and soda ash. We maintain relations with a variety of suppliers of our other raw materials and obtain materials from each of them on the basis of current market conditions and

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

advantages. All contracts or other agreements between third party suppliers of our principal raw materials and us contain customary commercial terms and conditions. We do not believe that we are dependent on any one supplier for a significant portion of any of our raw materials, with the exception of electrical power and natural gas, which are supplied by local utilities companies. During the preceding ten years, we have not experienced any significant difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices.

The use of recycled glass in the manufacturing process offers environmental and cost advantages over the use of other raw materials. In 2002, approximately 35% of our requirements for raw materials were supplied by recycled glass. We promote a recycling campaign and have operated a processing plant for recycled glass since 1995.

The main raw materials used in the manufacture of plastic containers are plastic resins (PET and HDPE) imported from a variety of suppliers who are selected on the basis of competitive terms.

In the case of Sociedad Anonima Vina Santa Rita S.A, our investment strategy has included the acquisition and planting of additional vineyards to reduce the dependence on third parties for grapes and to improve the quality of wines. In 1988, less than 20% of the grapes used in the makeup of Sociedad Anonima Vina Santa Rita S.A's premium wines were grown in its own vineyards. The grapes we purchase from third parties are carefully controlled for quality, not only by shipment, but also by geographic source and growing technique. Sociedad Anonima Vina Santa Rita S.A's objective is to grow nearly 50% of the grape supply for its premium wines by year 2007. Currently, Sociedad Anonima Vina Santa Rita S.A enters into purchase contracts with local growers to ensure the company has sufficient amounts of fine quality grapes to be used in the Sociedad Anonima Vina Santa Rita S.A's wine production. In 2002, approximately 40% of Sociedad Anonima Vina Santa Rita S.A's grapes were obtained from these contracts, while another 40% were obtained from Sociedad Anonima Vina Santa Rita S.A's own vineyards and an additional 20% was purchased at market. These purchase contracts obligate Sociedad Anonima Vina Santa Rita S.A to purchase the grapes harvested only to the extent that meet specific quality standards.

As of December 31, 2002, Sociedad Anonima Vina Santa Rita S.A owned 1,811 planted hectares, and leased an additional 326 planted hectares under long-term contracts -- totaling 2,137 planted hectares. Of this total, 1,906 hectares are located in Chile (1,001 hectares in the Maipo valley, 400 hectares in the Rapel valley, 193 hectares in the Curico valley and 312 hectares in the Casablanca valley)

-26-

and 231 planted hectares are located in Argentina (176 hectares un Ugarteche and 55 hectares in Tupungato). In addition, Sociedad Anonima Vina Santa Rita S.A and its subsidiaries own 866 hectares of land, of which 376 hectares are located in Chile and 490 hectares are located in Argentina.

Prices of raw materials such as grapes are volatile since they depend on climate conditions in Chile as well as supply and demand conditions. Prices of raw materials such as labeling and packaging are indexed to the exchange rate fluctuations.

### Patents and Licenses

We have a number of patents for a variety of products and are a licensee under several patents owned by Owens-Illinois Inc. While in the

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

aggregate our patents are of material importance to our business, we do not consider any one patent, or group of patents, relating to a particular product, or process, to be of material importance to the business as a whole.

### Technical Assistance Agreement

Our technical advisor in the glass container business is Owens Illinois, a company incorporated under the laws of the State of Ohio, United States of America. Pursuant to a 1977 technical assistance agreement, Owens Illinois supplies manufacturing, engineering and other technical assistance, licensing of technology for the enhancement and modernization of the design and manufacturing of glass containers and related assistance in marketing, sales and administration. The agreement, which was renewed in 1994 for a period extending through September 2004, provides for the payment of quarterly royalties by us to Owens-Illinois Inc., and separate compensation for additional services received or equipment purchased from Owens-Illinois Inc. The agreement may be terminated by Owens Illinois if we default in our obligations or certain events occur constituting a change in control of our company. This advisory relationship is representative of our and the Elecmetal Group's philosophy of seeking long-term strategic relationships with leading global companies in relevant business segments. We consider our relationship with Owens-Illinois Inc. to be on good terms.

### Seasonality

Sales of wine, beer and non-alcoholic beverage containers are seasonal. In the case of wine, shipments are typically greater in the third quarter due to the proximity of Christmas and New Year's Eve. For beer and non-alcoholic beverages, shipments are typically greater in the fourth quarter of each year, due to an increase in expected demand during the warm summer months in the southern hemisphere. Our other products are subject to less seasonality.

### Government Regulation

We are subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in Chile including, without limitation, labor laws, social security laws, public health laws, consumer protection laws, environmental laws, securities laws and antitrust laws. These include regulations to ensure sanitary and safety conditions in manufacturing plants.

Pursuant to Law No. 19,705 enacted in December 2000, the controlling shareholders of a publicly traded corporation can sell their controlling shares only via a tender offer issued to all shareholders in which the bidder would have to buy all the offered shares up to the percentage determined by said law, when the price to be paid is substantially higher than the market price. The price to be paid is considered substantially higher than market price when the price paid is higher than the average market price for a period starting 90 days before the proposed transaction and ending 30 days before such

-27-

proposed transaction, plus 10% to 15% as annually determined by the Superintendencia de Valores y Seguros. Transitory Article 10 of Law No. 19,705 established a term of three years during which the controlling shareholders of publicly traded corporations would be authorized to directly sell their controlling shares to a third party without requiring the buyer to issue a tender offer to all shareholders, if the authorization to sell was granted by a General Shareholders Meeting held within a six-month period after the enactment of the said Law. We did not address Transitory Article 10 of Law No.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

19,705 within the prescribed six-month period, and thus, the three-year transition period under Transitory Article 10 does not apply to our shareholders.

There are currently no material legal or administrative proceedings pending against our company with respect to any regulatory matter and we believe, to the best of our knowledge, that it is in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business. We cannot guarantee, however, that present regulations will not be modified or that new regulations will not be enacted in the future which could materially affect the company. We also cannot give assurances that the government will not institute proceedings against our company based on existing regulations.

### Environmental Matters

Our operations are subject to both national and local regulations for the protection of the environment. The Chilean Health Code establishes minimum health standards and provides for regulation of air and water quality and sanitary landfills. The Ministry of Health has issued various regulations to control atmospheric pollution in the Santiago Metropolitan Region, which allow that in cases of emergency due to high levels of air pollution, the Santiago Metropolitan Regional section of the Servicio de Salud del Ambiente, a division of the Ministry of Health, has the authority to order the temporary reduction or cessation of the activities of companies in the Region that produce emissions.

After a thorough review, we installed an electrostatic precipitator (scrubber) at our Padre Hurtado plant with sufficient capacity to reduce the cumulative emissions of all four furnaces to levels below the highest particulate emissions permissible, according to the Ministry of Health regulations to control atmospheric pollution in the Santiago Metropolitan Region as implemented in 1997. In 2000 we also purchased a second electrostatic precipitator for US\$2.0 million, which enables our company to comply with current standards for particulate material. Operation of this precipitator began during the second quarter of 2000.

There are no material legal or administrative proceedings pending against our company with respect to any environmental matters and we believe, to the best of our knowledge, that we are in compliance in all material respects with all applicable environmental regulations. The regulation of matters relating to environmental protection is not as well developed in Chile as it is in the United States and other countries. Our operations are now subject to Ley 19.300, Sobre Bases Generales del Medio Ambiente, or Law No. 19,300, Environmental Framework Law, which was enacted in 1994. This Chilean environmental legislation requires us to hire independent experts to conduct environmental impact assessments of any future projects, modifications to the existing facilities or activities that are likely to have a significant detrimental impact on the environment. The regulation also creates a National Environmental Commission, as well as regional commissions, to supervise any required environmental impact assessments for all new projects, including those of our company. While we believe, to the best of our knowledge, that we will continue to be in compliance with all applicable and environmental regulations, there can be no assurances that future legislative or regulatory developments will not impose restrictions on our company that would have a material effect on our operating results. Likewise, we also cannot give assurances that any governmental agency or third party will not institute proceedings against our company based on existing regulations.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

### II. Sociedad Anonima Vina Santa Rita S.A Winery

#### General

In 2002, Sociedad Anonima Vina Santa Rita S.A was the leader in the domestic market and was the third largest exporter of wine in Chile, as measured in net sales. Production, sales and marketing efforts are aimed principally at fine wines (mainly for the export market), and at wines for mass consumption (exclusively for the domestic market). We have a 54.1% interest in Sociedad Anonima Vina Santa Rita S.A as of December 31, 2002.

From 1992 to 1996, Sociedad Anonima Vina Santa Rita S.A's sales increased marginally, largely as a result of increasing sales to the export markets. From 1998 to 2002, Sociedad Anonima Vina Santa Rita S.A's total net sales have increased at an average annual rate of approximately 7.4%, largely as a result of the significant growth in exports of bottled wines.

The following table sets forth certain financial information regarding Sociedad Anonima Vina Santa Rita S.A for the periods indicated:

YEAR (1):	1998	1999	2000	2001
Net Sales (2)	53,841	56,436	63,844	67,028
Cost of Sales	(35,492)	(37,457)	(40,720)	(41,383)
Gross Margin	18,349	18,979	23,124	25,645
SG&A Expenses	(10,146)	(10,929)	(13,323)	(14,129)
Operating Income	8,204	8,049	9,800	11,516
Non-operating Income (loss)	(1,657)	(2,550)	(2,263)	(2,345)
Net Income	5,715	5,130	6,388	7,437
Total Assets	80,432	93,250	97,013	118,008

(1) Each respective year ends December 31.

(2) Figures are set forth in of constant pesos.

#### History

In 1980, the Claro Group and Owens-Illinois Inc., the world's leading glass bottle producer, acquired the Sociedad Anonima Vina Santa Rita S.A property, including its brands, the Alto Jahuel plant and 50 hectares of vineyard adjacent to the plant.

The Claro Group invested heavily in Sociedad Anonima Vina Santa Rita S.A in a number of areas. In production, significant investments were made in technology, and pioneering winemaking techniques were introduced. In 1985-1986, Sociedad Anonima Vina Santa Rita S.A wines began making significant inroads into worldwide markets. In 1987, Sociedad Anonima Vina Santa Rita S.A acquired Vina Carmen S.A., a winery with a good reputation in the domestic market. In 1988, the Claro Group purchased Owens Illinois' share of Vina Sociedad Anonima Vina Santa Rita S.A and took over full control of Sociedad Anonima Vina Santa Rita S.A. Subsequently, in 1991, Sociedad Anonima Vina Santa Rita S.A was transformed administratively from a limited partnership into a listed stock corporation, and trading of its common stock commenced on key Chilean exchanges.

In the late 1980s and early 1990s, Sociedad Anonima Vina Santa Rita S.A experienced significant expansion due to growth in its exports and the excellent reputation that its products developed.

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

-29-

In July 1996, Sociedad Anonima Vina Santa Rita S.A purchased a 39.35% interest in Vina Los Vascos S.A. for approximately US\$5.8 million. Vina Los Vascos S.A. was a leader in the Chilean wine exports market, due to the quality of its wines and the expertise of its principal shareholder, Les Domaines Barons de Rothschild (Lafite).

To finance this acquisition and to expand Sociedad Anonima Vina Santa Rita S.A's wine and grape production capacity, during July and August of 1996 it issued 165 million additional shares of its common stock at a price of Ch\$50 per share, increasing equity by approximately US\$20 million. In this offering, we purchased 95,200,000 shares of Sociedad Anonima Vina Santa Rita S.A's common stock for Ch\$4,793 million.

In September 1997, Sociedad Anonima Vina Santa Rita S.A expanded beyond Chilean borders, forming the company Vina Dona Paula S.A. in the Republic of Argentina. This expansion included the acquisition of two properties, one in Ugarteche, in the region of Lujan de Cuyo and another in Cordon de Plata, in the region of Tupungato, both in the province of Mendoza. Dona Paula now has approximately 231 hectares of plantations, of which 80 hectares are being developed and planted and more than 90 hectares have produced their first harvest.

In September 1999, Sociedad Anonima Vina Santa Rita S.A increased its ownership interest in Vina Los Vascos S.A. by 3.65% to 43%, paying a total of Ch\$392 million (US\$700,000). In addition, Vina Los Vascos S.A. received a capital investment in 1999, from by its partners (of Ch\$479 million or US\$900,000).

In 2000, Sociedad Anonima Vina Santa Rita S.A increased its market capitalization by Ch\$5,810 million by issuing 83 million shares of stock. In the first phase, 70% was subscribed and paid for accordingly. The remainder is due within 3 years of April 12, 2000.

In 2001 the board of directors of Sociedad Anonima Vina Santa Rita S.A decided to transfer the commercial administration and its 99.9995% ownership stake in Vina Dona Paula S.A. to Vina Carmen S.A. That same year, Sociedad Anonima Vina Santa Rita S.A acquired the Terra Andina brand, which has been administered through Sur Andino S.A., a subsidiary of Vina Carmen S.A.

Sociedad Anonima Vina Santa Rita S.A has six production facilities. The primary cellar is located in Alto Jahuel, in the town of Buin, where fine wine is made, aged and bottled. The facility can store 17.1 million liters and includes sophisticated vinification machinery and modern bottling lines. In Los Lirios, Rancagua, the winery owns a family-style winemaking facility with a capacity of 25.5 million liters and a plant for vinification and bottling of family wines. In Pirhuin, in the locality of Lontue, the winery owns a vinification plant dedicated exclusively to the production of fine wines, with a capacity of 8.6 million liters. In Palmilla, in the province of Colchagua, Sociedad Anonima Vina Santa Rita S.A owns a modern cellar with vinification and aging facilities for 9.9 million liters of fine red wines exclusively. Finally, in Ugarteche, Republic of Argentina, Vina Dona Paula S.A. has a plant with machinery and vinification systems with a capacity of 760,000 liters. Complementarily, Sociedad Anonima Vina Santa Rita S.A has 3 winemaking and storage plants leased with a total capacity of 18.8 million liters located at Isla de Maipo, Quinta de Tilcoco and Cumpeo.

As of December 31, 2002, we held a 54.1% interest in Sociedad

## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

Anonima Vina Santa Rita S.A and the Elecmetal Group, as a whole, held a 77.6% interest in the winery.

-30-

### Business Strategy

Sociedad Anonima Vina Santa Rita S.A's overall strategy is to continue to differentiate its products from those of its competitors. Sociedad Anonima Vina Santa Rita S.A distinguishes itself by producing and selling wine of the highest quality in each market segment. Each element of Sociedad Anonima Vina Santa Rita S.A's business strategy is designed to enhance its ability to produce high quality wines of exceptional value. To implement this strategy, Sociedad Anonima Vina Santa Rita S.A plans to do the following:

- \* maintain its emphasis on the production of "premium" wine through continued investments in improved equipment and technology and through the engagement of expert winemakers;
- \* control grape supply for the development of its fine wines;
- \* promote sales of Chilean wines in the international market through efforts coordinated with other leading exporters of Chilean wine; and
- \* maintain its dominant domestic market position of its "120" brand and increase overall market share through market segmentation with the introduction of new brands and products.

### Chilean Wine Industry

Chile's wine production fluctuated considerably in the 1960s and 1970s, due to changing economic and regulatory policies. Wine production peaked in 1986, at 460 million liters, leading to excess supply and low prices. At the same time, favorable conditions in the Chilean fruit market led to the elimination of vineyards in a move from planting grapes (or wines) to planting other fruits. Also, a significant number of landholding families sold their vineyards to larger wineries, many of which implemented modernization programs to produce premium wines. The success enjoyed by premium Chilean wines in the international markets offered a growth opportunity for many Chilean wineries, resulting in a significant dedication of Chilean production facilities to production of finer quality wines for export. In 2002, net sales of wine exports by Chilean winemakers grew 2.4% over 2001, generating export revenues of US\$602 million.

-31-

The following table sets forth the volume of Chilean wine exports and related net sales revenues for the periods indicated:

YEAR (1):	1998	1999	2000	2001
-----	-----	-----	-----	-----
Liters exported (2)	230,953	234,156	264,750	308,941
Net Sales (3)	US\$503	US\$526	US\$573	US\$588

(1) Each respective year ends December 31.



## Edgar Filing: GLASSWORKS OF CHILE - Form 20-F

- (2) Set forth in thousands.
  - (3) Set in millions of nominal U.S. dollars.
- Source: Chilean Exports Association.

According to the Organizacion Internacional del Vino ("International Wine Organization"), the Chilean wine export market has been experiencing a boom for several years and our management believes that Sociedad Anonima Vina Santa Rita S.A has been a key participant in that growth. In 2002, net sales of wine increased because of a rededication in production toward the more profitable export market. This rededication included increases in advertising and promotional expenditures abroad. Chilean wines are experiencing increasing competition in the international markets, from certain low cost producers, including winemakers in New Zealand, Australia, Argentina, South Africa and other countries. In this competitive scenario, high-quality products at affordable prices are essential for continued growth in international markets.

### Business

Since 1988, Sociedad Anonima Vina Santa Rita S.A has pursued a strategy of investing in its grape production and winemaking facilities to improve the quality of its wines and, at the same time, increase exports. Consequently, in 1992, Sociedad Anonima Vina Santa Rita S.A initiated a capital expansion and improvement program aimed at increasing both the quality and quantity of its wines. Sociedad Anonima Vina Santa Rita S.A has invested approximately Ch\$55,501 million (US\$77.2 million) in real terms since 1993, primarily in the acquisition of new land, winemaking machinery, winery operations and investments in Argentina. In 2002, US\$5.7 million were invested to increase Sociedad Anonima Vina Santa Rita S.A