



ALASKA MILK CORPORATION

Quarterly Update

For the Quarter Ending September 30, 2008

NINE MONTH EARNINGS AT P239M

Revenues for the first nine months of the year grew by 14% to P7.082 billion from revenues of P6.222 billion in the same period last year on the back of strong volume growth across the company's core milk products. However, cost of sales and operating expenses grew at a faster pace of 24% largely due to higher cost of production inputs as well as heightened advertising and promotional spending to support volume growth. This put operating income for the period ending September 30, 2008 at P386 million or 5.5% of net sales, lower compared to P807 million or 13.0% of net sales a year ago. Including financing charges, net income for the first nine months of the year amounted to P239 million or 3.4% of net sales.

Domestic Milk Market Coming from a seasonally strong second quarter, retail consumption of liquid canned milk products softened during the third quarter of the year as consumer spending slowed down on account of rising food and fuel prices. As of end September 2008, the Evaporated Milk Market contracted versus the same period last year influenced in part by an unusually short summer period. Retail consumption of sweetened condensed milk products, however, staged a mild recovery compared to year-ago level largely due to the growing popularity of the lower-priced sweetened creamer brands. The Powdered Milk Category, on the other hand, was slightly down versus the same period last year due to the double-digit contraction of the premium-priced Full Cream segment. The Filled Milk segment was flat.

Sales Volume Notwithstanding the general slowdown in milk consumption, sales volume across the Company's core milk businesses posted strong growth rates year-on-year. Sustained brand-building initiatives through advertising and promotions translated in improved shelf off-take for both existing and new brands. Combined sales volume of the liquid canned milk business grew, partly due to the incremental sales volume contributed by the acquired / licensed liquid canned milk brands. Sales volume of the Alaska brand, on the other hand, was stable underpinned by the robust off-take of the lower-priced creamer products. To further drive-up usage going into the peak Christmas Season, selling prices of the Company's portfolio of sweetened condensed

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FINANCIAL HIGHLIGHTS

Nine Months Ended September 30
(in Million Pesos)

	2008	2007	Change
Net Sales	7,082	6,222	+14%
Operating Income	386	807	-52%
Net Income	239	567	-58%
Total Assets	6,046	5,893	+ 3%
Total Liabilities	2,539	2,263	+12%
Stockholders' Equity	3,507	3,630	- 3%
Ratios:			
Earnings Per Share	P 0.26	P 0.60	-P 0.34
Operating Margin	5.5%	13.0%	- 7.5% pts.
Return on Sales	3.4%	9.1%	- 5.7% pts.
Current Ratio	1.07:1	1.09:1	- 0.02:1
Debt to Equity Ratio	0.72:1	0.62:1	+0.10:1

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creamers (Alaska, Carnation and Liberty) were rolled back effective October 3, 2008.

Sales volume of the Alaska Powdered Filled Milk posted double-digit growth rates for the first nine months of the year, outperforming the powdered milk market's contraction. The growth in sales volume is largely due to the strong consumer recall for the product through brand-building efforts, alongside the improvements in distribution levels. Accordingly, market share of Alaska Powdered Filled Milk expanded versus the same period last year.

Off-take of the Company's line of UHT ready-to-drink milk line remained brisk through the quarter following the re-launch of Alaska Choco. In addition, the incremental sales volume contributed by newly launched Alaska Yoghurt Drink helped push volumes higher year-on-year. Market share gains were likewise registered across the different segments of the RTD Milk Market as well as in the Creams Market.

Operating Costs Cost of sales and operating expenses for the first nine months of the year amounted to P6.696 billion, 24% higher than cost of sales and operating expenses of P5.415 billion in the same period last year. Substantially higher cost of production inputs, particularly skimmed milk powder and tinline, pushed cost of sales higher year-on-year. Operating expenses, on the other hand, increased on account of higher distribution-related charges as well as heightened advertising and promotional spending to support volume growth. This narrowed operating income for the first nine months of 2008 to P386 million and operating margin at 5.5% from P807 million and 13.0%, respectively, in the same period last year.

Interest Expense Net Interest expense for the period ending September 30, 2008 amounted to P49 million due to the avilment of short-term loans associated with higher working capital requirements given the expanded business portfolio of the

Company as well as the high cost of major raw and packaging materials. As of September 30, 2008, the Company's short-term loan balance stood at P575 million, down from the previous quarter's balance of P1.24 billion.

Net Income After considering foreign exchange losses and income tax, nine-month net income for the year stood at P239 million or 3.4% of net sales, equivalent to an earnings per share (EPS) of P0.26.

UPDATES & OUTLOOK

Market Outlook Prices of SMP eased further as buying interests slowed down due to market uncertainties brought about by concerns of an impending global recession. Quotes are currently around the US\$2,500/MT level. Buyers are cautious and are purchasing short of their full requirements at the moment. Some traders feel that prices could soften from current levels over the next few months. Current supply is sufficient to meet commitments until the new season gets underway.

Share Buy-Back During the first nine months of the year, the Company purchased a total of 38.1 million shares under its share buy-back program. Subsequently, in October, another 14.7 million treasury shares were purchased, bringing total shares held in treasury to-date to 68.2 million, which represents 7.1% of total issued shares.

AMC Among Top 20 in Corporate Governance

The Institute of Corporate Governance (ICD), the nation's and the world's most respected Philippine corporate governance watchdog, recognized Alaska Milk Corporation amongst the top 20 publicly listed companies in the country with the highest governance scorecard. ICD gave AMC high marks on the basis of an internationally-accepted scorecard that measures the company's adherence to best practices in corporate governance.