

Annual Report 2002

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Letter from the Chairman

Dear Shareholders:

Our focus during 2002 was on growth in the company and in our customer base. Our goal is to consolidate a sound strategic position that will continue adding value to the company and its shareholders over time.

I believe we have successfully completed a number of high priority tasks during this stage of growth. The company has rolled out an ambitious expansion plan involving 62 stores in operation throughout Chile, of which 35 are Lider hypermarkets. Company sales are up 10% over last year, and we achieved a 15% increase in transactions with customers, which totaled 123 million during the year. The company's market share also rose by nearly one percent, and now stands at 30.4% of the national total and 41.2% in Santiago.

At the end of 2002, we counted five supermarket formats, twelve business areas, a school of service, and a modern distribution center that moves products the entire length of the 3,000 km stretching from Arica to Puerto Montt. Seven Lider stores and one Ekono were opened this year, six supermarkets were remodeled, and strategic plots of land were purchased, for a total of US\$90 million. These investments, combined with those of the previous five years, amount to some US\$889 million. The number of stores has doubled over the same five-year period.

Our business activities and investments undertaken during 2002 allowed for a 16% increase in total square meters of selling space and enabled us to create 5,000 new jobs, for a total of 20,000 associates at the end of the year. We have thoroughly and systematically evaluated the competitive scenario. In an increasingly competitive environment, we stand in a solid position to face such conditions and, through our projects, contribute to the growth of our industry, the development of our country, and the welfare of Chilean consumers. Our Lider format, with its 24.6% market share at the end of 2002, has become the most relevant retail concept in Chile.

One of our main concerns has been to make the company even more professional. We have reviewed the operational methods and systems and incorporated new, highly qualified people into various middle and upper management positions. Ours is a team of young, talented, qualified people who have the energy and commitment needed to tackle successfully D&S' intermediate and long term plans.

Our corporate governance considers/is endowed with control mechanisms that are crucial to protecting those who have believed and invested in D&S. We have an independent Board of Directors and a sound Audit Committee that is fully functional and loyal to the best interests of the company, its shareholders, and its associates.

During this year, D&S stock, which is traded regularly on the New York and Santiago stock markets, was also listed on the Madrid Stock Exchange, Latibex, lending greater liquidity to our stock.

We believe that D&S has numerous opportunities for growth. Its future is based on a three-year development plan involving significant investment, most of which will come from funds generated internally. As in the past, our proactive growth plan is tempered with prudence in order to reap the benefits of our strategy, avoiding exposure of the company to undue risks. Specifically, we need to take into account the country's current weak economic environment as well as the uncertainty dominating worldwide economy today.

Still, our outlook for the future is positive. We are committed to remaining leaders in our sector, and are confident of our ability to add significant value to the company and its shareholders over the short, intermediate, and long terms.

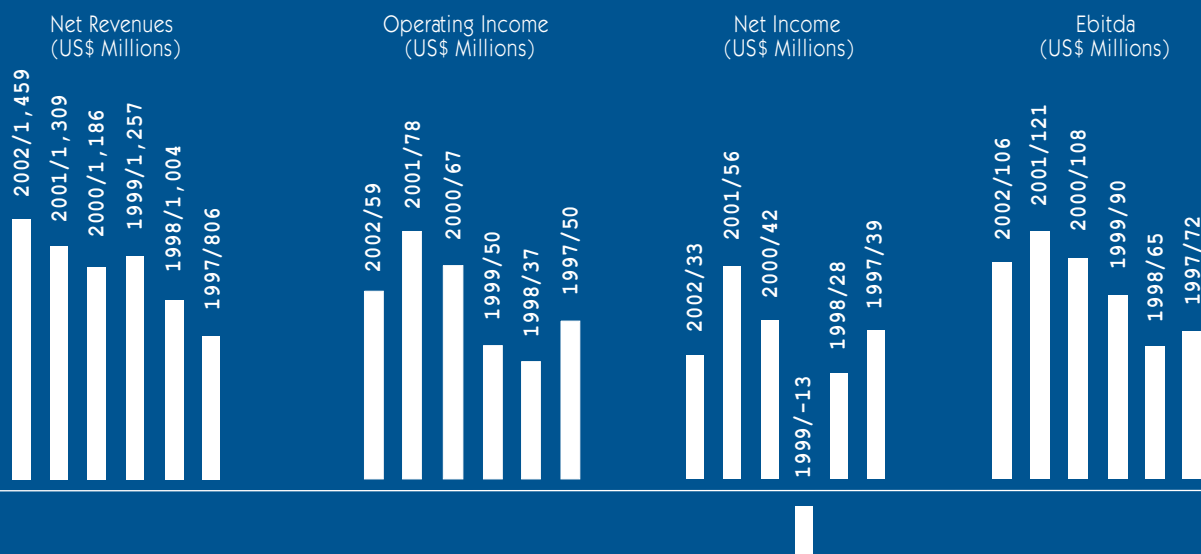
I would like to express special thanks to each one of our associates, suppliers, and directors, all of whom have contributed to build the solid base on which D&S growth depends.

A handwritten signature in black ink, appearing to read 'F. Ibáñez Scott'.

Felipe Ibáñez Scott
Chairman of the Board
April 2003



financial highlights



Main Indicators

	2002	2001	2000	1999	1998	1997
NET REVENUES (US\$ Millions)	1,459	1,309	1,186	1,257	1,004	806
OPERATING INCOME (US\$ Millions)	59	78	67	42	37	50
NET INCOME (US\$ Millions)	33	56	42	-13	28	39
EBITDA (US\$ Millions)	106	121	108	90	65	72
CAPITAL EXPENDITURE (US\$ Millions)	95	104	57	44	314	225
SALES AREA (Square Meters)	309,361	263,635	242,007	262,333	260,052	142,266
TRANSACTIONS (Millions)	123	107	100	104	78	63
NUMBER OF STORES	62	54	52	61	59	45
SUPERMARKETS	27	32	35	38	37	34
HYPERMARKETS	35	22	17	13	13	6
EKONO ARGENTINA (1)	-	-	-	10	9	5
ASSETS						
Current Assets	344	216	191	230	234	184
Fixed Assets	681	632	574	555	675	389
Other Assets	26	109	98	89	27	26
Total Assets	1,051	956	863	874	935	599
LIABILITIES						
Current Liabilities	433	315	225	353	486	183
Long Term Liabilities	199	236	267	178	75	69
Shareholders' Equity	419	405	370	343	374	347
Total Liabilities	1,051	956	863	874	935	599

(1) Sold in November 1999.

The figures for the historical series have been restated by the CPI at December 31, 2002 and converted into US dollars at the Observed Exchange



D&S management counts on a solid basis on which to continue the job started 20 years ago, when the company began a successful expansion program under the leadership of Felipe and Nicolás Ibáñez Scott. The Ibáñez brothers worked together first as partners, then as company executives, and finally as Chairman of the Board and CEO, respectively. We are optimistic and highly motivated in our task to consolidate the enormous progress achieved by the company under this management, which receives additional support from our demanding Board of Directors. We also share this task with more than 20,000 talented associates who, with their experience and willingness to participate in ongoing training programs, have nominated us as one of the top 25 companies to work for.

We know that there is much yet to do. We face major challenges from today's economic situation, both at home and abroad, and from the changes that have taken place in our industry's structure in Chile. During 2002, cutbacks were inevitable, and profits for the year were lower than expected. Even so, the management believes that 2002 was a good year for D&S, as seen in its US\$95 million in

investment, evidence of the company's vision for the future. D&S has used the current economic situation to focus its efforts on extending its market coverage both in Santiago and in the regions outside the capital, and we now have access to a potential market of over 9 million customers.



During this year, the company completed 123 million customer transactions, a 15% increase over the previous year.

Our goals for 2003 are to have closer relationships with our suppliers, achieve significant reductions in costs and inventory levels, operate our stores and distribution center more efficiently, improve customer service, and offer an even more varied and attractive product assortment. Another priority will be to maximize our business opportunities from past investments, placing particular emphasis on strengthening new areas of business. Our company foresees major benefits from a higher share of consumer spending in these new business fields.

2002 Results

Operating results were down 25% over those of 2001. Total revenues for the year were over US\$1.4 billion, 11.5% higher than in 2001. In view of the current Chilean and international economic environment and of the challenges facing the Chilean supermarket industry in particular, this increase in revenues is significant. This year's EBITDA, at US\$106 million, was 13% lower than last year's, and accounts for 7.3% of net revenues.

Net income stood at US\$ 33 million, down 41% from 2001.

These results can be explained by three main factors. First, the downturn in consumer spending and greater competition in the industry pushed prices down throughout the period, affecting profit margins. Second, the opening of new stores brought additional costs to selling and administrative expenses at existing stores. Finally, the company's restructuring process brought on additional one-time additional charges which were added to the provisions for obsolete merchandise, for a total of US\$10 million.

An Analysis of the Industry

The retail industry in Chile is increasingly competitive, making profit margins tighter. The sector has become even more complex due to the fact that several players, such as home improvement stores, department stores, and even pharmacies, have expanded their traditional businesses into areas that compete with D&S. Nowadays, many articles, including school supplies and Christmas items, can be easily found in various types of retail establishments.



Even so, supermarkets will continue to be the main distribution channel for mass consumption products. During 2002, industry sales exceeded US\$4.2 billion among 642 stores with three or more cash registers, up 6.5% over the 2001 business year. As in previous years, Chile continues to have significant potential for growth given the

relatively low penetration of supermarkets, which is currently at 60%, compared to 80% in more developed countries.

As in other similar retail establishments, seasonal trends have a profound impact on supermarket sales, seen in the intense promotional activities during the Christmas, Independence Day, New Year, and back-to-school seasons. D&S' various formats compete with an extensive supermarket spectrum in Chile, which includes large national and international chains, very small chains, and others that are purely regional but very successful in their areas of operation. The international chains entered the Chilean market in 1998 when Carrefour (France) opened its first store, followed by the Ahold (Holland) purchase of Santa Isabel.

Competition during 2003 is expected to be even tougher than that of 2002. In addition to the uncertain economic outlook, the market had already foreseen a concentration in the industry, mainly due to Cencosud's (Jumbo)



purchase of Santa Isabel. In this scenario, it will be more important than ever for the company to focus on its low-price policy by saving in productivity and improving operational processes, while strengthening new areas of business such as clothing, electronics, pharmaceuticals, and the Presto credit card. D&S' private label products will also play a major role in this process.

At the end of 2002, D&S had captured 30.4% of the market to become the leader in supermarket sales in Chile. Through its various formats, our company enjoys a high level of recognition among Chilean consumers. It is known as a company whose business strategy is focused on the customer; and its low prices, product selection, and excellent service are renowned.

Risk Factors in the Company and the Industry

The company faces several risks, some from within and others related to the industry overall.

- Increased competition, and a trend towards market concentration.
- More transactions done through the Presto credit card, which could increase the company's financial and credit risks.



- Possible restrictions on access to financial markets, or an inability to generate sufficient cash flow, both necessary to fulfill the company's investment and growth program.

- Possibility that Ahold may default on its payment obligations, either in whole or in part, for the balance on its purchase of Ekono-Argentina.

There are also country risks that may affect the company:

- Low level of economic activity and internal demand in Chile.

- The exchange rate, particularly the fact that the peso suffered a 9.7% devaluation against the American dollar between December 31, 2001 and December 31, 2002.

The management has carefully weighed these risk factors and has taken steps to minimize their effects on the company's operations, financial situation, and future viability.

Although industry sales are, to a large degree, on a par with the difficult internal economic situation, our results will depend on our ability to operate more efficiently, so that increasing D&S profitability is not totally dependent on economic growth in Chile. In fact, during 2002, company revenues were up 11.5% over last year, while the country's GDP grew by only 2.1% and unemployment hovered at around 9%.

The company holds most of its loans in local



currency, so it is not affected by sizable fluctuations in exchange rates.



Operation and Formats

With over 100 years of experience in the Chilean retail business, D&S has developed five complementary store formats operating under the names Almac (which started out in the '50s), Ekono (opened in 1984), LIDER (1995), LIDER Vecino (2000), and LIDER Mercado (2001).

Each format enjoys varying degrees of brand recognition and positioning in the industry. This has enabled D&S to segment the market by offering several combinations of price, quality, product assortment, neighborhood location, and level of service in order to attract a wide-ranging clientele.

Over the last six years, our stores have increased in number from 36 to 62, of which 39 are located in the Santiago Metropolitan Region, the region with the highest population density. D&S market share in the Santiago area reached 41.2% in December of 2002, with stores in 19

municipalities. D&S also owns operations in the I Region (Arica and Iquique), the II Region (Antofagasta, Calama and Chuquicamata), the IV (La Serena), V (Viña del Mar, Quilpué and La Calera), VI (Rancagua), VII (Talca), VIII (Los Angeles and Concepción), IX (Temuco), and the X Region (Valdivia, Osorno and Puerto Montt).

During 2002, the company invested US\$95 million in opening eight stores, seven of which are in regions outside of Santiago. Those located in Concepción, Puerto Montt, Calama, Valdivia, and Rancagua are LIDER hypermarkets; the one in Viña del Mar is an Ekono supermarket, and a LIDER Vecino opened in Los Angeles.

Thus, while progress was made in the company's plan to expand its operations in regions outside the capital city, a new LIDER Vecino store was also opened in Santiago in the Quinta Normal Municipality. In addition, six former Ekono supermarkets in Santiago were also transformed into the LIDER Vecino format. As of December 2002, D&S has four Almac and 23 Ekono supermarkets, 21 LIDER and 13 LIDER Vecino hypermarkets, and one LIDER Mercado hypermarket for a total of 309,361 square meters of sales area.

ALMAC

The Almac format emphasizes convenience and customer service. Its stores are located on the eastern area of the capital city. In terms of assortment, Almac does not offer the range of products available in hyper and megamarkets, but it does stock the most



food items per square meter of any D&S format. Its sales strategy is to encourage its customers to visit the stores frequently by offering discounts in the different product areas from Monday through Friday.

EKONO

The first Ekono store was opened in 1984 to provide low-priced shopping during a severe economic recession in the country. It provided a competitive alternative to small family-owned stores and informal markets, with a price/quality ratio that made it attractive to middle and lower middle class customers. Today's Ekono slogan is "You're the one that counts," emphasizing its dedication to service and convenience. Its stores are brightly lit, well organized, and offer a wide variety of products to meet the needs of working people who have little time available for shopping, all under the low-price policy for which D&S is known.

LIDER

The low-priced LIDER hypermarket concept

was introduced in 1996 in response to a larger, more prosperous middle class. The strategy was to provide one-stop shopping to position D&S in a market segment that has proven to have tremendous potential for expansion. Growth is particularly important in this area due to the expected entry of international companies or the expansion of other Chilean players in this market.

As a general rule, LIDER hypermarkets are strategically located at important intersections, which allows them to serve shoppers from various municipalities at a single location, consequently achieving greater economy. They offer plenty of parking and are normally located near stores that provide complementary services (fast food, dry cleaners, banks, drug stores, etc.), hence attracting more customers.

Only six years after its inception, the LIDER format has captured the largest market share in the industry (24.6%). It also enjoys a high level of brand recognition, as seen in its contribution to overall company sales and in the fact that it earned first place in the Marketing Hall of Fame awards given to the most successful brand names in the country.

LIDER VECINO

This concept was developed at the end of 2000 to reach smaller municipalities. At first, several Ekono supermarkets were transformed into this new format, and subsequently new stores were built specifically as LIDER Vecino stores.

LIDER Vecino combines the convenience and pleasant atmosphere of the neighborhood

store with the advantages of the LIDER hypermarkets, always under a policy of providing low prices and a wide range of products.

LIDER MERCADO

We launched our newest hypermarket format, the LIDER Mercado, in July of 2001. This store is the LIDER Puente Nuevo in the municipality of Lo Barnechea, the area with the country's highest levels of income and consumer spending. It is located on one of Santiago's main thoroughfares, giving it access to a potential market of 150,000 homes in Las Condes, Vitacura, and Lo Barnechea. It has several distinctive competitive features: cutting-edge technology (specialized weighing systems and electronic price marking, for example) and is highly innovative in layout, product assortment, and service. These features, combined with LIDER's low-price policy, provide a model designed to satisfy even the most demanding customers. It features our Buffet line of private label products, which was first introduced in this store.



Company Sales by Format

Supermarkets accounted for 18.7% of company sales during 2002, down 21.2% over last year. This is due to the fact that six Ekono supermarkets became LIDER Vecino stores, whose sales are included under the hypermarket format. Regarding same-store sales, that is, those stores that have been open for more than one year, the supermarket division showed a 3.4% drop over the 2001 business year.

Hypermarkets sales were 81.3% of total company sales, with a 21.2% sales increase last over year, due primarily to the fact that seven new stores were opened this year. In this division, same-store sales were down 4.7%. Total company sales increased by 10.0%, with same-store sales at locations open over one year dropping by 1.4%.

Business Activities

RETAIL SALES

Groceries and Relationships with Suppliers
Dry groceries and perishable products are our primary line of business and the driving force behind our company. We make every effort to give our customers the lowest prices on the market while offering a wide assortment determined by the varying needs of the different population segments we serve. At the same time, we strive to remain a reliable source of mass consumption goods.

Consequently, D&S management is constantly working to improve service standards in terms of merchandise delivery at the distribution center and at the stores, which means better customer service and lower inventory levels.

It is crucial for us to have closer relationships with our suppliers in order to have immediately available all the products our customers expect to find in our stores.

However, achieving these goals requires tough negotiations, as we saw in the negotiating process at the end of 2002. Still, D&S will keep its focus on searching out price and supply conditions that will enable us to increase sales to the final consumer, and thereby reverse the industry's downwards sales trends of recent years.



This is why during 2002 the company maintained its policy of increasing sales volume while lowering costs and improving productivity; product selection was particularly important in this respect. D&S management knows that, above all, it is running the company to maximize benefits for its shareholders, suppliers, and, especially, for Chilean consumers.

In 2003, our emphasis will remain on obtaining an optimum range of products and striving to satisfy our customers' preferences. We will pursue negotiations with all suppliers who offer products that satisfy our customers' needs, are in line with our low margin policy, are interested in participating in our centralized store distribution system, and are willing to invest in services that will improve product delivery and quality for our customers.

The supply sector is highly concentrated. Only 46 suppliers, some related to each other, account for 50% of D&S' local purchases. Still, in 2002 the company dealt with 1,633 national suppliers and increased its number of international suppliers, particularly those offering non-food items.



Delicatessen, Dairy Products, and Frozen Foods

Our long experience in handling fresh products and our leadership and innovation in these areas have enabled us to make our mission of “giving Chile a treat” a reality. We offer products from Argentina, Spain, France, Italy, Denmark, Germany, and more. We also give priority to small domestic suppliers who have covered some of our customers’ most diverse needs.

Our aim in this department is to combine expertise in home cooking with the most up-to-date preparation processes, focusing especially on high-demand products. Experience has taught us that careful selection of ingredients, scrupulous attention to the production process, fresh, appetizing display, and expert recommendations all help attract customers and keep them coming back for more.

Meats, Fish, and Seafood

Quality, freshness, and hygiene are the fundamentals in this department, which has long been a D&S tradition. Area sales account for 10.8% of the total, and its potential for growth is a daily challenge for company management, suppliers, and associates. The development of our meat business department has been influenced by ready access to international markets, which has enabled us to diversify our selections in meat, fish, and seafood products. We have suppliers from all of the major world markets, including

Argentina, Brazil, Paraguay, Uruguay, and New Zealand.

In addition, the country’s domestic industry has become more professional. D&S has contributed to this process by designing and implementing standardization procedures for meat quality, farm and plant inspection, and animals’ feeding and vaccination programs.

Bakery and Pastry Shop

The fresh products offered in this department are prepared daily at the 62 D&S stores. We are always innovating, with recipes from around the world and a selection of fine pastries.

The D&S Bakery and Pastry School, created in 2001, provides training courses on a permanent basis to the company’s more than 1,600 employees working in this department. This includes bakers, pastry chefs, and sales staff, who are dedicated to offering shoppers top quality products with the best possible service.

Fresh Produce and Flowers

Although D&S has traditionally had fresh produce and flowers in its stores, we have made significant changes both logistically and commercially in this department over the last few years. Notable improvements have been made in the Metropolitan Region in terms of product supply, storage, and distribution when the fruits, vegetables, and flowers are channeled through our

distribution center.

In contrast, local farmers directly supply stores outside the Santiago area, a strategy that has delivered fresh produce more efficiently to meet local fluctuations in demand and competition.

Non-traditional Business Areas

During 2002, the company strengthened its new product lines in order to offer our customers one-stop shopping. Now, along with grocery items, customers find a wide range of clothing items, housewares, appliances, electronics, sporting goods, and recreational products.

As a result, D&S foresees considerable opportunities to earn a larger share of consumer spending on products that were not previously sold in supermarkets.



Home Department

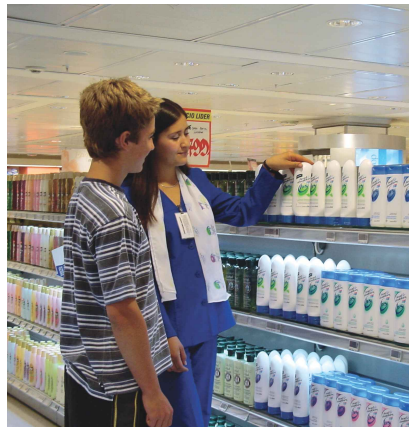
The housewares section has geared its strategy to satisfying a household's basic needs with useful, novel, and economically priced items. This department offers a new range of products at attractive prices, and makes shopping a fun outing for the whole family.

In making this ambitious project a reality, the company has a worldwide network of suppliers that we hope to expand even further, always searching out the best sources with the price/quality ratio we are looking for. We have also focused efforts on developing private labels such as Haus in housewares and Boulevard, Tempore, and Corporate in apparel and footwear.

Apparel

One of D&S' primary goals is "to dress Chile," and we have successfully introduced numerous important changes in marketing these categories in order to become our customers' first choice in clothing. As a result, Chilean families' shopping habits have changed considerably, as reported in various consumer surveys.

More visits were made in 2002 to suppliers in different countries in the Americas, Europe, and Asia, resulting in significantly more diverse sources of supply.



The Chilean market has significant growth potential in this area, as seen in the eagerness of both domestic and international suppliers to take part in the challenge. The good results of the Haus brand of housewares allow us to forecast great future development for this business area.

General Merchandise

This area includes stationery and office supplies, toys, hardware, automotive products, sporting goods, and recreational items in general. Its share of total company sales was 6.1% in 2002.



This department is known for its intense promotional activities, particularly during the Christmas season, summer, back-to-school, and the Independence holiday.

Recent growth in this section has enabled D&S to improve the product mix for shoppers in all of its stores, thus increasing the company's share of wallet.

Electronics

In this department, D&S has focused on such traditional items as television sets, home appliances, and stereo equipment, but it has also made a concerted effort to help consumers get used to the idea of purchasing computer and telephony products at the supermarket.

Efficient management has enabled us to determine an array of products that meets our shoppers' needs and budgets. Another management task includes decreasing inventory turnover.



We now offer more products imported from China and Korea, and we have worked hard at developing our own private labels.

Pharmacy

Our pharmacy department has also been a significant growth factor in our non-traditional areas. As of December 2002, the company had 19 Farmalider pharmacies, all located inside our stores in order to take full advantage of more traditional D&S retail business activities.

The idea behind the creation of D&S pharmacies in 2001 was to offer shoppers the best pharmaceutical service in the country with the widest variety of medications at the lowest prices on the market, all with personalized, professional service.

Business Areas' Share of Sales

Dry groceries accounted for the largest share of sales, at 41.5% of the total. Perishable items had a 35.0% share, and non-food products were at 23.5%.

Within the category of perishables, the delicatessen, dairy products, and frozen foods accounted for 15.5% of total sales; meats and fish were at 10.8%; produce at 4.5%, and baked goods at 4.2%.

In non-traditional areas, beauty care products contributed 7.0% to overall sales, general merchandise 6.1%; apparel 5.2%; housewares 2.5%; and pharmacies 0.5%.

Although our total sales were up 10% this year, it is important to note the growth that

took place in the areas of clothing, which increased sales by 52%, and electronics, which rose 24.8%. D&S customers' access to our Presto credit card is particularly relevant in the non-food sections. These increases demonstrate the business potential of the company's non-traditional areas.

Private Label Products

Competition was particularly stiff in 2002, and our private label program enabled us to emphasize our policy of every day low prices. In addition, while sales of D&S' private label products increased in comparison to 2001, rising to 11.2% share of company sales, AC Nielsen reported that private label sales were down in the Chilean supermarket industry, dropping from 5.3% in 2001 to 4.5% in 2002.

This strengthens our conviction that we should continue in this line of business, which we started ten years ago, and that we need to expand the range of products sold under our own labels in order to offer a greater number of items with the best price/quality ratio.

Two new private labels were introduced during this business year: Boulevard, a clothing label, and Haus, in housewares, were added to the already existing brands of LIDER, Ekono and Acuenta, among others.

Presto

We also foresee business opportunities in financing through our own credit card. At

the end of 2002, there were more than 560,000 Presto cardholders, of which 455,000 had active accounts. The Presto card was offered in all of our stores by the end of 2001.

D&S assumes sole responsibility for approving new Presto card customers and for the credit risks involved. We have developed special products, such as the Cuenta Mamá (Mom Account) and the Cuenta Dos (Account Two) as a means of increasing the amount of credit issued, which stood at US\$56 million in December of 2002. The first account is aimed at homemakers who do not normally have access to bank credit cards, while the Cuenta Dos is especially designed for non-food purchases.

Logistics and Distribution

At D&S, we have two basic distribution methods: centralized delivery from our Distribution Center (LTS), and direct store delivery by suppliers.

Having a centralized system has enabled us to reduce both store inventory and warehouse space. We have also lowered shrinkage levels and number of daily deliveries by suppliers. This system uses integrated information systems that allow the distribution center to prepare deliveries based on real-time information, depending on the sales and inventory levels of each store.

Our distribution center - LTS - opened in June of 1997 with 45,000 square meters, and was expanded by 27,000 m² in 2001 for a

total of 72,000 m². We also have satellite warehouses that provide us an additional 25,000 m² for logistics and storage. The company's expansion into regions outside of Santiago may require the construction of new distribution centers in the future. The overall percentage of centralized distribution this year was 57.6%, compared to 52.3% in 2001. During the year, LTS handled 17,054 products, and throughput reached a monthly average of 8 million boxes, providing service to 485 suppliers.

Inventory, Shrinkage, and Store Security

Inventory time at the Distribution Center was 15.3 days, 0.9 less than last year. Our service level, or prompt, accurate delivery to our stores, stood at 95% for dry products and 93% for cold chain items. Days of inventory for the company overall totaled 34.9 days, compared to 30.7 in 2001.

A concerted effort was made to reduce inventory shrinkage, which includes theft and loss of inventory through obsolescence, loss, or damage during transport. In our supermarket format (Ekono-Almac), shrinkage went down from 1.48% in 2001 to 1.41% on total format sales. Shrinkage in the hypermarket formats (LIDER, LIDER Vecino, and LIDER Mercado) rose from 1.78% to 2.1%, primarily due to increased inventory in non-food items.

Security

The D&S security department counts on 1,759 associates organized to cover our 62 stores and six shopping centers, as well as other company facilities throughout the country.

In 2002, efforts were focused on two main areas: legal action against shoplifting, and training of security personnel in the different levels of the company.

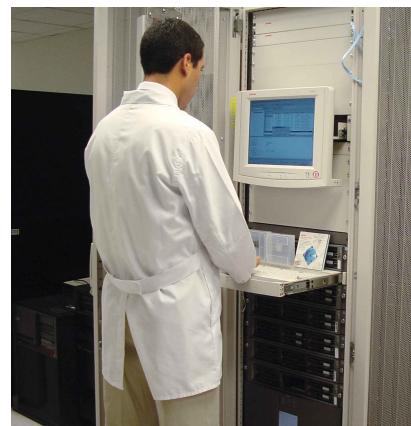
Under the "zero tolerance" program, the company reported a total of 12,279 thefts, of which 5,094 progressed into criminal lawsuits. Since the beginning of the program, the company has formally reported a total of 22,472 incidences of shoplifting in its stores. We are particularly concerned by the fact that minors were involved in 2,248 thefts in the course of 2002, 9.2% more than the previous year.

D&S, together with ASACH, has been instrumental in presenting a bill of law to Congress, currently in the second step toward passing, which makes substantial changes in legislation covering theft in supermarkets and department stores. Company CEO Cristóbal Lira has attended two sessions of Congress to present D&S' viewpoints in this area. We

have also been involved in a campaign to increase public awareness of the severity of this problem.

The security department trained 879 employees this year specifically in security matters as well as other related areas. The training course in values was attended by 417 employees, and 230 participated in a course pertaining to the penal reform process.

Finally, we are now using Shrintrax software to control shrinkage at the cash register level.





Hygiene and Quality Control

This department participated actively this year in a hygiene standards and training program. As a result, hygiene problems in food handling decreased considerably. Attention was also focused on product recognition, systems to monitor food preparation processes, and the development of the Buffet project. An especially rigorous monitoring and follow-up program was used with eighty new private label products, in conjunction with Fundación Chile. This department has a quality control laboratory in which microbiological sampling programs were implemented during 2002 for all stores in the meat, fish, deli, cold cuts, and pastry sections. Another monitoring system was implemented in our distribution center to check the quality of produce, cold cuts, dairy products, and



other grocery items. This system involves extensive communication with suppliers and the company's business areas, emphasizing the need for highly integrated operations.



Information Technology

D&S uses technologies that meet the highest international standards. Over the last three years, we have invested an average of US\$6 million per year (some 0.5% of net sales) in computer and information equipment. All of our warehouse, distribution, and payment operations have been automated, and we have efficient finance control and administration systems, all thanks to such world class tools as SAP/R3 and Data Warehouse.

The year 2002 saw improvements in restocking dry groceries and perishables, and similar systems are now being implemented in the company's non-traditional areas.



In the pharmacy section, management systems for our Farmalider card have gone into operation.

We have improved interaction with suppliers by making the supply system more open and transparent. Inventory by product and by store has been made available, and our community of suppliers have increased efficiency of deliveries and improved coverage of our stores and distribution facilities.

Real Estate

The company's real estate activities complement its retail business. The D&S real estate division manages six shopping centers and rents out 994 retail locations in supermarkets for a total area of 74,500 m², generating revenues for US\$ 14 million in 2002, not including the 67,000 square meters leased to the company's own supermarkets.

Over this last year, D&S successfully began one of its first ventures with other companies. In cooperation with Home Center Sodimac, Almacenes París, and Ripley, a shopping center was opened in the city of Calama in May 2002. The new center has an area of 40,043 m² distributed among 74 small and medium-sized stores, two department stores, one Home Center, and a LIDER hypermarket. Added to D&S' other shopping centers located in La Dehesa, Maipú, Puente Alto, Gran Avenida, Viña del Mar, and Antofagasta, the new center is an important factor in strengthening the company's real estate activities.

D&S will continue with its policy of purchasing land in order to have the space needed for future expansion plans. However, some properties may be sold, depending on their suitability for new projects and the current situation of the industry.



Insurance

All of the company's assets are insured against fire, earthquake, terrorist acts, and events of force majeure. D&S also holds

liability policies to cover losses caused by the company itself or by third parties. Insurance is managed by Montealto Corredores de Seguros S.A., and the policies are issued by the Royal & Sun Alliance company and Compañía de Seguros La Chilena Consolidada.

Investment and Financing Program, Commercial Papers, and Listing on the Madrid Stock Exchange

Investments in 2002 totaled US\$95 million, of which US\$54 million went to infrastructure, US\$37 million to equipment, and US\$ 3 million to purchases of land. These investments were financed by the company's cash flows and new bank loans, which were subsequently refinanced by issuing of a line of commercial papers for US\$52 million, one of Chile's first experiences with this type of instrument.

At the end of 2002, the company held a total financial debt of US\$351 million, US\$61 million higher than in 2001. Most of this debt is held in local currency to avoid risk of exposure exchange to rate fluctuations.

During this business year, D&S stock was listed on Latibex, the market for Latin American companies of the Madrid Stock Exchange in Spain. This makes D&S more visible to European investors and heightens the company's presence in international markets, which began in 1997 when D&S stock was listed and ADRs were issued on the New York Stock Exchange. All of this

makes the Investor Relations program even more stringent.

D&S and the Community

D&S has undertaken several new social programs as part of its commitment to the community. The Por un Chile Lider (Making Chile a Leader) project sponsored activities to educate the community in the areas of social solidarity, community safety, ecology, and sports.

We have prepared a practical guide for hikers that explains regulation aimed at preserving nature (Chile Ecológico, or Ecological Chile). For the last 11 years, we have sponsored the bakery school at the Barnechea Educational Foundation, which has trained over 100 young people who have subsequently become part of our company. As part of our educational contribution this year, we also distributed leaflets describing the legacy of our National Heroes.

D&S is also involved in the crime prevention campaign sponsored by Fundación Paz Ciudadana (the Community Peace Foundation) with its well-known character Don Graf.



In addition, we have encouraged community participation in athletic events, and our nationwide family runs have been a resounding success. We are especially proud of the D&S cycling team, which won the top prizes this year in the country's largest bicycle competition, the Vuelta a Chile (Around Chile tour). D&S has also worked with its customers to make substantial contributions to charities. Together, we donated Ch\$352 million to the 2002 national Telethon and Ch\$708 million to the Hogar de Cristo charity, 20% more than the previous year. To top it off, we have continued with our programs to help the needy on a permanent basis.

Our Associates

The D&S team is made up of individuals with an outlook on life who share a life project inspired by a noble purpose and a challenging mission. Their behavior is guided by principles and values that set them apart from the crowd, and they work in a business environment that enables them to develop their talents while helping them harmonize the various areas of their lives. Thus, they are able to reach their full intellectual, cultural, physical, and spiritual potential. The aim of our ongoing development and training programs is to form the most talented work group in the market.

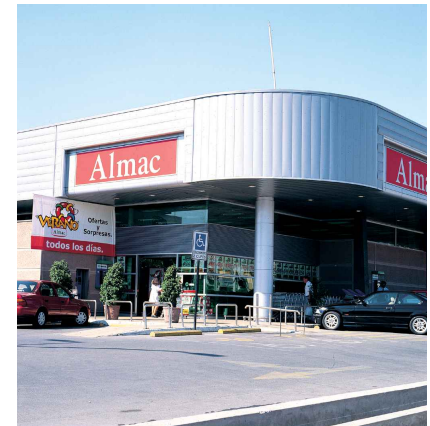
D&S is a growing company that offers opportunities to all. We created 21,800 new jobs in 2002, 28% more than in 2001.

As part of the company's social programs, D&S awarded 1,103 scholarships to employees' children, up 10.6% over the previous year. Our housing program, in conjunction with the National Construction Chamber, helped 43 people purchase their own homes this year.

In 2002, 6,140 people were trained in 695 courses, 431 of which were offered directly by the company and 267 by third parties. A total of 7.5 million man-hours were invested in training.

In addition to our training and social programs, our employees also participate in incentive programs through which they earn a share the profits obtained by the company in accord with the effort and dedication of each one of us.

Our company provides health benefits with additional insurance coverage so that our associates and their families enjoy prompt access to full health care. Our program "D&S Works for a Healthy Life" holds seminars and



workshops to help prevent and treat alcoholism and drug abuse.

Our Permanent Goals

The major challenge for D&S management is to achieve greater profitability for those who have invested in the company. With this in mind, our permanent goals are to:

- Exceed our customers' expectations, offering them the best products, assortment, and low prices every day.
- Consolidate the company's leadership position in Chile.
- Transform D&S into the most challenging company for those who aspire to work in a high-performance environment.

D&S Executive Board
March, 2003



about our company

Trade name, type of corporation, legal incorporation, and legal representation

Distribución y Servicio D&S S.A. (D&S) is a publicly traded company, legally incorporated on September 17, 1985. The articles of incorporation were notarized at the office of Notary Public Enrique Morgan T. in Santiago. An abstract of this instrument was registered in folio 14,695, No. 7,603 of the 1995 Commercial Registry of the Santiago Property and Real Estate Registrar, and published in the Official Gazette on September 21 of the same year.

The company's by-laws have undergone a total of 11 amendments. The latest was passed at the Extraordinary Shareholders' Meeting on May 23, 2002, when it was agreed to increase capital stock by Ch\$163 billion by issuing 250 million no par value, single series, paid-in shares. The minutes of the meeting were recorded in public instrument dated May 23, 2002 executed in the presence of María Loreto Zaldívar Grass, acting for Notary Public Patricio Zaldívar Mackenna. An abstract of this amendment is registered in folio 14,371 No. 11,983 of the 2002 Commercial Registry of the Santiago Property and Real Estate Registrar, and was published in the Official Gazette on June 19 of that year. The corporation's legal representative is Mr. Cristóbal Lira, CEO.

Taxpayer Number, SVS Registration, and Stock Exchanges on which Company stock is traded

The company's taxpayer ID number is 96.439.000-2, and it is registered with the SVS (the Chilean Securities and Insurance Commission) under number 0593.

D&S stock is traded on several stock exchanges, both domestic and foreign: the New York Stock Exchange (NYSE), the Santiago Stock Exchange, the Electronic Exchange of Chile, and the Valparaíso Securities Exchange. As of December 2002, D&S shares were also listed on the Latibex market of the Madrid Stock Exchange, where Latin American stocks are traded.

Corporate offices

Our offices are located at 8301 President Eduardo Frei Montalva Ave., Quilicura, Santiago, Chile.

Subscribed, Paid-in Capital; Number of Shareholders, and Ownership

The company's subscribed, paid-in capital on December 31, 2002, was a total of 1,380,000,000 shares owned by 1,408 stockholders. This does not include investors who own stock listed on the New York Stock Exchange (NYSE) and the Madrid / Latibex exchange through depositary entities such as J.P. Morgan-Chase and Banco Santander Central Hispano.

The 12 largest shareholders are listed in the following table..

D&S Stockholders	Taxpayer No.	Shares	%
SERVICIOS PROFESIONALES Y DE COMERCIALIZACIÓN S.A. (1) and (2)	96,529,210-1	562,565,935	40.77%
EMPRESAS ALMAC S.A. (1) and (2)	96,720,720-9	179,943,140	13.04%
FUTURE INVESTMENTS S.A. (1) and (3)	96,622,920-9	121,702,127	8.82%
SERVICIOS E INVERSIONES TRUCHA S.A. (1) and (4)	96,643,740-5	120,048,776	8.70%
ESTUDIOS Y PROYECTOS COMERCIALES E INMOBILIARIOS S.A (1) and (2)	96,529,220-9	44,056,400	3.19%
AFP PROVIDA S.A.	98,000,400-7	23,517,763	1.70%
EL ROQUERÍO S.A. (1) and (5)	96,919,790-1	16,000,460	1.16%
Genesis Investment Management Ltd.		14,873,400	1.08%
Alliance Capital Management L.P.		11,965,620	0.87%
Schroder Investment Management Ltd.		10,561,200	0.77%
UBS Global Asset Management (IL), Inc.		9,352,500	0.68%
Emerging Markets Growth Fund, Inc.		8,161,500	0.59%
Other Shareholders		257,251,179	18.64%
TOTAL		1,380,000,000	100.00%

(1) Are part of the controlling group, which holds 75.68%. There is no formal joint action agreement.

(2) Servicios Profesionales y de Comercialización S.A., Empresas Almac S.A., and Estudios y Proyectos Inmobiliarios S.A. are corporations controlled directly or indirectly by Felipe Ibáñez Scott (ID No. 5,638,122-8) and Nicolás Ibáñez Scott (ID No. 5,638,106-6).

(3) Future Investments S.A. is a corporation controlled directly or indirectly by Nicolás Ibáñez Scott.

(4) Servicios e Inversiones Trucha S.A. is a corporation controlled directly or indirectly by Felipe Ibáñez Scott.

(5) El Roquerio S.A. is a corporation controlled directly or indirectly by Cristóbal Lira Ibáñez (ID No. 6,379,957-2).

Stock Market transactions 1999-2002

		D&S Stock Transactions - Local Exchanges		
		Volume (in thousands)	Amount Traded (Ch\$ Millions)	Average Price (Ch\$) (1)
1999	1st Quarter	19,257	5,237	356.30
	2nd Quarter	30,767	11,204	533.84
	3rd Quarter	9,227	3,646	591.85
	4th Quarter	35,962	9,852	614.65
2000	1st Quarter	20,300	9,648	683.46
	2nd Quarter	19,847	7,888	619.81
	3rd Quarter	17,427	6,151	626.07
	4th Quarter	20,020	6,313	623.26
2001	1st Quarter	37,078	10,906	612.81
	2nd Quarter	27,954	9,803	585.79
	3rd Quarter	55,106	12,056	622.07
	4th Quarter	61,658	19,073	543.06
2002	1st Quarter	39,604	22,861	584.56
	2nd Quarter	68,598	40,629	608.15
	3rd Quarter	56,220	28,785	505.72
	4th Quarter	70,856	31,405	443.90

(1) Par value in Chilean pesos on the date of transaction.

ADR Transactions on the New York Stock Exchange

		ADR Volume (in thousand shares)	Amount Traded (US\$ Millions)	Average Price (US\$)
1999	1st Quarter	47,993	35.1	11.07
	2nd Quarter	61,616	68.2	16.49
	3rd Quarter	49,845	57.4	17.12
	4th Quarter	108,277	126.5	17.19
2000	1st Quarter	94,845	132.1	19.97
	2nd Quarter	43,518	51.7	17.87
	3rd Quarter	39,758	45.5	17.02
	4th Quarter	34,091	37.1	16.45
2001	1st Quarter	59,310	63.8	15.93
	2nd Quarter	58,118	55.5	14.43
	3rd Quarter	57,387	49.3	13.94
	4th Quarter	80,796	63.7	11.82
2002	1st Quarter	56,751	49.2	13.14
	2nd Quarter	90,834	81.3	13.87
	3rd Quarter	54,197	39.0	10.64
	4th Quarter	50,177	30.7	9.27

At December 31, 2002, the closing price of D&S shares on the Santiago Stock Exchange was Ch\$490 per share. The closing price of D&S ADRs traded on the New York Stock Exchange was US\$10.00 per ADR, with a total of 11,231,633 ADRs (equivalent to 168,474,495 shares), representing a 12.21% of the total number of subscribed paid-in shares. At year end, 120,000 shares were registered on Latibex.

Shares department

This department is supervised by the Central Securities Depository, whose offices are located at 770 Huérfanos, Suite 22, Santiago Municipality.

Auditors and risk rating agencies

The corporation's external auditor is Deloitte & Touche; risk rating agencies are Fitch Chile and Feller & Rate.

Banks

D&S conducts its banking transactions with the country's primary financial institutions. The largest loans are currently held with the Santander and Estado banks.

Insurance

D&S, its subsidiaries, and affiliates have ample insurance coverage for their fixed assets and operating cash flow, as well as liability coverage for customers and third parties.

Brands and patents

The company's brands are duly registered. Its primary trademarks are Almac, Ekono, Lider, Lider Vecino, and Lider Mercado, among others. Attorneys for this area are the firms Silva y Cia and Harnecker y Cia.

Legal counsel

The company's main legal counsel are the law firms "Barros, Court & Correa"; "Espina, Zepeda, Hermosilla, Acosta & Solis"; and "Carey y Cía". It receives legal counsel in the U.S. from Simpson, Thacher & Bartlett.

Dividend policy

In accordance with D&S by-laws and applicable regulations, at least 30% of fiscal year profits are distributed in cash dividends unless otherwise agreed at the Extraordinary Shareholders' Meeting.

Dividends paid

Dividends Paid

	Amount in millions of Ch\$	\$/shares	\$/ADR
1999	11,026,078	8	120
2000	11,037,142	8	120
2001	8,280,000	6	90
2002	13,800,000	10	150

In addition, interim dividend No. 34 of Ch\$5 per share was distributed in January 2003. The amount, Ch\$6.9 billion, was charged against 2002 profits.

Distributable earnings

The balance between fiscal year and distributable earnings is the following:

Total Fiscal Year and Distributable Earnings

	In millions of Ch\$
Fiscal Year Earnings	23,777,482
Less : Amortization of goodwill	342.542
Less : Accumulated losses	0
Less : Accumulated deficit for subsidiaries operation	0
Distributable earnings	23,434,940

Stockholder's equity

As of December 31, D&S' stockholders' equity was Ch\$ 300,733,112,000.

Board of directors' mission and fees

In addition to its legal duties and powers, the mission of the Board of Directors is to ensure that the company is managed in such a way as to promote its best interests and that of its shareholders and employees, which gives it the added responsibility of appointing the best possible executive team. Finally, it must oversee the implementation of information, control, and auditing mechanisms and establish ethical and moral standards that are in line with company principles.

Remunerations of the Board

Parent Company Name	2002		2001	
	Fees ThCh\$	remunerations ThCh\$	Fees ThCh\$	remunerations ThCh\$
Felipe Ibáñez Scott	84,000	28,380	60,000	28,380
Manuel Ibáñez Ojeda	12,000	24,348	12,000	24,348
Jonny Kulka Fraenkel	48,000		36,000	
Enrique Barros Bourie	48,000		36,000	
Hans Eben Oyanedel	60,000		44,444	
Gonzalo Eguiguren Correa	24,000		16,000	
Fernando Larraín Cruzat	24,000		16,000	
TOTAL	300,000	52,728	220,444	52,728

Subsidiaries Name	2002	2001
	Fees ThCh\$	Fees ThCh\$
Manuel Ibáñez Ojeda	3,563	3,459
Nicolás Ibáñez Scott	2,776	2,695
Felipe Ibáñez Scott	1,781	1,730
Rodrigo Cruz Matta	1,492	1,449
Jenaro Prieto Vial	1,492	1,449
TOTAL	11,105	10,782

Audit committee's mission and fees

The D&S audit committee, established in May of 2001 under the reforms introduced in the Corporate Law section of the OPA (Public Stock Offering) Law, has cooperated with the management's and external auditors' management control system, ensured that the company's operations with related parties are carried out equitably, and seen to it that the pay scale for primary managers and executives is in line with market standards and is rational and transparent.

Audit Committee's Remuneration

Audit committee	2002	2001
Name	Fees ThCh\$	Fees ThCh\$
Gonzalo Eguiguren Correa	10,000	6,666
Hans Eben Oyanedel	10,000	6,666
Fernando Larrain Cruzat	10,000	6,666
TOTAL	30,000	19,998

Expenses

The Audit Committee incurred expenses of Ch\$ 3,822,000 in the course of 2002.

Executives' salaries

The main executives' salaries totaled Ch\$ 543,972,000, plus Ch\$ 1,688,000,000 in compensation provisions due to the restructuring process.



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Ekono
TUERCA Y TUERCA



board of directors and audit committee



board of directors

Felipe Ibáñez S.
Chairman
Business Administration Graduate
ID No. 5,638,122-8

Hans Eben O.
Deputy Chairman
Business Administration Graduate
ID No. 4,764,938-2

Manuel Ibáñez O.
Director
Director of Companies
ID No. 1,076,949-3

Enrique Barros B.
Director
Attorney-at-law
ID No. 5,065,737-1

Jonny Kulka F.
Director
Business Administration Graduate
ID No. 4,863,497-4

Gonzalo Eguiguren C.
Director
Business Administration Graduate
ID No. 7,032,983-2

Fernando Larraín C.
Director
Economist
ID No. 7,011,884-K

audit committee

Gonzalo Eguiguren C.
Chairman
Business Administration Graduate
ID No. 7,032,983-2

Hans Eben O.
Director
Business Administration Graduate
ID No. 4,764,938-2

Fernando Larraín C.
Director
Economist
ID No. 7,011,884-K



management

José Pedro Varela
Chief Commercial Officer
ID No. 6,356,973-9

Miguel Núñez S.
Chief Financial Officer
ID No. 10,087,763-5

Cristóbal Lira I.
Chief Executive Officer
ID No. 6,379,957-2

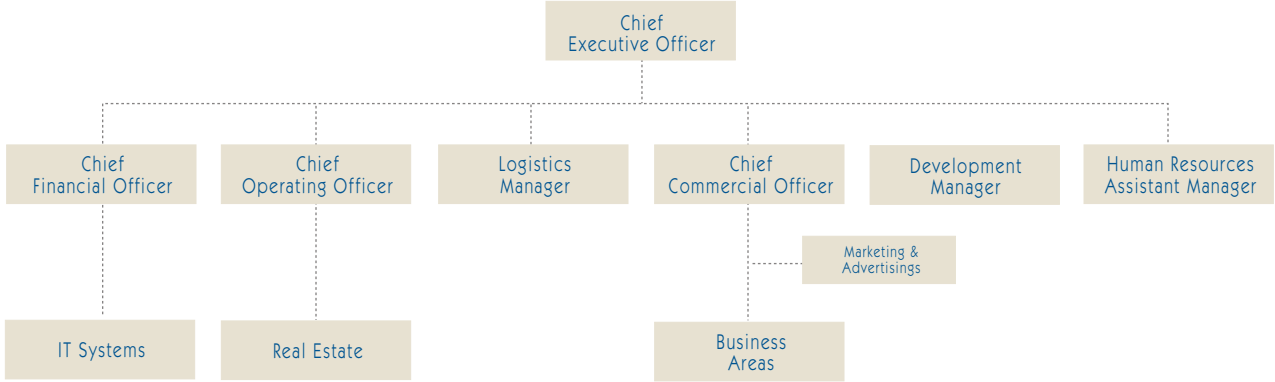
Rodrigo Cruz M.
Logistics Manager
ID No. 6,978,243-4

Manuel López B.
Human Resources Assistant Manager
ID No. 7,014,100-0

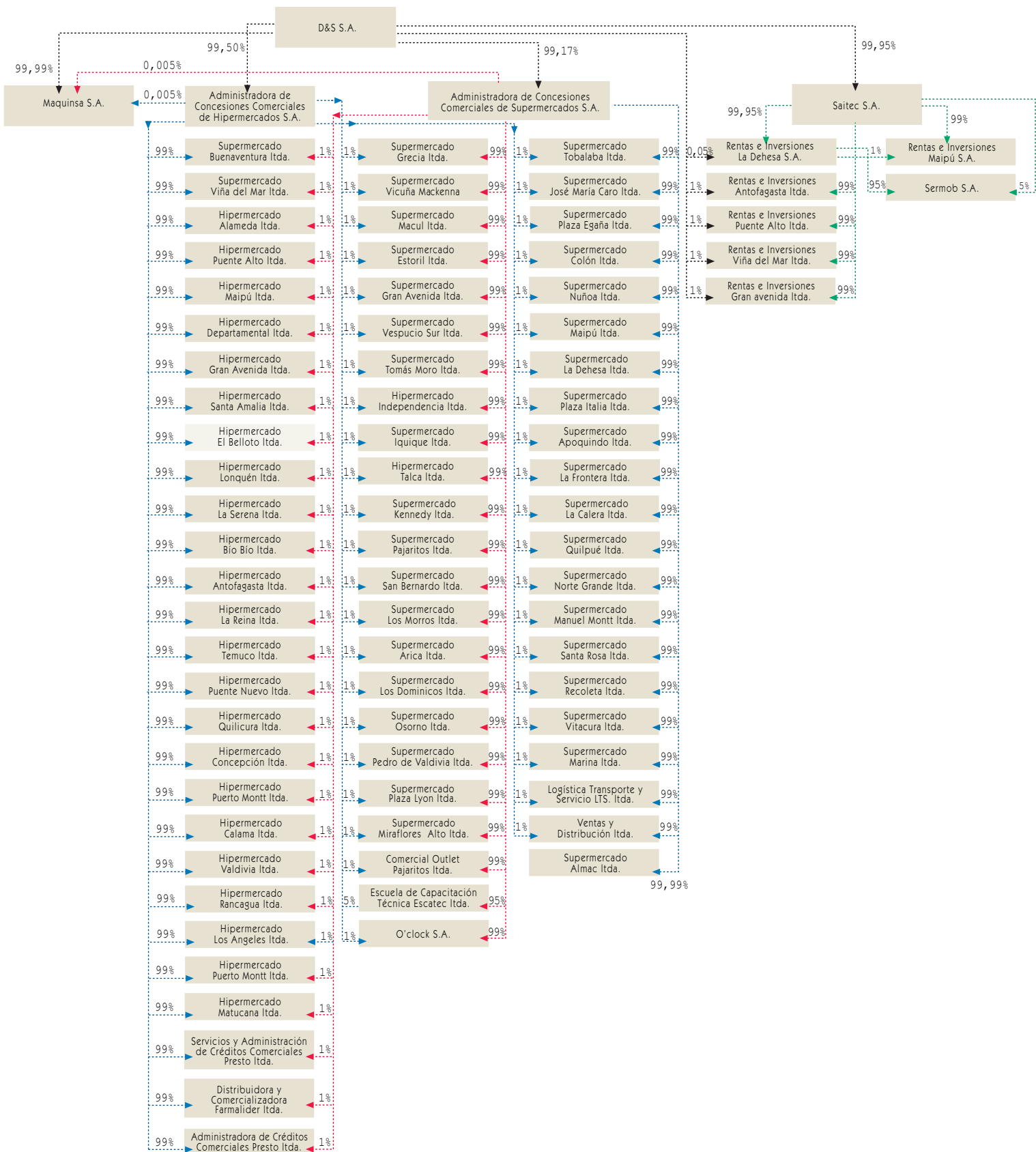
Juan Pablo Vega
Development Manager
ID No. 10,341,217-K

Marcelo Gálvez S.
Chief Operating Officer
ID No. 9,544,470-9

management



D & S organization



subsidiaries

Direct Subsidiaries	Legal Status	Subscribed & Paid-in Capital	Direct & Indirect Participation	Summary of Business Activities
Sociedad Anónima Inmobiliaria Terrenos y Establecimientos Comerciales S.A.	Closed corporation	ThCh\$23,194,865	99.95%	Real estate management, construction, and investment
Maquinsa S.A.	Closed corporation	ThCh\$131,220,299	100%	Machinery and equipment rental; real estate investment. Purchase, sell, package, import, export, and distribute, wholesale or retail, all types of merchandise, products, and food items in supermarkets, warehouses, small grocery stores, and other similar establishments. Consultation services for opening and operating supermarkets.
Administradora de Concesiones Comerciales de Supermercados S.A.	Closed corporation	ThCh\$22,220	100%	Purchase, sell, package, import, export, and distribute, wholesale or retail, all types of merchandise, products, and food items in supermarkets, warehouses, small grocery stores, and other similar establishments. Consultation services for opening and operating supermarkets.
Administradora de Concesiones Comerciales de Hipermercados S.A.	Closed corporation	ThCh\$22,890	100%	Purchase, sell, package, import, export, and distribute, wholesale or retail, all types of merchandise, products, and food items in supermarkets, warehouses, small grocery stores, and other similar establishments. Consultation services for opening and operating supermarkets.

Direct Subsidiaries	Board of Directors	Management	Percentage of Parent Company Assets Invested in the Subsidiary
Sociedad Anónima Inmobiliaria Terrenos y Establecimientos Comerciales S.A.	Chairman: Luis Valdés Lyon (3) Directors: Manuel Ibañez Ojeda (1) Rodrigo Cruz Matta (3)	Chief Executive Officer: Rodrigo Cruz Matta (3)	3.83%
Maquinsa S.A.	Chairman: Luis Valdés Lyon (3) Directors: Cristóbal Lira Ibañez (2) Rodrigo Cruz Matta (3)	Chief Executive Officer: Cristóbal Lira Ibañez (2)	20.08%
Administradora de Concesiones Comerciales de Supermercados S.A.	Chairman: Cristóbal Lira Ibañez (2) Directors: Rodrigo Cruz Matta (3) Luis Valdés Lyon (3)	Chief Executive Officer: Luis Valdés Lyon (3)	0.77%
Administradora de Concesiones Comerciales de Hipermercados S.A.	Chairman: Cristóbal Lira Ibañez (2) Directors: Rodrigo Cruz Matta (3) Luis Valdés Lyon (3)	Chief Executive Officer: Rodrigo Cruz Matta (3)	0.63%

(1) Director of parent company
(2) CEO of parent company
(3) Executives of parent company



who we are



1893

GRATENAU

It all started with the importer and wholesaler Gratenu y Cía established in Valparaíso in 1893 by German businessmen from Hanover.

In 1899, a young Adolfo Ibáñez Boggiano joined the company. Throughout his fruitful life, he was instrumental in strengthening the concepts of customer service that provide the foundation for today's D&S and its subsidiaries.



1957

FIRST ALMAC OPENED

The Almac was the first supermarket in Chile and, indeed, in Latin America. It opened the doors of its first store in Santiago in 1957. This historic event provided the company with the foundation it needed to grow in service and quality. The stores now had parking lots, a wide range of merchandise, and cash registers at the store exit. This new format would gradually replace the small general stores that had satisfied customers' needs for 30 decades.

On November 4, 1985, D&S (Distribución y Servicio S.A.) went into operation, acting as wholesaler and services supplier to the company's different supermarkets.



1921

TRES MONTES

The first retail sales were through the Depósitos Tres Montes, which opened during the 30's. The depósitos were small stores, always found at the city's most strategic location, known for the quality and prestige of their traditional products (coffee, tea, and mate tea) imported and sold in Chile by the company Ibáñez y Cía, the successor to Gratenu y Cía. The depósitos soon became grocery stores and remained so until 1954 when, under the tutelage of Manuel Ibáñez O., the company took advantage of changes coming in the industry and transformed its general stores into self-service establishments with a wider range of products.



1984

EKONOMIC

New Stage

The company began a new period in its development in the 80's.

The first Ekono supermarket was opened in Santiago on the corner of Tobalaba and Las Camelias on August 28, 1984. This was the start of a new low-priced format that is now well established in the country.

The first Ekono hypermarket opened in the Santiago municipality of La Florida in 1987. This concept is based on the original low-priced supermarket format, but its stores are more spacious in order to offer non-grocery items.

The Almac "Fresh Market" concept, which focuses on service and quality, was launched in 1989.

In August 1991, the property management company Sermob (Servicios Inmobiliarios) began managing the D&S rentals, totaling 800 retail locations today.

The first Ekono supermarket in Argentina opened in 1993.



1995 [FIRST LIDER]

The low-priced megamarket concept was introduced onto the market in 1995 under the name of LIDER. The first store with this format was the LIDER Pajaritos. With this new concept, we became the largest retailer in the country. In 1996, D&S purchased the Fullmarket chain and the O'clock bakery, and took full control of the Argentine Ekono operation. At the end of December of that year, company stock was first listed on the Santiago stock exchange.



1997 [NYSE LISTED]

From its grand opening in June of 2000, the 3,800 mt2 Lider Vecino took on the enormous challenge of offering all the departments to be found in a megamarket, becoming more accessible to customers and providing one-stop shopping for all of their basic needs.



2000 [LIDER VECINO]



1996 [CHILEAN STOCK EXCHANGE]

Our Principles
In March 1997 the Service School opened its doors to suppliers and associates. The LTS also went into operation in October of that year with the mission of delivering products to our stores throughout Chile as efficiently as possible. In October 1997, as a result of capitalization, the company began to participate in international financial markets when its first ADR issuance was listed on the New York Stock Exchange (NYSE:DYS).



1997 [DISTRIBUTION CENTER]

The LIDER Mercado Puente Nuevo was opened in July 2001. This store plays a major role in retailing goods of mass consumption, and provides service and quality at the lowest prices to such neighborhoods as La Dehesa, Lo Barnechea, Vitacura, Los Dominicos, and Las Condes. We began our pharmaceutical venture on the same day, when the Farmalider was opened in the brand new Puente Nuevo store. By year end, the company had 19 Farmalider pharmacies in Santiago and other regions.



2001 [LIDER MERCADO]



Almac Supermarket

The Almac format emphasizes convenience and customer service. Its stores are located in the eastern area of the capital. In terms of assortment, Almac does not offer the range of products available in the hyper- and megamarkets, but it does stock the most food items per square meter of any D&S format. Its sales strategy is to encourage its customers to visit the stores frequently by offering discounts in the different product areas from Monday through Friday.

Ekono Supermarket

The first Ekono store was opened in 1984 to provide low-priced shopping during a severe economic recession in the country. It provided a competitive alternative to small family-owned stores and informal markets, with a price/quality ratio that made it attractive to middle and lower middle class customers. Today's Ekono slogan is "You're the one that counts," emphasizing its dedication to service and convenience. Its stores are brightly lit, well organized, and offer a wide variety of products to meet the needs of working people who have little extra time available for shopping, all under the low-price policy for which D&S is known.

LIDER Hypermarket

The low-priced LIDER hypermarket concept was introduced in 1996 in response to a larger, more prosperous middle class. The strategy was to provide one-stop shopping to position D&S in a market segment that has proven to have tremendous potential for expansion. Growth is particularly important in this area due to the expected entry of international companies or the expansion of other Chilean players in this market. Only six years after its inception, the LIDER format has captured the largest market share in the industry (24.6%). It also enjoys a high level of brand recognition, as seen in its contribution to overall company sales and in the fact that it earned first place in the Marketing Hall of Fame awards given to the most successful brand names in the country.



L I D E R V e c i n o H y p e r m a r k e t

This concept was developed at the end of 2000 to reach smaller municipalities. At first, several Ekono supermarkets were transformed into this new format, and subsequently new stores were built specifically as LIDER Vecino stores. This format combines the convenience and pleasant atmosphere of the neighborhood store with the advantages of the LIDER hypermarkets, always under the policy of providing low prices and a wide range of products.

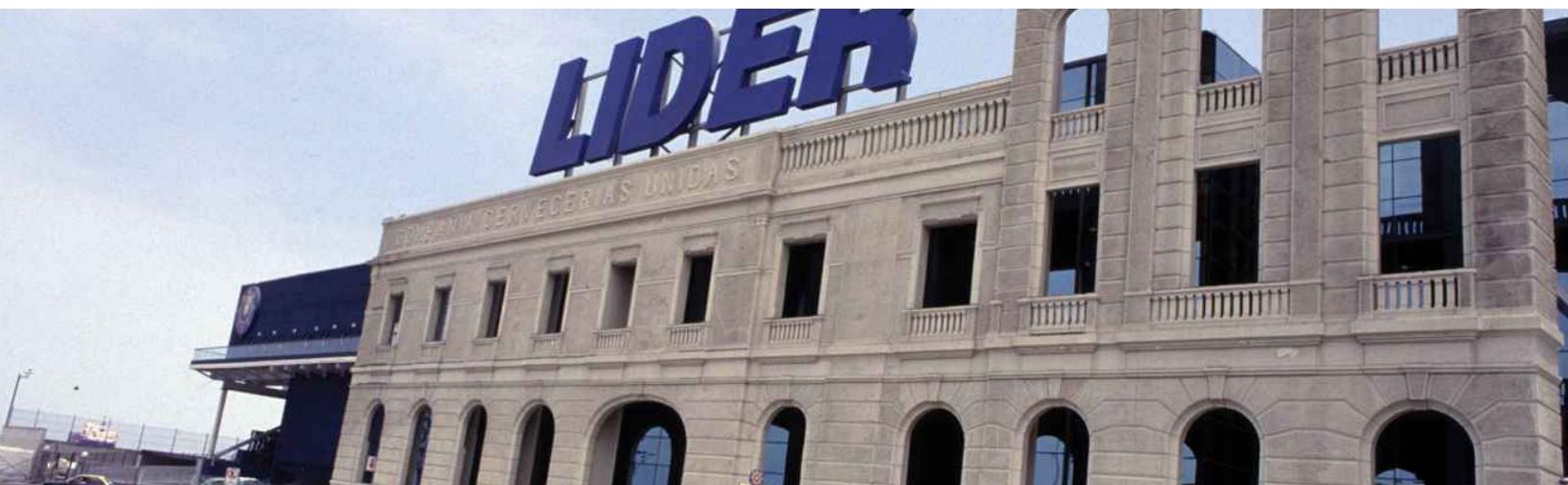
L I D E R M e r c a d o

We launched our newest hypermarket format, the LIDER Mercado, in July of 2001. It has several distinctive competitive features: cutting-edge technology (specialized weighing systems and electronic price marking, for example) and is highly innovative in layout, product assortment, and service. These features, combined with LIDER's low-price policy, provide a model designed to satisfy even the most demanding customers. It features our Buffet line of private label products, which was first introduced in this store.

F a r m a l i d e r P h a r m a c y

The idea behind the creation of D&S pharmacies in 2001 was to offer shoppers the best pharmaceutical service in the country with the widest variety of medications at the lowest prices on the market, all with personalized, professional service.

As of December 2002, the company had 19 Farmalider pharmacies, all located inside our stores in order to take full advantage of more traditional D&S retail business activities.



LTS (Logistics, Transport and Service)

Our Distribution Center - LTS - opened in June of 1997 with 45,000 square meters, and was expanded by 27,000 m² in 2001 for a total of 72,000 m². We also have satellite warehouses that provide us with an additional 25,000 m² for logistics and storage. The company's expansion into regions outside of Santiago may require the construction of new distribution centers in the future.

The overall percentage of centralized distribution this year was 57.6%, compared to 52.3% in 2001. During the year, the LTS handled 17,054 products and throughput reached a monthly average of 8 million boxes, providing service to 485 suppliers.

STS (Systems, Technology, and Service)

D&S uses technologies that meet the highest international standards. Over the last three years, we have invested an average of US\$6 million per year (some 0.5% of net sales) in computer and information equipment. All of our warehouse, distribution, and payment operations have been automated, and we have efficient finance control and administration systems, all thanks to such world class tools as SAP/R3 and Data Warehouse.

Real Estate Division

The company's real estate activities complement its retail business. The D&S real estate division manages six shopping centers and rents out 994 retail locations in supermarkets for a total area of 74,500 m², generating revenues for US\$ 14 million in 2002 not including the 67,000 square meters leased to the company's own supermarkets.



Support Office (School of Service, Training, People)

The D&S main management office is called the Service School in recognition of the company's commitment to provide the best service possible, a characteristic for which D&S is known both at home and abroad. Knowing that customer service is the backbone of any retail company, we have created a complex structure to train our staff in this vital area.

A major portion of the Service School facilities have been set aside as veritable classrooms in which hundreds of company associates have received education and instruction through the D&S training program.

Ours is a two-part educational program. The first is a GED program that allows employees to finish their high school education; the second part is a school to train candidates to be meat and bakery experts or produce specialists.

Customers

We have ongoing, direct contact with our customers, so that communication among the company's numerous divisions is vital to providing excellence in service.

In the course of 2002, the company received and acted on over 170,000 suggestions and complaints and over 41,000 calls on its 800 lines. It also received and answered more than 2,000 e-mails.

D&S sponsored an internal training program for its associates entitled "Hop onto the Best Service Cart" involving 270 courses for 7,500 people working in different positions. In addition, 30,000 birthday cards were sent to our customers.

Por un Chile Líder Program

D&S created its Por un Chile Líder (Making Chile a Leader) program in 2000 to satisfy our need to make more than just an economic impact on our country.

Por un Chile Líder invites all Chileans to work toward making ours a developed country where education and the constant striving to teach and learn can be the way to overcome inequality, become better individuals, and eradicate poverty.

Since this project began two years ago, D&S has realized that its main contribution to the community is education of all kinds: Education for a Healthy Life (nutrition), Athletics (values), Citizenship (civic behavior), Solidarity (charities) and Education and Culture (formal knowledge).



Private Labels

Competition was particularly stiff in 2002, and our private label program enabled us to emphasize our policy of every day low prices. In addition, while sales of D&S' private label products increased in comparison to 2001, rising to an 11.2% share of company sales, AC Nielsen reported that private label sales were down in the Chilean supermarket industry, dropping from 5.3% in 2001 to 4.5% in 2002. This strengthens our conviction that we should continue in this line of business, which we started ten years ago, and that we need to widen the range of products sold under our own labels in order to offer a greater number of items with the best price/quality ratio. Two new private labels were introduced during this business year: Boulevard, a clothing label, and Haus, in housewares, were added to the already existing brands of LIDER, Ekono and Acuenta, among others.

Presto

We also foresee business opportunities in financing through our own credit card. At the end of 2002, there were more than 560,000 Presto cardholders, of which 455,000 had active accounts. The Presto card was offered in all of our stores by the end of 2001. D&S assumes sole responsibility for approving new Presto card customers and for the credit risks involved. We have developed special products, such as the Cuenta Mamá (Mom Account) and the Cuenta Dos (Account Two) as a means of increasing the amount of credit issued, which stood at US\$56 million in December of 2002. The first account is aimed at homemakers who do not normally have access to bank credit cards, while the Cuenta Dos is especially designed for non-food purchases.

Our People

The D&S team is made up of individuals with an outlook on life inspired by a noble purpose and a challenging mission. The aim of our ongoing development and training programs is to form the most talented work group in the market.

D&S is a growing company that offers opportunities to all. We created 21,800 new jobs in 2002, 28% more than in 2001. As part of the company's social programs, D&S awarded 1,103 scholarships to employees' children, up 10.6% over the previous year. Our housing program, in conjunction with the National Construction Chamber, helped 43 people purchase their own homes this year. In 2002, 6,140 people were trained in 695 courses, 431 of which were offered directly by the company and 267 by third parties. A total of 7.5 million man-hours were invested in training.

dry groceries





Dry Groceries

The traditional grocery business is the driving force behind our company, and this division remains focused on stocking the products customers want and need at the best price possible.

Our grocery department is divided into two main sections. Food items (traditional groceries, breakfast foods, candies, and beverages, both alcoholic and non-alcoholic) comprise the largest section, which accounts for 65.4% of total grocery sales. The second area, which makes up the remaining percentage, includes basic and non-food items such as cleaning supplies and health and beauty aids. One of the grocery division's main activities is to search out new products to offer our shoppers. We introduced the prestigious President's Choice brand onto the Chilean market, and our stores carry many items imported from all over the world. D&S strongly believes that it is necessary to develop new product categories to satisfy all customers' needs and to encourage consumption in the industry. This has been the idea behind the new Vinos y más (Wines and More) concept in our wine section, which provides more service and information to help shoppers select just the right wine for that special occasion. We also publish a magazine that is sent to 10,000 customers every month.

If we are going to guarantee low prices and ensure product supply, we have to improve our efficiency constantly. With this in mind, D&S' grocery division has improved its Category Management program, and its efficiency indicators stand out as a model for the industry, with optimum management of product assortment, prices, inventory, and space.

This past year was one for working together with suppliers to establish relationships that are cooperative and productive over the long term, which allows for lower distribution costs and, at the end of the day, the lowest possible prices for our customers.

perishables





Deli, Dairy Products, and Frozen Foods

We have extensive experience in handling fresh products and are highly motivated to undertake new projects. This has been the driving force in making our mission to "Give Chile a treat" a reality, offering products from Argentina, Spain, France, Italy, Denmark, Germany, and more. We also give priority to small domestic suppliers who have covered some of our customers' most diverse needs. We have to deliver the quality and freshness of our products the entire length of Chile. Therefore, one of our priorities is maintaining an extensive, modern logistics structure for the cold chain and strict quality control standards that are constantly monitored by our professional team of food technicians.

Fresh Produce and Garden

Although D&S has traditionally stocked fresh produce and flowers in its stores, we have made significant progress both logistically and commercially in this department over the last few years. In the Metropolitan Region, purchases of fresh produce and flowers have been channeled through our Distribution Center -the LTS-; local farmers supply stores in other regions, a strategy that ensures the freshness of the products delivered. We also made improvements in the logistics of refrigerated products.

The flower department, with its domestic and imported products, has been improved in all our stores. This is just one of several departments of perishables that belongs to the "wet market" concept, where the freshness of the products on display is palpable from the moment the shopper enters the store.

Bakery and Pastry Shop

An extensive variety of breads baked fresh using recipes from around the world, displayed alongside a tantalizing array of fine pastries; this is what has made the bakery and pastry department a favorite among our shoppers. We are always innovating with new products, maintaining, as always, our stringent quality standards.

The fresh products offered in this department are prepared daily at the 62 D&S stores. We work hard at developing our own recipes, and the quality control department supervises all of our food preparation processes to ensure that the nutritive quality of our products is equal to their taste.

Meat and Fish

The meat department has grown as a result of our access to international markets, and we now offer products from such diverse countries as Argentina, Brazil, Paraguay, Uruguay, New Zealand, and others. Chile's domestic industry has also become more professional, a change to which D&S has contributed by standardizing qualities and strictly monitoring products from their place of origin, including the animals feeding and vaccination programs. Our meat packing plants have also made a contribution by certifying quality of cuts of meat and types of packing.

Chilean families consume large quantities of meat, fish, and seafood, another traditional area of D&S' activities. Given the very nature of these products, we maintain the highest standards of quality, freshness, and hygiene in order to protect the health of our shoppers' families.

Buffet (Deli and Cafe)

Our Buffet line was a resounding success from the start among our demanding customers, who appreciate the products' excellent quality and display. Sales of this product line account for 10% of private label sales in the ABC1 socioeconomic group. As a result, we have expanded the line into Buffet cafes operating inside our stores. As always, our goal is to become the best option in this area, offering product variety, personalized service, and competitive prices.

non-traditional business areas





General Merchandise

This department includes such varied product lines as stationery and office supplies, toys, hardware, automotive supplies, sporting goods, garden and patio supplies, pet supplies, and vacation and camping equipment.

Recent growth in this area has enabled D&S to improve the product mix for customers in all of its stores, thus increasing the Company's share of wallet.

One of our goals in our general merchandise division is to offer our customers a wide range of products so that they can do all of their shopping under one roof at the lowest price in the market.

Electronics

D&S now stocks computer, telephone, and sound system equipment in its electronics department. Efficient management in this department has had three-fold results: we have developed a product mix that matches our customers' needs and budgets, and we have improved margins and reduced inventory turnover. We also stock more products imported from China and Korea. Although D&S holds a minority position in the market in the electronics and appliance departments, we are among the top five in sales of some small appliances, and we have developed a private label brand that is still in the initial stages of positioning.

Home Department

The highlight of 2002 was the launching of the brand Haus, which was designed on the basis of differentiation, innovation, and excellent price-quality ratio.

This updating of our housewares department enabled us to introduce new products to attract more shoppers. We also introduced such new product lines as Haus Kid's.

These developments have required that we pay close attention to product design so that our merchandise is attractive to a wide-ranging public.

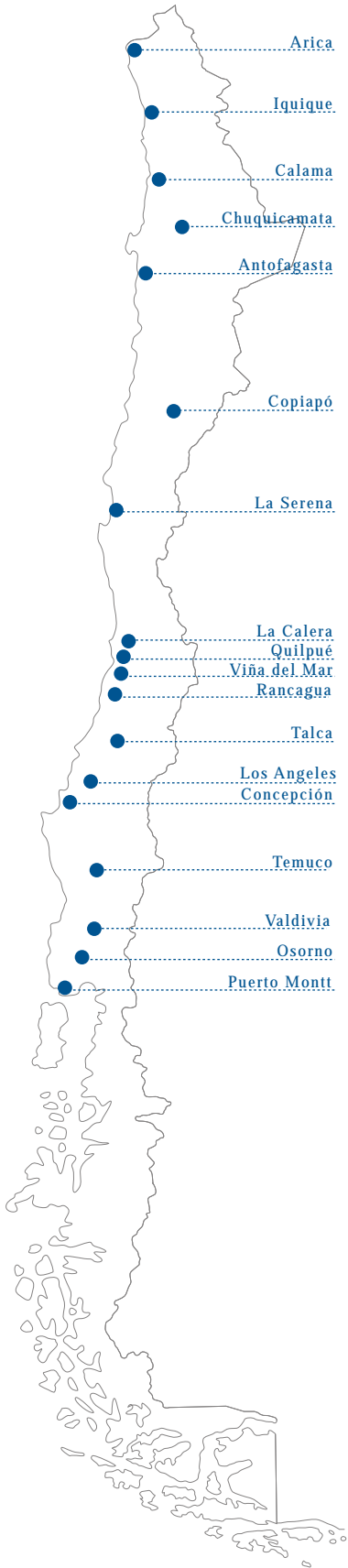
Apparel

One of D&S' primary goals is "to dress Chile." In order to become our customers' first choice in clothing, we have successfully introduced numerous important changes in the way we market clothing items.

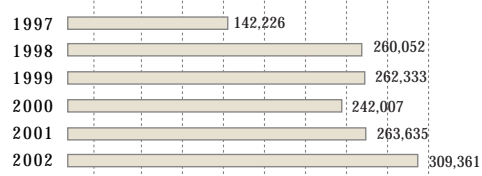
In a globalized world, access to the source of supply is crucial. Clothing is an area in which the merchandise must be selected and purchased months ahead of time. Therefore, buyers must be expertly trained in sorting out the best products available worldwide to match the needs and preferences of the Chilean shopper. We are always visiting suppliers in different countries in the Americas, Europe, and Asia, searching out mutually beneficial partnerships.

Stores are supplied through our Distribution Center -the LTS-, so that the supermarkets receive optimal service.

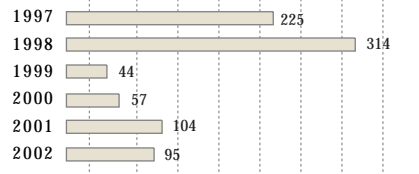
Our Stores



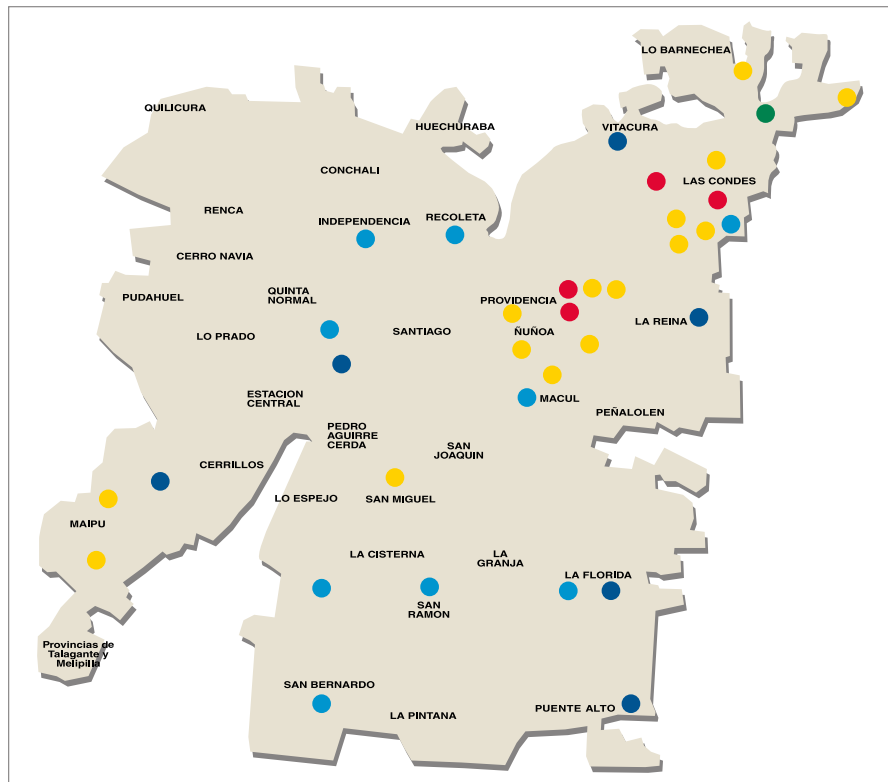
D&S EVOLUTION
SQUARE METERS OF SALES AREA



CAPEX (US\$ MILLIONS)



- Almac
- Ekono
- LIDE
- LIDER Vecino
- LIDER Mercado





queso gauda queso chanco queso roquefort
queso chakra queso de bola queso semicurado queso
queso emmental queso mantecoso queso chakra queso

LA MEJOR OFERTA DEL DIA
Queso chanco
"Do. Octaviano"

Declaration of Responsibility

In accordance with current regulations, the undersigned declare under oath to be fully responsible for the accuracy of all the information presented in this annual report.



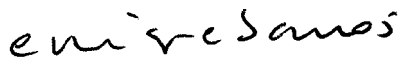
Felipe Ibáñez Scott
Chairman
ID No. 5,638,122-8



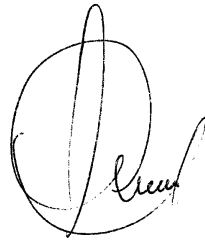
Hans Eben Oyanel
Deputy Chairman
ID No. 4,764,938-2



Manuel Ibáñez Ojeda
Director
ID No. 1,076,949-3



Enrique Barros Bourie
Director
ID No. 5,065,737-1



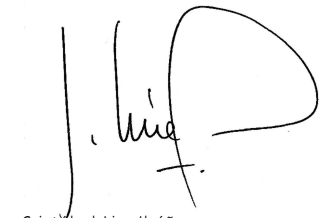
Jonny Kulka Fraenkel
Director
ID No. 4,863,497-4



Gonzalo Eguiguren Correa
Director
ID No. 7,032,983-2



Fernando Larraín Cruzat
Director
ID No. 7.011.884-K



Cristóbal Lira Ibáñez
CEO
ID No. 6.379.957-2





Buffet
CARNES
SELECCIONADAS

Buffet
CARNES
SELECCIONADAS

POLLOS DE
Granja Magdalena
realiza un esfuerzo para sumarse
a la tendencia mundial de "retornar
a lo natural", produciendo en
forma artesanal, y alimentando
a sus animales exclusivamente
con dietas vegetales
(maíz y soya) logrando un
producto 100% ecológico que
constituye un importante
aporte nutricional.
faisan, perdiz, pollo de campo.



3799
3799
4799

