

**ALASKA**<sup>®</sup>

ALASKA MILK CORPORATION

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# Quarterly Update

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## NET INCOME IN FIRST QUARTER AT P58MM

**1Q02 Review.** Revenues in the first quarter of the year reached P902 million, 14% lower than the P1.048 billion in revenues earned in the same period last year. Sluggish consumer demand, particularly for liquid canned milk, powdered milk and Alaska Choco contributed to the decline in revenues. In addition, revenues in the first quarter of 2001 still reflected sales from the distribution of Nabisco and Quaker Oats products, which were not realized in 1Q02. As was previously disclosed, the distribution agreements with both principals ended during the first quarter last year. Although cost of sales and operating expenses declined 14% to P841 million from P982 million in the same period last year, operating income dropped to P61 million from P66 million in 1Q01. On the other hand, the operating margin improved slightly to 6.8% from 6.3% a year ago. Interest and other income, net of other expenses, amounted to P15 million, putting net income in 1Q02 at P58 million or 6.5% of net sales, 13% lower than net income in 1Q01 of P67 million or 6.4% of net sales.

### UPDATES AND OUTLOOK

**Skim Milk Powder (SMP).** SMP prices are on a continued downtrend. SMP prices have fallen past the US\$1,700 level by March this year, as a result of general weakness in demand and aggressive competition among the world's SMP suppliers. The EU likewise raised subsidies on SMP by close to US\$200/MT since January this year.

**Stock Buy-back.** As of April 30, 2002, AMC has purchased a total of 70.8 million shares for the stock buy-back program.

**Annual Stockholders' Meeting.** The company is set to hold its Annual Stockholders' Meeting on May 21, 2002 at the Ballroom #1 of the Mandarin Oriental Hotel, Manila. Proceedings will begin at 9:00 A.M. The last day for validation of proxies is on May 20, 2002.

### Summary of Results:

**Sales Volume.** The liquid canned, powdered and RTD milk categories continued to decline in the first quarter of the year versus the same period last year. However, the rate of decline has noticeably slowed compared to the drop experienced in the fourth quarter of last year. Amidst the bearish consumer demand, sales volumes of Alaska milk products nearly across all product lines likewise posted a decline year-on-year, except for the UHT white milk products. Alaska Fresh and Alaska Slim posted strong double-digit growth in volume due to its strong brand recognition as well as improved distribution efforts.

**Revenues:** Revenues declined 14% year-on-year as a result of lower sales volumes and the loss of revenues from the distribution of Nabisco and Quaker Oats products. Comparing revenues from milk products alone in 1Q02 vs. 1Q01, milk revenues this year posted a 3% decline versus revenues (excluding distributed products) in 1Q01. Market shares for liquid canned milk, however, remained on par

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## 1Q02 FINANCIAL HIGHLIGHTS

Values- in PMM	1Q02	1Q02	%Inc(Dec)
Net Sales	P 902	P 1,048	(14 %)
Operating Income	61	66	( 8 %)
Net Income	58	67	(13 %)
Total Assets	3,325	3,380	( 2 %)
Stockholders' Equity	2,289	2,443	( 6 %)
Ratios:			
Earnings Per Share	P 0.07	P 0.07	
Operating Margin	6.8%	6.3%	
Return on Sales	6.5%	6.4%	
Current Ratio	2.6x	3.1x	
Debt to Equity Ratio	0.45x	0.38x	

### Finance Asia Awards AMC Among the Best in Corporate Governance & Financial Management

Finance Asia, one of the most highly circulated Business & Finance Magazines in the region, ranked Alaska Milk Corporation 8th in terms of strength of commitment to Corporate Governance and 10th in terms of over-all Financial Management. The rankings were a result of a survey that Finance Asia conducted amongst 331 institutional investors and equity analysts in the region who chose among all the publicly listed companies in the Philippines. The rankings appear in more detail in Finance Asia's April 2002 issue.

This is not the first time Alaska Milk Corporation was given such accolades. In December 2001, The Asset Magazine, likewise, ranked the Company among the best in Corporate Governance in the Philippines. Previously, AMC was also ranked among one of the Best Small Cap Companies in the World by Forbes Magazine based on various criteria, which include management quality and profitability, among others.

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vis-a-vis a year ago, with market share in the powdered milk category showing a marked improvement.

**Operating Costs:** SMP prices (in US\$/MT) and foreign exchange costs combined to push SMP cost 15% higher than levels in 1Q01. However, the decline in other raw material costs and the selling price increase in May 2001 partly helped ease the pressure on margins. Slightly lower operating expenses, down 3% year-on-year, also alleviated the margin pressures. A combination of all these factors actually helped improve the operating margin slightly to 6.8% from 6.3% a year ago.

**Interest Income:** As a result of the consistent decline in domestic interest rates, interest income earned from placements during the quarter dropped to P20 million from P26 million in the first quarter of 2001. The placement rate (net) was at 6.4% compared to 9.0% a year ago, while the average cash balance was at P1.31 billion versus P1.27 billion in the same period last year.

**Net Income:** Net income in the first quarter reached P58 million or 6.5% of net sales, a 13% decline from net income in the first quarter of 2001 of P67 million or 6.4% of net sales. Earnings per share based on net income in the first three months of the year is equivalent to P0.07, unchanged from earnings per share level in the first quarter of 2001.