



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending June 30, 2008

HIGHER COSTS TEMPER 1H08 EARNINGS TO P188M

Higher sales volumes across major milk product categories pushed revenues for the first half of 2008 to P4.694 billion, 18% higher than revenues in the same period last year of P3.961 billion. However, operating income ended 46% lower than last year at P310 million largely due to global cost increases of major raw and packaging materials. In addition, selling-related spending rose on the back of heightened advertising and promotional activities to drive consumption amidst a sluggish consumer market. Including financing charges, net income for the first half of the year stood at P188 million or 4.0% of net sales.

Domestic Milk Market The domestic milk market remained resilient, notwithstanding inflationary pressures triggered by price increases of rice and fuel. Aggressive advertising and marketing efforts among milk players encouraged consumption of liquid milk products during a seasonally strong quarter. The Condensed Milk Category staged a mid single-digit recovery in 1H08 versus the same period last year mainly due to the strong off-take of the economy brands, especially in provincial areas. Overall growth of the Evaporated Milk Category, however, was affected by the early onset of the rainy season. The Powdered Milk Category, on the other hand, continued to exhibit signs of recovery, underpinned by the double-digit market expansion of the Filled Milk segment but offset by the market contraction of the Full Cream segment.

FINANCIAL HIGHLIGHTS

Six Months Ended June 30

(in Million Pesos)

	2008	2007	% Change
Net Sales	4,694	3,961	+18%
Operating Income	310	579	-46%
Net Income	188	398	-53%
Total Assets	6,548	6,132	+ 7%
Total Liabilities	3,028	2,674	+13%
Stockholders' Equity	3,520	3,458	+ 2%
Ratios:			
Earnings Per Share	P 0.20	P 0.42	-P 0.22
Operating Margin	6.6%	14.6%	- 8.0% pts.
Return on Sales	4.0%	10.0%	- 6.0% pts.
Current Ratio	1.06:1	1.02:1	+ 0.04
Debt to Equity Ratio	0.86:1	0.77:1	+ 0.09

Sales Volume Combined sales volume of the Company's liquid canned milk business posted high single-digit growth rate during the first half of 2008 largely due to the additional sales volume contributed by the acquired and licensed liquid canned milk brands. Continuous brand-building activities for the Alaska brand helped reinforce its market leadership in both Evaporated and Condensed Milk Categories, with market shares at their highest levels.

The powdered milk business continued to deliver strong sales volume growth and market share gains with the improvements in product availability. In addition, trade and consumer-based promotions for Alaska Powdered Filled Milk supported shelf off-take for the brand, posting near double-digit sales volume growth for the first half of 2008 compared to the same period last year.

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Off-take of the Company's UHT product line remained brisk through the quarter. Alaska's ready-to-drink UHT milks registered double-digit growth rates versus the same period last year buoyed by the newly launched Alaska Yoghurt Drink. Further growth in the category is expected with the re-launch of Alaska Choco.

Operating Costs Cost of sales and operating expenses for the first half of the year amounted to P4.384 billion, 30% higher than cost of sales and operating expenses of P3.382 billion in the same period last year. Higher sales volume combined with higher cost of production inputs, skimmed milk powder and tinsplates in particular, pushed cost of sales higher year-on-year. Operating expenses likewise increased on the back of higher distribution-related charges as well as extensive marketing and promotional activities in support of volume growth. Altogether, this put operating income as of end June 2008 at P310 million and operating margin at 6.6% from P579 million and 14.6%, respectively, in the same period last year.

Interest Expense Net Interest expense for the first half of the year amounted to P35.6 million due primarily to the availment of short-term loans associated with the higher working capital requirements given the expanded business portfolio of the Company as well as increases in the cost of materials. As of June 30, 2008, the Company's short-term loan balance stood at P1.24 billion, down from the previous quarter's balance of P1.51 billion.

Net Income After considering foreign exchange losses and income tax, six-month net income for the year stood at P188 million or 4.0% of net sales, equivalent to an earnings per share (EPS) of P0.20.

UPDATES & OUTLOOK

Market Outlook Prices of SMP have receded in the first half of 2008 due to some buyer resistance and improved product availability from Europe and the United States. However, prices continue to trade higher given strong global demand for dairy products with quotes between US\$3,300/MT to US\$3,800/MT.

SMP prices are expected to remain firm for the rest of the year with little relief in supply conditions. Milk production in Europe has started to decline with the end of the dairy season. In the US, milk supply is slightly up versus year-ago but has started to slow down on higher feed costs. Production in Australia and New Zealand has been adversely affected by drought and will limit recovery in 2008/09. India, Argentina and Brazil are likely to increase milk supply. However, domestic consumption, government policies and competition from other sectors will limit export from these regions.

ALASKA CHOCO'S NEW LOOK

Alaska Choco is made even better with an improved chocolate flavor. Alongside with the improvement in taste, the product also features a new packaging design. Alaska Choco contains the essential vitamins and minerals for energy, growth and development of children.

