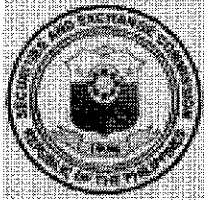




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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Information

SEC Registration No. 0000039121
Company Name PHILWEB CORPORATION
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108152016002092
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered June 30, 2016
No. of Days Late 0
Department CFD
Remarks

COVER SHEET

S.E.C. Registration Number **3 9 1 2 1**

P H I L W E B C O R P O R A T I O N

(Company's Full Name)

**T H E P E N T H O U S E A L P H A L A N D
S O U T H G A T E T O W E R
2 2 5 8 C H I N O R O C E S A V E . C O R .
E D S A M A K A T I C I T Y**

(Business Address : No. Street/City/Province)

Raymund S. Aquino
Contact Person

338-5599
Company Telephone Number

1 2 **3 1**
Month Day
Fiscal Year

SEC Form 17-Q2
June 30, 2016
FORM TYPE

Month of May
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU
Cashier

STAMPS

SEC Number 39121
File Number _____

PHILWEB CORPORATION

(Company's Full Name)

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

(Company's Address)

338-5599

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

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

Form Type

Amendment Designation (if applicable)

June 30, 2016

Period Ended Date

N/A

(Secondary License Type and File Number)

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 June 30, 2016
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)
---------------------	--

Common P1 par value	1,435,451,680*
---------------------	----------------

** Inclusive of 260,392,307 and 12,848,522 number of shares held by PCC and PCIL, respectively, wholly-owned subsidiaries 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 June 30, 2016, 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 June 30, 2016, 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 June 30, 2016.
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 June 30, 2016.
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. (PCIL), 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.

35. On January 14, 2015, the Company's Board of Directors approved the declaration of cash dividend of P0.15 per share payable on February 16, 2015 to the holders of common stock as of January 30, 2015. The total amount paid for such declaration was P175.8 million.
36. On April 17, 2015, the Company's Board of Directors approved the declaration of cash dividend of P0.15 per share payable on May 21, 2015 to the holders of common stock as of May 7, 2015. The total amount paid for such declaration was P175.8 million.
37. On July 30, 2015, the Company's Board of Directors approved the declaration of cash dividend of P0.15 per share payable on August 28, 2015 to the holders of common stock as of August 14, 2015. The total amount paid for such declaration was P175.8 million.
38. On October 22, 2015, the Company's Board of Directors approved the declaration of cash dividend of P0.15 per share payable on November 26, 2015 to the holders of common stock as of November 12, 2015. The total amount paid for such declaration was P175.8 million.
39. On February 4, 2016, the Company's Board of Directors approved the declaration of cash dividend of P0.20 per share payable on March 4, 2016 to the holders of common stock as of February 19, 2016. The total amount paid for such declaration was P232.2 million.
40. On May 31, 2016, the Company's Board of Directors approved the declaration of cash dividend of P0.20 per share payable on June 24, 2016 to the holders of common stock as of June 14, 2016. The total amount paid for such declaration was P232.2 million.
41. On July 8, 2016, Philippine Amusement and Gaming Corporation (PAGCOR) extended the IPLMA from July 11, 2016 until August 10, 2016.
42. IPLMA contract expired on August 10, 2016.

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*
June 30, 2016	1,161,769,164	1,162,237,864
June 30, 2015	1,172,248,503	1,173,748,503

** Net of treasury shares directly held by PhilWeb, and PCC and PCIL, 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 June 30, 2016.

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, 2016, and have not been applied in preparing these interim consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements of the Group. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Effective January 1, 2016

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*
- *Disclosure Initiative (Amendments to PAS 1)*

To be Adopted on January 1, 2018

- *PFRS 9 Financial Instruments (2014). PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement*

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is assessing the potential impact on its interim consolidated financial statements resulting from the application of PFRS 9.

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.

On June 1, 2006, the Parent Company entered into an Intellectual Property License and Management Agreement for Internet Casinos with PAGCOR, wherein the Parent Company has agreed to license to PAGCOR the former's intellectual property rights to the software system and to provide the collateral hardware and other requirements necessary for the operations of PAGCOR's Internet casino game offering. This supersedes the Memorandum of Agreement dated November 28, 2002, Supplemental Agreement No. 1 dated March 18, 2003 and a Supplemental Agreement No. 2 dated June 30, 2003.

On December 17, 2010, Parent Company entered into an Omnibus Amended Intellectual Property License and Management Agreement (IPLMA) for PAGCOR E-Games with PAGCOR wherein the Parent Company grants an exclusive intellectual property license to PAGCOR for the use of its proprietary software system and collateral hardware necessary for PAGCOR to operate the Internet Casino or PAGCOR e-Games. This supersedes the June 1, 2006 IPLMA. The IPLMA will expire on July 11, 2016.

On July 8, 2016, PAGCOR extended the IPLMA from July 11, 2016 until August 10, 2016.

IPLMA contract expired on August 10, 2016.

PhilWeb's current main revenue business consists of licensing proprietary software and providing technical, marketing and cash management services to PAGCOR's over 280 operating e-Games Cafés formerly known as Internet Casino Stations.

PAGCOR e-Games cafés

e-Games was licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) in 2003 to launch e-Games Stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from more than 300 casino games, including baccarat, blackjack, various slot machine games, video poker and sports betting. Most e-Games cafés operate on a 24/7 basis.

As of second quarter 2016, there are now 288 operating e-Games cafés across the country, majority of which are owned and operated by independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

Operator Partnerships

The Platinum Partner Program for e-Games operators was launched in March 2015, with directions to strengthen the business and marketing support relationship to directly benefit site operations. By the end of 2015, 197 sites had signed up for the program. Benefits of the program include additional support for site-level customer acquisition and retention activities, e-Games brand-building as well as infrastructure support through access to an exclusive IPVPN service for robust data connectivity to the gaming servers. Platinum business partners also had access to a secondary casino server to ensure business continuity of gaming services.

Content and Services

2015 saw significant enhancements made to gaming content and player user interface. The first enhancement was the addition of new and exciting progressive slot machine games to the e-Games platform. For the first time, e-Games members were exposed to multi-level progressive jackpots, providing an experience parallel to the large integrated resort-casinos. High-jackpot games provided the single biggest jackpot payout in e-Games history, with a player winning a pot worth nearly P2.6 Million. Most of these new games were launched in a new virtual casino called Swinging Singapore, and were made exclusively available only to sites in the Platinum Partner Program. Apart from providing a new user experience, PhilWeb also worked with PAGCOR to revise the progressive seed contribution system, which ensures a fair apportioning of the cost of the jackpot contribution between the different stakeholders.

The second key enhancement was the increased security protocols added to the customers' gaming accounts, highlighted by the activation of a PIN type security code at the member's log-in at the start of their gaming session. The PIN code provides basic level security to prevent unauthorized use of the player's account. Enabling and nominating a personal identification number code also allows the customer to leave game credits in their account, and minimizes the need to transport physical cash to and from the e-Games venues.

Connected to this is the rollout of e-Games' closed -loop electronic wallet called e-SAFE in 2015. e-SAFE allows players to place bets to games using the wallet balance, and to receive payouts through their wallets, which they can keep or withdraw any time they want. An average of P3.4 million is kept by players in e-SAFE daily. 90% of players keep a balance in e-SAFE, and 95% of these balances range from P20 to P21,000.

The third key enhancement was the inclusion of Sports Betting content into the e-Games user experience, allowing players to place bets on their favorite sports from any of the e-Games terminals at all e-Games locations. Bets are withdrawn from the players' account and automatically credited back should the outcomes be in the player's favor. Previously limited to a single stand-alone kiosk, available only in less than a hundred e-Games sites, the inclusion of the sports betting service in the e-Games platform in November 2015 is attracting new visitors to the venues. Total PhilWeb share from Sports Betting revenues doubled in November and December 2015 due to the wider access. Recently, PhilWeb handled the largest sportsbetting payout to date, amounting to a little over P7.2 million.

Marketing

Continuing into 2015, the e-Games Club Platinum Program for SVIP customers continued to provide increasing value to the player experience. This concierge service allowed PhilWeb to strengthen its relationships with its key customers, despite increased competition from the larger Integrated Resort Casinos and various other competitors. Several non-gaming activities were conducted for this segment, highlights of which were an exclusive viewing of the Pacquiao-Mayweather fight in May 2015 and an advanced block screening of Star Wars: The Force Awakens in December 2015. Players were also provided with bespoke benefits for their continued patronage, including trips to the resort-island of Balesin.

A key program directly benefiting e-Games sites was Project Engage. Multiple teams worked in parallel to conduct player acquisition activities near e-Games venues weekly, for the whole year. At its conclusion, Project Engage reached more than 250 of the operating e-Games locations nationwide, resulting in more than 19,000 new member registrations. During Project Engage

activities, brand ambassadors also took the opportunity to assist existing players to update their membership details in the player database.

Other notable marketing efforts in 2015 include the launch of the e-Games Membership App available for both iOS and Android mobile platforms. The app enables members to track their rewards points and convert these to the various available items. The app provides members with the locations of the nearest e-Games venue within a five kilometer radius of their current location. The app will also become the venue for enhanced communications between the PhilWeb Marketing and Customer Service teams and the Customer for any related news and concerns over the user experience. In addition to the membership app, marketing messages can now be pushed directly to the patron's gaming terminals when the player first logs into the system. This messaging feature was used to announce new content as well as updates to all ongoing promotions for the e-Games network.

Roll-Out and Expansion

The e-Games nationwide network grew by 20 new locations in 2016, bringing the total operating e-Games to 288. Most of the e-Games are in the National Capitol Region and across Luzon, to include Batangas. These new sites, as well as expansion activities from existing operators, brought the total number of installed e-Games gaming terminals to 9,189 as of second quarter 2016, 8.8% increase from the same period last year. Also included in this expansion are e-Games terminals that have been installed in PAGCOR-licensed Electronic Bingo Arcades. There are presently 13 such locations operating in the Philippines, with a number of other sites in the pipeline.

BigGame, Inc.

BigGame's network of cafés functions as the Company's "R&D laboratory" where new games, strategies and other innovative ideas are first tested. Results, whether positive or negative, are reported to e-Games operators during the quarterly General Assemblies. If a new game or idea delivers positive results and is approved unanimously by the operators, the BigGame café in question becomes the standard by which all other BigGame and e-Games cafés will follow. Because of this rigorous process, BigGame continues to bring in improved gaming configurations and upgrades for the Company's various services and amenities.

In 2016, BigGame added four locations to its network, bringing the total number of BigGame sites to 26. Total number of gaming terminals grew by 17.6% to 1,366 as of second quarter 2016. BigGame continued in its pioneering efforts, by obtaining regulatory approvals to establish e-Games in greenfield locations, namely in Tanauan City, Batangas Province and Alphaland's Balesin Island resort located in Quezon Province. BigGame also acquired the existing e-Games operations of two locations in Paranaque, NCR, and one each in Cebu Province and Camarines Norte. Apart from these new additions, BigGame, Inc. management proceeded with various improvements to the existing gaming sites, with the objective of enhancing the player experience. These were conducted in its Mindanao Avenue (Quezon City), Sucat (Parañaque), and Crossroads (Cebu City) branches. These sites have shown increases in gaming revenue since they were relaunched to the public.

BGI's revenue as of the second quarter 2016 increased to P114.7 million, 15.6% higher compared to 2015 of the same period.

Best Gaming Experience

BigGame continued in its objective to provide the Best Gaming Experience to its customers. A day-long food buffet was introduced at the BigGame locations during the 2015 Holiday Season and continues in selected locations in 2016. A Platinum Lounge was set-up within the premises of BigGame's Tomas Morato branch to provide further privacy to SVIP patrons and is supported by a day-long food service and enhanced beverage menu.

BigGame will continue its site expansion, renovation and refurbishment activities in 2016. In April 2016, Tanauan site was launched the first of its kind in Batangas. The year ahead will also see more innovations and improvements in player experience. Player acquisition efforts will also be a focus through activation activities in various entertainment establishments. BigGame remains committed to increasing customer service levels, as well as adding site amenities and creating an ambiance that extends the best gaming experience for our target market.

e-Magine Gaming Corporation

e-Magine Gaming Corporation is a subsidiary of PhilWeb Corporation. The Company's primary purpose is to develop and manufacture gaming terminals. Launched in 2012, e-Magine's goal is to strengthen PhilWeb's revenues and support its local business operations.

Highlights

e-Magine continued to build on the previous year's success by developing and deploying more advanced gaming terminals that allow users to play multiple types of games.

A total of 600 new Genesis 103 Terminals were deployed in 47 e-Games and BigGame outlets nationwide. These terminals are advanced, yet user-friendly consoles with touch screen terminals, bill validators, ticket printers, magnetic and RFID card readers.

The group continues to develop new designs that complement changing and varied preferences of players and operators. Dual screen units for instance, give players more information, can stream live content, and will eventually let them play games on two screens. The new terminals are also capable of deploying multiple types of games such as Casino, Bingo, Sports Betting, and Virtual Sports on the same terminal.

The small footprint of terminals will further enable operators to redesign outlets and maximize space by installing more terminals in the same floor area, giving their outlets a more modern look.

All of e-Magine's terminals are certified by Gaming Labs International, making them fully compliant with PAGCOR Gaming Standards. PAGCOR requires all local operators to comply with GLI certification or other equivalent testing laboratories. e-Magine's certification gives them a competitive advantage in the industry, as it further expands.

Corporate Services

Finance

The PhilWeb Finance Department continued to provide its unwavering support to the growth of the business in 2015 through the sound implementation of financial systems, processes and internal control policies that safeguard the Company assets and resources.

During the first quarter of the year, Finance developed the reporting process and reconciliations of progressive jackpot contributions and actual payouts for slot machine games. This paved the way for PAGCOR to approve the introduction of new games with large progressive payouts, such as Happy Golden Ox, Three Stooges and Rudolf's Revenge. The introduction and implementation of new games was successful not only in creating excitement for our players, but also in delivering additional revenue to all our stakeholders. In October, the highest single jackpot payout was 2.7 million pesos.

Another milestone for the year was the implementation of our closed-loop e-wallet which we branded "e-SAFE". The keys to the implementation of e-SAFE were the internal controls and security measures that we established to ensure that the client's money is safe and secure. Coupled with the introduction of new gaming platforms such as MSW, the e-SAFE will now allow players to place bets to these games using the wallet balance. This will also allow players to receive payouts through their wallets, which they can keep or withdraw any time they want.

Finance continues to ensure that all cash from the nationwide network of e-Games are collected on a timely and accurate manner. Through our company-proprietary POS system and 24/7 operation of our Cash Centers, we are able to monitor cash exposure and thereby enabling us to collect or replenish the cash needs of each site almost immediately. Our arrangements with banks, also allow us to replenish the operator and pay the player of the provincial sites on a real-time basis. The strict implementation of collection policies enables us to manage our cash with very minimal risk to the Company and to the operator.

Finance continuously provides financial reports, reconciliations in a timely manner to management and stakeholders to support key business decisions.

Legal

The Legal Department ensures that the interests of the Company as well as its subsidiaries and affiliates are fully protected. Likewise, it makes certain that the Company observes all laws, rules and regulations relevant to the operation of its business and that it complies with all the reportorial requirements of various government offices and agencies such as, but not limited to, the Securities and Exchange Commission, the Philippine Stock Exchange, the Board of Investments and the Philippine Economic Zone Authority. In the same manner, the Legal Department manages and oversees the Company's dealings with concerned local government units with respect to the issuances of permits and licenses.

The Legal Department is also responsible for the registration of trademarks, patents and copyrights that are aimed to protect the intellectual property rights of the Company. Moreover, it is in-charge of reviewing all the contracts that the Company enters into thereby guaranteeing that the terms of every agreement are beneficial to the interests of the Company. Further, the Legal Department handles all cases brought by or against the Company whether these cases involve civil, criminal or administrative matters. In all, the Legal Department serves as the legal adviser

and consultant of the Company, ever vigilant and protective of the Company's rights and interests.

Customer Support

In our continued drive to provide fast and reliable support to all e-Games members, operators and site staff, as well as customers of MegaSportsWorld 365 days a year, 24 hours a day, several changes were introduced in the Customer Support department in 2015. New channels were opened from the traditional hotline and email, to include SMS and chat support through the Viber app. A new Customer Relationship Management system was likewise implemented giving the team and other key customer facing groups a real time, single source of client engagements and interactions. With such improvements in place, over 250,000 transactions were handled last year across all PhilWeb products and the different channels. Customer Support has maintained a 92% average answer rate for all inbound calls and written customer correspondences (email, SMS and chat) were responded to within 30 minutes. On top of all inbound transactions from various stakeholders, the group has carried out continuous outbound support for other departments: Marketing - for promo related activities; Information Technology - for maintenance advisories; and Finance - for cash collection and replenishment.

In 2016, the group aims to enrich and further improve customer experience by providing more options for individuals to communicate and interact with us, streamline processes to shorten resolution times, and targeted staff training to reinforce the culture of service in every member of the Customer Support team.

Information Technology

PhilWeb's Information Technology group is composed of four functional departments, namely: Infrastructure, Software Development, Service Delivery and Service Support. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The Infrastructure Department's primary role is to provide all the components - hardware, software, network resources, facilities and services - needed to deliver IT services for PhilWeb's casino and corporate operations. The team is also responsible for the monitoring and maintenance of these components to ensure that operations are supported 24/7.

The Software Development Department is in charge of creating and implementing software vital to PhilWeb's casino operations. As of this writing, a number of home grown applications are in production which will allow PhilWeb to provide a better gaming experience to its customers through the management of their membership credentials, e-wallet and loyalty points. Internally, the group has also developed tools to provide the operational teams such as Customer Support, Finance Operations, and Casino Operations with the information they need for their day-to-day activities.

The Service Delivery Department is responsible for the implementation and management of quality IT services. Guided by industry best practices, the group manages delivery of services through the disciplines of Project Management and Service Management. In line to its vision to ensure quality, the team also has a Quality Assurance unit which conducts testing on home grown software prior to customer endorsement in order to ensure that business requirements are met.

The Service Support Department is charged with providing first level technical support and ensuring that IT services are available 24/7 to both internal and external customers of the Company. There are two groups under this department: a) the Technical Support team, which

monitors and performs first level troubleshooting on services pertaining to PhilWeb's corporate & casino infrastructure and B) Field Support, which is tasked to provide first level troubleshooting for e-Games sites. Tickets reported by site personnel and operators are first escalated to this team for validation and resolution.

Highlights

Account-based play was further enhanced this year through the introduction of the e-wallet feature. Players can leave balances on their accounts and play in any e-Games site without having to carry their cash around. IT has provided improvements in the home grown systems to ensure full and seamless integration with these new features. In line with this update, IT has also deployed the new version of the casino game client to all e-games venues across the country.

For the past two years the group has been aligning its processes and methods with the rest of the PhilWeb operations team to provide a better gaming experience to its customers. While this effort is ongoing, the group is also looking at additional technological improvements that will further streamline IT operations.

Information Security

In June 2015, PhilWeb transformed the Security and Compliance Group into the Information Security Group. The Group provides guidance on securing and protecting the privacy of information, and ensures that the institution maintains appropriate operational controls, standards, processes and Information security policies. The Information Security Group reports directly to the Office of the President.

After the establishment of the Information Security Group, IT network security was transferred from The Information Technology Group to Information Security in order to provide a better alignment and direction with regards to PhilWeb Security. The IT Network Security team focuses on PhilWeb's perimeter security, on the design and implementation of security appliances, and on ensuring a secured gaming environment.

Information Security Engineering was also established to provide application security, endpoint security and access control management for PhilWeb Corporation.

The Information Security Group is composed of two teams, namely the Information Security Engineering Team and IT Network Security.

Goals and Objectives

PhilWeb Corporate, Employee, Customer, and Trading Partner information and the applications, systems, and networks that support this information, are protected from unauthorized access, modification, disclosure, and usage. This is achieved through a combination of services, solutions, awareness training, and processes that enable the business to grow and thrive, while risks and exposures are managed.

Information Security plays a vital role in:

- Securing PhilWeb's Information to avoid potential data loss
- Providing immediate resolution, recommendation and mitigation of any Information Security incidents.
- Implementing Information Security policies, best practices and standards in alignment with the ISO 27001 & ISO27002 framework.
- Identifying and managing IT-related risks and increased requirements for control over information.

Information Security Teams

Network Security

The Network Security Team is largely responsible for ensuring proper perimeter security such as firewall and intrusion prevention systems. The rise of these systems provides adequate control over the gaming environment and enforces security protection from intrusion, and other malicious activity.

The Network Security team provides services focused on the following areas:

- Maintenance and implementation of Perimeter Security defense such as firewall, IPS, IDS.
- Implementation and maintenance of PhilWeb's network security policies and ensuring security of traffic that passes through the network environment.
- Design and improvement of network security to ensure a secured gaming environment.

Security Engineering

The Security Engineering team is responsible for PhilWeb's Access Management provisioning and access review, application security, as well as Information Security policy and standards.

The Security Engineering team provides the following services to PhilWeb:

- Provide Continuous manual monitoring of incidents/events
- Security Incident Response Management
- Provisioning and De-provisioning of network and application accounts
- Recertification of Restricted and Privilege access of PhilWeb's IT systems and gaming environment
- Provides security update to Support groups
- Provides Internal DNS Management

Highlights

Network security was reinforced in 2015 through the combined efforts of the Information Security Group as well as the InfoSec Engineering Team.

Access Review and recertification process for PhilWeb's critical systems was established to ensure that privilege accounts are reviewed and approved by the system and application owners.

The Group also established Information Security Policies for PhilWeb which are aligned and in accordance with the ISO27001 and ISO27002 version 2013 standards.

Furthermore, the implementation of network security policies for PhilWeb's version 15 casino environment, as well as the establishment of Security Standards for game terminals and POS were completed in 2015.

Human Resources and Administration

Organization Structure

PhilWeb's Human Resources and Administration Department was re-structured in June of 2015 to streamline the functions and provide more focus of its deliverables, hence, Human Resources and Administration, became two separate teams: Human Resources Team and Administration team. Despite the separation of functions, the two teams continued to work cooperatively and supported each other for the welfare of the company and its employees.

The Human Resources Team

Recruitment & Selection

Recruitment and Selection in PhilWeb follows stringent procedures to ensure that we are hiring only qualified and competent workforce.

New hires Orientation covering the Company's Vision, Mission and Core Values, Culture and History of PhilWeb, the Organization Chart, Policies and Procedures and Code of Conduct as well as explanation on their Employment Contract - is given prior to turnover to the department. Technical orientation is handled by the respective department.

Compensation and Benefits

The Human Resources Team ensured that compensation and benefits were given at a timely manner, and professional and personal growth were charted through competency and performance - based Performance Evaluation/Appraisal. Corresponding rewards and compensation are fairly given. Benchmarking is done within the similar business models to ensure that our compensation policy and structure are within the market offering.

The Year 2015 marked the 15th year of PhilWeb in the business. During the Company's anniversary, employees were recognized for their dedicated service and loyalty rendered to the Company.

Workplace Learning & Development

For continual professional and personal development as well as enhance their skills in their own fields to deliver the excellent service to the Company, 23 employees underwent workplace learning and development programs. Learning was shared and cascaded to their respective team members.

Aligned with the Company's core value of Customer Focus, 142 e-Games staff underwent the Customer Service Training to further accommodate the needs of the players, and improve player retention and acquisition.

Employee Engagement

In addition to workplace learning and development interventions as tool for workforce retention and engagement, the Human Resources Team maintained its health and wellness programs. Regular general assemblies and other means of communication are undertaken to get the workforce pulse as regards their health and wellness needs to be able to develop programs that will be more responsive to their interest and needs.

Logistics and planning were spearheaded by the Administration Team.

The Administration Team, on the other hand, which handles Purchasing and Logistics, Safety and Security and Office Facilities & Equipment Management - did their share in the timely delivery of their services, ensured that needs of the company were met and repairs and preventive maintenance on the equipment were planned and executed with the least downtime to the Company.

Moreover, the Administration Team undertook cost-savings measures, without sacrificing the quality of its deliverables.

The Human Resources Team and the Administration Team will continue to be strategic partners of the different business units of PhilWeb and will continue to contribute to innovation for excellence in all our endeavors.

RESULTS OF OPERATION

	For the Second Quarter Ended June 30, 2016	For the Second Quarter Ended June 30, 2015
Income Statement		
Revenues	849,971,600	797,153,136
Costs and Expenses	576,489,692	301,973,023
Other Income (Expense) - Net	1,163,393	(6,500,415)
Income Tax Expense	39,621,540	77,239,646
Net Income After Tax	235,023,761	411,440,052
Retained Earnings at Beginning of Period	2,617,356,756	2,521,083,685
Retained Earnings at End of Period	2,387,377,545	2,580,950,226
Balance Sheet		
Current Assets	588,482,661	986,474,717
Total Assets	1,274,451,021	1,825,159,409
Total Liabilities	586,418,442	775,218,950
Total Equity	688,032,579	1,049,940,459

Total revenues increased by P52.8 million, or 6.6%, to P850.0 million as of the second quarter of 2016 from P797.2 million registered in the same period last year. The increase was contributed mainly by the PeGS and Sportbetting businesses.

Cost and expenses increased by P274.5 million, or 90.9%, to P576.5 million for the six months ended June 30, 2016 from P302.0 million posted in the same period last year. The increased is mainly due to accrual of expenses and impairment of assets as a result of temporary suspension of e-Games operation. This is in accordance with the *Philippine Accounting Standard 36, Impairment of Assets* and *Philippine Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets*.

Other income (expense) - net increased by P7.7 million, or 117.9%, to P1.2 million as of the second quarter of 2016 from (P6.5 million) recorded in the same period last year. This was mainly due to lower interest expense as a result of payment of loans.

Overall, the Company's Net income decreased by 43.0%, however EBITDA increased by 4.0% as of the second quarter of 2016.

The Company's key performance indicators for the six months ended June 30, 2016 and 2015 are the following:

Financial Ratios	June 30, 2016	June 30, 2015
Net Income Margin (Net Income / Net Revenues)	27.7%	51.6%
Operating Income Margin (Operating Income / Net Revenue)	32.2%	62.1%
Current Ratio (Current Assets/Current Liabilities)	1.16:1.00	1.41:1.00
Asset to Equity Ratio (Total Assets / Total Equity)	1.85:1.00	1.74:1.00
Debt to Equity Ratio (Total Liabilities / Total Equity)	0.85:1.00	0.74:1.00
Return on Total Assets (Net Income / Total Assets)	18.4%	22.5%
Return on Total Equity (Net Income / Total Equity)	34.2%	39.2%
Interest Rate Coverage Ratio (EBIT / Interest Expense)	38.6:1.00	30.4:1.00

Performance for the Period January 1, 2016 to June 30, 2016
(Comparison of Balance Sheets as of June 30, 2016 and December 31, 2015)

Cash and Cash Equivalents

The cash and cash equivalents decreased by P97.9 million or 46.5% versus last year. The Company operations generated cash of P492.3 million and proceeds from issuance of shares P20.7 million; and used its cash mainly for payment of dividends P464.6 million, payment of loans P117.5 million and CAPEX of P31.6 million.

Receivables (net)

The receivables decreased by P47.1 million or 23.2% versus last year mainly due to collection of receivables and write-off of receivables.

Notes Receivable

The increased in notes receivable of P2.0 million or 0.9% versus last year, was mainly due to foreign exchange losses on notes receivable that are being charged to advances to non-affiliate.

Prepayments and Other Current Assets

Prepayments and other current assets decreased by P6.1 million or 6.7% versus last year mainly due to the decrease in other prepayments.

Investment in Associates

Investment in associates of P14.8 million pertains to investment in Alphaforce Security Agency, Inc. of P9.7 million and Choice Insurance Brokerage, Inc. of P5.1 million.

Noncurrent Receivable

Noncurrent receivable of P510.3 million represents the noncurrent portion of the receivables arising from the sale of investment in Acentic.

Property and Equipment

The decreased in property and equipment of P157.4 million or 62.6% represents the total acquisitions of P31.6 million less depreciation of P56.4 million and write-off of assets of P132.7 million.

Deferred Tax Assets

Deferred tax assets recognized amounting to P14.2 million represent the amounts of income taxes recoverable in future periods arising from deductible temporary differences.

Other Noncurrent Assets

Other noncurrent assets slightly increased by P0.2 million or 0.5% mainly due to increase in rental deposits.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased by P99.2 million or 32.6% mainly due to increase in trade payable and accrual of expenses.

Income Tax Payable

Income tax payable pertains to the outstanding balance of provision for income tax.

Notes payable

Notes payable decreased by P117.5 million or 58.8% due to payments of loans.

Retirement Benefits Liability

The increased in retirement benefits liability of P3.5 million or 23.8% represents additional provision for employees' retirement benefits.

Operators' deposit

The increased of operators' deposit of P3.4 million or 6.0% represents the cash received from operators upon opening of PeGS that serves as a bond/security in case the operators defaults from payments.

Capital stock

The increased in capital stock of P1.9 million or 0.1% was due to issuance of shares during the year.

Additional paid in capital

The increased in additional paid in capital of P18.4 million or 1.7% was due to issuance of shares higher than par value during the year.

Retained earnings

The decreased in retained earnings of P230.0 million or 8.8% was attributable to the net income during the period of P234.6 million, net of cash dividends of P464.6 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 June 30, 2016.

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 six months ended June 30, 2016.

BigGame, Inc. (BGI) is a wholly owned subsidiary that started commercial operations in July 2005. BGI's total revenue for the six months ended June 30, 2016 was at P114.7 million, 15.6% higher as compared to 2015 total revenue of P99.2 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 2012, and in Guam in October 2011. Due to setbacks in Asia-Pacific operations as previously disclosed, the respective legal entities are now in the process of securing government clearance for the formal closure of these businesses.

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

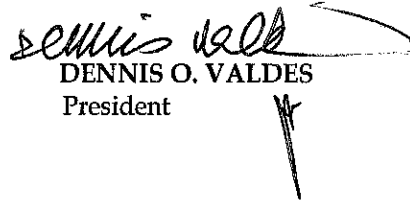
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILWEB CORPORATION

Registrant



ZALDY M. PRIETO
SVP and Chief Finance Officer



DENNIS O. VALDES
President

August 12, 2016

Quarterly Report - January 1, 2016 - June 30, 2016

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30 2016 (Unaudited)	December 31 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	112,422,398	210,314,159
Accounts receivable - net	155,872,073	203,004,280
Notes receivable	236,239,748	234,221,902
Prepaid expenses and other current assets	83,948,442	90,004,483
Total Current Assets	588,482,661	737,544,824
Noncurrent Assets		
Noncurrent receivable	510,300,000	510,300,000
Investment in associates	14,768,220	14,768,220
Property and equipment - net	93,971,191	251,398,249
Deferred tax assets	14,173,597	13,642,042
Other assets	52,755,352	52,513,406
Total Noncurrent Assets	685,968,360	842,621,917
	1,274,451,021	1,580,166,741
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	403,057,993	303,891,471
Income tax payable	21,974,177	106,906,834
Notes payable	82,500,000	200,000,000
Total Current Liabilities	507,532,170	610,798,305
Noncurrent Liabilities		
Retirement benefits liability	18,431,272	14,887,570
Operators' deposits	60,455,000	57,055,000
Total Noncurrent Liabilities	78,886,272	71,942,570
	586,418,442	682,740,875
Equity		
Capital stock	1,391,752,097	1,389,874,997
Additional paid-in capital	1,110,412,341	1,091,982,096
Stock options reserve	6,757,960	6,757,960
Retained earnings	2,387,377,545	2,617,356,756
Cumulative translation adjustment	6,054,154	6,165,227
Actuarial loss on pension obligation	(4,458,764)	(4,458,764)
Treasury stock	(4,211,137,736)	(4,211,137,736)
	686,757,597	896,540,536
Non-controlling interest	1,274,982	885,330
Total Equity	688,032,579	897,425,866
	1,274,451,021	1,580,166,741

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	April - June 2016 (Unaudited)	April - June 2015 (Unaudited)	January - June 2016 (Unaudited)	January - June 2015 (Unaudited)
NET SERVICE REVENUES				
Internet application service income	356,137,735	343,014,884	697,962,176	683,008,928
Commission income	79,138,313	57,855,562	152,009,424	114,144,208
	435,276,048	400,870,446	849,971,600	797,153,136
OPERATING EXPENSES				
General and administrative expenses	385,587,572	132,851,550	520,123,748	257,859,979
Depreciation and amortization	28,410,685	22,163,537	56,365,944	44,113,044
	413,998,257	155,015,087	576,489,692	301,973,023
OPERATING INCOME	21,277,791	245,855,359	273,481,908	495,180,113
OTHER INCOME (CHARGES)				
Interest income	3,733,344	4,217,774	7,400,657	7,689,118
Interest expense	(2,645,542)	(6,223,764)	(6,062,240)	(13,717,097)
Miscellaneous - net	177,427	(81,088)	(175,024)	(472,436)
	1,265,229	(2,087,078)	1,163,393	(6,500,415)
INCOME BEFORE INCOME TAX	22,543,020	243,768,281	274,645,301	488,679,698
Income tax expense	474,994	42,289,140	39,621,540	77,239,646
NET INCOME	22,068,026	201,479,141	235,023,761	411,440,052
Foreign exchange translation adjustments	443,480	1,636,964	(111,073)	(194,753)
	443,480	1,636,964	(111,073)	(194,753)
TOTAL COMPREHENSIVE INCOME	22,511,506	203,116,105	234,912,688	411,245,299
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	22,180,166	201,660,223	234,634,109	411,533,743
Minority interest	(112,140)	(181,082)	389,652	(93,691)
	22,068,026	201,479,141	235,023,761	411,440,052
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the parent	22,619,647	203,280,818	234,524,037	411,340,938
Minority interest	(108,141)	(164,713)	388,651	(95,639)
	22,511,506	203,116,105	234,912,688	411,245,299
EARNINGS PER SHARE:				
Basic	0.0191	0.1720	0.2020	0.3511
Diluted	0.0190	0.1718	0.2014	0.3507
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)				
	300,434,304	287,505,145	588,261,179	565,583,732

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	June 30			
	2016 (Unaudited)		2015 (Unaudited)	
	Number of Shares	Amount	Number of Shares	Amount
CAPITAL STOCK				
Authorized				
Common shares - P1 par value	2,600,000,000	-	2,600,000,000	-
Issued and outstanding				
Common shares at beginning of year	1,351,576,645	1,351,576,645	1,350,618,379	1,350,618,379
Issuances of common shares	1,877,100	1,877,100	45,166	45,166
Common shares	1,353,453,745	1,353,453,745	1,350,663,545	1,350,663,545
Subscribed shares	163,378,780	38,298,352	163,378,780	38,298,352
	1,516,832,525	1,391,752,097	1,514,042,325	1,388,961,897
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		1,091,982,096		1,081,882,866
Additions during the period		18,430,245		176,748
Balance at end of period		1,110,412,341		1,082,059,614
STOCK OPTIONS RESERVE				
Balance at end of period		6,757,960		4,604,050
RETAINED EARNINGS				
Balance at beginning of year		2,617,356,756		2,450,743,551
Cash dividends		(464,613,320)		(351,667,202)
Net income for the period		234,634,109		411,533,743
Balance at end of period		2,387,377,545		2,510,610,092
CUMULATIVE TRANSLATION ADJUSTMENT				
Balance at beginning of year		6,165,227		5,495,982
Additions during the period		(111,073)		(194,753)
Balance at end of period		6,054,154		5,301,229
ACTUARIAL LOSS ON PENSION OBLIGATION				
Balance at end of period		(4,458,764)		(1,148,147)
TREASURY STOCK, At cost				
Balance at end of period	(354,621,621)	(4,211,137,736)	(341,773,099)	(3,941,779,041)
NON-CONTROLLING INTEREST				
Balance at beginning of year		885,330		1,424,456
Net Income		389,652		(93,691)
Balance at end of period		1,274,982		1,330,765
		688,032,579		1,049,940,459

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30 2016 (Unaudited)	June 30 2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	274,645,301	488,679,698
Adjustments for:		
Depreciation and amortization	56,365,944	44,113,044
Impairment losses	341,125,005	26,763,011
Retirement benefits cost	3,543,702	3,418,913
Gain on disposals of property and equipment	(173,600)	(280,924)
Interest income	(7,400,657)	(7,689,118)
Interest expense	6,062,240	13,717,097
Operating income before working capital changes	674,167,935	568,721,721
Decrease (increase) in:		
Receivables	34,122,223	15,772,078
Inventories	-	(11,947,861)
Prepaid expenses and other current assets	(202,399,434)	(38,451,387)
Increase in accounts payable and accrued expenses	100,296,097	123,470,594
Cash generated from operations	606,186,821	657,565,145
Interest received	18,392,796	4,045,411
Interest paid	(7,191,816)	(8,534,375)
Income tax paid	(125,085,752)	(146,343,382)
Net cash provided by operating activities	492,302,049	506,732,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(31,608,416)	(17,817,253)
Increase in other assets	(241,946)	(7,131,671)
Proceeds from disposals of property and equipment	173,600	8,437,009
Increase in investment in associates	(111,073)	(194,753)
Net cash used in investing activities	(31,787,835)	(16,706,668)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans	(117,500,000)	(400,000,000)
Proceeds from subscriptions to and issuances of shares	20,307,345	221,914
Increase in operators' deposits	3,400,000	2,600,000
Cash dividends paid	(464,613,320)	(351,667,202)
Net cash used in financing activities	(558,405,975)	(748,845,288)
DECREASE IN CASH AND CASH EQUIVALENTS	(97,891,761)	(258,819,157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	210,314,159	374,949,875
CASH AND CASH EQUIVALENTS AT END OF PERIOD	112,422,398	116,130,718

PHILWEB CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES SCHEDULE
AS OF JUNE 30, 2016

<u>Accounts</u>	<u>TOTAL</u>	<u>Past Due</u>		
		<u>1-30 Days</u>	<u>31-60 Days</u>	<u>More than 60 Days</u>
Various Trade and Non-Trade Receivables	152,884,018	18,158,451	41,322,622	93,402,945
Advances to Employees	2,988,055	899,446	1,224,891	863,718
Total	155,872,073	19,057,897	42,547,513	94,266,663
Notes Receivable	236,239,748	406,489	862,705	234,970,554

PHILWEB CORPORATION AND SUBSIDIARIES

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

	January - June 2016 (Unaudited)	January - June 2015 (Unaudited)
Current assets (ca)	588,482,661	986,474,717
Total assets (ta)	1,274,451,021	1,825,159,409
Current liabilities (cl)	507,532,170	698,647,612
Total liabilities (tl)	586,418,442	775,218,950
Total equity (te)	688,032,579	1,049,940,459
Net income (ni)	235,023,761	411,440,052
EBIT	233,685,344	417,468,031
Interest income	7,400,657	7,689,118
interest expense (ie)	(6,062,240)	(13,717,097)
Interest - net	1,338,417	(6,027,979)

<i>Ratios</i>	January - June 2016 (Unaudited)	January - June 2015 (Unaudited)
current ratio (ca/cl)	1.16	1.41
debt to equity (tl/te)	0.85	0.74
debt to asset (tl/ta)	0.46	0.42
asset to equity (ta/te)	1.85	1.74
ROA (NI/TA)	18.44%	22.54%
ROE (NI/TE)	34.16%	39.19%
%coverage ratio (EBIT/ie)	38.55	30.43
Book value (te/outstanding shares)	0.59	0.87
Net Income Margin (Net Income / Net Revenues)	27.7%	51.6%
Operating Income Margin (Operating Income / Net Revenue)	32.2%	62.1%