



ALASKA MILK CORPORATION

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Quarterly Update

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FIRST HALF NET INCOME UP 104% Y-O-Y

2Q03 Review. Revenues in 2Q03 reached P1.186 billion, a 15% growth from revenues in 2Q02 of P1.033 billion. Higher sales volumes across major product categories combined with higher selling prices pushed revenues during the quarter. Milk consumption, particularly of liquid canned and powdered filled milk, sustained its recovery during the period, with both categories posting growth year-on-year. Cost of sales and operating expenses increased 8% to P990 million in 2Q03 from P915 million in 2Q02. With improved sales volumes and higher selling prices the operating margin during the quarter improved to 16.5% from 11.4%. Operating income expanded nearly 65% to P195 million in 2Q03 from P118 million in 2Q02. Interest and other income, net of other expenses, amounted to P19 million, putting net income at P159 million or 13.4% of net sales, 73% higher than 2Q02 net income of P92 million or 8.9% of net sales.

1H03 Review. First half 2003 revenues were up 12% to P2.162 billion from P1.935 billion in the first half of 2002. Strong volume growth across all product lines coupled with selling price increases fuelled revenue growth. Selling prices of liquid canned and powdered milk were raised by an average of 5% in the first quarter. Cost of sales and operating expenses for the period rose marginally to P1.780 billion from P1.756 billion in the same period last year. This put operating income at P382 million, a 113% increase from operating income in 1H02 of P179 million. The operating margin improved to 17.7% from 9.3% as a result of higher revenues and lower SMP costs. Interest and other income, net of other expenses amounted to P40 million, pushing net income in the first half of the year 104% higher to P306 million from P150 million in the same period last year.

UPDATES AND OUTLOOK

Skimmed Milk Powder (SMP). World market demand was reportedly soft through mid-June. While EU supply remains plentiful, supply in Oceania is reportedly tight with new sales of milk powder available only by August with much of current supply allocated to prior commitments. With export activity expected to pick up in the second half, SMP price quotes stayed at the US\$1,650 - US\$1,750 through June.

Summary of Results:

Sales Volume. Liquid canned milk sales volume continued to post strong double-digit growth in the first half of the year versus last year, keeping pace with the category's growth. The evaporated and condensed milk markets sustained its momentum through the seasonally strong summer months as both categories expanded by 13% and 15%, respectively. The introduction of the Alaska liquid canned milk *value line*-Evaporada and Condensada as well as the Easy Pour packs generated incremental sales for the total liquid canned milk business.

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YTD June 2003 FINANCIAL HIGHLIGHTS

Values- in PMM	1H03	1H02	%Inc(Dec)
Net Sales	P 2,162	P 1,935	12 %
Operating Income	382	179	113 %
Net Income	306	150	104 %
Total Assets	3,518	3,064	15 %
Stockholders' Equity	2,459	2,114	16 %
Ratios:			
Earnings Per Share	P 0.34	P 0.17	
Operating Margin	17.7%	9.3%	
Return on Sales	14.2%	7.8%	
Current Ratio	2.8x	2.6x	
Debt to Equity Ratio	0.43x	0.45x	

Updates & Outlook ... from p. 1

Alaska Launches All-Purpose Cream. As part of efforts to expand its product portfolio in highvalue added segments and strengthen the Alaska brand, Alaska introduced the new Alaska Crema All-Purpose Cream. Alaska Crema complements Alaska's line of cooking milk and is priced competitively versus other brands in the market. Along with delivering nutrition to Filipino Homes, Alaska brings gourmet goodness with Alaska Crema. Crema is ideal for a variety of food preparations such as soups, salads, pasta dishes, dips and dressing. It is a cooking and baking ingredient that turns ordinary recipes into gourmet



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Alaska powdered filled milk sales volume outpaced category growth. While the entire powdered milk market contracted nearly 4% in the first half of 2003, weighed largely by the full cream segment, the filled milk segment actually expanded by 5%. The strong performance of Alaska powdered filled milk reflected in increased market share, as it hit new highs during the quarter.

UHT milk Alaska Fresh and Alaska Slim posted strong double-digit volume growth year-on-year, outpacing the category's 5% expansion during the period. This was achieved notwithstanding a 7% selling price increase implemented in April.

Operating Costs: SMP costs remained at lower levels in 1H03 compared to the same period last year. Notwithstanding higher foreign exchange costs, SMP prices were lower than 1H02 levels while operating expenses were relatively flat versus last year. Combined with higher volumes, operating margin thus improved in 1H03 to 17.7% from 9.3% in 1H02. However, SMP costs are expected to be higher in 2H03.

Interest Income: Interest income rose to P59 million from P37 million in 1H02. This was due primarily to a higher average cash balance of P1.68 billion from the average cash balance of P1.32 billion in 1H02 and higher average placement rate (net) of lower at 7.1% compared to 5.6% a year ago.

Net Income: Net income in 1H03 reached P306 million or 14.2% of net sales, 104% higher than net income in 1H02 of P150 million or 7.8% of net sales. Earnings per share based on first semester's net income is equivalent to P0.34, from EPS in 1H02 of P0.17.