



ALASKA MILK CORPORATION

# Quarterly Update

For the Quarter Ending June 30, 2004

## FIRST-HALF NET INCOME AT P215 M

**2Q04 Review** Revenues in the second quarter of the year reached P1.012 billion, 15% lower than the P1.186 billion revenue in the same period last year. Lower sales volumes during the period as a result of heavy trade purchases during the previous quarter largely affected revenues. Cost of sales and operating expenses declined by 4% to P954 million from P990 million in the same period last year. Interest and other income, net of other expenses, amounted to P22 million, putting net income in 2Q04 at P62 million or 6.1% of net sales, significantly lower than the net income in 2Q03 of P159 million or 13.4% of net sales.

**1H04 Review** Revenues for the first-half of the year grew 8% to P2.337 billion from P2.162 billion in the same period last year. Higher selling prices combined with sales volume growth for UHT and liquid canned milk products lifted revenues during the first six months. Cost of sales and operating expenses for the period, however, increased 17% to P2.081 billion from P1.780 billion a year ago due to higher cost of raw materials, particularly imported Skimmed Milk Powder (SMP) and tinplates. This put operating income for the first-half of 2004 at P256 million. With interest and other income of P39 million, net income in the first semester amounted to P215 million or 9.2% of net sales.

### FINANCIAL HIGHLIGHTS

in Million Pesos

	1H '03	1H '04	% Change
Net Sales	2,162	2,337	+ 8%
Operating Income	382	256	- 33%
Net Income	305	215	- 30%
Total Assets	3,518	3,687	+ 5%
Total Liabilities	1,059	1,088	+ 3%
Stockholders' Equity	2,459	2,599	+ 6%
<b>Ratios:</b>			
Earnings Per Share	P 0.34	P 0.24	-P 0.10
Operating Margin	17.7%	11.0%	- 6.7% pts.
Return on Sales	14.1%	9.2%	- 4.9% pts.
Current Ratio	2.8 x	2.9 x	+ 0.1 x
Debt to Equity Ratio	0.4 x	0.4 x	no change

### SUMMARY OF RESULTS

**Liquid Canned Milk** The Evaporated Milk and Condensed Milk markets continue to post volume growth from year ago levels. Alaska Evaporada has hit a double-digit market share, reinforcing AMC's leadership in the Evaporated Milk market. On the other hand, Alaska remains the undisputed brand leader in the Condensed Milk market.

**Powdered Milk** Notwithstanding the continued contraction of the full cream segment, the Powdered Milk Market expanded by 2% *continued on page 2*

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versus the same period last year, underpinned by the 9% growth of the filled milk segment. Alaska is now the second leading brand in the category, with market share continuing to improve.

**UHT Products** With the series of selling price increases implemented by major brands, the UHT-Fresh Milk category has slowed down over the past months. Nonetheless, Alaska Fresh and Alaska Slim continued to exhibit good off-take in the trade.

Alaska's liquid milk in tetra packaging exhibited double-digit growth rate from year ago levels, gaining acceptability amongst consumers. In the meantime, Alaska Crema continues to perform strongly in the market and is now the second leading brand.

**Operating Costs** Cost of sales and operating expenses for the first-half of the year grew by 17%

to P2.081 billion from P1.780 billion in the same period last year. The increase was largely due to the uptick in the prices of SMP and tinplates in the world market. This resulted in a decline in operating income for the first six months of the year to P256 million, equivalent to an operating margin of 11.0% from last year's operating income of P382 million and 17.7% operating margin.

**Interest Income** Interest income during the period reached P46 million, 22% lower than interest income earned during the same period last year of P59 million. The average placement rate (net) for the first-half of the year was 5.0% versus 7.0% in 1H03 while the average cash balance increased to P1.8 billion from P1.7 billion in the same period last year.

**Net Income** Net income for the first six months amounted to P215 million or 9.2% of net sales. This was 30% lower than the reported net income in the first six months of 2003 of P305 million or 14.1% of net sales. This period's net income is equivalent to an earnings per share (EPS) of P0.24 based on 891.6 million shares outstanding, net of shares held in treasury.

"Sa pagpapalaki ng anak ko, mahirap maiwasan ang generation gap. Pero ang Growth Gap? Madali lang."

Sa sustansiya't lasa  
WALA PA RING TATALO SA ALASKA

The highly recalled "Growth Gap" Campaign of Alaska Powdered Filled Milk, promoting parent-child relationship and nutritional superiority.

## UPDATES & OUTLOOK

**Cash Dividends** In its June 1, 2004 annual stockholders' meeting, AMC's Board of Directors announced 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 to P0.30 per share. The cash dividends will be paid quarterly at the rate of P0.075 per share beginning June 30, 2004 to March 31, 2005. The cash dividend equates to a 10% annual yield based on the last traded share price of P3.00 per share.

**Skimmed Milk Powdered (SMP)** World prices of SMP continued to edge upward as output remains low throughout the season coupled with strong demand. The tight supply situation is expected to continue into the new season which gets underway in late August and September. SMP price quotes range within the US\$1,900/MT – US\$2,100/MT levels and may remain firm over the near term.