



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending June 30, 2005

FIRST HALF NET INCOME AT P160M

2Q05 Review Revenues in the second quarter of the year grew by 22% to P1.23 billion from P1.01 billion in the same period last year. Higher selling prices of milk products, combined with strong volume growth in the powdered milk and UHT businesses pushed revenues higher year-on-year. Cost of sales and operating expenses increased by 21% to P1.15 billion from P954 million a year ago principally due to higher cost of Skimmed Milk Powder (SMP) and tinplates in the international market. This brought the second quarter's operating income to P82 million or 6.6% of net sales, 41% higher than 2004 second quarter operating income of P58 million or 5.7% of net sales. Other income of P9 million put net income in 2Q05 at P67 million or 5.4% of net sales, 9% higher than 2Q04's net income of P62 million or 6.1% of net sales.

1H05 Review Following second quarter results, revenues for the first half of the year reached P2.40 billion, a 3% growth from revenues in the first six months of 2004 of P2.34 billion. Higher selling prices of all milk products and strong volume performance of the UHT milk helped lift revenues during the period. Cost of sales and operating expenses rose at a faster pace of 6% to P2.21 billion from P2.08 billion, again largely due to higher cost of SMP and tinplates. This put operating income for the first six months of the year at P190 million or 7.9% of net sales. With other income of P29 million, net income for the first semester of 2005 amounted to P160 million or 6.7% of net sales, lower than the net income in 1H04 of P215 million or 9.2% of net sales.

FINANCIAL HIGHLIGHTS

Year-to-Date June 30, 2005

(in Million Pesos)

| | 2005 | 2004 | % Change |
|----------------------|--------|--------|-------------|
| Net Sales | 2,405 | 2,337 | + 3% |
| Operating Income | 190 | 256 | -26% |
| Net Income | 160 | 215 | -26% |
| Total Assets | 4,112 | 3,687 | +11% |
| Total Liabilities | 1,333 | 1,088 | +22% |
| Stockholders' Equity | 2,779 | 2,599 | + 7% |
| Ratios: | | | |
| Earnings Per Share | P 0.18 | P 0.24 | -P 0.06 |
| Operating Margin | 7.9% | 11.0% | - 3.1% pts. |
| Return on Sales | 6.7% | 9.2% | - 2.5% pts. |
| Current Ratio | 2.4 x | 2.8 x | - 0.4 x |
| Debt to Equity Ratio | 0.5 x | 0.4 x | + 0.1x |

SUMMARY OF RESULTS

Sales Volume Consumer demand for milk products – Evaporated, Sweetened Condensed and Powdered Milk – remained soft during the second quarter as volume offtake declined across all regions in the country despite being a traditionally strong period, particularly for the liquid milk business. As of the first half of the year, all three categories contracted by double-digit rates compared to the same period last year.

Notwithstanding the decline in sales volume of the liquid canned milk, Alaska's market share in the Evaporated Milk Category remained stable while market share in the Sweetened Condensed Milk Category saw an improvement versus year ago levels. On the other hand, sales volume of Alaska's powdered milk business registered a marginal decline, *continued on page 2*

. . .continued from page 1

outperforming the category's 10% market contraction. Alaska Powdered Filled Milk's market share in the category once again reached historic highs, breaching the 21% mark. Sales volume of Alaska UHT products surged year-on-year, driven by the strong performance of Hershey's Chocolate Milk Drink and Alaska All-Purpose Cream in the market. Alaska's UHT business is expected to further grow with the recently launched new ready-to-drink milk – Alaska Yamoo!

Operating Costs Cost of sales and operating expenses for the half of 2005 reached P2.21 billion, up 6% from P2.08 billion in the same period last year. Substantially higher cost of raw and packaging materials, particularly skimmed milk powder and tinsplates raised production costs during the year. Altogether, these put operating income for the first six months of the year at P190 million and operating margin of 7.9% from P256 million and 11%, respectively, in the first semester of 2004.

Interest Income Interest earnings in the first half of the year amounted to P35 million, lower than interest income earned in the same period last year of P46 million. This was due to a slightly lower average cash balance and lower average placement rates.

Net Income Net income for the first six months of 2005 amounted to P160 million or 6.7% of net sales, 26% lower than the 2004 first semester net income of P215 million or 9.2% of net sales. This is equivalent to an Earnings Per Share (EPS) of P0.18.

UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) Continued strong export demand for SMP has kept prices at peak levels throughout the quarter despite some weakening in the Euro and Oceania currencies versus the US Dollar. SMP price quotes range between US\$2,250/MT – US\$2,300/MT. The world market for SMP is likely to remain firm and available supply is not large enough to pull down prices for the balance of the year.

Product Launches Alaska Yamoo!, a new line of ready-to-drink milk was recently launched in the market. The new milk drink comes in two exciting flavors that kids will surely love – chocolate milk and sweet milk. Priced competitively in the market, Alaska Yamoo! is available in 120ml and 236ml sizes.



ALASKA YAMOO! THE SUPER GOOD DRINK FOR SUPER GOOD KIDS

Alaska's liquid canned milk "Value Line" is now made more affordable with the introduction in the market of the 158ml can Evaporada and 168ml can Condensada. The budget-sized cans address the need of low-income earners for products that entail a lower cash outlay.



Alaska Evaporada & Alaska Condensada in smaller cans