



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending March 31, 2006

FIRST QUARTER NET INCOME AT P74M

In line with expectations, inflation rate for the first quarter of 2006 rose to 7.3% from 5.9% in the previous quarter, mainly due to the two-percentage point increase in the Value Added Tax (VAT) rate. In addition, increases in the prices of petroleum products have also exerted upward pressure on the consumer price index. This weighed heavily on demand for basic goods and services, milk products included, as consumers put a tighter rein on household spending given a shrinking disposable income. For the first quarter of the year, the domestic milk market contracted at double-digit rates with all categories and segments down versus year-ago levels.

Notwithstanding the contraction of the milk market and heightened competition in the industry, net sales of Alaska Milk Corporation for the first quarter of the year grew by 7.4% to P1.256 billion from P1.170 billion in the same period last year. Sales volume of the Company's powdered milk and high-value UHT product line posted strong growth rates year-on-year. In addition, the incremental sales generated from the distribution agreement with Kellogg's helped lift revenues for the quarter. Cost of sales and operating expenses increased by 12% to P1.189 billion from P1.061 billion a year ago largely due to higher sales volume as well as increases in the cost of production inputs. This brought operating income for the quarter at P67 million or 5.3% of net sales. Including other income of P33 million, net income for the quarter stood at P74 million or 5.9% of net sales.

FINANCIAL HIGHLIGHTS

Quarter Ending March 31, 2006

(in Million Pesos)

	2006	2005	% Change
Net Sales	1,256	1,170	+ 7%
Operating Income	67	109	-38%
Net Income	74	93	-20%
Total Assets	4,438	4,084	+ 9%
Total Liabilities	1,269	1,140	+11%
Stockholders' Equity	3,169	2,944	+ 8%
Ratios:			
Earnings Per Share	P 0.08	P 0.10	-P 0.02
Operating Margin	5.3%	9.3%	- 4.0% pts.
Return on Sales	5.9%	7.9%	- 2.0% pts.
Current Ratio	2.6:1	2.8:1	- 0.2
Debt to Equity Ratio	0.4:1	0.4:1	no change

SUMMARY OF RESULTS

Sales Volume Alaska posted significant gains in market shares across the entire liquid milk category, spurred by intensified sales and marketing efforts. Despite the category's double-digit contraction, sales volume of Alaska's liquid canned milk business posted a low single-digit rate drop versus the same period last year. Consumer off-take of Alaska Evaporada and Alaska Condensada remains brisk, especially in the economy market.

Sales volume of Alaska Powdered Filled Milk posted strong double-digit growth rates year-on-year driven by the improvements in outlet penetration and product availability among downline stores. Ongoing trade and consumer programs continue to boost shelf off-take for the brand at retail level, bringing solid gains in market share. Market share in the category once again reached historic highs, breaching the 22% mark.

continued on page 2

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The Company's portfolio of UHT products maintained its growth momentum, with combined sales volume up by 85% versus the same period last year. Alaska Crema All-Purpose Cream continued to exhibit strong consumer off-take, posting market share gains year-on-year. Demand for the premium-priced Hershey's Chocolate Milk Drink remains brisk, while newly launched Alaska Yamoo! has captured a strong following among young consumers.

Meanwhile, efforts to improve product availability and distribution reach of Kellogg's ready-to-eat cereals in key trade outlets are on-going, complemented by below-the-line consumer promotions.

Operating Costs Cost of sales and operating expenses for the quarter stood at P1.189 billion, 12% higher than cost of sales and operating expenses in the first quarter last year of P1.061 billion. Foregoing increase was caused by higher sales volume as well as increases in the prices of both local and imported raw and packaging materials, particularly sugar, skimmed milk powder and tinplates. Also, operating expenses rose on the back of more aggressive advertising and promotional spending to support volume growth and consumer demand. Altogether, these put operating income for the first quarter of 2006 at P67 million and operating margin of 5.3% from P109 million and 9.3%, respectively, in the first quarter of 2005.

Interest Income Interest earnings in the first quarter of the year amounted to P27 million, higher than interest income earned in the same period last year of P18 million. This was principally due to a higher cash balance as well as higher interest yield realized on the Company's short-term investments.

Net Income Net income for the first quarter of 2006 amounted to P74 million or 5.9% of net sales, lower than the 2005 first quarter net income of P93 million or 7.9% of net sales. This is equivalent to an Earnings Per Share (EPS) of P0.08, from an EPS of P0.10 for the same period last year.

UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) Continued strong export demand for SMP has kept prices at peak levels throughout the first quarter of the year. As of end March 2006, SMP price quotes ranged between US\$2,000/Mt - US\$2,200/MT. SMP production is increasing as milk output expands slowly in most areas. Export activity maybe slowing and some traders feel that international buyers are waiting for prices to soften before placing orders.

Cash Dividends The Board of Directors of Alaska Milk Corporation has approved a special cash dividend of P0.15 per share on top of the regular cash dividend of P0.05 per share, bringing the total cash dividend declaration at P0.20 per share. The cash dividend will be paid quarterly at the rate of P0.05 per share beginning June 30, 2006 to March 30, 2007. The cash dividend is equivalent to a 5.9% annual yield based on the latest traded price of P3.40 per share.

RE-ENERGIZING THE BRANDS To create consumer excitement and revive growth in the Liquid Milk Category, the Company recently re-launched it's line of liquid canned milk products with new label designs, supported by a new communication campaign.



A NEW LOOK TO ALASKA'S
LIQUID CANNED MILK PRODUCTS