

SEC Number **58648**

File Number _____

INTERPHIL LABORATORIES, INC.

(Company's Full Name)

**CANLUBANG INDUSTRIAL ESTATE, BO. PITTLAND
4025 CABUYAO, LAGUNA**

(Company's Address)

(049) 549-23-45 to 49, 549-30-96 to 98

(Telephone Number)

DECEMBER 31

(Fiscal Year Ending)
(month & day)

FORM 17-Q

Form Type

Amendment Designation (if applicable)

June 30, 2008

Period Ended Date

(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, 2008
2. SEC Identification Number 58648
3. BIR Tax Identification No. 000-410-840-000
4. Interphil Laboratories, Inc
Exact name of registrant as specified in its charter
5. Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. Canlubang Industrial Estate, Bo. Pittland
Cabuyao, Laguna
Address of issuer's principal office
8. (049) 549-23-45 to 49, 549-30-96 to 98
Issuer's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.
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 and Amount of Debt Outstanding As of June 30, 2008 | Treasury Shares | Outstanding Common Stock |
|-----------------------|---|---------------------------|--------------------------------|
| Common Class A | 337,500,000 | 64,803,449 | 272,696,551 |
| Common Class B | 225,000,000 | 85,631,955 | 139,368,045 |
| <u>TOTAL</u> | <u>562,500,000</u> | <u>150,435,404</u> | <u>412,064,596</u> |

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

Yes No

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

Philippine Stock Exchange Common (Class "A" and "B")

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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements and schedule of aging of accounts receivable are filed as part of this Form 17-Q (pages 9 to 16)

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

RESULTS OF OPERATIONS

SUMMARY

While we continue to struggle with decreasing volumes, material supply and delivery issues and increasing costs brought about by the oil price increases, year to date results were better than expected. These were due to continuous review of operating efficiency and cost reduction projects to mitigate the impact of the above issues.

First half operating results yielded net income of Ps48.4M versus last year's Ps7.9M. With better than budget operating results, cash flow have improved and the company was able to allocate a total of Ps41.5M for bank loan repayments. We foresee volumes to further slide down during the second half based on the purchase orders received from clients and revenues will be impacted by the change from an "All-in" to "Cost Plus" arrangement of one of our clients. Starting September, client will now purchase all required materials in lieu of the previous arrangement whereby Interphil buys the said materials. To lessen the impact we are exploring with another client for Interphil to purchase the raw and packaging materials requirements for their products.

Several board resolutions related to Interphil's reorganization were affirmed during the Annual Stockholders' meeting held last July 10. We are now in the process of implementing the required steps and related documentation for the restructuring.

INCOME FROM SALES AND SERVICES

Volume during the first semester is higher by 3% from last year's 41.3 Million units to this year's 42.4 Million units.

Company's Year-to-date Income from Sales and Services is higher by 15% from last year's Ps1,011.6 Million to this year's Ps1,159.6 Million. Total material sales went up by 9% while services increased by 21% as a result of the full implementation of price increases and growth in volume.

For the first six months, product mix was geared towards dry products at an average of 33%. However, in comparison to last year of the same period, there was a slight reduction of 1% in the volume of high value dry products.

COSTS AND EXPENSES

Total Cost of Material Sales climbed up by 13%, due to fuel price related increases on oil based materials and supplies while Cost of Services grew by only 1% and operating expenses increased by 9% on a year-to-date basis as compared to the same period of last year.

Increase in cost of services and expenses are for the increase in Salaries and Wages due to overtime, Repairs and Maintenance, Sales and Local Taxes and Business Licenses (as a result of new local tax ordinances), and Provision for Inventory yield losses.

BALANCE SHEETS

Total Assets as of June 30, 2008 amounted to Ps1.686 Billion, an increase of Ps35.17 Million versus Ps1.651 Billion as of end December 2007 brought about by the increase in Trade and Other Receivables by 30%. This is due to the Ps216 Million sales in June.

Total liabilities decreased by Ps13.2 Million from last year's Ps0.99 Billion to this year's Ps0.98 Billion due to a lower level of Notes Payable of Ps492.5 Million and reduction in Retirement and Long-term Sick Leave Benefits by Ps4.3 Million.

PROJECTIONS

The Cheaper Medicine Bill is expected to reduce the cost of many medicines. But, given that more people on low income levels will be able to afford quality healthcare products, sales are expected to increase. A 5% year-on-year growth until 2012 is forecasted by the industry.

A major indicator of the optimistic generic sector is The Generics Pharmacy, an enterprise that aims to expand and extend the reach of generics to the low income population. Despite having only a negligible involvement with patented drugs, it is increasing rapidly.

As part of its strategy to complement the drop in the contract manufacturing business, the Company will modify its business model to enable it to venture into other businesses and allow other or new investors to bring in new capital for a new business that the Company may go into.

As the Company focuses more on the support of material requirements needed for the client's Purchase Orders (cPO) loaded in the system, incomplete materials are likely to decrease. Periodic review of the past due and next two months requirement are in place in order to fully support production required outputs.

OTHER MATTERS

A) Key Performance Indicators

The Company's top five (5) key performance indicators are shown below with their relevant results for June 30, 2008 and June, 2007.

| | % Increase (Decrease) | June, 2008 (Unaudited) | June, 2007 (Audited) |
|--------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| VOLUME ('000 SPUs) | 2.70% | 42,382 | 41,266 |
| REVENUES ('000 PhP) | 14.63% | 1,159,618 | 1,011,601 |
| GROSS PROFIT ('000 PhP) | 81.02% | 190,367 | 105,161 |
| NET INCOME (LOSS) ('000 PhP) | 512.43% | 48,399 | 7,903 |
| BASIC EARNINGS PER SHARE (Php) | 512.43% | 0.1175 | 0.0192 |

- 1) **Volume Growth**
Measures the percentage change in volume over a period of time. Volume is regularly monitored on a per product and per client basis.
 - 2) **Revenue Growth**
Measures the percentage change in revenue over a period of time. It is regularly monitored on a per product and per client basis.
 - 3) **Gross Profit**
Measures the pricing strategy of the Company. Computed as Revenue less Cost of Goods Sold
 - 4) **Net Income**
Measures the profitability of the company.
 - 5) **Basic Earnings Per Share**
Measures how much a stockholder earns in the Net Income of the Company. Basic Earnings per share is calculated by dividing Net Income by the weighted number of common shares issued and outstanding during a particular period of time.
- B)** The effects of seasonality and cyclicity on the interim operations of the Company's businesses are not material.
- C)** There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income, or cash flows.
- D)** There are no material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates in amounts reported in prior financial years.
- E)** There are no issuances, repurchases, and repayments of debt and equity securities.
- F)** There are no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

- G)** There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- H)** There are no changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
- I)** There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- J)** There are no known trends, events or uncertainties that have had or will have a material effect on the Company's liquidity.
- K)** The Company's material commitments for capital expenditures consist of lease of fixed assets needed for the normal operations of the business.
- L)** There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- M)** There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for those stated in the Managements Discussion and Analysis of Financial Conditions and Results of Operations.

PART II - OTHER INFORMATION

- 1. Disclosure not made under SEC Form 17-C.**
None.

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.

Issuer

Interphil Laboratories, Inc.

Signature and Title


Francisco R. Billano, President & General Manager

Date

8/14/08

Principal Financial Officer


Ms. Carmen T. Francisco

Signature and Title

Chief Financial Officer

Date

8/14/08

INTERPHIL LABORATORIES, INC.
BALANCE SHEETS
AS OF JUNE 30, 2008 and DECEMBER 31, 2007
(in '000s Pesos)

| | JUNE 2008 UNAUDITED | DECEMBER 2007 AUDITED |
|---|------------------------------------|--------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | 112,200 | 55,070 |
| Trade and other receivables-net | 435,569 | 335,819 |
| Inventories - net | 256,344 | 349,144 |
| Advances to suppliers and other current assets | 8,962 | 16,793 |
| Total Current Assets | 813,075 | 756,825 |
| Noncurrent Assets | | |
| Property, plant and equipment at cost-net | 577,808 | 614,069 |
| Land at revalued amount | 112,195 | 112,195 |
| Creditable withholding taxes | 154,131 | 136,282 |
| Receivable from Manila Electric Company - net of current portion | 11,749 | 6,830 |
| Deposits | 17,164 | 24,749 |
| Total Noncurrent Assets | 873,047 | 894,126 |
| | 1,686,122 | 1,650,952 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Notes payable | 492,500 | 534,000 |
| Trade and other payables | 388,050 | 367,768 |
| Output tax | 34,482 | 22,735 |
| Total Current Liabilities | 915,032 | 924,503 |
| Noncurrent Liabilities | | |
| Deferred income tax | 12,568 | 12,568 |
| Excess of accumulated equity in net loss of a joint venture over cost of related investment and advances | 6,127 | 5,554 |
| Retirement and long-term sick leave benefits | 43,789 | 48,121 |
| Total Noncurrent Liabilities | 62,484 | 66,243 |
| Stockholders' Equity | | |
| Capital Stock | 562,500 | 562,500 |
| Additional Paid In Capital | 51,629 | 51,629 |
| Revaluation increment in land | 60,617 | 60,617 |
| Retained earnings | 322,373 | 273,973 |
| Cost of treasury shares | (288,514) | (288,514) |
| Total Stockholders' Equity | 708,605 | 660,206 |
| | 1,686,122 | 1,650,952 |

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2008 and 2007
(in '000s Pesos)

| | 2008 UNAUDITED | 2007 UNAUDITED |
|---|-------------------|-------------------|
| REVENUES | 1,159,618 | 1,011,601 |
| COST OF SALES AND SERVICES | 969,251 | 906,440 |
| GROSS PROFIT | 190,367 | 105,161 |
| Personnel | 50,735 | 47,575 |
| Interest expense | 19,541 | 24,614 |
| Rental and outside services | 16,611 | 13,934 |
| Taxes and licenses | 1,411 | (1,055) |
| Depreciation and amortization | 3,974 | 4,663 |
| Utilities | 3,360 | 3,977 |
| Supplies and related costs | 5,463 | 6,210 |
| Entertainment, amusement and representation | 967 | 839 |
| Repairs and maintenance | 2,489 | 1,580 |
| Insurance | 77 | 208 |
| Other expenses | 37,339 | (5,288) |
| NET INCOME (LOSS) | 48,399 | 7,903 |
| Basic Earnings per share(P)* | 0 | 0 |

* Net Income over the weighted number or shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CHANGES IN EQUITY
(in Pesos 000s)

| | Capital Stock | | Additional Paid in Capital | Revaluation Increment in Land | Retained Earnings | Treasury Shares | Total |
|--|----------------|----------------|-------------------------------|----------------------------------|----------------------|--------------------|----------------|
| | Class A | Class B | | | | | |
| Balance as of December 31, 2007 AUDITED | 337,500 | 225,000 | 51,629 | 60,617 | 273,973 | (288,514) | 660,206 |
| Net loss | | | | | 48,399 | | 48,399 |
| Balance as of June 30, 2008 | <u>337,500</u> | <u>225,000</u> | <u>51,629</u> | <u>60,617</u> | <u>322,373</u> | <u>(288,514)</u> | <u>708,605</u> |
| | | | | | | | |
| Balance as of December 31, 2006 AUDITED | 337,500 | 225,000 | 51,629 | 60,617 | 220,360 | (288,514) | 606,592 |
| Net loss | | | | | 7,903 | | 7,903 |
| Balance as of June 30, 2007 | <u>337,500</u> | <u>225,000</u> | <u>51,629</u> | <u>60,617</u> | <u>228,263</u> | <u>(288,514)</u> | <u>614,495</u> |

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE THREE MONTHS ENDED JUNE 30, 2008 and 2007
(in '000s Pesos)

| | 2008 | 2007 |
|--|------------------|------------------|
| | UNAUDITED | UNAUDITED |
| REVENUES | 589,838 | 538,527 |
| COST OF SALES AND SERVICES | 479,171 | 483,560 |
| GROSS PROFIT | 110,668 | 54,967 |
| Personnel | 25,815 | 25,381 |
| Interest expense | 9,879 | 11,279 |
| Rental and outside services | 8,489 | 6,548 |
| Taxes and licenses | (1,015) | (654) |
| Depreciation and amortization | 1,928 | 2,395 |
| Utilities | 1,855 | 1,660 |
| Supplies and related costs | 2,898 | 3,596 |
| Entertainment, amusement and representation | 244 | 385 |
| Repairs and maintenance | 1,820 | 866 |
| Insurance | 34 | 104 |
| Management fees | | |
| Other expenses | 28,006 | (2,787) |
| NET INCOME (LOSS) | 30,715 | 6,194 |
| RETAINED EARNINGS AT BEGINNING OF THE QUARTER | 291,658 | 222,069 |
| RETAINED EARNINGS AT END OF THE QUARTER | 322,373 | 228,263 |
| Basic Earnings per share(P)* | 0 | 0 |

* Net Income over the weighted number of shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2008 and 2007
(in '000s Pesos)

| | 2008 | 2007 |
|--|------------------|------------------|
| | UNAUDITED | UNAUDITED |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (Loss) | 48,399 | 7,903 |
| Adjustments for | | |
| Depreciation and amortization | 46,337 | 47,471 |
| Equity in net loss of a joint venture | 574 | (366) |
| Provision for retirement and long-term sick leave benefits | (4,332) | (1,392) |
| Operating income before working capital changes | 90,978 | 53,617 |
| Changes in assets and liabilities: | | |
| Decrease (Increase) in: | | |
| Trade and other receivables | (99,750) | 77,175 |
| Receivable from Manila Electric Company - net of current portion | (4,919) | (3,490) |
| Inventories | 92,800 | (118,719) |
| Advances to suppliers and other current assets | 7,831 | 31,252 |
| Increase (decrease) in: | | |
| Trade and other payables | 20,282 | 23,485 |
| Output tax | 11,747 | (1,323) |
| Cash generated from operations | 118,969 | 61,995 |
| Income tax paid | (17,849) | (18,921) |
| Net cash provided by operating activities | 101,120 | 43,075 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions/disposals of property and equipment | (10,076) | (15,072) |
| Decrease (Increase) | | |
| Deposits | 7,585 | (1,071) |
| Cash used in investing activities | (2,491) | (16,143) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds (payments) of: | | |
| Notes payable | (41,500) | (3,000) |
| Obligations under finance lease | 0 | (23,939) |
| Net cash used in financing activities | (41,500) | (26,939) |
| NET INCREASE (DECREASE) IN CASH | 57,130 | (7) |
| CASH AT BEGINNING OF THE PERIOD- Jan 1 | 55,070 | 64,838 |
| CASH AT END OF THE PERIOD-June 30 | 112,200 | 64,832 |

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2008, and 2007
(in '000s Pesos)

| | 2008 UNAUDITED | 2007 UNAUDITED |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (Loss) | 30,715 | 6,194 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 23,024 | 23,609 |
| Equity in net loss of a joint venture | 706 | (35) |
| Retirement and long-term sick leave benefits | (810) | 1,287 |
| Operating income before working capital changes | 53,634 | 31,055 |
| Changes in assets and liabilities: | | |
| Decrease (Increase) in: | | |
| Trade and Other Receivables | (8,438) | (37,911) |
| Receivable from Manila Electric Company - net of current portion | (4,919) | 4,513 |
| Inventories | 62,973 | 36,462 |
| Advances to suppliers and other current assets | 220 | 3,672 |
| Increase (decrease) in: | | |
| Trade and Other Payables | (46,914) | (22,441) |
| Output tax | 1,383 | 4,643 |
| Income tax paid | (9,522) | (9,093) |
| Net cash provided by (used in) operating activities | 48,418 | 10,898 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions/disposals of property and equipment | (4,667) | (6,236) |
| Decrease (Increase) in Deposits | | |
| Deposits | (355) | (815) |
| Cash provided by (used in) used in investing activities | (5,022) | (7,051) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Availments (Payments) of: | | |
| Notes payable | (30,499) | (3,000) |
| Obligations under finance lease | 0 | (12,093) |
| Net cash provided by (used in) financing activities | (30,499) | (15,093) |
| NET INCREASE (DECREASE) IN CASH | 12,896 | (11,245) |
| CASH AT BEGINNING OF THE PERIOD | 99,304 | 76,077 |
| CASH AT END OF THE PERIOD | 112,200 | 64,832 |

NOTES TO FINANCIAL STATEMENTS :

1. General

Interphil Laboratories, Inc. (the "Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The registered office address of the Company is Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna. The Company is engaged in manufacturing, processing, and packaging of drugs, chemicals, pharmaceuticals and veterinary products. The Company also renders services related to product supply requirements of client companies, primarily relating to planning and procurement of materials and other technical and quality control services.

The average number of employees of the Company is 609 at the end of the second quarter ending June 30, 2008

2. Summary of Significant Accounting Policies

General

The accompanying unaudited financial statements for the quarter ended June 30, 2007 have been prepared in conformity with accounting principles generally accepted in the Philippines.

Basis of Preparation

The accompanying unaudited financial statements have been prepared under the historical cost convention, except for land which is carried at revalued amounts.

The principal accounting policies adopted in preparing the interim unaudited financial statements of the Company for the quarter ended June 30, 2007 are the same as compared with the audited financial statements of the Company for the year ended December 31, 2006.

Earnings Per Share (EPS)

| | <u>June 2008</u> | <u>June 2007</u> |
|---|------------------|------------------|
| a) Net income available to common stockholders | 48,399 | 7,903 |
| Common shares outstanding at beginning of year | 412,065 | 412,065 |
| Weighted average number of common shares acquired during the year | | |
| b) Weighted average number of common shares outstanding | 412,065 | 412,065 |
| Earnings per share | 0 | 0 |

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2008
(in '000s Pesos)

| | <u>TOTAL</u> | <u>1 Month</u> | <u>2-3 Mos</u> | <u>4-6 Mos</u> |
|--|-----------------------|----------------|----------------|----------------|
| Trade Receivables | | | | |
| 1) Third party | 347,620 | 255,664 | 79,919 | 12,037 |
| 2) Affiliates | 28,495 | 15,259 | 3,239 | 9,997 |
| | <u>376,115</u> | <u>270,923</u> | <u>83,158</u> | <u>22,034</u> |
| Non-Trade Receivables | | | | |
| 1) Affiliates | 17,397 | (1,814) | 490 | 18,721 |
| Allowance for doubtful accounts | (3,407) | | | |
| Others Receivables | 45,464 | | | |
| ACCOUNTS RECEIVABLE - Net | <u><u>435,569</u></u> | | | |

ACCOUNTS RECEIVABLE DESCRIPTION

| Type | Nature/Description | Collection Period |
|--------------|---|----------------------------|
| 1) Trade | Sale of Services (Toll + Assay) and Materials | 30 days after invoice date |
| 2) Non-Trade | Various | 30 days after invoice date |

NORMAL OPERATING CYCLE