



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending September 30, 2007

AMC 9-MONTH PROFIT UP BY 118% TO P566M

Nine-month net income of Alaska Milk Corporation jumped 118% to P566 million from P260 million in the same period last year on the back of strong sales volume growth across the Company's core milk business. Revenues for the nine months increased by 50% to P6.22 billion from P4.16 billion in the same period last year as a result of higher sales volume (including the acquired Nestle brands) coupled with higher selling prices.

Domestic Milk Market With the exception of the Powdered Milk Category, retail consumption of milk products continued to contract year-on-year as consumer demand softened following two successive selling price increases in June and September 2007. The domestic milk market's contraction, however, was slower compared to the double-digit contraction a year-ago. The powdered milk category, on the other hand, continued to show signs of recovery in the third quarter of the year, underpinned by the market expansion of the lower-priced filled milk segment.

Sales Volume Combined sales volume of the Company's liquid canned milk business posted high double-digit growth rates year-on-year on account of the strong off-take of the Alaska brands as well as the additional business generated from the acquisition and licensing of Nestle's liquid canned milk brands. Similarly, sales volume of the powdered milk business grew at a high single-digit rate compared to year ago levels, outperforming the Powdered Milk Market's expansion. The improvement in sales volumes is attributed to the improvements in supply conditions with the commercial operations of the Company's new powdered filled milk processing plant. Furthermore, introductory advertising campaigns in support of the re-launch of Alaska Powdered Filled Milk pushed sales volumes and market share gains. *continued on page 2*

FINANCIAL HIGHLIGHTS

(in Million Pesos)

	3Q '07	3Q '06	% Change	YTD '07	YTD '06	% Change
Net Sales	2,262	1,420	+ 59%	6,222	4,158	+ 50%
Operating Income	228	134	+ 70%	807	306	+ 164%
Net Income	168	104	+ 62%	566	260	+ 118%
Total Assets				5,893	4,615	+ 28%
Total Liabilities				2,263	1,443	+ 57%
Stockholders' Equity				3,630	3,172	+ 14%
Ratios:						
Earnings Per Share	P 0.18	P 0.11	+ P 0.07	P 0.60	P 0.27	+ P 0.33
Operating Margin	10.1%	9.4%	+ 0.7% pt	13.0%	7.4%	+ 5.6% pts
Return on Sales	7.4%	7.3%	+ 0.1% pt	9.1%	6.3%	+ 2.8% pts
Current Ratio				1.1:1	2.3:1	- 1.2:1
Debt to Equity Ratio				0.6:1	0.4:1	+ 0.2:1

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Operating Costs Cost of sales and operating expenses for the nine-month ending September 2007 amounted to P5.42 billion, up 41% from P3.85 billion in the same period last year. Higher sales volume and higher cost of production inputs, particularly skimmed milk powder and tinplates, pushed cost of sales higher year-on-year. In addition, operating expenses rose on the back of higher media spending and heightened trade marketing initiatives in support of volume growth. Altogether, these put operating income for the first nine months of the year at P807 million, 164% higher than year-ago operating income of P306 million. Operating margin likewise improved to 13.0% from 7.4%.

Interest Income As of end September 2007, net interest income amounted to P24 million, lower than the year-ago net interest income of P72 million. Lower average cash balance, on account of the acquisition of Nestle's liquid canned milk brands, higher working capital requirement and plant expansion investments contributed to the drop in interest income.

Net Income After considering foreign exchange losses and income tax, nine-month net income surged to P566 million or 9.1% of net sales, P306 million or 118% higher than net income in the same period last year of P260 million or 6.3% of net sales. Net income for the period ending September 2007 is equivalent to an earnings per share (EPS) of P0.60, higher than the P0.27 EPS in the same period last year.

UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) World prices remain at peak levels of US\$5,000/MT. Supply remains limited and Oceania export markets are firm. New Zealand's dairy manufacturing plants are running at full capacity to process milk output. Stocks are increasing but traders are cautious not to over commit powder for the second half of the dairy year. In Australia, production remains to be saddled by the drought. US production has increased. The US has been increasingly active in the export market with prices being more competitive. Trade sources indicate that demand has weakened somewhat as consumers have been unable to cope with the increase in retail selling prices of dairy products which has resulted from high SMP prices.



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