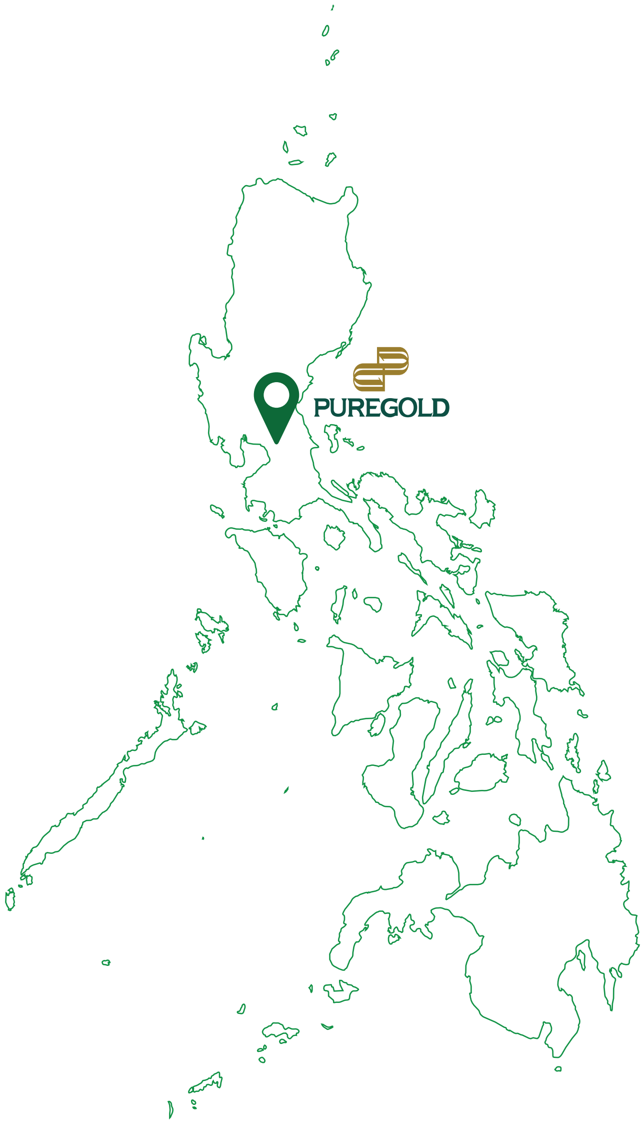
Message from the Chairman and the President

Annual Report 2020

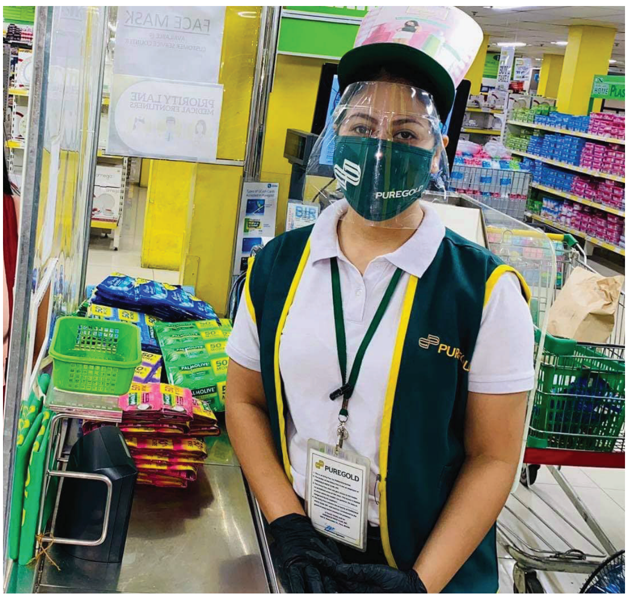
Message to Stockholders



What was once a small grocery store in the City of Mandaluyong a little over twenty years ago is now one of the largest supermarket chains in the Philippines with over 400 stores nationwide. Puregold continues to grow and expand its footprint each year, all while staying true to its vision of being the most customer-oriented hypermart offering one-stop shopping convenience and only the best value for customers.

As we move closer to our goal of 500 stores nationwide, we remain committed to our company's core values as an enterprise of service for the people and for communities across the country. This sense of compassion or 'malasakit' is even more vital in these times given the difficulties of the global pandemic.

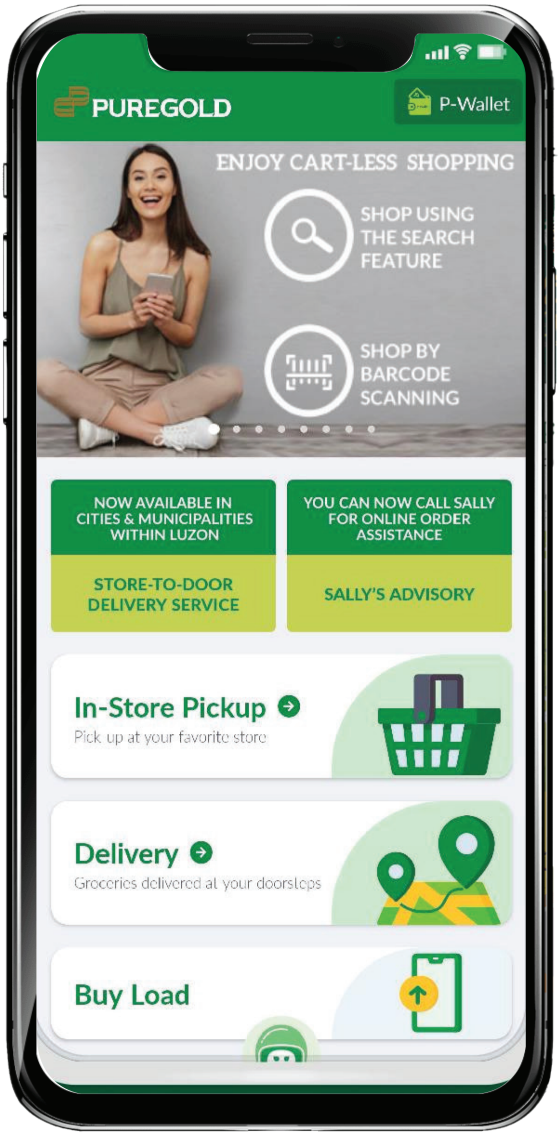
Working together, we have achieved much in the past year – and we look forward to even more success as we continue to adapt to the ever-changing business environment.



Surpassing the Challenges of 2020

The macroeconomic environment in 2020 was characterized by unprecedented challenges resulting from strict containment measures and a steep decline in private consumption. Our own operations did not escape COVID-19's ill effects especially since Puregold caters to socio-economic segments most affected by the pandemic. Through timely and effective adjustments designed to address drastic changes in consumer demands however, the company fared exceptionally well throughout the year compared to retail industry standards.

We continued to focus on supporting Tindahan Ni Aling Puring (TNAP) members and other end users as we further strengthened our online presence. The company also made operations strategies more responsive to consumer needs through out-of-store activities and e-commerce initiatives, increasing supply chain efficiency and maintaining strong relationships with suppliers and trade partners.



As a result, Puregold's consolidated net sales grew by P14.1 billion or 9.2% to P168.6 billion in 2020.

Net Sales 2020

9.2%
₱168.6B
from previous year

Net income also rose 19.1% to P8.1 billion compared to P6.8 billion in the previous year.

Net Income 2020

19.1%
₱8.1B
from previous year

The company ended the year with total assets increasing 21.1% to P131.6 billion.

Total Assets 2020

21.1%
₱131.6B
from previous year

Here are some highlights of our Financial Performance for the period.

PhP in thousands	2020	%	2019	%	Change	%
Net Sales	**P168,632,329**	**100.0%**	**P154,490,309**	**100.0%**	**P14,142,020**	**9.2%**
Cost of Sales	139,476,213	82.7%	128,539,759	83.2%	10,936,453	8.5%
Gross Profit	**29,156,116**	**17.3%**	**25,950,550**	**16.8%**	**3,205,566**	**12.4%**
Other Operating Income	3,154,799	1.9%	3,262,853	2.1%	(108,055)	-3.3%
Gross Income	32,310,915	19.2%	29,213,403	18.9%	3,097,511	10.6%
Operating Expenses	18,953,231	11.2%	17,829,772	11.5%	1,123,458	6.3%
Income from Operations	**13,357,684**	**7.9%**	**11,383,631**	**7.4%**	**1,974,053**	**17.3%**
Others-net	(1,924,560)	-1.1%	(1,803,810)	-1.2%	(120,750)	6.7%
Income Before Tax	**11,433,124**	**6.8%**	**9,579,821**	**6.2%**	**1,853,303**	**19.3%**
Income Tax Expense	3,366,295	2.0%	2,807,033	1.8%	559,262	19.9%
Income After Tax	**P8,066,828**	**4.8%**	**P6,772,788**	**4.4%**	**P1,294,041**	**19.1%**

EPS	P2.81	P2.37

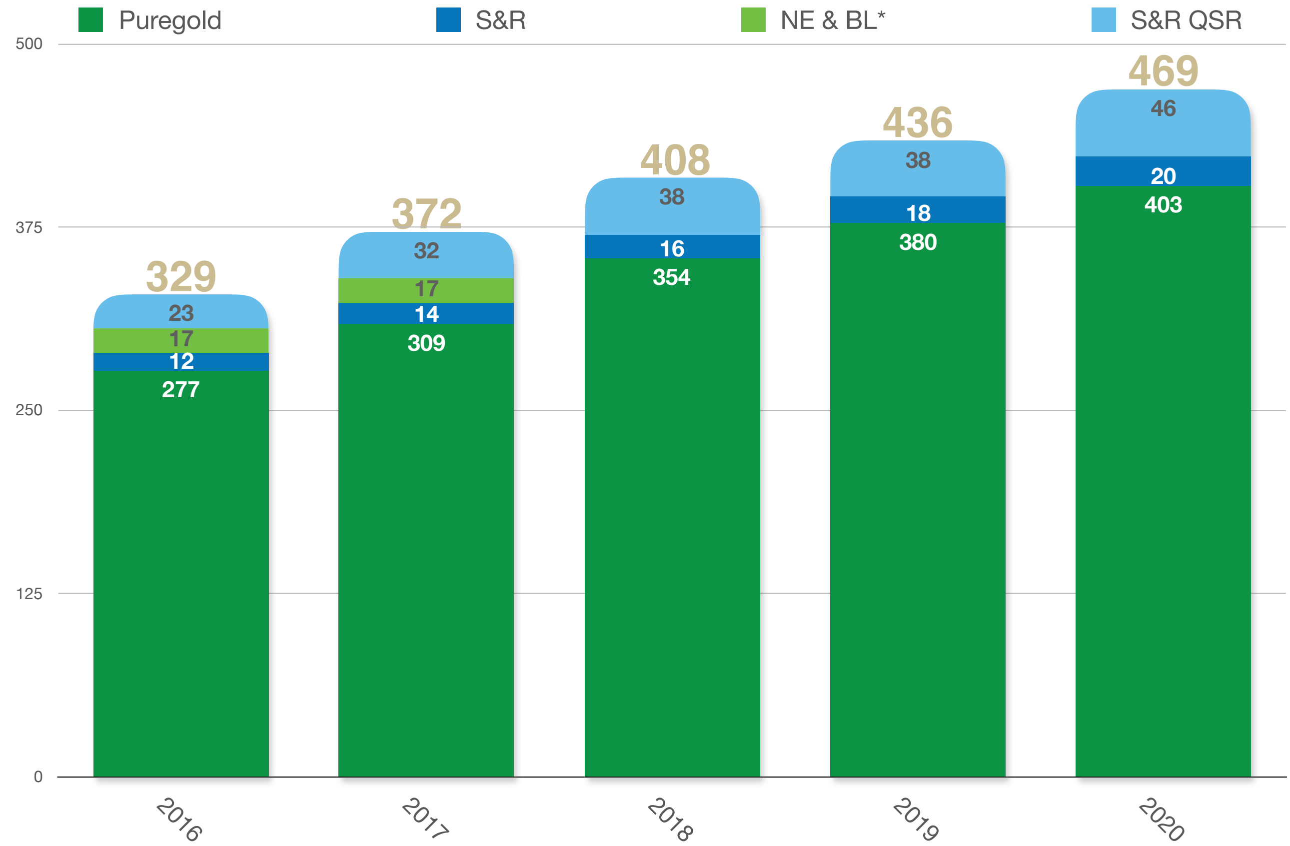
Puregold ended 2020 with a strong Financial Position.

PhP in thousands	2020	%	2019	%	Change	%
Total Current Assets	**P59,388,151**	**45.1%**	P40,040,355	36.9%	**P19,347,796**	**48.3%**
Total Noncurrent Assets	**72,205,359**	**54.9%**	68,594,443	63.1%	**3,610,916**	**5.3%**
Total Assets	**P131,593,509**	**100.0%**	P108,634,798	100.0%	**P22,958,712**	**21.1%**
Total Current Liabilities	**P17,102,485**	**13.0%**	P15,490,809	14.3%	**P1,611,676**	**10.4%**
Total Noncurrent Liabilities	**45,989,304**	**34.9%**	31,244,639	28.8%	**14,744,665**	**47.2%**
Total Liabilities	**63,091,790**	**47.9%**	46,735,448	43.0%	**16,356,342**	**35.0%**
Total Equity	**68,501,720**	**52.1%**	61,899,350	57.0%	**6,602,370**	**10.7%**
Total Liabilities and Equity	**P131,593,509**	**100.0%**	P108,634,798	100.0%	**P22,958,712**	**21.1%**

Our Cash Flows also reflected increases for the year.

PhP in thousands	2020	2019	Change	%
Net cash provided by operating activities	**P14,702,750**	P15,072,887	**(370,137)**	**2.5%**
Net cash used in investing activities	**(5,755,872)**	(3,772,907)	**(1,982,966)**	**52.6%**
Net cash provided by (used in) financing activities	**6,693,756**	(4,903,880)	**11,597,637**	**236.5%**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,640,634**	6,396,100	**9,244,534**	**144.5%**
CASH AND CASH EQUIVALENTS, BEGINNING	**17,083,459**	10,687,359	**6,396,100**	**59.8%**
CASH AND CASH EQUIVALENTS, END	**P32,724,094**	P17,083,459	**P15,640,634**	**91.6%**

In spite of the pandemic, Puregold opened 30 new organic stores, 2 S&R stores, 8 S&R New York Style Pizza (QSRs) in 2020 – bringing its overall store total to 469. Of these operating stores, 403 are Puregold branches, with 20 S&R Membership Shopping Warehouses and 46 S&R New York Style Quick Service Restaurants.



*NE & BL were merged to Puregold in 2018

In all these achievements, our people have made the difference with their hard work, dedication and commitment to excellent customer service amidst challenging circumstances.

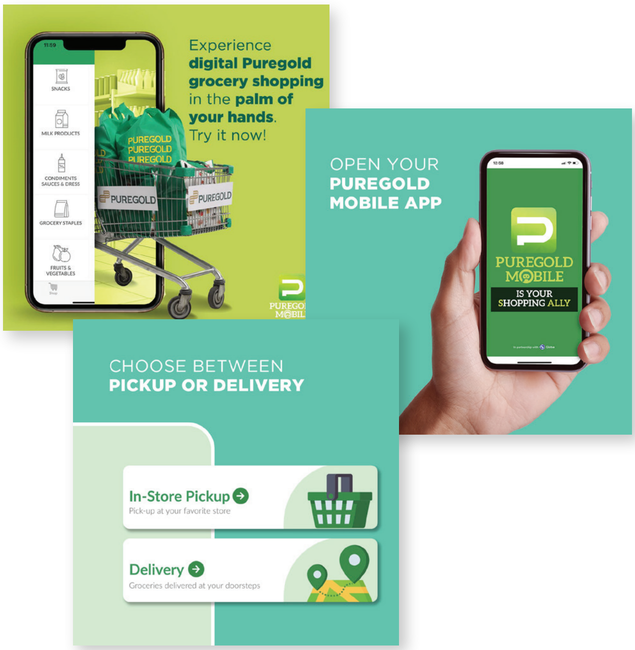
Adapting to the 'New Normal'

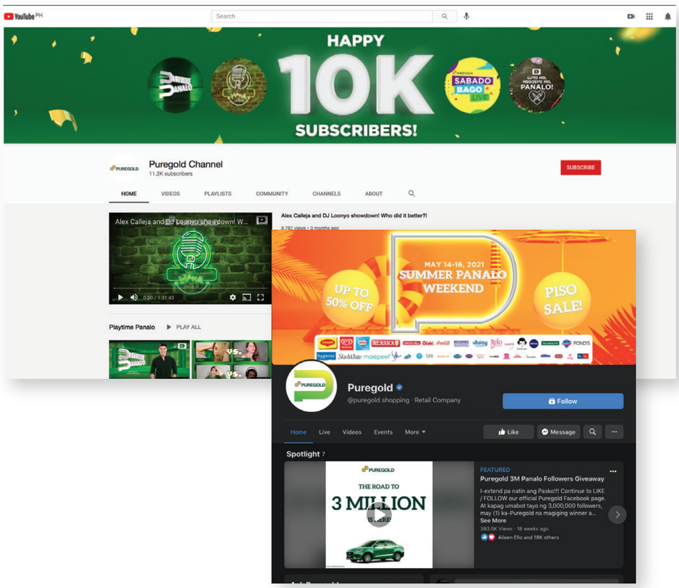
Puregold has adapted well to today's business environment, and will continue to remain a step ahead with the help of its team's shared sense of purpose, strong sense of identity, and a performance culture of excellence that has made the business thrive in the new normal.

While we expect the landscape to remain challenging, with consumer spending still subdued, Puregold's innovations and investments in new systems will continue to drive the organization forward. Along with the consistent focus on optimizing productivity, the company continues to support and expand the reach of its online and delivery services as well as Puregold's mobile app.

Fondly called Sally, short for Shopping Ally, our mobile app has helped countless customers by allowing shoppers to purchase products conveniently through their smart phones.

Puregold now maintains a solid presence in the digital space through technology-based solutions, partnerships with delivery service apps, and our own online channels which include Facebook and YouTube – giving the company a broader reach by which to engage shoppers.





Our Employees

One of our missions is to strive to promote the personal and professional development of our employees. In order to guarantee their welfare and well-being, our Human Resources group continues to implement programs and regularly creates new activities to adapt to the changing workplace requirements brought about by the pandemic.

Puregold is also recognized as one of the Philippine's 'Best Companies to Work For' in 2020, awarded by HR Asia, every year since 2018 .

HR Asia®

BEST COMPANIES
TO WORK FOR
IN ASIA 2020

Positioned for Leadership and Growth

Moving forward, the opening of small format and mini mart stores remain a focus area as we align our products and services with the evolving needs of customers. We recognize the importance of staying future-ready as we continue to develop online operations that have already exceeded customer expectations through easy, safe and convenient online transactions that make customers' lives easier on a daily basis.

Puregold will also prioritize rapid expansion and target exponential growth by strengthening house brands, ensuring superior customer service, and pairing well established customer and shopper programs with e-commerce channels and other new ways of reaching shoppers.

These are challenging times, but we push ahead with excitement and optimism as we invest more in our established and successful brands to sustain growth and maintain our leadership position in the long term.

LUCIO L. CO
Chairman

FERDINAND VINCENT P. CO
President