



30 September 2013

Philippine Stock Exchange
Ayala Tower, Ayala Avenue,
Makati City

Attention: **Janet Encarnacion**
Head, Disclosure Department

**SUBJECT MATTER: REPLY TO LETTER DATED SEPTEMBER 30, 2013
ENTITLED, "PUREGOLD TO OPEN 25 NEW STORES IN NEXT 5 YEARS"**

GENTLEMEN:

This is in response to your letter requiring us to clarify or confirm the news article posted in Philstar.com on September 30, 2013. The article states:

Puregold to open 25 new stores in next 5 years

By Neil Jerome C. Morales (The Philippine Star) | Updated September 30, 2013 - 12:00am

MANILA, Philippines - Grocery chain Puregold Price Club Inc. is extending its phase of aggressive store expansion to five years given unserved cities and municipalities nationwide.

The country's second largest retailer is putting up a minimum of 25 new stores annually in the next five years, longer than the previous three-year rapid expansion program, an official said.

"We have counted close to 500 cities and first class municipalities nationwide. From where we are now, we are not even scratching one-fourth of that universe," Jimmy F. P. Perez, investor relations officer of Puregold, said in a forum organized by BPI Securities Corp.

"That's the reason why in the next five years, Puregold is targeting a minimum store rollout of 25 new Puregold stores annually and these would be very much Puregold Hypermarkets," Perez said.

In previous filings and investor presentations, the grocery chain outlined only a three-year expansion that involves at least 25 new branches every year.

Puregold's 192 stores are located in 88 cities and first class municipalities, leaving unserved most potential sites in the country, Perez said.

We are now very much concentrating in moving outside Metro Manila that's why out of 35 new stores this year, only three are in Metro Manila," Perez added.

Puregold also programmed the establishment of four new stores in Mindanao, 14 in Northern Luzon and 14 in Southern Luzon.

Its rapid expansion will be backed by internally generated cash, Perez said.

"We generate about P3.5 billion to P4 billion in cash annually. That's why we are targeting a minimum of 25 stores annually because those 25 stores will require P3 billion capital expenditures," Perez said.

But given ample liquidity and low interest rates, Puregold can also take advantage of bank loans, Perez said.

As of end-June, Puregold has 192 stores with a net selling area of more than 330,000 square meters. In the first semester, the company opened 21 new Puregold and S&R stores. It also acquired Company E Corp.'s 15 branches.

"We will be hitting 200 stores when we open the San Fernando, La Union branch in October," Perez said.

This year, the grocery chain of Lucio and Susan Co is branching out in Mindanao with the opening of its flagship store in Cagayan de Oro and an S&R Membership Club in Davao as part of plan to reach 200 outlets ahead of the 2015 original schedule.

In the first half, Puregold posted a 71.5-percent surge in net income to P1.77 billion from P1.03 billion a year ago. Net sales jumped nearly 42 percent to P33.01 billion from P23.27 billion last year while cost of sales grew at a slower pace of 39 percent to P27.23 billion.

From just one store in 1998, Puregold has grown to be the closest competitor of grocery giant SM Retail Inc. It targets to grow its consolidated net sales by 30 percent to roughly P75 billion this year from P57.5 billion in 2012.

Puregold allotted P3.5 billion to open 35 new Puregold stores and one S&R store this year.

We confirm the statements made by our Investor Relations Officer, Mr. Jimmy Perez, during the said forum organized by BPI Securities Corp.

Thank you.

Very truly yours,


Candy H. Dacanay-Datuon
Assistant Corporate Secretary