



Quarterly Update

For the Quarter Ending March 31, 2005

FIRST QUARTER NET INCOME AT P93 M

Revenues for the first three months of the year reached P1.17 billion, 12% lower than the P1.32 billion in revenues earned in the same period last year. Weak sales volume during the period as a result of sluggish consumer demand for milk products largely affected revenues. Cost of sales and operating expenses declined by 8% to P1.04 billion from P1.13 billion in the same period last year. This put operating income for the quarter at P109 million or 9.3% of net sales. With interest and other income of P20 million, net income for the quarter stood at P93 million or 7.9% of net sales, lower than the net income in 1Q04 of P154 million or 11.6% of net sales.

Sales Volume The domestic milk market contracted year-on-year, reflective of a general slowdown in consumer spending. Prices of all commodity groups are at high levels due to inflationary pressures as a result of the all-time high oil prices. Food, beverage and tobacco prices, in particular, accelerated by 7.2% in March 2005 owing to the selling price increases across most food items, milk products included. In line with the milk market contraction, sales volumes of Alaska Liquid and Powdered Milk products posted double-digit declines in the first quarter of the year. Combined sales volume of the UHT line surged year-on-year, driven by the strong performance of the Hershey's Chocolate Milk Drink and Alaska Crema *continued on page 2*

AMC FORGES TIE-UP WITH KELLOGG'S



Alaska Milk Corporation (AMC) has been appointed as the exclusive distributor of the Kellogg's line of cereal products in the Philippines effective May 1, 2005.

US-based Kellogg Company is the world's leading manufacturer of cereal food products and other convenience foods including cookies, crackers, frozen waffles, toaster pastries and cereal bars, with sales of nearly US\$10 billion in 2004. Brands include Keebler, Pop-Tarts, Eggo, Cheez-It, Rice Krispies and Famous Amos, which are marketed in more than 160 countries.

This partnership presents a host of possibilities from a marketing standpoint. "Breakfast cereals are a perfect fit to Alaska's milk products and we should be able to leverage our strength in the trade to expand Kellogg's presence in the Philippines" says Wilfred Steven Uytengsu, President and Chief Operating Officer of AMC.

FINANCIAL HIGHLIGHTS

Year-to-Date March 31, 2005

(in Million Pesos)

	2005	2004	% Change
Net Sales	1,170	1,324	-12%
Operating Income	109	198	-45%
Net Income	93	154	-40%
Total Assets	4,084	3,922	+4%
Total Liabilities	1,140	1,100	+4%
Stockholders' Equity	2,944	2,822	+4%
Ratios:			
Earnings Per Share	P 0.10	P 0.17	-P 0.07
Operating Margin	9.3%	15.0%	- 5.7% pts.
Return on Sales	7.9%	11.6%	- 3.7% pts.
Current Ratio	2.8 x	3.0 x	- 0.2 x
Debt to Equity Ratio	0.4 x	0.4 x	no change

UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) Prices remained at peak levels during the quarter as the Euro and Oceania currencies strengthened against the US Dollar. In addition, continued strong demand and some tightness in supplies helped keep prices around the US\$2,300/MT level. Export supplies are not expected to expand substantially until the latter part of the year.

Cash Dividends For the fifth consecutive year, the Board of Directors of AMC has approved a special cash dividend of P0.25 per share on top of the regular P0.05 cash yield per share, bringing the total cash dividend at P0.30 per share. The cash dividends will be paid quarterly at the rate of P0.075 per share beginning June 30, 2005 to March 31, 2006. The cash dividend equates to an 8.7% annual yield based on the latest traded price of P3.45 per share.

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All-Purpose Cream. Notwithstanding the sluggish market, market share for the evaporated milk remained stable while condensed milk and powdered milk market shares showed an improvement compared to the first quarter of 2004.

Operating Costs Cost of sales and operating expenses for the first quarter of 2005 reached P1.04 billion, down 8% from P1.13 billion in the same period last year. This put operating income for the quarter at P109 million and operating margin at 9.3%, from P197 million and 15.0%, respectively, in the first quarter of 2004.

Interest Income The continued decline in domestic interest rates pushed interest income earned from placements down to P18 million in 1Q05 from P23 million in 1Q04. The average placement rate (net) was at 3.8% compared to 4.7% a year ago, while the average cash balance for the first quarter of 2005 was at P1.9 billion, same as the average cash balance for the same period last year.

Net Income Net income for the first quarter of the year amounted to P93 million or 7.9% of net sales, 40% lower than net income in 1Q04 of P154 million or 11.6% of net sales. This is equivalent to an earnings per share (EPS) of P0.10.

