



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending June 30, 2009

STRONG SALES AND MARGIN RECOVERY BOOSTS 1H09 EARNINGS TO P622M

Alaska Milk Corporation's net income for the first half of 2009 surged to P622 million, 230% higher than net income of P188 million in the same period last year. Stronger volume sales fueled revenue growth year-on-year as domestic consumption remained resilient despite a slower economic growth. With costs of major raw and packaging materials off from their peak levels in 2008, operating margin for the first six months of the year more than doubled to 14.0% from 6.6% a year ago.

Sales Volume Gains Sustained Off-take of the Company's core milk products remained brisk during the quarter, with revenues up 5% at P2.687 billion from P2.551 billion in 2Q08. This brought revenues for the first half of the year to P5.347 billion, 14% higher than year-ago revenues of P4.694 billion. Combined sales volume of the liquid canned milk business expanded during a seasonally strong second quarter. Sales volume of the Company's portfolio of economy brands remained strong, reflective of a general trend in shift in demand to lower-priced consumer products. Affordability has also improved with the Company's price roll-back for selected liquid canned milk brands which drove consumption higher. Sales volume of Alaska Powdered Filled Milk (APFM) grew at double-digit rates, given the Company's heightened advertising and promotional activities behind the brand. To reinforce the brand's nutritional value, a new advertising campaign for APFM - "Drink Your Food" - was launched, utilizing all media channels. Combined sales volume of the UHT business, on the other hand, was stable.

FINANCIAL HIGHLIGHTS

(in Million Pesos)

	2Q '09	2Q '08	% Change	YTD '09	YTD '08	% Change
Net Sales	2,687	2,551	+ 5%	5,347	4,694	+ 14%
Operating Income	506	171	+ 196%	749	310	+ 141%
Net Income	425	102	+ 316%	622	188	+ 230%
Total Assets				6,134	6,548	- 6%
Total Liabilities				2,233	3,028	- 26%
Stockholders' Equity				3,901	3,520	+ 11%
Ratios:						
Earnings Per Share	P 0.48	P 0.11	+ P 0.37	P 0.70	P 0.20	+ P 0.50
Operating Margin	18.8%	6.7%	+ 12.1% pts	14.0%	6.6%	+ 7.4% pts
Return on Sales	15.8%	4.0%	+ 11.8% pts	11.6%	4.0%	+ 7.6% pts
Current Ratio				1.31:1	1.06:1	+ 0.25:1
Debt to Equity Ratio				0.57:1	0.86:1	- 0.29:1

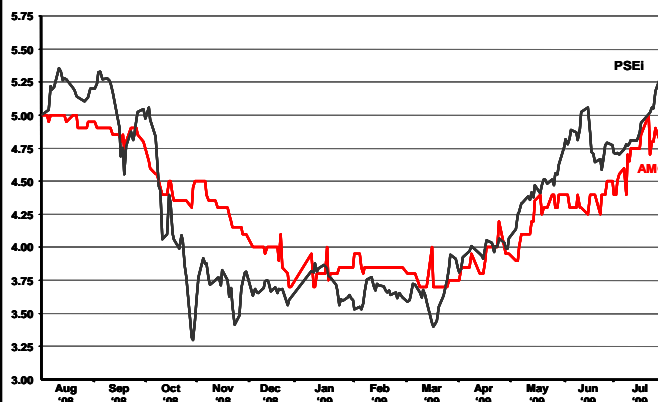
Cost of Production Inputs Eased Further Cost of sales and operating expenses for the quarter went down by 8% to P2.181 billion from P2.380 billion in 2Q08 as costs of major raw and packaging materials continue to track lower than year-ago levels. Operating expenses, however, increased over the same period last year due to higher distribution-related charges attendant to increased sales volume as well as the heightened advertising and trade marketing support to drive consumer demand and off-take for Alaska Milk products. This put operating income for the quarter at P506 million compared to P102 million in the same period last year.

Operating income for the first half of the year stood at P749 million, P439 million or 141% higher than year-ago operating income of P310 million due to higher sales volume as well as lower cost of production inputs. Operating margin, on the other hand, improved to 14.0% from 6.6% in 1H08.

Improving Cash Inflows Net interest income earned during the quarter amounted to P4.5 million, a reversal from the P21.9 million net interest expense incurred in 2Q08 as cash inflows improved significantly on the back of higher profitability and reduced working capital requirements. As of end June 2009, all of the Company's outstanding short-term loans have been fully settled, ending the semester with a net cash position of P978 million.

Net Income After considering foreign exchange gains and lower corporate income tax, net income for the quarter ending June 30, 2009 surged to P425 million from P102 million in the comparable period last year. This brought net income for the first half of the year to P622 million, 230% higher than net income of P188 million in the same period last year. Return on sales likewise improved to 11.6% from 4.0% a year ago. The net income for 1H09 is equivalent to an earnings-per-share (EPS) of P0.70 compared to an EPS of P0.20 in the same period last year.

12-month AMC Share Price Performance (Relative to PSE Index)



UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) The world price of SMP was steady the past few months with prices ranging at US\$1,950 per metric ton to US\$2,150 per metric ton. Global milk production growth continues to slowdown alongside declining dairy consumption. Nonetheless, supply remains adequate to meet export requirements for the near term.

Cow Bell Condensada The latest addition in the Company's portfolio of economy brands, Cow Bell Condensada addresses the needs of price-conscious consumers. Priced very competitively at P29.95 per 300mL can, Cow Bell Condensada is initially available in Mindanao.

