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## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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**PHILWEB CORPORATION**

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(Company's Full Name)

**The Penthouse, Alphaland Southgate Tower  
2258 Chino Roces Avenue cor. EDSA, Makati City**

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(Company's Address)

**338-5599**

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(Telephone Number)

**December 31**

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(Fiscal Year Ending)  
(month & day)

**Quarterly Report Pursuant to Section 17  
of the Securities Regulation Code and SRC Rule 17  
(2) (b) Thereunder**

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Form Type

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Amendment Designation (if applicable)

September 30, 2014

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2014
2. Commission identification number 39121 3. BIR Tax Identification No 000-141-527-000
4. Exact name of issuer as specified in its charter PhilWeb Corporation
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office The Penthouse, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City Postal Code 1232
8. Issuer's telephone number, including area code (632)338-5599
9. Former name, former address and former fiscal year, if changed since last report NA

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding (net of treasury shares of 81,380,938)
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Common P1 par value	1,432,616,314 *
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\* Inclusive of 260,392,307 number of shares held by PCC, a wholly-owned subsidiary of PhilWeb Corporation

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange / Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

## Part I - Financial Information

### Item 1. Financial Statements See attached

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standard.

The same accounting policies and methods of computation are followed in the interim and annual financial statements.

There are no seasonal aspects that have an effect on the Company's results of operations.

There are no unusual items affecting Assets, Liabilities, Equity, Net income, or Cash Flows.

There are no changes in estimates of amounts reported in the prior financial periods.

There is no disclosure on segment information in the Company's annual financial statements.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements.

There are no major changes in the Company, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations, other than the following:

1. The Company acquired in December 2006, April, June and September 2007, 100% ownership of four companies established in British Virgin Islands, namely, Immediate Focus Investment Limited, Leadwood Investment Limited, Now Gain Investment Limited and Nottendale Investments Limited. These are the companies that own the 2.285 billion ISM Communications Corporation shares registered under the name of SIIS Investment Holdings Limited.
2. In 2007, the Company registered with the Securities and Exchange Commission (SEC) the following subsidiaries:
  - a.) PhilWeb Gaming Solutions Corporation (PGSC) with primary purpose to develop, create, market, promote, manage, operate and license game promotions and gaming solutions, either by itself or in conjunction with other companies. On July 17, 2012, PGSC has changed its corporate name to e-Magine Gaming Corporation and its registered activity to engage in developing technology for gaming industry.
  - b.) PhilWeb Leisure & Tourism Corporation (PLTC) primary purpose to establish, operate, and maintain leisure and tourism oriented activities. As of September 30, 2014, PLTC has not commenced its operation.
  - c.) PhilWeb Tourism and Entertainment Corporation (PTEC) with primary purpose to establish, operate and maintain leisure and tourism oriented activities, except in the travel agency business, and facilities such as but not limited to hotels, courts, stadiums and other facilities for the conduct of any

and all kinds of sports and games. As of September 30, 2014, PTEC has not commenced its operation.

- d.) PhilWeb Casino Corporation (PCC) with primary purpose to develop, engage and maintain gaming systems and applications for all types of casino operations whether land-based, internet-based or virtual. PCC has not commenced its operation as of September 30, 2014.
3. On February 26, 2007, the Parent Company was registered with the BOI, under Registration No. 2007-030, on a pioneer status as new IT Service Firm in the field of an Application Service Provider. ITH entitlement period started on March 1, 2007 to February 28, 2013.
  4. On February 16, 2009, the Parent Company exercised its right to subscribe to 1 share for every 1.92 common shares of ISM Communications Corporation held. The subscription payment amounted to P166,225,645 which covers 16,622,564,499 shares of ISM Communications Corporation. This subscription increased the Parent Company's holdings in ISM Communications Corporation from 24.5 billion shares or 19.4% in 2008 to 41.1 billion shares or 21.5% in February 2009.
  5. On June 1, 2009, the Parent Company purchased 5,428,740,000 common shares of ISM Communications Corporation through Uscon Limited, a Hongkong based company. The total additional investment amounted to P172,250,000 which was also paid in the same month. This brings the holdings of the Parent Company to ISM Communications Corporation from 41.1 billion shares or 21.5% to 46.6 billion shares or 24.3%.
  6. On September 14, 2009, the Securities and Exchange Commission approved the Company's Amended Articles of Incorporation which increased the par value of the Company's common shares from P0.01 per share to P1.00 per share. The amount of authorized capital stock of the Company remains at P2.6 billion. The number of authorized shares decreased from 260 billion at P0.01 per share to 2.6 billion shares at P1.00 per share.
  7. In October 2009, PhilWeb International Gaming Corp. (PIGC) was registered with the Securities and Exchange Commission to engage in international gaming which are legal in the countries in which it will operate. On July 13, 2010, PIGC established PhilWeb Asia Pacific Corp. (PAPC) to engage in international gaming ventures including all forms of gaming which are legal in countries in which it will operate.
  8. On December 22, 2009, the Parent Company entered into an Agreement relating to the sale and purchase in January 2010 of certain shares of Acentic GmbH with LBC Capital Sarl (LBC Capital), Host Union International Limited and ISM Communications Corporation.
  9. On January 11, 2010, the Parent Company completed the acquisition of 32.5% of Acentic GmbH, a Germany based company engaged in hotels and other multi-dwelling establishment thru Host Union International Limited in the amount equivalent to P658 million.

10. On February 3, 2010, PhilWeb Mobile Lottery Corp. (PMLC) was registered with the SEC with primary purpose to operate, as may be permitted by law, either alone or in partnership with others, mobile-based lottery games and other related mobile game offerings. PMLC has not commenced operation as of September 30, 2014.
11. On August 19, 2010, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on September 20, 2010 to shareholders of record as of September 3, 2010. The total amount paid for such declaration was P125 million.
12. On April 13, 2011, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on May 13, 2011 to shareholders of record as of April 28, 2011. The total amount paid for such declaration was P126 million.
13. On September 07, 2011, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on October 04, 2011 to shareholders of record as of September 21, 2011. The total amount paid for such declaration was P126 million.
14. On February 15, 2012, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on March 16, 2012 to shareholders of record as of March 1, 2012. The total amount paid for such declaration was P126 million.

Also on the same date, the Board of Directors' declared 20% stock dividend payable on May 30, 2012 to shareholders of record as of May 4, 2012. The stock dividends distributed amounted to P252 million.

15. On April 19, 2012, the Stock Option Plan Committee of the Company approved the awarding to selected officers and employees of options to subscribe a total of 8.9 million shares at a price of P14.00 per share.
16. On July 10, 2012, ePLDT Inc. and the Company signed the Share Purchase Agreement covering 397,892,307 shares or 26.28% of the total outstanding capital of the Company. The sale of shares priced at P10.70 will be executed in four tranches to be completed by the end of 2013.

Acquisition of shares in the first tranche was consummated on July 13, 2012.

17. On July 17, 2012, PGSC has amended its Articles of Incorporation changing its primary purpose to "to develop technology for gaming industry" and its principal office address to Penthouse, Alphaland Southgate Tower 2258 Chino Roces Avenue corner EDSA Makati City.
18. On September 24, 2012, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on October 15, 2012 to shareholders of record as of October 8, 2012. The total amount paid for such declaration was P142 million.
19. In relation to Note 16, the Company sold the first tranche representing 93,457,944 of Company-owned shares to PhilWeb Casino Corporation (PCC), a wholly owned subsidiary, on October 18, 2012.

20. On October 19, 2012, PCC, on behalf of the Company, accelerated the acquisition of the second tranche of shares from ePLDT which also comprise of 93,457,944 shares of the Company at the same price of Php10.70 per share.
21. On October 22, 2012, the Company and PCC entered into a Placement Agreement with UBS AG and Religare Capital Markets (Hong Kong) Limited acting as placement agents for the sale of 137.5 million shares of the Company to qualified buyers at a price of P15.00 per share or a total aggregate price of P2,062.5 million.
22. On November 15, 2012, the Company executed an investment agreement with Pure Corporate Investments Ltd., a company organized and existing under the laws of the British Virgin Islands, where the Parent Company, in consideration for 100% ownership in PCIL, exchanged its 50% ownership in Host Union.
23. On November 21, 2012, the BOD approved the creation of a share buyback program.
24. On November 29, 2012, the Philippine Economic Zone Authority approved the application for registration of e-Magine Gaming Corporation (formerly PhilWeb Gaming Solutions Corporation), a subsidiary of PhilWeb Corporation, as an Ecozone Export Enterprise to develop and manufacture electronic machines at the Laguna Technopark - Special Economic Zone.
25. On December 14, 2012, the BOD approved the disposal of investment of PCIL in Host Union for a total consideration of P810.0 million.
26. In relation to Note 3, on January 23, 2013, the BOI approved a one year extension of the Company's ITH covering the period from March 1, 2013 to February 28, 2014.
27. On February 19, 2013, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on March 15, 2013 to shareholders of record as of March 5, 2013. The total amount paid for such declaration was P138 million.
28. In relation to Notes 19 and 20, PCC and ePLDT transacted the third tranche of Philweb shares totaling 93,457,944 shares on June 13, 2013. The total price paid for third tranche is P1,015 million or P10.86 per share.
29. On November 19, 2013 as approved by the BOD, the Parent Company executed a Stock Purchase Agreement with Monfortino Holdings, Inc. (MHI) and agreed to sell its 466 million shares or 24.30% interest on ISM for a price of P1.50 per share.
30. PCC and ePLDT transacted the fourth and last tranche of Philweb shares totaling 117,518,475 shares on December 13, 2013. The total price paid for last tranche is P1,297 million or P11.04 per share.
31. On February 13, 2014 the BOI approved the registration of this new project under New Creative Industries/Knowledge-Based Services Provider (Software Development) on a Non-Pioneer Status. This will entitle the Parent Company to an ITH for four (4) years for all the income generated thru this new location, provided however that certain conditions in investment and employment requirements are met as provided under the Parent Company's registration terms and conditions.

32. On March 4, 2014, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on March 28, 2014 to shareholders of record as of March 18, 2014. The total amount paid for such declaration was P117 million.
33. On May 26, 2014, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on June 23, 2014 to shareholders of record as of June 9, 2014. The total amount paid for such declaration was P117 million.
34. On July 11, 2014, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on September 15, 2014 to shareholders of record as of September 1, 2014. The total amount paid for such declaration was P117 million.

Also on the same date, the Company's Board of Directors approved the declaration of cash dividends of P0.10 per share payable on December 5, 2014 to shareholders of record as of November 21, 2014.

There are no contingent liabilities or contingent assets since the last annual balance sheet date.

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

#### Earnings Per Share

Earnings per share is determined by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed as aforementioned and assuming further that all outstanding options are exercised at the beginning of the period.

The weighted average number of common shares used in determining basic and diluted earnings per share is shown below:

	Basic*	Diluted*
September 30, 2014	1,172,224,007	1,172,224,007
September 30, 2013	1,352,455,620	1,352,455,620

\* Net of treasury shares directly held by PhilWeb and PCC, a wholly-owned subsidiary.

#### Financial Instruments: Recognition and Measurements and Disclosure: (PAS 39 and PFRS 7)

##### Non-derivative Financial Instruments

Non-derivative Financial instruments comprise of cash and cash equivalents, receivables, due to/from related parties and accounts payable and accrued expenses.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets, as appropriate. When financial assets are initially recognized, they are measured at fair value. In the case of investments not at FVPL, fair value at initial recognition includes directly attributable transaction costs. The Company determines the classification of its financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date. The Company has no HTM investment, AFS financial asset and financial assets and liabilities at FVPL as of September 30, 2014.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

#### Cash and cash equivalents

Cash includes cash on hand and in banks and is stated at its face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

#### Receivables

Receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less allowance for impairment loss. An allowance for impairment loss of receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

#### Other financial liabilities

This category pertains to financial liabilities that are not designated as at FVPL at the inception of the liability. This includes liabilities arising from operations or borrowings. These are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

### New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these interim consolidated financial statements. None of these is expected to have a significant impact on the interim consolidated financial statements of the Group, except for PFRS 9, Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statement and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group will adopt the following new and revised standards and amendments to standards in the respective effective dates:

*Effective January 1, 2014*

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)

*No definite date - Originally January 1, 2015*

- PFRS 9, Financial Instruments (2009), PFRS 9, Financial Instruments (2010) and PFRS 9, Financial Instruments (2013)

## Item 2. Management's Discussion and Analysis of Key Financial Condition and Results of Operations

The Company became an Internet Services company in January 18, 2000 upon the stockholders' approval of a restructuring plan which involved changes in the Company's name, primary purpose, increase in capital stock, declassification of shares, increase in the number of directors, and adoption of new by-laws, among other matters. At the same meeting, the stockholders likewise authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets.

On January 18, 2000, the Company entered into a Deed of Assignment with All-Acacia Resources, Inc. whereby the Company transferred all its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of ₱18 million which had been agreed to be converted to equity of the Company, and arrange for the resignation, retirement or termination of all the Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Company free and harmless from any expense, liability or obligation arising from the operation of the Company as of the date of the Agreement.

The change in the Company's corporate name to "PhilWeb.Com, Inc.", its primary purpose from a mining and oil exploration company to that of an Internet Service company, increase in the number of directors to 15, and adoption of new By-laws became effective upon the approval by the SEC on February 8, 2000. The SEC subsequently approved the increase in the Company's authorized capital stock to P2.6 Billion and the declassification of its common shares to one class on March 6, 2000.

At the annual stockholders' meeting on May 31, 2002, the stockholders approved the change in corporate name from "PhilWeb.Com, Inc." to "PhilWeb Corporation". The stockholders also approved the inclusion of the gaming business as an additional secondary purpose of the Company. The SEC approved these changes on November 5, 2002.

On November 28, 2002, the Company signed a Memorandum of Agreement with Philippine Amusement and Gaming Corporation (PAGCOR) for the Company to provide PAGCOR with technical consultancy and marketing services related to Internet Sports Betting. PAGCOR has launched its Internet Sports Betting website called BasketballJackpot.Net, with the objective of getting a slice of the US\$10 billion worldwide Sports Betting market. In April 2004, the Company launched its internet casino business.

At the annual stockholders' meeting on May 29, 2003, the stockholders approved the change in the primary purpose of the Company to develop, design, build, install, own, possess, use, operate, manage, market and maintain gaming systems, applications, programs, and operating platforms and facilities of every description, including but not limited to integrated and on-line computer systems, terminals, software, servers and routers together with interconnecting and interlinking telecommunications systems for voice data and multimedia transmission and interexchange for the transport, storage and processing of messages and data; to do any and all acts, activities and undertakings in relation to, arising out of and incidental to the development, design, building, installment, ownership, possession, usage, operation, management, marketing and maintenance of such gaming systems, applications, programs, and operating platforms and facilities, including but not limited to the sale and the leasing of such gaming systems, applications, programs, and operating platforms and facilities, and the supply and provision of management, operation, technical and marketing expertise and other advisory and consultation services in relation thereto, including but not limited to services to Philippine Amusement and Gaming Corporation (PAGCOR) and, as permitted by law, other gaming operators.

PhilWeb's current main revenue business consists of licensing proprietary software and providing technical, marketing and cash management services to PAGCOR's over 290 e-Games Cafés formerly known as Internet Casino Stations.

#### **PAGCOR e-Games cafés**

In 2003, we signed an agreement with the PAGCOR to launch e-Games stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from close to three hundred casino games, including baccarat, blackjack, various slot machine games, video poker and others. Most e-Games cafés operate on a 24/7 basis.

As of the third quarter 2014, the Company's core business, the PAGCOR e-Games stations (PeGS Cafés) grew to 299 cafés. The network of total gaming terminals increased by 9.9% from the same period last year to 8,208.

Gross bets placed as of the third quarter of 2014 rose to P102.6 billion or 4.0% growth from last year's P98.7 billion of the same period.

In 2013, major highlight for e-Games was the roll-out of a new version of their, back-end software provider, Realtime Gaming (RTG) and the installation of a new server. This enabled e-Games to accommodate more players and paved the way for account-based play. e-Games also achieved the highest winnings in one day of P19 million. Apart from RTG, Microgaming continues to provide its suite of casino games into various cafés.

In accordance with PAGCOR regulations, all sites began renovation in 2013. Renovating the sites brought about an enhanced player experience, with newly- installed bars, lounges and craps tables. These site renovations will continue through 2014.

Finally, there e-Games operators are moving away from the entrepreneurial model with sites consolidating operations under larger corporations. This approach will lead to a more professional, improved, and uniform operations.

### *Marketing Highlights*

e-Games launched a new Membership and Rewards Program which has more than fifty thousand active accounts to date. Here, players have access to a web-based interface that allows them to manage their accounts, participate in quarterly promotions, and redeem exclusive reward items. Three nationwide raffle draws were held, with more than P50 million in prizes given away. To ease the logistics of a raffle of this scale, an Electronic Raffle Draw system was used. Aside from winning through raffle coupons, members can now redeem premium items and avail of exclusive perks from partner brands and establishments. These include lifestyle, travel and dining rewards.

e-Games also held events and product activations, which focused more on geographic segments. e-Games brand ambassadors would conduct product demonstrations and host events in high-traffic establishments near each e-Games venue. Participants who joined were given merchandise and free credits which could be claimed upon registration at featured e-Games outlets.

e-Games also tapped different marketing channels. One channel utilized was an SMS campaign to augment player acquisition by capturing participants' contact information and measuring player conversion at the same time. Social media campaigns were also used wherein promotions required fans to register online and activate their membership onsite. The combined effort of events, mobile and social media campaigns have brought in several hundred new e-Games players.

The e-Games website was also revamped, with a newly-integrated Online Registration Module and a partnership with Double Down, a free play app that links to Social Networking sites.

e-Games turned to print media with its advertisements featured in magazines such as FHM, Cosmopolitan, Rogue, and Forbes Asia. A reader response mechanism was included in the advertising material.

In 2014, PAGCOR e-Games marketing program has two key goals in mind. The first is to focus on direct-to-player marketing through the membership and rewards program. This will be achieved by conducting nationwide and site-level draws every quarter, identifying and securing partnership deals with upscale brands and establishments, and launching the SVIP Rewards Program which will offer exclusive treats and a dedicated concierge for established high rollers. During the quarter, top e-Games players were brought to Alphaland Balesin where they had the opportunity to interact with the executives of PhilWeb Corporation. Insights provided by the players proved to be valuable in improving the e-Games experience.

The second goal is twofold. e-Games intends to expand its VIP base through strategic events activations and amplify the brand reach through various channels. To do this, e-Games will conduct a series of on-ground activations and participate in events with wide brand mileage; continue utilizing SMS, Digital Marketing, and Direct Mail to promote brand awareness and reach new customers; and place advertisements in magazines, newspapers, and adult

establishments. To date, these activities have led to the acquisition and conversion of nearly 2,000 new e-Games players nationwide.

### **BigGame, Inc.**

BigGame, Inc. or BGI, is a wholly owned subsidiary of PhilWeb Corporation. BGI owns and operates 16 PeGS Cafès making it one of the largest operators in the business.

BGI's revenue as of the third quarter 2014 was P159.4 million, 1.1% higher compared to 2013 of the same period.

Higher player traffic and reloading activity brought Total Bets and Operator's Commissions to an all-time high. BGI Jaka, an e-Games site at Paranaque City, completed its last phase of operations expansion towards the end of Q4 of 2013. This added 62 terminals to the network. BGI acquired an e-Games site at Imus, Cavite last Nov 2013 that added another 33 terminals to the network. BGI La Union expanded its operations from 28 to 40 terminals last May 2014.

Some of the innovative ideas which were tested in BGI sites are the following:

- VIP Couple Seats, which were tested in the Morato and Blue Wave branches. This new feature allows couples to play alongside each other. The effect of having this new feature produced high daily terminal wins.
- VIP Pods in Morato. These pods were patterned after the "business class" concept as seen in the airline industry, where everything is within easy reach. This has become more popular than the VIP Couple Seats. Additional pods have been rolled out in the JAKA Paranaque branch.
- For a different look, curved terminals were also introduced. This type of terminal produced twice daily terminal wins than regular terminals.
- First introduced in 2012, lounge chairs with dedicated tables continued to receive positive feedback from players. With more accurate data tracking, the Daily Terminal Win from the lounge chair set-up was well over 50% more than the Daily Terminal Win of a standard cubicle.
- The VIP booth was further enhanced with the addition of plush recliner chairs. This comfy recliner allows players to relax while playing their favorite casino games.

In 2013, BGI's marketing efforts were focused on player retention and taking care of its VIP clients. Player retention was handled by way of the "I Won BIG" raffle, a mid-year raffle activity that garnered around 50,000 to 60,000 entries. Prizes for this event were P5,000 bet vouchers. Another was the Scratch, Match & Drop Christmas raffle, where players stood the chance of winning instant prizes like P5,000 load. For its VIP clients, BGI gave free trips to Balesin Island Club to its top ten patrons.

BGI Marketing also focused on site-specific strategies. These activities were based on player demographics. Some of the activities that BGI joined in 2013 include the "Soul Surf" and "Panagbenga" festival for its La Union branch players, "Sinulog" festival for its Cebu branch players, and the "Grand Wine Event", of which BGI was one of the major sponsors. BGI also sponsored events at nearby cockfighting arenas to introduce patrons to the BGI gaming experience.

BGI Marketing also had an increased presence in Social Media in 2013. Twitter and Facebook are two of the heavily used Social Media apps where BGI made its presence felt. Players were also informed of various BGI promotions via SMS. The referral program, which began in 2012, was also continued.

In 2014, BGI will carry on with its site expansions, refurbishments and renovations to existing cafes. A fresh new look with the introduction of the successful VIP booths and lounge chairs will be available very soon to BGI Buendia customers. Renovation that started last 29 September 2014 will be done by early December 2014. Growth, not only in terms of the number of terminals but also manpower, marketing efforts, reach and operations, was achieved in 2013.

The group will also look out for innovative ways to keep the player experience fresh and stay up-to-date with the current trends in the gaming industry. The group will adapt to these new trends to ensure continuous improvements are being carried out at its sites.

BGI's marketing group will continue to expand and carry on with activities focused on player acquisition, player retention and on-ground activations. It aims to grow the player base and keep players engaged in BGI promotions and events. Future BGI raffle promotions will be based more on player deposits.

#### **PhilWeb Asia Pacific**

PhilWeb Asia Pacific (PWAP) was incorporated in 2010 with the mandate to take the existing profitable business of PhilWeb Corporation and replicate these across the Asia Pacific region.

In 2011 PWAP opened its Sweeps Center in Guam and Scratch Card distribution in Timor. PWAP also took the opportunity to launch a Scratch Card product in Cambodia in 2012. These businesses provided the company a foothold in various markets. There was further expansion in 2013 with the second Sweeps Center opening in Guam, while a combination "sports trading and lottery card" branded Kartu Bintang was launched in Indonesia in partnership with top Indonesian soccer team Persib from Bandung.

PWAP's scratch card business suffered a slowdown in 2013 due to conditions outside of management control. The Cambodia business was affected when the economy ground to a halt due to protest actions following general elections, despite the launch of a popular \$0.25 equivalent scratch card. In Timor-Leste, the withdrawal of the United Nations peacekeeping forces in late 2012 and early 2013 limited employment opportunities and lowered income levels for the general population. This led to a slowdown in Scratch Card sales. The Guam Sweeps Centers were voluntarily shut-down in the second quarter of 2014 due to changes in gaming legislation. New products are being designed to ensure compliance with the new legislation in advance of the Sweeps Centers reopening in the latter part of the year.

Despite the setbacks in 2013 and 2014, PWAP continues with its aim to establish and expand its presence in Asia-Pacific and beyond. The management is evaluating the Company's approach to the various opportunities in regulated markets and looks forward to a stronger product offering, particularly in partnership with e-Magine Gaming.

## **Premyo Sa Resibo**

Premyo sa Resibo, Inc. (PSR) is the longest-running, SMS-based raffle program in the Philippines. Launched in 2006, in partnership with the Bureau of Internal Revenue (BIR), the program encourages proper tax declaration from local establishments and professionals.

This year, PSR focused on online and on-ground activities to create awareness for, and recognition of the program to various demographics. Presence online and on-ground increased participation in the program to over 1.8 million users to have tried the service at least once in 2013.

To join, consumers text in their Official Receipt details (TIN#, OR# and OR amount) to PhilWeb's special access numbers. Each valid transaction serves as a raffle entry to the PSR draws, in which the texter can win prizes up to a million pesos. PhilWeb submits all the information gathered to the BIR for validation and cross-referencing with their list of registered establishments. This aids the BIR in determining the legitimacy of receipts being issued to consumers nationwide. In 2013, PSR received close to 10 million SMS entries, from over 1.8 million official receipts representing over 264,000 establishments. Since its inception, the program has received close to 200 million SMS entries and has awarded close to P200 million in prizes.

PSR has been running for more than eight years as a key program with the BIR. It has achieved its objective of making people abreast of the importance of asking receipts. It provided support to BIR in plugging leakages related to compliance of taxpayers. Effective October 1, 2014, as agreed by both parties (PhilWeb and BIR), the PSR program ceased operation.

## **e-Magine Gaming**

e-Magine Gaming Corporation is a key subsidiary of PhilWeb Corporation. The Company's primary purpose is to develop and manufacture gaming terminals with integrated software and hardware. Launched in 2012, e-Magine's goal is to strengthen PhilWeb's international revenues and support its local and Asia Pacific businesses.

2013 was a milestone year for e-Magine gaming. This was the year the company became fully-operational, with the introduction of its Genesis console to the Global market. To move e-Magine into the international gaming arena, selected members of the e-Magine team were sent to major trade shows in Macau (May) and Las Vegas (December) where they put the machine through its paces in front of a discerning gaming clientele. The positive feedback to these roadshow events was overwhelming. Majority of the positive inquiries generated came from distributors interested in harnessing the machine's capabilities, as well as prospective partners willing to integrate their software with e-Magine's hardware.

e-Magine's Genesis console represents a bold leap forward for the gaming arena, both locally and internationally. There has never been anything quite like it; a machine which utilizes a Windows-based operating platform to handle a multitude of unique and varied gaming applications. Unlike traditional slot machines which are one-dimensional in nature, the e-Magine Genesis console offers all that and more. An idea whose time has come, e-Magine's Genesis has given the gaming market a product that is wholly different.

The Company further cemented its status with the formal opening of its new production plant in Binan, Laguna in November 2013. When operating at full production capacity, the plant can produce 30,000 units a year.

## The Genesis Console

The Genesis, with its touch-screen console, distinctive red and black piping, and futuristic LED lights, was given a few significant upgrades to enhance its already powerful capabilities. The first improvement was made on its touch screen. Initial touch screens were seen as being less responsive and e-Magine's R&D team immediately responded to the challenge with a new screen that performs at a rate on par with most of today's current crop of smart phone and tablet devices. The second improvement was made to its CPU. Early units were bulky and prone to overheating. The latest Genesis CPU has been reduced in size and generates less heat, making it more efficient for long-term use. A third improvement was made to its internal machinery. With better and cleaner wiring, maintenance of the console will be less of a hassle. Finally, a new compact and lightweight design to its exterior shell casing will allow for easier transportability.

In addition to these, the colors of the Genesis console can be customized. Customers can choose their own colorways for their specific units, adding a touch of individuality to the machine. Likewise, the unit's LED lights can also be modified to match the overall look of the external shell casing.

## Corporate Services

### *Customer Services*

In 2013, the Customer Services Department with its two (2) working groups - Contact Center and Field Support - continued to render 24/7 support to the technical requirements and daily operational issues of e-Games, Premyo sa Resibo and International Business.

The department's Contact Center which serves as the heart of all customer transactions, embarked on process improvements to simplify handling of inquiries and requests. Soft skills were reinforced through weekly calibrations, mentoring, and coaching. To gauge the impact of this endeavour to the shops, a satisfaction survey was conducted during the first quarter of 2013. The results were encouraging after these yielded an overall rating of 97%.

Furthermore, the Field Support Group successfully carried out several major projects for e-Games' gaming terminals. These projects included: transitioning from terminal-based game play to account-based play; RTG version 12 Costello installation; switching to the new cashiering system using Launchpad-Spyder Client; deployment of the Teamviewer Corporate Account Centralization and preventive maintenance works. The team was also material in the nationwide expansion of the number of game terminals. To enhance their technical skills, the group had the opportunity to attend external trainings on Comprehensive Computer Hardware Troubleshooting and CCNA CISCO networking. Support processes and SLAs were also established.

For 2014, the Customer Services Group will continue to strive for improvement and consistent service across all channels. New processes and support systems will be made available to both local and international products. A customer satisfaction survey is planned to extend up to the services of other teams like Field Support and Liaison Officers. Field Support will also explore new systems and processes to reduce dispatch works and eventually shorten turnaround time of technical isolation, restoration and system deployment. This move will pave the way for more staff productivity.

The Contact Center, will carry on with their trainings to align skills and attitude of its frontliners.

## *Finance*

The Finance Department's main objective is to develop and implement financial systems and internal control policies which would help the Company keep track of critical financial reports coming from the Company's various revenue groups. With regard to e-Games, the department is responsible for ensuring that all receivables from e-Games cafés are collected and all receipts are recorded in a timely and accurate manner. e-Games operators are reminded to deposit their gross hold (GH) to a PhilWeb-nominated bank account or have their GH picked up by authorized riders.

Finance thru its Top-up Division, using Company-owned POS system, monitors real-time and on 24/7 basis the cash balances of all PeGS across the country. This enables the Company to manage and minimize the cash risk of each and all e-Games site at any point in time.

In 2013, thru a partnership with financial institution, the Company is able to replenish cash requirements of all sites wherever and whenever.

## *Information Technology*

PhilWeb's Information Technology group is composed of four functional departments. These departments were put in place to support PhilWeb's 24/7 operations. The IT group consists of the following: Software Development, Infrastructure, Security and Service Delivery. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The IT Software Development Department contributes to the software design and customization of homegrown software to ensure the achievement of the company's goal in managing its day-to-day business operations and reporting. Always forward thinking, the department focuses on research and development that will help PhilWeb improve on its services.

The Infrastructure Department's primary function is to ensure that PhilWeb's core services are working at the optimum level in order to provide seamless service 24/7. PhilWeb's network and servers are the lifeline of the business. Services rely on this network to function smoothly and without interruption. The Infrastructure Department is there to make sure nothing goes wrong by performing day-to-day support and maintenance. PhilWeb's internal corporate clients are the main recipients of this service, however this expert support service is also extended to e-Games operators.

The Security team ensures that PhilWeb's daily operations are kept free from malicious activities, attacks, and unauthorized access from both the internet and within the network. The department manages the implementation of the hardware and software components, including its policies, to ensure a safe and secure environment for PhilWeb's business and its operators.

The Service Delivery Department focuses on the implementation and management of quality IT services. The department ensures quality in the delivery of the services by providing 24/7 monitoring and level one support for IT-related issues, managing projects from requirements gathering to deployment, managing changes in the production environment and doing quality assurance on customizations done on homegrown software.

In 2013, the IT division strengthened security within the critical e-Games network by taking full control of its network. This was achieved by creating a private network through a leased line.

With this installation, the response time to casino operations lessened and security risks were minimized.

Key e-Games franchise holders also availed of the private network lines thus getting the same benefit of what BGI was experiencing.

Moving forward, the IT Division's transformational goal is to become a true service-oriented department propelled by continuous improvement. As IT impacts through all departments, it seeks to be both responsive and proactive in anticipating the needs of users. It also aims to document and regularly engineer processes for simplification and better efficiency while enabling the entire organization to effectively reach their growth targets.

IT aims to improve the skill sets of its team by introducing new technology and sending a team representative for a skill upgrade training - be it technical or soft skill development. This way, new IT leaders are trained and honed to ensure the continuity of goals and objectives.

## RESULTS OF OPERATION

	For the Third Quarter Ended September 30, 2014	For the Third Quarter Ended September 30, 2013
<b>Income Statement</b>		
Revenues	1,218,376,715	1,109,847,300
Costs and Expenses	457,733,869	499,291,984
Other Income (Expense) - Net	(25,181,175)	108,894,114
Net Income After Tax	645,700,026	715,236,204
Retained Earnings at Beginning of Period	2,085,982,906	2,073,440,049
Retained Earnings at End of Period	2,379,749,402	2,656,676,069
<b>Balance Sheet</b>		
Current Assets	1,166,059,747	1,403,323,868
Total Assets	2,130,543,638	3,369,770,721
Total Liabilities	1,283,723,511	868,268,588
Total Equity	846,820,127	2,501,502,133

Total revenues increased by P108.5 million, or 9.8%, to P1,218.4 million as of the third quarter of 2014 from P1,109.8 million registered in the same period last year. The increase was contributed mainly by the PeGS business.

Cost and expenses decreased by P41.6 million, or 8.3%, to P457.7 million for the nine months ended September 30, 2014 from P499.3 million posted in the same period last year. This was mainly due to decreased in headcount and operating cost in Asia-Pacific businesses.

Other income (expense) - net decreased by P134.1 million, or 123%, to (P25.2 million) as of the third quarter of 2014 from P108.9 million recorded in the same period last year. This was mainly due to equity in net earnings from an associate in 2013, and interest expense and income tax expense in 2014.

Overall, the Company's operating income grew by 24.6% and EBITDA also increased by 21.6%. Net income however, declined mainly due to other income attributable to equity earnings that was recorded as of third quarter last year, and interest expense and income tax expense that were recognized in 2014.

The Company's key performance indicators for the nine months ended September 30, 2014 and 2013 are the following:

<b>Financial Ratios</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Net Income Margin (Net Income / Net Revenues)	53.0%	64.4%
Operating Income Margin (Operating Income / Net Revenue)	62.4%	55.0%
Current Ratio (Current Assets/Current Liabilities)	0.98:1.00	1.77:1.00
Asset to Equity Ratio (Total Assets / Total Equity)	2.52:1.00	1.35:1.00
Debt to Equity Ratio (Total Liabilities / Total Equity)	1.52:1.00	0.35:1.00
Return on Total Assets (Net Income / Total Assets)	30.3%	21.2%
Return on Total Equity (Net Income / Total Equity)	76.3%	28.6%
Interest Rate Coverage Ratio (EBIT / Interest Expense)	16.9:1.00	69.0:1.00

Performance for the Period January 1, 2013 to September 30, 2014  
(Comparison of Balance Sheets as of September 30, 2014 and December 31, 2013)

#### *Cash and Cash Equivalents*

The cash and cash equivalents increased by P8.7 million or 2.5% versus last year. The Company operations generated cash amounting to P864.3 million before working capital changes. The cash was mainly used to pay short term bank loans, invest on expansions and pay off dividends.

#### *Receivables*

The receivables increased by P38.7 million or 15.2% versus last year mainly due to advances and deposits to suppliers.

#### *Inventories*

The increase in inventories amounting to P61.0 million or 109.0% mainly pertains to the increase of inventory of raw materials for the production of gaming terminal of e-Magine Gaming Corporation.

#### *Notes Receivable*

The decrease in notes receivable of P14.8 million or 4.7% versus last year, was mainly due to the collection of interest earned from receivable.

#### *Prepayments and Other Current Assets*

Prepayments and other current assets increased by P9.3 million or 9.5% versus last year mainly due to input VAT claimed on purchases and prepaid rent.

#### *Investment in Associates*

Investment in associates of P14.8 million pertains to investment in Alphaforce Security Agency, Inc. of P8.4 million and Choice Insurance Brokerage, Inc. of P6.4 million.

#### *Noncurrent Receivable*

Noncurrent receivable of P656.1 million represents the noncurrent portion of the receivables arising from the sale of investment in Acentic.

#### *Property and Equipment*

The decrease in property and equipment of 7.9 million or 3.2% represents total acquisitions, net of depreciation.

As of third quarter 2014, total CAPEX for servers and for the new business location (located at One San Miguel Ave., Cor. Shaw Blvd Ortigas Center, Brgy. San Antonio, Pasig City) amounted to P55.4 million.

#### *Deferred Tax Assets*

Deferred tax assets recognized amounting to P8.4 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

#### *Other Noncurrent Assets*

Other noncurrent assets increased by P2.6 million or 5.9% mainly due to the increase in rental deposits as a result of business expansions.

#### *Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses increased by P133.5 million or 62.9% due to purchases and obligations with suppliers.

#### *Notes payable*

Notes payable pertains to unpaid bank loans amounting to P850.0 million. P350.0 million was paid during the period.

#### *Retirement Benefits Liability*

The increase in retirement benefits liability of P7.2 million or 25.9% represents additional provision for employees' retirement benefits.

#### *Operators' deposit*

The increase of operators' deposit of P2.0 million or 3.9% represents the cash received from operators that serves as a bond/security in case the operators defaults from payments. This deposit is to be returned to the operators after termination of the contract.

#### *Retained earnings*

The increase in retained earnings of P293.8 million or 14.2% was attributable to the net income during the period of P645.4 million, net of cash dividends of P351.6 million.

#### *Cumulative translation adjustment*

The cumulative translation adjustment represents the foreign currency differences that are recognized in other comprehensive income.

#### Quantitative and Qualitative Disclosures on Financial Instruments

The Company's principal financial instruments consist of cash and cash equivalents, receivables, due from related parties and accounts payable and accrued expenses.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and market risk. The policies for managing each of these risks are provided below:

- a. Credit Risk is limited to the risk arising from inability of a debtor to make payments when receivables are due. The Company's internet gaming business is made on cash basis and internet gaming operators are covered by required security deposits. Other receivables arise from one of transactions and are due and demandable on a short-term basis. Due to this reasons, the Company has no significant exposures to credit risk as of September 30, 2014.

The carrying amount of receivables represents the Company's maximum exposure to credit risks in relation to financial assets.

- b. Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Company monitors its cash flows and ensures that credit facilities are available to meet its obligation when they fall due.
- c. Market risks is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Fair values

The fair values of the Company's financial instrument approximate their carrying amounts as of balance sheet date either because of their relatively short-term nature or the interest rates they carry approximate interest rates for comparable instruments in the market.

#### Key Performance Indicators of Subsidiaries for the nine months ended September 30, 2014.

BigGame, Inc., Premyo sa Resibo, Inc., and PhilWeb Asia-Pacific are the operating subsidiaries as of September 30, 2014. Thus, there is no key performance indicators discussed herein for other subsidiaries.

BigGame, Inc. (BGI), is a wholly owned subsidiary that started commercial operations in July 2005. BGI's total revenue for the nine months ended September 30, 2014 was at ₱159.4 million, 1.1% higher as compared to 2013 total revenue of ₱157.7 million of the same period.

Premyo sa Resibo Program (PSR), a joint activity among Department of Finance, BIR and PhilWeb's fully owned subsidiary, Premyo sa Resibo, Inc., was launched in June 2006. The main objective of PSR was to encourage consumers to ask for their Official Receipts (OR) and find

innovative solutions to our government's massive tax leakage problem. The program is currently providing vital information to BIR for its tax collection campaign.

On October 1, 2014, PSR ceased operation as agreed with BIR and PhilWeb.

Philweb Asia-Pacific, thru its subsidiaries, started commercial operations in Timor in November 2011, in Cambodia in March 2102, and in Guam in October 2011.

The respective Board of Directors of the following subsidiaries, in their meeting held on May 31, 2007 had approved the amendment in the corporate existence of the companies from 50 years to a period ending September 30, 2007:

1. PhilWeb Software Corporation
2. PhilWeb Cyberworld Corporation

Clearances from the Bureau of Internal Revenue are presently being obtained in relation to the shortening of the corporate existence of the above mentioned subsidiaries.

There were no events that triggered direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

The current capitalization of the Company and expected future revenues from its various activities are projected to sufficiently meet the Company's operating cash requirements.

Acquisition of computer and equipment and other facilities is not expected to be of material amounts.

No extraordinary purchase of plant and equipment are expected beyond those in the regular course of the Company's operations. All purchases will be financed through internally generated funds and existing capitalization.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the Company's revenues or continuing operations.

There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.

**Part II - Other Information**

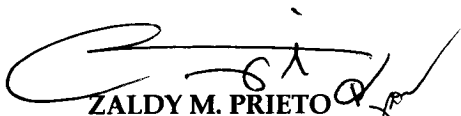
There are no disclosures not reported under SEC Form 17-C.

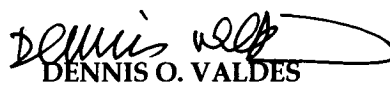
**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PHILWEB CORPORATION**

Registrant

  
ZALDY M. PRIETO  
SVP and Chief Finance Officer

  
DENNIS O. VALDES  
President

November 12, 2014

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Quarterly Report - January 1, 2014 - September 30, 2014

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	September 30 2014 (Unaudited)	December 31 2013 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	350,699,179	341,990,428
Accounts receivable - net	292,528,467	253,868,791
Inventories	117,049,689	56,010,531
Notes receivable	298,077,029	312,910,738
Prepaid expenses and other current assets	107,705,383	98,368,624
<b>Total Current Assets</b>	<b>1,166,059,747</b>	<b>1,063,149,112</b>
<b>Noncurrent Assets</b>		
Noncurrent receivable	656,100,000	656,100,000
Investment in associates	14,764,861	14,764,861
Property and equipment - net	238,456,872	246,408,600
Deferred tax assets	8,390,035	17,565,805
Other assets	46,772,123	44,170,803
<b>Total Noncurrent Assets</b>	<b>964,483,891</b>	<b>979,010,069</b>
	<b>2,130,543,638</b>	<b>2,042,159,181</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	345,770,975	212,294,548
Notes payable	850,000,000	1,200,000,000
<b>Total Current Liabilities</b>	<b>1,195,770,975</b>	<b>1,412,294,548</b>
<b>Noncurrent Liabilities</b>		
Retirement benefits liability	35,197,536	27,966,784
Operators' deposits	52,755,000	50,755,000
<b>Total Noncurrent Liabilities</b>	<b>87,952,536</b>	<b>78,721,784</b>
<b>Total Liabilities</b>	<b>1,283,723,511</b>	<b>1,491,016,332</b>
<b>Equity</b>		
Capital stock	1,388,916,731	1,388,913,231
Additional paid-in capital	1,081,882,866	1,081,837,366
Stock options reserve	4,042,818	4,042,818
Retained earnings	2,379,749,402	2,085,982,906
Cumulative translation adjustment	3,927,872	2,332,768
Actuarial loss on pension obligation	(1,385,865)	(1,385,865)
Treasury stock	(3,941,779,041)	(3,941,779,041)
	<b>915,354,783</b>	<b>619,944,183</b>
Non-controlling interest	(68,534,656)	(68,801,334)
<b>Total Equity</b>	<b>846,820,127</b>	<b>551,142,849</b>
	<b>2,130,543,638</b>	<b>2,042,159,181</b>

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	July - Sept 2014 (Unaudited)	July - Sept 2013 (Unaudited)	January - Sept 2014 (Unaudited)	January - Sept 2013 (Unaudited)
<b>NET SERVICE REVENUES</b>				
Internet application service income	359,551,160	303,855,318	1,051,686,921	925,432,320
Scratch cards	466,666	5,217,687	7,315,006	26,720,417
Commission income	53,428,565	55,532,972	159,374,788	157,694,563
	<b>413,446,391</b>	<b>364,605,977</b>	<b>1,218,376,715</b>	<b>1,109,847,300</b>
<b>OPERATING EXPENSES</b>				
General and administrative expenses	124,192,159	151,832,197	379,172,566	422,572,272
Depreciation and amortization	27,094,277	27,514,594	78,561,303	76,719,712
	<b>151,286,436</b>	<b>179,346,791</b>	<b>457,733,869</b>	<b>499,291,984</b>
<b>OPERATING INCOME</b>	<b>262,159,955</b>	<b>185,259,186</b>	<b>760,642,846</b>	<b>610,555,316</b>
<b>OTHER INCOME (CHARGES)</b>				
Equity in net earnings	-	5,019,948	-	83,144,214
Interest income	4,748,037	4,526,348	15,200,728	35,618,758
Interest expense	(11,405,208)	(7,175,694)	(39,748,750)	(10,000,000)
Miscellaneous - net	(558,716)	1,104,830	(633,153)	131,142
	<b>(7,215,887)</b>	<b>3,475,432</b>	<b>(25,181,175)</b>	<b>108,894,114</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>254,944,068</b>	<b>188,734,618</b>	<b>735,461,671</b>	<b>719,449,430</b>
Income tax expense	40,745,566	1,918,597	89,761,645	4,213,226
<b>NET INCOME</b>	<b>214,198,502</b>	<b>186,816,021</b>	<b>645,700,026</b>	<b>715,236,204</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign exchange translation adjustments	(615,426)	2,468,999	1,595,104	7,985,095
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>213,583,076</b>	<b>189,285,020</b>	<b>647,295,130</b>	<b>723,221,299</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the parent	214,091,071	189,719,921	645,433,348	721,935,713
Minority interest	107,431	(2,903,900)	266,678	(6,699,509)
	<b>214,198,502</b>	<b>186,816,021</b>	<b>645,700,026</b>	<b>715,236,204</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the parent	213,481,799	192,164,230	647,012,501	728,164,087
Minority interest	101,277	(2,879,210)	282,629	(4,942,788)
	<b>213,583,076</b>	<b>189,285,020</b>	<b>647,295,130</b>	<b>723,221,299</b>
<b>EARNINGS PER SHARE:</b>				
Basic	0.1826	0.1403	0.5506	0.5338
Diluted	0.1826	0.1403	0.5506	0.5338
<b>EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION &amp; AMORTIZATION (EBITDA)</b>	<b>297,937,737</b>	<b>219,672,019</b>	<b>857,055,438</b>	<b>704,786,398</b>

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	September 30			
	2014 (Unaudited)		2013 (Unaudited)	
	Number of Shares	Amount	Number of Shares	Amount
<b>CAPITAL STOCK</b>				
Issued and outstanding				
Common shares at beginning of year	1,350,614,879	1,350,614,879	1,350,614,879	1,350,614,879
Issuances of common shares	3,500	3,500	-	-
Common shares	1,350,618,379	1,350,618,379	1,350,614,879	1,350,614,879
Subscribed shares	163,378,780	38,298,352	163,378,780	38,298,352
	<b>1,513,997,159</b>	<b>1,388,916,731</b>	<b>1,513,993,659</b>	<b>1,388,913,231</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		1,081,837,366		1,081,837,366
Additions during the year		45,500		-
Balance at end of period		<b>1,081,882,866</b>		<b>1,081,837,366</b>
<b>STOCK OPTIONS RESERVE</b>				
Balance at beginning of year		4,042,818		4,422,064
Cost of stock option		-		7,500,000
Balance at end of year		<b>4,042,818</b>		<b>11,922,064</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		2,085,982,906		2,073,440,678
Cash dividends		(351,666,852)		(138,699,693)
Net income for the year		645,433,348		721,935,713
Balance at end of year		<b>2,379,749,402</b>		<b>2,656,676,698</b>
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>				
Balance at beginning of year		2,332,768		(3,168,962)
Additions during the year		1,595,104		7,985,095
Balance at end of year		<b>3,927,872</b>		<b>4,816,133</b>
<b>ACTUARIAL LOSS ON PENSION OBLIGATION</b>				
Balance at end of year		(1,385,865)		-
<b>TREASURY STOCK, At cost</b>				
Balance at beginning of year	(341,773,099)	(3,941,779,041)	(89,627,680)	(1,060,476,020)
Acquisition during the year	-	-	(134,626,944)	(1,584,007,131)
Balance at end of year	<b>(341,773,099)</b>	<b>(3,941,779,041)</b>	<b>(224,254,624)</b>	<b>(2,644,483,151)</b>
<b>NON-CONTROLLING INTEREST</b>				
Balance at beginning of year		(68,801,334)		8,519,930
Net income (loss)		266,678		(6,699,509)
Balance at end of year		<b>(68,534,656)</b>		<b>1,820,421</b>
		<b>846,820,127</b>		<b>2,501,502,762</b>

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	September 30 2014 (Unaudited)	September 30 2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	735,461,671	719,449,430
Adjustments for:		
Depreciation and amortization	78,561,303	76,719,712
Impairment losses	18,484,442	17,380,228
Retirement benefits cost	7,230,752	4,820,923
Gain on disposals of property and equipment	(28,000)	(126,020)
Equity in net earnings of an associate	-	(83,144,214)
Interest income	(15,200,728)	(35,618,758)
Interest expense	39,748,750	10,000,000
Cost of stock option	-	7,500,000
Operating income before working capital changes	864,258,190	716,981,301
Increase in:		
Receivables	(38,659,676)	(142,482,031)
Inventories	(61,039,158)	(40,997,620)
Prepaid expenses and other current assets	(27,821,201)	(20,446,023)
Increase (decrease) in accounts payable and accrued expenses	54,510,728	(64,535,945)
Cash generated from operations	791,248,883	448,519,682
Interest received	15,200,728	35,618,758
Interest paid	(39,748,750)	(10,000,000)
<b>Net cash provided by operating activities</b>	<b>766,700,861</b>	<b>474,138,440</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(70,609,575)	(62,194,591)
Increase in other assets	(2,601,320)	(1,731,981)
Proceeds from disposals of property and equipment	28,000	126,020
Decrease (increase) in investment in associates	1,595,104	(3,210,555)
Decrease (increase) in notes receivable	14,833,709	(19,047,058)
<b>Net cash used in investing activities</b>	<b>(56,754,082)</b>	<b>(86,058,165)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable	(350,000,000)	600,000,000
Increase in operators' deposits	2,000,000	2,155,000
Acquisition of treasury shares	-	(1,584,007,131)
Cash dividends paid	(353,287,028)	(138,699,693)
<b>Net cash used in financing activities</b>	<b>(701,238,028)</b>	<b>(1,120,551,824)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,708,751</b>	<b>(732,471,549)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>341,990,428</b>	<b>1,052,170,913</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>350,699,179</b>	<b>319,699,364</b>

## PHILWEB CORPORATION AND SUBSIDIARIES

A Schedule Showing Financial Soundness Indicators in Two Comparative Period as Follows:

	January - September 2014 (Unaudited)	January - September 2013 (Unaudited)
Current assets (ca)	1,166,059,747	1,403,323,868
Total assets (ta)	2,130,543,638	3,369,770,721
Current liabilities (cl)	1,195,770,975	794,243,113
Total liabilities (tl)	1,283,723,511	868,268,588
Total equity (te)	846,820,127	2,501,502,133
Net income (ni)	645,700,026	715,236,204
EBIT	670,248,048	689,617,446
Interest income	15,200,728	35,618,758
interest expense (ie)	(39,748,750)	(10,000,000)
Interest - net	(24,548,022)	25,618,758

<i>Ratios</i>	January - September 2014 (Unaudited)	January - September 2013 (Unaudited)
current ratio (ca/cl)	0.98	1.77
debt to equity (tl/te)	1.52	0.35
debt to asset (tl/ta)	0.60	0.26
asset to equity (ta/te)	2.52	1.35
ROA (NI/TA)	30.31%	21.23%
ROE (NI/TE)	76.25%	28.59%
%coverage ratio (EBIT/ie)	16.86	68.96
Book value (te/outstanding shares)	0.72	1.85
Net Income Margin (Net Income / Net Revenues)	53.0%	64.4%
Operating Income Margin (Operating Income / Net Revenue)	62.4%	55.0%

**PHILWEB CORPORATION AND SUBSIDIARIES**  
**AGING OF RECEIVABLES SCHEDULE**  
**AS OF SEPTEMBER 30, 2014**

	TOTAL	NUMBER OF PAST DAYS DUE		
		1-30	31-60	>60
Various Trade and Non-Trade Receivables	289,171,087	34,533,286	11,185,625	243,452,176
Advances to Employees	3,357,380	201,482	381,785	2,774,113
<b>TOTAL</b>	<b>292,528,467</b>	<b>34,734,768</b>	<b>11,567,410</b>	<b>246,226,289</b>
Notes Receivable	<b>298,077,029</b>	-	<b>2,151,913</b>	<b>295,925,116</b>