



# Quarterly Update

For the Quarter Ending September 30, 2011

## AMC 9-Month Net Income at P671M

### Sales Expanded but Higher Costs Weigh Down Earnings

**Revenues accelerated in 3Q11** Revenues for the third quarter grew by 2% to P2.786 billion from P2.741 billion in the same period last year, from a 3% decline the previous quarter, as the milk market continued its recovery. Extensive marketing and selling initiatives provided consumer pull across the Company's core milk products, particularly for the powdered milk and UHT ready-to-drink milk businesses. Revenues also got a boost from the incremental sales generated by the non-dairy coffee creamer business. Sales volume of the Company's liquid canned milk business - evaporated milk and sweetened condensed milk, on the other hand, continued to pick up going into a seasonally strong fourth quarter. With the recovery in sales volumes, revenue shortfall narrowed down to 10% for the nine-month period at P7.753 billion from P8.572 billion in the same period last year.

**Higher costs continue to weigh down on earnings** Combined cost of sales and operating expenses for the quarter, however, grew at a much faster rate of 15%, from P2.234 billion to P2.568 billion, largely due to sharp increases in raw material costs, particularly for skimmed milk powder. Operating expenses, however, were lower on the back of prudent spending and cost containment programs. Operating income declined 57% to P218 million from P507 million in 3Q10 while operating margin softened to 7.8% in 3Q11 from 18.5% in the same period last year.

#### Financial Highlights

(in Million Pesos, except ratios and per share data)

	3Q11	3Q10	YoY Change	YTD Sep '11	YTD Sep '10	YoY Change
Net Sales	2,786	2,741	+2%	7,753	8,572	-10%
Operating Income	218	507	-57%	732	1,816	-60%
Net Income	211	355	-41%	671	1,410	-52%
Total Assets				8,803	8,531	+3%
Total Liability				2,600	2,894	-10%
Stockholders' Equity				6,203	5,637	+10%
Operating Margin	7.8%	18.5%	-10.7% pts	9.4%	21.2%	-11.8% pts
Return on Sales	7.6%	12.9%	-5.4% pts	8.7%	16.5%	-7.8% pts
Earnings Per Share	P0.24	P0.40	-P0.16	P0.76	P1.60	-P0.84
Current Ratio				2.26:1	1.84:1	+ 0.42:1
Debt-to-Equity Ratio				0.42:1	0.51:1	- 0.09:1

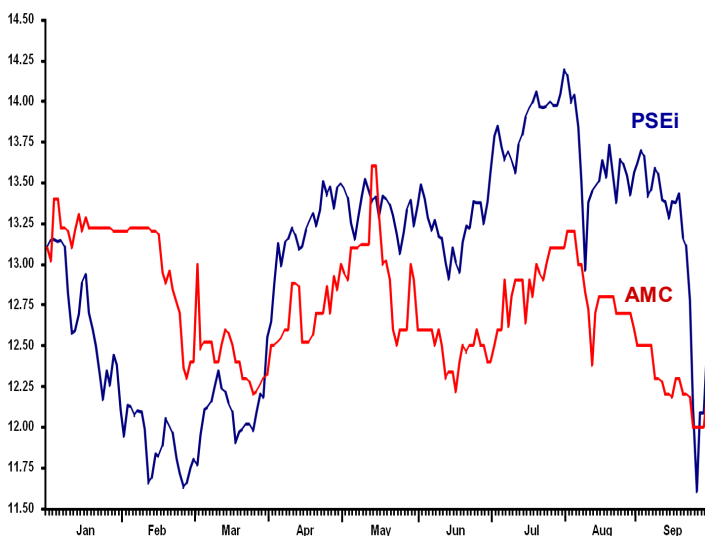
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The foregoing put operating income for the first nine months of the year at P732 million, 60% lower than the comparable year-ago operating income of P1.816 billion. Operating margin, on the other hand, narrowed to 9.4% from 21.2% in the same period last year (an all time high).

**Net Income** After considering other charges and corporate income tax, net income for the three months ending September 30, 2011 stood at P211 million or 7.6% of net sales, 41% lower compared to net income of P355 million or 12.9% in the same period last year. This brought the nine-month net income for 2011 at P671 million or 8.7% of net sales, down 52% versus year-ago net income of P1.410 billion or 16.5% of net sales. Note, however, that 2010 was a record year for the company.

**Cash Position Remains Strong** Despite the drop in earnings, the Company continued to generate strong net cashflows. Cash and cash equivalents as of end September 30, 2011 stood at P3.1 billion, up 11% compared to the P2.8 billion cash level as of September 30, 2010.

#### Year-to-Date AMC Share Price Performance (Relative to PSE Index)



## UPDATES & OUTLOOK

**Skimmed Milk Powder (SMP)** SMP prices edged higher, snapping a four-month slide at Fonterra's online auction. While production out of Oceania reportedly remains strong, stockpiles are not building up as shipments merely keep pace with deliveries amidst steady demand from importing countries. Demand from emerging markets (Asia, including China and oil-producing nations) remains strong despite a slowdown in Western economies. International spot price of SMP currently at around US\$3,300 per metric ton.

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