

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF PUREGOLD PRICE CLUB, INC.
HELD ON AUGUST 14, 2017, 10:30 AM, AT THE MAHOGANY ROOM,
MANILA GOLF AND COUNTRY CLUB, MAKATI CITY

Present:

Lucio L. Co	<i>Chairman</i>
Susan P. Co	<i>Vice-Chairman</i>
Ferdinand Vincent P. Co	<i>President</i>
Leonardo B. Dayao	<i>Director</i>
Pamela Justine P. Co	<i>Director</i>
Jack Huang	<i>Director</i>
Edgardo G. Lacson	<i>Independent Director</i>
Marilyn V. Pardo	<i>Independent Director</i>
Jaime Dela Rosa	<i>Independent Director</i>

Other Participants:

Levi Labra	<i>Board Consultant</i>
Anthony Sy	<i>Kareila President</i>
Teodoro Polinga	<i>Puregold Comptroller</i>
Ging Altura	<i>Kareila Comptroller</i>
Ferdinand Villaroza	<i>Financial Reporting Manager</i>
Tess Tuazon	<i>Senior Accounting Manager</i>
John Hao	<i>Investor Relations Officer</i>

A. CALL TO ORDER

Upon the certification by the Corporate Secretary that there was a quorum, the Chairman called the meeting to order.

B. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

Upon motion duly seconded, the Board approved the minutes of the board meeting held on May 5, 2017.

C. APPROVAL OF FINANCIAL PERFORMANCE FOR THE 2ND QUARTER

Ms. Ging Altura and Mr. Anthony Sy presented the 1H financial performance for Kareila Management Corporation. The presentation material is hereto attached as Annex "A".

Mr. Lucio Co noticed the significant decrease in marketing support. Sy replied that it could be collection timing but Co insisted to check on the decrease as it is huge and it seems not a mere collection issue.

After Altura, Mr. Polinga presented for Puregold ex Kareila and the consolidated financial performance of Puregold and subsidiaries for the 1H 2017. The presentation material is hereto attached as Annex "B" and "C".

Mr. Lacson reminded the management to present a comparison of actual versus the target so that the Board will be apprised if the management is hitting the target.

Mr. Labra noticed that our revenues are not growing but our operating expenses are growing. He informed the Board that it need to produce a business model that will compete with local retailers in the province especially in the area of Visayas and Mindanao. He also suggested to sell local merchandise in our stores.

Mr. Huang advised the Board that he knows a businessman in Mindanao that can partner with Puregold in penetrating the Mindanao market by distributorship. Huang continued that this distributor can even pay cash to Puregold, so less risk for the Company.

Labra supported the stance of Huang and said that we should go back to the basic of distributorship as we go to the new territory, less risk and less investment. He reiterated that there must be VisMin plan separate from the Luzon.

Co said that there must be core management separate in Luzon, Visayas and Mindanao. He said VisMin is a different market and we must have a different sales strategy.

Lacson mentioned that we must have a table exercise, the plan must be presented to the Board and we should have pilot stores where we can do the project before we totally roll-out.

Co also added the impact of e-commerce that will surely happen soon in the Philippines. He said it will happen very fast and the management should be ready. Huang added that if you open store, you can only reach 5-10 km radius but in e-commerce you can deliver farther.

After the discussion, upon motion made by Mr. Dayao and seconded by Ms. Pamela Co, the Board, upon endorsement of the Audit Committee, approved the 2nd Quarter Consolidated Financial Statements of the Company for the year 2017.

D. OTHER MATTERS

No other matter was discussed during the meeting.

E. ADJOURNMENT

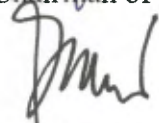
The meeting was adjourned at 12:00 pm.

We hereby certify that the above Minutes of Board Meeting dated August 14, 2017 are true, complete and correct.

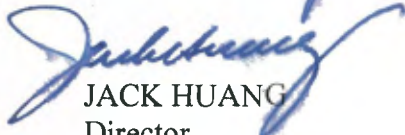

CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

Read and Signed the Minutes of Puregold board meeting dated August 14, 2017:


LUCIO L. CO
Chairman of the Board

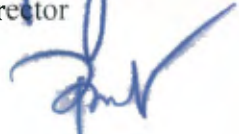

SUSAN P. CO
Director


LEONARDO B. DAYAO
Director


JACK HUANG
Director


MARILYN V. PARDO
Independent Director


FERDINAND VINCENT P. CO
Director


PAMELA JUSTINE P. CO
Director

EDGARDO G. LACSON
Independent Director


JAIME DELA ROSA
Independent Director

Annex A

Kareila Management Corporation

1st Half 2017 and 2016
Financial Statements

1



- Financial Performance
- Financial Position
- Cash Flows

2

Financial Performance – 1H



<i>Php in thousands</i>	1H 2017	%	1H 2016	%	Change	%
Net Sales	11,032,568	100.0%	8,868,564	100.0%	2,164,004	24.4%
Cost of Sales	8,630,658	78.2%	6,949,184	78.4%	1,681,474	24.2%
Gross Profit	2,401,910	21.8%	1,919,380	21.6%	482,530	25.1%
Other Operating Income	461,834	4.2%	447,485	5.0%	14,349	3.2%
Gross Income	2,863,745	26.0%	2,366,865	26.7%	496,879	21.0%
Operating Expenses	1,707,212	15.5%	1,288,194	14.5%	419,018	32.5%
Income from Operations	1,156,532	10.5%	1,078,671	12.2%	77,861	7.2%
Others-net	15,487	0.1%	3,863	0.0%	11,624	300.9%
Income Before Tax	1,141,045	10.3%	1,074,808	12.1%	66,238	6.2%
Income Tax Expense	341,443	3.1%	320,781	3.6%	20,662	6.4%
Income After Tax	799,603	7.2%	754,026	8.5%	45,576	6.0%

No. of Stores	12wh/28qsr	10wh/20qsr
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Financial Performance – Net Sales 1H



<i>Per Store Format Php in millions</i>	Store Count CY	Store Count PY	1H 2017	%	1H 2016	%	Change	%
S&R Warehouse	12	10	10,362	93.9%	8,412	94.9%	1,950	23.2%
S&R QSR	28	20	671	6.1%	456	5.1%	214	47.0%
Total	40	30	11,033	100%	8,868	100%	2,164	24.4%

Financial Performance – Net Sales 1H



Like-for-like Growth %	1H 2017 (10wh)	1H 2016 (9wh)
Net Sales	10.2%	2.7%
Ticket	6.4%	-0.9%
Traffic	3.6%	3.7%

Overall	Store Count		Traffic (in thousands)			Ticket		
			1H 2017	1H 2016	% growth	1H 2017	1H 2016	% growth
	CY	PY						
S&R WH	12	10	3,268	2,777	17.7%	3,452	3,357	2.8%

Financial Performance – Other Operating Income 1H



Php in thousands	1H 2017	%	1H 2016	%	Change	%
Concession Income	213,223	1.9%	205,119	2.3%	8,103	4.0%
Membership Income	176,454	1.6%	150,033	1.7%	26,421	17.6%
Merchandising Support	12,848	0.1%	46,840	0.5%	-33,992	-72.6%
Endcap/Pallet income	24,837	0.2%	27,578	0.3%	-2,741	-9.9%
Demo/Sampling	6,074	0.1%	4,736	0.1%	1,339	28.3%
Rent Income	11,058	0.1%	8,049	0.1%	3,009	37.4%
Miscellaneous Income	17,341	0.2%	5,128	0.1%	12,213	238.2%
OTHER OPERATING INCOME	461,834	4.2%	447,485	5.0%	14,349	3.2%

Financial Performance – Operating Expenses 1H



<i>Php in thousands</i>	1H 2017	%	1H 2016	%	Change	%
Concess fee	221,940	2.0%	207,462	2.3%	14,478	7.0%
Depreciation	262,035	2.4%	190,380	2.1%	71,655	37.6%
Salaries & wages	221,653	2.0%	189,439	2.1%	32,214	17.0%
Rent Expense	216,145	2.0%	147,899	1.7%	68,246	46.1%
Comm, Light & Water	141,875	1.3%	98,352	1.1%	43,523	44.3%
Manpower Agency Services	164,315	1.5%	114,934	1.3%	49,381	43.0%
Store & office supplies	118,046	1.1%	81,126	0.9%	36,920	45.5%
Taxes and licenses	75,255	0.7%	47,782	0.5%	27,473	57.5%
Advertising and promotion	96,082	0.9%	72,888	0.8%	23,193	31.8%
Repairs and maintenance	33,499	0.3%	29,064	0.3%	4,435	15.3%
Rent Expense - PAS 17	13,139	0.1%	4,891	0.1%	8,249	168.7%
Security services	24,602	0.2%	21,351	0.2%	3,251	15.2%
Disallowed input VAT	22,521	0.2%	16,518	0.2%	6,002	36.3%
SSS/Medicare and HDMF cont.	14,352	0.1%	12,236	0.1%	2,115	17.3%
Insurance	11,287	0.1%	7,745	0.1%	3,542	45.7%
Transportation and travel	12,555	0.1%	13,535	0.2%	-980	-7.2%
Fuel and oil	4,266	0.0%	2,966	0.0%	1,300	43.8%
Employee benefits	6,207	0.1%	2,743	0.0%	3,464	126.3%
Representation and ent.	328	0.0%	323	0.0%	5	1.5%
Professional Fee	1,622	0.0%	1,116	0.0%	505	45.3%
Miscellaneous expense	45,489	0.4%	25,443	0.3%	20,045	78.8%
TOTAL EXPENSES	1,707,212	15.5%	1,288,194	14.5%	419,018	32.5%

Financial Position – Assets



<i>Php in thousands</i>	As of 6/30/2017	As of 12/31/2016 (Audited)	Change	%
Current Assets				
Cash and cash equivalents	984,854	1,947,420	(962,566)	-49.4%
Receivables - net	65,029	296,926	(231,896)	-78.1%
Merchandise inventory	4,158,856	4,021,451	137,404	3.4%
Prepaid expenses and other current assets	345,480	305,304	40,176	13.2%
Total Current Assets	5,554,219	6,571,101	(1,016,882)	-15.5%
Noncurrent Assets				
Property and equipment – net	4,920,797	4,146,523	774,273	18.7%
Computer software – net	45,421	47,740	(2,319)	-4.9%
Deferred tax asset	81,411	81,411		0.0%
Security deposits	248,828	237,757	11,072	4.7%
Total Noncurrent Assets	5,296,457	4,513,431	783,026	17.3%
Total Assets	10,850,675	11,084,532	(233,856)	-2.1%

Financial Position – Liabilities

<i>Php in thousands</i>	As of 6/30/2017	As of 12/31/2016 (Audited)	Change	%
Current Liabilities				
Accounts payable and accrued expenses	1,493,351	2,045,798	(552,447)	-27.0%
Loans payable - current	700,000	500,000	200,000	40.0%
Income tax payable	162,498	339,203	(176,705)	-52.1%
Dividends payable		475,000	(475,000)	-100.0%
Other current liabilities	65,542	107,988	(42,446)	-39.3%
Total Current Liabilities	2,421,391	3,467,989	(1,046,598)	-30.2%
Noncurrent Liabilities				
Loans payable - non-current	400,000	400,000		0.0%
Retirement benefit obligation	151,868	151,868		0.0%
Noncurrent accrued rent	128,055	114,916	13,139	11.4%
Total Noncurrent Liabilities	679,923	666,784	13,139	2.0%
Total Liabilities	3,101,314	4,134,773	(1,033,459)	-25.0%

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Financial Position – Stockholders' Equity

<i>Php in thousands</i>	As of 6/30/2017	As of 12/31/2016 (Audited)	Change	%
Capital stock	2,125,000	2,125,000		
Reserve for retirement plan – net of tax	10,620	10,620		
Retained earnings	5,613,741	4,814,138	799,603	16.6%
Total Stockholders' Equity	7,749,361	6,949,758	799,603	11.5%
Total Liabilities and Stockholders' Equity	10,850,675	11,084,532	(233,856)	-2.1%

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Cash Flows

<i>in millions</i>	As of 6/30/2017	As of 06/30/2016
Cash flows from operating activities:		
Operating cash flows before changes in working capital	1,430	1,271
Net decrease (increase) in current assets	54	(406)
Net increase (decrease) in current liabilities	(594)	(1,262)
Interest and income tax paid - net	(532)	(435)
Net cash from (used in) operating activities	358	(832)
Cash flows from investing activities:		
Additions to property and equipment	(1,030)	(578)
Additions to computer software	(4)	(8)
Increase in security deposits	(11)	(16)
Net cash used in investing activities	(1,045)	(602)
Cash flows from financing activities:		
Dividends paid	(475)	(475)
Proceeds from short term loan	200	200
Net cash from (used in) financing activities	(275)	(275)
Net Decrease in Cash and Cash Equivalents	(962)	(1,709)
Cash and Cash Equivalents, Beginning	1,947	2,258
Cash and Cash Equivalents, Ending	985	549

"B"



1H 2017 and 2016

Consolidated Financial Statements – ex. Kareila

1

Summary

- Financial Performance
- Financial Position
- Cash Flows

2

Financial Performance

<i>Php in thousands</i>	1H 2017	%	1H 2016	%	Change	%
Net Sales	P45,543,178	100.0%	P42,189,180	100.0%	P3,353,998	7.9%
Cost of Sales	38,548,012	84.6%	35,822,940	84.9%	2,725,072	7.6%
Gross Profit	6,995,166	15.4%	6,366,240	15.1%	628,926	9.9%
Other Operating Income	1,132,466	2.5%	1,033,474	2.4%	98,992	9.6%
Gross Income	8,127,632	17.8%	7,399,714	17.5%	727,918	9.8%
Operating Expenses	5,680,081	12.5%	5,208,824	12.3%	471,256	9.0%
Income from Operations	2,447,552	5.4%	2,190,890	5.2%	256,662	11.7%
Others-net	(49,166)	-0.1%	(40,551)	-0.1%	(8,614)	21.2%
Income Before Tax	2,398,386	5.3%	2,150,338	5.1%	248,047	11.5%
Income Tax Expense	709,857	1.6%	637,547	1.5%	72,310	11.3%
Income After Tax	P1,688,529	3.7%	P1,512,792	3.6%	P175,737	11.6%
EPS	P0.61		P0.55			
Total Operating Stores	303		278			

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Financial Performance – Net Sales

<i>Per Store Format Php in millions</i>	Store Count CY	Store Count PY	1H 2017	%	1H 2016	%	Change	%
Hypermarket	156	141	P32,524	71.4%	P29,852	70.8%	P2,672	9.0%
Supermarket	99	92	9,122	20.0%	8,172	19.4%	950	11.6%
Extra	31	28	1,380	3.0%	1,240	2.9%	140	11.3%
NE Supermarket	9	9	1,363	3.0%	1,302	3.1%	61	4.7%
Budgetlane	8	8	1,154	2.5%	1,624	3.8%	(470)	-28.9%
Total	303	278	P45,543	100.0%	P42,189	100.0%	P3,354	7.9%

<i>Per Store Age Php in millions</i>	Store Count CY	Store Count PY	1H 2017	%	1H 2016	%	Change	%
Old stores	249	252	P40,281	88.4%	P38,893	92.2%	P1,388	3.6%
2016 new stores	26	9	2,293	5.0%	371	0.9%	1,922	517.8%
2017 new stores	11	-	452	1.0%	-	0.0%	452	-
NE Supermarket	9	9	1,363	3.0%	1,302	3.1%	61	4.7%
Budgetlane	8	8	1,154	2.5%	1,624	3.8%	(470)	-28.9%
Total	303	278	P45,543	100.0%	P42,189	100.0%	P3,354	7.9%

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Financial Performance – Net Sales

Like-for-like Growth %	Puregold	
	1H 2017 (249 stores)	1H 2016 (224 stores)
Net Sales	4.0%	7.0%
Ticket	2.8%	6.7%
Traffic	1.2%	0.2%

Overall	Store Count		Traffic (in thousands)			Ticket		
			1H 2017	1H 2016	% growth	1H 2017	1H 2016	% growth
	CY	PY						
Puregold *	295	270	79,587	73,415	8.4%	558	553	0.9%
Hypermarket	156	141	49,150	45,042	9.1%	662	663	-0.2%
Supermarket	99	92	23,449	21,700	8.1%	389	377	3.3%
Extra	31	28	4,938	4,562	8.2%	279	272	2.8%
NE	9	9	2,050	2,111	-2.9%	665	617	7.8%

*Excluding budgetlane

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Financial Performance – Other Operating Income

Php in thousands	1H 2017	%	1H 2016	%	Change	%
Concession Income	P544,328	1.2%	P479,099	1.1%	P65,229	13.6%
Display Allowance	285,178	0.6%	270,430	0.6%	14,748	5.5%
Rent Income	178,061	0.4%	178,420	0.4%	(359)	-0.2%
Membership Income	20,594	0.0%	19,181	0.0%	1,413	7.4%
Listing Fee	34,418	0.1%	43,383	0.1%	(8,965)	-20.7%
Miscellaneous Income	69,888	0.2%	42,961	0.1%	26,927	62.7%
OTHER OPERATING INCOME	P1,132,466	2.5%	P1,033,474	2.4%	P98,992	9.6%

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Financial Performance – Operating Expenses

<i>Php in thousands</i>	1H 2017	%	1H 2016	%	Change	%
Manpower	P2,461,889	5.4%	P2,174,433	5.2%	P287,456	13.2%
Rent Expense	1,091,683	2.4%	1,048,521	2.5%	43,162	4.1%
Utilities expense	789,555	1.7%	736,392	1.7%	53,163	7.2%
Depreciation	520,840	1.1%	493,463	1.2%	27,377	5.5%
Taxes, permits and licenses	248,821	0.5%	216,177	0.5%	32,645	15.1%
Store & office supplies	157,115	0.3%	152,934	0.4%	4,181	2.7%
Repairs and maintenance	157,387	0.3%	148,601	0.4%	8,785	5.9%
Insurance	73,745	0.2%	64,083	0.2%	9,662	15.1%
Advertising and promotion	36,817	0.1%	39,555	0.1%	(2,738)	-6.9%
Representation and entertainment	19,348	0.0%	23,287	0.1%	(3,939)	-16.9%
Disallowed Input VAT	27,225	0.1%	27,381	0.1%	(156)	-0.6%
Fuel and oil	22,539	0.0%	17,938	0.0%	4,601	25.6%
Transportation	14,468	0.0%	15,677	0.0%	(1,209)	-7.7%
Royalty expense	21,333	0.0%	19,454	0.0%	1,879	9.7%
Professional Fee	11,446	0.0%	12,858	0.0%	(1,412)	-11.0%
Miscellaneous expense	25,869	0.1%	18,069	0.0%	7,800	43.2%
TOTAL EXPENSES	P5,680,081	12.5%	P5,208,824	12.3%	P471,256	9.0%

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Financial Position - Assets

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Current Assets				
Cash and cash equivalents	P877,222	P4,468,464	(P3,591,242)	-80.4%
Investments in trading securities	41,055	35,109	5,946	16.9%
Receivables - net	3,362,593	4,076,515	(713,922)	-17.5%
Merchandise inventory	12,899,553	12,466,373	433,180	3.5%
Prepaid expenses and other current assets	835,372	662,625	172,747	26.1%
Total Current Assets	P18,015,795	P21,709,085	(P3,693,291)	-17.0%
Noncurrent Assets				
Investments	P17,277,385	P17,277,385	P-	0.0%
Property and equipment – net	11,647,182	11,565,099	82,083	0.7%
Deferred tax assets	972,505	927,204	45,302	4.9%
Intangibles	2,834,036	2,834,259	(223)	0.0%
Other noncurrent assets	1,372,306	1,271,508	100,798	7.9%
Total Noncurrent Assets	34,103,414	33,875,454	227,959	0.7%
Total Assets	P52,119,208	P55,584,540	(P3,465,331)	-6.2%

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Financial Position - Liabilities

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Current Liabilities				
Accounts payable and accrued expenses	P3,563,751	P7,602,887	(P4,039,136)	-53.1%
Loans payable	3,457,500	4,517,500	(1,060,000)	-23.5%
Income tax payable	369,166	504,344	(135,178)	-26.8%
Due to related parties	21,333	33,777	(12,443)	-36.8%
Current maturities of longterm debt - net	120,000	120,000	-	0.0%
Other current liabilities	231,799	295,876	(64,077)	-21.7%
Total Current Liabilities	P7,763,550	P13,074,384	(P5,310,834)	-40.6%
Noncurrent Liabilities				
Noncurrent accrued rent	P2,950,900	P2,794,968	P155,932	5.6%
Long-term debt - net	1,998,139	1,997,097	1,042	0.1%
Retirement benefits liability	317,390	317,390	-	0.0%
Total Noncurrent Liabilities	5,266,429	5,109,455	156,974	3.1%
Total Liabilities	P13,029,978	P18,183,839	(P5,153,860)	-28.3%

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Financial Position- Equity

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Equity				
Capital stock	P2,785,363	P2,785,363	P-	0.0%
Reserve for retirement plan - net of tax	51,904	51,904	-	0.0%
Additional paid in capital	20,830,391	20,830,391	-	0.0%
Treasury stock – at cost	(56,702)	(56,702)	-	0.0%
Retained earnings	15,478,275	13,789,746	1,688,529	12.2%
Total Equity	P39,089,230	P37,400,701	P1,688,529	4.5%

Cash Flows

<i>Php in thousands</i>	1H 2017	1H 2016
Income before income tax	P2,398,386	P2,150,339
Noncash operating items	715,420	715,468
Operating income before changes in working capital	P3,113,806	P2,865,807
Increase in merchandise inventory	(433,180)	(1,261,560)
Decrease in other operating assets	66,175	353,541
Decrease in accounts payable and other accrued expense	(3,205,594)	(2,167,486)
Decrease in other operating liabilities	(76,520)	52,963
Cash absorbed by operations	(535,313)	(156,735)
Interest received	6,008	3,548
Interest paid	(56,347)	(40,335)
Income taxes paid	(890,337)	(837,383)
Net cash used in operating activities	(P1,475,989)	(P1,030,905)

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Cash Flows

<i>Php in thousands</i>	1H 2017	1H 2016
Additions to property and equipment	(594,598)	(779,333)
Decrease in other investing activities	368,959	426,896
Net cash used in investing activities	(P225,639)	(P352,438)
Net payment of loans	(1,060,000)	(460,000)
Dividends paid	(829,614)	(829,614)
Net cash used in financing activities	(P1,889,614)	(P1,289,614)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,591,242)	(2,672,957)
CASH AND CASH EQUIVALENTS, BEGINNING	4,468,464	3,987,915
CASH AND CASH EQUIVALENTS, END	P877,222	P1,314,959

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Key Performance Indicator

	Jun 2017	Dec 2016
Current Ratio ⁽¹⁾	2.32	1.66
Asset to Equity Ratio ⁽²⁾	1.33	1.49
Debt to Equity Ratio ⁽³⁾	0.33	0.49
Debt to Total Assets Ratio ⁽⁴⁾	0.25	0.33
Book Value per Share ⁽⁵⁾	P14.14	P13.52

	1H 2017	1H 2016
Earnings Per Share ⁽⁶⁾	P0.61	P0.55
Return on Assets ⁽⁷⁾	3.1%	3.0%
Return on Equity ⁽⁸⁾	4.4%	4.3%

Notes:

(1) Current Ratio = Current assets over current liabilities

(2) Asset to Equity Ratio = Total assets over total equity

(3) Debt to Equity Ratio = Total liabilities over total equity

(4) Debt to Total Assets Ratio = Total liabilities over total assets

(5) Book Value Per Share = Total equity over total common shares outstanding

(6) Earnings Per Share = Net income after tax over weighted average common shares outstanding

(7) Return on Assets = Net income after tax over average total assets

(8) Return on Equity = Net income after tax over average total equity

thank you...

Financial Performance

<i>Php in thousands</i>	Q2 2017	%	Q2 2016	%	Change	%
Net Sales	P23,566,735	100.0%	P21,781,726	100.0%	P1,785,009	8.2%
Cost of Sales	20,025,575	85.0%	18,571,121	85.3%	1,454,454	7.8%
Gross Profit	3,541,160	15.0%	3,210,605	14.7%	330,555	10.3%
Other Operating Income	606,067	2.6%	533,155	2.4%	72,912	13.7%
Gross Income	4,147,227	17.6%	3,743,760	17.2%	403,467	10.8%
Operating Expenses	2,975,029	12.6%	2,679,966	12.3%	295,063	11.0%
Income from Operations	1,172,198	5.0%	1,063,794	4.9%	108,404	10.2%
Others-net	(20,571)	-0.1%	(17,808)	-0.1%	(2,763)	15.5%
Income Before Tax	1,151,627	4.9%	1,045,986	4.8%	105,641	10.1%
Income Tax Expense	339,537	1.4%	309,772	1.4%	29,765	9.6%
Income After Tax	P812,090	3.4%	P736,214	3.4%	P75,876	10.3%

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Key Performance Indicator

	Jun 2017	Jun 2016	Dec 2016
Days in Receivables	6.1	4.2	6.8
Days in Inventory	59.2	54.2	53.2
Days in Payables	13.1	14.8	18.9

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PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES (except Kareila)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017 and 2016



	CONSOLIDATED PPCI			CONSOLIDATED PPCI (excluding NE and GT)			NE			BUDGETLANE		
	Jun 2017	Jun 2016	Change	Jun 2017	Jun 2016	Change	Jun 2017	Jun 2016	Change	Jun 2017	Jun 2016	Change
Net Sales	45,543.2	42,189.2	3,354.0	43,026.5	39,263.9	3,762.6	1,363.1	1,301.7	61.3	1,153.6	1,623.5	(469.9)
Cost of Sales	38,548.0	35,822.9	2,725.1	36,299.5	33,196.9	3,102.6	1,228.4	1,170.7	57.7	1,020.1	1,455.4	(435.3)
GROSS PROFIT	6,995.2	6,366.2	628.9	6,727.0	6,067.0	660.0	134.7	131.1	3.6	133.5	168.1	(34.7)
OTHER OPERATING INCOME	1,132.5	1,033.5	99.0	1,089.7	956.4	133.3	16.6	28.1	(11.5)	26.1	48.9	(22.8)
GROSS INCOME	8,127.6	7,399.7	727.9	7,816.7	7,023.5	793.3	151.3	159.2	(7.9)	159.6	217.0	(57.4)
OPERATING EXPENSES	5,680.1	5,208.8	471.3	5,386.8	4,917.2	469.6	125.1	112.1	13.0	168.2	179.5	(11.3)
OPERATING INCOME/EBIT	2,447.6	2,190.9	256.7	2,429.9	2,106.3	323.7	26.2	47.2	(20.9)	(8.6)	37.5	(46.1)
Interest Expense	(52.4)	(38.0)	14.4	(52.4)	(38.0)	14.4	0.0	0.0	0.0	0.0	0.0	0.0
Interest Income	6.0	3.5	2.5	5.9	3.2	2.7	0.0	0.1	(0.1)	0.1	0.3	(0.2)
Other income/(Expenses)	(2.8)	(6.1)	3.3	(2.8)	(6.1)	3.3	0.0	0.0	0.0	(0.0)	0.0	(0.0)
	(49.2)	(40.6)	(8.6)	(49.3)	(40.9)	(8.4)	0.0	0.1	(0.1)	0.1	0.3	(0.2)
INCOME BEFORE TAX	2,398.4	2,150.3	248.0	2,380.7	2,065.4	315.3	26.3	47.2	(20.9)	(8.5)	37.7	(46.3)
Current	756.1	693.7	62.3	747.6	665.0	82.6	8.4	14.8	(6.4)	0.1	13.9	(13.8)
Deferred	(46.2)	(56.2)	(10.0)	(43.0)	(52.8)	(9.9)	(0.6)	(0.7)	(0.1)	(2.7)	(2.7)	(0.0)
Provision for Income Tax	709.9	637.5	72.3	704.6	612.2	92.4	7.9	14.1	(6.3)	(2.6)	11.2	(13.8)
INCOME AFTER TAX	1,688.5	1,512.8	175.7	1,676.1	1,453.2	222.9	18.4	33.1	(14.7)	(6.0)	26.5	(32.5)

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES (except Kareila)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017



	Actual 2017		Budget 2017		FAV (UNFAV)	
Net Sales	45,543,177,959	100.0%	46,697,124,654	100.0%	(1,153,946,695)	-2.5%
Cost of Sales	38,548,012,136	84.6%	39,267,644,200	84.1%	719,632,064	1.8%
GROSS PROFIT	6,995,165,823	15.4%	7,429,480,454	15.9%	(434,314,631)	-5.8%
OTHER OPERATING INCOME	1,132,466,353	2.5%	1,086,861,219	2.3%	45,605,135	4.2%
GROSS INCOME	8,127,632,177	17.8%	8,516,341,673	18.2%	(388,709,496)	-4.6%
OPERATING EXPENSES	5,680,080,664	12.5%	5,541,403,108	11.9%	(138,677,557)	-2.5%
OPERATING INCOME/EBIT	2,447,551,512	5.4%	2,974,938,565	6.4%	(527,387,053)	-17.7%
Interest Expense	(52,418,678)	-0.1%	(39,636,845)	-0.1%	(12,781,833)	-32.2%
Interest Income	6,007,790	0.0%	-	0.0%	6,007,790	0.0%
Other income/(Expenses)	(2,754,686)	0.0%	-	0.0%	(2,754,686)	0.0%
	(49,165,574)	-0.1%	(39,636,845)	-0.1%	(9,528,729)	-24.0%
INCOME BEFORE TAX	2,398,385,938	5.3%	2,935,301,720	6.3%	(536,915,782)	-18.3%
Provision for Income Tax	709,857,043	1.6%	865,914,007	1.9%	156,056,964	18.0%
INCOME AFTER TAX	1,688,528,895	3.7%	2,069,387,712	4.4%	(380,858,818)	-18.4%

Operating Expenses

	INCREASE (DECREASE)															
	OLD STORES		2016 NEW		2017 NEW		NE		BL		HO		NOOP		TOTAL	
Rent Expense	(27.5)	-2.9%	57.7	410.0%	13.0	0.0%	0.2	1.2%	(0.0)	0.0%	(0.2)	-1.4%	0.0	0.0%	43.2	4.1%
Manpower Agency Services - Operations	113.1	12.6%	61.9	357.5%	16.6	0.0%	4.6	24.0%	(8.3)	-16.8%	1.3	8.5%	0.0	0.0%	189.2	19.0%
Communication, light & water	3.1	0.5%	37.1	515.4%	11.6	0.0%	1.7	13.0%	(1.3)	-6.2%	0.9	10.3%	(0.0)	-100.0%	53.2	7.2%
Salaries & wages	19.9	4.9%	26.4	532.0%	6.8	0.0%	0.6	3.4%	(5.9)	-29.4%	12.9	9.0%	0.0	0.0%	60.7	10.3%
Depreciation and amortization	(28.6)	-6.5%	35.8	621.3%	8.1	0.0%	0.8	14.4%	1.6	8.8%	9.7	42.2%	0.0	0.0%	27.4	5.5%
Security services	(19.6)	-5.3%	25.1	297.3%	7.1	0.0%	(1.2)	-14.3%	0.4	3.4%	(0.1)	-11.6%	0.0	0.0%	11.5	2.9%
Taxes, permits and licenses	20.9	10.2%	5.8	1021.6%	0.3	0.0%	0.0	0.0%	5.7	718.4%	(0.1)	-35.0%	(0.0)	-63.7%	32.6	15.1%
Store & office supplies	(2.9)	-2.2%	4.0	62.9%	6.4	0.0%	0.8	18.6%	(2.7)	-45.6%	(1.4)	-37.5%	(0.0)	-100.0%	4.2	2.7%
Repairs and maintenance	0.2	0.2%	2.5	287.2%	0.9	0.0%	0.3	3.1%	1.6	88.4%	3.4	61.7%	0.0	0.0%	8.8	5.9%
Janitorial and messengerial services	4.9	6.7%	4.8	232.9%	1.2	0.0%	0.0	0.2%	0.0	0.0%	0.1	2.8%	0.0	0.0%	11.0	14.1%
Other selling expenses	4.3	18.7%	1.5	1117.7%	0.3	0.0%	0.1	10.8%	(1.1)	-45.2%	5.1	11.4%	0.0	0.0%	10.2	14.4%
Insurance	3.0	5.1%	4.2	493.1%	1.0	0.0%	0.3	27.7%	0.7	85.8%	0.5	23.0%	0.0	0.0%	9.7	15.1%
SSS/Medicare and HDMF contributions	1.8	5.7%	2.1	516.0%	0.6	0.0%	0.1	4.7%	(0.2)	-14.2%	0.5	5.5%	0.0	0.0%	4.8	11.1%
Representation and entertainment	(4.4)	-25.8%	0.4	371.1%	0.2	0.0%	0.1	87.9%	(0.1)	-72.4%	(0.1)	-1.2%	0.0	0.0%	(3.9)	-16.9%
Professional fee	(0.9)	-11.6%	(0.1)	-48.0%	0.1	0.0%	0.2	0.0%	(0.2)	-100.6%	(0.6)	-11.2%	0.0	0.0%	(1.4)	-11.0%
Royalty Expense	0.7	3.6%	1.0	517.8%	0.2	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	1.9	9.7%
Disallowed Input VAT	(1.9)	-7.0%	1.2	272.5%	0.4	0.0%	0.0	25.0%	0.1	25.8%	0.0	0.0%	0.0	0.0%	(0.2)	-0.6%
Fuel and oil	2.5	17.0%	0.9	485.8%	0.5	0.0%	0.2	78.6%	(0.1)	-25.9%	0.6	23.5%	0.0	0.0%	4.6	25.6%
Transportation	(0.5)	-4.3%	0.9	405.5%	0.4	0.0%	(0.0)	-9.6%	(0.2)	-58.2%	(1.7)	-50.1%	0.0	0.0%	(1.2)	-7.7%
Advertising and promotion	0.0	-26.9%	0.0	0.0%	0.0	0.0%	(0.0)	-53.1%	(0.3)	-100.0%	1.2	41224.5%	0.0	0.0%	1.0	246.5%
Donations & Contributions	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Retirement benefits cost	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Miscellaneous expense	(12.2)	-23.7%	1.9	440.0%	0.8	0.0%	4.4	1553.3%	(1.0)	-35.8%	10.2	446.2%	0.0	0.0%	4.1	7.2%
TOTAL OPEX	76.0	1.7%	275.1	388.9%	76.4	0.0%	13.0	11.6%	(11.3)	6.3%	42.0	14.5%	(0.0)	-96.3%	471.3	9.0%

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1H 2017 and 2016
Consolidated Financial Statements

1

Summary

- Financial Performance
- Financial Position
- Cash Flows

2

Financial Performance

<i>Php in thousands</i>	1H 2017	%	1H 2016	%	Change	%
Net Sales	P56,575,746	100.0%	P51,057,744	100.0%	P5,518,002	10.8%
Cost of Sales	47,178,670	83.4%	42,772,124	83.8%	4,406,546	10.3%
Gross Profit	9,397,076	16.6%	8,285,620	16.2%	1,111,456	13.4%
Other Operating Income	1,594,301	2.8%	1,480,959	2.9%	113,342	7.7%
Gross Income	10,991,377	19.4%	9,766,579	19.1%	1,224,797	12.5%
Operating Expenses	7,387,293	13.1%	6,497,019	12.7%	890,274	13.7%
Income from Operations	3,604,084	6.4%	3,269,561	6.4%	334,523	10.2%
Others-net	(64,653)	-0.1%	(44,415)	-0.1%	(20,238)	-45.6%
Income Before Tax	3,539,431	6.3%	3,225,146	6.3%	314,285	9.7%
Income Tax Expense	1,051,300	1.9%	958,328	1.9%	92,972	9.7%
Income After Tax	P2,488,132	4.4%	P2,266,818	4.4%	P221,313	9.8%
EPS	P0.90		P0.82			
Total Operating Stores	315*		288*			

*excluding 28 QSR in 1H 2017 and 17 QSR in 1H 2016

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Financial Position - Assets

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Current Assets				
Cash and cash equivalents	P1,862,075	P6,415,883	(P4,553,808)	-71.0%
Investments in trading securities	41,055	35,109	5,946	16.9%
Receivables – net	3,427,623	3,880,856	(453,233)	-11.7%
Merchandise inventory	17,058,409	16,487,824	570,584	3.5%
Prepaid expenses and other current assets	1,180,851	981,917	198,934	20.3%
Total Current Assets	P23,570,013	P27,801,590	(P4,231,576)	-15.2%
Noncurrent Assets				
Investments	P799,651	P799,651	P-	0.0%
Property and equipment - net	16,567,978	15,711,622	856,356	5.5%
Intangibles	19,558,044	19,560,586	(2,542)	0.0%
Other noncurrent assets	1,621,135	1,509,265	111,869	7.4%
Total Noncurrent Assets	38,546,808	37,581,124	965,683	2.6%
Total Assets	P62,116,821	P65,382,714	(P3,265,893)	-5.0%

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Financial Position - Liabilities

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Current Liabilities				
Accounts payable and accrued expenses	P5,055,673	P9,643,659	(P4,587,986)	-47.6%
Loans payable	4,157,500	5,017,500	(860,000)	-17.1%
Income tax payable	531,664	843,547	(311,883)	-37.0%
Due to related parties	21,333	33,777	(12,443)	-36.8%
Current maturities of longterm debt - net	120,000	120,000	-	0.0%
Other current liabilities	297,341	403,864	(106,523)	-26.4%
Total Current Liabilities	P10,183,511	P16,062,347	(P5,878,836)	-36.6%
Noncurrent Liabilities				
Noncurrent accrued rent	P3,078,955	P2,909,884	P169,071	5.8%
Long-term debt - net	2,398,139	2,397,097	1,042	0.0%
Deferred tax liabilities - net	325,818	371,120	(45,302)	-12.2%
Retirement benefits liability	469,258	469,258	-	0.0%
Total Noncurrent Liabilities	6,272,170	6,147,359	124,811	2.0%
Total Liabilities	P16,455,681	P22,209,706	(P5,754,025)	-25.9%

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Financial Position - Equity

<i>Php in thousands</i>	Jun 2017	Dec 2016	Change	%
Equity				
Capital stock	P2,785,363	P2,785,363	P-	0.0%
Reserve for retirement plan - net of tax	62,524	62,524	-	0.0%
Additional paid in capital	20,830,391	20,830,391	-	0.0%
Treasury stock – at cost	(56,702)	(56,702)	-	0.0%
Retained earnings	22,039,564	19,551,432	2,488,132	12.7%
Total Equity	P45,661,140	P43,173,008	P2,488,132	5.8%

Cash Flows

<i>Php in thousands</i>	1H 2017	1H 2016
Income before income tax	P3,539,431	P3,225,146
Noncash operating items	1,004,262	912,106
Operating income before changes in working capital	P4,543,693	P4,137,252
Increase in merchandise inventory	(570,584)	(1,742,609)
Decrease in other operating assets	227,796	162,301
Decrease in accounts payable and other accrued expense	(3,754,444)	(3,136,746)
Increase (decrease) in other operating liabilities	(118,957)	17,283
Cash generated from (absorbed by) operations	328,742	(563,680)
Interest received	8,911	9,085
Interest paid	(72,928)	(47,239)
Income taxes paid	(1,382,883)	(1,262,810)
Net cash used in operating activities	(P1,119,396)	(P1,863,483)

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Cash Flows

<i>Php in thousands</i>	1H 2017	1H 2016
Additions to property and equipment	(1,624,890)	(1,357,898)
Increase in other investing activities	(119,908)	(71,653)
Net cash used in investing activities	(P1,744,798)	(P1,429,550)
Net payment of loans	(860,000)	(260,000)
Dividends paid	(829,614)	(829,614)
Net cash used in financing activities	(P1,689,614)	(P1,089,614)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,553,808)	(4,382,648)
CASH AND CASH EQUIVALENTS, BEGINNING	6,415,883	6,246,493
CASH AND CASH EQUIVALENTS, END	P1,862,075	P1,863,845

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Key Performance Indicator

	Jun 2017	Dec 2016
Current Ratio ⁽¹⁾	2.31	1.73
Asset to Equity Ratio ⁽²⁾	1.36	1.51
Debt to Equity Ratio ⁽³⁾	0.36	0.51
Debt to Total Assets Ratio ⁽⁴⁾	0.26	0.34
Book Value per Share ⁽⁵⁾	P16.51	P15.61
	1H 2017	1H 2016
Earnings Per Share ⁽⁶⁾	P0.90	P0.82
Return on Assets ⁽⁷⁾	3.9%	3.9%
Return on Equity ⁽⁸⁾	5.6%	5.7%

Notes:

(1) Current Ratio = Current assets over current liabilities

(2) Asset to Equity Ratio = Total assets over total equity

(3) Debt to Equity Ratio = Total liabilities over total equity

(4) Debt to Total Assets Ratio = Total liabilities over total assets

(5) Book Value Per Share = Total equity over total common shares outstanding

(6) Earnings Per Share = Net income after tax over weighted average common shares outstanding

(7) Return on Assets = Net income after tax over average total assets

(8) Return on Equity = Net income after tax over average total equity

thank you...