



ALASKA MILK CORPORATION

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Quarterly Update

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1Q03 NET INCOME SURGES 149% TO P147MM

1Q03 Review. Revenues in the first quarter of the year reached P976 million, 8% higher than the P902 million revenues earned in the same period last year. Sales volumes across all product lines posted strong growth as consumer demand for milk products rebounded and distribution levels improved. Cost of sales and operating expenses declined by 6% to P789 million from P841 million in the same period last year, putting this quarter's operating income at P187 million, 206% higher than operating income in the first quarter of 2002 of P61 million. As a result, operating margin during the quarter expanded to 19.1% from 6.8% a year ago. Interest and other income, net of other expenses, amounted to P21 million, putting net income in 1Q03 at P147 million or 15.1% of net sales, a 149% increase from net income in 1Q02 of P59 million or 6.5% of net sales.

UPDATES AND OUTLOOK

Skim Milk Powder (SMP). SMP prices showed indications of a reversal from last year's downward trend as early as the fourth quarter of 2002. From last year's lows of US\$1,200-US\$1,300/MT, price quotes in the international market in March were at US\$1,650 - US\$1,750 level, with expectations of seasonally heavy buying and an improvement in buyers' confidence following the early end of the middle east conflict.

Selling Price Increase. In light of the indicative upward trend of SMP prices, AMC raised selling prices of selected milk products by an average of 5% in January 2003. The company last raised selling prices in May 2001 by an average of 8%, which was substantially below the more than 20% rise in production costs at that time.

Summary of Results:

Sales Volume. Liquid canned milk sales volume during the quarter posted strong double-digit growth versus the same period last year, reflective of the 16% growth of the evaporated and condensed filled milk markets. The mild recovery staged towards the last quarter of 2002 was sustained in the first quarter and going into the seasonally high summer months. Total liquid milk sales further increased with incremental sales of the liquid milk in Easy Pour Tetra packs.

Powdered milk sales continued its strong momentum, posting near double-digit growth versus the same period last year. The entire powdered milk market contracted by 2% in the first quarter, dragged largely by the decline in the full cream segment. The category's decline, however, was partly offset by the strong growth of the filled milk segment.

UHT milk Alaska Fresh and Alaska Slim likewise grew at double-digit rates in the first quarter versus the same period last year, notwithstanding supply issues during the early part of the year and a 10% selling price increase implemented in February.

continued on page 2

1Q03 FINANCIAL HIGHLIGHTS

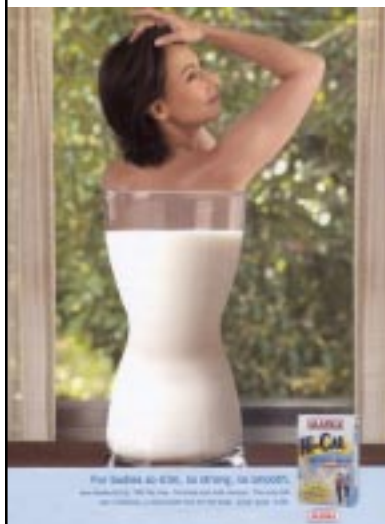
<i>Values- in PMM</i>		<u>1Q03</u>	<u>1Q02</u>	<u>%Inc(Dec)</u>
Net Sales	P	976	P 902	8 %
Operating Income		187	61	206 %
Net Income		147	58	149 %
Total Assets		3,418	3,325	3 %
Stockholders' Equity		2,550	2,289	11 %
Ratios:				
Earnings Per Share	P	0.16	P 0.07	129%
Operating Margin		19.2%	6.8%	
Return on Sales		15.1%	6.5%	
Current Ratio		3.3x	2.6x	
Debt to Equity Ratio		0.34x	0.45x	

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The marked improvement in sales volumes pushed market shares higher than previous quarter's levels with powdered milk market share once again hitting a historic high.

Operating Costs: Substantially lower SMP prices (in US\$/MT), notwithstanding higher foreign exchange costs, pushed SMP cost (in pesos/MT) nearly 40% lower than 1Q02 levels. While operating expenses increased versus the same period last year as a result of higher advertising expenses related to the introduction of new products Alaska Hi-Cal and Evaporada, operating income for the quarter grew 206% to P187MM, with operating margin hitting a near 5-year high of 19.2%.

NEW ALASKA MILK ENDORSERS



Artist Cherie Gil (left) graces the print and television campaign of Alaska Hi-Cal, a non-fat high calcium powdered milk targeted for women. The ads feature a refreshing cosmetic approach to highlighting the benefits of drinking milk and the importance of getting the daily calcium requirement women need to prevent osteoporosis.



Movie and TV celebrity Maricel Soriano follows through on the "Growth Gap" campaign of Alaska Powdered Filled Milk. Ms. Soriano and her son talk about the Growth Gap in APFM's latest television commercial.

Interest Income: Interest income during the period reached P18 million, slightly lower than interest income earned during 1Q02 of P20 million. The average placement rate (net) for the quarter was 4.5% versus 6.4% in 1Q02 while the average cash balance increased to P1.6 billion from P1.3 billion in the same period last year.

Net Income: Net income in the first quarter reached P147 million or 15.1% of net sales, a 149% increase from net income in the first quarter of 2002 of P58 million or 6.5% of net sales. Earnings per share based on net income in the first three months of the year is equivalent to P0.16, 129% higher than earnings per share in the first quarter of 2002 of P0.07.