



ALASKA MILK CORPORATION

# Quarterly Update

For the Year Ending December 31, 2004

## 2004 UNAUDITED NET INCOME AT P496M

Higher sales volume coupled with higher selling prices of milk products brought full year revenues to P5.022 billion, 16% higher than 2003's revenues of P4.340 billion. Cost of sales and operating expenses increased by 18% to P4.413 billion from P3.728 billion, principally due to the higher cost of skimmed milk powder, tins plates and coconut oil. With interest and other income of P76 million, net income for 2004 reached P496 million or 9.9% of net sales, slightly lower than 2003's net income of P500 million.

**Liquid Milk** Notwithstanding the series of selling price increases implemented in 2004, combined sales volume of the liquid canned milk grew by 4% over the same period last year, driven mainly by the brisk sales of the Evaporated and Sweetened Condensed Creamers. Alaska continued to strengthen its foothold in the Sweetened Condensed Milk Market with market shares up versus prior year, maintaining overall brand leadership in the Liquid Milk Market.

**Powdered Milk** Alaska's powdered milk business continued to make good strides with sales volume posting an 8% growth year-on-year, outperforming the 4% market expansion of the Powdered Filled Milk Segment. Improvements in distribution levels, coupled with a sustained marketing effort on the highly recalled "Growth Gap" campaign, boosted consumer off-take of the Alaska brand. Market share in this category reached historic highs, breaching the 20% mark.

*continued on page 2*

### FINANCIAL HIGHLIGHTS

(in Million Pesos)

	4Q 04	4Q03	% Change	2004	2003	% Change
Net Sales	1,462	1,228	+ 19%	5,022	4,340	+ 16%
Operating Income	211	146	+ 45%	609	612	- 0.4%
Net Income	163	113	+ 45%	496	500	- 0.8%
Total Assets				4,247	3,906	+ 9%
Total Liabilities				1,372	1,232	+ 11%
Stockholders' Equity				2,875	2,674	+ 8%
<b>Ratios:</b>						
Earnings Per Share	P 0.18	P 0.13	+ P 0.05	P 0.56	P 0.56	no change
Operating Margin	14.4%	11.9%	+ 2.5% pts.	12.1%	14.1%	- 2.0% pts.
Return on Sales	11.2%	9.2%	+ 2.0% pts.	9.9%	11.5%	- 2.5% pts.
Current Ratio				2.4 x	2.7 x	- 0.3 x
Debt to Equity Ratio				0.5 x	0.5 x	no change

... continued from page 1

**UHT Products** Sales volume of Alaska UHT products posted strong double-digit growth rates versus year ago levels as a result of the incremental sales generated by Hershey's Chocolate Milk Drink. In addition, Alaska's Sweetened Condensed Milk in tetra packaging and Alaska Crema continued to perform strongly in the market, gaining popularity amongst consumers.

**Operating Costs** Cost of sales and operating expenses for the year reached P4.413 billion, up 18% from P3.728 billion in the same period last year. Substantially higher cost of raw and packaging materials, particularly skimmed milk powder, coconut oil and tins raised production costs during the year, partly offset by the lower advertising expenses. Altogether, these put operating income for the year at P609 million or 12.1% of net sales, slightly

lower than 2003's operating income of P612 million or 14.1% of net sales.

**Interest Income** Full year interest income amounted to P92 million, slightly higher than the P90 million interest earned in 2003 owing to the higher average cash balance in 2004. However, the 2004 average yield (net) on short-term investments was marginally lower at compared to 2003. The Company's financial position remains strong with a cash balance of P1.9 billion as of December 31, 2004.

**Net Income** Net income for the year stood at P496 million or 9.9% of net sales, P4 million lower than prior year's net income of P500 million or 11.5% of net sales. This year's net income is equivalent to an earnings per share (EPS) of P0.56 based on 892.4 million shares outstanding, net of treasury sales. AMC's price-earnings ratio is 5.3x relative to the stock's December 29, 2004 closing price.

## UPDATES & OUTLOOK

**Skimmed Milk Powder (SMP)** Strong world demand and a continuing strength of the Euro and New Zealand Dollar against the US Dollar kept export prices of SMP at peak levels through December 2004. SMP price quotes ranged mostly between US\$2,200/MT - US\$2,400/MT. World prices are likely to remain near their high levels over the near term as supply in Europe and Oceania remains tight.

**Cash Dividend** The fourth tranche of dividend payment is scheduled on March 31, 2005 at the rate of P0.075 per share. The company's total cash dividend for of P0.30 per share equates to a 10.2% yield based on its P2.95 per share price last December 29, 2004.

**Notice of Stockholders' Meeting** The Annual Stockholders' Meeting of Alaska Milk Corporation will be held on May 10, 2005 at 9:00 a.m. at the Mandarin Ballroom of the Mandarin Oriental Manila, Makati Avenue, Makati City. All shareholders of record as of March 7, 2005 will be entitled to attend and vote at the said meeting.

