



ALASKA MILK CORPORATION

Quarterly Update

For the Year Ending December 31, 2008

HIGHER COSTS TEMPER 2008 EARNINGS TO P291M

Strong volume gains across the Company's core milk product categories lifted full year revenues for 2008 to P9.968 billion, 10% higher than year-ago revenues of P9.082 billion. Operating income for the year, however, ended 51% lower at P462 million as costs of sales grew at a faster rate due to sharp increases in global prices of key imported raw ingredients and packaging materials, exacerbated by a weaker Peso. Selling-related expenses for the year likewise rose on the back of higher sales volume as well as sustained brand-building investments. Including financing charges, net income (unaudited) for 2008 stood at P291 million or 2.9% of net sales from P667 million or 7.3% in 2007.

Domestic Milk Market Retail consumption of liquid canned milk and powdered milk products registered declines year-on-year as consumers put a tighter rein on spending on account of rising food and fuel prices amidst an economic slowdown. The contraction of the Evaporated Milk Market was influenced in part by an unusually short summer period which affected overall demand for cold beverages. The Condensed Milk Market, on the other hand, declined at a much slower rate due to the strong off-take of the economy brands. The Powdered Milk Market likewise contracted as consumers downsize their

consumption to the smaller and more affordable pack sizes.

Sales Volume Sales volume across the Company's core milk businesses posted strong growth rates year-on-year, outperforming the market's contraction. Combined sales volume of the liquid canned milk business was higher, driven in part by the acquisition of new brands. The Alaska brand likewise sustained a healthy growth rate due to continuous brand-building initiatives, reinforcing its market leadership in both Evaporated and Condensed Milk Categories.

Shelf off-take of Alaska Powdered Filled Milk remains brisk attendant to the improvements in product availability and distribution levels. Sustained marketing efforts for the brand resulted in double-digit growth in sales volume as well as market share gains year-on-year.

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FINANCIAL HIGHLIGHTS (*Unaudited)

Years Ended December 31

(in Million Pesos)

	2008*	2007	Change
Net Sales	9,968	9,082	+9%
Operating Income	462	950	-51%
Net Income	291	667	-56%
Total Assets	6,337	7,126	- 11%
Total Liabilities	2,838	3,393	- 16%
Stockholders' Equity	3,499	3,733	- 6%
Ratios:			
Earnings Per Share	P 0.32	P 0.69	-P 0.37
Operating Margin	4.6%	10.5%	- 5.9% pts.
Return on Sales	2.9%	7.3%	- 4.4% pts.
Current Ratio	1.09:1	1.10:1	-0.01:1
Debt to Equity Ratio	0.79:1	0.91:1	-0.12:1

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The UHT business likewise performed strongly in 2008, notably, the UHT ready-to-drink milk line. Following the re-launch of Alaska Choco, off-take of the brand surged alongside improvements in in-store presence. Selective brand support likewise pushed sales volume of Alaska Yamoo! higher year-on-year. In addition, the incremental sales volume contributed by newly launched Alaska Yoghurt Drink helped drive volumes higher. Sales volume of the UHT ready-to-use products was stable.

Operating Costs Cost of sales and operating expenses for the year amounted to P9.506 billion, 17% higher than cost of sales and operating expenses of P8.132 billion a year ago due in part to volume growth. Substantially higher cost of production inputs, particularly skim milk powder and tinplate, combined with a weaker Peso pushed cost of sales higher year-on-year. Moreover, operating expenses increased on account of higher distribution-related charges attendant to the increase in fuel costs. Heightened advertising and promotional spending to support volume growth for the new and existing brands likewise contributed to the increase in operating expenses. This narrowed operating income for the year to P462 million and operating margin at 4.6% from P950 million and 10.5% in 2007, respectively.

Interest Expense Net Interest expense of P57 million was incurred during the year as the Company drew from its credit line from various banks to fund the increase in working capital requirements given its expanded business portfolio as well as higher cost of major raw and packaging materials. Total short-term loans as of end December 31, 2008 stood at P175 million, down from the previous quarter's balance of P575 million.

Net Income After considering foreign exchange losses and income tax, unaudited income for the year stood at P291 million or 2.9% of net sales, equivalent to an earnings per share (EPS) of P0.32.

UPDATES & OUTLOOK

Market Outlook Prices of SMP have stabilized amidst falling global demand and a slowdown of world economies. Quotes are currently under US\$2,000 / metric ton. The announcement of the European Union Commission to reinstate subsidy for dairy farmers to offset the steep drop in milk prices over the past seven months is expected to put further pressure on SMP prices in the near term. The United States has also provided similar assistance to its own ailing dairy industry. Demand remains weak with most buyers keeping short on their purchases. Supply remains adequate, with stockpiles in major exporting countries building up due to uncommitted volume.

AMC 2007 Annual Report Among the Best

The 2007 Annual Report of Alaska Milk Corporation, "Forging Strong Alliances", has been recognized as one of the Twenty Finalists for the 6th Management Association of the Philippines' Best Annual Report Awards. The Best Annual Report Awards recognizes the Company's efforts in adhering to internationally accepted financial reporting and disclosure practices through its Annual Report.



Notice of Stockholders' Meeting The Annual Stockholders' Meeting of Alaska Milk Corporation will be held on May 12, 2009 at 9:00 a.m. at the Ballroom of the Renaissance Hotel, Makati City. All shareholders of record as of March 9, 2009 will be entitled to attend and vote at the said meeting.