



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending March 31, 2007

AMC ACQUIRES NESTLE'S CANNED MILK BUSINESS

Alaska Milk Corporation (AMC) acquired three liquid milk brands, including all trademark properties, from multinational food giant Nestle. In a deal finalized last April 16, 2007, Nestle has agreed to sell its Alpine, Liberty and Krem-Top brands to AMC. Alpine and Liberty are strong regional milk brands, particularly in Visayas and Mindanao, while Krem-Top has an established record in the food service business. Also included in the deal is a long-term license to manufacture and sell Nestle's Carnation and Milkmaid brands for canned milk products which also have strong positions in their respective segments.

"We look forward to adding these leading brands to our existing portfolio of quality milk products," said Wilfred Steven Uytengsu, Jr., President of AMC. "This transaction will add about P3 billion in annual reserves to our business, providing our company with established brands that mirror our overall corporate strategy while enhancing our long-term vision of growing the milk category, which includes canned milk and creamers. Each of these brands has a strong positioning within its category, a loyal consumer base and a brand name associated with quality. On the part of Alaska, the agreement with Nestle also provides focus on our core business."

Alaska is the market leader in both the evaporated and sweetened condensed milk categories, with nearly half of the market. The combination of Alaska's brands and these newly acquired and licensed brands will further strengthen the company's core business and provide opportunities, especially within the food service sector. In addition, Alaska will be able to maximize its current manufacturing facilities as well as its sales structure and nationwide distribution system.



AMC and Nestle key officers during the signing of the Purchase and License Agreements. (L-R) Santiago Polido, AMC VP for Corporate Affairs; Joselito Sarmiento, Jr., AMC SVP & CFO; Wilfred Steven Uytengsu, Jr., AMC President; Doreswamy Nandkishore, Nestle President and CEO; Peter Noszek, Nestle EVP - Finance & Control; and Mabini Antonio, Nestle SVP for Corporate Affairs.

FIRST QUARTER NET INCOME SURGES 127% TO P170M

Higher sales volume across the Company's core milk business, supplemented by a selective selling price increase, pushed revenues for the first three months of 2007 to P1.669 billion, 33% higher than the P1.257 billion in revenues earned in the same period last year. Cost of sales and operating expenses expanded by 20% on account of the upsurge in sales volume as well as heightened advertising and trade promotions in support of volume growth. With interest and other income of P8 million, net of foreign exchange losses, net income for the quarter stood at P170 million or 10.2% of net sales, 127% higher than year-ago net income of P75 million or 5.9% of net sales.

SUMMARY OF RESULTS

Sales Volume The Company's liquid canned milk business posted strong double-digit growth rates year-on-year, notwithstanding the market's contraction. However, the rate of decline for both evaporated and sweetened condensed milk products has slowed down compared to the drop a year ago. Alaska reinforced its market position in both categories, hitting a new record high.

The powdered milk category continued to contract, albeit at a slower pace, weighed largely by the contraction of the full cream segment. Nonetheless, sales volume of Alaska Powdered Filled Milk for the quarter posted high single-digit growth rate versus the same period last year, driven by improvements in product availability.

Sales volume of the Company's UHT product line, on the other hand, sustained its growth momentum through the quarter. Alaska's ready-to-drink UHT milks (white milk and chocolate-flavored milk) registered double-digit growth rates versus the same period last year. Similarly, shelf off-take of Alaska Crema All-Purpose Cream remained brisk, posting double-digit growth rates as well as market share gains.

Operating Costs Higher sales volume pushed cost of sales and operating expenses for the quarter to P1.43 billion, up 20% from P1.19 billion in the same period last year. Notwithstanding the rising cost of skimmed milk powder (SMP) in the international

FINANCIAL HIGHLIGHTS

Quarter Ended March 31
(in Million Pesos)

	2007	2006	% Change
Net Sales	1,669	1,257	+33%
Operating Income	241	67	+260%
Net Income	170	75	+127%
Total Assets	5,249	4,438	+18%
Total Liabilities	1,741	1,269	+37%
Stockholders' Equity	3,508	3,169	+11%
Ratios:			
Earnings Per Share	P 0.18	P 0.08	+ P 0.10
Operating Margin	14.4%	5.3%	+9.1% pts
Return on Sales	10.2%	5.9%	+4.3% pts
Current Ratio	2.16:1	2.64:1	- 0.48:1
Debt to Equity Ratio	0.50:1	0.40:1	+ 0.10:1

market, forward-buying arrangements as well as lower foreign exchange cost pushed the landed cost of SMP for the quarter 11% lower compared to the same period last year. In addition, improvements in operating efficiencies kept production costs in check. While operating expenses increased versus last year as a result of heightened advertising and promotional spending to propel volume growth going into the seasonally high summer months, operating income for the first three months of the year grew 260% to P241M. Operating margin, on the other hand, expanded to 14.4% from 5.3%.

Interest Income Notwithstanding a higher average cash balance during the period, the continued decline in both domestic and US interest rates pushed interest income earned from placements down to P21 million for the first quarter of 2007 from P27 million in the same period last year. Cash and cash equivalents as of end March 2007 stood at P2.19 billion, up from P1.94 billion a year-ago.

Net Income Net income for the first quarter of the year reached P170 million or 10.2% of net sales, up 127% from net income in the first quarter of 2006 of P75 million or 5.9% of net sales. Earnings per share (EPS) based on 948.8 million shares outstanding, net of treasury shares, is P0.18, higher than first quarter 2006 EPS of P0.08.