GLASSWORKS OF CHILE
Form 20-F
July 01, 2004

STB COMMENTS
6/24/04

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

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

For the fiscal year ended: December 31, 2003

or

/ / TRANSITION REPORT PURSUANT TO SECTION 13 0R 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
(56-2 787-8888)
(Address and telephone number 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 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

PART I

PART II

INTRODUCTION

Cristalerias de Chile S.A. is a public corporation (sociedad anonima abierta) organized under the laws of the Republic of Chile. Unless the context requires otherwise, references herein to "Cristalerias" are to Cristalerias de Chile S.A. and references herein to the "Company" are to Cristalerias together with its consolidated subsidiaries and the companies in which Cristalerias holds significant non-consolidated equity interests. In addition, unless the context requires otherwise:

- "Vina Santa Rita" or "Santa Rita" refers to Sociedad Anonima Vina Santa Rita, a consolidated subsidiary 54.1% owned by Cristalerias, together with Santa Rita's consolidated subsidiaries as of December 31, 2003.

- "CIECSA" refers to Comunicacion, Informacion, Entretencion y Cultura S.A., a subsidiary 99.9% owned by Cristalerias. CIECSA in turn consolidates with "Megavision" or "Mega", which refers to Red Televisiva Megavision S.A., a consolidated subsidiary, 99.9% owned by CIECSA, together with Megavision's consolidated subsidiaries.

- Cristalchile Comunicaciones S.A., is a consolidated subsidiary, 99.9% owned by Cristalerias. This company in turn holds a non-consolidated equity investment of 50% in Metropolis Intercom S.A.

- Cristalchile Inversiones S.A., is a consolidated subsidiary, 99.9% owned by Cristalerias. This company in turn holds a non-consolidated equity investment of 40% in Rayen Cura S.A.I.C.

(Argentina).

- Envases CMF S.A., is a non-consolidated equity method investment in which Cristalerias holds directly a 50% ownership.

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.

1

The following chart illustrates the structure of our group of companies as of December 31, 2003:

GRAPHICS OMITTED

REQUESTS FOR INFORMATION

Written requests for copies of this Annual Report should be directed to Cristalerias de Chile S.A., Hendaya 60 oficina 201, Las Condes, Santiago, Chile, Attention: Investor Relations. Telephone inquiries may be directed to (56-2 787-8855). Facsimile requests may be sent to (56-2 787-8800). Email requests may be directed to ir@cristalchile.cl. Additional information, including this Annual Report, may be found on the Company's website at www.cristalchile.com. The contents of the Company's website are not incorporated into this Annual Report.

2

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 Item 5. "Operating And Financial Review and Prospects". These forward-looking statements relate to, among other things:

- our business model,

- our strategy,

- our current analysis of our risk management activities,

- our expectations for entering into strategic relationships and joint ventures,

- our expectations for capital expenditures for plant improvements,

- our expectations for investing in technological research and development,

- demand for wine, beer and non-alcoholic beverages,

- the performance of the Chilean economy,

- 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 nor that they will be accurate.

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, 2003. 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$593.80 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, 2003.

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, 2003. 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 financial statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. Please, see Note 37 of the Notes for the Financial Statements, which provides descriptions of the principal differences between Chilean GAAP and U.S. GAAP.

The information detailed in the following table includes changes in certain accounting policies for the five years ended and as of December 31, 2003, which affect the comparability presented below. Beginning January 1, 2000, the Company adopted new accounting policies concerning the accounting for deferred taxes in accordance with Chilean GAAP. Beginning January 1, 2001 and 2002, the Company adopted new accounting policies concerning the accounting for derivatives and goodwill and intangibles, in accordance with U.S. GAAP.

The table below describes Chilean GAAP and U.S. GAAP income statement data, for the years ending on December 31, 1999, 2000, 2001, 2002 and 2003:

	AT AND FOR YEAR ENDED DECEMBER 31, Millions of constant pesos and millions of US				
	1999	2000	2001	2002	20
Income Statement Data:					
Chilean GAAP:	Ch$	Ch$	Ch$	Ch$	
Net Sales	133,751	150,804	147,649	162,668	169

Operating income	24,357	32,096	33,899	42,026	37
Non-operating income (loss)	2,207	(7,235)	(8,786)	(13,132)	(28
Equity in net income of related companies	1,047	(2,912)	(7,693)	(8,991)	(4
Interest income (expense), net	552	(2,208)	(4,257)	(4,329)	(4
Other non-operating income (expense), net	(843)	(971)	4,123	(2,838)	(1
Price-level restatement, net	1,450	(1,144)	(961)	3,027	(17
Income tax and minority interest	(4,364)	(6,582)	(8,482)	(11,057)	(3
Net income	22,200	18,279	18,487	17,838	6
Net income per share (3) (in Ch$)	346.85	285.60	288.86	278.71	10
Net income per ADS (3)(4)	1,040.54	856.79	866.58	836.12	30
Cash dividends per share (3)(5)	138.24	142.19	143.66	138.72	7
Cash dividends per ADS (3)(4)(5)	414.72	426.56	430.99	416.17	21
U.S. GAAP:	Ch$	Ch$	Ch$	Ch$	
Net Sales	133,751	150,804	147,649	162,668	169
Operating income	24,712	32,689	38,846	39,786	40
Non-operating income (loss)	3,349	(6,288)	(15,353)	(10,092)	(31
Equity in net income (loss) of related companies	1,648	(3,110)	(9,505)	(8,796)	(4
Interest income (expense), net	396	(2,081)	(3,075)	(3,963)	(4
Other non-operating income (expense), net	(300)	46	(1,813)	(359)	(4
Price-level restatement	(1,130)	(2,212)	(2,361)	(1,971)	
Exchange differences	2,735	1,068	1,401	4,997	(17
Income tax and minority interest	(4,516)	(6,899)	(8,291)	(11,815)	(3
Income from continuing operations	23,545	19,501	15,202	17,889	5
Income from continuing operations per share	367.89	304.71	237.54	279.36	8
Income from continuing operations per ADS	1,103.68	914.12	712.61	838.09	24
Net income	23,545	19,501	15,202	17,879	(5
Net income per share (3) (4)	367.89	304.71	237.54	279.36	8
Net income per ADS (3) (4)	1,103.68	914.12	712.61	838.09	24

----

(1) Financial information for the years ended December 31, 1999, 2000, 2001 and 2002 is restated in terms of constant pesos, as of December 31, 2003. Chilean peso amounts have been translated into U.S. dollars at the rate of Ch$593.80 to US$1.00, the Observed Exchange Rate on December 31, 2003.
(2) Except per share, per ADS and Other Data amounts.
(3) For the years 1999, 2000, 2001, 2002 and 2003 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, 2003.
(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, 2002 and 2003 do not include the consolidation of Envases CMF S.A. (formerly Crowpla-Reicolite S.A.), an equity method investment, because the ownership percentage in that company is 50% and Cristalerias does not have control.

The table below describes Chilean GAAP and U.S. GAAP balance sheet data, as of December 31, 1999, 2000, 2001, 2002 and 2003:

	AT AND FOR YEAR ENDED DECEMBER 31 Millions of constant pesos and millions of US				
	1999	2000	2001	2002	
Balance Sheet Data:					
Chilean GAAP:	Ch$	Ch$	Ch$	Ch$	
Total assets	307,925	378,538	408,971	457,003	4
Long-Term debt (6)	16,982	73,734	86,724	134,352	1
Shareholders' equity	201,223	211,500	221,988	233,643	2
U.S. GAAP:					
Total assets	314,626	388,131	415,207	464,887	4
Long-term debt (6)	16,982	73,734	86,723	130,890	1
Shareholders' equity	209,000	221,889	228,511	238,990	2
Operating Data (7):					
Chilean GAAP:					
Gross margin	34.50%	37.40%	38.40%	41.20%	
Operating margin	18.20%	21.30%	23.00%	25.80%	
Net margin	16.60%	12.10%	12.50%	11.00%	
Financial Ratios:					
Chilean GAAP:					
Total liabilities/Total assets	0.35x	0.44x	0.46x	0.49x	
Current assets/Current liabilities	2.69x	2.46x	2.38x	4.51x	

----

(1) Financial information for the years ended December 31, 1999, 2000, 2001 and 2002 is restated in terms of constant pesos, as of December 31, 2003. Chilean peso amounts have been translated into U.S. dollars at the rate of Ch$593.80 to US$1.00, the Observed Exchange Rate on December 31, 2003.

(2) Except per share, per ADS and Other Data amounts.

(3) For the years 1999, 2000, 2001, 2002 and 2003 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, 2003.

(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, 2002 and 2003 do not include the consolidation of Envases CMF S.A. (formerly Crowpla-Reicolite S.A.), an equity method investment, because the ownership percentage in that company is 50% and Cristalerias does not have control.

Exchange Rates

Chile's Ley Organica Constitucional del Banco Central de Chile N(0) 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 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 effect 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, 2003, the Reference Exchange Rate was Ch$547.85 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
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
2003	593.10	758.21	691.40	593.80
December 2003	593.10	621.27	602.90	593.80
January 2004	559.21	593.80	573.64	N/A
February 2004	571.35	598.60	584.31	N/A
March 2004	588.04	623.21	603.91	N/A
April 2004	596.61	624.84	608.19	N/A
May 2004	622.25	644.42	635.76	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 of Chile.
Source: The Central Bank of Chile (http://www.bcentral.cl).

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.

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, 2003, 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 Chilean publicly-held corporation engaged in the steel foundry business in Chile and the U.S. 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 2003. Sales to our leading 10 customers accounted for approximately 68.3% of our net sales in 2003. Our three largest customers,[1] Vina Concha y Toro, Vina San Pedro and Compania Cervecerias Unidas, accounted for an aggregate of approximately 40.5 our sales of glass containers in 2003.

---

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

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.

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, 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 2003, approximately 78.0% of net sales of wine bottles (which represented 62.3% of overall 2003 net sales) were attributable to exports by the Chilean wine industry. Vina Santa Rita's sales are also dependent on Chilean wine exports, as approximately 54.5% of its net sales in 2003 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 - Langton Clarke as our independent accountants may pose risks to us and may limit the ability of our security holders to seek potential recoveries from them related to their work.

On June 15, 2002, Arthur Andersen LLP ("Arthur Andersen"), 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 ceased its audit practice before the United States Securities and Exchange Commission (the "SEC"). 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 SEC. As a foreign SEC registrant, we are required to file with the SEC annual financial statements audited by an independent public accountant registered to practice before the SEC. We engaged Ernst & Young Servicios Profesionales de Auditoria y Asesoria Limitada, independent accountants and a member firm of Ernst & Young Global, to serve as our independent auditor for 2002. Arthur Andersen had audited our financial statements for the years ended December 31, 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 SEC. Our Annual Report on Form 20-F for the years ended December 31, 2002 and 2003 includes the financial statements audited by Arthur Andersen for our 2001 fiscal year. If the SEC ceases to accept financial statements audited by Arthur Andersen, we could experience additional costs or delays in making filings with the SEC. In addition, our securities holders may have no effective remedy against Arthur Andersen or Arthur Andersen - Langton Clarke in connection with a material misstatement or omission in our 2001 financial statements.

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

10

indirect benefits to the company of thereby enabling the exercise by the holders of ADSs of the 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 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 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, 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".

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, 2003, only approximately 12.6% of securities listed in the Santiago Stock Exchange traded 90% or more of the total trading days. During 2003, our shares were traded on the Santiago Stock Exchange on an average of approximately 77.1% 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 ("DL 600"), 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, general non DL 600's 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 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 37 of the consolidated financial statements.

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 (but communicates in writing to the company its dissenting vote within a give time frame) 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:

- the transformation of our company, specifically into an entity that is not a corporation (sociedad anonima) governed by the Chilean Companies Law;

- our merger with or into another company;

- 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;

- creation of personal securities or asset-backed securities for the purpose of guaranteeing third-party obligations in excess of 50% of our assets;

- 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;

- 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

- 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.

ITEM 4: Information on the Company

DESCRIPTION OF BUSINESS

General

Cristalerias 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 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. 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.

The Company is the largest Chilean glass container producer comprising an integrated packaging-wine and media operation. It participates in diverse industries through different companies. For the reader's convenience we present a list with what we consider our main subsidiaries only, as follows (a complete list of subsidiaries is presented at the end of this report):

Company Name
----

a. Consolidated subsidiaries:
Sociedad Anonima Vina Santa Rita and subsidiaries (Production, bottling and distribution of wine for Chilean and foreign markets)
Comunicacion, Informacion, Entretencion y Cultura S.A. (99.9% owner of Megavision) (Operation of a TV station network, production and broadcasting of open TV and printed publishing material)
Cristalchile Inversiones S.A. (has a 40% equity investment in Rayen Cura S.A.I.C.) (Glass packaging production in Mendoza, Republic of Argentina)
Cristalchile Comunicaciones S.A. (50% equity investment in Metropolis Intercom S.A.) (Operation of a cable company offering cable TV, internet and IP telephonic services in Chile)

b. Direct equity investment:
Envases CMF S.A. (50% owned by Cristalerias) (Production of plastic containers and pre forms -mainly PET- for the Chilean soft drinks, beverages, wine, beer, edible oils and cleaners industries)

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 main broadband 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 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 (CORFO). In 1975, as part of a national program of privatization, Elecmetal, a private steel foundry business, acquired a 46% interest our company from CORFO 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, 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 Vina Santa Rita, one of the largest Chilean producer exporters of bottled wine. In 1992, Vina Santa Rita established Vina Carmen S.A., which produces fine wines and in which Vina Santa Rita 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 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, 2003, we hold a 98.5% interest in Comunicacion, Informacion, Entretencion y Cultura S.A. As of December 31, 2003, Comunicacion, Informacion, Entretencion y Cultura S.A. held the following interests in media and communications companies:

o a 49.9% interest in Editorial 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 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 our 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. 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, 2003, 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, Vina Santa Rita issued US$20 million of its common stock, which we partially subscribed. During the second half of 1996, Vina Santa Rita 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 Vina Santa Rita 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, Vina Santa Rita 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, 2003, Cristalchile and Liberty Media Corporation each owned 50% of Cordillera Comunicaciones Ltda.

During 2001, Vina Santa Rita 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, 2003, Cristalerias owned 54.1% of Vina Santa Rita's outstanding shares and the Elecmetal Group, as a whole, held a 77.6% interest in Sociedad Anonima Vina Santa Rita.

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 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 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 together with our partners:

- 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

- to strengthen the market position of Sociedad Anonima Vina Santa Rita 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 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.

PACKAGING BUSINESS

The following chart illustrates our interests in the Chilean and Argentine (through an equity investment) packaging sectors as of December 31, 2003:

GRAPHIC OMITTED

I. 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 Chilean (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):	1999	2000	2001	2002	2003
Product Sector:					
Wine	61.7%	60.1%	59.2%	61.8%	62.3%
Beer	11.0%	10.7%	14.1%	14.9%	15.1%
Non-alcoholic beverages	12.2%	16.3%	14.9%	13.0%	12.3%
Liquor	10.4%	9.4%	8.3%	7.5%	7.7%
Food	3.7%	2.7%	2.7%	2.2%	2.1%
Pharmaceuticals	1.0%	0.8%	0.8%	0.6%	0.5%
TOTAL	100%	100%	100%	100%	100%

(1) Each respective year ends December 31.

i. 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:

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

These companies account for approximately 62.4% of total net sales of wine in Chile (69.4% as measured by liters) in 2003. 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 50.7% between 1998 and 2003, representing 51.4% of our unit sales in 2003.

In 2003, the number of cases of wine in glass bottles exported by Chilean winemakers rose by 8.3% (22.6 million in 2002 to 24.5 million in 2003). Net sales increased by 10.2% (US$523 million in 2002 and US$576 million in 2003). The four export leading vineyards and their subsidiaries experienced an aggregate increase in exported sales volume of 8.0%, while the remaining wine producers' export volume increased by 8.8%. For 2003, primary destinations of Chilean bottled wine exports as measured by net sales included the United States (21.7%), the United Kingdom (20.5%), Canada (6.0%), Denmark (5.9%), Ireland (5.3%), Germany (5.1%), Holland (3.9%), Japan (3.9%), Brazil (3.0%) and Sweden (2.4%).

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

YEAR (1):	1999	2000	2001	2002	2003
Export Cases					
Glass bottles (2)	18,043	20,596	21,416	22,622	24,508
Other containers	852	1,000	1,631	1,878	2,050
TOTAL	18,895	21,596	23,047	24,500	26,558

(1) Each respective year ends December 31.
(2) In thousands of cases containing 9 liters per case.
Source: Chilean Export Association.

We believe that approximately 78% of our net sales of wine bottles in 2003 were attributable to wine exports.

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

YEAR (1):	1999	2000	2001	2002	2003
Units (2)	241,107	273,744	289,855	308,635	339,458
Net Sales (3)	Ch$33,228	Ch$37,348	Ch$40,511	Ch$44,343	Ch$46,421

(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 constant pesos.

ii. 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 87.4%, 6.9% and 5.7% of the non-alcoholic beverage market in 2003, respectively (87.2%, 7.1% and 5.7% in 2002), as measured by volume.

We estimate glass containers represented approximately 17.0% of the Chilean non-alcoholic beverage container market, as measured by liters of beverages sold during 2003 (15.8% during 2002).

Sales of bottles for non alcoholic beverages (soft drinks, mineral water, juice) as a whole decreased by 1.5% due to lower sales of one-way formats, partially compensated by higher sales of returnable formats due to the launching of a 237cc crown-top bottle.

In 2003, the demand for soft drinks grew by approximately 4.8% over 2002. Approximately 16.5% of the Chilean market for soft drinks, measured in liters, was bottled in glass containers (15.1% in 2002). The remainder was bottled in PET bottles and one-way aluminum cans.

In 2003, the demand for mineral water grew by 0.8% with respect to 2002. Approximately 17.7% of the Chilean market for mineral water, measured in liters, was bottled in glass containers (18.7% in 2002). The remainder was bottled in PET and one-way PVC containers.

In 2003, the demand for fruit-based juices grew by 6.0% with respect to 2002. Approximately 24.0% of the Chilean market for fruit-based juices, measured in liters, was bottled in glass containers (23.7% in 2002).

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)	1999	2000	2001	2002	2003
Units (2)	74,444	128,945	115,910	119,169	118,334
Returnable	15,892	18,426	18,208	15,972	25,208
Non- Returnable	58,552	110,519	97,702	103,197	93,126
Net sales (3)	Ch$6,596	Ch$10,138	Ch$10,175	Ch$9,304	Ch$9,162

----
(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 millions of constant pesos.

iii. Beer

During 2003, per capita consumption of beer in Chile increased moderately. Nevertheless, unit sales of non-returnable bottles posted a strong growth of 19.6%, due to an increase in

the share of non-returnable containers in total containers used for beer. On the other hand, returnable bottles sales increased by 2.3% in 2003 with respect to 2002 in unit terms.

As a whole, demand for glass containers in the sector rose during 2003. Our net sales to the beer sector grew by approximately 5.2% during 2003. As a result, net sales to the beer sector increased from 14.9% of our net sales in 2002 to 15.1% in 2003.

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):	1999	2000	2001	2002	2003
Units (2)	54,882	69,859	88,728	104,108	121,907
Returnable	19,458	13,402	17,532	15,247	15,591
Non-Returnable	35,424	56,457	71,196	88,861	106,316
Net sales (3)	Ch$5,893	Ch$6,654	Ch$9,679	Ch$10,698	Ch$11,258

----
(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 constant pesos.

iv. 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 increased by 7.5% during 2003 due to the introduction of a new pisco brand.

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

YEAR (1):	1999	2000	2001	2002	2003
Units (2)	53,827	54,183	50,483	48,285	52,257
Net Sales (3)	Ch$5,625	Ch$5,856	Ch$5,687	Ch$5,359	Ch$5,760

----
(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 constant pesos.

v. 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):	1999	2000	2001	2002	2003
Units (2)	30,400	23,848	26,051	22,693	21,356
Net sales (3)	Ch$1,979	Ch$1,656	Ch$1,858	Ch$1,606	Ch$1,554

----

(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 constant pesos.

In general, the use of glass containers for packaging food is significantly less in Chile than in more developed economies. In 2003, net sales for the packaged food container sector decreased by 3.3% from 2002, while unit sales decreased about 5.9%. This decrease was due to adjustments experienced by this market and due to a lower demand for containers resulting from the sluggish economic recovery of the country.

vi. 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 0.5% of our net sales of glass containers in 2003. In 2003, net sales for this segment decreased by 13.5%.

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

YEAR (1):	1999	2000	2001	2002	2003
Units (2)	14,449	13,115	13,049	8,918	7,192
Net Sales (3)	Ch$534	Ch$485	Ch$525	Ch$457	Ch$396

(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 constant pesos.

II. Plastic Containers

As of December 31, 2003, we had a 50.0% equity investment in Envases CMF S.A., a company engaged in the production of plastic containers, caps and crates. Envases CMF manufactures a variety of plastic containers for such industries as non-alcoholic beverages, edible oils, wine, cleaning products, chemicals, lubricants, and agricultural business.

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. In 2003, Envases CMF was audited to convert norm ISO 9001:1994, with which it was certified in 2001, to the new version 9001:2000. The audit was successful, therefore, the Company was recommended again to maintain its quality certification.

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

YEAR (1):	1999	2000	2001	2002	2003
Metric Tons (2)	9,064	9,553	19,272	24,147	23,252
Net Sales (3)(4)	Ch$10,806	Ch$13,134	Ch$28,006	Ch$35,682	Ch$34,543
Net Profit	Ch$506	Ch$631	Ch$1,912	Ch$2,576	Ch$1,414

(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. Years 2002 and 2003 consider operations for both companies, since we became 50% owners of this joint venture in June 2001.
(4) Net sales and net profit are set forth in millions of constant pesos.

22

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 bottlers of the Coca-Cola system in Chile. Envases CMF's principal customers are the Coca-Cola bottlers, who in 2003, accounted for approximately 77.7% of net sales.

During 2003, total sales in the plastic container business totaled Ch$34,543 million, compared to Ch$35,682 million in 2002. During 2003, Envases

CMF's sales measured in tons decreased by 3.7% compared with 2002 (23,252 tons in 2003 vs. 24,147 tons in 2002). This decrease was primarily due to changes in sales composition of some Coca-Cola bottlers in Chile, a decrease of preforms volume exports and lower sales of the national oil sector, which was affected by imports of finished product from Argentina. Total volume sales of PET formats decreased by 2.0% compared with 2002. Sales of PET non-returnable bottles increased by 1.0%, while sales of PET returnable bottles decreased by 8.0%. PET preform sales increased by 7.0%. Sales of PET bottles for the edible oil, wine, and cleaners market decreased by 34.0%.

Envases CMF's web page can be accessed at the following internet address: http://www.cmf.cl.

III. S.A. VINA SANTA RITA WINERY

The following chart illustrates our interests in the Chilean and Argentine wine sectors on December 31, 2003:

GRAPHICS OMITTED

History

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

The Elecmetal Group invested heavily in Vina Santa Rita in a number of areas. In production, significant investments were made in technology, and pioneering winemaking techniques were introduced. In 1985-1986, Vina Santa Rita wines began making significant inroads into worldwide markets. In 1987, Vina Santa Rita acquired Vina Carmen, a winery with a good reputation in the domestic market. In 1988, the Elecmetal Group purchased

Owens Illinois' share of Vina Santa Rita and took over full control of Vina Santa Rita. Subsequently, in 1991, Vina Santa Rita. 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, Vina Santa Rita experienced significant expansion due to growth in its exports and the excellent reputation that its products developed.

In July 1996, Vina Santa Rita purchased a 39.35% interest in Vina Los Vascos for approximately US$5.8 million. Vina Los Vascos is a relevant player 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 Vina Santa Rita'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 Vina Santa Rita's common stock for Ch$4,793 million.

In September 1997, Vina Santa Rita 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 wine grape plantations.

In September 1999, Vina Santa Rita 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). Subsequently, Vina Los Vascos S.A. received capital contributions in 1999, from all its partners (of Ch$479 million or US$900,000), therefore, Santa Ritas ownership remained at 43%.

In 2000, Vina Santa Rita increased its shareholder's equity 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 was due within 3 years of April 12, 2000, but was not subscribed.

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

As of December 31, 2003, we held a 54.1% interest in Vina Santa Rita and the Elecmetal Group, as a whole, held a 77.6% interest in the winery.

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 wine grapes 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 international markets offered a growth opportunity for many Chilean wineries, resulting

in a significant dedication of Chilean production facilities to production of higher quality fine wines for export. In 2003, net sales of wine exports by Chilean winemakers grew 11.5% over 2002, generating export revenues of US$671 million.

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

YEAR (1):	1999	2000	2001	2002	2003
Liters exported (2)	234,156	264,750	308,941	348,590	394,604
Net Sales (3)	US$526	US$573	US$588	US$602	US$671

----

(1) Each respective year ends December 31.
(2) Set forth in thousands.
(3) Set forth 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 Vina Santa Rita has been a key participant in that growth. In 2003, 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 the so-called New World such as 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.

General

In 2003, Vina Santa Rita disputed leadership 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).

From 1999 to 2003, Vina Santa Rita's total net sales have increased at an average annual rate of approximately 7.1%, largely as a result of the significant growth in exports of bottled wines.

The following table sets forth certain financial information regarding Vina Santa Rita for the periods indicated:

YEAR (1):	1999	2000	2001	2002	2003
Net Sales (2)	57,000	64,482	67,698	72,439	74,940
Cost of Sales	(37,832)	(41,127)	(41,797)	(45,002)	(47,550)
Gross Margin	19,169	23,355	25,901	27,436	27,390
SG&A Expenses	(11,038)	(13,456)	(14,270)	(15,690)	(17,660)
Operating Income	8,129	9,898	11,631	11,746	9,730
Non-operating Income (loss)	(2,576)	(2,286)	(2,368)	25	(5,156)
Net Income	5,181	6,452	7,511	9,356	3,915
Total Assets	94,183	97,983	119,188	123,300	122,381

----

(1) Each respective year ends December 31.

(2) Figures are set forth in millions of constant pesos, and exclude any intercompany or other eliminations.

Vina Santa Rita - Strategy

Vina Santa Rita's overall business strategy is to continue to differentiate its products from those of its competitors. Vina Santa Rita distinguishes itself by producing and selling wine of the highest quality in each market segment. Each element of Vina Santa Rita's business strategy is designed to enhance its ability to produce high quality wines of exceptional value. To implement this strategy, Vina Santa Rita 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" and "Bodega Uno" brands and increase overall market share through market segmentation with the introduction of new brands and products.

Description of Vina Santa Rita's Business

In the last five years, Vina Santa Rita's physical sales in liters in the domestic market have increased at an average annual rate of 10.4%. The increased volume has been offset by lower prices in line with the decreasing cost of raw materials. As a result, real prices have fallen by 31.0% in the last 5 years. There has also been a strong marketing strategy and the launching of new products. In 2003, case sales in the domestic market rose by 3.3% from 2002, compared with a 2.0% increase in wine consumption of the market overall. Increases in case sales were achieved through the success of the introduction of new products, such as:

- Carmenere 120 Reserva Especial;

- Medalla Real Cabernet Sauvignon - Syrah;

- Floresta Cabernet Sauvignon - Merlot;

- Carmen Insigne Carmenere - Cabernet Sauvignon;

- 120 Tres Medallas Carmenere; and

- Carmen Reserva Syrah;

- Premium wines of Terra Andina.

Approximately 25% of Vina Santa Rita's total consolidated revenues for year 2003 came from wines introduced during the last five years. These efforts have been complemented by aggressive marketing campaigns.

In the export market, Vina Santa Rita's results were favorable despite the recessions in the world's leading economies. Sales measured in cases increased an average of 6.7% per year in the last five years, while net export sales have grown 9.6% in real terms during that period. This has been achieved by exports to more than 60 countries and higher price levels. Export volumes for 2003 rose by 4.1% over 2002. Bottled wine exports from Chile as a whole increased by 8.3% on average.

The following table sets forth Vina Santa Rita's sales volume, both overall and in the domestic and export sales individually for the periods indicated:

YEAR (1):	1999	2000	2001	2002
Domestic market				
Cases (2)	4,822	5,531	6,154	6,942
Net Sales (3)	Ch$31,728	Ch$34,181	Ch$33,165	Ch$32,632
Export market:				
Cases (2)	1,397	1,593	1,626	1,738
Net Sales	Ch$24,268	Ch$29,006	Ch$33,105	Ch$37,969
Total				
Cases	6,219	7,124	7,780	8,680
Net Sales (4)	Ch$55,996	Ch$63,187	Ch$66,270	Ch$70,601

----

(1) Each respective year ends December 31.
(2) In thousands of cases, each of which contains twelve 750 cc. bottles (9 liters).
(3) In millions of constant pesos. Bulk sales are not included.
(4) In millions of constant pesos. Figures do not include Other sales.

Vina Santa Rita offers a broad selection of wines in the premium and popular wine segments of the table wine market. For the export market, Vina Santa Rita produces and markets wines under the following brand names: Casa Real, Medalla Real, Reserva, "120", Floresta (ultra premium wines), Carmen and Terra Andina. In the domestic market, the following brands are produced and marketed: Casa Real, Medalla Real, Cepas Finas, 120 (used for premium and popular wines), Bodega Uno, Frizz, Hermanos Carrera, Tolten, Floresta and the Carmen product line.

Each of these brands is factored into Vina Santa Rita's overall domestic and international marketing strategy. In the domestic market, Vina Santa Rita's efforts focus on establishing an image of quality and good value, given the shift toward the consumption of finer quality wines in Chile. In the international market, Vina Santa

27

Rita has joined other Chilean producers in an advertising effort to promote the price-quality value of Chilean wines. In addition, Vina Santa Rita has concentrated its efforts on affluent countries that recognize and value quality wines, including the United States, United Kingdom, Canada, Denmark and Germany, among others, outstanding in particular the opening of Santa Rita Europe Limited, with an office based in Oxford, UK, which strengthened the network with its most relevant distributors. This strategy has enabled Vina Santa Rita to raise prices higher than the rest of the industry, with prices of US$33.1 per case, 41% higher than the Chilean industry average of US$23.5 [2] per case during 2003.

The export market includes exports of Vina Santa Rita, Vina Carmen and Sur Andino. Vina Carmen's production is almost exclusively targeted to the export market. Vina Carmen has its own winery, which was built in the first half of 1993 and has sufficient capacity to support the growth it has projected for the next few years. Cases exported by Vina Carmen increased an approximate 2.2% in 2003.

The marketing of Vina Santa Rita wines varies according to the market segments. In the domestic market, all marketing is coordinated with its own sales force of more than 70 salespeople, working in the main office in Santiago and in seven locations throughout Chile - Antofagasta, La Serena, Vina del Mar, Rancagua, Concepcion, Temuco, Puerto Montt. In the international market, a network of exclusive distributors located in each of the markets where the wine is exported as well as the recently inaugurated office in the UK coordinate marketing efforts of European and Asian markets.

During 2003, Vina Santa Rita employed 1,244 people.

Vineyards and Winemaking

Vina Santa Rita's emphasis on quality begins in the vineyards and focuses on growing premium and ultra premium varietal grapes, including Cabernet Sauvignon, Carmenere, Petit Syrah, Chardonnay, Merlot and Sauvignon Blanc. Wine production is subject to certain risks, including, but not limited to, changes in weather and invasive pests, such as phylloxera (a pest that feeds on susceptible grape rootstock that has infected French and Californian vineyards). As of 2003, there have been no cases of phylloxera in Chilean vineyards.

An essential component in the quality of the wine is strict supervision of the grapes and vineyards. Vina Santa Rita's investment strategy has included the acquisition and planting of additional vineyards. In 1988, less than 20% of the grapes used in the elaboration of Vina Santa Rita's premium wines were grown in its own vineyards. Grapes purchased from third parties are carefully controlled for quality, not only by shipment, but also by geographic source and growing technique. Vina Santa Rita's objective is to grow nearly 50% of the grape supply for its premium wines by 2008. As of December 31, 2003, nearly 34.3% of the grape supply for Vina Santa Rita's premium wines came from its own vineyards.

As of December 31, 2003, Vina Santa Rita and its subsidiaries owned 1,825 hectares, and in addition it has 296 hectares under long-term contracts, totaling 2,121 planted hectares. Out of this total, 890 hectares are located in Chile (1,001 hectares in the Maipo valley, 384 hectares in the Rapel valley, 193 hectares in the Curico valley and 312 hectares in the Casablanca valley); and 231 in Argentina (176 hectares in Ugarteche and 55 hectares in Tupungato). In addition,

---

[2] Source: Chilean Exports Association.

Vina Santa Rita owns 853 hectares of land suitable to be planted, of which 363 are located in Chile and 490 in the province of Mendoza, Republic of Argentina. Vina Santa Rita believes that diminished dependence on grapes purchased from third parties will significantly reduce its costs and enhance the profitability of operations.

The following table sets forth the planted vineyards owned by Vina Santa Rita and subsidiaries for the periods indicated:

	2002(2)	20

Location (1)	Acres	Hectares	Acres
Maipo Valley	2,472	1,001	2,472
Rapel Valley	988	400	948
Casablanca Valley	771	312	771
Curico Valley	477	193	477
Ugarteche (Argentina)	435	176	435
Tupungato (Argentina)	136	55	136
TOTAL	5,279	2,137	5,239

(1) Sociedad Anonima Vina Santa Rita has a long-term rental contract for 326 hectares.
(2) Figures only include land that has been planted. Land occupied by roads, buildings and other such facilities is excluded.

The wineries' web sites can be accessed at the following internet addresses: http://www.santarita.com; http://www.donapaula.com.ar; http://www.carmen.com; http://terraandina.com.

IV. MEDIA AND COMMUNICATIONS

General

In accordance with our general strategy to invest in potential growth sectors of the Chilean market, we have pursued opportunities in the Chilean media and communications sectors since 1989. Through our 98.5% interest in Comunicacion, Informacion, Entretencion y Cultura S.A. (CIECSA), we have interest in a variety of media companies, including: (i) a 50% interest in Ediciones Chiloe S.A., which in turn holds a 74.8% interest in Ediciones Financieras S.A., which publishes Diario Financiero, a Chilean financial newspaper; (ii) a 49.9% interest in Editorial Zig-Zag S.A., which is a publishing company; and most significantly, (iii) a 99.99% interest in Red Televisiva Megavision S.A., which is one of Chile's three largest broadcast television networks. In addition, through Cristalchile Comunicaciones S.A., the Company has a 50.0% interest in Cordillera Comunicaciones Ltda., which owns a 99.99% interest in Metropolis-Intercom S.A., one of the two Chilean cable television companies, which has approximately 33% market share at national level in the video business.

The following chart illustrates our interests in the Chilean media and communications sectors on December 31, 2003:

GRAPHICS OMITTED

29

i. Television Broadcasting and Other Media

History

In November 1989, we acquired a perpetual concession to operate 21 stations of nationwide television frequency ("Channel 9" in Santiago) via public auction, under the name "Red Televisiva Megavision S.A.". Since the liberalization of the Chilean media sector, this was the first concession granted that allowed direct competition with the state-owned Television Nacional de Chile ("Channel 7") and Corporacion de Television Universidad

Catolica de Chile ("Channel 13") operated by the Catholic University.

Beginning in January 1990, Red Televisiva Megavision S.A.'s management designed a broadcast system, constructed studios, purchased and installed network equipment and assembled a team of network technicians and professionals. Only ten months after its incorporation, Red Televisiva Megavision S.A. began broadcasting in Santiago, Valparaiso and Vina del Mar. Since that time, Red Televisiva Megavision S.A. has continued to pursue an aggressive program of network expansion and development and currently owns and operates modern, technologically advanced broadcast equipment and facilities. Currently, the network links 71 transmitters and relay stations and covers over 98% of Chilean territory.

Consistent with the our strategy of establishing strategic alliances with leading international corporations, in December 1991, we entered into a joint venture with Grupo Televisa S.A. de C.V. of Mexico, the world's largest Spanish-speaking television network. Pursuant to the terms of the joint venture, our company and other members of the Elecmetal Group sold a 49% interest in Red Televisiva Megavision S.A. to Grupo Televisa S.A. de C.V. of Mexico.

In January 1992, our company and the other members of the Elecmetal Group transferred their interests in Red Televisiva Megavision S.A. to Comunicacion, Informacion, Entretencion y Cultura S.A., a company formed to manage our investments in the communications area. In 1991, Comunicacion, Informacion, Entretencion y Cultura S.A. diversified its media holdings through the acquisition of a 50% interest in Multimedia S.A., a Chilean publishing company and a 40% interest in a radiobroadcasting network owned by Radiodifusion y Sonido S.A, which was sold in March 1995.

In April and November 1994, Comunicacion, Informacion, Entretencion y Cultura S.A. acquired 34.15% of the capital stock of Ediciones Financieras S.A., a Chilean company engaged in the publication of a financial newspaper. Subsequently, during the fourth quarter of 1995, Comunicacion, Informacion, Entretencion y Cultura S.A. increased its interest in Ediciones Financieras S.A. to 59.65%.

In April 1995, we acquired 30.4% of the capital stock of Comunicacion, Informacion, Entretencion y Cultura S.A. from Navarino S.A., another member of the Elecmetal Group, increasing our total interest in Comunicacion, Informacion, Entretencion y Cultura S.A. to approximately 80.4%. In March 1996, we formed Ediciones Chiloe S.A. in partnership with the Pearson Group (owners of the Financial Times, among other important financial publications), through its subsidiary Recoletos Chile Ltda. Upon the formation of Ediciones Chiloe S.A., Comunicacion, Informacion, Entretencion y Cultura S.A. contributed its 59.65% interest in Ediciones Financieras S.A. to Ediciones Chiloe S.A., acquiring a 75% interest in Ediciones Chiloe S.A., leaving Recoletos Chile Ltda. with a 25% interest in Ediciones Chiloe S.A.

During April 1997, Red Televisiva Megavision S.A. received an equity investment of US$6 million, of which 51% was provided by Comunicacion, Informacion, Entretencion y Cultura S.A.

and the remaining 49% by Televisa. Red Televisiva Megavision S.A.'s ownership structure remained unchanged. At the same time, we increased our ownership interest in Comunicacion, Informacion, Entretencion y Cultura S.A. from 80.39% to 88.84%.

In December 1997, Multimedia S.A. was dissolved, distributing the shares that it owned in Zig-Zag S.A. to its shareholders. Zig-Zag S.A. received a capital infusion of Ch$526 million, 33% of which was subscribed by Comunicacion, Informacion, Entretencion y Cultura S.A., increasing Comunicacion, Informacion, Entretencion y Cultura S.A.'s interest in Zig-Zag S.A. to 39.9%.

In January 1998, Comunicacion, Informacion, Entretencion y Cultura S.A. received a capital infusion of US$2.7 million. This capital investment was provided and paid for by our company, raising our ownership in Comunicacion, Informacion, Entretencion y Cultura S.A. from 84.84% to 91.6%. In addition, during February 1998, the shareholders of Red Televisiva Megavision S.A. approved a capital investment of US$5.0 million, 51% of which was subscribed and paid for by Comunicacion, Informacion, Entretencion y Cultura S.A..

In November 1998, Comunicacion, Informacion, Entretencion y Cultura S.A. received a capital investment of US$4 million, which was provided and paid for by our company, resulting in an increase in ownership interest to 94.48%. Comunicacion, Informacion, Entretencion y Cultura S.A. and Televisa agreed to invest US$8 million in Red Televisiva Megavision S.A.. Of the total, 51% was provided and paid for by Comunicacion, Informacion, Entretencion y Cultura S.A. in December 1998. Grupo Televisa S.A. de C.V. Mexico did not exercise its right to subscribe and pay for shares, which expired on June 30, 1999 and Comunicacion, Informacion, Entretencion y Cultura S.A.'s interest in Red Televisiva Megavision S.A. was, thereby, increased from 51% to 62.64%.

In July 1999, Comunicacion, Informacion, Entretencion y Cultura S.A. received a capital investment of US$5.7 million, which was provided and paid for by our company, resulting in a 96.6% ownership interest. On the same date, Red Televisiva Megavision S.A. received a capital investment of US$4.0 million, which was provided and paid for by Comunicacion, Informacion, Entretencion y Cultura S.A., increasing its interest in that company to approximately 69.6%.

In April 2000, the extraordinary meeting of shareholders agreed to invest US$ 5.0 million in Red Televisiva Megavision S.A. As a result, Comunicacion, Informacion, Entretencion y Cultura S.A. S.A.'s stake in this company rose from 69.6% to 78.01%.

On September 27, 2001, Comunicacion, Informacion, Entretencion y Cultura S.A. sold shares in Ediciones Chiloe and Ediciones Financieras to Recoletos Chile Ltda., leaving Comunicacion, Informacion, Entretencion y Cultura S.A. and Recoletos with a 50% ownership interest in Ediciones Chiloe. Comunicacion, Informacion, Entretencion y Cultura S.A. does not maintain a direct stake in Ediciones Financieras. However, Ediciones Chiloe has a 74.8% stake in Ediciones Financieras.

On August 27, 2002, Comunicacion, Informacion, Entretencion y Cultura S.A. purchased shares of Red Televisiva Megavision S.A. from Grupo Televisa S.A. de C.V. of Mexico, increasing its participation in Red Televisiva Megavision S.A. to 99.99%, for a total of US$4.2 million.

Broadcast Television - Description of Business

Red Televisiva Megavision S.A. is a television network that offers a full array of broadcast services. As of December 2003, Red Televisiva Megavision S.A. had 71 transmitters and retransmitters, covering approximately 98% of the Chilean territory.

Approximately 40.8% of Red Televisiva Megavision S.A.'s air time was dedicated to syndicated programming during 2003 (54.9% in 2002), which includes soap operas and other dramatic series, films, comedies and other special events. Red Televisiva Megavision S.A. also produces its own programs, focusing on news and current events, sports and other programming suitable for family audiences. To view programming details please visit the network's web site at the following internet address: http://www.mega.cl.

Red Televisiva Megavision S.A. competes primarily with five networks: four national competitors (Channel 7, Channel 13, Channel 11, and Channel 4) and one citywide station, located in Valparaiso. Red Televisiva Megavision S.A. has become one of Chile's top three stations measured by market share, with an audience share of approximately 23.9% during 2003 (26.1% in 2002)[3]. Red Televisiva Megavision S.A.'s programming has enabled it to maintain a stable audience share of approximately 21.7% over the last five years.

The following table sets forth Red Televisiva Megavision S.A.'s monthly audience share:

MEGA - Monthly Audience Share (1)

	Jan.	Feb.	Mar	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	N
1999	20.3	24.7	18.3	17.5	18.6	19.5	19.7	20.5	20.9	20.2	1
2000	18.8	17.1	19.7	20.2	19.5	18.7	19.3	19.7	19.0	20.3	1
2001	20.6	19.1	18.3	16.4	17.0	18.0	18.4	18.7	20.4	22.1	2
2002	23.3	21.8	22.1	25.4	27.8	26.1	28.5	29.3	29.2	27.5	2
2003	25.3	21.9	21.5	22.1	24.9	22.8	22.8	21.3	25.0	25.2	2

Source: Time Media

(1) Monthly share data based upon average audience figures from Monday through Sunday, measured between 9:00 a.m. and 1:00 a.m. Starting in the month of October, monthly figures for year 2002 were measured between 7:30a.m. and 1.30 a.m. Annual average for years 2002 and 2003 measured between 7:30a.m. and 1:30 a.m.

During 2003, the Chilean TV industry grew by approximately 0.5%. Red Televisiva Megavision S.A. increased net sales by 5.6% in 2003, reaching Ch$26,182 million. During 2003 higher internal productions resulted in higher costs, therefore producing an operating income during the year of Ch$3,505 million, compared with Ch$6,024 million in 2002. Red Televisiva Megavision S.A. reported a net income of Ch$2,607 million in 2003, compared with a Ch$3,708 million net income in 2002.

The following table sets forth the relative audience share of Chilean television broadcasters in the Santiago Metropolitan Region for the periods indicated:

---

[3] Measured between 7:30AM and 1:30AM, (i.e.: 18 hours daily) from Monday through Sunday.

Relative Audience Share (1)

BROADCASTERS	1999 (2)	2000 (2)	2001 (3)	2002 (3)
Channel 2	2.3	1.6	1.1	1.1
Channel 4	5.6	8.6	9.1	8.9
Channel 5	1.3	1.2	1.1	1.0
Channel 7	30.0	28.7	31.0	29.1
MEGA (CH 9)	19.8	19.3	19.1	26.1
Channel 11	12.3	12.7	12.2	12.2
Channel 13	28.6	28.0	26.4	21.6
	100%	100%	100%	100%

(1) Each respective year ends December 31.
(2) Share based on average audience figures between Monday through Sunday, from 9:00 a.m. to 1:00
(3) Share based on average audience figures between Monday through Sunday, from 7:30 a.m. to 1:30

The following table sets forth net sales and net income for the Chilean open TV industry for the periods indicated:

Chilean Open TV Industry Sales and Net Income (Th Ch $)

	2001		2002		
	Sales	Net Income	Sales	Net Income	Sale
CHANNEL 2*	-	-171	-	-223	
CHANNEL 4	3,398	-2,506	4,489	-1,028	6,
CHANNEL 7	57,137	2,579	62,996	3,405	51,
MEGA (CH 9)	16,772	-701	24,802	3,708	26,
CHANNEL 11	9,497	-1,142	10,594	-1,899	12,
CHANNEL 13	47,880	-3,965	44,649	-6,443	51,
TOTAL	134,683	-5,906	147,531	-2,482	148,

* Channel 2 does not register sales for any of the years shown.

Source: Companies' FECUs filed with the SVS.

It is noteworthy that Mega's share in Chilean open TV industry sales increased from 12.5% in 2001 to 17.7% in 2003, and has leaded net income during 2002 and 2003.

Publishing

Our publishing operations are conducted through Comunicacion, Informacion, Entretencion y Cultura S.A., which as of December 31, 2003, had a 49.9% interest in Zig-Zag and a 50.0% interest in Ediciones Chiloe S.A. Zig-Zag S.A. is engaged in the publishing of educational material for children and the distribution of encyclopedias and other books. As of December 31, 2003, Ediciones Chiloe S.A. had a 74.8% interest in Ediciones Financieras S.A., which publishes Diario Financiero, a Chilean financial newspaper that enjoys nationwide circulation. During 2003, Ediciones Chiloe S.A. and Zig-Zag S.A. recorded a net loss of Ch$155 million and a net profit of Ch$48 million respectively, as compared to a net loss of Ch$90 million and a net profit of Ch$86 million in 2002, respectively.

To access Diario Financiero's internet edition please access the following internet address: http://www.diariofinanciero.cl .

ii. Cable Business

History

Since April 1994, we have participated in the Chilean cable television business through a joint venture with TCI-Bresnan (which subsequently changed its name to Liberty Media Corporation). We entered the cable television business by acquiring several cable companies in Santiago and Vina del Mar.

In keeping with an agreement reached between our company and TCI-Bresnan, in June 1994 both parties acquired four additional cable television companies with operations in the southern region of Chile. In December 1994, our company and TCI-Bresnan created Cordillera Holdings Comunicaciones Ltda. Our company and TCI-Bresnan each contributed to Cordillera Comunicaciones Ltda. their respective interests in the cable television companies mentioned above, concentrating all cable television operations in Cordillera Comunicaciones Ltda., known commercially as Metropolis.

In October 1995, we announced an agreement between Cordillera Comunicaciones Ltda. and Intercom, a corporation 80%-owned by Compania de Telecomunicaciones de Chile S.A. and 20%-owned by El Mercurio. This agreement sought to integrate the Metropolis and Intercom cable systems into a new company named Metropolis-Intercom S.A. Under the agreement, Cordillera Comunicaciones Ltda. sold its cable television network to Compania de Telecomunicaciones de Chile S.A. for approximately US$100 million and granted to Compania de Telecomunicaciones de Chile S.A. the right

33

to operate the Metropolis-Intercom S.A. cable systems and provide information transmission services, in accordance with a thirty-year renewable contract to supply service.

In January 1996, both systems commenced operations under the name of Metropolis-Intercom S.A., which was 60% owned by Cordillera Comunicaciones Ltda. and 40% owned by Intercom.

Along with its expansion, the cable industry has experienced significant changes in its structure. Originally, cable television services were provided by smaller companies, which built systems without significant investments. In 1994, larger corporations began acquiring and consolidating existing cable TV companies, thus leaving the Chilean cable television market with six main participants at the end of 1994:

(i) Cordillera Comunicaciones Ltda.;

(ii) Intercom (Compania de Telecomunicaciones de Chile S.A. and El Mercurio);

(iii) TV Max (VTR);

(iv) CableVision (United International Holdings);

(v) Cable Express (Sonda and IM Trust); and

(vi) Multivision (United International Holdings).

By the end of 1996, the Chilean cable TV market consolidated leaving two major participants: Metropolis-Intercom S.A. and VTR Cable Express (formed as a result of the merger of TV Max, CableVision, Cable Express and Multivision). In 1996, Metropolis-Intercom S.A. focused on integrating accounting, programming and customer service systems of the merged companies.

In June 1996, the cable television subscription fee in Chile became subject to the 18% value-added tax. In 1998, Metropolis-Intercom S.A. launched its "Premium" service in the Metropolitan and Fifth Regions of Chile. Premium customers pay an additional fee for access to additional "Premium" movie and entertainment channels.

During 1999, the "Pay Per View" system, which allows customers to watch movies at peak times, was established.

In April 2000 Metropolis was the first company in South America to launch digital service, which includes: NVOD (Near Video on Demand), IPG (Interactive Programming Guide), Digital Quality and Digital Music.

In May 2000, Cristalchile announced it had settled an arbitration proceeding with Compania de Telecomunicaciones de Chile S.A., initiated in May 1998 to resolve the dispute between the parties over the development of Internet services through Metropolis-Intercom S.A. Under the terms of the agreement, our unconsolidated investment in 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 transactions for a total amount of US$ 270 million. This agreement allowed Metropolis-Intercom S.A. to offer advanced video, both analog and digital, Internet and data transmission services, among others, to the residential and corporate markets. As

of December 31, 2003, Cristalchile and Liberty Media Corporation each owned 50% of Metropolis-Intercom S.A.

Cable TV - Description of Business

Cable television is a relatively new business in Chile. The Chilean cable television industry started in 1992 with approximately 20,000 subscribers and one cable television provider. Since then, the industry has grown substantially to approximately to 786,000 subscribers at the end of 2003 (including satellite television). Despite this growth, the market is far from saturated.

Metropolis-Intercom is a national broad-band operator that offers an array of services which include television, in its Basic, Premium, and Pay Per View plans -analog and digital platforms-, broad band Internet with Cable Modem, ADSL and, as of June 2003, wireless Wi - Fi and Internet voice over internet services. Its geographical coverage expanded during 2003, adding operations in the cities of Concepcion, Los Andes and San Felipe to its original coverage (Metropolitan and Fifth Regions, in addition to the cities of Iquique, Rancagua, Los Angeles, Temuco, Valdivia and Puerto Montt). The Company's national market share in the video business is approximately 33%. In the city of Santiago, this figure is close to 50%. In the residential broad-band Internet business the Company's market share is close to 12%.

In July 2003, Metropolis launched IP (Internet Protocol) Telephony services, becoming the first Latin American cable operator to offer this service to homeowners and ending the year with approximately 3,639 clients. In the broadband business, 46% growth was attained during 2003, ending the year with 34,462 clients. In the video business, the Company was affected by a high unemployment and strong competition, ending the year with 231,925 basic service subscribers. In addition, the Company managed to maintain its Premium subscribers, ending the year with 23,716 analog clients and 7,783 digital clients. The Company improved results by restructuring costs, implementing new information systems, modifying processes and concentrating on sustainable growth in the broadband business. During 2003, the Company focused on expanding geographical coverage from the strong base it already had in the country's main cities, expanding the Internet business, reorienting the various processes towards a better customer service, applying an aggressive rationalization and cost-reduction program and developing new products such as IP Telephony.

In a letter dated January 9, 2004, the Company informed the Chilean Superintendency of Securities and Insurance (SVS) that the subsidiary Cristalchile Comunicaciones S.A., owner of 50% of Metropolis Intercom S.A., had reached a preliminary agreement with Liberty Media, which is the owner of the remaining 50% of Metropolis Intercom S.A. as well as a majority shareholder of VTR S.A.; to merge Metropolis Intercom S.A. and VTR S.A. The preliminary agreement reached is subject to diverse conditions; among others, the negotiation and subscription of definite contracts, the approval of the Board of Liberty Media, including its subsidiary UGC and its independent directors, the approval of the Chilean Anti-Trust Commission, the approval of the Board of Cristalchile Comunicaciones S.A. and other required approvals. If the agreement materializes, Cristalchile Comunicaciones S.A. would be entitled to 20% of the shares of the merged company and would designate one of a total of five of its directors. It is not currently possible to quantify the financial effects of this operation for Cristalerias de Chile S.A.

To access Metropolis Intercom S.A.'s web page please visit the following internet address: http://www.metropolis.cl.

35

Cable TV - Regulation

Chilean regulations classify cable television services as "limited telecommunications services." Only Chilean-based companies are currently permitted to install, operate and/or provide these services after being granted a license by the Chilean Under-Secretary of Telecommunications. Licenses are granted no later than sixty days after the application has been made and have indefinite terms.

Chilean regulations apply the following restrictions to limited telecommunications services: (i) they must be provided for specific persons, entities, or companies that have previously entered into a contract with the service provider; and (ii) they can be provided only within Chile.

However, cable television companies can apply for a license to provide "intermediate telecommunications services," which consist of renting their network to other telecommunications companies. Thus, a cable television company's network can be used by third parties to provide public telecommunications services including basic telephonic services.

V. CUSTOMERS

In 2003, 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 2003. Sales to our leading ten customers accounted for approximately 68.3% of our net sales in 2003. The three largest customers, Vina Concha y Toro, Vina San Pedro and Compania Cervecerias Unidas, accounted for approximately 40.5% of the our net sales of glass containers in for 2003. Sales of wine bottles to Sociedad Anonima Vina Santa Rita, an affiliate controlled by us, accounted for 7.7% of our net sales in 2003.

Generally, we do not enter into long-term supply contracts with our main clients, but do 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.

Santa Rita's local customers include retailers, restaurants, hotels and specialized wine shops. Europe is the main export market reaching exports of 567 thousand cases during the year, which represents 48% of Santa Rita's total export volume. In general, products are sold through distributors in each relevant market.

Capital Expenditure Program

i. Glass Business

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. In 2001, 2002 and 2003 we invested US$33 million, US$14.3 million and US$33.3 million respectively. The latter

included total reconstruction of furnace B, a new productive line for this furnace and equipment to reduce nitrous oxide emissions. Furnace B is equipped with the highest melting, forming, quality control and packaging technology. It has a glass melting capacity of 300 tons per day, which compares to a previous capacity of 130 tons per day for former furnace B. In addition, to complement the glass packaging production process, during the year the Company incorporated a new labeling unit and a bottle-painting machine, which allows us to deliver different color packaging to our customers.

Over the next five years, we expect to invest approximately US$5 million to US$7 million per year in general plant improvements for the glass container facility located in Padre Hurtado. In addition, we are considering an estimated US$110 million investment to increase the Company's production capacity.

ii. Wine Business

Since 1988, Vina Santa Rita 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, Vina Santa Rita initiated a capital expansion and improvement program aimed at increasing both the quality and quantity of its wines. Vina Santa Rita has invested approximately US$37.1 million since 1999, primarily in the acquisition of new land, winemaking machinery, winery operations and investments in Argentina. In 2003, US$8.1 million were invested to increase Vina Santa Rita's wine making capacity (through the acquisition of technologically advanced equipment) to increase the capacity of fine wine cellars, to increase the planted lands owned by our company, and to modernize production processes. This was accomplished by installing new stainless steel tanks and by acquiring high-tech equipment. These investments represent a key facet of Vina Santa Rita's strategic plan and have led to significant increases in productivity.

In the agricultural area, Vina Santa Rita maintained its fine varieties plantings, all of them with pure clones of the highest quality. In addition, it continued improvements of an extensive technified irrigation system in its planted areas. In the oenologic area 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. These investments were aimed at increasing and renovating the fine winemaking facilities and increase fine wine storage capacity. During 2003, Vina Santa Rita increased its wine making and storage capacity through the lease of a cellar in Pirque which has a storage capacity of 2.4 million liters. With this the rented capacity reaches 21.5 million liters.

iii. Television Broadcasting Business

In 2003, Red Televisiva Megavision S.A. (CIECSA's main subsidiary), invested approximately US$1.8 million, mainly in broadcasting equipment.

Competition

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 approximate 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 2004 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.

Regarding the wine business competition is strong in the domestic market, mainly coming from two other main Chilean wineries. However, Vina Santa Rita increased its market share to 23.7% (as measured in volume) and 22.1% (as measured by net sales) which makes it industry leader in terms of net sales. In the export market, Vina Santa Rita is the third largest Chilean exporter of bottled wine, with an average export price 41% higher than the Chilean bottled wine industry. Competition in the export market is strong too, facing competitors from various countries such as traditional producers from Europe, such as France, Italy and Spain, as well as producers from the "New World", such as USA, Australia and South Africa.

New Products - Research and Development

We seek to provide our glass 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.

Vina Santa Rita has a policy of continued product innovation and line extension. During the year, in the local market, priority was given to the introduction of new varieties and fine wine blends that, while complementing existing lines, add value to brands. During the year, the following products were introduced: 120 Reserva Especial Carmenere, Medalla Real Cabernet Sauvignon-Syrah, Floresta Cabernet Sauvignon-Merlot, Carmen Insigne Carmenere-Cabernet Sauvignon, 120 Tres Medallas Carmenere and Carmen Reserva Syrah. In addition the Terra Andina brand was incorporated at year end with its line of fine wines.

Raw Materials

i. Glass Business

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 (natural gas and/or fuel oil and electricity) 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 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 previous ten years, we have not experienced any significant difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices.

On May 2004, we received a letter from our natural gas supplier regarding restrictions to our natural gas supply for the year. This was the result of a national contingency that affected Chilean imports of natural gas, which are currently bought from Argentina. Nevertheless, our glass producing facility is enabled to replace natural gas needs either partially or totally with fuel oil.

The use of recycled glass in the manufacturing process offers environmental and cost advantages over the use of other raw materials. In 2003, approximately 34.7% 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.

ii. Wine Business

In the case of Vina Santa Rita, 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 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. Vina Santa Rita's objective is to grow nearly 50% of the grape supply for its premium wines by year 2008. Currently, Sociedad Anonima Vina Santa Rita enters into purchase contracts with local growers to ensure the company has sufficient amounts of fine quality grapes to be used in its wine production. In 2003, approximately 36.4% of Sociedad Anonima Vina Santa Rita's grapes were obtained from these purchase contracts, while another 30.5% were obtained from Vina Santa Rita's own vineyards and an additional 33.1% was purchased at market. These purchase contracts require Vina Santa Rita to purchase the grapes delivered only to the extent they meet specific quality standards.

Prices of raw materials, particularly grapes, are volatile since they depend on weather 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.

iii. Television Broadcasting Business

Red Televisiva Megavision S.A. produces its own programs, focusing on news and current events, sports and other programming suitable for family audiences. In addition, approximately 40.8% of Red Televisiva Megavision S.A.'s air time was dedicated to syndicated programming during 2003 (54.9% in 2002), which includes soap operas and other dramatic series, films, comedies and other special events, which is purchased from third parties.

Patents and Licenses

In our glass container business 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 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 Inc., 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. The agreement may be terminated by Owens Illinois Inc. if we default in our obligations or certain events occur constituting a change in control of our company. This advisory relationship is representative of 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 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, tax laws, social security laws, public health laws, consumer protection laws, environmental laws, securities and corporate 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 (which amended the Chilean Securities Act No. 18,045), the controlling shareholders of a publicly traded corporation will have to 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 stock transactions performed during the 90th stock busines day and the 30th stock business day before the date in which the proposed transaction (acquisiton) shall take place, 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. 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. Although we do not expect any we 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 glass 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. In addition there are no site removal or restoration costs.

VI. Description of Property

i. Glass Business

We own all our principal glass production facilities and properties. Our principal properties include the corporate offices located in Las Condes, Santiago, the Padre Hurtado production facility on the outskirts of Santiago and the two sand mining and processing facilities located in San

Sebastian and El Turco, Cartagena, Chile. Our main glass production facility is located at our Padre Hurtado industrial complex in the Santiago Metropolitan Region.

The Padre Hurtado facility, the largest of its kind in Chile, consists of four furnaces, equipped with highly automated functions for electronically forming, blowing, cooling, cleaning and packaging glass containers through electronically-controlled processes. The plant was initially built in 1964 and has been renovated and expanded periodically ever since.

Our company, together with other members of the Elecmetal Group and a French insurance group, constructed an office building in Santiago to house their respective central administrative offices. We own one floor and certain retail locations in this office building and relocated our executive offices from our Padre Hurtado complex to the Santiago location in March 1994.

ii. Vina Santa Rita

Vina Santa Rita 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 for fine wines. 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 8.7 million liters. In Palmilla, in the province of Colchagua, Vina Santa Rita owns a modern cellar with vinification and aging facilities for 13.2 million liters of fine red wines exclusively. In addition, in Alto Jahuel north of Vina Santa Rita's facilities, are Vina Carmen's facilities with a plant comprising modern winemaking and storage equipment and storage capacity of 8.6 million liters of fine wines. Finally, in Ugarteche, Republic of Argentina, Vina Dona Paula has a plant with machinery and vinification systems with a capacity of 760,000 liters. Complementarily, Vina Santa Rita has 4 winemaking and storage plants leased with a total capacity of 21.5 million liters located at Isla de Maipo, Quinta de Tilcoco, Cumpeo and Pirque.

In 1992, Vina Santa Rita purchased the original Hacienda Vina Santa Rita and the surrounding estate, which included more than 1,764 plantable acres (714 hectares), a chapel, a colonial manor and a 54-acre (22-hectare) park landscaped in the nineteenth century. Vina Santa Rita has remodeled the manor and refurbished the grounds for use as a guesthouse and business retreat. In addition, during the third quarter of 1997, Vina Santa Rita incorporated a subsidiary in Argentina, Vina Dona Paula S.A., which at the time, included acquiring approximately 800 hectares of land in the Mendoza province.

In addition, during the last quarter of 1997, Constructora Apoger S.A., a construction company in which we own an 80% interest, completed the construction of an 18-story office building with 16,500 square meters of usable space at the intersection of Av. Apoquindo and Av. Gertrudis Echenique in Santiago. Vina Santa Rita owns two floors (the 6th and 7th) of the neighbouring Edificio Metropolis to house its respective central administrative offices. The 16th floor in the same building, which is used by Vina Carmen, belongs to Cristalerias de Chile.

iii. Television Broadcasting Business

Red Televisiva Megavision S.A. operates its television broadcasting station from wholly-owned facilities on Av. Vicuna Mackenna, in Santiago.

42

ACHS Award 2003: "Vision Empresarial" (Entrepreneurial Vision)

During 2003 the Company's President, Mr. Ricardo Claro Valdes, received the award "Vision Empresarial", granted by the ACHS (Asociacion Chilena de Seguridad), which highlights the entrepreneur's permanent and enthusiastic concern for risk prevention, a concept always present in the formation, development and strategy of his companies.

ITEM 5: Operating and Financial Review and Prospects

Management's Discussion and Analysis of Financial Condition and Results of Operation

General

The following analysis should be read in conjunction with our consolidated financial statements, and the notes thereto, included in this annual report. We prepare our financial statements in accordance with Chilean GAAP, which differs in certain important respects from U.S. GAAP. See Note 37 for the audited consolidated financial statements. In addition, all financial information regarding our company contained in this Form 20-F, unless otherwise indicated, has been presented in constant pesos. Chilean peso amounts have been rounded to the nearest million pesos, unless otherwise indicated, and certain tabular information and percentage amounts may not add to 100% due to rounding.

We are the largest producer of glass containers in Chile and also produce plastic containers through related companies, making us one of Chile's largest manufacturers of packaging products. In addition to our packaging operations, we have operations in Chile's wine, media and communications, and real estate industries, through our interests in Vina Santa Rita, Comunicacion, Informacion, Entretencion y Cultura S.A., Cristalchile Comunicaciones S.A. and Constructora Apoger S.A., respectively.

The following table sets forth the percentage of net sales attributable to each of our lines of business for the periods indicated:

	Results by Business Area (1) Millions of constant pesos and percentages				
	2001		2002		200
	Ch$	%	Ch$	%	Ch$
Glass Packaging	68,435	46.3	71,768	44.1	74,549
Wine (Vina Santa Rita)	67,698	45.9	72,438	44.5	74,940
Media & Communications (CIECSA S.A.)	16,772	11.4	25,063	15.4	26,545
Real Estate (Apoger)	1,181	0.8	--- (2)	---(2)	--- (
Adjustment (1)	(6,437)	(4.4)	(6,601)	(4.1)	(6,093)
TOTAL	147,649	100.0	162,668	100.0	169,941

----

(1) Adjustments are made to reflect the net effect of inter-company transactions. In the consolidated financial statements, adjustments have been made to reflect third party sales in each business sector.

(2) Constructora Apoger S.A. did not have any sales in 2002 and 2003 because 100% of its office space was sold by 2001.

The results of our packaging and media and communications operations are dependent on the general level of economic activity in Chile, and, in particular, on sales levels in the wine, non-alcoholic beverages and beer sectors of the Chilean economy. The Chilean economy, including these

sectors, has experienced growth during recent years, which has resulted in increased overall demand for our packaging products. Sales of wine bottles accounted for 62.3% of net sales of our glass containers during 2003 and 61.8% of net sales during 2002. Sales are dependent in large part on levels of Chilean wine exports to Europe, North America, Asia and other countries in Latin America.

Among other factors, our results and prospects may be materially and adversely affected if the rate of Chilean inflation exceeds the rate of inflation experienced in the United States (or other major trading partners of Chile), and the Chilean peso is not sufficiently devalued relative to the currencies of such countries. If this occurs, the costs of imports from such countries may become more attractive to our Chilean customers and the price of Chilean exports packaged in our containers, and Vina Santa Rita's wines may become less attractive to purchasers of these exports. In particular, approximately 54.5% of Santa Rita's consolidated revenues came from exported wines, which depend primarily on the exchange rate's evolution. At the same time, most of its costs are mainly related with Chile's rate of inflation. Therefore, fluctuations of the exchange rate could have favorable or unfavorable effects on Santa Rita's results.

During the last several years, our packaging operations have experienced a concentration in sales in the wine, beer and non-alcoholic sectors. This shift is largely attributable to an increase in wine exports, the introduction of new containers, growth in consumption in all sectors and increasing competition from non-glass containers comprised mostly of plastic substitutes. Over the same period, Vina Santa Rita's sales have increasingly relied upon the continued strength of export markets.

The following table sets forth the percentage of net sales of our company's glass container operations attributable to each of our company's glass container products for the periods indicated. See "Item 4. "Information on the company" for the actual net sales for each product:

YEAR (1):	2001	2002	2003
Product Sector			
Wine	59.2%	61.8%	62.3%
Beer	14.1	14.9	15.1
Soft Drinks	14.9	13.0	12.3
Liquor	8.3	7.5	7.7
Food	2.7	2.2	2.1
Pharmaceuticals	0.8	0.6	0.5
TOTAL	100%	100%	100%

----

(1) Each respective year ends December 31.

The following table sets forth certain financial information as a percentage of our net sales for the periods indicated:

	Year ended December 31,		
YEAR:	2001	2002	
Net Sales	100.0%	100.0%	1
Cost of Sales	(61.6)	(58.8)	(
Gross Margin	38.4	41.2	
Selling & Administrative expenses	(15.4)	(15.3)	(
Operating income	23.0	25.8	
Non-operating income (loss)	(6.0)	(8.1)	(
Equity in net income (loss) of related companies	(5.2)	(5.5)	
Interest income (expense), net	(2.9)	(2.7)	
Other non-operating income (expense), net	2.8	(1.7)	
Price-level restatement	(0.7)	1.9	(
Income tax	(3.5)	(4.0)	
Extraordinary items	1.3	--	
Minority interest	(2.2)	(2.8)	
Net Income	12.5%	11.0%	

----

(1) Set forth in millions of constant pesos of December 31, 2003 purchasing power.

Critical Accounting Estimates

Financial Reporting Release No. 60, as updated by Financial Reporting Release No. 72, which were released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting estimates and assumptions used in the preparation of the financial statements that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on financial condition or operating performance. It should be noted that in many cases, the accounting treatment of a particular transaction is specifically dictated by Chilean GAAP. Additionally, significant differences can exist between Chilean GAAP and U.S. GAAP, as explained in the section "U.S. GAAP Reconciliation" below. There are also areas in which management's judgment in selecting available alternatives would not produce materially different results. For a summary of significant accounting policies and methods used in the preparation of the financial statements, see Note 2 of the consolidated financial statements.

The preparation of the financial statements required us to make assumptions, estimates and judgments that affected the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. There can be no assurance that actual results will not differ from these estimates under different assumptions or conditions.

Impairment of Long-lived assets

We assess the impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Long lived assets include property, plants, equipment, investments in other companies, intangible and other assets. Factors we consider important, which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for our overall business; and

- significant negative industry or economic trends.

When we determine that the carrying value of long- lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we evaluate the future cash flows to determine if we need to take an impairment charge. If the sum of the expected future cash flows (undiscounted) is less than the carrying amount of the assets, we recognize an impairment loss. The measurement of the impairment loss is based on the fair value of the long-lived assets which we generally determine using a discounted cash flow approach, stock valuations and recent comparable transactions in the market. In order to so estimate future cash flows, we must make assumptions about future events that are uncertain at the time of estimation. For example, we make assumptions and estimates about future interest rates, foreign exchange rates, price increases, and cost trends such as taxes and plant repair and maintenance and programming costs. As a result, the actual cash flows may materially differ from our estimate and we may be required to record impairment charges in the future. Net long-lived assets amounted to Ch$160,859 million as of December 31, 2003 and Ch$157,202 million as of December 31, 2002. During 2001, 2002 and 2003, we did not record impairment charges.

Impairment of Goodwill

We assess the impairment of goodwill in a similar manner as long-lived assets. The measurement of the impairment loss is based on the fair value of the investment, which we generally determine using a discounted cash flow approach, stock valuations and recent comparable transactions in the market. In order to estimate fair value, we must make assumptions about future events that are uncertain at the time of estimation. The results of these analyses show that the goodwill in consolidated subsidiaries were not impaired. Net goodwill amounted to Ch$8,978 million and Ch$9,822 million as of December 31, 2003 and 2002, respectively.

Impairment of Investments in Related Companies

We have ownership participation in several companies in the wine, glass container, plastic packaging and cable and communications industries that are accounted for using the equity method. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements. An investor adjusts the carrying amount of an investment for its share of the earnings or losses of the investee subsequent to the date of investment including any impairment charges determined by the investee and reports the recognized earnings or losses in income. Dividends received from an investee reduce the carrying amount of the investment. Thus, the equity method recognizes increases or decreases, measured by generally accepted accounting principles in the economic resources underlying the investments.

In addition to the test for impairment performed by the investee, we also review our equity method investments to determine if an other-than temporary loss has occurred. A series of operating losses of an investee or other factors may indicate that an other-than temporary decrease in the value of the investment has occurred, which should be recognized in our results of operations even though the decrease in value is in excess of what would otherwise be recognized by application of the equity method. We have analyzed each of our investments in related companies, concluding that none have other-than temporary decreases in value and therefore no additional impairments have been recorded in our investments in related companies. Investments in related companies amounted to Ch$103,059 million and Ch$110,749 million as of December 31, 2003 and 2002, respectively.

Income and Deferred Taxes

In accordance with Chilean law, our company and each of our subsidiaries compute and pay tax on a separate basis. We estimate our actual current tax exposure, together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. As a transitional provision under Chilean GAAP, we recorded a contra asset or liability offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability amounts must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates calculated using the tax rates in effect at the time of reversal. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is unlikely, we establish a valuation allowance. Revisions to the estimated realizable value of deferred tax assets, estimated average reversal periods of contra assets or liabilities, or any other relevant assumptions could cause our provision for income taxes to vary significantly from period to period. The net deferred tax liability was Ch$2,970 million and Ch$2,855 million as of December 31, 2003 and 2002, respectively.

Fair value of Financial Derivative Instruments

Our financial derivative instruments consist of short duration foreign currency forward exchange contracts to purchase and sell U.S. dollars and Chilean Unidades de Fomento (UFs). We record these forward contracts at fair value. Generally, fair values under Chilean GAAP are estimated using the closing spot exchange rate at the period end, because listed forward market prices between these currencies are not widely available in the Chilean market, and spot rates are the accepted local standard used to estimate fair value. If methods used to assess fair value were to change in the future, our net position as it relates to our forward foreign exchange contracts could also change. The net liability related to forward contracts was Ch$2,398 million and Ch$629 million as of December 31, 2003 and 2002, respectively.

Argentine peso to U.S. dollar Exchange Rate

From 1991 through 2001, the Argentine peso was pegged to the U.S. dollar at a rate of 1 Argentine peso to 1 U.S. dollar. In early December 2001, restrictions were put in place that prohibited cash withdrawals from banks and currency exchange activity was effectively halted.

In January 2002, the Argentine government announced its intent to create a dual currency system with an "official" fixed exchange rate of 1.4 pesos to 1 U.S. dollar for import, and export transactions and a "free" floating exchange rate for other transactions. On January 11, 2002, the exchange rate market holiday ended and closing new "free" floating exchange rates ranged from 1.6 to 1.7 pesos to 1 U.S. dollar. On February 3, 2002, the Argentine government issued a decree that (1) eliminates the fixed exchange rate; (2) establishes one free floating exchange rate for the Argentine peso; and (3) requires U.S. dollar-denominated obligations be converted to peso-denominated obligations using mandated conversion rates, depending on the type of obligation. The market for the floating exchange rate opened on February 11, 2002.

According to Oficio Circular No. 81 of the Chilean Superintendencia de Valores y Seguros, dated January 22, 2002, the subsidiary Cristalchile Inversiones S.A. adjusted financial statements of Rayen Cura S.AI.C. as of December 31, 2001, considering an exchange rate of 1.7 Argentine pesos per U.S. dollar. The accounting charge to results as a consequence of the devaluation of

the Argentine peso using this exchange rate was Ch$2,316 million as of December 31, 2001. If a different exchange rate had been used, a materially different adjustment could have resulted.

Chilean Technical Bulletin No. 64 on Foreign Investments

In accordance with BT 64, described in Note 2(o) to the consolidated financial statements, the financial statements of foreign subsidiaries that operate in countries exposed to significant risks, and which are not considered to be an extension of the parent company's operations, are measured in U.S. dollars. We have remeasured our foreign investments into U.S. dollars under this requirement as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the United States dollar and the local currency.
- All non-monetary assets, liabilities, and shareholders' equity are translated at historical rates of exchange between the United States dollar and the local currency.
- Income and expense accounts are translated at average rates of exchange between the United States dollar and the local currency.
- The effects of any exchange rate fluctuations are included in the results of operations for the period.

Under BT 64, the investment in the foreign subsidiary is price-level restated, the effects of which are reflected in income, while the effects of the foreign exchange gain, or loss, between the Chilean peso and the U.S. dollar are reflected in equity in the account "Cumulative Translation Adjustment"; as the foreign investment itself is measured in U.S. dollars.

In our opinion, the Chilean GAAP procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and translation effects in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy, and accordingly, are not eliminated in the reconciliation to U.S. GAAP.

2003 Compared with 2002

Our consolidated results include the results of each of Vina Santa Rita, Comunicacion, Informacion, Entretencion y Cultura S.A., Cristalchile Comunicaciones S.A., Cristalchile Inversiones S.A. and Constructora Apoger S.A. All companies contribute to sales and operating results except for Cristalchile Comunicaciones S.A. and Cristalchile Inversiones S.A., which do not contribute to sales or operating results because they are not controlled and are therefore accounted for under equity method.

Net Sales

Our consolidated sales reached Ch$169,941 million (US$286.2 million), which represents a 4.5% increase over year 2002. This increase is primarily explained by higher sales in the glass container business (3.9%), Vina Santa Rita (3.5%), and Comunicacion, Informacion, Entretencion y Cultura S.A. (5.9%). During 2003, net sales from the glass container operations, Vina Santa Rita and Comunicacion, Informacion, Entretencion y Cultura S.A. were 40.3%, 44.1% and 15.6% of total consolidated net sales, respectively.

In 2003, the glass container operations reported sales of Ch$74,549 million (US$125.5 million), a 3.9% increase over 2002. Sales volume measured in tons increased by 6.2% to 259,639 tons during 2003, while average prices per ton as measured in constant pesos decreased approximately 2.2% during 2003. Net sales of glass containers to the wine industry showed a 4.7% growth over 2002, due to an 8.3% increase in exports of bottled wine, which reached 24.5 million cases in 2003. Net sales to the non-alcoholic beverage sector decreased by 1.5% due to lower sales of one-way formats, partially compensated by higher sales of returnable formats due to the launching of a 237cc crown top bottle. Net sales in the beer sector increased by 5.2% during the year due to higher sales of one-way formats, partially compensated by lower sales of returnable formats. Liquor bottle net sales increased by 7.5% due to the launching of a 700cc format for a new pisco brand. Net sales of containers to the food industry decreased by 3.3% due to the sluggish economic recovery.

Vina Santa Rita's consolidated net sales increased by 3.5% reaching Ch$74,940 million (US$126.2 million) in 2003. Vina Santa Rita's wine sales in liters to the domestic market grew by 3.3%, while export volumes increased by 4.1% during 2003. Prices in the local market dropped by 3.9% in real terms as a result of strong competition. Net sales in constant pesos to the domestic market decreased by 0.7% while net export sales rose strongly by 7.6% as a result of the volume increase and also due to the appreciation of the EURO and other export currencies against the U.S. dollar during the year. This volume sales increase in the export market was due to increased exports to Canada, 11.7%; Asia plus Africa, 38.6% and Latin America, 16.9%; partially offset by lower sales to Europe, 0.2% and the United States, 0.5% during the year. Vina Santa Rita sold its wines for an average price of US$33.1 per case, an increase of 8.1% over 2002. This average price per case is 41% higher than the average export price per case for the Chilean bottled wine industry as a whole, which averaged US$23.5 per case in 2003 (US$23.1 in 2002).

Comunicacion, Informacion, Entretencion y Cultura S.A.'s net sales during 2003 reached Ch$26,545 million (US$44.7 million), representing a 5.9% increase over 2002, coming from its main subsidiary, Red Televisiva Megavision S.A. This sales increase was attributable to Mega's higher proportional participation in total Chilean TV advertising spending during 2003. Red Televisiva Megavision S.A. achieved an average audience share of 23.9% in 2003 compared with 26.1% in 2002.

Cost of Sales

Cost of sales for our glass and plastic container operations include, among other things, the cost of raw materials, such as silica sand, soda ash, limestone, recycled glass, energy (natural gas and electricity), PET, HDPE, depreciation expenses attributable to production, wages, other employment expenses associated with production and certain overhead expenses and for Vina Santa Rita also include, among other things, grapes, packaging materials (such as corks and labels), glass bottles, chemical products and Tetra packs. For Comunicacion, Informacion, Entretencion y Cultura S.A., costs of sales also include, among other things, programming costs.

Consolidated cost of sales during 2003 was Ch$105,686 million, representing a 10.4% increase over 2002. Cost of sales as a percentage of net sales was 62.2% in 2003 and 58.8% in 2002.

Cost of sales for the glass container operations was Ch$44,636 million during 2003, representing a 6.6% increase over 2002. Cost of sales as a percentage of net sales for the glass packaging operations increased from 58.3% in 2002 to 59.9% in 2003. This increase is due to products imported while furnace B was reconstructed.

Cost of sales for Vina Santa Rita totaled Ch$47,550 million in 2003, representing a 5.7% increase over 2002. Higher volumes in both the export and local markets help explain this increase. Cost of sales as a percentage of net sales increased from 62.1% in 2002 to 63.5% in 2003 due to higher costs of wine grape musts.

Cost of sales for Comunicacion, Informacion, Entretencion y Cultura S.A. totaled Ch$19,273 million in 2003, compared to Ch$15,466 million in 2002, a 24.6% increase. Cost of sales as a percentage of net sales increased from 61.7% in 2002 to 72.6% in 2003, as higher internal productions resulted in higher costs.

Selling and Administrative Expenses

Consolidated selling and administrative expenses in 2003 totaled Ch$26,614 million, representing a 6.8% increase over 2002. As a percentage of sales, however, selling and administrative expenses increased slightly (15.7% in 2003 and 15.3% in 2002).

Selling and administrative expenses for the glass container operations totaled Ch$5,567 million in 2003, representing a 2.0% decrease as compared with 2002. As a percentage of sales, SG&A expenses were 7.5% (7.9% in 2002).

Selling and administrative expenses for Vina Santa Rita totaled Ch$17,660 million in 2003, representing a 12.6% increase over 2002. As a percentage of net sales, selling and administrative expenses were 21.7% in 2002 and 23.6% in 2003. This increase was mainly attributable to higher sales along with additional promotional and marketing efforts in the local and export markets.

Selling and administrative expenses for Comunicacion, Informacion, Entretencion y Cultura S.A. totaled Ch$3,750 million in 2003, representing a 3.6% increase from 2002. As a percentage of net sales however selling and administrative expenses were 14.1% in 2003 and 14.4% in 2002.

Operating Income

Consolidated operating income for 2003 was Ch$37,642 million (US$63.4 million), which represents a 10.4% decrease compared with 2002. Consolidated operating margin was 22.1% during 2003 (25.8% in 2002).

Operating income from the glass container operations totaled Ch$24,347 million (US$41.0 million) in 2003, 0.5% over 2002. Operating margin decreased from 33.8% in 2002 to 32.7% in 2003, mainly due to higher costs of sales due to products imported while furnace B was reconstructed.

Operating income for Vina Santa Rita decreased by 17.2% to Ch$9,730 million during 2003. Operating margin decreased from 16.2% in 2002 to 13.0% in 2003, as a result of higher costs of musts, lower prices in the domestic market and higher marketing expenditures to support export and domestic sales.

Comunicacion, Informacion, Entretencion y Cultura S.A. reached an operating income of Ch$3,521 million in 2003, compared to an operating income of Ch$5,978 million in 2002. This is due to a decrease in the operating result at Red Televisiva Megavision S.A. While sales increased, operating income at Mega decreased reaching Ch$3,505 million (US$5.9 million) in 2003, compared with Ch$6,024 million operating income in 2002. Operating margin at CIECSA decreased as well, from 23.9% in 2002 to 13.3% of net sales in 2003, due to higher costs at Mega from more internal productions.

Non-operating Income (Loss)

During 2003, we recorded a consolidated non-operating loss of Ch$28,027 million, compared with a Ch$13,132 million non-operating loss during 2002. The following table sets forth the non-operating income (loss) detail for the periods indicated:

	Year Ending December 31, (Million constant pesos)	
	2002	2003
	Ch$	Ch$
Equity in net loss of related companies	(8,991)	(4,539)
Goodwill amortization	(653)	(577)
Interest expense, net	(4,330)	(4,236)
Price-level restatement, net	(1,971)	(803)
Foreign currency translations, net	4,998	(17,065)
Other non-operating income (expense), net	(2,185)	(808)
TOTAL non-operating loss	(13,132)	(28,027)

The increase in the non-operating loss is mainly attributed to the following: in 2003, we registered a loss from exchange differences of Ch$17,065 million compared to income of Ch$4,998 million in 2002.

The loss from exchange differences was originated by a decrease of the U.S. dollar/Chilean peso exchange rate that affected the Company's net positive foreign currency position. The net positive foreign currency position results from the following: U.S. dollar-denominated financial assets plus foreign currency future exchange contracts, minus foreign currency-denominated liabilities.

The aforementioned loss was partially compensated by a lower net loss from unconsolidated subsidiaries of Ch$4,539 million (Ch$8,991 million loss in 2002), mainly due to improved results at Rayen Cura and Vina Los Vascos and a lower loss at Metropolis-Intercom. The net loss from subsidiaries includes a Ch$4,175 million charge (Ch$4,096 million charge in 2002) corresponding to goodwill amortization, which does not constitute cash flow.

Minority Interest

During 2003, minority interest participation in income was Ch$1,841 million compared to Ch$4,596 million during 2002. This decrease is primarily explained by lower performance at Vina Santa Rita and Comunicacion, Informacion, Entretencion y Cultura S.A. during 2003.

Income Taxes

Our individual tax expense was Ch$1,464 million in 2003 compared to Ch$4,075 million in 2002. Our effective tax rate was 18.6% in 2003 and 18.6% in 2002. Taxes are imposed separately on each company. Income is not consolidated for tax purposes.

Net Income

During 2003, our net income was Ch$6,427 million (US$10.8 million), compared to Ch$17,837 million in 2002. At consolidated level, this is explained by a lower operating income but mainly by a higher non-operating loss that reached Ch$28,027 million in 2003 (Ch$13,132 million loss in 2002). This was partially compensated by lower charges for income tax and minority interest in 2003

(Ch$1,348 million and Ch$1,841 million respectively, compared to Ch$6,462 million and Ch$4,596 million charges in 2002, respectively).

2002 Compared with 2001

Our consolidated results include the results of each of Vina Santa Rita, Comunicacion, Informacion, Entretencion y Cultura S.A., Cristalchile Comunicaciones S.A., Cristalchile Inversiones S.A. and Constructora Apoger S.A. All companies contribute to sales and operating results except for Cristalchile Comunicaciones S.A. and Cristalchile Inversiones S.A., which do not contribute to sales or operating results because they are not controlled and are therefore accounted under equity method.

Net Sales

Our consolidated sales reached Ch$162,668 million (US$273.9 million), which represents a 10.2% increase over year 2001. This increase is primarily explained by higher sales in the glass container business (4.9%), Vina Santa Rita (7.0%), and Comunicacion, Informacion, Entretencion y Cultura S.A. (49.4%). During 2002, net sales from the glass container operations, Vina Santa Rita and Comunicacion, Informacion, Entretencion y Cultura S.A. were 42.4%, 42.7% and 14.8% of total consolidated net sales, respectively.

In 2002, the glass container operations reported sales of Ch$71,768 million (US$120.9 million), a 4.9% increase over 2001. Sales volume measured in tons increased by 4.1% to 244,402 tons during 2002, while average prices per ton as measured in constant pesos increased approximately 0.7% during 2002. Net sales of glass containers to the wine industry showed a 9.5% growth over 2001, due to a 5.6% increase in exports of bottled wine, which reached 22.6 million cases in 2002. Net sales to the non-alcoholic beverage sector decreased by 8.6% despite an increase in net sales of one-way containers due to stock build-ups from client returnable formats during 2001. Net sales in the beer sector increased significantly by 10.5% during the year due to the success of non-returnable (one-way) formats, namely the 250 cc and 1,000 cc bottles. Net sales of containers to the food industry decreased by 13.5% due to lower food exports within Latin America.

Vina Santa Rita's consolidated net sales increased by 7.0% reaching Ch$72,439 million (US$122.0 million) in 2002. Sociedad Anonima Vina Santa Rita's wine sales in liters to the domestic market grew by 13.0%, while export volumes increased by 7.0% during 2002. Prices in the local market dropped by 13.0% in real terms as a result of strong competition and lower raw material costs due to a large harvest, which caused an oversupply of wine. Net sales in constant pesos to the domestic market decreased by 2.0% while net export sales rose by 15.0% during the year as a result of the volume increase and a 9.7% depreciation of the Chilean peso against the U.S. dollar during 2002. This volume sales increase in the export market was due to increased exports to Europe, 7.3%; the United States, 8.7% and Canada, 21.8%; partially offset by lower sales within Latin America, 7.5%; and Asia plus Africa, 8.8% during the year. Vina Santa Rita sold its wines for an average price of US$30.6 per case, an increase of 1.6% without considering the favorable increase in the U.S.

dollar to Chilean peso exchange rate. This average price per case is 32% higher than the average export price per case for the Chilean wine industry as a whole, which averaged US$23.1 per case in 2002 (US$23.9 in 2001).

Comunicacion, Informacion, Entretencion y Cultura S.A.'s net sales during 2002 reached Ch$25,064 million (US$42.2 million), representing a 49.4% increase over 2001, mainly coming from its main subsidiary, Red Televisiva Megavision S.A. This considerable sales increase was attributable to a higher viewership share resulting from increased acceptance of new live programming, which led to

increased advertising spending. Red Televisiva Megavision S.A. achieved an average audience share of 26.1% in 2002 compared with 19.1% in 2001.

Constructora Apoger S.A. did not record sales in 2002 since the previous year it had sold the remaining unsold space in the office building it constructed in the district of Las Condes in Santiago.

Cost of Sales

Cost of sales for our glass and plastic container operations and for Vina Santa Rita include, among other things, the cost of raw materials, such as silica sand, soda ash, limestone, recycled glass, energy (natural gas and electricity), PET, HDPE, grapes, packaging materials, depreciation expenses attributable to production, wages, other employment expenses associated with production and certain overhead expenses. For Comunicacion, Informacion, Entretencion y Cultura S.A., costs of sales also include, among other things, programming costs.

Consolidated cost of sales during 2002 was Ch$95,726 million, representing a 5.2% increase over 2001. However, as a percentage of sales, costs decreased to 58.8% of sales, down from 61.6% in 2001.

Cost of sales for the glass container operations was Ch$41,860 million during 2002, representing a 1.1% increase over 2001, due to higher costs coming from the depreciation of the Chilean peso against the U.S. dollar, which had a direct effect on the cost of energy and imported materials. Cost of sales as a percentage of net sales for the glass packaging operations decreased from 61% in 2001 to 58% in 2002.

Cost of sales for Vina Santa Rita totaled Ch$45,002 million in 2002, representing a 7.7% increase over 2001. Higher volumes in both the export and local markets help explain this increase. Cost of sales as a percentage of net sales increased from 61.7% in 2001 to 62.1% in 2002 due to higher dry costs (dry costs include corks, bottles and labeling). Cost of raw materials, such as grape musts, in the local market dropped 6.1% in real terms as a result of the 2002 harvest, which surpassed that of 2001 and caused an oversupply of grape musts in the Chilean wine market.

Cost of sales for Comunicacion, Informacion, Entretencion y Cultura S.A. totaled Ch$15,466 million in 2002, 14.6% over 2001. However, cost of sales as a percentage of net sales decreased from 80.0% in 2001 to 62.0% in 2002.

Selling and Administrative Expenses

Consolidated selling and administrative expenses in 2002 totaled Ch$24,916 million, representing a 9.5% increase over 2001. As a percentage of sales, however, selling and administrative expenses remained flat(15.4% in 2001 and 15.3% in 2002).

Selling and administrative expenses for the glass container operations totaled Ch$5,679 million in 2002, representing a 4.2% increase over 2001. However, as a percentage of sales, SG&A expenses remained flat at 8.0%.

Selling and administrative expenses for Vina Santa Rita totaled Ch$15,690 million in 2002, representing a 10.0% increase over 2001. This increase was mainly attributable to higher sales along with additional promotional and marketing efforts in the local and export markets. As a percentage of net sales, selling and administrative expenses were 21.7% in 2002 and 21.1% in 2001.

Selling and administrative expenses for Comunicacion, Informacion, Entretencion y Cultura S.A. totaled Ch$3,619 million in 2002, representing a 38.6% increase from 2001 due to the considerably higher sales level reached in 2002. As a percentage of net sales however selling and administrative expenses were 14% in 2002 and 16% in 2001.

Operating Income

Consolidated operating income for 2002 was Ch$42,026 million (US$70.8 million), which represents a 24.0% increase compared with 2001. Consolidated operating margins increased to 25.8% during 2002 (23.0% in 2001).

Operating income from the glass container operations totaled Ch$24,229 million (US$40.8 million) in 2002, a 12.3% increase over 2001. Operating margin increased from 31.5% in 2001 to 33.8% in 2002, mainly due to increased sales volume, better efficiencies and decreased sales of lower-margin imported products.

Operating income for Vina Santa Rita increased by 1.0% to Ch$11,746 million during 2002. Operating margin for Vina Santa Rita decreased from 17.2% in 2001 to 16.2% in 2002, as a result of higher marketing expenditures to support export and domestic sales.

Comunicacion, Informacion, Entretencion y Cultura S.A. reached an operating income of Ch$5,978 million in 2002, compared to an operating income of Ch$661 million during 2001. This is due to improved operating results at Red Televisiva Megavision S.A. Improved programming produced more advertising sales and increased operating income at Mega reaching Ch$6,024 million (US$10.1 million) in 2002, compared with Ch$661 million operating income in 2001. Operating margin increased importantly as well, from 3.9% in 2001 to 23.9% of net sales in 2002.

Non-operating Income

During 2002, we recorded a consolidated non-operating loss of Ch$13,132 million, compared with an Ch$8,786 million loss during 2001. The following table sets forth the non-operating income detail for the periods indicated:

	Year Ending December 31, (Millions of constant pesos) 2001	2002
	Ch$	Ch$
Equity in net loss of related companies	(7,692)	(8,991)
Goodwill amortization	(855)	(653)
Interest expense, net	(4,257)	(4,330)
Price-level restatement, net	(2,361)	(1,971)
Foreign currency translations, net	1,401	4,998
Other non-operating income (expense), net	4,978	(2,184)
TOTAL non-operating loss	(8,786)	(13,132)

The increase in the non-operating loss is mainly attributed to the following: in 2001, we registered an extraordinary income generated from the sale of investment shares of CGE (Compania General de Electricidad), which generated a Ch$3,007 million income, and the association in the plastic container market through a joint venture between Crowpla-Reicolite S.A. and Multipack, which generated a Ch$2,071 million gain on the transfer to joint-venture during 2001. In 2002, we recorded a higher net loss from investments in related companies that amounted to Ch$8,991 million (Ch$7,692 million in

2001), mainly due to higher losses in Rayen Cura S.A.I.C. (Ch$2,145 million in 2002, Ch$1,841 million in 2001) as a consequence of the Argentine peso devaluation [4] and in Cordillera Comunicaciones Ltda. The latter net loss includes a Ch$4,096 million charge (Ch$4,114 million charge in 2001) that corresponds to goodwill amortization, which does not constitute cash flow. The aforementioned was partially compensated by a higher income from foreign currency translations (Ch$4,998 million in 2002 compared to Ch$1,401 million in 2001).

Minority Interest

During 2002, minority interest participation in income was Ch$4,596 million compared to Ch$3,299 million during 2001. This increase is primarily explained by improved performance at Vina Santa Rita, and Comunicacion, Informacion, Entretencion y Cultura S.A. during 2002.

Income Taxes

Our individual tax expense was Ch$4,075 million in 2002 compared to Ch$3,475 million in 2001. Our effective tax rate was 18.6% in 2002, as compared to 17.3% in 2001. Taxes are imposed separately on each company. Income is not consolidated for tax purposes.

Extraordinary Items

In 2002 we did not record extraordinary items. In 2001 we had a Ch$1,857 million income from extraordinary items, corresponding to a reversal of a maintenance provision for Furnace C in the glass container business.

Net Income

During 2002, our net income was Ch$17,837 million (US$30.0 million), compared to Ch$18,486 million in 2001. Despite achieving a 24.0% higher operating income, net income was lower. This is explained by a higher non-operating loss that reached Ch$13,132 million in 2002 (Ch$8,786 million in 2001), a higher income tax (Ch$6,462 million in 2002 compared to Ch$5,183 million in 2001), and an increase in the participation of minority interest in results from operations in subsidiaries (Ch$4,596 million in 2002 compared to Ch$3,299 million in 2001) and the absence of extraordinary items during year 2002 (Ch$1,857 million income in 2001).

Liquidity and Capital Resources (2003 compared with 2002)

We generated a net cash flow from operations of Ch$35,435 million in 2003 and Ch$49,870 million in 2002. At December 31, 2003, we had working capital of Ch$127,707 million, compared with working capital of Ch$139,338 million at December 31, 2002. We have historically financed our working capital requirements with cash generated from operations. In the future, we expect to continue to finance our working capital requirements from cash generated by operations. Our management believes that our working capital is sufficient for our present requirements. In the event that cash generated from operations is at any time insufficient to finance our working capital requirements, we would seek to finance such working capital needs through new debt financing.

---

[4] Considering an exchange rate of 3.32 Argentine pesos per US dollar.

Current assets decreased by Ch$14,194 million, or 7.9% over the previous year, primarily due to decreases in time deposits and marketable securities of Ch$8,847 million and Ch$8,523 million, offset by an increase of Ch$3,139 million in recoverable taxes. The decrease in marketable securities is primarily due to the depreciation of the US Dollar to Chilean Peso exchange rate from Ch$718.61 to Ch$593.80 per US Dollar.

Shareholders' consolidated equity was Ch$228,322 million as of December 31, 2003 and Ch$233,643 million as of December 31, 2002. Our ratio of total debt to equity was 0.92:1 on December 31, 2003 and 0.96:1 at December 31, 2002. In August 2002 Cristalerias effected a long-term bond placement for 4,100,000 Chilean Unidades de Fomento, or ChUF, (equivalent to US$90.1 million) in the local market. Of the total, ChUF 2,000,000 were placed with a final maturity of 6 years at an annual interest rate of 5.3% and ChUF 2,100,000 were placed with a final maturity of 21 years at an annual interest rate of 6.5%. During September 2002, part of the funds obtained from the bond issuance were used to prepay half (US$50 million) of an existing syndicated loan. The remaining balance of the syndicated loan (US$50 million) was renegotiated during October 2002 with nine international financial institutions, with a final maturity of 5 years, amortizations beginning 42 months from the closing date and at an annual interest rate of LIBOR plus 0.8%.

Total indebtedness owed to banks and financial institutions and to the public in the form of bonds for our company, including accrued interest, was Ch$128,813 million on December 31, 2003 and Ch$140,735 million at December 31, 2002. Short-term indebtedness with financial institutions and the public was Ch$5,843 million at December 31, 2003, which represented the short-term debt and current portion of long-term debt and Ch$6,383 million on December 31, 2002. At fiscal year end 2003, long-term indebtedness owed to banks and financial institutions and to the public in the form of bonds (excluding the short-term portion) totaled Ch$122,970 million of which Ch$ 33,294 million was long-term obligations with banks and financial institutions and Ch$89,676 million in long-term obligations to the public represented by bonds. We believe that the terms and conditions of our debt agreements are not out of the ordinary and that we are in compliance in all material respects with such terms and conditions. For further information with respect to the material terms of our and our subsidiaries' indebtedness, see Notes 17 and 19, of the consolidated financial statements.

During 2003, we incurred capital expenditures of Ch$25,644 million at a consolidated level. The aforementioned figure included Ch$19,763 million (US$33.3 million) related to the glass container business. The latter included total reconstruction and capacity increase of one of our four glass melting furnaces (furnace B) and the incorporation of a new production line (which now total twelve). During 2003, Ch$ 4,830 million (US$8.1 million) were invested to increase Vina Santa Rita's wine making capacity (through the acquisition of technologically advanced equipment) to increase the capacity of fine wine cellars, to increase the planted lands owned by our company, and to modernize production processes. This was accomplished by installing new stainless steel tanks and by acquiring high-tech equipment. In 2003, Red Televisiva Megavision S.A. (CIECSA's main subsidiary), invested approximately Ch$ 1,051 million (US$1.8 million), mainly in broadcasting equipment.

In 2002, we incurred capital expenditures of Ch$15,654 million at consolidated level, which included Ch$10,403 million (US$17.5 million) related to the glass container business. The latter included the partial refurbishing of furnace A and its glass-forming machines. In 2002, Santa Rita invested Ch$ 4,728 million (US$8.0 million) mainly in the agricultural and oenologic areas, aimed at increasing and renovating the fine winemaking facilities and increase fine wine storage capacity. In 2002, Red Televisiva Megavision S.A. invested approximately Ch$ 521 million (US$0.9 million), mainly in broadcasting equipment.

In 2001, we incurred capital expenditures of Ch$ 34,049 million (US$57.3 million) at consolidated level. This figure included Ch$ 26,739 million (US$45.0 million) for the glass container business, which mainly included reconstruction and capacity increase of Furnace C. In 2001 Santa Rita invested Ch$ 7,900 million (US$13.3 million) in supplementing the vineyard's planted land holdings by expanding winemaking capacity through the installation of new stainless steel tanks and the acquisition of equipment; in addition to a new wine cellar in Alto Jahuel. In 2001 Red Televisiva Megavision S.A. invested Ch$303 million (US$ 0.5 million) mainly in broadcasting equipment.

56

As of December 31, 2003, at a consolidated level we had Ch$67,394 million (US$113.5 million) in cash, time deposits and marketable securities, a substantial portion of which is available to us for future investments. We believe that cash flow from operations, cash balances, and available lines of credit, will enable our company to meet working capital, capital expenditure and debt service requirements for 2004. Moreover, an integral part of our financial policy is to maintain adequate liquidity while maximizing shareholder value through strategic investments and alliances.

As of December 31, 2003, there were no significant restrictions on dividends or cash. Moreover, there are no significant commitments for the use of funds in the future.

The following table presents schedules of contractual obligations and commercial commitments as of December 31, 2003:

	As of December 31, 2003			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 yea
			(Ch$ millions)	
Long-term Debt	150,545.4	7,731.1	65,157.7	11,686
Capital Lease Obligations	--	--	--	--
Operating Leases	--	--	--	--
Unconditional Purchase Obligations	6,059.2	6,059.2	--	--
Total Contractual Cash Obligations	156,604.6	13,790.3	65,157.7	11,686

Liquidity and Capital Resources (2002 compared with 2001)

We generated a net cash flow from operations of Ch$49,870 million in 2002 and Ch$40,873 million in 2001. At December 31, 2002, we had working capital of Ch$139,338 million, compared with working capital of Ch$72,339 million at December 31, 2001. We have historically financed our working capital requirements with cash generated from operations. In the future, we expect to finance our working capital requirements from cash generated by operations. Our management believes that our working capital is sufficient for our present requirements. In the event that cash generated from operations is at any time insufficient to finance our working capital requirements, we would seek to finance such working capital needs through new debt financing.

Total individual assets for the glass container operations increased by 15.0% from Ch$316,978 million in 2001 to Ch$364,371 million in 2002. This increase in assets is primarily explained by an increase in current assets as a consequence of short-term investments made with part of the funds obtained from a UF 4,200,000 (US$97.9 million, historic) long-term bond issue effected in the local market in August, 2002. Vina Santa Rita's total consolidated assets increased by 3.4% from Ch$119,188 million on December 31, 2001, to Ch$123,300 million on December 31, 2002, reflecting the purchase of winemaking equipment, expansion of the wine storing capacity, planting of land owned by the winery and modernization of productive processes. Comunicacion, Informacion, Entretencion y Cultura S.A.'s total consolidated assets increased to Ch$33,382 million on December 31, 2002 from Ch$28,408 million at December 31, 2001.

Shareholders' consolidated equity increased to Ch$233,643 million as of December 31, 2002 from Ch$221,988 million as of December 31, 2001. Our ratio of debt to equity increased from 0.84:1 on December 31, 2001 to 0.96:1 at December 31, 2002. The main reason behind this increase is a long-term bond placement for 4,100,000 Chilean Unidades de Fomento, or ChUF, (equivalent to US$90.1 million) effected by Cristalerias in August 2002, in the local market. Of the total, ChUF 2,000,000 were placed with a final maturity of 6 years at an annual interest rate of 5.3% and ChUF 2,100,000 were placed with a final maturity of 21 years at an annual interest rate of 6.5%. During September 2002, part of the funds obtained from the bond issuance were used to prepay half (US$50 million) of an existing syndicated loan. The remaining balance of the syndicated loan (US$50 million) was renegotiated during October 2002 with nine international financial institutions, with a final maturity of 5 years, amortizations beginning 42 months from the closing date and at an annual interest rate of LIBOR plus 0.8%.

Total indebtedness with financial institutions and the public for our company, including accrued interest, was Ch$138,769 million on December 31, 2002 and Ch$105,775 million at December 31, 2001. Short-term indebtedness with financial institutions and the public was Ch$6,383 million at December 31, 2002, which represented the short-term debt and current portion of long-term debt owed to banks and financial institutions and to the public in the form of bonds. At fiscal year end 2002, long-term indebtedness (excluding the short-term portion) totaled Ch$44,721 million in long-term obligations to banks and financial institutions and Ch$89,631 million in long-term obligations to the public represented by bonds. We believe that the terms and conditions of our debt agreements are not out of the ordinary and that we are in compliance in all material respects with such terms and conditions. For further information with respect to the material terms of our and our subsidiaries' indebtedness, see Notes 14 and 15, of the consolidated financial statements.

As of December 31, 2002, at consolidated level we had Ch$83,700 million (US$141.0 million) in cash, time deposits and marketable securities, a substantial portion of which is available to us for future investments. An integral part of our financial policy is to maintain adequate liquidity while maximizing shareholder value through strategic investments and alliances.

As of December 31, 2002, there were no significant restrictions on dividends or cash. Moreover, there are no significant commitments for the use of funds in the future.

Impact of Governmental Policies

Our business is dependent upon the economic conditions prevailing in our countries of operation. Various governmental economic, fiscal, monetary and political policies, such as those related to inflation or foreign exchange, may affect these economic conditions, and in turn may impact our business. These government policies may also affect investments by our shareholders. Please refer to "Item 3. Key Information--Risk Factors--Risks Relating to Chile," for a discussion of governmental and political factors that could materially affect investments by U.S. shareholders.

Trend Information

Our financial results will likely continue to be influenced by factors such as changes in the level of consumer demand for glass containers and wine, government policies regarding containers, wine and media and communications industries, and the raw materials' costs associated to each (please refer to Item 4 - Raw Materials). In addition, we expect our financial results in 2004 to be influenced by:

- increased or decreased competition from glass containers substitutes and direct competitors (Please refer to Item 4 - Competition);

- exchange rate fluctuations, particularly increases and decreases in the value of the Chilean peso relative to the U.S. dollar and other foreign currencies (Please refer to Item 11 - Exchange rate risks);

- increases or decreases in per capita consumption of the main sectors that our company serves (such as wine, beer, and soft drinks), of increased or decreased demand in Chile for glass containers, as well as projected increases or decreases in Chilean wine consumption in the Chilean and World markets, each of which could increase or decrease sales.

Research and Development

We seek to provide our glass 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.

U.S. GAAP Reconciliation

The principal differences between Chilean GAAP and U.S. GAAP as they relate to our company are the elimination of reappraisals of fixed assets, the inclusion of overhead costs in inventories, the elimination of provisions for future furnace repairs, the recording of a liability to reflect minimum dividend payments required by law, the recording of deferred taxes, the capitalization of mold equipment, differences in equity-method investments, the accounting for derivatives and the differences in recognition criteria and amortization policies for goodwill. For a more detailed explanation of these differences between Chilean GAAP and U.S. GAAP, see Note 37 of the consolidated financial statements. Pursuant to Chilean GAAP, our financial statements recognize the effects of inflation in accordance with BT 64. As permitted by Form 20-F, the effect of inflation accounting under BT 64 has not been reversed in the reconciliation to U.S. GAAP.

Net income under U.S. GAAP for the years ended December 31, 2001, 2002 and 2003 was Ch$15,202 million, Ch$17,879 million and Ch$5,271 million respectively. Net income under Chilean GAAP for the years ended December 31, 2001, 2002 and 2003 was Ch$18,487 million, Ch$17,837 million and Ch$6,427 million respectively. Net income under U.S. GAAP was 17.8% lower than under Chilean GAAP in 2001 and 0.2% higher than under Chilean GAAP in 2002. Net income under U.S. GAAP was 18.0% lower than under Chilean GAAP in 2003.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

ITEM 6: Directors, Senior Management and Employees

Directors and Officers of Registrant

Our company is managed by the board of directors, which, in accordance with the company's by-laws, must consist of ten directors who are elected at the general shareholders' meeting. The entire board of directors is elected every three years. The board of directors may appoint replacements to fill any vacancies that occur during periods between elections. Our company's executive officers are appointed by the board of directors, and hold office at the discretion of the board of directors. There are regularly scheduled meetings of the board of directors once a month, and, occasionally, extraordinary meetings are called when needed by the Chairman of the board of directors.

The current board of directors was elected on April 15, 2003, for a three-year tenure. Our company's directors and executive officers, as of December 31, 2003, are as follows:

Name	Position	Curren Hel
Ricardo Claro Valdes(1)	Chairman of the Board and Director	
Baltazar Sanchez Guzman(2)	Vice Chairman of the Board and Director	
Joaquin Barros Fontaine	Director	
Jaime Claro Valdes(1)	Director	
Patricio Claro Grez	Director	
Gustavo De La Cerda Acuna	Director	
Cristian Eyzaguirre Johnston	Director	
Juan Agustin Figueroa Yavar	Director	
Patricio Garcia Dominguez	Director	
Alfonso Swett Saavedra	Director	
Cirilo Elton Gonzalez	Chief Executive Officer	
Eduardo Acuna Donoso	Technical Manager	
Benito Bustamante Castagnola	Comptroller	
Eduardo Carvallo Infante	Quality Control Manager	
Jose Miguel Del Solar Concha	Human Resources Manager	
Juan Jose Edwards Guzman	Commercial Manager	
Danilo Jordan Franulic	Commercial Manager	
Daniel Navajas Urbina	Operations Manager	
Rodrigo Palacios Fitz-Henry	Chief Financial Officer	

----

(1) Ricardo Claro Valdes and Jaime Claro Valdes are brothers. Please, see "Item 7. Major Shareholders and Related Party Transactions--Control of Registrant", for further illustration.

(2) Mr. Sanchez has been a director of our company since 1990.

Set forth below is a brief biographical description of the directors and executive officers of our company:

Ricardo Claro Valdes. Mr. Claro is an attorney and has been a Director and Chairman of the board of directors of our company since 1975. He is a senior partner of Claro y Cia., a Santiago law firm and currently serves as a director and Chairman of the board of directors of Elecmetal S.A. and other companies within the Elecmetal Group, including Compania Sud Americana de Vapores S.A., Vina Santa Rita, Red Televisiva Megavision S.A., Metropolis-Intercom S.A., Ediciones

Financieras S.A. and Navarino S.A. He is also a director of Sudamericana Agencias Aereas y Maritimas S.A., Vice-President of Fundacion Mar de Chile and director of Fundacion Andes. From 1973 to 1975, Mr. Claro was Economic Advisor to the Minister of Foreign Affairs serving as Ambassador-at-large.

Baltazar Sanchez Guzman. Mr. Sanchez holds a degree in business administration and has been a Director of our company since 1990, and was elected Vice Chairman of the board of directors in April of 1995. He is Executive Vice President of Red Televisiva Megavision S.A., director of Navarino S.A., Elecmetal S.A., Quemchi S.A., Compania Sud Americana de Vapores S.A., Sudamericana Agencias Aereas y Maritimas S.A., Sociedad Anonima Vina Santa Rita, Metropolis-Intercom S.A., Ediciones Financieras S.A., ME Global Inc. (U.S.A)(all within the Elecmetal Group), and a member of the board of directors of Inversiones Siemel S.A. and Siglo XXI. Mr. Sanchez was the General Manager (Chief Executive Officer) of Vina Santa Rita (from 1980 to 1983) and of Compania de Petroleos de Chile S.A. (COPEC) (from 1985 to 1990).

Joaquin Barros Fontaine. Mr. Barros has been a Director of our company since 1990, and is a Director of Navarino S.A. and Envases CMF S.A, Metropolis-Intercom S.A., Red Televisiva Megavision S.A. and Compania Sud Americana de Vapores S.A. within the Elecmetal Group. He is also Executive President of Quilicura S.A. and Compania de Inversiones La Central S.A. He is Chairman of the board of directors of the Instituto Sanitas S.A., Sociedad Anonima Jahuel Aguas Minerales y Balnearios and Productos Quimicos Tanax S.A.C. e I. He is also a director of Vina Santa Emiliana.

Patricio Claro Grez. Mr. Claro is an industrial civil engineer and has been a Director of our company since 1997. He is also a director of Industrias Forestales S.A., Compania Chilena de Fosforos S.A., Bicecorp S.A. and Banco Bice.

Jaime Claro Valdes. Mr. Claro is an industrial civil engineer and has been a Director of our company since 1988. He is President of ME Global Inc. (U.S.A) and of Quemchi S.A., Vice-President of Elecmetal S.A. and Navarino S.A., Director of Vina Los Vascos S.A., Compania Sud Americana de Vapores S.A., Sudamericana Agencias Aereas y Maritimas S.A., and Envases CMF S.A. within the Elecmetal Group. He is also a director of Southern Peru Copper Corporation (U.S.A).

Gustavo De La Cerda Acuna. Mr. De La Cerda has been a Director of our company since 2003. He is a director of Elecmetal S.A., Quemchi S.A., Navarino S.A., Vina Santa Rita, within the Elecmetal Group. He is also a member of the firm De La Cerda y Hatton S.A. and a director of Banco Bice and Bicecorp S.A.

Cristian Eyzaguirre Johnston. Mr. Eyzaguirre is an economist and has been a Director of our company since 2003. He is also a director of Inversiones Cousino Macul S.A., Empresas Almacenes Paris S.A., Besalco S.A., Wenco S.A., Camara Chilena Norteamericana de Comercio A.G. and The Grange School.

Juan Agustin Figueroa Yavar. Mr. Figueroa is an attorney and has been a Director of our company since 1994. He is Chairman of the board of directors of Maritima de Inversiones S.A. and a Director of Elecmetal S.A., Quemchi S.A., Navarino S.A. and Vina Santa Rita within the Elecmetal Group. He is a senior partner of Figueroa y Coddou, a Santiago law firm. He is also Chairman of the board of directors of Termas de Puyehue S.A. and Full Professor of Procedural Law at the Universidad de Chile. He is also

President of the Fundacion Pablo Neruda and Chairman of the Board of Trustees of the Universidad de Santiago. He is a member of the Constitutional Tribunal. From 1990 to 1994, Mr. Figueroa was Minister of Agriculture of the Chilean Government.

Patricio Garcia Dominguez. Mr. Garcia has been a Director of our company since 1975. Mr. Garcia also serves as a director of Elecmetal S.A., Quemchi S.A., Navarino S.A., Compania Sud Americana de Vapores S.A. and Sudamericana Agencias Aereas y Maritimas S.A. within the Elecmetal Group, as well as Industrias Alimenticias Carozzi S.A., Empresas Cabo de Hornos S.A., Inversiones Union Espanola S.A., Inversiones Unespa S.A., Inversiones Covadonga S.A., Cia. de Inversiones La Espanola S.A. and Inversiones Hispania S.A.

Alfonso Swett Saavedra. Mr. Swett has been a Director of our company since 1981. He serves as a Director of Elecmetal S.A., Quemchi S.A., Navarino S.A., Red Televisiva Megavision S.A. and Vina Santa Rita within the Elecmetal Group. Mr. Swett is Chairman of the board of directors of Forus S.A. and Costanera S.A.C.I. and is Adviser to Sociedad de Fomento Fabril (SOFOFA) and Generacion Empresarial.

Cirilo Elton Gonzalez. Mr. Elton holds a degree in business administration and has been our company's General Manager (Chief Executive Officer) since 1990. He serves as Vice-President of Rayen Cura S.A.I.C., and as director of Maritima de Inversiones S.A. within the Elecmetal Group. Prior to joining our company, he was Chief Executive Officer of Elecmetal S.A., starting in 1982.

Eduardo Acuna Donoso. Mr. Acuna is a chemist from the Pontificia Universidad Catolica de Chile. He joined our company in 1963 and has served as our company's Technical Manager since 1992.

Benito Bustamante Castagnola. Mr. Bustamante is a certified public accountant from the Universidad de Chile. He has served as our company's Comptroller since 1981.

Eduardo Carvalllo Infante. Mr. Carvallo is an industrial civil engineer from the Pontificia Universidad Catolica de Chile and has served as our company's Quality Control Manager since 2003.

Jose Miguel Del Solar Concha. Mr. Del Solar holds a degree in business administration from the Universidad de Chile and has served as our company's Human Resources Manager since 2001.

Juan Jose Edwards Guzman. Mr. Edwards holds a degree in business administration from the Universidad de Chile. He has served as our company's Sales Manager since 1995, and has been employed by the company since 1988.

Danilo Jordan Franulic. Mr. Jordan holds a degree in business administration from the Universidad de Chile. He has served as our company's Sales Manager since 1989 and has been employed by the company since 1974.

Daniel Navajas Urbina. Mr. Navajas is an industrial civil engineer from the Pontificia Universidad Catolica de Chile. He has served as our company's Operations Manager since 1992 and has been in the company since 1969.

Rodrigo Palacios Fitz-Henry. Mr. Palacios holds a degree in business administration from the Pontificia Universidad Catolica de Chile. He has served as our company's Chief Financial Officer since 2001.

Compensation of Directors and Officers

For the year ending December 31, 2003, the aggregate amount of gross compensation paid by our company to all executive officers was Ch$933 million. Members of the board of directors receive per diem fees and participate in our company's net profits. As a group, directors received aggregate payments of Ch$701 million corresponding to participation in fiscal year 2002 net income. The Chairman of the board of directors receives twice the amount received by any other director. Our company does not maintain any pension or retirement programs for our directors or executive officers. We do not otherwise disclose to our shareholders or make available to the public, information concerning compensation of individual executive officers.

Board of Directors Practices

We maintain an Audit Committee composed of three members who are also members of the board of directors, and the board of directors appoints them. Members serve for the same amount of time as they serve as directors of Cristalerias de Chile and can be re-elected. According to Article 50 BIS of the Chilean Companies Act, the majority of the members of the Audit Committee must be independent of the controlling shareholder, if possible. The Audit Committee may appoint independent personnel to carry out certain functions. The board of directors, at a meeting held on April 15, 2003, appointed the members of the Audit Committee as follows:

- Mr. Juan Agustin Figueroa Yavar; President;
- Mr. Joaquin Barros Fontaine; and
- Mr. Patricio Claro Grez.

The main duties of the Audit Committee conducts monthly meetings and its main duties are, among others:

- Supervising and controlling the proper functioning of our operations;
- Examining transactions with directors or related companies pursuant to the terms of Article 44 and Article 89 of the Chilean Companies Act;
- Reviewing the audit reports prepared by the internal controller and supervising the appropriateness of the Controlling Division's attributions; and
- Interacting with, and approving the appointment of, the independent auditors and rating agencies.

Compliance with NYSE Listing Standards on Corporate Governance

On November 4, 2003, the Securities and Exchange Commission approved new rules proposed by the New York Stock Exchange (the "NYSE") intended to strengthen corporate governance standards for listed companies. These new corporate governance listing standards supplement the corporate governance reforms already adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002.

Pursuant to NYSE Rule 30A(11), the significant ways in which our corporate governance practices differ from those followed by US companies under NYSE listing standards are publicly available on our Web site, www.cristalchile.com. We will also provide a printed copy of our Corporate Governance Guidelines to our shareholders upon request.

The new NYSE rules do not change the NYSE traditional approach permitting listed companies that are foreign private issuers to follow their home jurisdiction governance practice where it

differs from the NYSE requirements. However, pursuant to NYSE Rule 303A(11), listed companies that are foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by US companies under NYSE listing standards. Differences in our corporate governance practices and the NYSE rules are identified in the table below.

ITEM	NYSE Rules Applicable to U.S. Listed Companies	Our Company's Pra
Directors	Majority of Board must be independent (NYSE 303A(1) and (2).	There is no legal the independence the Board.
Corporate Governance	Company must adopt corporate governance guidelines and post them on its website. The company's annual report must state that this information is available on its website, and that the information is available in print to any shareholder who requests it. (NYSE 303A(9)).	There is no legal adopt or publish corporate governa establishes the c duration, and res the Board and its as the obligation shareholder meeti accionistas) to s remuneration annu by-laws establish are to be compens
	Company must disclose whether it has adopted a code of ethics for senior executive officers and senior financial officers, and must make the code publicly available either in its 20-F filing, or on its website (together with a note in the annual report disclosing that this	There is no legal adopt a code of e establishes the o entire company to internal regulati interno) that gov its relations wit other things, the

	information is posted on the website and listing the website address), or with instructions in its 20-F filing on how to obtain a copy without charge. Company must also disclose changes to, or waivers from, its code of ethics. If the company has not adopted a code of ethics, it must explain why it has not done so. (Sarbanes 406).	contain standards and loyalty. Not companies may cre of ethics, but th conflict with the regulations.
Internal Audit Function	Company must maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. A company may choose to outsource this function to a third party service provider other than its independent auditor. (NYSE 303A(7)(d)).	There is no simil obligation, but c audit department, the function of o required by Chile

Meetings of Non-management Directors	Non-management Directors must meet regularly without management (NYSE 303A(3)).	There is no simil However, accordin a Director of a l anonima abierta) Likewise, the tit with auditor, acc same corporation. legally constitut within their comp
Nominating and Corporate Governance Committee	Company must have a fully independent nominating/corporate governance committee and compensation committee (NYSE 303A(4), 303A(5), 303A(6), 303A(7)(c)).	There is no simil Board is responsi administration of may be delegated management in who the Board, or, fo persons, such as corporation. Add corporations must (sistemas de remu (planes de compen principal executi
Audit Committee	Company must establish an audit committee composed of at least three independent Directors (Sarbanes 301, NYSE 303A(6) and 303A(7)(a)); such committee shall have control over the auditors and auditing process (Sarbanes 301, NYSE 303A(7)(c)(iii)). Each member of the audit committee must be financially literate (NYSE 303A(7)(A)), and at least one member	There is no simil according to S.A. with a net worth have a committee directores), form of which shall be entity (controlad independent direc majority. the me remunerated as se meeting. The com

	must be considered a "financial expert," based on their (1) understanding of GAAP and financial	functions: (1) e accounts inspecto auditors, balance

	statements; (2) experience in preparing and auditing financial statements of generally comparable issuers, and applying such principles to accounting for estimates, accruals, and reserves; (3) experience with internal accounting controls; and (4) understanding of audit committee functions. (Sarbanes 407). If the committee does not have a "financial expert," it must explain why it does not have one. (Sarbanes 407).	financial stateme (2) proposes to t and risk ratings parties and those an interest and r (4) examines remu compensation plan main executives; matters required by-laws, the gene meeting, or the B
CEO Certification	CEO must certify compliance with NYSE governance standards annually (NYSE 303A(12)(a)). This certification is in addition to the one required by Sarbanes 302.	There is no simil obligation. Howe the Board to subm the annual report cash flow stateme balance y estado to the regular sh meeting for its a Furthermore, list must regularly an disclose any othe information, by m and advisories es the authority.
Notification of Non-compliance by the CEO to the NYSE	CEO must promptly notify the NYSE, in writing, of any material non-compliance with the NYSE corporate governance standards (NYSE 303A(12)(b)).	There is no simil obligation. Plea above comment.
Material Differences in Corporate Governance Standards	Foreign private issuers must provide a brief, general summary disclosing any material differences between their corporate governance practices and applicable NYSE corporate governance listing standards (NYSE 303A(11)).	There is no simil

Employees

As of December 31, 2003, our glass container business has on average 715 permanent employees, approximately 73.6% of whom were represented by two different labor unions in collective bargaining negotiations with our company. As of December 31, 2003, the average tenure of our full time employees was approximately 14.1 years. We consider our relations with our employees to be good.

Chilean law protects the right of our workers to bargain collectively and to strike if agreements on labor contracts are not negotiated and reached on a timely basis. We meet periodically with each of the two unions to negotiate the renewal of the current collective bargaining agreements covering our company's employees.

Good relationships with workers are reflected through the signing of a 4-year collective bargaining agreement with workers' union, "Sindicato de Trabajadores Nro 2" during 2002 and a 6-year collective bargaining agreement with workers' union, "Sindicato de Trabajadores Nro 1" in 2001.

We do not maintain any pension or retirement programs for our employees. However, the Company has recorded a liability for long term service indemnities in accordance with the collective bargaining agreements entered in to with its employees. This liability is shown at its current value, based on the amount that would be owed if the employees terminated their employment. In general, each employee is entitled to receive one month's salary for every year of service with the Company if dismissed without legal cause. Workers in Chile are subject to a national pension law that establishes a system of independent pension plans, which are administered by the pension funds administrators (Administradoras de Fondos de Pensiones). Our company has no liability for the performance of the pension plans, or for any pension payments to be made to the employees. However, we are responsible for declaring (withholding) and paying, on a monthly basis, the social security contributions corresponding to, and forming part of, the pension plan of each employee administered by the relevant pension fund administrator.

ITEM 7: Major Shareholders and Related Party Transactions

Control of Registrant

Since July 6, 1995, we have had a total of 64,000,000 outstanding shares of common stock, which represents our total registered capital stock.

The following table sets forth certain information regarding the ownership of common stock, as of December 31, 2003, with respect to each shareholder (with all directors and executive officers of our company as a group) known to own more than 5% of the outstanding shares of common stock:

	December 31, 2003	
	# Of Shares Owned	% Ownership
Compania Electro Metalurgica S.A.	21,780,001	34.03
Bayona S.A.	5,912,540	9.24
Servicios y Consultorias Hendaya S.A.	5,679,359	8.87
Cia. De Inversiones La Central S.A.	4,418,933	6.90
AFP Provida S.A. Fondo de Pensiones	4,141,525	6.47
The Bank of New York (1)	3,663,966	5.72
AFP Habitat S.A. Fondo de Pensiones	3,441,977	5.38

----
(1) As depositary for the ADRs

The Elecmetal Group, which includes Elecmetal, Bayona S.A. and

Servicios y Consultorias Hendaya S.A., was, as of December 31, 2003, the beneficial owner of approximately 52.14% of the outstanding shares of common stock of our company, and thereby has voting control of our company.

Compania Electro Metalurgica S.A. is a publicly-held Chilean corporation engaged in steel foundry works and is also involved in a wide range of business activities in Chile through its subsidiaries and affiliates, which together comprise the Elecmetal Group, including: (i) glass and plastic container manufacturing operations (through ownership of a controlling interest in our company); (ii) media and communications (through our 99.9% ownership of Red Televisiva Megavision S.A. and its 50% interest in Cordillera Comunicaciones Ltda.) and (iii) wine production operations (through our 54.1% ownership of Vina Santa Rita). On December 31, 2003, Mr. Ricardo Claro Valdes, the Chairman of the board of directors and a Director of our company, controlled, directly and indirectly, approximately 46.58% of the voting stock of Compania Electro Metalurgica S.A.

The Elecmetal Group owns a majority of our outstanding shares of our common stock. Consequently, the Elecmetal Group has the power to elect a majority of our directors and to determine the outcome of substantially all matters to be decided by vote of the shareholders. Disposal by the Elecmetal Group of a significant portion of its shares of common stock could affect the trading price of the common stock on the Santiago Stock Exchange, and consequently, of our ADSs on the New York Stock Exchange, and control of the company. Compania Electro Metalurgica S.A. and its subsidiaries and affiliates are free to dispose of their shares of common stock at will.

Interest of Management in Certain Transactions

In the ordinary course of our business, we engage in a variety of transactions with affiliates of our company and the Elecmetal Group. For a detailed description of our company's related party transactions, see Note 6 of the consolidated financial statements. The principal transactions with such related parties during the last three fiscal years are as follows:

Sales to Affiliates

Our company, including Vina Santa Rita, Comunicacion, Informacion, Entretencion y Cultura S.A., Cristalchile Comunicaciones, Cristalchile Inversiones S.A. and Constructora Apoger S.A., sells goods and services to certain other companies within the Elecmetal Group and other related parties. Net sales to related parties were Ch$313 million in 2003 and Ch$386 million in 2002.

Purchases from Affiliates

Our company, including Vina Santa Rita, CIESCA, Cristalchile Comunicaciones S.A., Cristalchile Inversiones S.A. and Constructora Apoger S.A., purchases goods and services from other companies in the Elecmetal Group and other related parties. The effect on results of purchases from related parties was a Ch$24 million charge in 2003 and a Ch$34 million credit in 2002.

Related Company Loans or Transactions

As of December 31, 2003, there is a balance of short term receivables of Ch$ 1,167 million (Ch$403 million in 2002), that corresponds mainly to a loan granted by CIECSA to Editorial Zig Zag of Ch$ 134 million (Ch$ 237 million in 2002) including interests, with maturity on June 30, 2004, at an annual interest rate of 1%; and to publicity sold by Red Televisiva Megavision S.A. to Metropolis Intercom S.A. of Ch$63 million (Ch$54 million in 2002). The remainder corresponds to invoices receivable of Ch$319 million (Ch$113 million in 2002) and Ch$650 million to dividends receivable from Envases CMF.

Short term payable balances as of December 31, 2003 amount Ch$723 million (Ch$890 million in 2002) and correspond mainly to commercial transactions under 90 days of Ch$222 million (Ch$385 million in 2002) and dividends payable to majority shareholders of Ch$501 million (Ch$506 million in 2002).

In 2003 there was a long term receivables balance of Ch$3 million (Ch$1 million in 2002).

Article 89 of the Chilean Companies Act requires that our company's transactions with related parties be on a fair basis, on similar terms to those customarily prevailing in the market. We are required under Article 89 to compare the terms of any such transaction to those prevailing in the market at the date the transaction is to commence. Directors (managers) of companies that violate Article 89 are liable for losses resulting from such violation. In addition, Article 44 of the Chilean Companies Act provides that any transaction in which a director has a personal interest or is acting on behalf of a third party may be performed only when the board of directors has previously approved it knowing of such director's interest, and such transaction is subject to fairness conditions similar to those prevailing in the market. According to an amendment introduced to the Chilean Companies Act in December 2000, if the proposed transaction involves amounts considered material, the board of directors must previously declare that such transaction is consistent with fairness conditions similar to those prevailing in the market.

If it is not possible to reach such a judgment, the board of directors may approve or reject the transaction or appoint two independent appraisers. The appraisers' final conclusion must be presented to the Shareholders and Directors for a period of 20 business days. In this case, the board of directors may only approve or reject the transaction, with the abstention of the interested director, once such period has elapsed. Shareholders representing 5% or more of the issued voting shares may request the board of directors to call for a shareholders' meeting to resolve the matter, with the agreement of two thirds of the issued voting shares. For purposes of this regulation, the law considers that the amount of a proposed transaction must be considered "material" when it exceeds 1% of our company's paid-in capital and reserves, provided that it also exceeds 2,000 UF, and in any event, when it exceeds UF 20,000. All resolutions of the board of directors approving such transactions must be reported to our shareholders at the next annual shareholders' meeting. Violation of Article 44 does not affect the validity of the transaction, but may result in administrative or criminal sanctions and civil liabilities entitling our company, the shareholders or third parties who suffer losses as a result of such violation, to demand damages and reimbursement to our company by the interested director of a sum equal to the benefits received by him, his principal or relatives. We believe that, to the best of our knowledge, we have complied with the requirements of Article 89 and Article 44 in all transactions with related parties.

ITEM 8: Financial Information

Consolidated Statements and Other Financial Information

See Item 17 and 18 for the consolidated financial statements included within this document.

Dividend Policy and Dividends

Dividend Policy

Our company's dividend policy is decided upon, from time to time, by the board of directors and is announced at the regular annual shareholders' meeting, which is generally held in April of

each year. However, each year, the board of directors must submit to the regular annual shareholders' meeting for shareholder approval a proposal for the declaration of the final dividend or dividends in respect of the preceding year, consistent with the then-established dividend policy. As required by the Chilean Companies Act, unless otherwise decided by unanimous vote of the issued and subscribed shares, we must distribute a cash dividend in an amount equal to at least 30% of our net income for a given year, except to the extent we have a deficit in retained earnings. Actual dividends paid have averaged 42.0% of our net income for the past five years.

Dividend payments were approved at the annual ordinary shareholders' meetings, held on April 13, 1999, April 14, 2000, April 10, 2001, April 16, 2002 and April 15, 2003, amounting 40%, 40%, 50%, 40% and 40% with respect to our net income for each year, respectively. There can be no assurance that future dividends will be paid in an amount exceeding the 30% level required by law. There can also be no assurances that the Chilean Companies' Act or corporate law will remain in effect unaltered going forward. The board of directors has the authority to decide whether such dividend will be paid in the form of interim dividends or a single annual payment.

In 2003, the shareholders approved at the general shareholders' meeting the payment of the proposed dividend of 40% of the net income for 2003 with the remainder to be deposited into Reserve Funds. The board of directors was authorized to issue provisional dividends against the profits of 2003 and to distribute interim dividends against the Future Dividends Fund without the need to call a new meeting of shareholders for that purpose.

In 2004, the shareholders approved, at the general shareholders' meeting, 40% of the net income for 2004 as a dividend payment, with the remainder to be deposited into Reserve Funds to continue our growth. The board of directors was authorized to issue provisional dividends against the profit of 2004 and to distribute interim dividends against the Future Dividends Fund without the need to call a new meeting of shareholders for that purpose.

It has been our general practice to pay two to four dividends during each fiscal year. Under this arrangement, one or more interim dividends are paid during the fiscal year, and a final dividend is declared at the annual shareholders' meeting. The final dividend is in an amount that, together with the interim dividends previously paid, is at least sufficient to satisfy the statutory requirement that at least 30% of net income for the year be paid out in dividends. Such final dividend is paid on a date fixed by the board of directors, generally in the month of April.

The amount and timing for payment of dividends is subject to revision from time to time, depending upon, among other factors, our then-current level of sales, costs, cash flow, and capital requirements, as well as market conditions. Any change in dividend policy would ordinarily be effective for dividends declared in the year following adoption of the change, and a notice of any such change of policy must be filed with Chilean regulatory authorities and would be publicly available information. Notice of such a change of policy would not, however, be sent to each shareholder or ADR holder. Accordingly, there can be no assurance as to the amount or timing of declaration or payment of dividends in the future.

Dividends are paid to shareholders of record on the fifth business day preceding the date set for payment of the dividend. The holders of ADRs on the applicable record dates for the ADSs will be entitled to all dividends paid after their acquisition of the ADRs.

69

Dividends

The following table sets forth the dividends per share paid in terms of that year's net income for each of the years indicated. The table includes interim dividends and final dividends for the years indicated. The final dividend is declared and paid after the annual ordinary shareholders' meeting is held during March or April of the subsequent year. Information in U.S. dollars is also presented on the aggregate dividends per ADS (each ADS representing three shares of our common stock).

The following information comprises actual historical amounts not restated in constant pesos:

	Per Share (1)		Per ADR (1) (2)
Year ending December 31,	Ch$ (3)	US$ (4)	US$ (4)
1999	123.10	0.232	0.697
2000	132.57	0.228	0.685
2001	138.10	0.210	0.630
2002	137.35	0.192	0.577
2003	70.20	0.114	0.342

----

(1) The dividend is proposed by the board of directors and voted on and declared by the shareholders at each annual shareholders meeting. Payment is made to all holders of record on a subsequent date.

(2) Amounts shown do not reflect reductions for any applicable Chilean Withholding Taxes.

(3) Represents dividends paid with respect to each year's net income in historical Chilean pesos.

(4) Translated into U.S. dollars at the historical Observed Exchange Rates on the respective dates of payment of dividends.

As a general requirement, shareholders who are not residents of Chile must register as a foreign investor under one of the foreign investment regimes contemplated by Chilean law to receive dividends, sales proceeds or other distributions with respect to their shares remitted outside of Chile through the Formal Exchange Market. Under the ADR facility, the depositary, on behalf of ADR holders, will be granted access to the Formal Exchange Market to convert cash dividend distributions from pesos to dollars and to pay such dollars to ADR holders outside of Chile. Please, see "Item 10. Additional

Information--Exchange Controls and Other Limitations Affecting Stockholders", for further illustration. Dividend distributions received in respect of shares of our common stock by holders, including holders of ADRs, who are not Chilean residents, are subject to Chilean withholding tax. Please see "Item 10. Additional Information--Taxation", for further illustration.

Legal Proceedings

We are a party to certain legal proceedings arising in the ordinary course of business. Other than as described in this annual report, we are not aware of any litigation or arbitration proceedings which we believe will have a material adverse effect on our company.

ITEM 9: The Offer and Listing

Nature of Trading Market

Our company's shares of common stock are listed on the Santiago Stock Exchange and the Electronic Stock Exchange of Chile of Chile. Since January 24, 1994, our company's ADSs, each one representing three shares of common stock, have been listed on the New York Stock Exchange trading under the symbol "CGW." The ADSs have been issued by The Bank of New York in its role as the depositary. In 2003, the Chilean stock market accounted for approximately 50.4% of the trading volume of the common stock, while 49.6% of the trading took place on the New York Stock Exchange.

The table below shows the high and low closing prices of the common stock in Chilean pesos, and the common stock trading volume on the Santiago Stock Exchange for the periods indicated. It also shows high and low trading prices expressed in historical Ch$:

	Share Volume	Ch $ Per Share(1) High	Ch $ Per Share(1) Low
1999	2,969,005	2,780	1,995
2000	5,103,766	3,820	2,580
2001	4,500,611	4,700	3,300
2002			
1st quarter	747,220	4,550	4,100
2nd quarter	1,045,483	4,200	3,800
3rd quarter	2,570,569	3,936	3,499
4th quarter	1,014,451	4,450	3,600
2003			
1st quarter	514,640	4,650	4,450
2nd quarter	668,760	6,600	4,580
3rd quarter	825,430	7,305	5,850
4th quarter	616,345	6,860	5,400
December 2003	103,934	5,900	5,400
January 2004	207,544	5,594	5,350
February 2004	720,969	5,500	5,100
March 2004	470,887	5,701	5,450
April 2004	997,705	5,500	5,250
May 2004	781,351	5,100	4,400

----

(1) Chilean pesos per share of common stock reflect nominal price on trading date. Source: Santiago Stock Exchange.

The table below shows the high and low closing prices of the common stock in Chilean pesos, and the trading volume on the Electronic Stock Exchange of Chile for the periods indicated. It also shows high and low trading prices expressed in historical Ch$:

	Share Volume	Ch$ Per Share(1) High	Low
1999	691,236	2,665	2,010
2000	1,175,055	3,700	2,750
2001	2,549,007	4,680	3,370
2002			
1st quarter	312,687	4,530.00	4,083.89
2nd quarter	417,780	4,159.76	3,767.88
3rd quarter	75,493	3,900.00	3,499.90
4th quarter	183,170	4,300.00	3,650.00
2003			
1st quarter	46,033	4,654.00	4,530.00
2nd quarter	375,553	6,766.50	5,000.00
3rd quarter	181,009	7,300.00	6,042.30
4th quarter	15,627	6,810.00	6,532.30
December 2003	-	-	-
January 2004	122,102	5,550.00	5,300.00
February 2004	10,572	5,500.00	5,450.00
March 2004	92,757	5,700.00	5,551.00
April 2004	29,152	5,500.00	5,300.00
May 2004	276,567	4,675.76	4,400.00

71

----
(1) Chilean pesos per share of common stock reflect nominal price on trading date. Source: Electronic Stock Exchange of Chile of Chile.

Chilean securities markets are substantially smaller, less liquid, and more volatile than the main securities markets in the United States. The Santiago Stock Exchange had a market capitalization of approximately Ch$51.3 trillion (US$86.3 billion), as of December 31, 2003, and an average monthly trading volume of Ch$375 billion (US$632 million) during 2003.

Trading activity on the Santiago Stock Exchange is on the average substantially less than it is on the principal national securities exchanges in the United States. For the year ending December 31, 2002, only approximately 10% of the securities listed on the Santiago Stock Exchange traded on an average of 90% or more of the trading days. We estimate that for the year ending December 31, 2002, our shares were traded on the Santiago Stock Exchange an average of approximately 64.7% of such trading days. The concentrated holding of our company's common stock, as well as the market's limited liquidity, may impair the ability of a holder of American Depositary Receipts, or ADRs, evidencing ADSs, to sell the underlying common stock in the Chilean stock market, in the amount, and at the price and time as such holder wishes, which could significantly increase the volatility of the ADSs' price. Prior to the Combined Offering at the New York Stock Exchange and at the Santiago Stock Exchange, there had not been a public market in the United States for ADSs or common stock.

The table below shows the high and low closing prices for the ADSs on the New York Stock Exchange and the trading volume of the ADSs on the New York Stock Exchange for the periods indicated:

	ADS Trading Volume	$ Per ADS(1)	
		High	Low
1999	8,640,300	16.50	12.44
2000	4,134,800	22.25	14.50
2001	2,527,400	20.75	15.10
2002			
1st quarter	295,700	20.05	18.70
2nd quarter	351,100	19.09	16.35
3rd quarter	657,500	16.35	15.13
4th quarter	255,500	18.65	14.85
2003			
1st quarter	449,389	19.26	18.10
2nd quarter	37,394	28.00	19.15
3rd quarter	341,986	30.66	25.25
4th quarter	236,789	31.65	26.61
December 2003	129,000	30.00	26.61
January 2004	360,900	29.90	27.00
February 2004	21,900	28.49	26.20
March 2004	72,100	29.00	26.65
April 2004	32,800	26.67	24.00
May 2004	97,500	24.25	20.85

----

(1) Trading began on January 24, 1994.

It is not practical for us to determine the proportion of ADSs beneficially owned by U.S. residents.

The Santiago Stock Exchange was established in 1893, and it is a private company whose equity consists of 48 shares held by 46 shareholders. The Santiago Stock Exchange comprised 261

companies with listed shares as of December 31, 2003. The Santiago Stock Exchange is Chile's principal exchange, and it accounted for approximately 76.4% of the equity trading volume in Chile during 2003. Approximately 22.8%, of equity trading is conducted on the Electronic Stock Exchange of Chile, an electronic trading market, which was created by banks and non-member brokerage houses, and 0.8% on the Valparaiso Stock Exchange. Equities, closed-end funds, fixed-income securities, short-term and money market securities, gold, options, futures, and U.S. dollars are traded on the Santiago Stock Exchange. There are two stock price indices for the Santiago Stock Exchange: the Indice General de Precios de Acciones, or General Stock Price Index or IGPA, and the Indice de Precios Selectivo de Acciones, or Selective Stock Price Index or IPSA. The IGPA is calculated using the prices of 165 issues and is divided into five main sectors: banks and finance, farming and forestry products, mining, industrials, and miscellaneous. The IPSA is a major company index, currently including the Santiago Stock Exchange's 40 most active stocks. Our company's stock is included in the IGPA, but not in the IPSA.

In 1991, the Santiago Stock Exchange initiated a futures market with two instruments: U.S. dollar futures and IPSA futures. Securities on the Santiago Stock Exchange are traded primarily through an auction system with live bidding, a firm offers system, an electronic trading system or through the daily auction. Trading hours on the Santiago Stock Exchange are from 9:30 a.m. to 4:30 p.m. The Electronic Exchange operates continuously, from 9:00 a.m. to 6:00 p.m. every business day.

The table below summarizes recent value and performance indicators for the Santiago Stock Exchange:

	Market Capitalization (1) (US$ billion)	Trading Volume (2) (US$ million)	Daily IPSA Index (3)
As of:			
December 31, 1991	28.2	1,908.7	266.18
December 31, 1992	29.7	2,061.9	322.61
December 31, 1993	44.8	2,625.8	544.34
December 31, 1994	67.9	5,645.6	773.56
December 31, 1995	73.1	11,176.1	782.83
December 31, 1996	65.8	8,470.2	690.49
December 31, 1997	69.5	6,869.2	779.57
December 31, 1998	52.0	4,417.3	603.14
December 31, 1999	68.2	6,601.0	862.78
December 31, 2000	60.4	5,878.0	831.43
December 31, 2001	55.9	26,787.0	907.09
December 31, 2002	47.7	3,408.0	1,000.00
December 31, 2003	86.3	7,583.0	1,480.80

----

(1) U.S. dollar equivalents for the year-end stock market capitalization and trading volume figures are translated at the Observed Exchange Rate for the last day of such period.
(2) Reflects annual trading volume of stock for 1991 to 2003.
(3) Index base=100 on December 31, 1990.
Source: Santiago Stock Exchange.

ITEM 10: Additional Information

Foreign Exchange Controls

Pursuant to the provisions of Chapter II of the new Compendium of Foreign Exchange Regulations of the Central Bank of Chile, or the New Compendium, that became effective on April 19,

2001, the foreign investments and remittances effected under the same are not subject to currency exchange controls in Chile, except that such operations must (i) be effected exclusively through the Formal Exchange Market and (ii) be reported to the Central Bank in the fashion established for said purpose. On January 23, 2002, the Central Bank agreed that, effective March 1, 2002, amendments would be introduced to the New Compendium, which generally simplified foreign exchange operations.

In the case of our company, however, the ADR facility was subject to further regulations as governed by the former Compendium of Foreign Exchange Regulations in effect prior to April 19, 2001; in fact, the ADR system was the subject of an agreement, known as the Chapter XXVI agreement, between Citibank N.A. (replaced by The Bank of New York in October 2000) in its role as depositary for the common stock represented by the ADSs, our company and the Central Bank of Chile, effected on January 25, 1994, pursuant to Article 47 of the Ley Organica Constitucional regulating the Central Bank of Chile, in connection with Chapter XXVI, Title I of the Compendium of Foreign Exchange Regulations, or Chapter XXVI, in force through April 18, 2001, with regard to the issue of ADSs through a Chilean company; the Chapter XXVI agreement seeks to grant the depositary and ADR holders access to the Formal Exchange Market in Chile.

At present, in accordance with the New Compendium, operations such as the influx (into Chile) of foreign currency from abroad for the purpose of investing in stock, and the payment of the dividends, interest and other distributions that are not subject to agreements under the Chapter XXVI, are solely required to comply with the aforementioned prerequisites of the New Compendium Chapter II.

In spite of the fact that on April 19, 2001, the Central Bank eliminated Chapter XXVI from the New Compendium, all contracts executed under the provisions of Chapter XXVI remain in full force and effect and continue to be governed by the provisions, and continue to be subject to the restrictions, set forth in Chapter XXVI and the relevant Chapter XXVI agreement. Accordingly, pursuant to Chapter XXVI, investments carried out under the same are subject to the regulations described below and not to the current regulations summarized in the preceding paragraph. The following is a summary of some of the relevant provisions contained in our Chapter XXVI agreement, a copy of which was registered as an annex in the Registration Statement. According to Chapter XXVI and our Chapter XXVI agreement, the Central Bank of Chile has agreed to authorize the depositary, on behalf of the holders of ADRs and any other investor who is not a resident of Chile nor is domiciled in said nation, to withdraw the ADRs (such common stock is referred to in this annual report as withdrawn stock) with access the Formal Exchange Market to convert Chilean pesos into U.S. dollars (and remit those dollars outside of Chile) for the common stock represented by the ADS or the withdrawn stock, including those amounts received as (i) cash dividends, (ii) funds collected from the transfer in Chile of withdrawn stock subject to receipt from the Central Bank of a Withdrawn Share stockholder certificate (or from an institution authorized by the Central Bank) indicating that the residence and domicile of this holder are outside of Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm incorporated in Chile) that said withdrawn stock was transferred on a Chilean stock exchange, (iii) funds collected from the transfer in Chile of the right to subscribe free-of-payment common stock, (iv) funds collected from the liquidation, merger or consolidation of our company and (v) other distributions, including, without limitation, those stemming from any capitalization as a result of the holding of common stock represented by ADS or withdrawn stock.

The assignees of withdrawn stock are not authorized to access any of the preceding rights pursuant to Chapter XXVI. Investors who receive withdrawn stock in exchange for ADRs have the right to redeposit said shares in exchange for ADRs, so long as the conditions for redepositing are met.

Chapter XXVI provides that access to the Formal Exchange Market, in connection with dividend payments, will be conditioned upon certification by our company to the Central Bank that a dividend payment has been made, and any applicable tax has been withheld. Chapter XXVI also provides that access to the Formal Exchange Market, in connection with the sale of Withdrawn Shares, or distribution thereon, will be conditioned upon receipt by the Central Bank of certification by the depositary that such Shares have been withdrawn, in exchange for delivery of the pertinent ADRs, and receipt of a waiver of the benefit of the Chapter XXVI agreement with respect thereto, until such Withdrawn Shares are redeposited.

Chapter XXVI requires an individual who brings foreign currency into Chile to convert it to Chilean pesos on the same date and invest in common stock within five banking days in order to receive the benefits of the Chapter XXVI agreement. Should said individual decide, within that period, not to acquire common stock, the individual may access the Formal Exchange Market to reacquire U.S. dollars so long as the corresponding request is filed with the Central Bank within seven banking days of the initial conversion to pesos. The shares acquired, as described above, can be deposited for ADRs and holders can receive the benefits of the Chapter XXVI agreement, subject to the receipt by the Central Bank of a certificate from the depositary indicating that said deposit has been made along with a receipt for a statement by the individual making the deposit in which the individual waives the benefits of the Chapter XXVI agreement with regard to the common stock deposited.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Pursuant to Chapter XXVI, such entry requires the approval of the Central Bank based on a request presented by means of an entity authorized to operate in the Formal Exchange Market, which may be the depositary. The Chapter XXVI agreement states that if the Central Bank fails to issue a ruling on the request within seven banking days, the petition will be deemed approved.

In keeping with Chilean law, the Chapter XXVI agreement cannot be modified unilaterally by the Central Bank. In addition, legal precedent exists to indicate that the agreements signed under Chapter XXVI cannot be invalidated by future legislative changes. Nonetheless, there can be no assurances that additional Chilean restrictions on the holders of ADRs, the transfer of supporting common stock or the remittance of funds secured via such transfer may not be imposed in the future, nor is it possible to assess the duration or effect of such restrictions should they be imposed. If, for any reason, including changes to the Chapter XXVI agreement or Chilean law, the depositary is unable to convert Chilean pesos into U.S. dollars, investors would receive dividends and other distributions in Chilean pesos. From this perspective, the standing of investors under a Chapter XXVI agreement is more advantageous than that of those who invest under the regulations contained in the New Compendium, given that the latter are not protected by a Chapter XXVI agreement with the Central Bank and, therefore, the general conditions applicable to access to the Formal Exchange Market could be subject to modifications adopted by the Central Bank which could affect those investors who bring in and liquidate foreign currency positions subsequent to said modification.

According to the regulations issued by the Central Bank that took effect on April 19, 2001, the entry of foreign currency into Chile for the purpose of acquiring stock in a listed corporation will not be subject to a mandatory deposit, or reserve requirement, with the Central Bank. The Central Bank is entitled, however, to establish a reserve requirement at any time in the future. The reserve requirement is also not applicable to the entry of foreign currency into Chile for the purpose of acquiring stock in a listed corporation that is a party to a Chapter XXVI agreement, so long as said acquisition of shares has been effected in keeping with the provisions of said Chapter XXVI agreement.

The Central Bank is responsible, among other things, for monetary policy and foreign exchange controls in Chile. The correct registration of a foreign investment will permit the investor, under the regulations of the former Compendium, to access the Formal Exchange Market. Said registration is no longer required under the regulations of the New Compendium, as the details of the

75

transaction provided to the Central Bank would suffice. Foreign investments can be registered with the Foreign Investment Committee as per Decree Law No. 600 of 1974. The fundamental regulations of the Central Bank of Chile (Ley Organica) require a "special majority" vote of the Chilean Congress to be modified.

Other Limitations

Dividend Policy

In accordance with Chilean law and our by-laws, we must distribute cash dividends equal to at least 30% of our annual net income calculated in accordance with Chilean GAAP, unless otherwise decided by a unanimous vote of the holders of the shares of common stock (see "Item 8. Dividend Policy and Dividends. Dividend Policy"). If there is no net income in a given year, we can elect, but are not legally obligated, to distribute dividends out of retained earnings. We may grant an option to our shareholders to receive any dividend in excess of 30% in cash in our own shares or in shares of open stock corporations held by our company. Shareholders who do not expressly elect to receive a dividend other than in cash are legally presumed to have decided to receive the dividend in cash. An U.S. holder of ADSs may, in the absence of an effective registration statement under the U.S. Securities Act of 1933, as amended, or an available exemption from the registration requirement thereunder, effectively be required to elect to receive a dividend in cash.

Exchange Rates

All payments and distributions with respect to the ADSs must be transacted in the Formal Exchange Market. See "Item 3. Key Information--Risk Factors".

Share Capital

Pursuant to Article 12 of the Securities Market Law and Circular 585 of the Superintendencia de Valores y Seguros, certain information must be reported to the Superintendencia de Valores y Seguros and Chilean Stock Exchanges with regard to transactions involving the shares of listed stock corporations (sociedades anonimas abiertas). Given that ADRs are considered to represent common stock that support ADSs, trading of ADRs is subject to these reporting requirements. As per the aforementioned Article 12, (i) individuals or corporations who directly or through other individuals or corporations hold 10% or more of the subscribed capital of a company whose shares are listed on the Superintendencia de Valores y Seguros Securities Registry or who, as a result of stock acquisitions, come to hold said percentage, and (ii) the directors, liquidators, senior executives, general manager and managers, as the case may be, of said corporations, independent of the number of shares they hold, must report to the Superintendencia de Valores y Seguros and the Chilean stock exchanges on which that corporation's stock is traded all acquisitions, direct or indirect acquisitions or transfers of shares effected within two exchange business days as of the corresponding trade. The aforementioned shareholders must also report whether the acquisition was effected with the intent of acquiring control of the corporation, or whether it was simply a financial investment.

In accordance with Article 54 of the Securities Market Law, modified by Law No. No. 19,705 of December 20, 2000, any individual or entity who directly or indirectly seeks to take over control of a listed corporation that is offering its shares in a public tender, must report said intent to the general public in advance. For said purpose, a written communication shall be sent to the listed corporation targeted for control, to its controlling and controlled corporations, to the Superintendencia de Valores y Seguros and, lastly, to the exchanges on which the stock of the corporation whose control is sought is traded. Furthermore, a prominent announcement must be published in two newspapers that

circulate nationwide. The aforementioned communication and publication, indicating at least price and other essential conditions of the corresponding negotiation, must be effected at least ten business days prior to the date upon which the trade is intended to occur and, in any case, as soon as negotiations aimed at securing control commence. In addition, the effective takeover of control must be reported (via communication to the same persons indicated above and with announcements in the same newspapers) within two business days of the closure of the deal. Lastly, if the intent is to secure control via a public tender offer, the preceding regulations shall not apply. Rather, in such cases, the applicable regulations will be those contained in Title XXV of the Securities Market Law, introduced in conjunction with the aforementioned Article 54 of the Securities Market Law, modified by Law No. No. 19,705 of December 20, 2000.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the Superintendencia de Valores y Seguros provide that the following transactions, performed directly or indirectly, shall be carried out through a tender offer:

- An offer which allows a person to take control of a publicly traded company, unless the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange;

- An offer for all the outstanding shares of a publicly traded company upon acquiring two thirds or more of its voting shares (this offer must be made at a price not lower than the price at which appraisal rights may be exercised, that is, book value if the shares of the company are not actively traded or, if the shares of the company are actively traded, the weighted average price at which the stock has been traded during the two months immediately preceding the acquisition); and

- An offer for a controlling percentage of the shares of a listed operating company if such person intends to take control of the company (whether listed or not) controlling such operating company, to the extent that the operating company represents 75.0% or more of the consolidated net worth of the holding company.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction that granted it control of the publicly traded company, a number of shares equal to or higher than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of our company be made on the floor of a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person, or group of persons acting pursuant to a joint action agreement, to direct the majority of the votes in a shareholders meeting of the corporation, or to elect the majority of members of its boards of directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group holding, directly or indirectly, at least 25.0% of the voting share capital, unless:

- Another person or group of persons acting pursuant to joint action agreement, directly or indirectly, control a stake equal to or higher than the percentage controlled by such person;

- The person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital; and

- In cases where the Superintendencia de Valores y Seguros has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the time and whereby they agree to participate with the same interest in the management of the corporation or taking control of the same. The law presumes that such an agreement exist between:

- A principal and its agents;
- Spouses and relatives up to certain level of kindred;
- Entities within the same business group; and
- An entity and its controller or any of its members.

Likewise, the Superintendencia de Valores y Seguros may determine that a joint action agreement exists between two or more entities considering, among others, the number of companies in which they participate, the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at shareholders meetings.

According to Article 96 of the Chilean Securities Market Law, a business group of entities is the one presenting relations on ownership, management or credit liabilities of such a nature that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interest of the group, or that there are common credits risks in the credits granted to, or securities issued by, them. According to the Chilean Securities Market Law, the following entities are part of the same business group:

- A company and its controller;
- All the companies with a common controller and the latter; and
- All the entities that the Superintendencia de Valores y Seguros declares to be part of the business group due to one or more of the following reasons:
- A substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
- The company has a significant level of indebtedness and that the business group has a material participation as a lender or guarantor;
- When the controller is a group of entities, that the company is a member of a controller of the entities mentioned in the first two bullets above and there are grounds to include it in the business group; or
- When the controller is a group of entities, that the company is controlled by a member of the controlling group and there are grounds to include it in the business group.

The Chilean Companies Act requires Chilean companies to offer existing 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 are not entitled to exercise the preemptive rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirement thereunder is available. At the time of any preemptive rights offering, we intend to evaluate the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits to us of enabling the exercise by the holders of ADSs of such preemptive rights, and any other factors we consider appropriate at the time to make a decision as to whether to file such a registration statement. No assurance can be given that any registration statement would be filed. If no registration statement is filed, the depositary will attempt to sell affected ADS holders' preemptive rights in a secondary market (if one exists) and distribute the proceeds thereof. 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 affected ADS holders.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders within a 30-day period following publication of the relevant option. During such period, and for an additional 30-day period thereafter, a Chilean company is not permitted to offer any unsubscribed shares for sale to third parties on terms that are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms if the shares are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

Dissenting Shareholders

The Chilean Companies Act establishes that, should an extraordinary meeting of shareholders adopt any of the resolutions presented below, the dissident shareholders have the right to withdraw from a Chilean company and require that we repurchase our shares, subject to compliance with certain terms and conditions described below unless said right to withdraw is suspended, in the case of bankruptcy or agreements with creditors. To exercise said rights, ADR holders must first withdraw the shares represented by their ADRs, pursuant to the terms of the Depositary agreement. Dissident shareholders are defined as those who vote against a resolution that results in the right to withdraw or, should they be absent from said meeting, those who declare their opposition to the resolution to us in writing within the following 30 days. Dissenting shareholders must complete their right to withdraw by offering their shares to us within 30 days of the adoption of the resolution.

The resolutions that could trigger the right of the shareholder to withdraw are as follows:

(a) The transformation of our company, specially into an entity that is not a listed corporation regulated by the Chilean Companies Act;

(b) Merger of our company with or into other companies;

(c) The transfer of 50% or more of corporate assets according to the terms stated in Article 67 No9 of the Chilean Companies Act;

(d) The granting of real or personal guarantees for third-party obligations that exceed 50% of corporate assets;

(e) The adoption of preferential rights for a given class of shares or a modification to existing rights, in which case the right to withdraw shall only be applicable for those dissident shareholders from the class of shares negatively impacted;

(f) The reorganization of the nullity of our corporation due to formal errors in our incorporation or the modification of our by-laws granting this right; and

(g) All other cases established by law or in our by-laws.

By legal means, the dissident shareholders shall have the right to withdraw if we fail to comply with the conditions to be considered a listed stock corporation and, in addition, if the extraordinary meeting of shareholders agrees, via a two-thirds vote of eligible shareholders, that we should cease to adhere to the regulations applicable to listed stock corporations. In addition, if, as a consequence of any acquisition, an individual secures or surpasses holdings of two thirds of the shares, said individual shall have a period of 30 days as of the acquisition to effect an offer for the remaining shares under the conditions established

by law. Should said offer fail to be effected within the established timeframe, the aforementioned right to withdraw shall become effective for the remaining shareholders. Lastly, it should be noted that our by-laws do not include additional grounds for withdrawal.

Under Article 69 BIS of the Chilean Companies Act, the right to withdraw is also granted to shareholders, other than the Administradoras de Fondos de Pensiones, or AFPs, subject to certain terms and conditions, if we are controlled by the Chilean government, directly or through any of its agencies, and if two independent rating agencies downgrade the rating of our stock from first class, because of certain actions specified in Article 69 BIS and undertaken by our company or the Chilean government that negatively affect and substantially impact the earnings of our company. Shareholders must perfect their withdrawal rights by tendering their shares to us within 30 days of the date of the publication or of the new rating by two independent rating agencies. If the withdrawal right is exercised by a shareholder invoking Article 69 BIS, the price paid to the dissenting shareholder shall be the weighted average of the sales price for the shares as reported on the stock exchanges on which our shares are quoted for the six-month period preceding the publication of the new rating by two independent rating agencies. If the Superintendencia de Valores y Seguros determines that the shares are not actively traded the price shall be the book value.

Voting of Shares of common stock

The depositary will mail to all holders a notice containing the information, or a summary thereof, included in any notice of a shareholders meeting received by the depositary, and a brief statement, as to the manner in which each such holder may instruct the depositary to exercise voting rights in respect of shares of our common stock, as represented by ADSs held by the holders. Holders on the record date set by the depositary are entitled to instruct the depositary in writing, subject to the terms of Chilean law, the By-Laws and the Deposit agreement, as to the exercise of voting rights attached to the deposited shares of our common stock, and upon receipt of such instructions the depositary has agreed that it will endeavor, insofar as practicable, to vote or cause to be voted the shares of our common stock underlying such holders' ADRs in accordance with such written instructions.

The depositary has agreed not to, and shall instruct the Custodian and each of its nominees, if any, not to vote the shares of our common stock, or other deposited securities represented by the ADSs evidenced by an ADR other than in accordance with such written instructions from the holder. The depositary may not itself exercise any voting discretion over any shares of our common stock deposited with it under the ADR facility. If no instructions are received by the depositary from a holder with respect to any of the deposited securities represented by the ADSs evidenced by such holder's ADRs, on or before the date established by the depositary for such purpose, the depositary shall deem such holder to have instructed the depositary to give a discretionary proxy to a person designated by our company to vote the underlying shares.

Disclosure

Holders of ADRs are subject to certain provisions of the rules and regulations promulgated under the U.S. Securities Exchange Act of 1934, as amended, relating to the disclosure of interests in the shares of our common stock. Any holder of ADRs, who is, or becomes, directly or indirectly, a 5% owner (or such other percentage as may be prescribed by law or regulation), of the outstanding shares of our common stock, must within ten days after becoming a 5% owner (and thereafter, upon certain changes in such interests) notify us, any U.S. securities exchange on which the ADRs (or shares of our common stock) are traded and the Securities Exchange Commission, as required by such rules and regulations. In addition, holders of ADRs are subject to the reporting requirements contained in Articles 12 and 54 and Title XXV of the Securities Market Law, which may apply when a

holder beneficially owns 10% or more of the common stock or has the intent to take control of our company, as described under "Share Capital" above.

Taxation

Chilean Tax Considerations

The following discussion summarizes the material consequences to ADR holders of Chilean income tax laws presently in force, including Ruling No. 324 (January 29, 1990), of the Chilean Internal Revenue Service. The discussion sets forth the material Chilean income tax consequences of an investment in the ADSs or shares of our common stock by a person who is neither domiciled in nor a resident of Chile for tax purposes (a "foreign holder"). It is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes, such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes, and the manner in which Chilean taxes are imposed and collected may be amended only by another statute. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application, and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations, and interpretations, but Chilean tax authorities may change said rulings, regulations, and interpretations prospectively. There is no income tax treaty in force between Chile and the United States.

Cash Dividends and Other Distributions

Cash dividends paid by our company with respect to the ADSs, or shares of our common stock, held by a foreign holder will be subject to a 35% Chilean withholding tax, which is withheld and paid over by our company (the "Withholding Tax"). A credit against the Withholding Tax is available based on the level of corporate income tax actually paid by our company on the income to be distributed (the "First Category Tax"); however, this credit does not reduce the Withholding Tax on a one-for-one basis because it also increases the base on which the Withholding Tax is imposed. In addition, if we distribute less than all our distributable income, the credit for First-Category Tax paid by our company is proportionately reduced. Presently, the maximum First-Category Tax rate is 17.0%. The example below illustrates the effective Chilean Withholding Tax burden on a cash dividend received by a foreign holder, assuming a Withholding Tax rate of 35%, an effective First Category Tax rate of 17.0% and a distribution of 30% of the net income of our company distributable after payment of the First Category Tax:

Company taxable income	100.0
First Category Tax (17.0% of Ch$100)	(17.0)
Net distributable income	83.0
Dividend distributed (30% of net distributable income)	24.9
Withholding Tax (35% of the sum of Ch$24.9 dividend plus Ch$5.1 First Category Tax paid)	(10.5)
Credit for 30% of First Category Tax	5.1
Net additional tax withheld	(5.4)
Net dividend received	19.5
Effective dividend withholding rate	21.69%

In general, the effective dividend Withholding Tax rate, after giving effect to the credit for the First Category Tax, can be calculated using the following formula:

$$\text{Effective dividend Withholding Tax rate} = \frac{(\text{Withholding Tax rate}) - (\text{First Category Tax rate})}{1-(\text{First Category Tax rate})}$$

Under Chilean income tax law, dividends are generally assumed to have been paid out of our oldest retained profits for purposes of determining the level of First Category Tax that was paid by our company. For information as to the retained earnings of our company for tax purposes and the tax credit available on the distribution of such retained earnings, please see Note 16 of the Financial Statements.

For dividends attributable to our profits during years when the First Category Tax was 10% (before 1991), the effective dividend Withholding Tax rate will be 27.8%. However, whether the First Category Tax is 10% or 17%, the effective overall combined tax rate imposed on our distributed profits will be 35%.

Dividend distributions made in property would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation.

Capital Gains

Gain from the sale exchange or other disposition by a foreign holder of ADSs, or ADRs evidencing ADSs, will not be subject to Chilean taxation if the disposition occurs outside Chile or it is performed under the rules of Title XXIV of the Securities Market Law, as amended by Law N(degree)19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADRs will not be subject to Chilean taxes.

The profit earned in a transfer or exchange of our common stock (unlike the transfer or exchange of ADSs that represent said stock) shall be subject to the First Category Tax and to the Withholding Tax (the former can be credited to the later) if (i) the foreign holder has had the common stock for less than one year as of the exchange of ADS for common stock, (ii) the foreign holder acquired or transferred the common stock in the course of his/her business or in a customary trade of shares or (iii) if the transfer occurs between parties related by equity or economically. In all other cases, the profit on the transfer of our common stock shall be subject to a flat 17.0% First Category Tax and the withholding tax shall not be applied. However, if it is impossible to determine the taxable capital gain, a 5.0% withholding will be imposed on the total amount to be remitted abroad without any deductions as a provisional payment of the total tax due.

The tax basis of shares of our common stock received in exchange for ADSs will be the acquisition value of the shares. The valuation procedure set forth in the Deposit agreement, which values shares of our common stock which are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of our common stock and the immediate sale of the shares for the value established under the Deposit agreement will not generate a capital gain subject to taxation in Chile.

The exercise of preemptive rights relating to the shares of our common stock will not be subject to Chilean taxation. Any gain on the sale of preemptive rights relating to the shares of our common stock will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

The Chilean Internal Revenue Service has not enacted any rule nor issued any ruling about the applicability of the following norms to the foreign holders of ADRs.

An amendment to the Chilean Income Tax Law, Law N(degree)19,738 published on June 19, 2001, establishes an exemption for the payment of income tax for foreign institutional investors, such as mutual funds, pension funds and others, that obtain capital gains in the sales through a Chilean stock exchange, a tender offer or any other system authorized by the Superintendencia de Valores y Seguros, of shares of publicly traded corporations that are significantly traded in stock exchanges.

A foreign institutional investor is an entity that is either:

o A fund that makes public offers of its shares in a country whose public debt has been rated investment grade by an international risk classification agency qualified by the Superintendencia de Valores y Seguros;

o A fund that is registered with a regulatory entity of a country whose public debt has been rated investment grade by an international risk classification agency qualified by the Superintendencia de Valores y Seguros, provided that the investments in Chile, including securities issued abroad that represent Chilean securities, held by the fund represent less than 30.0% of its share value;

o A fund that holds investments in Chile that represent less than

30.0% of its share value, if the fund proves that no more that 10.0% of its share value is directly owned by Chilean residents;

- A pension fund that is exclusively formed by individuals that receive their pensions on account of capital accumulated in the fund;

- A fund regulated by Law N(degree) 18,657, or the Foreign Capital Investment Funds Law, in which case all holders of its shares must reside abroad or be qualified as local institutional investors; or

- Another kind of institutional foreign investor that complies with the characteristics defined by a regulation with the prior report of the Superintendencia de Valores y Seguros and the Chilean Internal Revenue Service (Servicio de Impuestos Internos).

In order to be entitled to the exemption, foreign institutional investors, during the time in which they operate in Chile, must:

- Be organized abroad and not be domiciled in Chile;

- Not participate, directly or indirectly, in the control of the issuers of the securities in which it invests and not hold, directly or indirectly, 10.0% or more of such companies' capital or profits;

- Execute an agreement in writing with a Chilean bank or securities broker in which the intermediary is responsible for the execution of purchase and sale orders and for the

84

verification, at the time of the respective remittance, that such remittances relate to capital gains that are exempt from income tax in Chile or, if they are subject to income tax, that the applicable withholdings have been made; and

- Register in a special registry with the Chilean Internal Revenue Service.

Pursuant to an enacted amendment to the Chilean Income Tax Law published on November 7, 2001 (Law N(degree) 19,768), the sale and disposition of shares of Chilean public corporations which are significantly traded on stock exchanges is exempted from Chilean taxes on capital gains if the sale or disposition was made:

- On a local stock exchange or any other exchange authorized by the Superintendencia de Valores y Seguros or in a tender offer process pursuant to Title XXV of the Securities Market Law, so long as the shares (a) were purchased on a public stock exchange or in a tender offer process pursuant to Title XXV of the Securities Market Law, (b) are newly issued shares issued in a capital increase of the corporation or (c) were the results of the exchange of convertible bonds (in which case the option price is considered to be the price of the shares). In this case, gains exempted from Chilean taxes shall be calculated using the criteria set forth in the Chilean Income Tax; or

- Within 90 days after the shares would have ceased to be significantly traded on a stock exchange. In such case, the gains exempted from Chilean taxes on capital gains will be up to the average price per share of the last 90 days. Any gains above the average price will be subject to the First Category Tax.

In the case where the sale of the shares is made on a day that is different than the date in which the exchange is recorded, capital gains subject to taxation in Chile may be generated. On October 1, 1999, the Chilean Internal Revenue Service issued Ruling N(degree) 3708, whereby it allowed Chilean issuers of ADSs to amend the deposit agreements to which they are parties in order to include a clause stating that, in the case that the exchanged shares are sold by the ADSs' holders in a Chilean Stock Exchange, either in the same day in which the exchange is recorded in the shareholders' registry of the issuer or within the two prior business days to such date, the acquisition price of such exchanged shares shall be the price registered in the invoice issued by the stock broker that participated in the sale transaction. Consequently, should we include this clause in the deposit agreement, the capital gain that may be generated if the exchange date is different than the date in which the shares received in exchange for ADSs were sold, will not be subject to taxation.

Other Chilean Taxes

There are no Chilean inheritance, gift, or succession taxes applicable to the ownership, transfer, or disposition of ADSs by a foreign holder, but such taxes generally will apply to the transfer upon death, or by gift of shares of our common stock by a foreign holder. There are no Chilean stamp, issue, registration taxes, similar taxes, or duties payable by holders of ADSs or shares of our common stock.

UNITED STATES TAX CONSIDERATIONS

The following discussion summarizes certain United States federal income tax consequences of an investment in ADSs or shares of our common stock by U.S. holders (as defined below) as of the date hereof. This discussion is intended only as a descriptive summary, and does not purport to be a complete analysis or listing of all possible tax considerations. The discussion deals only with ADSs and shares of our common stock held as capital assets, and does not address any special

United States tax consequences that may be applicable to U.S. holders who are subject to special situations such as those of dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, traders in securities that elect to use the mark-to-market method of accounting for their securities, persons holding ADSs or shares of our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons owning 10% or more of our voting stock, persons liable for alternative minimum tax, investors in pass-through entities or persons whose "functional currency" is not the United States dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the Deposit Agreement, and all other related agreements, will be performed in accordance with their terms. PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SHARES OF COMMON STOCK OR ADSS SHOULD CONSULT THEIR OWN TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE AND LOCAL TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSS OR SHARES OF COMMON STOCK.

As used in the annual report, the term "U.S. holder" means a holder of ADSs or shares of common stock who is:

(i) an individual citizen or resident of the United States;

(ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

(iii) an estate, the income of which is subject to United States federal income taxation regardless of its source; or

(iv) a trust that:

(x) is subject to the supervision of a court within the United States and the control of one or more United States persons as described in section 7701(a)(30) of the Code; or

(y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds ADSs or shares of our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding ADSs, or shares of our common stock, should consult their tax advisors.

ADSs

In general, for United States federal income tax purposes, U.S. holders of ADSs will be treated as the owners of the underlying shares of common stock that are represented by such ADSs. Accordingly, deposits or withdrawals of shares of common stock by U.S. holders for ADSs will not be subject to United States federal income tax.

Cash Dividends and Other Distributions

Cash dividends (including the amount of any Chilean taxes withheld) paid to U.S. holders with respect to ADSs or shares of common stock will generally be treated as dividend income to such holders, to the extent paid out of current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income shall be included in the gross income of a U.S. holder as ordinary income on the day received by the U.S. holder, in the case of shares of common stock, or by the depositary, in the case of ADSs. The dividends will not be eligible for the dividends-received deduction allowed to corporations. With respect to U.S.

non-corporate investors, certain dividends received before January 1, 2009 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the New York Stock Exchange), but not our shares of common stock, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our shares currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Non-corporate U.S. holders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

The amount of any dividend paid in Chilean pesos will equal the United States dollar value of the Chilean pesos received calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. holder, in the case of shares of common stock, or by the depositary, in the case of ADSs, regardless of whether the Chilean pesos are converted into United States dollars. If the Chilean pesos received as a dividend are not converted into United States dollars on the date of receipt, a U.S. holder will have a basis in the Chilean pesos equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Chilean pesos will be treated as United States source ordinary income or loss.

Subject to certain conditions and limitations, Chilean withholding taxes (after taking into account the credit for the First Category Tax) may be treated as foreign taxes eligible for credit against a U.S. holder's United States federal income tax liability. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes or "baskets" of income. For purposes of calculating the foreign tax credit, dividends paid with respect to ADSs or shares of our common stock will be treated as income from sources outside the United States and will generally constitute "passive income" or, in the case of certain U.S. holders, "financial services income." Special rules apply to certain individuals whose foreign source income during the taxable year consists entirely of "qualified passive income" and whose creditable foreign taxes paid or accrued during the taxable year do not exceed $300 ($600 in the case of a joint return). Further, in certain circumstances, a U.S. holder that has held shares of our common stock or ADSs for less than a specified minimum period during which it is not protected from risk of loss, or is obligated to make payments related to the dividends, will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on shares of our common stock or ADSs. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances, including the possible adverse impact on creditability to the extent a U.S. holder is entitled to a refund of any Chilean taxes withheld or a reduced rate of withholding.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the shares of common stock or ADSs (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the investor on a subsequent disposition of the shares of common stock or ADSs), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. Consequently, such distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and a U.S. holder would generally not be able to use the foreign tax credit arising from any Chilean withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States tax due on other foreign source income in the appropriate category for foreign tax credit purposes.

Distributions to U.S. holders of ADSs, additional shares of common stock, or preemptive rights with respect to shares of common stock that are made, as part of a pro rata distribution, to all shareholders of our company, will generally not be subject to United States federal income tax.

Passive Foreign Investment Companies

We do not believe that we are a passive foreign investment company (a "PFIC") for United States federal income tax purposes, and expect to continue our operations in such a manner that we will not become a PFIC. If, however, we are or become a PFIC, U.S. holders could be subject to additional United States federal income taxes on gain recognized with respect to the ADSs or shares of common stock and on certain distributions, plus an interest charge on certain taxes treated as having been deferred by the U.S. holder under the PFIC rules.

Non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us prior to January 1, 2009, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

Capital Gains

Upon the sale or other disposition of ADSs or shares of common stock (or preemptive rights with respect to such shares), U.S. holders will recognize capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the amount realized for the ADSs or shares of common stock (or preemptive rights), and the U.S. holder's basis in the ADSs or shares of common stock (or preemptive rights). Such gain or loss will generally be a capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. U.S. holders will not recognize gain or loss on the exercise of preemptive rights. Any gain or loss recognized by a U.S. holder generally will be treated as United States source gain or loss. Consequently, in the case of a disposition of shares of common stock (which, unlike a disposition of ADSs, may be taxable in Chile), the U.S. holder may not be able to use the foreign tax credit for Chilean tax imposed on the gain unless it can apply the credit, subject to applicable limitations, against tax due on other income from foreign sources.

Estate and Gift Taxation

As discussed above under "Chilean Tax Considerations-Other Chilean Taxes", there are no Chilean inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of

ADSs by a foreign holder, but such taxes generally will apply to the transfer at death or by gift of shares of common stock by a foreign holder. The amount of any inheritance tax paid to Chile may be eligible for credit against the amount of United States federal estate tax imposed on the estate of a U.S. holder. Prospective purchasers should consult their personal tax advisors to determine whether and to what extent they may be entitled to such credit. The Chilean gift tax generally will not be treated as a creditable foreign tax for United States tax purposes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends paid in respect of ADSs or shares of common stock or the proceeds received on the sale, exchange or redemption of ADSs or shares of common stock within the United States (and in certain cases, outside the United States) by U.S. holders other than certain exempt recipients (such as corporations). A backup withholding tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number or certification of other exempt status or fails to report interest and dividends required to be shown on its United States federal income tax returns.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. holder's United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Incorporation of Certain Documents by Reference

We will provide free of charge to each person to whom this report is delivered, upon receipt of the written, or oral, request of any such person, a copy of any or all the documents incorporated in this annual report by reference (other than exhibits, unless such exhibits are specifically incorporated by reference in such documents). Written requests for such copies should be directed to Cristalerias de Chile S.A., Hendaya 60, of. 201, Las Condes, Santiago, Chile, Attention: Investor Relations. Telephone requests can be directed to 562-787-8855. Fax requests to 562-787-8800

ITEM 11: Quantitative and Qualitative Disclosures about Market Risk

Quantitative and Qualitative Disclosures about Market Risk (2003)

The following analysis of our risk management activities includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ materially from those projected in these forward-looking statements. See Introduction "Disclosure Regarding Forward-Looking Statements".

The Company faces market risk in two major areas: (i) variations in interest rates, and (ii) foreign exchange rate fluctuations. The most significant interest rate risk is our exposure to changes in the LIBOR and TAB[5] rates that could affect consolidated bank liabilities, which totaled approximately Ch$37,383 million as of December 31, 2003 (Ch$49,138 million as of December 31, 2002).

The most significant foreign exchange rate risk is in the variation of the Chilean peso against the U.S. dollar. We had operating liabilities of approximately Ch$40,826 million and operating assets of approximately Ch$17,612 million denominated in U.S. dollars as of December 31, 2003

---

[5] TAB = Active Banking Rate. Rate calculated by the Association of Banks and Financial Institutions on the basis of maximum interest payable on deposits plus reserve requirement and inflation.

(Ch$52,704 million and Ch$10,897 million, respectively, as of December 31, 2002). In addition, we had non-operating assets denominated in U.S. dollars of approximately Ch$78,121 million and US$86.1 million in financial investments denominated in U.S. dollars as of December 31, 2003 (Ch$74,230 million and US$106.2 million respectively in 2002). In addition, we face risk from purchases of raw materials that are denominated in US dollars, such as soda ash and energy (natural gas, electric power and fuel oil) in the case of the glass container business and labels, bottles and corks in the case of the wine business.

We mitigate foreign exchange rate fluctuation risk in our U.S. denominated bank liabilities through U.S. sales exports, a net investment hedge in Argentina, and the use of foreign currency forward contracts. A portion of this risk is mitigated by sales in U.S. dollars that are offset by costs that are largely measured in Chilean pesos. During 2003 approximately 36% of the Company's consolidated sales were indexed to the variation of the dollar/peso exchange rate (36.7% in 2002). While the Company generally enters into derivative instruments to mitigate its risk to foreign currency, from time to time it enters into foreign currency forward contracts. Those foreign currency forward exchange contracts that form part of the Company's hedging program are designated as such, and are effective as hedges. The amounts payable and the amounts receivable related to foreign exchange hedging contracts are recognized on a net basis under Other Current Liabilities as of December 31, 2003 and 2002. Amounts payable or receivable under these contracts offset gains and losses on the assets, liabilities and transactions being hedged and are presented on a net basis at the end of the period and are classified according to a contract's expiration date.

Although the actual foreign currency exchange risk to which we are exposed depends upon the fluctuation of foreign exchange rates in which monetary assets and liabilities are maintained as compared to the Chilean peso, for accounting purposes our results from operations are affected by variations in the exchange rate between the U.S. dollar and the Chilean peso due to the application of BT 64. Under this Chilean accounting standard, the effects of re-measuring our non-Chilean investments into U.S. dollars are recorded in income, while the accumulated effects of Chilean peso to U.S. dollar exchange rate fluctuations are recorded in equity, net of any price-level restatement due to the effects of Chilean inflation on such foreign investment amounts. As of December 31, 2003 we have dollar purchase forward exchange contracts in the amount of US$44.6 million, that are mainly compensated by dollar sale future exchange contracts of US$41.6 million; to manage exposure related to certain foreign currency commitments, certain foreign currency denominated balance sheet positions, and certain anticipated foreign currency denominated expenditures. In 2002 we entered into foreign currency forward exchange contracts in the amount of US$130.6 million.

Risk of Variations in Floating Interest Rates

We are exposed to market risk from changes in interest rates on our short and long-term debt. As of December 31, 2003, consolidated bank liabilities totaled approximately Ch$37,383 million, of which Ch$32,095 million correspond to loans in foreign currency at variable interest rates related to the 6-month LIBOR plus 0.8% annually, Ch$4,492 million correspond to loans in adjustable pesos in UFs exposed to changes in 90 and 180 days TAB and Ch$796 million in loans in pesos at a fixed annual rate of 4.94%.

As of December 31, 2002, consolidated bank liabilities totaled approximately Ch$49,138 million, of which Ch$41,855 million correspond to loans in foreign currency at variable interest rates related to the 6-month LIBOR, Ch$6,208 million correspond to loans in adjustable pesos in UFs exposed to changes in the 6-month TAB and Ch$1,073 million in loans in pesos at a fixed annual rate of 4.94%.

Of our obligations with the public, totaling Ch$90,955 million as of December 2003, Ch$71,072 correspond to bonds issued by Cristalerias de Chile and Ch$20,358 million to bonds issued by Vina Santa Rita; both at fixed interest rates.

Furthermore, as of December 31, 2003, we held a total of approximately Ch$72,096 million in short and long-term financial investments such as time deposits, bonds, fixed rate mutual funds and resale agreements. The interest rates for these investments vary at each renewal.

We are not a party to any agreement involving derivative financial instruments to reduce exposure to adverse fluctuations in interest rates.

The table below provides information about our short and long-term debt and investments, by fixed and variable interest rates as of December 31, 2003:

As of December 31, 2003 (Ch$ in millions)

	Short-term			Long-Term		
	Floating rate		Fixed rate	Floating rate		Fixed ra
	LIBOR	TAB		LIBOR	TAB	
Bank liabilities	2,135	1,688	265	29,960	2,804	53
Bonds			1,754			89,676
Total debt	2,135	1,688	2,019	29,960	2,804	90,20
Time deposits			4,266			

Marketable securities			59,615			
Other current assets			12,755			
Total investments	---	---	76,636	---	---	---
Net Debt (Investments)	2,135	1,688	(74,617)	29,960	2,804	90,20

----

(1) Dollar denominated assets and liabilities have been converted to pesos based on the Observed Exchange Rate, as of December 31, 2003, which was Ch$593.80 = US$1.00.

The table below provides information about our short and long-term debt and investments, by fixed and variable interest rates as of December 31, 2002:

	As of December 31, 2002 (Ch$ in millions)					
	Short-term			Long-Term		
	Floating rate		Fixed rate	Floating rate		Fixed ra
	LIBOR	TAB		LIBOR	TAB	
Bank liabilities	3,046	1,153	216	38,809	5,055	85
Bonds			1,967			89,6
Total debt	3,046	1,153	2,183	38,809	5,055	90,48
Time deposits			13,112			
Marketable securities			68,138			
Other current assets			15,561			
Total investments	---	---	96,811	---	---	---
Net Debt (Investments)	3,046	1,153	(94,628)	38,809	5,055	90,487

----

(1) Dollar denominated assets and liabilities have been converted to pesos based on the Observed Exchange Rate, as of December 31, 2002, which was Ch$718.61 = US$1.00.

The following table summarizes the debt obligations held by our company, as of December 31, 2003, which are sensitive to changes in interest rates. The table presents principal payment obligations that exist by maturity date and the related weighted average interest rate. U.S. dollar-denominated liabilities have been converted to pesos based on the Observed Exchange Rate, as of December 31, 2003, which was Ch$593.80=US$1.00.

	As of December 31, 2003 Expected maturity date					
	2004	2005	2006	2007	2008	T
	(Ch$ Equivalent in millions)					
Bank Liabilities						
Short and long-term Bank Liabilities:						
Fixed Rate						
Ch$ denominated (3)	265.6	266.8	264.4	---	---	
Average interest rate (%)(2)	4.94%	4.94%	4.94%	---	---	--
US$ denominated	---	---	---	---	---	
Average interest rate (%)(2)	---	---	---	---	---	-
Variable Rate						
Ch$ denominated (3)	1,688.1	1,033.2	906.3	864.0	---	
Average interest rate (%)(4)(2)	5.11%	5.26%	5.26%	5.26%		
US$ denominated	2,134.8	234.0	14,871.5	14,854.2	---	-
Average interest rate (%)(2)	1.90%	1.99%	1.99%	1.99%		

----

1. These figures were calculated based on the discount value of future cash flows expected to be received or paid, considering current discount rates that reflect the different risks involved.
2. Average interest rate means, for variable rate debt, the average prevailing interest rate on December 31, 2003, on Cristalerias' variable rate debt, and for fixed rate debt, the average prevailing interest rate on December 31, 2003, on Cristalerias' fixed rate debt.
3. These figures were calculated based on the Observed Exchange Rate, as of December 31, 2003, which was Ch$593.8=US$ 1.00.
4. Calculated using the 360 days TAB (Chilean Active Bank Rate), which was 3.36% in 12/31/2003.

The following table summarizes the debt obligations held by our company, as of December 31, 2002, which are sensitive to changes in interest rates. The table presents principal payment obligations that exist by maturity date and the related weighted average interest rate. U.S. dollar-denominated liabilities have been converted to pesos based on the Observed Exchange Rate, as of December 31, 2002, which was Ch$718.61=US$1.00.

92

As of December 31, 2002
Expected maturity date

	2004	2005	2006	2007	2008	T
				(Ch$ Equivalent in millions)		
Bank Liabilities						
Short and long-term Bank Liabilities:						
Fixed Rate						
Ch$ denominated (3)	10.6	---	---	---	---	-
Average interest rate (%) (2)	3.2%	---	---	---	---	-
US$ denominated	---	---	---	---	---	-
Average interest rate (%) (2)	---	---	---	---	---	-
Variable Rate						
Ch$ denominated (3)	1,422.0	2,523.5	1,566.7	905.9	863.6	-
Average interest rate (%)(4)(2)	3.87%	2.56%	3.16%	2.22%	2.21%	-
US$ denominated	2,983.9	2,272.1	297.5	18,146.7	18,144.9	-
Average interest rate (%) (2)	2.42%	2.49%	4.24%	2.68%	2.68%	-

----

1. These figures were calculated based on the discount value of future cash flows expected to be received or paid, considering current discount rates that reflect the different risks involved.
2. Average interest rate means, for variable rate debt, the average prevailing interest rate on December 31, 2002, on Cristalerias' variable rate debt, and for fixed rate debt, the average prevailing interest rate on December 31, 2002, on Cristalerias' fixed rate debt.
3. These figures were calculated based on the Observed Exchange Rate, as of December 31, 2002, which was Ch$718.61=US$ 1.00.
4. Calculated using the 360 days TAB (Chilean Active Bank Rate), which was 0.32% on 02/01/03.

The following table summarizes the public debt obligations held by our company, as of December 31, 2003. The table presents principal payment obligations that exist by maturity date and the related interest rate.

	As of December 31, 2003 Expected maturity date					
	2004	2005	2006	2007	2008	T
				(Ch$ Equivalent in millions)		
Short-term:						
Fixed Rate						
ChUF$ denominated	---	---	---	---	---	
Interest rate (%)	---	---	---	---	---	
Long-Term:						
ChUF$ denominated	1,754.3	3,384.0	---	---	33,840.0	5
Interest rate (%)	5.36%	6.25%	---	---	4.75%	

The following table summarizes the public debt obligations held by our company, as of December 31, 2002. The table presents principal payment obligations that exist by maturity date and the related interest rate.

	As of December 31, 2002 Expected maturity date					
	2004	2005	2006	2007	2008	T
				(Ch$ Equivalent in millions)		
Bonds						
Short-term:						
Fixed Rate	---	---	---	---	---	
ChUF$ denominated	---	---	---	---	---	
Interest rate (%)	---	---	---	---	---	
Long-Term:						
ChUF$ denominated	1,966.3	---	3,382.3	---	---	8
Interest rate (%)	5.51%	---	6.25%	---	---	

Risk of Variations in Foreign Currency Exchange Rates

Our consolidated results are exposed to variations in exchange rates, particularly to fluctuations in the peso-U.S. dollar exchange rate. As of December 31, 2003, we held U.S. dollar-denominated operating assets totaling approximately Ch$17,612 million and U.S. dollar-denominated liabilities of approximately Ch$40,826 million. As a result, we had a net exposure of Ch$23,214 million. As of December 31, 2002, we held U.S. dollar-denominated operating assets totaling approximately Ch$10,897 million and U.S. dollar-denominated liabilities of approximately Ch$52,704 million. As a result, we had a net exposure of Ch$41,807 million.

The table below provides information about our U.S. dollar-denominated operating assets and liabilities:

	December 31, 2002 (Ch$ in millions)	December 31, 2003 (Ch$ in millions)
On-Balance Sheet Financial Instruments (1)		
Assets		
Cash	333.1	465.4

Miscellaneous Receivables	4,491.9	4,920.4
Other assets	6,072.3	12,226.5
Total assets	10,897.3	17,612.3
Liabilities		
Obligations to Banks	40,383.2	31,900.9
Accounts payable	3,158.5	1,439.2
Documents payable	2,367.4	1,762.3
Accrued expenses	5,424.8	4,931.6
Miscellaneous Creditors	1,370.3	792.1
Total liabilities	52,704.2	40,826.1

[(1) ADD FN TEXT HERE]

As of December 31, 2003, we held approximately Ch$2,665 million in U.S. dollar-denominated time deposits, Ch$37,066 million in marketable securities, as well as foreign currency forward contracts to purchase U.S. dollars totaling US$ 44.6 million and foreign currency forward contracts to sell U.S. dollars totaling US$41.6 million.

94

As of December 31, 2002, we held approximately Ch$3,301 million in U.S. dollar-denominated time deposits, Ch$64,253 million in marketable securities, as well as foreign currency forward contracts to purchase U.S. dollars totaling US$ 130.6 million.

The table below provides information about our U.S. dollar-denominated time deposits and forward exchange agreements that are sensitive to foreign currency exchange rates as of December 31, 2003:

	As of December 31, 2003 Expected maturity date					
	2004	2005	2006	2007	2008	Thereaft
On-Balance Sheet Financial Instruments			(Ch$ in millions)			
US$ Time Deposits	2,665	---	---	---	---	---
Marketable Securities	37,066	---	---	---	---	---
Long-Term Bonds	---	8,036	---	---	---	---
Reverse Repurchase agreements	3,586	---	---	---	---	---
Anticipated Transactions and Related Derivatives			Expected transaction date (Ch$ in millions)			
Forward Exchange agreements (Receive US$/Pay UF): (1)						
Contract Amount (2)	---	---	---	---	---	---
Average Contractual Exchange Rate						

(UF/US$) Forward Exchange agreements						
(Receives Ch$/Pays US$)						
Contract Amount (3)	(2,398)	---	---	---	---	---
Average Contractual Exchange Rate (Ch$/US$)	662.83					

(1) The UF-U.S. dollar exchange rate differs from the peso-U.S. dollar exchange rate because the UF automatically adjusts with Chilean inflation and is tied in part to the peso-U.S. dollar exchange rate.
(2) These figures were calculated based on the Observed Exchange Rate as of December 31, 2003, which was Ch$593.80=US$1.00.
(3) This average exchange rate includes Dollar purchase forward exchange contracts of US$44.6 million and Dollar sale future exchange contracts of US$41.6 millin, which take into account an average exchange rate of Ch$686.91/US$1 and Ch$638.74/US$1 respectively.

The table below provides information about our U.S. dollar-denominated time deposits and forward exchange agreements that are sensitive to foreign currency exchange rates, as of December 31, 2002:

	As of December 31, 2002 Expected maturity date					
	2003	2004	2005	2006	2007	Thereaft
On-Balance Sheet Financial Instruments	(Ch$ in millions)					
US$ Time Deposits	3,301	---	---	---	---	---
Marketable Securities	64,253	---	---	---	---	---
Long-Term Bonds	---	---	9,938	---	---	---
Reverse Repurchase agreements	5,692	---	---	---	---	---

	Expected transaction date (Ch$ in millions)					
Anticipated Transactions and Related Derivatives						
Forward Exchange agreements						
(Receive US$/Pay UF): (1)						
Contract Amount (2)	(628)	---	---	---	---	---
Average Contractual Exchange Rate (UF/US$)	0.04295					
Forward Exchange agreements						
(Receives Euros/Pays US$)						
Contract Amount (3)	---	---	---	---	---	---
Average Contractual Exchange Rate (US$/Euro)						

(1) The UF-U.S. dollar exchange rate differs from the peso-U.S. dollar exchange rate because the UF automatically adjusts with Chilean inflation

and is tied in part to the peso-U.S. dollar exchange rate.

(2) These figures were calculated based on the Observed Exchange Rate as of December 31, 2002, which was Ch$718.61=US$1.00.

In addition, during 2003, approximately 36% of our consolidated sales were denominated in U.S. dollars (36.7% in 2002). These sales stemmed primarily from the exports of wine from Vina Santa Rita and from sales by Cristalerias in Chile for contracts denominated in U.S. dollars. Furthermore, during 2003, 30% of our consolidated costs, were denominated in U.S. dollars (27.4% in 2002). In the case of the glass container business approximately 34% of sales and 27% of costs were denominated in US Dollars (34% and 28% respectively in 2002); the latter mainly related to costs of raw materials such as soda ash and energy. In the case of Santa Rita approximately 54.5% of consolidated sales and 34.0% of consolidated costs are denominated in US Dollars; the latter mainly corresponding to dry costs such as corks, labels and bottles.

As of December 31, 2003, we held investments in Argentina of Ch$16,150 million as represented by a 40% ownership interest in Rayen Cura S.A.I.C., which has been remeasured into U.S. dollars as required under BT 64 (Ch$20,763 million in 2002).

Other Risks

i. Competition

The glass containers industry in Chile is subject to substitutes such as plastics, tetra packs and aluminum and steel cans. Additionally, the Company faces competition from a local producer and from imports of glass containers. An increase in the level of competition could affect the Company's sales and/or its margins, and therefore impact negatively its results. At the same time it is worth mentioning that the Company has an important market share in each of the glass container segments in which it participates as well as the advantages that glass has compared with potential substitutes. In addition, the Company owns 50% of a plastic containers producer, Envases CMF S.A., and owns 40% of Rayen Cura S.A.I.C., a glass producer located in the province of Mendoza, Republic of Argentina.

In the case of the wine business there is a high level of competition in the local market that allows fluctuations in the Company's profitability. In relation to foreign markets, the level of globalization and the large amount of participants in the wine industry make these markets highly competitive.

ii. Concentration of sales to the wine sector

During 2003 59.7% of individual sales of the glass business in Chile were glass containers for the wine sector. Of this total, 81% was attributable to wine exports. In this way, potential problems in the commercialization or production of Chilean wine could negatively affect the Company's results. In addition, it is noteworthy that 44.1% of the Company's consolidated sales correspond to sales of Vina Santa Rita.

Agricultural risk

Production of fine wines depends importantly of quantity and quality of harvested grapes. Being an agricultural activity, grapes harvest is influenced by factors such as weather and plagues. Likewise, a higher than expected harvest represents a reduction of direct costs, and, at the same time, could have negative effects in the sale price of the final product. Vina Santa Rita has demanding quality standards on its agricultural assets administration, which include, among others: plague resistant plantations, deep wells that ensure a higher water availability and frost and hail control systems in the majority of its vineyards, in order to reduce exposure to the aforementioned factors. Additionally, Vina Santa Rita has invested in plantations in order to increase self supply for its fine wines production.

ITEM 12: Description of Securities other than Equity Securities

Not Applicable

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

Not Applicable

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not Applicable

ITEM 15: Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

Furthermore, there were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 16: Reserved

ITEM 16A. Audit Committee Financial Expert

In accordance with Chilean laws and regulations, our Board of Directors, at its meeting on April 19, 2003, elected the following three members of what is called the "Committee of Directors," which is the Audit Committee:

- Mr. Juan Agustin Figueroa Yavar, President
- Mr. Joaquin Barros Fontaine
- Mr. Patricio Claro Grez

The Board is in the process of evaluating whether any current member of the Audit Committee qualifies as an "audit committee financial expert," as the term is defined in Item 16A of Form 20-F. If the evaluation, once complete, shows that no current member of the Audit Committee is qualified as such an expert, the Board of Directors intends to propose an appropriately qualified audit committee financial expert as a candidate to the Audit Committee.

ITEM 16B. Conduct Ruling

We have adopted a conduct ruling that applies to our chief executive officer and all senior financial officers of our company, including the chief financial officer, corporate comptroller and accounting officer. Our conduct ruling is filed as Exhibit 11.1. If we make any substantive amendment to the conduct ruling or grant any waivers, including any implicit waiver, from a provision of the conduct ruling, we will disclose the nature of such amendment or wavier on our website, www.cristalchile.com.

ITEM 16C.Principal Accountant Fees and Services

The following table sets forth the fees billed to us by our independent auditors, Ernst & Young Limitada, during the fiscal years ended December 31, 2002 and 2003:

	Year ended December 31,	
	2002	2003
	(Ch$ in constant millions)	
Audit fees (1)	85	85
Audit-related fees (2)	--	--
Tax fees (3)	--	--
Other fees (4)	--	--
Total fees	85	85

----

(1) Audit Fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.

(2) Audit-Related Fees relate to assurance and associated services that traditionally are performed by the independent accountant, including:

attest services that are not required by statute or regulation; accounting consultation and audits in connection with mergers, acquisitions and divestitures; employee benefit plans audits; and consultation concerning financial accounting and reporting standards.
(3) Tax and Legal Fees relate to services performed by the tax division for tax compliance, planning, and advice.
(4) All Other Fees relate to products and services provided by the principal accountant that are not otherwise described in this table.

Audit fees in the above table are the aggregate fees billed and contracted to be billed by Ernst & Young Limitada in connection with the audit of our 2003 annual financial statements, statutory and regulatory filings and engagements, including the review of our interim financial statements as of and for the period ended June 30, 2003.

We did not incur any audit-related fees, tax fees or other fees with Ernst & Young Limitada. Audit-related fees would include assurance and related services that are related to the performance of the audit or review of our financial statements. Tax fees would include tax compliance, tax advice, and tax planning.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee. Any service proposals submitted by external auditors need to be discussed and approved by the audit committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. In addition, the members of our board of directors are briefed on matters discussed by the different committees of our board.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2003, no issuer or affiliated party repurchases were made pursuant to publicly announced plans or programs or not pursuant to such plans.

99

PART III

ITEM 17: Financial Statements

Our financial statements have been prepared in accordance with Item 18 hereof.

ITEM 18: Financial Statements

The following consolidated financial statements of our company and its subsidiaries are included at the end of this annual report:

The following consolidated financial statements of Cordillera Comunicaciones Ltda. and its subsidiaries are included at the end of this annual report:

ITEM 19: Exhibits

The exhibits filed with or incorporated by reference in this annual report are listed in the index of exhibits below.

Exhibit Number	Description
12.1	Certification of Mr. Cirilo Elton Gonzalez pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
12.2	Certification of Mr. Rodrigo Palacios Fitz-Henry, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
13.1	Certification of Mr. Cirilo Elton Gonzalez pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 (filed herewith).
13.2	Certification of Mr. Rodrigo Palacios Fitz-Henry pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 (filed herewith).
8.1	List of Cristalerias Subsidiaries (filed herewith).
11.1	Conduct Ruling of the company (filed herewith).

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003
together with the Reports of Independent Auditors

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES

Index to Consolidated Financial Statements

Ch$ - Chilean pesos
ThCh$ - Thousands of Chilean pesos
US$ - United States dollars
ThUS$ - Thousands of United States dollars

UF - Unidad de Fomento "UF" is a daily, indexed, peso-denominated accounting unit. The UF rate is set daily in advance based on the change in the Chilean Consumer Price Index of the previous month.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Cristalerias de Chile S.A.:

We have audited the accompanying consolidated balance sheets of Cristalerias de Chile S.A. and Subsidiaries (the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company for the year ended December 31, 2001 were audited by Langton Clarke, a member of Andersen Worldwide, who issued an unqualified opinion in their report dated February 28, 2002, except for Notes 2(a), 2(b), 35 and 39 for which the date was May 29, 2002. Andersen Worldwide has ceased operating as a member of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cristalerias de

Chile S.A. and Subsidiaries as of December 31, 2002 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 37 to the consolidated financial statements).

/s/ Ernst & Young

ERNST & YOUNG LTDA.
Santiago, Chile
February 26, 2004

This is a copy of a previously issued Arthur Andersen - Langton Clarke report. Arthur Andersen - Langton Clarke has not reissued the report, nor has Arthur Andersen - Langton Clarke consented to the inclusion of the report.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Cristalerias de Chile S.A.:

We have audited the accompanying consolidated balance sheets of Cristalerias de Chile S.A. (the "Company") and subsidiaries as of December 31, 2000 and 2001 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001, all expressed in thousands of constant Chilean pesos. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Chile, but do not conform with accounting principles generally accepted in the United States of America. A description of these differences and a reconciliation of consolidated net income and shareholders' equity under accounting principles generally accepted in Chile to the corresponding amounts that would be reported in accordance with accounting principles generally accepted in the United States, except for the omissions, as allowed pursuant to Item 18 of SEC Form 20-F, of adjustments necessary to eliminate the effect of price-level changes and the translation of non-Chilean operations described in Notes 2(b) and 2(t), is set forth in Note 39 to these consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cristalerias de Chile S.A. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Chile.

As explained in Note 3 to these consolidated financial statements, on January 1, 2000 the Company prospectively recorded the tax effects of temporary differences adopted using the liability method in accordance with Technical Bulletins No. 60 and 68 issued by the Chilean Association of Accountants and Circular No. 1,466 issued by the Chilean Superintendency of Securities and Insurance.

LANGTON CLARKE
Santiago, Chile February 28, 2002,
(except for Notes 2(a), 2(b), 35 and 39 for which the date is May 29, 2002)

F-3

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003 and thousands of U.S. dollars)

	As of Dec	
ASSETS	2002 ThCh$	2003 ThCh
CURRENT ASSETS:		
Cash	2,450,019	3,51
Time deposits (Note 4)	13,112,270	4,26
Marketable securities (Note 4)	68,137,825	59,61
Current receivables, net of allowance for doubtful accounts of ThCh$704,809 and ThCh$701,509 respectively (Note 5)	43,530,243	45,00
Accounts receivable from related companies (Note 6)	403,409	1,16
Inventories (Note 7)	32,129,652	31,88
Recoverable taxes, net (Note 8)	795,607	3,93
Prepaid expenses	1,718,272	1,63
Deferred income taxes (Note 8)	1,192,020	1,06
Other current assets (Note 9)	15,561,568	12,75
Total current assets	179,030,885	164,83
PROPERTY, PLANT AND EQUIPMENT (Note 11):		
Land	13,058,482	13,08
Buildings and construction	55,742,387	61,58
Machinery and equipment	132,480,170	144,25

Other property, plant and equipment	11,252,568	11,47
Technical revaluation of property, plant and equipment	7,713,765	6,60
Less: Accumulated depreciation	(91,550,235)	(100,86
Net property, plant and equipment	128,697,137	136,14
OTHER ASSETS:		
Investments in related companies (Note 12)	110,749,484	103,05
Investments in others companies (Note 13)	825,600	82
Long-term receivables	196,909	21
Accounts receivables from related companies (Note 6)	1,442	
Intangibles, net (Note 15)	10,771,986	10,59
Goodwill, net (Note 14)	9,822,246	8,97
Other assets (Note 16)	16,907,513	13,29
Total other assets	149,275,180	136,96
Total assets	457,003,202	437,94

The accompanying notes are an integral part of these consolidated financial

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003
and thousands of U.S. dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	As
	2002 ThCh$
CURRENT LIABILITIES:	
Short-term bank liabilities (Note 17)	10,590
Current portion of long-term bank liabilities (Note 17)	4,405,941
Current portion of bonds payable (Note 19)	1,966,286
Dividends payable	729,869
Trade accounts payable	13,399,179
Miscellaneous creditors	2,440,235
Accounts payable to related companies (Note 6)	890,409
Accrued expenses (Note 20)	10,872,844
Withholdings	2,714,583

Unearned income	1,634,702
Other current liabilities (Note 18)	628,635
Total current liabilities	39,693,273
LONG-TERM LIABILITIES:	
Long-term bank liabilities (Note 17)	44,720,914
Bonds payable (Note 19)	89,631,274
Accounts payable	14,210
Miscellaneous creditors	2,505,839
Accrued expenses (Note 20)	5,627,116
Deferred income taxes (Note 8)	4,046,876
Total long-term liabilities	146,546,229
COMMITMENTS AND CONTINGENCIES (Note 29):	
MINORITY INTEREST (Note 21):	37,120,269
SHAREHOLDERS' EQUITY (Note 22):	
Authorized, subscribed and paid-in capital represented by 64,000,000 shares with no par value	65,396,749
Share premium	27,874,377
Other reserves	9,810,228
Retained earnings	112,724,808
Net income	17,837,269
Total shareholders' equity	233,643,431
Total liabilities and shareholders' equity	457,003,202

The accompanying notes are an integral part of these consolidated fin

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Translation of financial statements originally issued in Spanish - See Note 2) (Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 and thousands of U.S. dollars)

	Years ended De	
	2001	2002
	ThCh$	ThCh$

OPERATING RESULTS:		
Net sales	147,648,547	162,667,833
Cost of sales	(90,986,823)	(95,725,678)
Gross margin	56,661,724	66,942,155
Selling and administrative expenses	(22,764,040)	(24,915,744)
Operating income	33,897,684	42,026,411
NON-OPERATING RESULTS:		
Net interest expense (Note 23)	(4,256,736)	(4,329,668)
Equity participation in net income (loss) of related companies (Note 12)	(7,692,604)	(8,991,404)
Other non-operating income (Note 23)	6,980,179	1,276,956
Other non-operating expense (Note 23)	(2,857,052)	(4,114,556)
Price-level restatement, net (Note 24)	(2,361,148)	(1,970,860)
Foreign currency translation, net (Note 25)	1,401,312	4,997,842
Non-operating income (loss)	(8,786,049)	(13,131,690)
Income before income taxes and minority interest	25,111,635	28,894,721
Income taxes (Note 8)	(5,183,099)	(6,461,791)
Extraordinary income (Note 26)	1,857,013	-
Income before minority interest	21,785,549	22,432,930
Minority interest (Note 21)	(3,298,782)	(4,595,661)
Net income	18,486,767	17,837,269

The accompanying notes are an integral part of these consolidated fina

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Expressed in thousands of historical Chilean pesos, except as stated)

	Share Capital ThCh$	Share Premium ThCh$	Other Reserves ThCh$	Retained Earnings ThCh$	Previ Year's Inco ThC

Balance as of January 1, 2001	60,973,186	25,988,901	6,058,558	87,131,175	17,04
Profit distribution 2001	-	-	107,536	16,934,703	(17,04
Dividends	-	-	-	(8,996,480)	
Price-level restatement of equity accounts	1,890,169	805,655	172,570	3,070,988	
Currency translation adjustment	-	-	1,604,256	-	
Subsidiary start-up stage deficit	-	-	(123,129)	-	
Net income for the year	-	-	-	-	
Balance as of December 31, 2001	62,863,355	26,794,556	7,819,791	98,140,386	
Balance as of December 31, 2001 restated to constant Chilean Pesos as of December 31, 2003	65,396,749	27,874,377	8,134,929	102,095,444	
Balance as of January 1, 2002	62,863,355	26,794,556	7,819,791	98,140,386	17,77
Profit distribution 2002	-	-	123,129	17,647,482	(17,77
Dividends	-	-	-	(7,494,400)	
Price-level restatement of equity accounts	1,885,901	803,837	238,285	3,315,252	
Currency translation adjustment	-	-	1,531,894	-	
Net income for the year	-	-	-	-	
Balance as of December 31, 2002	64,749,256	27,598,393	9,713,099	111,608,720	-
Balance as of December 31, 2002 restated to constant Chilean Pesos as of December 31, 2003	65,396,749	27,874,377	9,810,228	112,724,808	
Balance as of January 1, 2003	64,749,256	27,598,393	9,713,099	111,608,720	17,66
Profit distribution 2003	-	-		17,660,662	(17,66
Dividends	-	-	-	(8,406,400)	
Price-level restatement of equity accounts	647,493	275,984	97,131	1,339,057	
Currency translation adjustment	-	-	(3,388,330)	-	
Net income for the year	-	-	-	-	
Balance as of December 31, 2003	65,396,749	27,874,377	6,421,900	122,202,039	

As of December 31, 2001, 2002 and 2003 there were 64,000,000 shares authorized, issued and outsta

The accompanying notes are an integral part of these consolidated financial

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003
and thousands of U.S. dollars)

	Years ended Dec	
	2001 ThCh$	2002 ThCh$
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	18,486,767	17,837,269
Net (gain) loss on sale of property and equipment	(44,944)	50,438
Net (gain) loss on sale of other assets	(2,070,142)	-
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	12,256,348	13,710,672
Amortization of intangibles	164,506	180,998
Amortization of bonds	243,585	206,036
Amortization of prepaids	851,293	394,263
Write-offs and provisions	4,038,228	8,518,965
Equity in net loss of related companies	7,692,604	8,991,404
Amortization of goodwill	855,611	653,119
Price-level restatement, net	2,361,148	1,970,860
Foreign exchange gain, net	(1,401,312)	(4,997,842)
Other, net	(845,431)	3,708,085
CHANGES IN OPERATING ASSETS:		
(Increase) decrease in current receivable	(6,108,279)	(4,645,631)
(Increase) decrease in inventories	865,030	(3,647,598)
Increase in other assets	(3,780,216)	(1,914,417)
CHANGES IN OPERATING LIABILITIES:		
Increase (decrease) in trade accounts payable	1,675,405	1,316,413
Increase (decrease) in bank liabilities	(1,106,081)	2,434,166
Increase (decrease) in income tax	1,579,465	582,027
Increase (decrease) in accounts payable to related companies	2,118,652	(200,725)
Increase (decrease) in withholdings	(257,894)	125,485
Loss in minority interest	3,298,782	4,595,661
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,873,125	49,869,648

The accompanying notes are an integral part of these consolidated financial s

F-8

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003 and thousands of U.S. dollars)

Years ended Decemb

	2001 ThCh$	2002 ThCh$	2 T
CASH FLOW FROM FINANCING ACTIVITIES:			
Borrowings from banks and others	8,802,865	3,173,791	
Bonds payable	19,045,096	69,077,493	
Borrowings from related companies	1,986,639	78,545	
Dividends paid	(9,834,314)	(9,246,022)	(9
Payment of loans	(12,180,660)	(45,549,482)	(4
Payment for bond issuance costs	-	(3,870,561)	
Repayment of bonds	(1,100,268)	(1,060,815)	
Payment of loans from related companies	(2,320,860)	(325,781)	
Other sources of financing	982,810	-	
Other finance payments	(163,477)	(458,765)	(1
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,217,831	11,818,403	(15
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	1,525,951	239,409	
Proceeds from sales of permanent investment	957,932	1,395	
Proceeds from sales of other investments	55,981,752	11,467,486	2
Proceeds from loans from related companies	1,384,696	90,831	2
Proceeds from forwards contracts	10,617,050	5,038,015	2
Additions to property, plant and equipment	(34,049,120)	(15,654,305)	(25
Disbursements for forward contracts	-	-	(9
Permanent investments	(4,091,354)	(4,112,747)	(3
Investment in financial instruments	(67,597,460)	(1,609,107)	(2
Related company loans	(157,778)	(31,002)	
Other investing activities	112,347	(477,609)	
NET CASH USED IN INVESTING ACTIVITIES	(35,315,986)	(5,047,634)	(34
TOTAL NET CASH FLOW OF THE PERIOD	10,774,970	56,640,417	(15
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS EQUIVALENTS	(1,302,575)	(1,708,086)	(3
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,472,395	54,932,331	(18
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	29,825,469	39,297,864	94
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	39,297,864	94,230,195	75

The accompanying notes are an integral part of these consolidated financial sta

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

1. BUSINESS DESCRIPTION

The primary activity of Cristalerias de Chile S.A. ("Cristalerias") and its subsidiaries (collectively, the "Company") is the production of glass bottles and plastic containers for the beverage industry. The Company also has majority holdings in companies within the communications and wine production industries. Virtually all the sales made by Cristalerias de Chile S.A. are within the domestic market, with the exception of wine bottle sales which have a significant export volume. In addition, Santa Rita also has a significant volume of export sales and is one of the largest exporters of wine in Chile.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis for preparation of financial statements:

The consolidated financial statements of the Company have been prepared on the basis of accounting principles generally accepted in Chile and specific guidelines issued by the Chilean Superintendency of Securities and Insurance (the "SVS"), which are collectively referred to as "Chilean GAAP". Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Chile do not conform with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Certain prior year amounts have been reclassified to conform to the current year method of presentation.

The preparation of financial statements in conformity with Chilean GAAP, along with the reconciliation to U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or the amount at which a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where available, quoted market prices in active markets have been used as the basis for the measurement; however, where quoted market prices in active markets are not available, the Company has estimated such values based on the best information available, including using modeling and other valuation techniques.

The accompanying financial statements reflect the consolidated results of operations of Cristalerias and its subsidiaries. All significant inter-company accounts have been eliminated in consolidation. The company consolidates the financial statements of the companies in which it controls a majority of voting shares. Investments in companies in the development stage are accounted for using the equity method, except that any participation in income or losses is included directly in shareholders' equity instead of being reflected in the Company's consolidated statement of income.

(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(a) Basis for preparation of financial statements, continued:

As of December 31, 2001, 2002 and 2003, Cristalerias consolidated the following companies:

Name			% Participatio
		2001	2002
Cristalchile Comunicaciones S.A.		99.99	99.99
Constructora Apoger S.A. "Apoger" (1)		80.00	80.00
CIECSA S.A. and subsidiaries "CIECSA" (2)		98.21	98.21
Vina Santa Rita "Santa Rita" (3)	54.10	54.10	54.10
Cristalchile Inversiones S.A.		99.99	99.99

(1) Apoger consolidates its subsidiary, Monte Azul Ltda. of which it owns 99.0%.
(2) Consolidated CIECSA S.A. includes the balances of its subsidiary, Megavision S.A. of which previously owned 78.01%. Beginning August 27, 2002, CIECSA's participation in Megavision S.A. increased to 99.99%. Beginning the third quarter of 2001, CIECSA's subsidiary, Ediciones Chiloe S.A. has not been consolidated, because ownership has decreased from 75% to 50%, and the Company no longer has control.
(3) Santa Rita and subsidiaries includes the balances of its subsidiaries, Vina Dona Paula S.A. and Vina Carmen S.A., of which it owns 99.0% and 100%, respectively. Sur Andino S.A., which is 100% owned and consolidated, was formed on March 1, 2001.

(b) Price-Level Restatement:

The financial statements have been price-level restated in order to reflect the effect of the changes in the purchasing power of the Chilean currency during each year. All non-monetary assets and liabilities and income statement accounts have been restated to reflect the changes in the Chilean consumer price index from the date they were acquired or incurred to year-end.

The purchasing power gain or loss included in net income within the account "price-level restatement" reflects the net effect of Chilean inflation on the monetary assets and liabilities held by the Company.

The restatements were calculated using the official consumer price index ("CPI") of the National Institute of Statistics and based on the "prior month rule", in which the inflation adjustments are based on the consumer price index at the close of the month preceding the close of the respective year or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(b) Price-Level Restatement, continued:

The values of the Chilean consumer price index used for financial accounting price-level restatement purposes are as follows:

	Index	Change over previous November 30
November 30, 2001	110.10	3.1%
November 30, 2002	113.36	3.0%
November 30, 2003	114.44	1.0%

By way of comparison, the year-end values of the Chilean consumer price index are as follows:

	Index	Change over previous December 31
December 31, 2001	109.76	2.6%
December 31, 2002	112.86	2.8%
December 31, 2003	114.07	1.1%

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

Assets and liabilities that are denominated in index-linked units of account are stated at the year-end values of the respective units of account. The principal index-linked unit used in Chile is the Unidad de Fomento (UF), which changes daily to reflect the changes in Chile's consumer price index. Many of the Company's investments and liabilities are denominated in UF. As the Company's indexed liabilities exceed its indexed assets, an increase in the index results in a net loss on indexation.

Values for the UF are as follows (historical pesos per UF):

	Ch$
December 31, 2001	16,262.66
December 31, 2002	16,744.12
December 31, 2003	16,920.00

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(b) Price-Level Restatement, continued:

Comparative financial statements:

All amounts in the financial statements and notes are expressed in constant Chilean pesos of December 31, 2003 purchasing power, unless otherwise stated. For comparative purposes, the December 31, 2001 and 2002 financial statements, and the amounts disclosed in the related footnotes have been restated by 4.0%(1) and 1.0%, respectively, in order to present such information in terms of Chilean pesos as of December 31, 2003. This updating does not change the prior year's statements or information in any way except to update the amounts to constant Chilean pesos of similar purchasing power.

(1) Originally reported 2001 figures multiplied by 3.0% then multiplied by 1.0%

(c) Assets and liabilities denominated in foreign currency:

Balances in foreign currencies have been translated into Chilean Pesos at the Observed Exchange Rate as reported by the Central Bank of Chile as follows:

		As of December 31,		
	Symbol	2001	2002	2003
		Ch$	Ch$	Ch$
U.S. Dollar	US$	654.79	718.61	593.80
Pound Sterling	GBP	948.01	1,152.91	1,056.21
German Mark (1)	DEM	296.36	-	-
Italian Lira (1)	ITL	0.30	-	-
Swiss Franc	CHF	390.62	517.69	477.64
French Franc (1)	FRF	88.36	-	-
Danish Corona (1)	DKK	77.82	-	-
Euro	EUR	578.18	752.55	744.95

expressed in thousands of constant Chilean pesos

Argentine peso (2)	ARG	385.17	216.45	204.05

(1) Beginning on January 1, 2002, these currencies have been replaced by the Euro.

(2) In recent years prior to December 31, 2001, the Argentine peso was pegged to the U.S. dollar at a rate of 1 Argentine peso to 1 U.S. dollar. In early December 2001, restrictions were put in place that prohibited cash withdrawals above a certain amount and foreign money transfers, with certain limited exceptions. While the legal exchange rate remained at 1 peso to 1 U.S. dollar, financial institutions were allowed to conduct only limited activity due to these controls, and currency exchange activity was effectively halted except for personal transactions in small amounts. In January 2002, the Argentine government announced its intent to create a dual currency system with an "official" fixed exchange rate of 1.4 pesos to 1 U.S. dollar for import and export transactions and a "free" floating exchange rate for other transactions. On January 11, 2002, the exchange rate market holiday ended and closing new "free" floating exchange rates ranged from 1.6 to 1.7 pesos to 1 U.S. dollar notwithstanding the official foreign exchange rate as of December 31, 2001, 2002 and 2003, in accordance with SVS Circular No. 81. The conversion of Argentine subsidiary financial statements reflect the conversion rate of 1.7, 3.32 and 2.91 pesos to 1 U.S. dollar, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(c) Assets and liabilities denominated in foreign currency, continued:

Transactions in foreign currencies are recorded at the exchange rate prevailing when the transactions occur. Foreign currency balances are translated at the exchange rate prevailing at the month end. The resulting translation gains and losses related to these balances are included in foreign exchange gains and losses in the income statement for the period to which they relate.

(d) Time deposits, marketable securities and investments under agreements to resell:

Time deposits and marketable securities are shown at cost plus price-level restatement (indexation) and accrued interest, which approximates the market value of these items.

Investments in mutual funds are presented at their redemption value at the end of each accounting period. Investment in other companies are recorded at the lower of price-level restated cost or market value.

Financial instruments acquired subject to reverse repurchase agreements are classified as Other Current Assets (see Note 9). These financial instruments are notes issued by the Chilean Central Bank, primarily denominated in UF and are stated at cost plus interest and indexation accrued at year-end.

Investments held by the Company in bonds of Celulosa Arauco are included in Other Assets and recorded at par value, without adjusting them to the market value because the Company intends to hold these bonds until their maturity (see Note 16).

(e) Inventories:

Inventories are valued at price-level restated cost, or at replacement cost, if lower. Finished goods are shown at restated direct costs, which include raw materials, energy and direct labor costs. Raw materials are valued at historical cost, which does not exceed net realizable value. Inventory costs are transferred to cost of sales on the basis of weighted-average cost.

Rights to show television programs and programs produced by Megavision are valued at cost less amortization. The inventory of programs is amortized on an accelerated basis over the number of contracted showings in order to match the higher income earned from the initial showings.

The stated values of inventories do not exceed their estimated net replacement cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(f) Property, plant and equipment:

Property, plant and equipment are presented at price-level restated cost; as further restated for permitted technical revaluations carried out during 1979 and 1986. Depreciation has been calculated on a straight-line basis, taking into account the estimated useful lives of the assets, which are as follows:

	Years
Buildings and construction	15 - 50
Machinery and equipment	5 - 20
Other	3 - 10

The Company accounts for repairs and maintenance expenditures that do not improve the operating capacity of its fixed assets as expenses. Expenditures such as betterments or significant improvements that enhance the operating capacity of its fixed assets are capitalized. When disposed of, the difference between the sales proceeds and the net book value of the fixed assets is treated as a gain or a loss.

(g) Investments in related companies:

Investments in companies in which the Company's participation exceeds 10% but is 50% or less are accounted for using the equity method unless the Company does not have significant control. In addition, if a company (such as Cristalerias) is part of a group under common control which owns more than 10% of the outstanding voting shares of a related company, each company in the controlled group which has an ownership interest in the related company accounts for its investment using the equity method. The Company's proportional share in net income and losses of related companies is recognized in non-operating income and expense in the Consolidated Statements of Income, after eliminating any unrealized profits from transactions between related companies.

(h) Staff severance indemnities:

The Company has recorded a liability for long-term service indemnities in accordance with the collective bargaining agreements entered into with its employees. This liability is shown at its current value, based on the amount that would be owed if the employees terminated their employment. In general, each employee is entitled to receive one month's salary for every year of service with the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(i) Deferred income taxes and tax income:

Prior to 2000, deferred income taxes were recorded based only on those non-recurring timing differences between the recognition of income and expense items for financial statement and tax purposes.

Under Chilean law, the Parent Company and its subsidiaries are required to file separate tax declarations.

Beginning January 1, 2000, the Company records deferred income taxes in accordance with Technical Bulletin No. 60 and related amendments, recognizing the deferred tax effects of all temporary differences between the financial and tax values of assets and liabilities, using the liability method.

The effect of the temporary differences existing at December 31, 1999 were recorded in complementary asset and liability accounts, and will be recognized in the statement of operations in the period in which they reverse.

(j) Allowance for doubtful accounts:

The Company and its subsidiaries have established an allowance for doubtful accounts, which for presentation purposes is deducted from accounts receivables and notes receivables. The criteria used in determining the allowance is based on the aging of the balances due.

(k) Intangibles:

Intangible assets comprise the value paid by Megavision in 1990 for the right to use the Channel 9 television frequency and its regional channels network and certain trademarks held by Santa Rita. The television broadcast rights have a long productive life, and according to commercial transactions it has maintained its economic value. The television broadcast rights are being amortized over a 40 year period on a decelerated basis, that is, the depreciation charge will increase as a proportion of the remaining balance. The decelerated basis has been chosen in order to match the amortization expense with the expected increases in advertising revenue. Trademarks are carried at historical cost plus price-level restatement. Beginning January 1, 1998, Santa Rita began to amortize these trademarks on a straight-line basis over a 40-year period.

(l) Goodwill and negative goodwill:

Goodwill has resulted from comparing the price paid for the investment made with the proportional carrying values of the investment's net assets acquired. The amortization of these values is over a period of 20 years. As of December 31, 2002 and 2003, there are no negative goodwill amounts recorded.

F-16

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(m) Foreign currency forward exchange contracts:

While the Company generally enters into derivative instruments to mitigate its risk to foreign currency, from time to time it enters into foreign currency forward contracts that are speculative in nature. Those foreign currency forward exchange contracts that form part of the Companies hedging program are designated as such, and are effective as hedges. The amounts payable and the amounts receivable related to foreign exchange hedging contracts are recognized on a net basis under Other Current Liabilities as of December 31, 2002 and 2003. Amounts payable or receivable under these contracts offset gains and losses on the assets, liabilities and transactions being hedged and are presented on a net basis at the end of the period and are classified according to the contract's expiration date.

(n) Revenue Recognition:

Revenue is recognized (a) upon shipment of goods, at which time title transfers to the customer, or (b) upon broadcasting for advertising services.

(o) Convenience translation to U.S. dollars:

The Company maintains its accounting records and prepares its financial statements in Chilean pesos. The United States dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the December 31, 2003 closing exchange rate of Ch$593.80 per US$1. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into United States dollars at that exchange rate or at any other rate of exchange.

(p) Statement of cash flows:

The Company considers all time deposits and instruments under repurchase agreements with a remaining maturity of less than 90 days as of year-end to be cash equivalents.

(q) Repurchase and Resale agreement operations:

The financial instruments acquired with resale agreement are presented at their acquisition value plus the interests and indexation adjustments accrued at the closing of the fiscal year and they are classified as Other Current Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

(r) Bonds:

Bonds payable are recorded at the weighted-average yield rate of 5.60%. The difference between the face value and the proceeds received, equal to the premium or discount, is deferred and amortized on a straight-line basis over the term of the bonds, which is not materially different than the effective-interest method.

(s) Computer Software:

The Company and Santa Rita acquired computer packages from third parties, which are recorded as Fixed Assets and amortized over 36 months by Cristalerias and over 48 months by the subsidiary Santa Rita, respectively.

(t) Foreign investments:

expressed in thousands of constant Chilean pesos

In accordance with Technical Bulletin No. 64 ("BT 64") of the Chilean Association of Accountants, and Official Circular No. 5294 of the SVS, permanent foreign investments established in countries defined by BT 64 as being unstable, whose activities do not constitute an extension of the Company's operations are controlled and measured in U.S. dollars. Differences between the Chilean peso and the U.S. dollar exchange rate variation and fluctuations in CPI are accounted for as a charge or credit to the equity account called "Cumulative Translation Adjustment." Under BT 64, foreign exchange differences on US dollar-denominated liabilities that have been designated as a hedge of such investments are also included in the same equity account to the extent the hedge is effective. This rule corresponds to the Company's equity method investment in Rayen Cura and Santa Rita's consolidated subsidiary Dona Paula S.A.

(u) Research and development costs:

The Company charges research and development costs to expense, when they are incurred.

3. CHANGES IN ACCOUNTING PRINCIPLES

There were no changes in accounting principles during the years ended December 31, 2002 and 2003 that would affect the comparability with previously issued financial statements.

4. TIME DEPOSITS AND MARKETABLE SECURITIES

The composition of time deposits is as follows:

Institution	Currency	2002	2003
		ThCh$	ThCh$
Banco Santander-Santiago	US$	-	2,665,003
ScotiaBank	US$	307,139	-
Banco J.P. Morgan Chase Bank	US$	1,198,453	-
Banco Deutsche Bank Chile S.A.	US$	1,795,528	-
Banco de Chile	Ch$	-	1,235,194
BankBoston	Ch$	-	365,509
Banco Santander-Santiago	Ch$	9,811,150	-
Total		13,112,270	4,265,706

expressed in thousands of constant Chilean pesos

Marketable securities consist of the following:

	2002	2003
	ThCh$	ThCh$
Treasury bonds and money market securities	64,099,289	55,308,119
Equity securities	3,837,333	4,154,550
Other	201,203	152,304
Total	68,137,825	59,614,973

5. CURRENT RECEIVABLES

Current receivables are summarized as follows:

	2002	2003
	ThCh$	ThCh$
Trade accounts receivable	38,644,697	40,109,328
Miscellaneous accounts receivable	711,493	1,903,513
Notes receivable	4,878,862	3,689,315
Sub-total	44,235,052	45,702,156
Less: Allowance for doubtful accounts	(704,809)	(701,509)
Total	43,530,243	45,000,647

The movements in the allowance for doubtful accounts as at December 31, 2001, 2002 and 2003 are as follows:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$

Allowance beginning	(561,743)	(550,308)	(704,809)
Charges to costs and expenses	(169,773)	(223,769)	(32,427)
Charges to other accounts	160,926	53,236	2,890
Amounts written off	20,282	16,032	32,837
Total	(550,308)	(704,809)	(701,509)

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

6. RELATED PARTY TRANSACTIONS

The following table details amounts receivable from and payable to related parties as of December 31, 2002 and 2003:

	Balance Receivable		Balance
	2002	2003	2002
	ThCh$	ThCh$	ThCh$
Short-term:			
Metropolis - Intercom S.A. (indirect affiliate company)	54,082	81,113	-
Inversiones Bayona S.A. (shareholder)	-	-	125,405
Servicios y Consultorias Hendaya S.A. (shareholder)	4,702	5,597	121,928
Elecmetal S.A. (majority shareholder)	859	672	461,954
Editorial Zig-Zag S.A.(affiliate)	236,590	133,970	-
Cordillera Comunicaciones Ltda. (affiliate)	-	-	-
Claro y Compania (common board members)	240	202	40,283
Distribuicion via Directa (common control)	-	-	-
Envases CMF S.A. (affiliate)	139	659,218	88,036
Marketing Meter Ltda. (affiliate)	-	-	9,964
Cia. Sudamericana de Vapores S.A. (common control)	17,474	-	6,789
Quemchi S.A. (common control)	-	1,009	-
Navarino S.A. (common control)	-	1,009	-
Vina Los Vascos S.A. (indirect affiliate)	86,275	124,713	7,385
Rayen Cura S.A.I.C. (affiliate)	2,929	156,992	26,164
Ediciones Financieras S.A. (affiliate)	119	2,132	2,501
Total Short-term	403,409	1,166,627	890,409
Long-term:			
Ediciones Chiloe S.A. (affiliate)	1,442	2,894	-

Total Long-term	1,442	2,894	-

All related party transactions use estimated market rates.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

6. RELATED PARTY TRANSACTIONS, continued:

Transactions with related parties that affect net income are as follows:

	Amount of transaction			(C
	2001	2002	2003	2001
	ThCh$	ThCh$	ThCh$	ThCh
CRISTALCHILE S.A.				
Servicios y Consultorias Hendaya S.A. (shareholder)				
Services received	1,285,681	1,330,538	1,370,806	(1,285
Dividends paid	783,255	723,329	780,060	
Services Provided	20,213	19,606	20,872	20
Sales	7,842	4,184	3,354	
Cia. Electro Metalurgica S.A. (shareholder)				
Dividends paid	3,003,736	2,773,923	2,991,483	
Payments on company's behalf	21	-	280	
Purchase of industrial materials	6,287	3,711	3,585	
Advertising sold	2,359	1,502	1,603	
Claro y Compania (common board member)				
Legal Counsel	170,363	235,340	231,441	(170
Sales	1,290	896	852	
Navarino S.A. (common parent)				
Services Provided	9,966	9,914	10,130	9
Quemchi S.A. (common parent)				
Services Provided	9,966	9,914	10,760	9
Loans Granted	52,015	-	-	
Repayment of Loans	52,015	-	-	
Interest on Loans Granted	159	-	-	
Cia Sudamericana de Vapores S.A. (common parent)				
Shipping Services	420,106	12,388	266,586	(420
Advertising contracts	55,482	26,934	-	55
Services received	46,203	41,045	45,856	(46
Sales	51,246	46,786	32,085	11
Rayen Cura S.A. (equity-method investment)				

Direct Sales	39,944	185	697,022	10
Paid in Capital	3,370,346	-	-	
Repayment of Loans	419	-	-	
Cordillera Comunicaciones Ltda. (equity-method investment)				
Broadcasting rights	-	216,084	-	
Vinedos Cullipeumo Ltda. (directors in common)				
Purchase of Industrial Materials	40,055	82,273	40,468	
CAP S.A. (directors in common)				
Advertising sold	2,601	-	-	2

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

6. RELATED PARTY TRANSACTIONS, continued:

	Amount of transaction			(C
	2001	2002	2003	2001
	ThCh$	ThCh$	ThCh$	ThCh
CIECSA S.A.				
Envases CMF S.A. (equity-method investment)				
Purchase of Industrial Materials	18,071	515,410	628,148	
Sales	180	196	432	
Paid in Capital	522,274	-	-	
Repayment of Loans	1,295,482	-	-	
Interest on Loans Granted	60,912	-	-	60
Reimbursement of Expenses	12,611	-	-	(12
Other	-	4,299	57,184	
Televisa S.A. de CV (former owner of affiliate)				
Sales	36,326	-	-	36
Purchase of Materials	1,874,076	-	-	(1,874
Metropolis Intercom S.A. (equity-method investment)				
Advertising sold	187,794	322,762	19,258	(187
Subscription sold	-	-	-	
Advertising purchased	65,535	15,461	204,396	(65
Sales	-	9,876	30,881	
Other	-	144	159	
Forus S.A. (directors in common)				
Advertising sold	-	81,378	-	
Ediciones Financieras S.A. (subsidiary)				
Payments on company's behalf	10,372	-	-	
Advertising sold	56,932	27,124	22,476	
Advertising purchased	61,677	-	-	(61

expressed in thousands of constant Chilean pesos

Other sold	4,877	9,515	7,220	
Services received	9,057	6,928	1,702	(9
Carmen Luz Sanchez (directors in common)				
Purchase of Industrial Materials	-	60,085	38,358	
Costanera S.A.C.I. (directors in common)				
Program production	80,917	-	-	(80
Inversiones Bayona S.A. (majority shareholder)				
Dividends	815,413	1,416,497	1,377,874	
Vina Los Vascos S.A. (equity-method investment)				
Direct Sales	490,381	520,556	446,123	111
Purchase of Industrial Materials	44,818	40,089	35,032	
Inmobiliaria Don Aberto S.A. (equity-method investment)				
Interest on Loans Granted	980	-	-	
Loans Repaid	43,888	-	-	
Dividends	46,825	-	-	

7. INVENTORIES

Inventories have been valued in accordance with the policy described in Note 2(e). The principal components are as follows:

	2002	2003
	ThCh$	ThCh$
Finished products	8,413,106	8,107,685
Raw materials and fuel	17,377,449	18,798,989
Operating supplies and spare parts	2,631,039	2,420,880
Goods-in-transit	199,063	497,244
Foreign and local programming not transmitted	3,508,995	2,063,518
Total	32,129,652	31,888,316

8. INCOME AND DEFERRED TAXES

The Company and its subsidiaries have recorded a current tax provision of 15% in 2001, 16% in 2002 and 16.5% in 2003 of taxable income for income tax and for withheld employee taxes. The income tax liability is determined based on current Chilean tax laws and is presented as a net asset or liability.

expressed in thousands of constant Chilean pesos

Net recoverable taxes assets as of December 31, 2002 and 2003 are calculated, as follows:

	2002	2003
	ThCh$	ThCh$
Provision for current income taxes	(4,265,885)	(1,271,856)
Withheld employee taxes	(9,444)	(14,646)
Total current taxes	(4,275,329)	(1,286,502)
Credits:		
Credit Art. 33	79,295	48,293
Monthly income tax installments	4,388,053	4,647,506
Training expeditures	123,675	111,801
Grants	48,448	46,311
Total Credits	4,639,471	4,853,911
Income tax refund	364,142	3,567,409
Other credits	431,465	366,818
Recoverable taxes, net	795,607	3,934,227

8. INCOME AND DEFERRED TAXES, continued:

As legislated in 2001, the income tax rate increased from 15% in 2001 to 16% in 2002 to 16.5% in 2003, and will increase to 17% in 2004 and for periods thereafter. Deferred tax assets and liabilities as of December 31, 2003, are recorded using the applicable tax rate depending on the year of reversal. The net deferred tax liabilities recognized by the Company as of December 31, 2002 and 2003 amounted to ThCh$2,854,856 and ThCh$2,970,413, respectively, and is classified as short and long-term as follows:

expressed in thousands of constant Chilean pesos

	2002		
	Short Term	Long Term	Short Term
	ThCh$	ThCh$	ThCh$
Deferred income tax assets:			
Allowance for doubtful accounts	114,245	-	118,540
Unearned revenues	277,899	-	516,109
Vacation provision	172,514	-	202,898
Severance payments	1,886	35,823	1,415
Packaging provision	117,346	-	107,601
Furnace repairs provision	324,861	296,101	-
Inventories obsolence provision	13,489	-	24,255
Spareparts obsolence provision	95,046	-	97,280
Bond discount amortization	59,212	-	86,317
Intangibles amortization	231,721	-	-
Deferred customs duties	14,250	-	-
Depreciation	-	13,658	-
Unrealized earnings related companies	121,084	53,463	174,233
Other provisions	92,745	104,623	49,791
Direct labor costs	20,438	-	11,337
Required bank reserve	8,737	-	-
Accumulated tax losses	-	4,723,875	-
Complementary account, net of amortization	(191,149)	(4,085,799)	(5,796
Total deferred income tax assets	1,474,324	1,141,744	1,383,980
Deferred income tax liabilities:			
Depreciation	-	8,057,421	-
Other events	12,756	1,029	-
Deferred customs duties	-	153,739	-
Advanced expenses	44,123	-	47,272
Bond discount	52,183	806,022	53,620
Capitalized moldings	-	251,222	-
Required bank reserve	-	-	-
Deferred expenses	173,242	-	222,622
Complementary accounts, net of amortization	-	(4,080,813)	-
Total deferred income tax liabilities	282,304	5,188,620	323,514
Net deferred tax asset (liability)	1,192,020	(4,046,876)	1,060,466

8. INCOME AND DEFERRED TAXES, continued:

expressed in thousands of constant Chilean pesos

Income tax expense as of December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	
	ThCh$	ThCh$	
Parent Company 1st category tax	(4,036,042)	(4,275,329)	(1
Deferred tax expense	(461,879)	(2,204,700)	
Tax benefit for tax losses	6,404	(39,382)	
Deferred tax amortization of complementary accounts	(640,594)	57,620	
Other	(50,988)	-	
Income tax expense	(5,183,099)	(6,461,791)	(1

9. OTHER CURRENT ASSETS

Other current assets are valued as described in Note 2 (q) and are principally comprised of investments in government securities subject to reverse repurchase agreements.

	2002	2003
	ThCh$	ThCh$
Reverse repurchase agreements (see Note 10)	15,167,670	12,370,106
Other	393,898	385,131
Total	15,561,568	12,755,237

10. REVERSE REPURCHASE AGREEMENTS:

Carrying value as of

expressed in thousands of constant Chilean pesos

Issuer	Purchase Date	Maturity Date	Purchase Date	December 31, 2002
BCI CB	12/30/2002	01/02/2003	831,230	831,257
BCI CB	12/30/2002	01/06/2003	336,330	336,347
BBV BHIF	11/28/2002	01/06/2003	810,608	812,039
BBV BHIF	12/04/2002	01/06/2003	654,054	655,065
BBV BHIF	12/09/2002	03/10/2003	627,066	627,890
BBV BHIF	12/02/2002	01/06/2003	725,796	727,041
Scotiabank	12/31/2002	01/08/2003	303,000	303,441
Scotiabank	12/13/2002	01/10/2003	101,000	101,161
Scotiabank	12/13/2002	01/29/2003	101,000	101,161
Scotiabank	10/25/2002	03/21/2003	371,680	364,303
Scotiabank	11/07/2002	04/25/2003	289,668	291,116
Scotiabank	11/14/2002	05/23/2003	286,249	290,996
Scotiabank	11/25/2002	06/20/2003	214,524	218,153
Scotiabank	12/30/2002	01/24/2003	108,870	108,879
BCI CB	12/06/2002	01/03/2003	3,041,606	3,048,703
Scotiabank	11/20/2002	01/10/2003	364,369	364,693
Scotiabank	12/20/2002	01/10/2003	3,031,980	3,035,426
Inversiones Boston CB	12/27/2002	01/03/2003	353,500	353,627
Inversiones Boston CB	12/30/2002	01/03/2003	303,000	303,028
BBV BHIF	12/27/2002	01/06/2003	515,955	522,686
BBV BHIF	12/27/2002	01/09/2003	143,321	145,191
BBV BHIF	12/23/2002	01/23/2003	704,051	726,111
Banco de Chile	12/26/2002	01/03/2003	199,580	203,274
Inversiones Boston CB	12/27/2002	01/03/2003	393,900	394,041
Inversiones Boston CB	12/30/2002	01/03/2003	60,600	60,606
Inversiones Boston CB	12/30/2002	01/03/2003	156,550	156,564
Inversiones Boston CB	12/27/2002	01/03/2003	84,840	84,871
Total			15,114,327	15,167,670

10. REVERSE REPURCHASE AGREEMENTS: continued:

			Carrying value as of	
Issuer	Purchase Date	Maturity Date	Purchase Date	December 31, 2003
BCI CB	12/24/2003	01/05/2004	1,600,000	1,600,709

expressed in thousands of constant Chilean pesos

Banchile CB	12/29/2003	01/06/2004	1,560,000	1,560,239
Banchile CB	12/30/2003	01/05/2004	2,107,000	2,107,176
Banco de Chile	12/29/2003	01/09/2004	300,000	300,052
Banco de Chile	12/30/2003	01/09/2004	740,000	740,057
Banco de Chile	12/30/2003	01/05/2004	314,120	314,120
Banco de Chile	12/29/2003	01/09/2004	86,000	86,015
Banco de Chile	12/29/2003	01/09/2004	500,000	500,087
Banco de Chile	12/29/2003	01/28/2004	2,139,905	2,142,692
Banco Santander Santiago	12/30/2003	03/21/2004	1,139,923	1,129,298
Banco Santander Santiago	10/08/2003	01/16/2004	320,000	322,538
Banco Santander Santiago	10/16/2003	01/06/2004	320,000	322,300
Banco Santander Santiago	11/06/2003	02/05/2004	310,000	311,505
Banco Santander Santiago	11/12/2003	02/20/2004	310,000	311,292
Banco Santander Santiago	11/15/2003	01/27/2004	310,000	310,994
Banco Santander Santiago	11/25/2003	01/16/2004	310,000	311,032
Total			12,366,948	12,370,106

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been valued in accordance with Note 2(f). The items comprising property, plant and equipment of the Company at each year end, are primarily land, industrial buildings, infrastructure, machinery and equipment distributed among the Padre Hurtado Plant, the San Sebastian plant and Megavision's Vicuna Mackenna facilities and Santa Rita's vineyards, building, infrastructure and equipment distributed among Alto Jahuel and Peralillo.

a) Technical revaluation and adjustment of book value:

Property, plant and equipment include increases arising from the technical revaluation of certain assets carried out during 1979 and 1986, in accordance with instructions from the SVS.

The gross amount of technical revaluation included in the carrying amount of assets is detailed below by class of asset:

	2002	2
	ThCh$	T
Land	318,839	3
Buildings and construction	6,287,935	6,2

expressed in thousands of constant Chilean pesos

Machinery and equipment	1,106,991	---
Total increase in value due to technical revaluation of property, plant and equipment	7,713,765	6,6

During 2003, the technical revaluation for machinery and equipment was written-off as these amounts were fully amortized.

11. PROPERTY, PLANT AND EQUIPMENT, continued:

b) Depreciation

The depreciation charge to income each year and the balance of accumulated depreciation at each year-end are summarized as follows:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Depreciation of:			
Property, plant and equipment	11,989,359	13,502,089	14,518,455
Technical revaluation	266,989	208,583	208,584
Depreciation expense	12,256,348	13,710,672	14,727,039

c) Accumulated depreciation at each year-end is distributed as follows:

	2002	2003
	ThCh$	ThCh$
Property, plant and equipment	(85,591,188)	(95,800,480)
Technical revaluation	(5,959,047)	(5,060,640)
Accumulated depreciation	(91,550,235)	(100,861,120)

12. INVESTMENTS IN RELATED COMPANIES

The investments in related companies at each year-end are as follows:

	2002			
	%	ThCh$	%	
Vina Los Vascos S.A.	43.00	5,107,907	43.00	
Envases CMF S.A.	50.00	16,155,277	50.00	
Ediciones Chiloe S.A.	50.00	597,972	50.00	
Cordillera Comunicaciones Ltda. (1)	0.25	366,084	0.25	
Cordillera Comunicaciones Holding Ltda.	50.00	72,850,574	50.00	
Editorial Zig-Zag	49.89	387,776	49.89	
Inmobiliaria Don Alberto	38.17	13	38.17	
Rayen Cura S.A.C.I.	40.00	15,283,881	40.00	
Metropolis Intercom S.A. (1)	-	-	2.21	
Total		110,749,484		1

(1) These investments are accounted under the equity method, since the Company has significant influence and significant indirect ownership of these companies.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements originally issued in Spanish - See Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003, except as indicated)

12. INVESTMENTS IN RELATED COMPANIES, continued:

Income resulting from these investments for each year is as follows:

	Participation in net income (loss)		
	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Vina Los Vascos S.A.	492,608	481,271	689,1
Envases CMF S.A.	955,790	1,287,806	706,7
Inmobiliaria y Constructora Richelieu S.A.	(471)	-	
Ediciones Chiloe S.A.	(38,088)	(45,122)	(77,6

expressed in thousands of constant Chilean pesos

Cordillera Comunicaciones Ltda.	(36,587)	(46,195)	(33,7
Cordillera Comunicaciones Holding Limitada	7,280,811)	(8,565,515)	(6,723,2
Editorial Zig-Zag S.A.	67,889	42,864	24,3
Inmobiliaria Don Alberto S.A.	(11,761)	(1,107)	(
Rayen Cura S.A.C.I.	(1,841,173)	(2,145,406)	921,6
Metropolis Intercom S.A.	-	-	(45,8
Total	(7,692,604)	(8,991,404)	(4,538,7

The Company has valued its investments in related companies as described in Note 2(g). The following is a description of the Company's significant investments.

Metropolis Intercom S.A.

On April 30, 2003, the shareholders of Metropolis Intercom S.A. approved an increase to capital by authorizing the issuance of 3,923,834 shares, raising ThCh$ 4,931,000. The share issuance was equally participated by the Company's subsidiary, Cristalchile Comuniciones, and Liberty Comunicaciones de Chile Una Ltda., both joint-venture partners in Metropolis Intercom's parent company Cordillera Comunicaciones Holding Limitada. Cristalerias paid ThCh$ 2,462,794 for the shares, leading to an investment of ThCh$ 1,733,963 and unrecognized loss of ThCh$ 728,831 included in Goodwill (see Note 14).

12. INVESTMENTS IN RELATED COMPANIES, continued:

Rayen Cura S.A.I.C.

The Company transferred the investment it had in Rayen Cura S.A.I.C., a company established in the city of Mendoza, Argentina, to its subsidiary CristalChile Inversiones S.A. for ThCh$18,340,577 (historic pesos), equivalent to US$25,582,473 (historic dollars) on December 28, 2001, which included a loan from shareholders issued in July 2001 of US$4,800,000. This transaction had no effect on results as it was a transaction between entities under common control and all amounts were recorded at book values.

During 2002, the partners contributed US$9,900,000 in equal proportions to Rayen Cura, maintaining the Company's 40% share.

On January 31, April 25 and September 30, 2003 Rayen Cura S.A.I.C., carried out repayment of part of a capital increase paid on April 29, 2002. Total amounts reimbursed amounted to US$ 2,600,000 (approximately ThCh$ 1,543,880).

expressed in thousands of constant Chilean pesos

In accordance with Chilean GAAP, CristalChile Inversiones S.A. remeasures the Rayen Cura S.A.C.I. financial statements from Argentine peso into U.S. dollars. The accounting charge to results as a consequence of remeasuring into U.S. dollars was ThCh$2,140,616 at December 31, 2003 and ThCh$3,090,768; ThCh$2,315,764 at December 31, 2002 and 2001, respectively.

In accordance with Technical Bulletin No. 64, the Company presents the following information with respect to this foreign investment (See Note 2(t)):

	2001	2002
	ThCh$	ThCh$
Participation of Cristalchile in Rayen Cura S.A.I.C.	13,660,363	15,283,881
Goodwill on investment, net of accumulated amortization	5,480,923	5,478,884
Total investment value	19,141,286	20,762,765
Participation in net income (loss) for the year	(1,841,173)	(2,145,406)
Participation in net income available for dividends	-	-

The investment in RayenCura S.A.I.C. is measured in U.S. dollars in accordance with Technical Bulletin No 64.

12. INVESTMENTS IN RELATED COMPANIES, continued:

Ediciones Chiloe S.A.

CIECSA sold 443,731 shares of Ediciones Chiloe S.A. to Recoletos Chile Ltda. on September 27, 2001, thereby reducing its share in the company to 50%. The sale generated a gain of ThCh$570,630 as well as the recognition of ThCh$50,879 from previously unrecognized earnings. During the Shareholders' meeting held on September 27, 2001, the shareholders agreed to increase the company's capital by ThCh$711,886 through the issuance of 1,500,795 shares, which were equally purchased by CIECSA S.A. and Recoletos Chile Ltda., so each party maintained the same ownership percentage. In the issuance, 1,297,013 shares, equivalent to ThCh$606,847 were paid by contributing 1,046 shares of Ediciones Financieras S.A. valued at ThCh$438,539 and forgiveness of loans of ThCh$168,308.

expressed in thousands of constant Chilean pesos

On February 4, 2002, the shareholders of Ediciones Chiloe agreed to purchase, 86,352 shares that had already been subscribed. The subsidiary Ciecsa paid ThCh$20,058 (ThCh$ 19,859 historic pesos), equivalent to 43,176 shares, thus maintaining 50% participation in Ediciones Chiloe. Payment is pending for 135,030 shares that mature in September 2004.

Envases CMF S.A.

During the Shareholders' meeting of Crowpla Reicolite S.A. that was held on June 29, 2001, shareholders agreed to increase the company's capital to ThCh$27,276,994 divided into 56,000 shares, through the issuance of 29,000 shares equivalent to ThCh$16,278,926. Andina Inversiones Societarias S.A. purchased 28,000 shares worth ThCh$15,760,283, and Cristalerias purchased 1,000 shares worth ThCh$518,644. As a result of this transaction, Cristalerias decreased its ownership in the company to 50% and the investment is no longer consolidated as neither company has control of the joint-venture. Cristalerias recognized a gain from the excess of its share in the joint venture's equity and the book value of its investment of ThCh$2,132,248, which is included in Gain on Sale of Investments in Other Non-Operating Income (see Note 25). The company changed its name to Envases CMF S.A. during November 2001.

13. INVESTMENTS IN OTHER COMPANIES

The investment in other companies, are detailed as follows:

Corporation	Number of shares	Share percentage	Accounting value 2002	Accounting value 2003
		%	ThCh$	ThCh$
Internet Holding S.A.	57,104	7.42	222,082	222,082
Bazuca Com. INC	266,500	7.89	603,518	603,518
Total			825,600	825,600

14. GOODWILL, NET

Goodwill, net of accumulated amortization of ThCh$4,254,256 and ThCh$4,830,056 as of December 31, 2002 and 2003, respectively, is as follows:

expressed in thousands of constant Chilean pesos

		2002	2003
		ThCh$	ThCh$
Editorial Zig-Zag S.A.		108,754	102,40
Ciecsa S.A.		1,454,822	1,333,58
Vina Santa Rita	609,214	559,038	
Red Televisiva Megavision S.A.		935,535	882,27
Vina Los Vascos S.A.		1,235,037	1,168,58
Rayen Cura S.A.I.C.		5,478,884	4,214,86
Metropolis Intercom S.A.		-	717,56
Goodwill, net		9,822,246	8,978,30

On August 27, 2002, CIECSA increased its ownership share in Red Televisiva Megavision S.A. from 78.01% to 99.99%. This acquisition was accounted for under the purchase method, generating additional goodwill of ThCh$867,823 for the amount of the purchase price over the carrying value of net assets purchased.

15. INTANGIBLES, NET

Intangibles at each year-end are as follows:

	2002	2003
	ThCh$	ThCh$
Channel 9 and regional network frequency concessions	10,180,259	10,180,25
Trademarks	1,595,011	1,622,17
	11,775,270	11,802,43
Accumulated frequency amortization	(819,387)	(968,36
Accumulated trademarks amortization	(183,897)	(240,37
Intangibles, net	10,771,986	10,593,69

16. OTHER ASSETS

Other assets at each period-end are as follows:

	2002	2003
	ThCh$	ThCh$
Inventories of domestic and foreign programming to be broadcast in over one year	1,842,966	604,428
Celulosa Arauco bonds (1)	9,938,100	8,036,005
Bond discount	3,461,960	3,117,738
Bond issuance costs	1,224,806	1,050,258
Other	439,681	490,207
Total Other assets	16,907,513	13,298,636

(1) During 2001, the Company purchased Celulosa Arauco bonds with a face value of US$13,420,000 at an effective rate of 2.40% with a maturity date of September 15, 2005. The bonds are presented at amortized cost. The bonds are intended to be held-to-maturity, and therefore have not been marked to market at year-end.

17. BANK LIABILITIES

a) Short-term bank liabilities as of December 31, 2002 and 2003 are as follows:

		2002	2003
Bank	Currency	ThCh$	ThCh$
Banco Santander-Santiago	Ch$	-	30,281
Fondo Provincial de Mendoza	US$	10,590	15,906
Banco de Chile	US$	-	119,461
Total		10,590	165,648

The weighted-average annual interest rate on short-term borrowings was 3.20% as of December 31, 2002 and 2.04% as of December 31, 2003.

(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

17. BANK LIABILITIES, continued:

b) Long-term bank liabilities outstanding at each year-end are as follows:

Bank or Financial Institution	Type of Currency	Balances as of December 31, 2002 Current Portion ThCh$	Long-term Portion ThCh$	Total ThCh$	Balanc Current Portion ThCh$
J.P Morgan Chase (syndicate)	US$	199,543	36,289,805	36,489,348	126,213
Banco Santander-Santiago	UF	275,555	-	275,555	486,776
ScotiaBank	UF	412,643	1,623,370	2,036,013	419,746
Banco Santander-Santiago	UF	-	1,830,959	1,830,959	-
Banco Edwards	UF	294,442	1,220,263	1,514,705	610,653
Banco Argentaria	US$	267,957	401,935	669,892	218,358
Banco Regional de Cuyo	US$	-	52,444	52,444	-
Citibank, N.A.	US$	1,989,317	2,117,052	4,106,369	1,624,551
Dresdner	US$	527,174	-	527,174	-
Banco del Estado	Ch$	268,191	804,577	1,072,768	265,573
BCI	UF	171,119	380,509	551,628	170,977
		4,405,941	44,720,914	49,126,855	3,922,847

	2002	
Weighted - average interest rate	2.83%	
Percentage of debt in foreign currency	68.00%	9
Percentage of debt in local currency	32.00%	1

During September 2002, the Company prepaid US$50,000,000 of the J.P. Morgan

Chase syndicated loan and renegotiated the remaining US$50,000,000 to extend the due date and the lower interest rate to LIBOR + 0.8%.

Scheduled maturities of the long-term bank obligations as of December 31, 2003 are as follows:

Year Ending December 31,	ThCh$
2005	1,533,988
2006	16,042,276
2007	15,718,232
2008	-
Thereafter	-
Total	33,294,496

The Company's syndicated loan with J.P Morgan Chase Bank has certain restrictive covenants, the most significant of which are summarized below:

a) The Company cannot have a total debt to capitalization ratio of more than 0.45 to 1.0.
b) The unconsolidated net debt to EBITDA ratio, as defined in the covenant cannot exceed 2.5 to 1.0.
c) Interest coverage ratio cannot be less than 4.0, during 2004 thereafter and,
d) Net worth cannot be less than UF10,000,000.

F-36

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

As of December 31, 2003, the Company is in compliance with these covenants.

F-37

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

18. OTHER CURRENT LIABILITIES

As of December 31, 2003 there are balances in Other Current Liabilities of ThCh$2,397,846 (ThCh$628,635 in 2002) corresponding to forward contracts in foreign currency entered into by Cristalerias and the subsidiaries, Vina Santa Rita and CIECSA S.A. (See Note 28 for further description of financial derivatives).

19. BONDS PAYABLE

The Company has made the following public bond issuances:

Series C and D bonds Santa Rita

On December 15, 2000, Santa Rita issued Series C bonds of UF 200,000 with an annual interest rate of 6.25% payable semiannually with principal due in the fifth year, and Series D bonds of UF 1,000,000 with an annual interest rate of 6.25% payable semiannually with principal due in 32 semiannual installments beginning in December 2005.

Series C and D bonds Cristalerias de Chile

During August 2002, Cristalerias de Chile placed long-term bonds in the local market for UF 4,100,000. Of the total, UF 2,000,000 were issued with a final maturity of 6 years at an annual interest rate of 4.75% and UF 2,100,000 were issued with a maturity of 21 years at an annual interest rate of 5.8%.

The bonds payable at each period-end consist of the following:

	2002	2003
	ThCh$	ThCh$
Principal	89,842,669	89,676,000
Accrued interest	1,754,891	1,754,288
	91,597,560	91,430,288
Current portion	(1,966,286)	(1,754,288)
Long-term portion	89,631,274	89,676,000

originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

19. BONDS PAYABLE, continued:

Scheduled maturities of the long-term portion of the principal of these bonds as of December 31, 2003 are as follows:

Maturing during the year Ending December 31,	ThCh$
2005	11,844,000
2006	8,460,000
2007	8,460,000
2008	8,460,000
Thereafter	52,452,000
Total	89,676,000

The above-mentioned bond issues contain certain restrictive covenants; the most significant of which are summarized below:

a) Financial Indicators:
- Individual Balance (unconsolidated balance sheet of parent company) - debt leverage not exceeding 1.2 times.
- Consolidated Balance - debt leverage not exceeding 1.4 times.

b) Insurance for the Company and Subsidiaries' assets.

c) Transactions related to Articles No.44 and 89, which are transactions with related parties, from Act 18,046 must be carried out according to the conditions thereby established.

d) Other minor restrictions related to bonds issuance contract.

As of December 31, 2003, the Company is in compliance with these covenants.

20. ACCRUED EXPENSES

The composition of short and long-term accrued expenses at each year-end is as follows:

	2002
	ThCh$
Short-term accrued expenses:	
Board of Directors' share in profits (i)	899,487
Staff severance indemnities (iii)	169,904
Furnace repairs and reconstruction (ii)	2,030,386
Obligations for pallets	711,184
Accrued vacation	1,070,119
Royalty for authoring rights	252,948
Publicity agency commissions	3,121,753
Sales commissions	364,952
Suppliers	781,868
Insurance	444,857
Machine repairs	541,335
Other	484,051
Total short-term accrued expenses	10,872,844
Long-term accrued expenses:	
Staff severance indemnities (iii)	3,854,058
Furnace repairs and reconstruction (ii)	1,773,058
Total long-term accrued expenses	5,627,116

(i) As of December 31 of each year, a provision is made for the Board of Directors' share of net income.

(ii) Furnace repairs and reconstruction:
This provision is made over the estimated useful life of each smelter furnace refractor so that significant repairs or reconstruction will not have a distorting effect on the results of the year in which the repairs are performed. As of December 31, 2003, the short-term portion of the provision represents the estimated cost of repairs to be made to the furnaces in 2003. The Company has a total provision for this purpose of ThCh$3,803,444 and ThCh$3,410,013, at December 31, 2002 and 2003, respectively.

(iii)Staff severance indemnities provision:

The provision for staff severance indemnity payments is shown at its current value, as stated in Note 2(h). The movement in this account was as follows:

2002	2003

expressed in thousands of constant Chilean pesos

	ThCh$	ThCh$
Balance at beginning of year	3,825,912	4,023,9
Provisions established during the year	299,777	464,5
Payments	(101,727)	(176,95
Balance at year end	4,023,962	4,311,5

21. MINORITY INTEREST

The consolidated subsidiaries generating minority interest at each year-end are as follows:

	Equity		Participation in net (income) loss		
	2002	2003	2001	2002	2003
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
CIECSA S.A. Consolidated	271,434	313,351	149,292	(299,999)	(42,665)
Constructora Apoger S.A.	10,154	939	841	(80)	293
Cristalchile Comunicaciones S.A.	1,446	1,262	145	170	126
S.A. Vina Santa Rita	36,837,235	37,366,198	(3,449,060)	(4,295,752)	(1,798,396)
Total	37,120,269	37,681,750	(3,298,782)	(4,595,661)	(1,840,642)

On August 26, 2003, CIECSA S.A. issued 36,400,000 shares which were purchased by Cristalerias de Chile in the amount of ThCh$ 910,000, increasing their ownership to 98.45%.

expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

22. CHANGES IN SHAREHOLDERS' EQUITY

(a) Other reserves:

As of December 31, 2001, 2002 and 2003, other reserves consist of the following:

	2001	2002
	ThCh$	ThCh$
Reserve for future capital increases	4,007,637	4,198,685
Reserve for technical revaluation of Property, plant and equipment	1,962,974	1,771,923
Currency translation adjustment	2,292,409	3,839,620
Subsidiary start-up stage deficit	(128,091)	-
Total other reserves	8,134,929	9,810,228

(b) Dividends:

In accordance with law 18.046, the Company must declare a minimum dividend of 30% of net income for the year. The Company paid dividends to shareholders during 2001, 2002 and 2003 related to the results of operations during 2000, 2001, 2002, detailed below in historic pesos:

Year Related to	Dividend per Share (historic pesos)	Type of Dividend	Date o
2000	21.00	Interim	07
2000	21.00	Interim	10
2000	22.00	Interim	01
2000	41.57	Final	04
2000	27.00	Revised Final	05
2001	21.00	Interim	07
2001	21.00	Interim	10
2001	30.00	Interim	01
2001	66.10	Final	04
2002	15.00	Interim	07
2002	15.00	Interim	10
2002	21.00	Interim	01
2003	25.20	Final	04
2003	15.00	Interim	10
2003	21.00	Interim	01

F-42

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

23. NON-OPERATING INCOME AND EXPENSE

	2001	2002
Net interest expense during each year were as follows:	ThCh$	ThCh$
Interest income	2,953,840	2,578,216
Interest and other financial expense	(7,210,576)	(6,907,884)
Net interest expense	(4,256,736)	(4,329,668)

Non-operating income during each year were as follows:

	2001	2002
Other non-operating income:		
Net sales of materials and other	21,003	5,072
Amortization of unrealized profit	62,374	41,933
Gain on sale of investments	6,009,896	-
Office rental	293,551	281,193
Indemnities	97,975	416,532
Taxation franchise	208,006	167,469
Other	287,374	364,757
Total other non-operating income	6,980,179	1,276,956

F-43

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

23. NON-OPERATING INCOME AND EXPENSE, continued:

Non-operating expense during each year were as follows:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Amortization of goodwill	(855,611)	(653,119)	(577,203)
Amortization of intangibles	(164,506)	(180,998)	(296,917)
Write-offs of accounts receivable	(316,928)	(1,023,310)	(65,247)
Board of Directors' participation in profits	(101,723)	(185,708)	(77,195)
Professional expenses	(752,087)	(780,630)	(763,206)
Indemnities	(145,459)	(15,471)	(55,264)
Insurance	(12,204)	(30,275)	(50,856)
Other	(508,534)	(1,245,045)	(428,083)
Total non-operating expense	(2,857,052)	(4,114,556)	(2,313,971)

24. PRICE-LEVEL RESTATEMENT

The price-level restatement is determined under Chilean GAAP by restating the following non-monetary assets and liabilities:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Shareholders' equity	(6,178,740)	(6,305,707)	(2,359,6
Liabilities	(3,611,727)	(3,762,538)	(1,600,2
Property, plant and equipment, net	3,829,952	3,770,742	1,196,3
Current assets	1,248,946	1,811,694	269,1
Other assets	3,052,167	4,367,692	1,893,3
Minority interest	(64,064)	(969,774)	(367,4
Adjustment to balance sheet accounts	(1,723,466)	(1,087,891)	(968,4
Adjustment to income statement accounts	(637,682)	(882,969)	165,8
Net price-level restatement effect	(2,361,148)	(1,970,860)	(802,5

(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

25. FOREIGN CURRENCY TRANSLATION

There is a net charge to results in the 2003 fisical year of ThCh$17,064,668 and a net credit to results of ThCh$ 1,401,313 and ThCh$ 4,997,842, in 2001 and 2002, respectively, due to exchange differences.

	2001	2002
	ThCh$	ThCh$
Cash and Marketable Securities	(676,071)	1,705,160
Accounts Receivable	219,813	1,293,270
Time Deposits	3,330,101	5,693,422
Inventory	376,843	503,818
Forward contracts	-	612,906
Other Assets	38,065	2,317,362
Sub-total foreign exchange gains	3,288,751	12,125,938
Short-term Bank Loans	(912,559)	(2,947)
Accounts Payable	(121,433)	(339,418)
Notes Payable	(1,505,322)	(420,480)
Short-term Misc. Creditors	(36,484)	(53,712)
Short-term Provisions	(367,960)	(91,964)
Long-term Bank Loans	1,639,800	(4,511,829)
Long-term Provisions	(381,888)	(461,107)
Other Long-term Liabilities	(179,415)	(1,143,775)
Other Liabilities	(22,177)	(102,864)
Sub-total foreign exchange (losses)	(1,887,438)	(7,128,096)
Foreign Currency Translation, net	1,401,312	4,997,842

26. EXTRAORDINARY ITEMS

For the year ended December 31, 2002 and 2003, there were no extraordinary items.

For the year ended December 31, 2001, the provision for repairs on Furnace C of ThCh$1,857,013 was reversed net of taxes as an extraordinary item because the furnace was completely rebuilt, instead of being repaired.

27. BOND ISSUANCE COSTS

The Company and its subsidiary, Vina Santa Rita, issued bonds in March 2001 and August 2002, respectively, and incurred issurance costs (including bond discount) of ThCh$4,530,487 as of December 31, 2003

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003, except as indicated)

(ThCh$5,051,970 in 2002). These costs are classified as Other Current Assets and Other Assets and are being amortized over the life of the bonds.

The charge for the amortization of these expenses is recorded in Net Interest Expense and amounted to ThCh$36,998, ThCh$163,893 and ThCh$521,483 for the fiscal years ended December 31, 2001, 2002 and 2003, respectively.

28. FINANCIAL DERIVATIVE CONTRACTS:

The Company and its subsidiaries, Vina Santa Rita and CIECSA S.A., have entered into forward foreign currency purchase contracts with notional amounts of US$44,600,000 and foreign forward currency sales contracts with notional amounts of US$ 41,600,000 in 2003 which is equivalent to ThCh$ 52,514,361 at each contract date.

As of December 31, 2002 and 2003, the net liabilities balance is presented in Other Current Liabilities of ThCh$628,635 and ThCh$2,397,847, respectively.

Additional information regarding hedging and speculative (non-hedging) instruments is presented in the following table where the forward contracts are listed by period of maturity date:

			As of December 31, 20	
Notional Amount (1) ThCh$	Maturity	Hedged Transaction	Spot Value ThCh$	Net (Liab Th
Non-hedging instruments:				
22,827,689	3rd Quarter 2004	N/A	N/A	(3,500
22,197,232	3rd Quarter 2004	N/A	N/A	1,751
2,769,040	3rd Quarter 2004	N/A	N/A	(399
621,570	3rd Quarter 2004	N/A	N/A	29
633,250	3rd Quarter 2004	N/A	N/A	36
1,289,040	1st Quarter 2004	N/A	N/A	98

Hedging instruments:

742,140	1st Quarter 2004	U.S. dollar debt	593,800	(15
742,140	1st Quarter 2004	U.S. dollar debt	593,800	(15
692,260	4th Quarter 2004	U.S. dollar debt	593,800	(9
52,514,361				(2,39

(1) US$ equivalent at contract date

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

28. FINANCIAL DERIVATIVE CONTRACTS, continued;

As of the year ended December 31, 2002 the Company entered into forward currency purchase contracts with a notional amount of US$130,600,000 which is equivalent to ThCh$ 93,962,463 at each contract date.

Additional information regarding hedging and speculative (non-hedging) instruments is presented in the following table where the forward contracts are listed by period of maturity date:

			As of December 31,	
Notional Amount (1) ThCh$	Maturity	Hedged Transaction	Spot Value ThCh$	Net (Lia T
Non-hedging instruments:				
24,988,593	1st Quarter 2004	N/A	N/A	2
4,788,356	2nd Quarter 2004	N/A	N/A	2
36,674,738	3rd Quarter 2004	N/A	N/A	(1,1
12,872,250	4th Quarter 2004	N/A	N/A	(5
1,342,088	1st Quarter 2004	N/A	N/A	1

672,599	1st Quarter 2004	N/A	N/A	
682,053	1st Quarter 2004	N/A	N/A	
650,268	2nd Quarter 2004	N/A	N/A	
728,503	4th Quarter 2004	N/A	N/A	
728,503	4th Quarter 2004	N/A	N/A	
1,471,489	4th Quarter 2004	N/A	N/A	(
1,471,489	4th Quarter 2004	N/A	N/A	(
1,457,006	4th Quarter 2004	N/A	N/A	
356,803	4th Quarter 2004	N/A	N/A	
356,803	4th Quarter 2004	N/A	N/A	
Hedged instruments:				
1,345,199	1st Quarter 2004	U.S. dollar debt	1,451,592	
1,344,310	1st Quarter 2004	U.S. dollar debt	1,451,592	
682,053	1st Quarter 2004	U.S. dollar debt	725,796	
674,680	1st Quarter 2004	U.S. dollar debt	725,796	
674,680	1st Quarter 2004	U.S. dollar debt	725,796	
93,962,463				(

(1) US$ equivalent at contract date

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

29. COMMITMENTS AND CONTINGENCIES

Cristalerias de Chile S.A. and its subsidiaries have the following commitments as of December 31, 2003:

(a) Liens held by third parties:

Cristalerias has ThCh$233,457 and ThCh$3,707,569 in assets pledged as of December 31, 2003 related to third party creditors. A schedule of the release dates of the liens is as follows:

		As of December 31,		
		Balance payable of rela		
Lien holder	Subsidiary	2004	2005-2006	After 20
		ThCh$	ThCh$	ThCh$
Banco Santander Santiago	Red Televisiva Megavision S.A.	486,776	915,936	457,
Scotiabank	Red Televisiva Megavision S.A.	419,746	812,090	406,
BCI	Red Televisiva Megavision S.A.	170,977	211,500	
Edif. Metropolis AGF	Cristalerias de Chile	-	-	7,
Other	Cristalerias de Chile	-	-	225,
Total		1,077,499	1,939,526	1,097,

(b) Indirect guarantees of equity-method subsidiary obligations (i):

		As of December 31,		
		Balance payable of rela		
Guarantee	Equity-method Investment	2004	2005-2006	After 20
		ThCh$	ThCh$	ThCh$
Societe de Participations Financieres et Industrielles, France	Rayen Cura S.A.I.C.	684,058	1,368,116	
Total		684,058	1,368,116	

(i) The guarantee in this table was provided by the Company and the majority owner of Rayen Cura to a third party creditor that had entered into an obligation with Rayen Cura, an equity-method investment of the Company. If Rayen Cura is unable to meet the requirements of the related obligation, the Company will be required to make future payments on behalf of Rayen Cura up to the remaining amount payable in proportion to the Company's 40% ownership percentage. No liability has been recorded by the Company for the guarantee because the estimated fair value of the guarantee is not significant, since it is expected that the equity-method investment will meet the required debt payments.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

29. COMMITMENTS AND CONTINGENCIES, continued:

Legal Proceedings: Cristalerias is party to various lawsuits arising in the ordinary course of its business amounting to a total at-risk amount of ThCh$126,000. Management considers it unlikely that any losses associated with pending lawsuits will significantly affect the Company's results of operations, financial position or cash flows, although no assurance can be given to such effect. The Company has not established a provision for these lawsuits except for a total of ThCh$10,000 committed for pending civil and labor lawsuits related to the subsidiary, Megavision as of December 31, 2003.

Grape Contracts: The Company's subsidiary, Santa Rita, enters into purchase contracts with local growers in order to ensure the company has sufficient amounts of fine quality grapes to be used in the company's wine production. Approximately 36.4% of the Company's grapes are obtained from these contracts, while another approximately 30.5% are obtained from the Company's own vineyards and an additional approximately 33.1% is purchased at market. The Company only incurs obligations when the grapes are delivered to the Company and as such are not recorded as liabilities.

Technical Agreement: Cristalerias pays monthly fees of ThCh$170,000 for a technical assistance agreement which expires in September 2004.

Advertising contracts: Megavision has commitments of ThCh$8,317,202 in advertising contracts for future broadcast as of December 31, 2003.

30. GUARANTEES FROM THIRD PARTIES:

The Company has received the following guarantees from third parties as of December 31, 2002 and 2003:

	2002	2003
	ThCh$	ThCh
Rental of BankBoston Real Estate Property	6,222	-
Rental of Bank Security Real Estate Property	-	5,144
Rental of property Telecomunicaciones Cono Sur Ltda	2,199	-
Rental of office 202 AGF Building	6,188	6,191
Rental of office Metropolis Building	3,200	3,201
Promissory notes from Suppliers	1,691	1,674
Container installation (Tersanoix S.A.)	281,431	-
Purchase of grapes and wine	1,048,057	1,037,576

expressed in thousands of constant Chilean pesos

Purchase of posts and grapevine plants (Intelmaq)	45,638	35,051
Underground materials storehouse Buin Salfa Montajes	33,456	366,164
Total	1,428,082	1,455,001

31. FOREIGN CURRENCIES

As of December 31, 2002 and 2003, foreign currency denominated assets and liabilities in the disclosed currencies are as follows:

	Foreign currency	2002 ThCh$
Assets:		
Cash	Other currencies	-
Cash	U.S. dollars	333,092
Cash	Euro dollars	14,760
Cash	Argentina peso	52,891
Time deposits	U.S. dollars	3,301,120
Marketable securities	U.S. dollars	64,253,376
Marketable securities	Euro dollars	-
Accounts receivable	U.S. dollars	4,377,905
Accounts receivable	Euro dollars	2,894,220
Accounts receivable	Other currencies	1,452,291
Accounts receivable	Argentina peso	-
Notes receivable	U.S. dollars	106,579
Notes receivable	Argentina peso	120,568
Miscellaneous accounts receivable	U.S. dollars	5,303
Miscellaneous accounts receivable	Euro dollars	10,217
Miscellaneous accounts receivable	Argentina peso	4,781
Notes and accounts receivable from related companies	U.S. dollars	2,054
Taxes receivable	Other currencies	-
Prepaid expenses	U.S. dollars	591,938
Prepaid expenses	Argentina peso	-
Other current assets	U.S. dollars	6,072,324
Other assets	U.S. dollars	11,781,066
Other assets	Argentina peso	-
Other assets	Other currencies	278,707

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

31. FOREIGN CURRENCIES, continued:

		2002
	Foreign currency	ThCh$
Current liabilities:		
Short-term bank liabilities	U.S. dollars	-
Short-term bank liabilities	Argentina peso	10,590
Current portion of long-term bank liabilities	U.S. dollars	2,784,447
Current portion of long-term liabilities	U.S. dollars	370,029
Trade accounts payable	U.S. dollars	3,158,460
Trade accounts payable	Euro dollars	47,778
Trade accounts payable	Other currencies	6,362
Trade accounts payable	Argentina peso	140,229
Notes payable	U.S. dollars	2,367,430
Notes payable	Euro dollars	43,728
Miscellaneous creditors	U.S. dollars	120,588
Accrued expenses	U.S. dollars	-
Accrued expenses	Argentina peso	-
Accrued expenses	Other currencies	22,427
Provisions	Euro dollars	518,564
Provisions	U.S. dollars	3,651,783
Provisions	Argentina peso	79,480
Provisions	Other currencies	604,871
Other current liabilities	U.S. dollars	628,635
Long-term liabilities:		
Long-term bank liabilities	U.S. dollars	36,289,805
Long-term bank liabilities	Argentina peso	3,376,008
Other long-term liabilities	U.S. dollars	-
Miscellaneous creditors	U.S. dollars	1,249,708
Long-term provisions	U.S. dollars	1,773,057

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

32. SANCTIONS:

During 2001, 2002 and 2003, no sanctions by the Chilean Superintendency of Securities and Insurance and other regulatory agencies have been applied to the Company.

33. SUBSEQUENT EVENTS:

On January 9, 2003, CristalChile Comunicaciones S.A., 50% owner of Metropolis Intercom S.A., reached an agreement of understanding with Liberty Media International, indirect owner of the remaining 50% of Metropolis and majority shareholder of VTR S.A. in order to merge Metropolis and VTR. The agreement is subject to numerous conditions, among them, drafting of a final agreement, approval by the board of directors or related parties of Liberty Media including UnitedGlobalCom, Inc., approval by the Chilean Anti-Monopoly Commission, and approval by the board of directors of CristalChile Comunicaciones S.A.

As of and for the year ending December 31, 2003, the Company has not recorded any adjustment in the financial statements related to the proposed merger.

On January 13, 2004, the Company paid a dividend of Ch$15 per share on the 64,000,000 outstanding shares. The Board of Directors approved this dividend in November 2003.

Management is not aware of any other subsequent events that have occurred after the date of these financial statements that may significantly affect these financial statements.

34. ENVIRONMENT:

The Company is committed to the preservation of the environment. During 2003, the Company invested ThCh$205,409 to purchase equipment to be used in the treatment of nitrous oxide in the new Furnace B. During 2002, the Company invested ThCh$ 206,201 to repair an electrostatic precipitator, which is used to filter gases discharged from the glass smelting process, in order to continue complying with emission standards for particulate matter issued by the Chilean Government.

Additionally the subsidiary, Vina Santa Rita S.A. invested ThCh$33,002 and ThCh$39,369 to comply with the laws and regulations on industrial processing and installations during 2002 and 2003, respectively.

35. SHAREHOLDER INFORMATION:

During the years ended December 31, 2001, 2002 and 2003, there were no share transactions made by the directors, majority shareholders, and parties related to the directors.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

35. SHAREHOLDER INFORMATION, continued:

During the years ended December 31, 2001, 2002 and 2003, distribution of shareholder were as follows:

	% of Participation			Number of Shareh	
Type of Shareholder	2001	2002	2003	2001	2002
10% or more	34.03	34.03	34.03	1	
Less than 10% and equal to or greater than UF200	65.81	65.82	65.83	261	
Less than 10% and less than UF200	0.16	0.15	0.14	831	
Totals	100.00	100.00	100.00	1,093	
Controlling shareholders	52.14	52.14	52.14	3	

Cristalerias is a member of the Elecmetal Group and is a subsidiary of Compania Electrometalurgica S.A., Bayona S.A., and Servicios y Consultorias Hendaya S.A.

36. BOARD OF DIRECTORS' REMUNERATION:

Required disclosures of amounts paid to the Board of Directors of the Company during each year are as follows:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Share of previous year's net income	854,336	880,655	902,5

expressed in thousands of constant Chilean pesos

Fees for attendance at meetings	9,181	8,079	8,3
Payment of special services	3,855	3,558	2,7
Total	867,372	892,292	913,6

As of December 31, 2003, the Company and its subsidiary Vina Santa Rita S.A., have accrued an estimated ThCh$334,256 (ThCh$899,487 in 2002 and ThCh$889,687 in 2001) for 2003 Directors' remuneration that will be paid during 2004.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

Generally accepted accounting principles in Chile (Chilean GAAP) vary in certain important respects from the generally accepted accounting principles in the United States of America (U.S. GAAP). Such differences involve certain methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP.

I. Differences in Measurement Methods:

The principal methods applied in the preparation of the accompanying financial statements which have resulted in amounts that differ from those that would have otherwise been determined under U.S. GAAP are as follows:

(a) Inflation accounting:

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three-year period ended December 31, 2003 was 7.25%.

Chilean GAAP requires that the financial statements be restated to reflect the full effects of the loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method, described in Note 2(b), is based on a model which enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency, by restating all non-monetary accounts in the financial statements. The model prescribes that the historical cost of such accounts be restated for general price-level changes between the date of origin of each item and the year-end, but requires that latest cost values be used for the restatement of inventories.

The inclusion of price-level adjustments in the accompanying financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. As allowed pursuant to Form 20-F the reconciliation included herein of consolidated net income, comprehensive income and shareholders' equity, as determined with U.S. GAAP, does not include adjustments to eliminate the effect of inflation accounting under Chilean GAAP.

(b) Revaluation of property, plant and equipment:

As mentioned in Note 2(f), certain property, plant and equipment are reported in the financial statements at amounts determined in accordance with a technical appraisal. Revaluation of property, plant and equipment is an accounting principle not generally accepted in the United States. The effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation expense for the year is shown below, under paragraph I(q).

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

(b) Revaluation of property, plant and equipment, continued:

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" during 2000 and 2001, which was superceded by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" beginning in 2002, the Company evaluates the carrying amount of property, plant and equipment and other long-lived assets, in relation to the operating performance and future undiscounted cash flows of the underlying business. These standards require that an impairment loss be recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable, when compared to the estimated future undiscounted cash flows. Impairment, if determined, is recorded based on an estimate of future discounted cash flows, as compared to current carrying amounts. For the years ended December 31, 2001, 2002, and 2003 no additional amounts were recorded for impairment under U.S. GAAP.

(c) Allocation of certain overhead costs to inventories:

As indicated in Note 2(e), finished and in-process products are reported in the financial statements at restated direct costs plus price-level restatement, which include the related raw material, energy and direct labor costs. Accordingly, certain indirect manufacturing expenses are excluded from inventory, which is contrary to U.S. GAAP. The effects of including certain indirect manufacturing expenses are included under paragraph I(q) below.

(d) Income taxes:

Under Chilean GAAP, until December 31, 2000, deferred income taxes were recorded based on non-recurring timing differences between the recognition of income and expense items for financial statement and tax purposes. Accordingly, there was an orientation toward the income statement focusing on differences in the timing of recognition of revenues and expenses in pre-tax accounting income and taxable income. Chilean GAAP also permitted not providing for deferred income taxes where a deferred tax asset or liability is not expected to be realized. Starting January 1, 2001, the Company recorded income taxes in accordance with Technical Bulletin No. 60 of the Chilean Association of Accountants, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision, a contra asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2001. Such contra asset or liability must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates.

Under U.S. GAAP, companies must account for deferred taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which requires an asset and liability approach for financial accounting and reporting of income taxes, under the following basic principles:

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(d) Income taxes, continued:

(i) A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carryforwards.

(ii) The measurement of deferred liabilities and assets is based on the provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated.

(iii) The measurement of deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some of the deferred tax assets will not be realized.

Temporary differences are defined as any difference between the financial reporting basis and the tax basis of an asset and liability that at some future date will reverse, thereby resulting in taxable income or expense. Temporary differences ordinarily become taxable or deductible when the related assets are recovered or the related liability is settled. A deferred tax liability or asset represents the amount of taxes payable or refundable in future years as a result of temporary differences at the end of the current year.

The principal difference in the accounting for deferred income taxes between Chilean and U.S. GAAP relates to the reversal of the complementary assets and liabilities recorded as a transitional provision for unrecorded deferred taxes as of January 1, 2001 and their corresponding amortization into income. The effect of these differences on the net income and shareholders' equity of the Company is included in paragraph I (q) below.

e) Accounting for investments in related companies:

The adjustment to related companies includes the effect on the income and equity on the consolidated accounts of Cristalerias of the adjustments to U.S. GAAP that affect the accounts of the Company's equity investees. The principal U.S. GAAP adjustments affecting the Company's equity investees are as follows:

(i) The recording of deferred taxes in accordance with SFAS No. 109
(ii) The recording of goodwill in accordance with SFAS No. 142
(iii) The recording of financial derivatives in accordance with SFAS No. 133
(iv) The depreciation of external networks in accordance with U.S. GAAP
(v) The recording of indirect costs in accordance with U.S. GAAP
(vi) The deferred income tax effect of the above adjustments

These adjustments principally relate to deferred taxes, production costs, and goodwill amortization. The effects of this adjustment are included under paragraph I(q) below.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(f) Minimum dividend required by Chilean law:

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of holders of the issued and subscribed shares, the Company must distribute a cash dividend in an amount equal to at least 30% of the Company's net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Company has unabsorbed prior year losses. Since the payment of the 30% dividend out of each year's income is a legal requirement in Chile, a provision has been made in the accompanying U.S. GAAP reconciliation in I(q) below to recognize the corresponding decrease in net equity at the end of each year in which the net income is earned.

(g) Furnace repair provision:

Under Chilean GAAP, provisions may be accrued for estimated future repairs that will be required to be made to significant property, plant and equipment. Accordingly, Cristalerias has accrued provisions for estimated future repairs to the Company's furnaces. Under U.S. GAAP the Company expenses such repairs in the year incurred or capitalizes these costs if they are considered to be a betterment that would significantly improve the useful life of the asset. The effects of this adjustment are included under paragraph I(q) below.

(h) Depreciation of molds as property, plant, and equipment:

Under U.S. GAAP, molds used in the production process are treated as property, plant and equipment and are depreciated over their expected useful lives. The Company, in accordance with Chilean GAAP, has historically expensed some of these items as incurred. As of January 1, 1997, the Company began to capitalize purchased molds and depreciate them over a period of 24 months. For U.S. GAAP purposes, the molds are depreciated using the unit-of-production method with the estimated useful life per mold ranging from 12,000,000 units produced to 20,000,000 units produced, depending upon the type and specifications of the individual molds. The effects of this adjustment are included under paragraph I(q) below.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(i) Investments in marketable securities:

Under Chilean GAAP, investments in debt and equity securities are accounted for at the lower of cost or market value.

Under U.S. GAAP, investments in debt and equity securities are accounted for according to the purpose for which these investments are held. U.S. GAAP defines three distinct purposes for holding investments:

- o Investments held-for-trading purposes
- o Investments available-for-sale
- o Investments held-to-maturity

The Company considers that all of its investments are held-for-trading except for the Santa Emiliana shares which are available-for-sale and the Celulosa Arauco bonds purchased during 2001, which are considered held-to-maturity. There are no differences between Chilean GAAP and U.S. GAAP for held-for-trading and held-to-maturity investments. For available-for-sale investments, the accounting treatment in accordance with U.S. GAAP is to value these instruments at fair value and record the change in fair value as a separate component of shareholders' equity, net of deferred taxes. The effects on shareholders' equity of adopting this treatment are included under paragraph I(q) below.

(j) Intangible assets:

Under Chilean GAAP, the cost of the frequency purchased by the subsidiary Megavision S.A. is being amortized on a decelerated basis as described in Note 2(k). Under U.S. GAAP, such intangible assets are amortized on a straight-line basis since they relate to a finite concession period. During 1998, the Company began amortizing trademarks under Chilean GAAP on a straight-line basis over a period of 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants. Previously under Chilean GAAP, companies were not required to amortize those costs relating to trademarks. In accordance with U.S. GAAP, companies are required to amortize trademarks on a systematic and rational basis over the expected period for which an economic benefit will be derived from the trademark as long as the right does not have an indefinite life. For U.S. GAAP purposes, the Company has historically, and continues to, amortize deferred costs related to trademarks on a straight-line basis over a period of 25 years. The effects of the adjustments are included under paragraph I(q) below.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(k) Unrealized profit and negative goodwill:

(i) In 1995 the Company recorded the contribution of Cable TV companies to Cordillera Comunicaciones S.A., a related Company, at an amount that exceeded the book value of these investments. Under Chilean GAAP the excess amount was recorded as income in 1995. Under U.S. GAAP, the profit from this transaction is unrealized because of the Company's influence in the related company.

(ii) Additionally, under U.S. GAAP, the excess of the fair value of the assets received over the purchase price is allocated to reduce the values assigned to the non-current assets. This reduces the U.S. GAAP depreciation base in property, plant and equipment by the excess purchase price. As a consequence, the U.S. GAAP adjustment includes income from the decreased depreciation of the fixed assets using straight-line depreciation over an original useful life of 13 years. The effects of recording the unrealized profit and reduced depreciation expense is included under Paragraph I(q) below.

(l) Goodwill:

(i) Under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchased price over the carrying value are recorded as goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of goodwill to 20 years from the previous 10 years.

Under U.S. GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchased price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill, unless the transaction is between entities under common control, in which case the related party transaction would be recorded using book values and no goodwill would be recorded. Under U.S. GAAP, the Company amortized goodwill on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years for goodwill acquired prior to July 1, 2001 and all other goodwill prior to January 1, 2002. The effects of adjustment to U.S. GAAP, to reverse the related amortization expense on goodwill not accepted in U.S. GAAP and different amortization periods is included in the net income and shareholders' equity reconciliation to U.S. GAAP under paragraph I(q) below.

(ii) Under Chilean GAAP, the Company has evaluated the carrying amount of goodwill for impairment. The evolution of impairment was based on the fair value of the investment which the Company determined using a discounted cash flow approach, stock valuations and recent comparable transactions in the market. In order to estimate fair value, the Company made assumptions about future events that are highly uncertain at the time of estimation. The results of this analysis showed that the Company's goodwill was not impaired.

(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(l) Goodwill, continued:

In accordance with U.S. GAAP, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets", (SFAS No. 142) as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under the new standard, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually. Previously, the Company evaluated the carrying amount of goodwill, in relation to the operating performance and future undiscounted cash flows of the underlying business. The impairment tests, which were performed during 2002 and 2003, resulted in no impairment of the Company's goodwill. The following effects are included in the net income and shareholders' equity reconciliation to U.S. GAAP under paragraph I(q) below:

(a) Adjustment to record differences in goodwill amortization between Chile GAAP and U.S. GAAP as of December 31, 2001, and
(b) The reversal of goodwill amortization recorded under Chilean GAAP relating to reporting units that were not found to be impaired under U.S. GAAP for the years ended December 31, 2002 and 2003, and
(c) Gain on sale from differing carrying values under U.S. GAAP and Chile GAAP in the sale of the related party Ediciones Chiloe during 2001.

Amortization of goodwill under U.S. GAAP of ThCh$390,239, ThCh$0 and ThCh$0 for the years ended December 31, 2001, 2002 and 2003, respectively, is included in operating income for U.S. GAAP purposes.

(iii) The following details what the Company's net income under U.S. GAAP would have been for the year ended December 31, 2001, excluding goodwill amortization expense:

	(Unaudited) Year ended December 31, 2001
	ThCh$
Net income under U.S. GAAP	15,202,365
Add back: Goodwill amortization	2,051,694
Adjusted net income	17,254,059

(m) Results of subsidiaries in the development stage:

Under Chilean GAAP, costs incurred during the development stage of a controlled company are not charged to the income statement during the year in which they were incurred, being charged instead directly to an equity account (Subsidiary start-up deficit). U.S. GAAP requires that all such costs be included to the consolidated income statement in the year incurred. The effects are included under paragraph I(q) below.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(n) Translation of financial statements of investments outside of Chile:

In accordance with the Chilean foreign currency translation standard, "BT 64", the financial statements of foreign subsidiaries that operate in countries exposed to significant risks, and are not considered to be an extension of the Company's operations, are remeasured into U.S. dollars. The Company has remeasured its foreign subsidiaries into U.S. dollars under this requirement as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the U.S. dollar and the local currency.
- All non-monetary assets and liabilities and shareholder's equity are translated at historical rates of exchange between the U.S. dollar using the closing exchange rate and the local currency.
- Income and expense accounts are translated at monthly average rates of exchange between the U.S. dollar and local currency.
- The effects of any exchange rate fluctuations are included in the results of operations for the period.

Under BT 64, the investment in the foreign subsidiary is price-level restated in the accounting records of the parent company, the effects of which are reflected in income, while the effects of the foreign exchange gain or loss between the Chilean peso and the U.S. dollar using the closing exchange rate are reflected in equity in the account "Cumulative Translation Adjustment"; as the foreign investment itself is measured in U.S. dollars.

The foreign currency translation procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and translation effects in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy, and accordingly, are not eliminated in the reconciliation to U.S. GAAP as permitted by Form 20-F.

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(o) Derivative instruments:

The Company is exposed to foreign currency risk arising from long-term debt denominated in U.S. dollars. This risk is partially mitigated by the Company's export revenues which are in U.S. dollars. The Company uses short duration forward foreign currency contracts, where possible, to transfer risk from exposure in U.S. dollars to an exposure in UF. Under Chilean GAAP, the Company defers forward contract gains and recognizes losses when accounting criteria under Chile GAAP permits hedging. The hedging criteria and documentation requirements under Chilean GAAP are less onerous than U.S. GAAP. The Company recorded a net liability of ThCh$628,634 and ThCh$2,397,846, as of December 31, 2002 and 2003, respectively. Fair values under Chilean GAAP have been estimated using the closing spot exchange rate at the period end.

Beginning January, 1, 2001, under U.S. GAAP, the accounting for derivative instruments is described in (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities and other complementary rules and amendments". SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 required that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133, in part, allows special hedge accounting for "fair value" and "cash flow" hedges. SFAS No. 133 provides that the gain or loss on a derivative instrument designated and qualifying as a "fair value" hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. While the Company enters into derivatives for the purpose of mitigating its global financial and commodity risks, from time to time it enters into foreign currency forward contracts that are speculative in nature. These operations do not meet the documentation requirements to qualify for hedge accounting under U.S. GAAP. Therefore changes in the respective fair values of all derivatives are reported in earnings when they occur.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(o) Derivative instruments, continued:

The cumulative effect resulting from the adoption of SFAS No. 133 on January 1, 2001 was a net gain of ThCh$64,469 which is presented net of tax of ThCh$12,068, and minority interest under the caption "Cumulative effect of change in accounting principles. The adjustment is due to the difference between recording forward contracts at spot exchange rates under Chilean GAAP and marking the forward contracts to market using forward rates in according with US GAAP. The effect of the adjustment between the current market values and the fair value for the years ended December 31, 2002 and 2003 is included in paragraph I(q) below.

(p) Elimination of gain on Joint-venture:

During July 2001, the Company deconsolidated its subsidiary Crowpla Reicolite S.A. as part of a joint venture transaction with Andina Inversiones Societarias S.A., in which the Company retained a 50% interest in Crowpla Reicolite S.A. Under Chilean GAAP a gain of ThCh$2,070,143 was recognized based on the difference between the net assets contributed as part of the joint-venture and the Company's share in the joint-venture's equity. This occurred as two transactions, first Cristalerias sold capital in Crowpla Reicolite S.A. which Andina Inversiones Societarias S.A. purchased, and secondly, Andina Inversiones transferred assets into Crowpla Reicolite (now called "Envases CMF S.A.") to complete the joint venture. Under U.S. GAAP, these series of transactions are viewed as one transaction and contributions to joint ventures are recorded at book value of net assets contributed with a gain being recorded only to the extent that cash is received, unless it is reinvested in the business. The gain recorded under Chilean GAAP is reversed under U.S. GAAP as a deferred credit and is amortized over the weighted-average estimated useful lives of the joint-venture's assets which, as of the date that the joint-venture was formed, was 12 years. The effect of the adjustment is included under paragraph I(q) below.

(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(q) Effects of conforming to U.S. GAAP:

The adjustments to reported net income required to conform with U.S. GAAP are as follows (all amounts are expressed in thousands of constant Chilean pesos as of December 31, 2003):

	2001
	ThCh$
Net income as reported under Chilean GAAP	18,486,761
Revaluation of property, plant and equipment (paragraph I(b))	343,359
Allocation of certain overhead costs to inventories (paragraph I(c))	(274,850)
Income taxes (paragraph I(d))	284,288
Accounting for investments in related companies (paragraph I(e))	(1,812,961)
Furnace repair provision (paragraph I(g))	(2,432,046)
Depreciation of molds as property, plant and equipment (paragraph I(h))	518,232
Intangibles assets (paragraph I(j))	(183,294)
Unrealized profit and negative goodwill (paragraph I(k))	23,184
Goodwill (paragraph I(l(i)))	1,674,639
Goodwill amortization (paragraph I(l(ii)))	(314,354)
Results of subsidiaries in the development stage (paragraph I(m))	(128,092)
Derivative instruments (paragraph I(o))	1,116,276
Elimination of gain on Joint-venture (paragraph I(p))	(2,070,143)
Effect of minority interests on U.S. GAAP adjustments	(151,571)
Deferred tax effect of the above adjustments	58,468
Net income in accordance with U.S. GAAP before cumulative effect of change in accounting principles	15,137,895
Cumulative effect of change in accounting principle, net of taxes of ThCh$12,068 and minority interest	64,469
Net income in accordance with U.S. GAAP	15,202,364
Other comprehensive income:	
Unrealized holding gain on marketable securities, net of applicable taxes (paragraphs I(i))	(1,035,250)
Foreign exchange translation adjustment	1,668,908
Comprehensive income in accordance with U.S. GAAP	15,836,022

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(q) Effects of conforming to U.S. GAAP, continued:

The adjustments required to conform net shareholders' equity amounts to U.S. GAAP are as follows (all amounts are expressed in thousands of constant Chilean pesos as of December 31, 2003):

	2
	Th
Net shareholders' equity as reported under Chilean GAAP	23
Revaluation of property, plant and equipment (paragraph I(b))	(7
Revaluation of property, plant and equipment, accumulated depreciation (paragraph I(b))	5
Allocation of certain overhead costs to inventories (paragraph I(c))	
Income taxes (paragraph I(d))	
Accounting for investments in related companies (paragraph I(e))	
Minimum dividend required by Chilean law (paragraph I(f))	(2
Furnace repair provision (paragraph I(g))	
Depreciation of molds as property, plant and equipment (paragraph I(h))	
Investments in marketable securities (paragraph I(i))	
Intangible assets (paragraph I(j))	(1
Unrealized profit and negative goodwill (paragraph I(k(i)))	
Amortization of unrealized profit and negative goodwill (paragraph I(k(ii)))	
Goodwill (paragraph I(l))	(3
Goodwill amortization (paragraph I(l))	
Derivative instruments (paragraph I(o))	
Elimination of gain on joint-venture - gross (paragraph I(p))	(2
Elimination of gain on joint-venture - accumulated amortization (paragraph I(p))	
Effect of minority interests on U.S. GAAP adjustments	
Deferred tax effect of the above adjustments	(3
Net shareholders' equity in accordance with U.S. GAAP	23

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)

(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(q) Effects of conforming to U.S. GAAP, continued:

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 2001, 2002 and 2003:

	2001	2002
	ThCh$	ThCh$
Balance as of January 1	221,889,516	228,510,560
Dividends paid	(9,539,740)	(7,729,314)
Change in minimum dividends accrued	324,761	(1,313,610)
Net income in accordance with U.S. GAAP	15,202,365	17,879,310
Foreign exchange translation adjustment	1,668,908	1,569,793
Unrealized holding gain (loss) on marketable securities, net of applicable taxes	(1,035,250)	73,312
Balance as of December 31	228,510,560	238,990,051

(r) Other Comprehensive Income:

In accordance with US GAAP, Cristalerias reports a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total of net income and other non-owner equity transactions that result in changes in net shareholders' equity.

The following represents the components of other comprehensive income, together with the related tax effects by component for the years ended December 31, 2001, 2002 and 2003 (in thousands of constant Chilean pesos as of December 31, 2003).

(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(r) Other Comprehensive Income, continued:

	Before-Tax Amount	Tax (Expense) or Benefit	Net Am
	ThCh$	ThCh$	Th
For the year ended December 31, 2001			
Unrealized holding gains on marketable securities arising during period:	(1,195,311)	160,061	(1,0
Foreign exchange translation adjustment	1,668,908	-	1,6
Other comprehensive income	473,597	160,061	6
For the year ended December 31, 2002			
Unrealized holding gains on marketable securities arising during period:	87,798	(14,486)	
Foreign exchange translation adjustment	1,569,793	-	1,5
Other comprehensive income	1,657,591	(14,486)	1,6
For the year ended December 31, 2003			
Unrealized holding loss on marketable securities arising during period:	(119,755)	20,358	(
Foreign exchange translation adjustment	(3,523,815)	-	(3,5
Other comprehensive income	(3,643,570)	20,358	(3,6

The following represents accumulated other comprehensive income balances as of December 31, 2002 and 2003 (in thousands of constant Chilean pesos as of December 31, 2003).

	As of December 31, 2002		
	Unrealized Gains on Securities	Cumulative Foreign Exchange Translation Adjustment	Accumulat Comprehens
Beginning balance	1,615,720	2,294,542	3,91
Current-period change	73,312	1,569,793	1,64
Ending balance	1,689,032	3,864,335	5,55

	As of December 31, 2003		
	Unrealized Gains on Securities	Cumulative Foreign Exchange Translation Adjustment	Accumulat Comprehens
Beginning balance	1,689,032	3,864,335	5,55
Current-period change	(99,397)	(3,523,815)	(3,62
Ending balance	1,589,635	340,520	1,93

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

II. Additional Disclosure Requirements:

(a) Earnings per share:

The following earnings per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP:

	2001	2002
	Ch$	Ch$
Chilean GAAP basic earnings per share (Ch$) (1)	288.86	278.71
U.S. GAAP basic earnings per share (Ch$1) (1):		
U.S. GAAP earnings per share before cumulative effect of change in accounting principle	237.54	279.38
Cumulative effect of change in accounting principle	1.01	-
U.S. GAAP net earnings per share	238.55	279.38
Weighted average number of common shares outstanding (in thousands)	64,000	64,000

(1) There are no requirements to provide earnings per share disclosures under Chilean GAAP. The earnings per share data shown

expressed in thousands of constant Chilean pesos

above are determined by dividing net income available to common shareholders in accordance with U.S. GAAP and Chilean GAAP respectively by the weighted-average number of shares outstanding. The Company has a simple capital structure and has not issued any convertible debt securities. Consequently, there are no diluting effects on the earnings per share of the Company.

(b) Income taxes:

The provision for income taxes was as follows:

Chilean GAAP:	2001	2002
	ThCh$	ThCh$
Current tax expense	4,036,042	4,275,329
Deferred tax expense (benefit) and others as calculated under Chilean GAAP:	1,147,057	2,186,462
Charge for the year under Chilean GAAP	5,183,099	6,461,791
U.S. GAAP Adjustments		
Deferred tax effect of applying FAS No. 109	(284,288)	336,627
Deferred tax effect of adjustments to U.S. GAAP	(58,468)	213,010
Deferred tax effect of cumulative effect of change in accounting principle	12,068	-
Charge for the year under U.S. GAAP	4,852,411	7,011,428

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(b) Income taxes, continued:

Deferred tax assets (liabilities) as of each year-end are summarized as follows:

2002			
SFAS No. 109 applied to hilean GAAP C Balances ThCh$	SFAS No. 109 applied to US GAAP Adjustments ThCh$	Total Deferred Taxes under SFAS No. 109 ThCh$	SFAS No. 109 applied to Chilean GAAP Balances ThCh$

expressed in thousands of constant Chilean pesos

Deferred income tax assets:				
Tax loss carryforwards (1)	4,723,875	-	4,723,875	4,506,337
Furnace repair provision	620,962	(620,962)	-	563,187
Provision for doubtful accounts	114,245	-	114,245	118,540
Inventory and packaging provision	225,881	-	225,881	229,139
Accrued vacation expense	172,514	-	172,514	202,898
Unearned revenues and unrealized income	452,446	-	452,446	698,264
Staff severance indemnities	37,709	-	37,709	28,623
Bond discount amortization	59,212	-	59,212	86,317
Other provisions	197,368	-	197,368	158,771
Direct labor costs	20,438	-	20,438	11,337
Other	268,366	41,378	309,744	17,349
Total deferred income tax assets	6,893,016	(579,584)	6,313,432	6,620,762
Deferred income tax liabilities:				
Depreciation	(8,057,421)	-	(8,057,421)	(8,561,734)
Bond discount	(858,205)	-	(858,205)	(819,352)
Inventories	-	(587,895)	(587,895)	-
Molds	(251,222)	(352,502)	(603,724)	(256,166)
Forwards contracts	-	(281,321)	(281,321)	-
Intangibles	-	(1,232,887)	(1,232,887)	-
Deferred customs duties	(153,739)	-	(153,739)	(77,512)
Deferred costs	(173,242)	-	(173,242)	(222,622)
Marketable securities	-	(331,861)	(331,861)	-
Other	(57,908)	-	(57,908)	(85,758)
Total deferred income tax liabilities	(9,551,737)	(2,786,466)	(12,338,203)	(10,023,144)
Net deferred tax assets (liabilities) resulting from SFAS No. 109	(2,658,721)	(3,366,050)	(6,024,771)	(3,402,382)

(1) In accordance with the current enacted tax law in Chile, such tax losses may be carried forward indefinitely.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(b) Income taxes, continued:

The classification of the deferred income tax assets and liabilities above is detailed as follows:

	2002	2002
	ThCh$	ThCh$
Short-term	(918,810)	168,342
Long-term	(5,105,961)	(6,681,068)
Net deferred tax liabilities	(6,024,771)	(6,512,726)

The provision for income taxes differs from the amount of income tax determined by applying the applicable Chilean statutory income tax rate to pretax income calculated in accordance with U.S. GAAP as a result of the following differences:

	2001	2002
	ThCh$	ThCh$
Tax provision at statutory Chilean tax rates	3,215,200	3,979,917
Increase (decrease) in taxes resulting from:		
Amortization of goodwill and other intangibles	(257,594)	-
Price-level restatement not accepted for tax purposes	(159,932)	(23,671)
Equity in net income of related companies	1,448,344	1,785,957
Tax credits and other permanent differences	606,393	1,269,225
Effective tax provision	4,852,411	7,011,428

The Chilean statutory first category (corporate) income tax rate was 15% prior to 2001, however tax rates increased to 16% in 2002, with subsequent increases to 16.5% in 2003, and is scheduled to increase to 17% in 2004 and thereafter, in accordance with the currently enacted tax legislation.

In accordance with Chilean law, Cristalerias de Chile S.A. and each of its subsidiaries compute and pay tax on an individual legal entity basis.

The Company had net operating tax-loss carry forwards related to its subsidiaries of approximately ThCh$26,507,865 as of December 31, 2003 that can be carried forward indefinitely.

(c) Cash flows:

The Company's subsidiary Simetral was not consolidated under Chilean GAAP until 2002, because this company was in the development stage prior to 2002. Under U.S. GAAP this subsidiary would have been consolidated, regardless of when their operations began. Additionally, under U.S.

expressed in thousands of constant Chilean pesos

GAAP, only instruments with an original maturity of less than 90 days are considered to be cash and cash equivalents.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(c) Cash flows, continued:

Cash flow amounts reconciled in accordance with U.S. GAAP, as presented below include restatement to constant Chilean pesos as of December 31, 2003 as part of the comprehensive basis used by the Company in preparing its price-level adjusted financial statements. Foreign registrants that prepare comprehensive price-level adjusted financial statements are permitted to not reconcile the effects of price level changes to U.S. GAAP. Consequently, the effects of the price level adjustments have not been reconciled.

Consolidation of the Company's development stage operations would result in the following differences under U.S. GAAP:

	2001	2002
	ThCh$	ThCh$
Cash provided by operating activities reported under Chilean GAAP	40,873,125	49,869,648
Effect of consolidation of subsidiary in Simetral	(180,207)	-
Cash provided by operating activities under US GAAP	40,692,918	49,869,648
Cash provided by financing activities reported under Chilean GAAP	5,217,831	11,818,403
Effect of consolidation of subsidiary in Simetral	158,129	-
Proceeds from loans from related companies	1,384,696	90,831
Cash provided by financing activities under US GAAP	6,760,656	11,909,234
Cash used in investing activities reported under Chilean GAAP	(35,315,986)	(5,047,634
Proceeds from loans from related companies	(1,384,696)	(90,831
Reclassification of repurchase agreement	-	(364,303
Cash used in investing activities under US GAAP	(36,700,682)	(5,502,768
Effect of inflation on cash and cash equivalents under Chilean GAAP	(1,302,575)	(1,708,086
Effect of inflation on cash and cash equivalents under Chilean GAAP	(1,302,575)	(1,708,086

expressed in thousands of constant Chilean pesos

Net change in cash and cash equivalents under Chilean GAAP	9,472,395	54,932,331
Effect of consolidation of subsidiary in Simetral	(22,079)	-
Reclassification of repurchase agreement	-	(364,303
Net change in cash and cash equivalents under US GAAP	9,450,316	54,568,028
Cash and cash equivalents at beginning of year under Chilean GAAP	29,825,469	39,297,864
Effect of consolidation of subsidiary in Simetral	148,733	-
Cash and cash equivalents at beginning of year under US GAAP	29,974,202	39,297,864
Cash and cash equivalents at end of year under Chilean GAAP	39,297,864	94,230,195
Effect of consolidation of subsidiary in Simetral	126,654	-
Reconciliation of repurchase agreement	-	(364,303
Cash and cash equivalents at end of year under US GAAP	39,424,518	93,865,89

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(d) For purposes of the statements of cash flows under U.S. GAAP, the company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents as follows:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Cash deposits that are cash equivalents	3,055,994	2,450,019	3,513,7
Time deposits that are cash equivalents	14,347,867	13,112,270	4,265,7
Money market securities	10,095,194	64,300,492	55,460,4
Repurchase agreements	11,925,463	14,003,111	11,734,5
Total cash and cash equivalents	39,424,518	93,865,892	74,974,4

Supplementary Cash flow information:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Interest paid	6,564,524	3,411,897	7,510,0
Taxes paid	4,028,079	3,590,684	5,161,3

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(e) Investments in related companies:

The following tables show combined summary financial information of the related companies accounted for using the equity method. All amounts are in thousands of constant Chilean pesos of December 31, 2003 purchasing power.

The condensed information shown here has been combined from each company's individual financial statements prepared in accordance with Chilean GAAP. For the overall effect on the financial statements of Cristalerias de Chile S.A. of the application of U.S. GAAP to the financial statements of these companies, see paragraph I(q) above.

	2001	2002	200
	ThCh$	ThCh$	ThCh
Current assets	59,544,152	70,305,255	71
Non-current assets	459,508,673	423,360,327	531
Total assets	519,052,825	493,665,582	602
Current liabilities	48,707,437	42,340,632	77

expressed in thousands of constant Chilean pesos

Non-current liabilities	52,985,555	74,069,920	102
Total liabilities	101,692,992	116,410,552	179
Net sales	104,105,558	107,476,905	154
Gross profit	25,328,360	22,523,603	29
Net loss	(30,839,340)	(36,024,119)	(3
Company's share of loss (Note 12)	(7,692,604)	(8,991,404)	(

(f) Segment information:

The Company operates principally in three business segments, substantially all of which are located in Chile, which comprise the (i) the production and sale of glass and plastic containers, (ii) the wine segment, (iii) the media and communications business and (iv) other, which includes real estate operations. Total revenues by segment are comprised of sales to unaffiliated customers, as reported in Cristalchile's consolidated income statement and inter-segment sales, which are accounted for at invoice prices. Operating expenses are allocated between Cristalchile's operating segments on a proportionate basis.

The methods of revenue recognition by segment are (i) (a) glass containers: when a sales commitment has been made through the issuance of a sales invoice and the product has been delivered and (b) plastic containers: upon delivery, (ii) wine: upon delivery, (iii) media and communications: upon broadcast of the program or advertisement, and (iv) other, which includes real estate: upon period of rental.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(f) Segment information, continued:

The Company's segment data, based on Chilean GAAP balances, are as follows:

	Glass	Wines	Communications	Other
	ThCh$	ThCh$	ThCh$	ThCh$

As for and for the year ended December 31, 2001				
Revenues from external customers	68,434,649	67,698,318	16,771,906	(5,256,326)
Revenues from transactions with other operating segments of the same enterprise	6,436,967	-	-	(6,436,967)
Interest income	1,672,632	1,205,582	74,206	1,421
Interest expense	(4,091,543)	(2,589,099)	(529,935)	-
Depreciation	(7,946,049)	(3,229,292)	(1,081,007)	-
Amortization	(1,550,452)	(280,501)	(258,318)	(25,725)
Income tax expense	(3,475,055)	(1,750,592)	40,931	1,617
Earnings (loss) from equity-method	(897,145)	492,608	(7,287,597)	(470)
Net Income	20,250,210	7,510,832	(7,044,440)	(2,229,835)
Total Assets	160,336,575	119,188,544	110,243,517	19,203,084
Capital Expenditures	25,846,336	7,900,239	302,544	-
As for and for the year ended December 31, 2002				
Revenues from external customers	71,767,516	72,438,586	25,063,613	(6,601,882)
Revenues from transactions with other operating segments of the same enterprise	6,260,478	-	341,404	(6,601,882)
Interest income	1,889,088	610,585	77,730	813
Interest expense	(4,665,150)	(1,833,501)	(409,233)	-
Depreciation	(9,105,507)	(3,725,337)	(879,829)	-
Amortization	(607,792)	(295,945)	(530,678)	-
Income tax expense	(4,074,990)	(2,414,252)	28,160	(708)
Earnings (loss) from equity-method	(858,708)	481,271	(8,610,816)	(3,151)
Net Income	16,417,253	9,355,774	(5,433,779)	(2,501,980)
Total Assets	206,229,614	123,299,581	106,650,023	20,823,984
Capital Expenditures	10,403,089	4,728,002	523,214	-
As for and for the year ended December 31, 2003				
Revenues from external customers	74,549,216	74,939,862	26,544,548	(6,092,521)
Revenues from transactions with other operating segments of the same enterprise	5,773,771	-	318,750	(6,092,521)
Interest income	2,256,765	247,432	88,528	248
Interest expense	(4,840,988)	(1,702,955)	(284,988)	-
Depreciation	(9,903,163)	(4,011,470)	(812,406)	-
Amortization	(956,810)	(196,368)	(208,593)	(276,693)
Income tax expense	(1,463,667)	(657,693)	229,565	544,212
Earnings (loss) from equity-method	1,628,362	689,110	(6,810,408)	(45,818)
Net Income	5,556,118	3,915,158	(4,232,402)	1,187,646
Total Assets	198,876,855	122,381,264	99,834,108	16,853,276
Capital Expenditures	19,763,094	4,829,510	1,050,997	-

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(g) Geographic information:

Although all of the Company's operations are located in Chile, export revenues, primarily from customers in the United Kingdom, the United States and Canada, totaled ThCh$29,384,627, ThCh$31,695,353 and ThCh$39,841,325 for the years ended December 31, 2001, 2002 and 2003, respectively.

(h) Supplementary information on marketable securities:

Supplementary information on available for sale marketable securities is as follows:

	As of December 31, 2002		
	Carrying value	Unrealized Holding Gains	Market
	ThCh$	ThCh$	Th
Bonds	55,053,309	-	5
Equity securities and mutual funds	13,084,516	2,011,276	1
Total	68,137,825	2,011,276	7

The contracted maturities of these securities are as follows:	Within one year	After one year But within five years	After fi but wi ye
	ThCh$	ThCh$	Th
Government securities	55,053,309	-	
Equity securities and mutual funds	15,095,792	-	
Total	70,149,101	-	

	As of December 31, 2003		
	Carrying value	Unrealized Holding Gains	Market
	ThCh$	ThCh$	Th
Bonds	47,852,283	-	4
Equity securities and mutual funds	11,762,690	1,891,521	1
Total	59,614,973	1,891,521	6

The contracted maturities of these securities are as follows:	Within one year	After one year But within five years	After fi but wi ye
	ThCh$	ThCh$	Th
Bonds	47,852,283	-	
Equity securities and mutual funds	13,654,211	-	
Total	61,506,494	-	

Equity stock investments and mutual fund investments do not have a fixed maturity date, but are anticipated to be sold within one year.

F-75

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements originally issued in Spanish - See Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(h) Supplementary information on marketable securities, continued:

Supplementary information on held-to-maturity marketable securities is as follows:

As of December 31, 2002

	Carrying value	Unrealized Holding Gains	Mark
	ThCh$	ThCh$	T
Bonds	10,139,303	354,848	10,4
Total	10,139,303	354,848	10,4

The contracted maturities of these securities are as follows:	Within one year	After one year But within five years	Afte but y
	ThCh$	ThCh$	Th
Bonds	-	10,494,151	
Total	-	10,494,151	

	As of December 31, 2003		
	Carrying value	Unrealized Holding Loss	Market
	ThCh$	ThCh$	Th
Bonds	8,188,309	413,865	8
Total	8,188,309	413,865	8

The contracted maturities of these securities are as follows:	Within one year	After one year But within five years	After fi but wi ye
	ThCh$	ThCh$	Th
Bonds	-	8,602,174	
Total	-	8,602,174	

expressed in thousands of constant Chilean pesos

(i) Other disclosures:

The Company has accounted for its liability for severance indemnities as disclosed in Notes 2(h) and 21. Except for severance indemnities, the Company does not provide any post-employment or post-retirement benefits to its employees and accordingly, there is no need to record any additional obligations in accordance with either SFAS No. 106 "Employers' Accounting for Post-retirement Benefits other than Pensions" or SFAS No. 112 "Employers' Accounting for Post-employment Benefits" or SFAS No. 132 "Employers' Disclosure About Pensions and Other Postretirement Benefits".

The Company had advertising expenses of ThCh$3,173,637, ThCh$2,753,152 and ThCh$4,126,224 for the years ended December 31, 2001, 2002 and 2003. There were no significant lease obligations or rental expenses for the years ended December 31, 2001, 2002 and 2003.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(i) Other disclosures, continued:

Reliance on Significant Customers:

The Company sells glass to three unrelated companies that have from time to time accounted for more than 10% of the Company's glass segment sales over the last three years. Sales to these companies accounted for 35.9% (15.0%, 11.4% and 9.5%), 37.83% (16.7%, 11.6% and 9.5%) and 40.46% (18.7%, 12.1% and 9.7%) of the Company's total net sales for the years ended December 31, 2001, 2002 and 2003 of the company's glass segment sales, respectively.

(j) Concentrations of Credit Risk

The Company holds bank balances and places deposits in a number of different financial institutions and in this way attempts to reduce counterparty risk. The Company does not believe that it is exposed to any material credit risk from any single financial institution. No customer has outstanding receivables of more than 10%. The concentration of the Company's accounts receivable balances are as follows:

Sector	Percentage of accounts recei 2003
Glass Container	
Liquor	4.16%
Beer	5.22%
Soft Drink	6.23%

expressed in thousands of constant Chilean pesos

Wine	29.86%	
Other Glass Container	1.41%	46
TV Advertisement		12
Wine		40
Total		100

The Company's debtors are all dependent on the Chilean economy, and significant proportions of these debtors operate in the beverage industry. As a result, the Company could be vulnerable to a downturn in economic activity in Chile. However, the Company so far does not have any experience of credit losses due to non-payment by major customers. Additionally, the credit risk that the Company has faced from creditors has been reduced as a result of the Company's position in the market for the production of glass bottles. In the event of failure by the Company's counterparties, the Company would be exposed to a loss equivalent to the amount shown in the balance sheet.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(k) Disclosure regarding the fair value of financial instruments:

In accordance with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" and SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" under US GAAP, information is provided about the fair value of certain financial instruments for which it is practicable to estimate that value. For the purposes of SFAS No. 107, the estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

There are certain limitations inherent in the fair value data, since while the data represents Management's best estimates and certain assumptions; the data is subjective, involving significant estimates and assumptions regarding current economic and market conditions.

The methods and assumptions used to estimate the fair values are as follows:

- o For cash, short-term deposits and investments, and current receivables and payables the carrying amounts approximate the fair value due to the short-term maturity of these instruments.

- o For interest earning assets and interest bearing liabilities that are contracted at variable interest rates, book value is considered to be equivalent to fair value.

- o Estimates of fair values of financial instruments for which no quoted prices or secondary market exists have been made using valuation techniques such as forward pricing models, present value of estimated future cash flows, and modeling techniques. These estimates of fair values include assumptions made by the Company about market variables that may change in the future. Changes in assumptions could have a significant impact on the estimate of fair values disclosed. As a result, such fair value amounts are subject to significant uncertainty and are highly dependent on the quality of the assumptions used.

- o For interest earning assets and interest bearing liabilities, contracted at fixed interest rates with an original maturity of more than one year, the fair values have been calculated by discounting contractual cash flows at the current market origination rates for financial instruments with similar terms.

F-78

CRISTALERIAS DE CHILE S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Translation of financial statements
originally issued in Spanish - See Note 2)
(Restated for general price-level changes and
expressed in thousands of constant Chilean pesos
as of December 31, 2003, except as indicated)

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(k) Disclosure regarding the fair value of financial instruments, continued:

	2002		
	Carrying Value	Estimated Fair Value	Carrying
Assets	ThCh$	ThCh$	ThC
Cash	2,450,019	2,450,019	3
Time deposits	13,112,270	13,112,270	4
Marketable securities	70,149,101	70,149,101	61
Other instruments	15,561,567	15,561,567	12
Current accounts receivable	43,933,653	43,933,653	46
Long-term receivables	198,351	198,351	
Long-term other instruments	16,907,513	17,262,361	13
Forward contracts	2,469,835	2,469,835	1
Liabilities			
Accounts payable	13,413,389	13,413,389	11
Long-term bank liabilities	49,126,856	49,126,856	37
Bonds payable	91,597,561	91,597,561	91
Miscellaneous creditors	4,946,074	4,946,074	1
Forward contracts	1,393,590	1,393,590	4

The carrying amounts above are presented in accordance with U.S. GAAP.

(l) Restrictions on payment of dividends:

As of December 31, 2003, the Company had undistributed earnings of ThCh$3,724,559 in companies accounted for by the equity method, included as a part of consolidated retained earnings.

Dividends received from such entities were ThCh$454,504, ThCh$237,759 and ThCh$215,661 for the years ended December 31, 2001, 2002 and 2003, respectively.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(m) Recent accounting pronouncements:

In June 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). This standard requires that under U.S. GAAP obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The effective date of application of SFAS No. 143 is January 1, 2003. The implementation of SFAS No. 143 had no material impact on the results of operations or financial position of the Company.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities-an interpretation of ARB 51," to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Many variable interest entities, including special purpose entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The Company must apply Interpretation No. 46 to variable interest entities created after January 31, 2003. The Company did not create any variable interest entities after January 31, 2003 and is in the process of assessing the impact of the Interpretation in relation to business relationships created before January 31, 2003. The effective date of Interpretation No. 46 is January 1, 2004 for variable interest entities created before January 31, 2003. The Company does not expect the implementation of the Interpretation to have a material impact on the Company's results of operation or financial position.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). The Interpretation significantly changed practice in the accounting for, and disclosure of, guarantees. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. Guarantees meeting the characteristics described in the Interpretation, are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies". The Interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even when the likelihood of the guarantor's having to make payments under the guarantee is remote. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The implementation of FIN 45 had no material impact on the results of operations or financial position of the Company.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(n) Goodwill

As discussed in paragraph (l), section (ii), the Company adopted SFAS 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS 142, effective January 1, 2002 and annually thereafter. Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The Company's reporting units are at the operating subsidiary level. This methodology differs from the Company's previous policy, as provided under accounting standards existing at that time of using undiscounted cash flows on an enterprise-wide basis to determine if goodwill was recoverable. During 2002 and 2003, the Company did not recognize an impairment charge to reduce the carrying value of goodwill.

expressed in thousands of constant Chilean pesos

In calculating the fair value of reporting units, the Company used a discounted cash flow approach, stock valuations and recent comparable transactions in the market. Prior to performing the review for impairment, SFAS 142 required that all goodwill deemed to be related to the entity as a whole be assigned to all of the Company's reporting units, including the reporting units of the acquirer.

A summary of the changes in the Company's goodwill under U.S. GAAP during the year ended December 31, 2002 and 2003, by reporting unit is as follows:

Goodwill

Company	January 1, 2002	Acquisitions	Cumulative Effect of Accounting Change	Impairment
	ThCh$	ThCh$	ThCh$	ThCh$
Rayen Cura S.A.(1)	5,825,649	-	-	-
S.A. Vina Santa Rita	1,028,248	-	-	-
Vina Los Vascos S.A.	598,703	-	-	-
Zig-Zag S.A.	122,131	-	-	-
Red Televisiva Megavision S.A.	200,656	412,467	-	-
Total	7,775,387	412,467	-	-

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(n) Goodwill, continued

Goodwill

	January 1,		Cumulative Effect of Accounting		Cumu Tran

Company	2003	Acquisitions	Change	Impairment	Adju
	ThCh$	ThCh$	ThCh$	ThCh$	T
Rayen Cura S.A.(1)	6,166,566	-	-	-	(1,1
S.A. Vina Santa Rita	1,028,248	-	-	-	
Vina Los Vascos S.A.	598,703	-	-	-	
Zig-Zag S.A.	122,131	-	-	-	
Red Televisiva Megavision S.A.	613,123	-	-	-	
Total	8,528,771	-	-	-	(1,1

(1) In thousands of constant Chilean pesos as of December 31, 2003, using exchange rate of Ch$ 593.80 per US$.

Metropolis Intercom S.A.'s unrealized gain has not been included in this rollforward as these amounts do not represent goodwill.

The Company's intangible assets were ThCh$11,775,270 and ThCh$11,802,431 and related accumulated amortization were ThCh$3,950,914 and ThCh$4,256,746 as of December 31, 2002 and 2003, respectively, in accordance with U.S. GAAP. All of the Company's intangible assets are subject to amortization, since they relate to finite contracts or concessions, however there is a difference in the amortization methodology between Chilean and U.S. GAAP, Chilean GAAP permits recording depreciation on a decelerated basis and while under U.S. GAAP intangibles are amortized on a straight-line basis over their expected useful life. Intangible amortization is expected to be approximately ThCh$305,832 over each of the next five years, not taking inflation or future purchases into account.

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(o) Summarized information in accordance with U.S. GAAP

In addition to differences in measurement methods between Chile GAAP and U.S. GAAP, certain reclassifications are required to be made in order to prepare information in accordance with U.S. GAAP. These reclassifications would be made to the line items of the Chilean GAAP income statement to show the same presentation as would be required under a U.S. GAAP format. Amounts that are included in non-operating income and expenses would be included as operating income under U.S. GAAP. These reclassifications exclude consolidation of development stage companies during 2001, the effect of which is immaterial.

expressed in thousands of constant Chilean pesos

The condensed consolidated statements of income under U.S. GAAP, classified in accordance with U.S. GAAP are presented as follows:

	2001	2002
	ThCh$	ThCh$
Sales	147,648,547	162,66
Cost of sales	(93,175,486)	(96,64
Gross margin	54,473,061	66,01
Selling and administrative expenses	(15,627,514)	(26,23
Operating income	38,845,547	39,78
Non-operating income (loss)	(15,352,417)	(10,09
Net income before income taxes and minority interest	23,493,130	29,69
Income taxes	(4,840,411)	(7,01
Income before minority interest	18,652,719	22,6
Minority interest	(3,450,353)	(4,80
Net income	15,202,366	17,87

37. DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, continued:

(o) Summarized information in accordance with US GAAP, continued:

Certain reclassifications would be made to the line items of the Chilean GAAP balance sheet to show the same presentation as would be required under a U.S. GAAP format. Amounts payable or receivable under forward contacts would only be stated net if there was a right of offset, bond discount presented as Other Assets in Chilean GAAP would be reclassified as long-term liabilities against bonds payable.

The summarized consolidated balance sheets under U.S. GAAP, classified in accordance with U.S. GAAP are presented as follows:

	2001	2002
	ThCh$	ThCh$
Total current assets	121,435,516	177,9
Property, plant and equipment	219,255,103	222,3
Accumulated depreciation of property, plant and equipment	(76,829,482)	(85,59
Property, plant and equipment, net	142,425,621	136,7
Goodwill	9,139,480	9,9
Accumulated amortization of goodwill	(1,364,093)	(1,40
Goodwill, net	7,775,387	8,5
Other assets	143,570,778	141,6
Total assets	415,207,302	464,8
Current liabilities	53,994,752	45,7
Long-term liabilities	96,290,184	142,6
Minority interest	36,411,806	37,5
Shareholder's equity	228,510,560	238,9
Total liabilities and shareholder's equity	415,207,302	464,

38. CONSOLIDATED FINANCIAL STATEMENTS OF CORDILLERA COMUNICACIONES HOLDING LIMITADA AND SUBSIDIARIES

In accordance with Chilean GAAP, as of December 31, 2003, the Company included its equity method investment in Cordillera Comunicaciones Holding Limitada and subsidiaries ("Cordillera") (See Note 10) in the balance sheet account "Investments in related companies" and its participation in earnings for the years ended December 31, 2001, 2002 and 2003 in the income statement account "Equity participation in net income (loss) of related companies". For purposes of complying with the requirements of Form 20-F, the Company is required to present separately, the Chilean GAAP audited financial statements with a reconciliation to U.S. GAAP of Cordillera as of December 31, 2002 and 2003 and for the three years in the period ended December 31, 2003, as Cordillera met the definition of a significant subsidiary under Rule 1-02 (w) of Regulation S-X as of December 31, 2003.

Cordillera Comunicaciones Holding Limitada and Subsidiaries

Consolidated Financial Statements as of
December 31, 2002 and 2003 and for the years
ended December 31, 2001, 2002 and 2003 together with
the Report of Independent Auditors

Cordillera Comunicaciones Holding Limitada and Subsidiaries

Index to Consolidated Financial Statements

Ch$ - Chilean pesos
ThCh$ - Thousands of Chilean pesos
US$ - United States Dollars
ThUS$ - Thousands of United States Dollars
UF - Unidad de Fomento "UF" is a daily-indexed peso-denominated accounting unit. The UF rate is set daily in advance based on the change in the Chilean Consumer Price Index of the previous month.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
Cordillera Comunicaciones Holding Limitada:

We have audited the accompanying consolidated balance sheets of Cordillera Comunicaciones Holding Limitada and subsidiaries (the "Company") as of

December 31, 2002 and 2003, and the related consolidated statements of income and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company as of December 31, 2001 and for the year then ended were audited by Langton Clarke, a member of Andersen Worldwide, who issued an unqualified opinion in their report dated February 28, 2002, except for Notes 2(a), 2(c) and 27 for which the date was May 29, 2002. Andersen Worldwide has ceased operating as a member of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cordillera Comunicaciones Holding Limitada and subsidiaries at December 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile, which differ in certain respects from accounting principles generally accepted in the United States of America (see Note 28 to the consolidated financial statements).

ERNST & YOUNG LTDA. [OBJECT OMITTED]
Santiago, Chile February 27, 2004

This is a copy of a previously issued Arthur Andersen - Langton Clarke report. Arthur Andersen - Langton Clarke has not reissued the report, nor has Arthur Andersen - Langton Clarke consented to the inclusion of the report.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Cordillera Comunicaciones Holding Limitada:

We have audited the accompanying consolidated balance sheets of Cordillera Comunicaciones Holding Limitada (the "Company") and subsidiaries as of December 31, 2000 and 2001 and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 2001, all expressed in thousands of constant Chilean pesos. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Chile, but do not conform with accounting principles generally accepted in the United States of America. A description of these differences and a reconciliation of consolidated net income and shareholders' equity under accounting principles generally accepted in Chile to the corresponding amounts that would be reported in accordance with United States generally accepted accounting principles, except for the omissions, as allowed pursuant to Item 17 of SEC Form 20-F, of adjustments necessary to eliminate the effect of price-level changes described in Note 2(c), is set forth in Note 27 to these consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cordillera Comunicaciones Holding Limitada and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Chile.

As explained in Note 3 to these consolidated financial statements, starting January 1, 2000, the Company modified the method in which income taxes are recorded, recognizing deferred taxes in accordance with generally accepted accounting principles in Chile and the Superintendency of Securities and Insurance. During 2001 the Company modified its criteria for depreciating its external network from a straight-line method to a progressive method on the basis of estimated growth of average subscribers. During 2001, the Company also modified the amortization method of Cable TV residence installations in order to assure consistent useful lives among installations originally installed by the Company and those acquired.

LANGTON CLARKE
Santiago, Chile February 28, 2002,
(except for Notes 2(a), 2(c) and 27 for which the date is May 29, 2002)

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Consolidated Balance Sheets
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

	As
	2002
ASSETS	ThCh$
CURRENT ASSETS	

Cash	404,286
Time deposits (Note 5)	4,936,648
Marketable securities (Note 6)	812,430
Trade receivables, net of allowance for doubtful accounts of ThCh$5,053,701 and ThCh$6,144,894, respectively (Note 7)	3,739,641
Notes receivable	173,283
Miscellaneous receivables (Note 8)	1,606,489
Notes and accounts receivable from related companies (Note 11)	333,637
Income taxes recoverable, net (Note 24)	84,792
Prepaid expenses (Note 9)	858,029
Deferred income taxes (Note 24)	623,696
Other current assets, net (Note 10)	7,823,123
Total current assets	21,396,054
PROPERTY, PLANT AND EQUIPMENT (Note 12)	
Land	487,823
Buildings and other infrastructure	110,427,653
Machinery and equipment	9,939,220
Furniture and equipment	3,762,055
Other property, plant and equipment	14,197,851
Less: accumulated depreciation	(24,872,679)
Property, plant and equipment, net	113,941,923
OTHER ASSETS	
Investment in other companies (Note 14)	259,854
Goodwill, net (Note 15)	65,016,645
Intangibles, net	1,043,521
Deferred income taxes (Note 24)	3,578,867
Other assets (Note 13)	12,030,032
Total other assets	81,928,919
TOTAL ASSETS	217,266,896

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

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Consolidated Balance Sheets
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

	As
	2002

LIABILITIES AND SHAREHOLDERS' EQUITY	ThCh$
CURRENT LIABILITIES	
Banks and financial institutions, short-term (Note 16)	16,770
Banks and financial institutions, current portion (Note 16)	42,587
Accounts payable (Note 17)	12,508,111
Notes payable (Note 18)	207,635
Miscellaneous payables (Note 19)	311,309
Notes and accounts payable to related companies (Note 11)	1,409,380
Accrued liabilities and withholdings (Note 20)	1,488,049
Unearned revenues	828,510
Other current liabilities (Note 10)	-
Total current liabilities	16,812,351
LONG-TERM LIABILITIES	
Banks and financial institutions, non-current portion (Note 16)	36,867,508
Long-term notes payables (Note 21)	16,719,923
Other long-term liabilities (Note 22)	433,919
Total long-term liabilities	54,021,350
Minority interest	732,047
Commitments and contingencies (Note 26)	
SHAREHOLDERS' EQUITY (Note 23)	
Paid-in capital	200,844,300
Price-level restatement	1,807,600
Accumulated deficit	(39,819,722)
Net loss	(17,131,030)
Total Shareholders' equity	145,701,148
Total Liabilities and Shareholders' equity	217,266,896

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

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Consolidated Statements of Income
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

For the years ended Decem

	2001 ThCh$	2002 ThCh$	
OPERATING INCOME			
Operating revenue	47,748,180	46,742,630	44,
Operating costs	(38,532,872)	(42,530,949)	(38,
Operating margin	9,215,308	4,211,681	6,
Administrative and selling expenses	(18,199,446)	(15,568,891)	(13,
Operating loss	(8,984,138)	(11,357,210)	(7,
NON-OPERATING INCOME			
Financial revenue	147,414	363,812	
Other non-operating income	221	57,154	
Financial expenses	(1,695,581)	(2,372,141)	(2,
Other non-operating expenses	(1,497,206)	(1,529,670)	(1,
Goodwill amortization (Note 15)	(4,123,225)	(4,105,116)	(4,
Price-level restatement, net (Note 4)	(633,626)	(664,246)	(1,
Non-operating loss	(7,802,003)	(8,250,207)	(8,
Loss before taxes and minority interest	(16,786,141)	(19,607,417)	(15,
Income taxes (Note 24)	2,148,223	2,389,871	2,
Minority interest	76,297	86,516	
Net loss	(14,561,621)	(17,131,030)	(13,

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

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

	For the years ended		
CASH FLOWS FROM OPERATING ACTIVITIES	2001 ThCh$	2002 ThCh$	
Net loss	(14,561,621)	(17,131,030)	(
Charges (credits) to income that do not represent cash flows			
Depreciation	7,258,539	8,551,082	
Amortization of software and other	328,834	313,515	

Residential cable TV installations amortization	1,941,656	2,764,525
(Gain) Loss in sale of fixed assets	(6,850)	-
Deferred taxes	(1,634,765)	(2,558,686)
Write-offs	1,053,605	659,174
Allowance for doubtful accounts	3,670,211	3,037,732
Vacation provision	285,191	164,957
Valuation and obsolescence provision	-	127,441
Goodwill amortization	4,123,225	4,105,116
Price-level restatement, net	633,626	664,246
Accrued interest	371,211	893,471
Investment price level restatement	64,613	312,898
Unrealized (gain) loss on forward contracts	240,561	838,394
Other	1,733,455	(103,925)
Decrease (increase) in Assets		
Trade receivables, net	(4,496,466)	(3,634,684)
Miscellaneous receivables	1,843,963	(690,461)
Inventory	1,065,316	-
Accounts receivable from related parties	(216,520)	113,352
Income taxes recoverable, net	3,273,505	822,289
Prepaid expenses	(1,415,189)	1,484,999
Other current assets, net	(1,655,167)	399,761
(Decrease) increase in Liabilities		
Accounts and notes payable	(603,394)	(3,830,144)
Miscellaneous payables	(2,826,774)	(9,676)
Accrued liabilities and withholdings	(1,647,093)	264,121
Notes and accounts payable to related parties	(1,543,568)	796,764
Unearned revenues	(239,003)	463,421
Other current liabilities	(1,280)	-
Minority interest	(3,123)	(86,516)
Total cash flows provided from (used in) operating activities	(2,963,302)	(1,267,864)

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

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

	For the years ended D	
	2001	2002
CASH FLOWS FROM FINANCING ACTIVITIES	ThCh$	ThCh$
Loan proceeds	18,479,386	17,918,023
Issuance of subsidiary shares	-	-

Total cash flows from financing activities	18,479,386	17,918,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment	63,905	-
Purchase of property, plant and equipment	(12,554,796)	(3,597,399)
Purchase of software and licenses	(867,838)	(372,083)
Additions to residential Cable TV installations	(3,862,933)	(4,423,291)
Total cash flows used in investing activities	(17,221,662)	(8,392,773)
Total net cash flow for the year	(1,705,578)	8,257,386
Effect of inflation on cash and cash equivalents	(78,202)	(434,743)
Increase (decrease) of cash and cash equivalents during the year	(1,783,780)	7,822,643
Cash and cash equivalents at the beginning of the year	6,648,617	4,864,837
Cash and cash equivalents at the end of the year	4,864,837	12,687,480

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

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 1. The Company:

Cordillera Comunicaciones Holding Limitada (the "Company") was incorporated on December 31, 1994. On that date, the founders of the Company contributed 100% of the shares of cable television systems serving the communities of Santiago, Temuco, Vina del Mar, Valdivia, Puerto Montt, Puerto Varas and Los Angeles, Chile. This contribution resulted in dissolution of the underlying companies, with the Company assuming all of the assets and liabilities of the predecessor companies. Included in the assets of the predecessor companies are cash, property, plant and equipment and certain organizational costs contributed by the founders to the various companies prior to their dissolution. The acquisitions were recorded under the purchase method of accounting.

Note 2. Significant Accounting Policies:

(a) General:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively "Chilean GAAP"). Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Chile do not conform with generally accepted accounting principles in the United States ("U.S. GAAP"). A reconciliation of Chilean GAAP to U.S. GAAP is provided in Note 28. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

The preparation of financial statements in conformity with Chilean GAAP, along with the reconciliation to U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or the amount at which a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where available, quoted market prices in active markets have been used as the basis for the measurement; however, where quoted market prices in active markets are not available, the Company has estimated such values based on the best information available, including using modeling and other valuation techniques.

The accompanying financial statements reflect the consolidated operations of Cordillera Comunicaciones Holding Limitada and subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Company consolidates the financial statements of companies in which it controls over 50% of the voting shares.

Note 2. Significant Accounting Policies, continued:

(a) General, continued:

The Company consolidates the following subsidiares:

	2001 %	2002 %	2003 %
Pacific Television Limitada	99.5	99.5	99.5
Metropolis Intercom S.A.	99.5	99.5	95.1
Cordillera Comunicaciones Limitada	99.5	99.5	99.5

(b) Periods covered

These financial statements reflect the Company's financial results of its balance sheet, its operating results and its cash flows for the years ended December 31, 2001, 2002 and 2003.

(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

(c) Price-level restatement:

The Company's financial statements have been restated to reflect the effects of variations in the purchasing power of Chilean pesos during the year. For this purpose non-monetary assets and liabilities, equity and income statement accounts have been restated in terms of year-end constant pesos based on the change in the Chilean consumer price index during the years ended December 31, 2001, 2002 and 2003 at 3.1%, 3.0% and 1.0%.

(d) Assets and liabilities denominated in foreign currency:

Balances in foreign currencies have been translated into Chilean Pesos at the Observed Exchange Rate as reported by the Central Bank of Chile as follows:

	As of December 31		
	2001	2002	2003
	Ch$	Ch$	Ch$
U.S. Dollar	654.79	718.61	593.80
Unidad de Fomento	16,262.66	16,744.12	16,920.00

Transactions in foreign currencies are recorded at the exchange rate prevailing when the transactions occur. Foreign currency balances are translated at the exchange rate prevailing at the month end. The resulting translation gains and losses related to these balances are included in price-level restatement in the income statement for the period to which they relate.

Note 2. Significant Accounting Policies, continued:

(e) Convenience translation to U.S. Dollars:

The Company maintains its accounting records and prepares its financial statements in Chilean pesos. The United States dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader and have been translated at the closing exchange rate of Ch$593.80 per US$1 as of December 31, 2003. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into United States dollars at that exchange rate or at any other rate of exchange.

(f) Time deposits:

This account corresponds to fixed term deposits in Chilean pesos and U.S. dollars, which are recorded at cost, plus inflation-indexation and accrued interest at year end.

(g) Marketable securities:

This account corresponds to investments in mutual funds, which are presented at their redemption value at the end of each accounting period.

(h) Trade receivables:

Trade receivables include sales of advertising and rendering of monthly cable television service. This balance is stated net of an allowance for uncollectible receivables. The allowance was determined by considering 100% of the receivables from subscribers who are connected to the Company's network and are over three months past due, and specifically identified debtors who have been disconnected from the Company's network or are in the process of being disconnected.

(i) Prepaid expenses:

Program costs, movies, series and documentaries, are capitalized and charged to expense when broadcasted or are amortized over the term of the contract, whichever is greater.

(j) Property, plant and equipment:

Property, plant and equipment are stated at their acquisition value and are price-level restated. Depreciation is computed using the straight-line method over the estimated remaining useful lives of the assets, which are as follows:

	Years
Buildings and other infrastructure	20 - 38
Machinery and equipment	7 - 10
Furniture and equipment	5 - 10
Other	5 - 7

Note 2. Significant Accounting Policies, continued:

(j) Property, plant and equipment, continued:

The Company depreciates its fibre optic external network using a progressive method based on the projected number of subscribers per product line.

(k) Leased assets:

The Company has entered into financing lease agreements for property, plant and equipment, which include options to purchase at the end of the term of the agreement. These assets are not legally owned by the Company and cannot be freely disposed of until the purchase option is exercised. These assets are shown at the present value of the contract, determined by discounting the value of the installments and the purchase option at the interest rate established in the respective agreement.

(l) Software:

The cost of the computer applications purchased from external vendors needed for managing the Company's business is amortized using the straight-line method over an estimated useful life of four years. For the years ended December 31, 2001, 2002 and 2003 amortization charged to income amounted to ThCh$ 328,834, ThCh$ 313,515 and ThCh$ 437,134, respectively.

(m) Investment in other companies:

Investments in other companies are recorded at the lower of cost adjusted by price-level restatement or market value.

(n) Goodwill:

Goodwill is calculated as the excess of the purchase price of cable television operations acquired over their net book value and is amortized on a straight-line basis over 20 years.

(o) Other assets

Other assets primarily consist of deferred costs of Cable TV residence installations or drops, which are amortized over their remaining estimated useful life which is estimated as 5 years. For the years ended December 31, 2001, 2002 and 2003 the amount amortized was ThCh$ 1,941,656, ThCh$ 2,764,525 and ThCh$ 3,525,929, respectively.

(p) Accrued vacation expense

In accordance with Technical Bulletin No. 47 issued by the Chilean Association of Accountants, employee vacation expenses are recorded on the accrual basis.

Note 2. Significant Accounting Policies, continued:

(q) Revenue recognition and unearned revenues

Revenues from cable subscriptions are recognized during the month that the services are to be performed and revenues from advertising are recognized when the advertising is broadcast. Unearned revenues relate to advance billing on advertising contracts, which have not yet been broadcast. As of December 31, 2002 and 2003, deferred revenues were ThCh$ 828,510 and ThCh$ 719,021, respectively.

(r) Current and deferred income taxes

Deferred income taxes are recorded based on timing differences between accounting and taxable income. As a transitional provision, a contra asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability amounts must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates calculated using the tax rates to be in effect at the time of reversal.

(s) Financial derivatives

The Company maintains forward contracts in order to hedge the future payments related to liabilities denominated in U.S. dollars. The Company also enters into forward contracts to hedge cash flows in U.S. dollars of anticipated transactions, primarily programming contracts. Gains and losses are recorded at the closing spot exchange rate on the forward contracts, and the gains or losses related to anticipated transactions are deferred and recorded net in other current assets or liabilities, until the sale date of the contracts. Additionally, the initial discount or premium is deferred over the life of the contract and is netted with the gain or loss recorded for the contract.

(t) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash, time deposits, repurchase agreements and marketable securities with a remaining maturity of 90 days or less as of each year-end. The detail of cash and cash equivalents as of December 31, 2002 and 2003 is as follows:

	2002 ThCh$	2003 ThCh$
Cash	404,286	205,388
Time deposits	4,936,648	805,179
Marketable securities	812,430	-
Repurchase agreements	6,534,116	5,962,072
Total	12,687,480	6,972,639

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 3. Changes in Accounting Principles

There have been no changes in accounting principles during the years ended December 31, 2002 and 2003 that would affect the comparability with previously issued financial statements.

Note 4. Price - Level Restatement, net:

The detail of price-level restatement credited (charged) to income for the year ended December 31 is as follows:

	2001 ThCh$	2002 ThCh$	2003 ThCh$
Price-level restatement of:			
Shareholders' equity	(5,360,662)	(4,766,517)	(1,449,834)
Non-monetary liabilities	(332,339)	(1,020,140)	(395,698)
Non-monetary assets	6,286,029	6,039,402	1,933,767
Currency exchange difference:			
Monetary liabilities	(2,551,288)	(2,507,006)	4,166,177
Monetary assets	1,364,206	1,555,876	(5,430,993)
Price-level restatement of income amounts	(39,572)	34,139	(14,275)
Price-level restatement, net	(633,626)	(664,246)	(1,190,856)

Note 5. Time Deposits:

Time deposits as of December 31, 2002 and 2003 are as follows:

Financial Institution	Currency	2002 ThCh$	2 Th
Santander	Ch$	-	805
Chase Manhattan Bank	US$	4,936,648	
Total		4,936,648	805

Note 6. Marketable Securities:

Details of marketable securities as of December 31, 2002 and 2003 are as follows:

Financial Institution	Type of investment	2002 ThCh$	2003 ThCh$
F.M. Security Check	Mutual fund	812,430	-
Total		812,430	-

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 7. Trade Receivables, net:

Trade receivables, net as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$
Cable Services	5,899,301
Invoiced advertising receivable	2,894,041
Allowance for doubtful accounts-cable services monthly services	(4,936,714)
Allowance for doubtful accounts on advertisement	(116,987)
Total allowance for doubtful accounts	(5,053,701)
Total	3,739,641

The movements in the allowance for doubtful accounts as of December 31, 2001, 2002 and 2003 are as follows:

	2001 ThCh$	2002 ThCh$
Allowance beginning	(2,618,627)	(2,390,793)
Additions to allowance (charged against income)	(2,369,459)	(5,004,311)
Amounts written off	2,597,293	2,341,403

Total	(2,390,793)	(5,053,701)

Note 8. Miscellaneous Receivables:

Miscellaneous receivables as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	20 Th
Materials receivable	210,330	28
Suppliers advances	46,785	40
Employee advances	14,474	
Receivables from Compania de Telecomunicaciones de Chile S.A.	383,108	1,04
Receivables from advertising rights	907,462	20
Receivables from Comunicaciones Intercom S.A.	34,164	
Network receivables	-	49
Other receivables	10,166	16
Total	1,606,489	2,60

G-16

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 9. Prepaid Expenses:

Prepaid expenses as of December 31, 2002 and 2003 are follows:

	2002 ThCh$	200 ThC
Programming rights	17,633	24,2
Advertising rights	126,629	176,4
Prepaid transmission poles usage rights	1,425	369,0
Prepaid rent	205,363	207,5
Prepaid insurance	175,686	
Other	331,293	187,4
Total	858,029	964,7

G-17

Cordillera Comunicaciones Holding Limitada and Subsidiaries

Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 10. Other Current Assets and Liabilities:

Other current assets as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$
Repurchase agreements	6,534,116
Forward contracts	1,289,007
Total	7,823,123

Other current liabilities as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$
Forward contracts	-
Total	-

The detail of repurchase agreements held by the Company as of December 31, 2002 and 2003 are as follows:

Financial Institution	Currency	2002 ThCh$
Credito e Inversiones	Ch$	859,550
Santander	Ch$	1,215,782
Santander	Ch$	2,032,016
Santander	Ch$	-
Estado	Ch$	1,213,435
Estado	Ch$	1,213,333
Corpbanca		-
Total		6,534,116

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 10. Other Current Assets and Liabilities, continued:

The Company has entered into forward foreign currency contracts with notional amounts of US$ 48,000,000 and US$ 37,350,000 as of December 31, 2002 and 2003, respectively.

Forward contracts for the year ended December 31, 2002 is detailed as follows:

Financial Institution	Notional Amount ThUS$	Maturity Date	2002 ThCh$
Security	5,000	2/6/2003	172,881
Bankboston	5,000	3/5/2003	158,071
Santiago	4,000	1/6/2003	140,481
Bhif	1,000	4/8/2003	34,530
Bhif	6,000	5/6/2003	210,927
Bankboston	4,000	4/8/2003	134,316
Santander	1,000	1/7/2003	30,524
Santander	1,500	1/15/2003	-
Santander	500	1/15/2003	-
Santander	2,500	2/12/2003	-
Santander	500	1/15/2003	-
Santander	2,500	3/6/2003	89,746
BCI	2,000	4/10/2003	112,435
Santander	1,500	5/15/2003	91,497
BCI	2,500	4/8/2003	113,599
BCI	750	7/11/2003	-
BCI	250	7/11/2003	-
Santander	1,000	9/8/2003	-
Santander	1,000	8/6/2003	-
BCI	500	10/10/2003	-
Santander	500	10/10/2003	-
BCI	500	11/7/2003	-
Security	200	11/7/2003	-
Security	400	11/12/2003	-
Corpbanca	200	11/7/2003	-
Corpbanca	200	11/7/2003	-
BCI	500	12/7/2003	-
Security	500	12/15/2003	-
Security	500	12/17/2003	-
Corpbanca	1,500	6/18/2003	-
Total	48,000		1,289,007

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 10. Other Current Assets and Liabilities, continued:

Forward contracts for the year ended December 31, 2003 is detailed as follows:

Financial Institution	Notional Amount ThUS$	Maturity Date	2003 ThCh$
BCI	250	01/06/2004	(32,862)
Security	1,000	01/02/2004	(136,536)
Security	500	01/02/2004	(67,025)
Security	500	01/02/2004	(66,677)
Security	1,000	01/05/2004	(128,903)
Security	250	01/05/2004	(33,015)
Security	250	01/06/2004	(33,108)
Security	250	01/06/2004	(32,440)
Corpbanca	500	01/06/2004	(64,786)
Corpbanca	250	01/06/2004	(33,082)
Corpbanca	250	01/06/2004	(32,800)
BCI	500	01/30/2004	(76,241)
Security	500	02/04/2004	(81,850)
Security	500	02/04/2004	(80,044)
Security	500	02/04/2004	(81,412)
Security	500	02/04/2004	(81,367)
Security	500	02/04/2004	(81,231)
Security	500	02/04/2004	(81,457)
Security	500	02/04/2004	(81,141)
Security	1,000	01/30/2004	(164,759)
Security	500	02/27/2004	(84,603)
Corpbanca	500	02/04/2004	(80,908)
Corpbanca	500	02/04/2004	(80,275)
Corpbanca	500	02/04/2004	(82,015)
BCI	500	03/02/2004	(85,074)
BCI	500	03/02/2004	(85,531)
BCI	500	03/02/2004	(85,157)
BCI	250	03/02/2004	(42,724)
Security	500	03/02/2004	(84,605)
Security	500	03/30/2004	-
Security	500	02/27/2004	(76,400)
Security	500	03/30/2004	-
BCI	550	04/05/2004	(74,776)
BCI	500	04/05/2004	(67,868)
BCI	500	04/05/2004	(67,831)
BCI	250	02/27/2004	(34,496)
BCI	250	02/27/2004	(34,229)
BCI	500	02/27/2004	(68,991)
BCI	1,000	03/30/2004	(136,894)
BCI	1,000	03/30/2004	(136,146)
BCI	500	03/30/2004	(67,961)
Subtotal			(2,947,220)

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 10. Other Current Assets and Liabilities, continued:

Forward contracts for the year ended December 31, 2003 is detailed as follows, continued:

Financial Institution	Notional Amount ThUS$	Maturity Date	2003 ThCh$
Subtotal			(2,947,220)
BCI	500	03/30/2004	(68,372)
Security	600	04/01/2004	(83,975)
Security	2,500	04/06/2004	(342,772)
Security	750	04/30/2004	-
Security	750	04/30/2004	-
Corpbanca	450	04/05/2004	(61,164)
Security	3,000	05/03/2004	(345,446)
Security	1,000	05/03/2004	(117,525)
Security	500	05/03/2004	(58,763)
Security	500	05/31/2004	(58,656)
Security	1,000	05/31/2004	(115,213)
Corpbanca	750	05/31/2004	-
Estado	750	05/31/2004	-
Estado	750	06/30/2004	-
Estado	300	06/30/2004	-
Estado	200	06/30/2004	-
Estado	250	06/30/2004	-
Estado	500	07/30/2004	-
Estado	500	06/30/2004	-
Estado	500	08/31/2004	-
Estado	500	08/31/2004	-
Estado	500	01/30/2004	1,455
Estado	1,500	02/27/2004	4,024
Estado	1,000	01/30/2004	5,583
Total	40,350		(4,188,044)

Deferred gains or (losses) on forward contracts that hedge cash flows in U.S. dollars for anticipated transactions amounted to ThCh$ 206,708, (ThCh$ 147,363) and ThCh$ 926,592 for the years ended December 31, 2001, 2002 and 2003 respectively.

G-21

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 11. Balances and Transactions with Related Companies:

a) Balances with related companies as at December 31, 2002 and 2003 are as follows:

	2002 ThCh$	2003 ThCh$
Short term accounts receivable:		
Red Televisiva Megavision S.A.	50,890	1,214
Ediciones Financieras S.A.	1,772	-
Crown Media	87,996	25,350
Vina Santa Rita	5,283	14,436
Bresnan Communications de Chile S.A.	187,696	185,838
Total Short-term accounts receivable	333,637	226,838

	2002 ThCh$	2003 ThCh$
Short term accounts payable:		
Bresnan Communications Company Limited partnership	206,360	168,831
Vina Santa Rita	50,924	24,052
Red Televisiva Megavision S.A.	136,765	63,189
Pramer	106,637	29,690
Discovery	727,615	347,375
DMX	4,896	8,533
Crown Media	141,530	68,287
Ediciones Financieras S.A.	21,642	-
USA Network	-	24,702
Hendaya S.A.	13,011	-
Total	1,409,380	734,659

G-22

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 11. Balances and Transactions with Related Companies, continued:

b) Transaction with related companies during the years ended December 31, 2001, 2002 and 2003 are as follows:

Company	Transaction description	2001 ThCh$ Amount	2001 ThCh$ Effect on Loss (Charge)/ credit	2002 ThCh$ Amount
S.A. Vina Santa Rita	Advertising	140,006	127,456	15,461
Red Televista Megavision S.A.	Advertising	7,084	-	322,762
Red Televista Megavision S.A	Payment on behalf of third party	-	-	-
Ediciones Financieras	Invoicing of services	-	-	-
Ediciones Financieras	Advertising	107,267	57,026	41,316
Pramer	Programming	314,388	(314,388)	243,335
Discovery	Programming	-	-	1,663,489
DMX	Service	-	-	10,879
Crown Media	Service	312,527	(312,527)	209,772
Turner	Programming	1,821,641	(1,821,641)	-
HBO	Programming	5,947,942	(5,947,942)	-

Note 12. Property, Plant and Equipment:

Property, Plant and Equipment as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	2003 ThCh$
Land	487,823	487,823
Buildings and other infrastructure		
Buildings	126,177	126,177
External networks	109,010,675	112,210,760
Head end installations	1,290,801	1,572,197
Equipment hub	-	1,668,043
Total	110,427,653	115,577,177
Machinery and equipment	9,939,220	11,750,324
Furniture and equipment	3,762,055	4,026,282

Other property, plant and equipment		
Vehicles	866,636	634,439
Tools and instruments	121,836	152,576
Fixed assets in transit	4,320	58,378
Leased office installations	745,443	1,195,172
Cable TV materials	2,553,060	4,151,714
Works in progress	955,710	1,428,980
Decoding equipment	8,617,691	6,769,753
Leased assets	333,155	333,155
Total	14,197,851	14,724,167
Total assets	138,814,602	146,565,773
Accumulated depreciation	(24,872,679)	(33,840,639)
Total property, plant and equipment, net	113,941,923	112,725,134

Depreciation:

Depreciation expense for the years ended December 31, 2001, 2002 and 2003 amounted to ThCh$ 7,258,539, ThCh$ 8,551,082 and ThCh$ 9,509,897, respectively.

Note 13. Other Assets:

Other assets as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	
Long-term broadcast rights	1,485	
Rental guarantees	83,990	
Residential cable TV installations	16,462,261	
Accumulated amortization of residential cable TV installations	(6,064,699)	
Projects in development	589,800	
Rent of hubs, external net	370,523	
Administrative projects-in-progress	68,157	
Other assets	518,515	
Total	12,030,032	

Note 14. Investment in Other Companies:

Investments in other companies as of December 31, 2002 and 2003 are as follows:

	Participation	2002 ThCh$
Bazuca.Com Chile S.A.	1.615%	187,268
Internet Holding S.A.	1.519%	276,640
Valuation allowance		(204,054)
Total		259,854

Note 15. Goodwill, net:

	2002 ThCh$
Metropolis Intercom S.A.	96,850,167
Other	5,052,078
Accumulated amortization	(36,885,600)
Goodwill, net	65,016,645

Goodwill amortization for the years ended December 31, 2001, 2002 and 2003 amounted to ThCh$ 4,123,225, ThCh$ 4,105,116 and ThCh$ 4,184,519, respectively.

Note 16. Banks and Financial Institutions Liabilities:

Short-term and long-term obligations with banks and financial institutions as of December 31, 2002 and 2003 are as follows:

U.S. Dollars		UF	
2002	2003	2002	2003

	ThCh$	ThCh$	ThCh$	ThCh$	
Short-term					
Credito e Inversiones	16,770	-	-	-	1
Total	16,770	-	-	-	1
Principal Owed	16,770	-	-	-	1
Current portion of long-term					
Santander-Santiago	-	-	15,311	3,002,586	1
Credito e Inversiones	-	-	7,924	1,434,700	
Estado de Chile	-	-	7,539	1,503,966	
Corpbanca	-	-	11,813	1,504,394	1
Total	-	-	42,587	7,445,646	4

The weighted-average annual interest rate on short-term borrowing was 5.67% as of December 31, 2003.

		Total	
Bank or Financial Institution	Currency	2002	2003
Long-term		ThCh$	ThCh$
Banco Santander	UF	14,879,017	11,909,153
Banco Credito e inversiones	UF	7,101,244	5,683,830
Banco Corpbanca	UF	7,443,633	5,957,877
Banco Estado	UF	7,443,614	5,957,864
Total		36,867,508	29,508,724

The weighted-average annual interest rate on long-term borrowing was 5.66% as of December 31, 2003.

On July 8, 2001, the Company entered into a syndicated loan agreement led by Banco Santander of up to UF 2,823,800 with variable interest rates based on the current 180 day Chilean Active Banking Rate (TAB) plus 1.4%, interest due semi-annually, with principal payment beginning June 15, 2004 and maturing in December 15, 2008.

thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 16. Banks and Financial Institutions Liabilities, continued:

Scheduled maturities of long-term bank obligations as of December 31, 2003 are as follows:

Year	ThCh$
2004	7,445,646
2005	7,377,181
2006	7,377,181
2007	7,377,181
2008	7,377,181
Total	36,954,370

The Company' s syndicated loan lead by Banco Santander has certain restrictive covenants, the most significant of which are summarized below:

a) The Company cannot have a total debt to capitalization ratio of more than 1.0
b) Interest coverage ratio cannot be less than 2.5, and
c) Total indebtedness cannot be more than UF 3,000,000

As of December 31, 2003, the Company is in compliance with these covenants or has received the appropriate bank waivers.

Note 17. Accounts Payable:

The detail of Accounts payable as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	2003 ThCh$
Suppliers	5,829,880	5,367,417
Programming	5,163,508	2,736,230
Fees	733,824	5,284
Other accounts payable	780,899	923,656
Total	12,508,111	9,032,587

Note 18. Notes Payable:

Notes payable as of December 31, 2002 and 2003 are as follows:

Creditor	2002 ThCh$	2003 ThCh$
Compania de Seguros Las Americas S.A.	197,089	-
Other	10,546	11,837
Total	207,635	11,837

G-27

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 19. Miscellaneous Payables:

Miscellaneous payables of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	2003 ThCh$
Compania de Telecomunicaciones de Chile S.A.	216,019	213,880
Comunicaciones Intercom S.A.	84,279	83,445
Others	11,011	719,229
	311,309	1,016,554

Note 20. Accrued Liabilities and Withholdings:

The balance of Accrued liabilities and withholdings as of December 31, 2002 and 2003 are as follows:

	2002 ThCh$	2003 ThCh$
Vacations	429,235	409,146
Personnel benefits	66,065	66,066
Withholdings	877,746	669,879
Invoices	101,974	90,840
Others	13,029	29,573
Total	1,488,049	1,265,504

Note 21. Long-Term Notes Payable:

On July 30, 2000, in connection with a purchase transaction involving Compania de Telecomunicaciones de Chile S.A. (CTC), the Company entered into a loan agreement with CTC for a total of US$20,000,000 payable over 5 years with an annual interest rate of 6%.

The balance of the long-term notes payable as of December 31, 2002 and 2003 are as follows:

Principal ThUS$	Principal ThCh$	Accrued interest (6%) ThCh$	2002 ThCh$	2003 ThCh$
20,000	11,876,000	2,525,629	16,716,923	14,401,629
Total	11,876,000	2,525,629	16,719,923	14,401,629

Note 22. Other Long-term Liabilities:

	2002 ThCh$
Deferred gain on sale of subsidiary's shares, net (i)	-
Other	433,919
Total	433,919

(i) During the year ended December 31, 2003, the Company's subsidiary Metropolis Intercom S.A. issued an additional 3,923,834 shares raising ThCh$ 4,924,603 in cash. The Company did not subscribe to any of the shares. As the cash received was greater than the related increase in minority interest, the Company recorded a deferred gain of ThCh$ 1,455,918 which will be amortized to income over future periods. As of December 31, 2003 ThCh$ 18,210 in amortization income was recognized.

Note 23. Shareholders' Equity:

The changes in shareholders equity for the years ended December 31, 2001, 2002 and 2003 are as follows:

	Paid-in Capital ThCh$	Price-level restatement ThCh$	Accumulated Deficit ThCh$	Net l for the ThC
Balance as of January 1, 2001	187,258,805	1,685,330	(15,916,134)	(7,633
Reclassification of prior year net loss	-	-	(7,633,459)	7,633
Price-level restatement	5,805,023	52,245	(730,037)	
Net loss for the year	-	-	-	(13,997

Balance as of December 31, 2001	193,063,828	1,737,575	(24,279,630)	(13,997
Price-level restatement				
for comparison purposes	200,844,300	1,807,600	(25,258,098)	(14,561
Balance as of January 1, 2002	193,063,828	1,737,575	(24,279,630)	(13,997
Reclassification of prior year net loss	-	-	(13,997,522)	13,997
Price-level restatement	5,791,915	52,126	(1,148,315)	-
Net loss for the year	-	-	-	(16,961
Balance as of December 31, 2002	198,855,743	1,789,701	(39,425,467)	(16,961
Price-level restatement	200,844,300	1,807,600	(39,819,722)	(17,131
for comparison purposes				
Balance as of January 1, 2003	198,855,743	1,789,701	(39,425,467)	(16,961
Reclassification of prior year net loss	-	-	(16,961,416)	16,961
Price-level restatement	1,988,557	17,899	(563,869)	
Net loss for the year	-	-	-	(13,446
Balance as of December 31, 2003	200,844,300	1,807,600	(56,950,752)	(13,446

G-29

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 24. Income Taxes and Deferred Taxes:

a) Income taxes recoverable

As of December 31, 2002 and 2003, the Company had the following income taxes recoverable:

	2002 ThCh$
Current income taxes and Article 21	(5,392)
Monthly income tax installments	11,396
Credit for training expenses	76,812
Credit value-added tax	1,976
Total	84,792

b) Income taxes

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Income tax benefits for the years ended December 31, 2001, 2002, and 2003 are as follows:

	2001 ThCh$	2002 ThCh$
Credit for absorbed earnings	355,290	(163,423)
Amortization of complementary accounts	390,017	-
Deferred income taxes	1,406,070	2,558,686
First category tax provision	(3,154)	(5,392)
Total	2,148,223	2,389,871

The summary of net deferred taxes for the years ended December 31, 2002 and 2003 are as follows:

Short-term deferred taxes	2002 ThCh$
Short-term assets	623,696
Short-term liabilities	-
Net short-term deferred taxes	623,696

Long-term deferred taxes	2002 ThCh$
Long-term assets	5,580,601
Long-term liabilities	(2,001,734)
Net long-term deferred taxes	3,578,867

Note 24. Income Taxes and Deferred Income Taxes, continued:

c) Deferred income taxes

As of December 31, 2002 and 2003 the Company has recorded deferred taxes for temporary differences as follows:

As of December 31, 2002 A

	Assets		Liabilities		Ass	
	Short-term	Long-term	Short-term	Long-term	Short-term	
Allowance for doubtful accounts	353,442	-	-	-	1,078,606	
Goods and services provision	38,406	-	-	-	16,259	
Assets provision	-	-	-	-	-	
Unearned revenues	136,709	-	-	-	177,729	
Vacation provision	70,824	-	-	-	69,555	
Accumulated depreciation	-	-	-	-	-	
Forward contracts	24,315	-	-	-	-	
Tax loss carryforwards (1)	-	12,286,151	-	-	-	14,
Trademarks	-	1,629	-		-	
Leasing	-	51,276	-	-	-	
Accumulated depreciation	-	4,474	-	(4,529,906)	-	
Leasing operations	-	-	-	(55,138)	-	
Software	-	-	-	(173,425)	-	
Leased installations	-	-	-	(61,275)	-	
Complementary account	-	(6,762,929)	-	2,818,010	-	(6,
Total	623,696	5,580,601	-	(2,001,734)	1,342,149	8,

(1) In accordance with the current enacted tax law in Chile, accumulated tax losses can be carried-forward indefinitely.

G-31

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 25. Board of Directors Compensation:

During the years ended December 31, 2001, 2002 and 2003 the Board of Directors did not receive compensation for their services.

Note 26. Contingencies and Commitments:

The Company is party to various lawsuits arising in the ordinary course of its business. Management considers it unlikely that any losses associated with the pending lawsuits will significantly affect the Company or its subsidiaries' results of operations, financial position and cash flows, although no assurance can be given to such effect. Accordingly, the Company has established a provision for these lawsuits, which Management considers to be adequate.

On June 8, 2001, the Company's subsidiary, Metropolis Intercom S.A. obtained a syndicated loan with Banco Santiago, Banco del Estado de Chile, Banco Credito Inversiones and CorpBanca, for UF 2,823,800. Metropolis Intercom S.A. guaranteed the loan with the HFC (Hybrid Coaxial fiber-optic Network) and the equipment related to the network.

On December 9, 2003, the Chilean Subsecretary of Telecomunications ("Subtel") notified the Company's subsidiary, Metropolis Intercom S.A. ("Metropolis"), that the regulatory agency considered MI's VOIP services was in violation of Article No. 8 of the General Telecomunications Law. Subtel alleged that Metropolis was exploiting a public utility (telephone service) without the express consent of the appropriate regulatory agency and ordered that Metropolis cease commercial operations related to that service until the issue would be resolved.

As the matter is not yet resolved by the relevant authority, the minister of telecommunications, Metropolis has requested a suspension of the order. This suspension was subsequently granted for a period of 60 days.

Furthermore, on December 19, 2003, Metropolis filed it's defense to the allegations maded by Subtel, and is currently awaiting the next step of this legal matter.

Recently, Metropolis has requested and considers it likely that Subtel will grant an additional extension to allow Metropolis to present results from tests that will be performed supporting Metropolis' position.

The eventual decision of the Minister of Transportation and Telecommunications is appealable before the Court of Appeals, and in the event that the Court of Appeals does not overule a negative resolution by the Ministry, Metropolis will be required to cease or modify the VOIP services as determined. As of and for the year ended December 31, 2003, the Company has not recorded an accrual related to these regulatory inquiries as the outcome is uncertain and unable to be estimated.

Note 27. Subsequent Events

On January 9, 2004, CristalChile Comunicaciones S.A., 50% owner of Metropolis Intercom S.A., reached an agreement of understanding with Liberty Media International, indirect owner of the remaining 50% of Metropolis and majority shareholder of VTR S.A. in order to merge Metropolis and VTR. The agreement is subject to numerous conditions, among them, drafting of a final agreement, approval by the board of directors of related parties of Liberty Media including UnitedGlobalCom, Inc., approval by the Chilean Anti-Monopoly Commission, and approval by the board of directors of CristalChile Comunicaciones S.A.

As of and for the year ending December 31, 2003, the Company has not recorded any adjustment in the financial statements related to the proposed merger.

Management is not aware of any other subsequent events between December 31, 2003 and the issuance of these financial statements that would materially impact the financial statements.

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles:

Accounting principles generally accepted in Chile vary in certain important aspects from those generally accepted in the United States. Such differences involve certain methods for measuring the amounts included in the financial statements as well as additional disclosures required by U.S. GAAP.

The principal differences between Chilean GAAP and U.S. GAAP are described below together with explanations, where appropriate, of the method used in the determination of the adjustments that affect net income and total shareholders' equity. References below to "SFAS" are to United States Statements of Financial Accounting Standards.

The preparation of financial statements in conformity with Chilean GAAP, along with the reconciliation to U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

I. Differences in measurement methods

The principal methods applied in the preparation of the accompanying financial statements, which have resulted in amounts that differ from those that would have otherwise been determined under U.S. GAAP, are as follows:

(a) Inflation accounting:

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three years ended December 31, 2003 was 7.3%.

Chilean GAAP requires that the financial statements be restated to reflect the full effects of the loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method, described in Note 2(c), is based on a model which enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of local currency, by restating all non-monetary accounts in the financial statements. The model prescribes that the historical cost of such accounts be restated for general price-level changes between the date of origin of each item and the year-end, but requires that latest cost values be used for the restatement of inventories. Under U.S. GAAP, financial statement amounts must be reported in historical currency.

The inclusion of price-level adjustments in the accompanying financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. The reconciliation included herein of consolidated net income and Shareholders' equity, as determined with U.S. GAAP, does not include adjustments to eliminate the effect of inflation accounting under Chilean GAAP.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(b) Deferred income taxes:

Starting January 1, 2000, the Company recorded income taxes in accordance with Technical Bulletin No. 60 (BT No. 60) of the Chilean Association of Accountants, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision, a contra asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates.

Under U.S. GAAP, companies must account for deferred taxes in accordance with Statement Financial Accounting Standards (SFAS) No.109 "Accounting for Income Taxes", which requires an asset and liability approach for financial accounting and reporting of income taxes, under the following basic principles:

(i) A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and tax loss carryforwards.

(ii) The measurement of deferred tax liabilities and assets is based on the provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated.

(iii) The measurement of deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more-likely-than-not that some portion of the deferred tax assets will not be realized.

Temporary differences are defined as any difference between the financial reporting basis and the tax basis of an asset and liability that at some future date will reverse, thereby resulting in taxable income or expense. Temporary differences ordinarily become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of taxes payable or refundable in future years as a result of temporary differences at the end of the current year.

As of December 31, 2002 and 2003, a valuation allowance was recorded under U.S. GAAP to provide against tax loss carryforwards to the extent it is estimated more-likely-than-not that such net deferred tax assets will not be realized.

The effect of these differences and the effects of deferred taxes over the adjustments to U.S. GAAP on the net loss and shareholders' equity of the Company is included in paragraph (i) below.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(c) Goodwill:

Under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value in the records of the acquired company, and the excess of the purchase price over the carrying value is recorded as goodwill, and is amortized over a maximum period of 20 years.

Under U.S. GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchase price over the estimated fair value of the net identifiable assets and liabilities acquired is recorded as goodwill, unless the transaction is between entities under common control, in which case the related party transaction would be recorded using book values and no goodwill would be recorded. Prior to July 1, 2001 under U.S. GAAP, the Company amortized goodwill on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years.

Under Chilean GAAP, the Company has evaluated the carrying amount of goodwill for impairment. The evaluation of impairment was based on the fair value of the investment which the Company determined using a discounted cash flow approach, stock valuations and recent comparable transactions in the market. In order to estimate fair value, the Company made assumptions about future events that are highly uncertain at the time of estimation. The results of this analysis showed that the Company's goodwill was not impaired.

In accordance with U.S. GAAP, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets", ("SFAS 142") as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under the new standard, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually.

Previously, the Company evaluated the carrying amount of goodwill, in relation to the operating performance and future undiscounted cash flows of the underlying business and the transitional impairment test required by the standard, which was performed during the first half of 2002, which resulted in no impairment of the Company's recorded goodwill.

The following effects are included in the net loss and shareholders' equity reconciliation to U.S. GAAP under paragraph (i) below:

(a) Adjustment to record differences in goodwill amortization between Chile GAAP and U.S. GAAP as of December 31, 2001, and
(b) The reversal of goodwill amortization recorded under Chilean GAAP for the years ended December 31, 2002 and 2003.

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(c) Goodwill, continued:

Impairment is recorded based on an estimate of future discounted cash flows, as compared to current carrying amounts. For the years ended December 31, 2001, 2002, and 2003 no additional amounts were recorded for impairment under U.S. GAAP.

Goodwill under U.S. GAAP as of December 31 2001, 2002 and 2003 is summarized as follows:

		For the years ended December 31,	
	2001	2002	20
	ThCh$	ThCh$	Th
Goodwill	101,902,245	101,902,245	101,
Accumulated amortization	(25,202,663)	(25,202,663)	(25,2
Goodwill, net	76,699,582	76,699,582	76,

The effect of these differences on the net loss and shareholders' equity of the Company is included in paragraph (i) below.

(d) Derivative instruments:

For the years ended December 31, 2001, 2002 and 2003, the Company continued to have foreign currency forward exchange contracts for the purpose of transferring risk from exposure in U.S. dollars to an exposure in Chilean peso. Under Chilean GAAP, the Company deferred forward contract gains and losses when the contracts are hedges for future program payments and other cash out flows to be made in U.S. dollars. The hedging criteria and documentation requirements under Chilean GAAP are less onerous than U.S. GAAP. The Company recorded a net asset of ThCh$1,289,006 as of December 31, 2002 and a net liability of ThCh$4,188,044 as of December 31, 2003. Fair values under Chilean GAAP have been estimated using the closing spot exchange rate at year end.

Cordillera Comunicaciones Holding Limitada and Subsidiaries

Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(d) Derivative instruments, continued:

Beginning January 1, 2001, under U.S. GAAP, the accounting for derivative instruments is described in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and other complementary rules and amendments. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains or losses to offset against related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting

SFAS No. 133, in part, allows special hedge accounting for "fair value" and "cash flow" hedges. SFAS No. 133 provides that the gain or loss on a derivative instrument designated and qualifying as a "fair value" hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. While the Company enters into derivatives for the purpose of mitigating its global financial and commodity risks, these operations do not meet the documentation requirements to qualify for hedge accounting under U.S. GAAP. Therefore changes in the respective fair values of all derivatives are reported in earnings when they occur.

The cumulative effect resulting from the adoption of SFAS No. 133 on January 1, 2001 was a net gain of ThCh$ 619,942. The adjustment is due to the difference between recording forward contracts at spot exchange rates under Chilean GAAP and marking the forward contracts to market using forward rates in according with U.S. GAAP.

The effect of the adjustment between the current market values and the fair value for the years ended December 31, 2001, 2002 and 2003 is included in paragraph (i) below

(e) Depreciation:

Under Chilean GAAP, the Company changed the method of depreciation of the external network from the straight-line method of depreciation to a progressive method based on the projected number of subscribers per product line. Under U.S. GAAP, the method of depreciation used has continued to be the straight-line method.

The effect of accounting for this difference in accordance with U.S. GAAP is included in the reconciliation of net loss and shareholders' equity in paragraph (i) below.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(f) Investments in marketable securities

Under Chilean GAAP, investments in debt and equity securities are accounted for at the lower of cost or market value. Under U.S. GAAP investments in debt and equity securities are accounted for according to the purpose for which these investments are held. U.S. GAAP defines three distinct purposes for holding investments:

- o Investments held for trading purposes
- o Investments available-for-sale
- o Investments held to maturity

The Company considers that all of its investments are available-for-sale.

The effect of recording the marketable securities at fair value is not material and is not included in the effects on shareholders' equity under paragraph (i) below.

(g) Issuance of shares in subsidiary

During the year ended December 31, 2003 Metropolis Intercom S.A. issued an additional 3,923,834 shares representing 4.4% of Metropolis Intercom S.A. to related parties. The Company did not subscribe to any of these shares.

Under Chilean GAAP, as the cash received was greater than the related increase in minority interest the Company recorded a deferred gain of ThCh$ 1,455,918, which will be amortized into income in future periods.

Under U.S. GAAP, the transfer would be recorded at the lower of carrying value or fair value, since the cash received was less than the carrying value of Metropolis Intercom S.A. under U.S. GAAP. Consequently under U.S. GAAP, the difference between the cash proceeds and the carrying value has been recorded as a distribution to shareholders.

The effect of eliminating the income statement impact of this transaction from net loss as determined under Chilean GAAP and recording this transaction under U.S. GAAP is included in paragraph (i) below.

(h) Effect of minority interests on U.S. GAAP adjustments

The effects of recording minority interests on U.S. GAAP adjustments are included in the reconciliation to U.S. GAAP in paragraph (i) below.

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in

thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(i) Effect of conforming net loss and shareholders' equity to U.S. GAAP:

The adjustments required to conform reported net loss to U.S. GAAP are as follows:

	For the year ended De	
	2001 ThCh$	2002 ThCh$
Net loss in accordance with Chilean GAAP	(14,561,621)	(17,131,030
Deferred taxes (paragraph b)	(2,102,458)	(1,974,411
Amortization of goodwill (paragraph c)	(245,558)	4,165,650
Derivative instruments (paragraph d)	33,760	149,481
Depreciation (paragraph e)	(1,496,092)	(1,224,154
Issuance of subsidiaries shares (paragraph g)	-	-
Effect of minority interests on U.S. GAAP adjustments (paragraph h)	-	-
Net loss and comprehensive loss in accordance with U.S. GAAP before cumulative effect of change in accounting principles	(18,371,969)	(16,014,464
Effect of change in accounting principles, net of tax benefit of ThCh$ 4,467	(25,566)	-
Net loss and comprehensive loss in accordance with U.S. GAAP	(18,397,535)	(16,014,464

The adjustments required to conform reported shareholders' equity to U.S. GAAP are as follows:

	As of December	
	2002 ThCh$	
Shareholders' equity, in accordance with Chilean GAAP	145,701,148	132
Deferred income taxes (paragraph b)	(2,129,871)	(3
Effect in amortization of goodwill (paragraph c)	11,659,249	15
Derivative instruments (paragraph d)	153,162	
Depreciation (paragraph e)	(2,720,245)	(4
Issuance of subsidiary shares (paragraph g)	-	
Effect of minority interests on U.S. GAAP adjustments (paragraph h)	-	
Shareholders' equity, in accordance with U.S. GAAP	152,663,443	139

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(i) Effect of conforming net loss and shareholders' equity to U.S. GAAP, continued:

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 2001, 2002 and 2003:

	For the year ended Dece	
	2001	2002
	ThCh$	ThCh$
Balance as of January 1	187,075,442	168,677,907
Issuance of subsidiary shares (paragraph g)	-	-
Net loss and comprehensive loss in accordance with U.S. GAAP	(18,397,535)	(16,014,464)
Balance as of December 31	168,677,907	152,663,443

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

II. Additional disclosure requirements

The following additional disclosures are required under U.S. GAAP:

(a) Income taxes:

Deferred tax assets (liabilities) are summarized as follows at December 31 under U.S. GAAP:

	2002	2
	ThCh$	T
Deferred Tax Assets		
Allowance for doubtful debts	353,442	1,0
Goods and services provision	38,406	
Assets provision	-	3
Unearned revenues	136,709	1
Vacation provision	70,824	
Forward contract	24,315	1
Tax loss carryforwards	12,286,151	14,3
Trademarks	1,629	
Leasing	51,276	
Accumulated depreciation	466,916	7
Total deferred tax assets	13,429,668	16,9
Deferred Tax Liabilities		
Forward contracts	(26,038)	(1
Leasing operations	(55,138)	
Accumulated depreciation	(6,068,674)	(7,0
Software	(173,425)	(2
Rented installations	(61,275)	(1
Total deferred tax liabilities	(6,384,550)	(7,6
Net deferred tax asset (liability) before valuation allowance	7,045,118	9,2
Valuation allowance	(4,973,958)	(6,2
Net deferred tax asset (liability)	2,071,160	3,0

G-42

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(a) Income taxes, continued:

The classification of the net deferred tax asset before valuation allowance detailed above is as follows:

	2002	200

	ThCh$	ThC
Short-term	597,658	1,350,
Long-term	6,447,460	7,913,
Net deferred tax liabilities	7,045,118	9,26

The deferred income tax benefit in accordance with U.S. GAAP is as follows:

	2001	2002
	ThCh$	ThCh$
Deferred income tax benefit, Chile GAAP - Note 24	2,148,223	2,389,871
Additional deferred tax adjustment, U.S. GAAP, net	(2,102,458)	(1,974,411)
Deferred income tax benefit under U.S. GAAP	45,765	415,460

In accordance with Chilean Law No. 19,753, which was issued on September 28, 2001, the corporate income tax rate increased from 15% to 16% for the year 2002, 16% to 16.5% for the year 2003, and will increase to 17% for the year 2004 and thereafter. The effect of the tax rate increase for the year ended December 31, 2001 was an increase to income tax expense of ThCh$ 266,032.

(b) Foreign currency forward contract capacity:

The Company's Board of Directors approves policies on risk-management of forward currency risk through the use of U.F. to U.S. dollar forward contracts. The Company petitions several Chilean and foreign banks to approve forward contract limits on a yearly basis, which in the aggregate, total US$ 73 million and US$ 50 million at December 31, 2002 and 2003, respectively. There was US$ 24.8 million and US$ 9.7 million available as of December 31, 2002 and 2003, respectively.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(c) Lease agreements:

The Company leases computer equipment and office space by way of capital lease payable in installments through 2016, with a bargain purchase option at the end of the lease.

Minimum lease payments under capital leases are as follows:

	Capital Lease ThCh$
2004	53,444
2005	49,824
2006	31,725
2007	29,081
2008	31,725
Thereafter	224,736
Total future minimum lease payments	420,535
Interest	(97,174)
Present value of net minimum lease payments	323,361

(d) Foreign exchange gains and losses:

For U.S. GAAP presentation purposes, the net foreign exchange gains or losses on transactions in foreign currencies and UF amounted to a loss of ThCh$ 1,226,654, ThCh$ 916,991 and ThCh$ 1,341,397 in 2001, 2002 and 2003, respectively.

(e) Advertising costs:

Advertising costs are expensed as incurred and amounted to ThCh$ 2,583,698, ThCh$ 2,045,599 and ThCh$ 2,413,556 for the years ended December 31, 2001, 2002 and 2003, respectively.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(f) Proforma goodwill amortization:

As described in paragraph I (c) above the Company adopted SFAS 142 as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination.

The following details net income in accordance with U.S. GAAP for the Company for the year ended December 31, 2001 excluding goodwill amortization expense recognized during those years:

	(Unaudited) For the year ended December 31, 2001 ThCh$
Reported net loss	(18,397,535)
Add back: Goodwill amortization	4,123,225
Adjusted net loss	(14,274,310)

(g) Reclassification differences between Chilean GAAP and U.S. GAAP:

The following reclassifications are required to conform the presentation of Chilean GAAP income statement information to that required under U.S. GAAP for the years ended December 31, 2001, 2002 and 2003. The reclassification amounts are determined in accordance with Chilean GAAP.

	Year ended December 31, 2001		
	Chilean GAAP ThCh$	Reclassification ThCh$	U pre T
Operating loss	(8,984,138)	(5,472,796)	(14,
Non-operating expenses	(7,802,003)	5,472,796	(2,

	Year ended December 31, 2002		
	Chilean GAAP ThCh$	Reclassification ThCh$	U.S pres T
Operating loss	(11,357,210)	(5,158,030)	(16,
Non-operating expenses	(8,250,207)	5,158,030	(3,

	Year ended December 31, 2003		
	Chilean GAAP ThCh$	Reclassification ThCh$	U.S pres T
Operating loss	(7,038,849)	(4,774,662)	(11,
Non-operating expenses	(8,608,186)	4,774,662	(3,

Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(g) Reclassification differences between Chilean GAAP and U.S. GAAP, continued:

The following reclassifications are required to conform the presentation of Chilean GAAP balance sheet information to that required under U.S. GAAP for the years ended December 31, 2002 and 2003. The reclassification amounts are determined in accordance with Chilean GAAP.

	Year ended December 31, 2002		
	Chilean GAAP ThCh$	Reclassification ThCh$	pr
Total current assets	21,395,053	147,365	
Total other assets	81,928,919	-	
Total current liabilities	16,812,351	147,365	
Total long-term liabilities	54,021,350	-	

	Year ended December 31, 2003		
	Chilean GAAP ThCh$	Reclassification ThCh$	pr
Total current assets	14,640,266	926,592	
Total other assets	77,632,300		
Total current liabilities	24,413,852	926,592	
Total long-term liabilities	44,276,688		

(h) Estimated fair value of financial instruments and derivative financial instruments:

The accompanying tables provide disclosure of the estimated fair value of financial instruments owned by the Company. Various limitations are inherent in the presentation, including the following:

- The data excludes non-financial assets and liabilities, such as property, plant and equipment, and goodwill.

- While the data represents management's best estimates, the data is subjective and involves significant estimates regarding current economic and market conditions and risk characteristics.

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(h) Estimated fair value of financial instruments and derivative financial instruments, continued;

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

- Cash and cash equivalents approximate fair value because of the short-term maturity of these instruments.

- For current liabilities that are contracted at variable interest rates, the book value is considered to be equivalent to their fair value.

- For interest-bearing liabilities with an original contractual maturity of greater than one year, the fair values are calculated by discounting contractual cash flows at current market origination rates with similar terms.

The following is a detail of the Company's financial instruments' Chilean GAAP carrying amount and estimated fair value:

	December 31,		
	2002		
	Chilean GAAP Carrying Amount	Estimated Fair Value	Chile Carryi
	ThCh$		
Assets:			
Cash and cash equivalents	12,687,480	12,687,480	6,
Short-term accounts receivable	3,739,641	3,739,641	2,5
Notes receivable	173,283	173,283	
Forward contracts	1,289,006	1,442,168	
Liabilities:			
Short-term bank debt	(59,357)	(59,357)	
Current bank debt	-	-	(7,4
Forward contracts	-	-	(4,1
Notes payable	(207,635)	(207,635)	(
Long-term bank debt	(36,867,508)	(36,867,508)	(29,5
Long-term notes payable	(16,719,923)	(16,719,923)	(14,4

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(i) Cash and cash equivalents

Under Chilean GAAP cash and cash equivalents are considered to be all highly liquid investments with a remaining maturity of less than 90 days as of the closing date of the financial statements, whereas, U.S. GAAP considers cash and cash equivalents to be all highly liquid investments with an original maturity date of less than 90 days. The difference between the balance under U.S. GAAP and Chilean GAAP of cash and cash equivalents is not material for the periods presented.

Supplementary Cash flow information:

	2001	2002	2003
	ThCh$	ThCh$	ThCh$
Assets acquired under capital leases	335,155	-	-
Interest paid during the year	(521,092)	(1,464,029)	(1,807,376)

Cordillera Comunicaciones Holding Limitada and Subsidiaries
Notes to the Consolidated Financial Statements
for the years ended December 31
(Translation of financial statements originally
issued in Spanish - see Note 2)
(Restated for general price-level changes and expressed in
thousands of constant Chilean pesos as of December 31, 2003 except as stated)

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(j) Recently issued accounting pronouncements:

(i) Accounting for Asset Retirement Obligations

In June 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). This standard requires that under U.S. GAAP obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The implementation of SFAS No. 143 had no material impact on the results of operations or financial position of the Company.

(ii) Accounting for Costs Associated with Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred, not when it is "planned". The implementation of SFAS No. 146 had no material impact on the results of operations or financial position of the Company.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(j) Recently issued accounting pronouncements, continued:

(iii) Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). The Interpretation significantly changed practice in the accounting for, and disclosure of, guarantees. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. Guarantees meeting the characteristics described in the Interpretation, are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies". The Interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even when the likelihood of the guarantor's having to make payments under the guarantee is remote. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The implementation of FIN 45 had no material impact on the results of operations or financial position of the Company.

(iv) Revenue arrangements with multiple deliverables

On January 23, 2003, the Emerging Issues Taskforce issued EITF 00-21 " Revenue Arrangements with Multiple Deliverables". This Issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, this Issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The Issue requires, that revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria, arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, and applicable revenue recognition criteria should be considered separately for separate units of accounting. The guidance in this Issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Alternatively, entities may elect to report the change in accounting as a cumulative-effect adjustment. Implementation of EITF 00-21 is required on January 1, 2004 for Cordillera Comunicaciones Holding Limitada. The Company is currently evaluating the effects of its implementation.

Note 28. Differences Between Chilean and United States Generally Accepted Accounting Principles, continued:

(j) Recently issued accounting pronouncements, continued

(v) Amendment of Statement 133 on Derivative Instruments and Hedging Activities

In May 2003 the FASB issued Statement No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". This Statement is effective for contracts entered into or modified after June 30, 2003, except for hedging relationships designated after June 30, 2003. In addition, all provisions of this Statement should be applied prospectively with exceptions. The provisions of this Statement that relate to Statement 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, paragraphs 7(a) and 23(a) of that Statement, which relate to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after June 30, 2003. The implementation of SFAS No. 149 had no material impact on the results of operations or financial position of the Company.

(vi) Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities-an interpretation of ARB 51," to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The Company must apply Interpretation No. 46 to variable interest entities created after January 31, 2003. The Company did not create any variable interest entities after January 31, 2003 and is in the process of assessing the impact of the Interpretation in relation to business relationships created before January 31, 2003. The Company does not expect the implementation of the Interpretation to have a material impact on the Company's results of operation or financial position.

G-51

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report on to be signed on its behalf by the undersigned, thereunto duly authorized, in Santiago, Chile on June 25, 2004.

CRISTALERIAS DE CHILE S.A.
(GLASSWORKS OF CHILE INC.)

/s/ Cirilo Elton Gonzalez

Chief Executive Officer

102

Exhibit 12.1

CERTIFICATION

I, Cirilo Elton Gonzalez, certify that:

1. I have reviewed this annual report on Form 20-F of Cristalerias de Chile S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

103

Date: June 30, 2004

/s/ Cirilo Elton Gonzalez
Cirilo Elton Gonzalez
Chief Executive Officer
Cristalerias de Chile S.A.

104

Exhibit 12.2

CERTIFICATION

I, Rodrigo Palacios Fitz-Henry, certify that:

1. I have reviewed this annual report on Form 20-F of Cristalerias de Chile S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

105

Date: June 30, 2004

/s/ Rodrigo Palacios Fitz-Henry
Rodrigo Palacios Fitz-Henry
Chief Financial Officer
Cristalerias de Chile S.A.

106

Exhibit 13.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cristalerias de Chile S.A (the "Company") on Form 20-F for the fiscal year ended December 31, 2003, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Cirilo Elton Gonzalez, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CIRILO ELTON GONZALEZ

Cirilo Elton Gonzalez
Chief Executive Officer
Cristalerias de Chile S.A.
Dated: June 30, 2004

Exhibit 13.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cristalerias de Chile S.A. (the "Company") on Form 20-F for the fiscal year ended December 31, 2003, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Rodrigo Palacios Fitz-Henry, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RODRIGO PALACIOS FITZ-HENRY

Rodrigo Palacios Fitz-Henry
Chief Financial Officer
Cristalerias de Chile S.A.
Dated: June 30, 2004

Exhibit 8.1

List of Cristalerias Subsidiaries

As of December 31, 2003

Company Name	Jurisdiction
Vina Santa Rita	Chile
Envases CMF S.A.	Chile
Constructora Apoger S.A.	Chile
Inmobiliaria Don Alberto S.A.	Chile
Cristalchile Comunicaciones S.A.	Chile
Cordillera Comunicaciones Holding Ltda.	Chile
Cordillera Comunicaciones Ltda.	Chile
Metropolis-Intercom S.A.	Chile
Comunicacion, Informacion, Entretencion y Cultura S.A.	Chile
Red Televisiva 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

Exhibit 11.1

Cristalerias
Conduct Ruling for the CEO, CFO, Corporate Controller and Accounting Officer

Cristalerias's Conduct Ruling applies to our CEO, CFO, Corporate Controller and Accounting Officer.

1. The CEO and each financial officer mentioned above must act with honesty and integrity, avoiding actual or apparent conflicts of interest between personal and professional relationships.

2. The CEO and each financial officer mentioned above is responsible for full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company.

3. The CEO and each financial officer mentioned above must comply with applicable governmental laws, rules and regulations.

4. The CEO and each financial officer mentioned above shall promptly report to the Audit Committee any information he or she may have concerning any violation of this Conduct Ruling.

5. The CEO and each financial officer mentioned above will be held accountable for adherence to the Conduct Ruling. Accordingly, the Board of Directors may determine, or designate appropriate persons to determine, appropriate disciplinary actions to be taken in the event of violations of this Conduct Ruling by the Company's Chief Executive or Senior Financial Officers and a procedure for granting any waivers of this Conduct Ruling.