



ALASKA MILK CORPORATION

www.alaskamilk.com.ph

# Quarterly Update

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## ALASKA MILK 2002 NET INCOME UP 134%

**4Q02 Review.** Revenues in 4Q02 grew 12% to P1.172 billion from P1.048 billion in the same period last year. Higher sales volumes across all product lines largely fuelled revenue growth during the quarter. Cost of sales and operating expenses declined 9% to P919 million in 4Q02 from P1.009 billion in 4Q01. Higher revenues and lower expenses pushed operating income to P252 million or 21.6% of net sales from P39 million or 3.7% of net sales in 4Q01. Interest and other income, net of other expenses, put earnings before tax at P268 million and net income for the quarter at P189 million or 16.1% of net sales. Net income for the quarter was 256% higher than net income in the same period last year of P53 million or 5.1% of net sales.

**2002 Review.** Following fourth quarter performance, full year revenues amounted to P3.968 billion, slightly higher than 2001 full year revenues of P3.938 billion. Full year 2001 revenues, however, partly reflected sales from the distribution of Quaker and Nabisco products. Comparing milk revenues alone, revenues in 2002 were 4% higher than 2001 levels. Cost of sales and operating expenses declined 10% to P3.431 billion from P3.791 billion. Operating income more than tripled to P537 million or 266% higher than last year's operating income of P147 million. Consequently, the operating margin expanded to 13.5% from 3.7%. Interest and other income, net of other expenses pushed full year net earnings 134% higher to P442 million or 11.1% of net sales from net earnings in 2001 of P189 million or 4.8% of net sales.

### UPDATES AND OUTLOOK

### Summary of Results: -----

**Selling Price Increase.** The selling prices of Alaska Evaporated Filled Milk, Condensada, Powdered Filled Milk and UHT products were raised by an average of 5% effective January 2003. The price adjustment was implemented to cover for the higher cost of Skimmed Milk Powder (SMP) and higher foreign exchange. The last selling price increase taken by the company was in May 2001 by an average of 8%, which was below the more than 20% rise in production costs.

**Skimmed Milk Powder (SMP).** SMP prices in the international market moved higher to the US\$1,800 level towards the end of the Australia & New Zealand dairy season. While supply remained sufficient, the

**Sales Volume.** The evaporated and sweetened condensed milk categories staged a mild recovery in 2002 from 2001 levels. The powdered milk category, however, posted a slight decline as growth was stymied by the significant decline in the full cream segment. The powdered filled milk segment, however, notably posted mid single-digit growth during the year. Sales volume performance, particularly for Alaska powdered filled milk registered single-digit growth versus last year, while the Alaska liquid canned milk line registered a marginal decline. Additional evaporated and condensed milk sales were generated from the new liquid milk in tetra briks.

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**2002 FINANCIAL HIGHLIGHTS**

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Values- in PMM	2002	2001	%Inc(Dec)
Net Sales	P 3,968	P 3,938	0.8 %
Operating Income	537	147	265 %
Net Income	442	189	134 %
Total Assets	3,525	3,239	9 %
Stockholders' Equity	2,406	2,231	8 %
Ratios:			
Earnings Per Share	P 0.496	P 0.212	
Operating Margin	13.5%	3.7%	
Return on Sales	11.1%	4.8%	
Current Ratio	2.7x	2.6x	
Debt to Equity Ratio	0.46x	0.45x	

Alaska Fresh & Slim sales volumes posted strong growth during the year, following through on its performance in the first three quarters. Market share improvement was noted particularly in the powdered milk category while liquid canned milk market share slipped from last year's levels.

**Operating Margin:** Lower SMP prices, offset by slightly higher average foreign exchange cost during the year boosted full year 2002 operating margin to 13.5% from 3.7% last year.

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drought and series of bush fires in Australia partly impacted supply. The anticipated improvement in world demand for SMP is also expected to put further pressure on SMP prices in the near term.

**New Products.** Alaska launched Alaska Evaporada, an enhancer for food & beverages. Alaska Evaporada is a perfect match for Alaska Condensada, with both packaged in new attractive modern labels and priced lower than the Alaska liquid canned milk "Classic Line". The Alaska "Classic Line" is the traditional Alaska Evaporated Filled and Sweetened Condensed Milk, familiarly packaged with the boy's face featured on the labels. Alaska Evaporada and Alaska Condensada complete Alaska's liquid canned milk "Value Line" to cater to consumers' need for high quality, value-for-money products.

Alaska Liquid Milk Value Line



**Interest Income:** Interest income for the year amounted to P78 million, lower than interest income in 2001 of P96 million. Notwithstanding a higher average cash balance of P1.70 billion during the year versus P1.35 billion in 2001, interest income declined as due largely to lower average placement rates.

**Net Income:** Full year 2002 net income surged 134% to P442 million or 11.1% of net sales from 2001 net income of P189 million or 4.8% of net sales. This year's net earnings is equivalent to an earnings per share of nearly P0.50 an improvement from last year's EPS of P0.21.