



ALASKA MILK CORPORATION

# Quarterly Update

For the Quarter Ending September 30, 2004

## YTD SEPTEMBER '04 NET INCOME AT P332 M

**3Q04 Review** Revenues during the third quarter of the year surged 29% to P1.224 billion from P950 million in the same period last year. Improved sales volume across all categories coupled with the selling price increases implemented in March and September of this year fuelled revenues during the period. Cost of sales and operating expenses increased by 25% to P1.081 billion from P866 million a year ago. This put operating income for the quarter at P142 million or 11.6% of net sales compared to 3Q03's operating income of P84 million or 8.9% of net sales. Interest income of P22 million for the quarter brought net income to P117 million or 9.6% of net sales, 43% higher than 3Q03's net income of P81 million or 8.6% of net sales.

**YTD September 2004 Review** Strong volume sales in the third quarter aided by selling price increases pushed revenues for the first nine months of the year to P3.560 billion, 14% higher than revenues in the same period last year of P3.112 billion. Cost of sales and operating expenses rose 20% year-on-year to P3.162 billion from P2.646 billion, driven primarily by the higher cost of imported skimmed milk powder and tinplates. Operating income for January – September period reached P398 million or 11.2% of net sales. Interest and other income, net of other expenses, amounted to P59 million, putting year-to-date September 2004 net income at P332 million or 9.3% of net sales.

### AMC Voted as Philippines' Best Small Cap Company

Alaska Milk Corporation was adjudged as the Philippines' Best Small Cap Company for 2004 based on a survey conducted by Finance Asia, one of the highly circulated business and finance magazines in the region.

The 2004 Asia's Best Companies Survey, participated in by 424 fund managers and equity analysts, offers an insight into the best managed companies around Asia.

In 2002, AMC was ranked 8th in Corporate Governance and 10th in over-all Financial Management in the Philippines by Finance Asia. Similarly, The Asset Magazine ranked AMC among the best in Corporate Governance in the Philippines (2001) while Forbes Magazine ranked the Company among one of the Best Small Cap Companies in the World (2000).



**Philippines' Best Small Cap Company:** AMC President & COO Wilfred Steven Uytengsu, Jr. receives the award from Jonathan Hirst, Associate Publisher of Finance Asia Magazine. Also shown in photo are (L-R): Joselito Sarmiento, Jr., AMC VP for Finance & Treasurer; Arnold Abad, AMC VP for Accounting; and Santiago Polido, AMC Director for Corporate Affairs.

**FINANCIAL HIGHLIGHTS**

Year-to-Date September 30, 2004

(in Million Pesos)

	2004	2003	% Change
Net Sales	3,560	3,112	+14%
Operating Income	398	466	-15%
Net Income	332	387	-14%
Total Assets	3,927	3,399	+16%
Total Liabilities	1,213	841	+44%
Stockholders' Equity	2,714	2,558	+6%
<b>Ratios:</b>			
Earnings Per Share	P 0.37	P 0.43	-P 0.06
Operating Margin	11.2%	14.9%	-3.7% pts.
Return on Sales	9.3%	12.4%	-3.1% pts.
Current Ratio	2.8 x	3.4 x	-0.6 x
Debt to Equity Ratio	0.4 x	0.3 x	+0.1 x

**SUMMARY OF RESULTS**

**Sales Volume** Strong third quarter performance lifted sales volume for the first nine months of the year. Combined sales volume of the liquid milk grew 4% versus last year driven by the Evaporated and Sweetened Condensed Creamers, the fastest growing segments in the market. Improvements in production capacity of the Powdered Milk Plant boosted stock availability of Alaska Powdered Filled Milk. Sales volume of the powdered milk business grew in line with the market expansion of the Filled Milk segment. Combined sales volume of UHT products surged 79% year-on-year buoyed by the brisk sales of Alaska Crema and the newly launched Hershey's Chocolate Milk Drink.

**Operating Costs** Cost of sales and operating expenses for the first nine months of the year reached P3.162 billion, up 20% from P2.646 billion in the same period last year. The increase was largely due to the higher cost of production inputs, particularly imported skimmed milk powder / timplates and coconut oil. This resulted in a contraction in operating income to P398 million and operating margin

to 11.2% from P466 million and 15.0%, respectively, in the first nine months of 2003.

**Interest Income** YTD interest income from short-term investments amounted to P68 million compared to last year's interest income of P75 million. The average yield (net) on short-term investments was at 5.0% for 2004 and 5.8% for 2003. The Company's cash position as of September 30, 2004 stood at P1.8 billion.

**Net Income** Net income in the first nine months of the year amounted to P332 million or 9.3% of net sales, 14% lower than net income in the first nine months of 2003 of P387 million or 12.4% of net sales. This is equivalent to an earnings per share (EPS) of P0.37.

**UPDATES & OUTLOOK**

**Selling Price Increase** Selling prices of Alaska milk products were increased by an average of 4% effective September 1, 2004. The price hike will partly mitigate margin pressures associated with the continued rise in the cost of major imported raw materials, particularly skimmed milk powder and timplates. The Company last raised its selling prices in March 8, 2004 by an average of 8%.

**Skimmed Milk Powder (SMP)** SMP prices slightly edged upward during the quarter. Export price quotes ranged between US\$2,100 and US\$2,250 per metric ton compared to June's level of US\$1,900 – US\$2,100 per metric ton. Oceania handlers indicate that the current supply situation remains tight with SMP production down from year ago levels.

**Product Launch** AMC launched Hershey's Chocolate Milk Drink, the same chocolate goodness synonymous with the Hershey brand. Under a licensing agreement with Hershey Food Corporation, the milk drink is the latest addition to Alaska's product portfolio and is expected to expand the Company's participation in the ready-to-drink (RTD) milk market.

Hershey's Chocolate Milk Drink is available in 185ml and 236ml sizes.

Chocolate goodness  
you can drink!

