



ALASKA MILK CORPORATION

Quarterly Update

For the Year Ending December 31, 2005

2005 UNAUDITED NET INCOME AT P289M

Strong fourth quarter sales volume lifted full year revenues to P5.410 billion, 8% higher than the P5.022 billion in revenues earned in 2004. Cost of sales and operating expenses for the year stood at P5.064 billion, up 15% from P4.413 billion a year ago due principally to the increases in the prices of primary raw and packaging materials as well as higher Advertising & Promotion expenses. This put operating income for 2005 at P345 million or 6.4% of net sales. With interest and other income of P50 million, full year net income amounted to P289 million or 5.3% of net sales.

Sales Volume Shrinking disposable incomes and falling consumer confidence largely influenced overall consumer spending in 2005. High prices of basic goods and services as well as political anxieties had consumers keeping a tighter rein on expenses, leading to a slowdown in economic growth. This weighed heavily on the domestic milk market, with all categories declining close to double-digit rates year-on-year, as consumer demand for milk products took a downturn from its 2004 level.

Heightened trade marketing support and promotional effort for the Alaska liquid canned milk business boosted sales volume during the fourth quarter of the year,

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FINANCIAL HIGHLIGHTS

(in Million Pesos)

	4Q 05	4Q04	% Change	2005	2004	% Change
Net Sales	1,774	1,462	+ 21%	5,410	5,023	+ 8%
Operating Income	113	212	- 47%	345	610	- 43%
Net Income	83	165	- 50%	289	497	- 42%
Total Assets				4,234	4,281	- 1%
Total Liabilities				1,113	1,366	- 18%
Stockholders' Equity				3,121	2,915	+ 7%
Ratios:						
Earnings Per Share	P 0.09	P 0.18	- P 0.09	P 0.32	P 0.56	- P 0.24
Operating Margin	6.4%	14.5%	- 8.1% pts	6.4%	12.1%	- 5.7% pts.
Return on Sales	4.7%	11.3%	- 6.6% pts	5.3%	9.9%	- 4.6% pts.
Current Ratio				2.8 x	2.4 x	+ 0.4 x
Debt to Equity Ratio				0.4 x	0.5 x	- 0.1 x

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mitigating the drop in sales volume in the first nine months of 2005. As a result, full year sales volume posted single-digit declines versus the same period last year, outperforming the Liquid Milk Category's contraction. Alaska continued to maintain brand leadership in the Liquid Milk Market, with market share gains on both the Evaporated and Condensed Milk Categories.

Sales volume of Alaska Powdered Filled Milk posted marginal growth in 2005, notwithstanding the contraction of the entire Powdered Milk Market. Market share of Alaska Powdered Filled Milk also expanded, with market shares hitting the 21% mark as the year ended.

Meanwhile, sales volume of Alaska's line of UHT products surged year-on-year, driven by the brisk sales of Alaska Crema and the recently launched Alaska Yamoo! Similarly, Hershey's Chocolate Milk Drink continued to gain ground in the premium-priced ready-to-drink segment on the strength of the brand's strong heritage in the chocolate confectionery.



Operating Costs Cost of sales and operating expenses for the year reached P5.06 billion, up 15% from P4.41 billion in 2004. Higher cost of skimmed milk powder (SMP) and tinplates as well as higher fuel and utilities cost pushed production costs higher. In addition heightened trade marketing initiatives and consumer-related promotions pushed operating expenses year-on-year. Altogether, these put operating income for the year at P345 million and operating margin at 6.4%.

Interest Income With the continued decline in domestic interest rates, interest income earned from placements in 2005 amounted to P70 million, lower than interest income earned in the same period last year of P92 million. The Company's financial position remains strong with a cash balance of almost P1.9 billion as of end December 2005.

Net Income Including foreign exchange losses, net income for the year stood at P289 million or 5.3% of net sales, equivalent to an earnings per share (EPS) of P0.32.

UPDATES & OUTLOOK

Skimmed Milk Powder (SMP) World prices of SMP are expected to improve slightly as production output expands seasonally. Oceania export markets are mostly steady but prices softened slightly as traders remain competitive with European powder. Both Australia and New Zealand are projecting an increase in exports for the current dairy season which could provide some relief in supply conditions. SMP price quotes ranged between US\$2,200/MT – US\$2,300/MT, US\$100/MT lower than last quarter's decade-high prices.

Notice of Stockholders' Meeting The Annual Stockholders' Meeting of Alaska Milk Corporation will be held on May 23, 2006 at 10:00 a.m. at the Mandarin Ballroom of the Mandarin Oriental Manila, Makati Avenue, Makati City. All shareholders of record as of March 10, 2006 will be entitled to attend and vote at the said meeting.