

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)

March 31, 2007

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 **March 31, 2007**
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** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code
incorporation or organization
7. **Canlubang Industrial Estate, Bo. Pittland**
Cabuyao, Laguna **4025**
Address of issuer's principal office Postal Code
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 March 31, 2007	Treasury Shares	Outstanding Common Stock
Common Class A	<u>337,500,000</u>	<u>64,803,449</u>	<u>272,696,551</u>
Common Class B	<u>225,000,000</u>	<u>85,631,955</u>	<u>139,368,045</u>
<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 14)

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

RESULTS OF OPERATIONS

SUMMARY

Continuous improvement in costs and price increases implemented starting last year has extremely contributed to the profitability of the company. A number of energy saving and other cost reduction projects had been planned for the year to compensate the impact of a declining volume. Work flows and business processes are always constantly being assessed for operational effectiveness and better service levels to clients. From negative results in January, the Company ended up with a Net Income of Ps1.7 Million at the end of the 1st quarter of this year net of Ps 2.3M for non-cash expenses (depreciation and amortization). This is a huge 104% improvement over last year of the same period of a Net Loss of Ps44.5 Million despite the decreasing volume.

Production Volume for the first three months slightly increased by 3% from last year's volume.

INCOME FROM SALES AND SERVICES

Company's Year-to-date Income from Sales and Services is better by 7% from last year's Ps442.9 Million to this year's Ps473.1 Million with a slight improvement in volumes during the first quarter. Total materials sales went up by 9% and services by 4% as a result of the implementation of price increases and a good product mix and new pricing models in 2006.

The year-to-date average product mix is 35% dry products and 65% liquids. In comparison to last year of the same period, there was improvement of 5% in the volume of high valued dry products.

COSTS AND EXPENSES

Compared to last year, total Cost of Sales increased by 3%, while Cost of Services decreased by 3% and operating expenses declined by 22% on a year-to-date basis.

With the cost containment in place, the 1st quarter operating expenses have notably decreased particularly Salaries and Wages, Taxes and Licenses, Supplies and Utilities. We are now generating savings from the reduction of overtime costs and electricity bills from the implementation of the five-day workweek schedule from the previous 6-day workweek. Furthermore, the full effect of savings produced from the EROP is already being fast realized.

Campaign runs for high value products have been worked out with some clients in order to cut costs.

BALANCE SHEETS

Total Assets as of March 31, 2007 amounted to Ps1.728 Billion, a growth of Ps26.8 Million versus Ps1.702 Billion as of end December 2006 brought about by the surge in inventories by 56%. Orders placed in January have started to pour in for the next three months production schedule. Q4 of 2006 purchasing activities were slowed down to decrease inventory levels. Cash and cash equivalents increased by Ps11.2 Million from Ps 66.0 Million to Ps77.3 Million due to better collection.

Total liabilities increased by Ps25.1 Million from last year's Ps1.09 Billion to this year's Ps1.12 Billion as a result of high level of Trade and Other Payables of Ps480.25 Million (an effect of the increase in inventories). Obligations under finance lease decreased by 11% due to payment of maturing finance leases. No additional availments as capital expenditure for machinery, equipment, and vehicles are now acquired through internal financing. All capex projects go through strict reviews with ROI and payback period calculation.

PROJECTIONS

The pharmaceutical market in the Philippines has been increasing by 6-8% in value annually in recent years and this development is expected to go on. The country remains dependent on foreign drugs, which account for around 75% of the market, in terms of value. However, there is a growing awareness in the market for herbal medicines and other branded generics brought about by the concentrated marketing efforts of some local companies who are controlling the over the counter market. Moreover, consumer spending on medical care had been surpassed by telecom and transport expenditures which grew by an average of 30% in the past two years. Despite this anticipated unfavorable effects, the Company kept on its focus of applying plans and procedures to be able to recover from its low performance.

Despite the struggle in volume, rising prices of materials and supplies, and evolving market the Company will persist in the improvement in revenues, costs, and profits. We expect the market to be more competitive but we are also confident that the progress in the Philippine economy will give a break for the Company as well as for its clients. The gains we have attained this first quarter will provide as the motivation to complete our turn-around.

With the Company signing an agreement for an initial three year period with Philippine International Trading Corp. (PITC) to manufacture some 20-off patent drugs, it is expanding its product range, intensifying its distribution network and taking action to the government's appeal to help in producing in the Philippines chosen generic drugs at the lowest possible cost.

OTHER MATTERS

A) Key Performance Indicators

The Company's top five (5) key performance indicators are shown below with their relevant results for March, 2007 and March, 2006.

	% Increase (Decrease)	March, 2007 (Unaudited)	March, 2006 (Audited)
VOLUME ('000 SPUs)	2.63%	19,742	19,236
REVENUES ('000 PhP)	6.82%	473,074	442,850
GROSS PROFIT ('000 PhP)	185.19%	50,194	17,600
NET INCOME (LOSS) ('000 PhP)	103.84%	1,709	(44,500)
BASIC EARNINGS PER SHARE (Php)	103.84%	0.004	(0.108)

- 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	<u>Interphil Laboratories, Inc.</u>
Signature and Title	<u>SANTIAGO GARCIA A</u> <u>Mr. Santiago Garcia, Chief Operating Officer</u>
Date	<u>5/15/07</u>
Principal Financial Officer	<u>Carmen T. Francisco</u> <u>Ms. Carmen T. Francisco</u>
Signature and Title	<u>Chief Financial Officer</u>
Date	<u>5/15/07</u>

INTERPHIL LABORATORIES, INC.
BALANCE SHEETS
AS OF MARCH 31, 2007 and DECEMBER 31, 2006
(in Pesos 000s)

	MARCH	DECEMBER
	2007	2006
	UNAUDITED	AUDITED
ASSETS		
Current assets		
Cash & Cash Equivalents	77,257	66,018
Trade and other receivables-net	300,075	415,161
Inventories - net	434,346	279,165
Advances to suppliers and other current assets	11,777	39,357
Total current assets	<u>823,454</u>	<u>799,701</u>
Noncurrent assets		
Property, plant and equipment at cost-net	658,602	673,628
Land at revalued amount	112,195	112,195
Creditable withholding taxes	113,533	103,706
Receivable from Manila Electric Company - net of current portion	14,183	6,181
Deposits	6,388	6,131
Total noncurrent assets	<u>904,902</u>	<u>901,842</u>
Total assets	<u><u>1,728,356</u></u>	<u><u>1,701,543</u></u>
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	455,000	455,000
Trade and other payables	480,249	434,324
Output tax	24,716	30,683
Current portion of obligations under finance lease	41,238	46,546
Total current liabilities	<u>1,001,203</u>	<u>966,552</u>
Noncurrent liabilities		
Deferred income tax	20,863	20,863
Excess of accumulated equity in net loss of a joint venture over cost of related investment and advances	4,033	4,364
Retirement and long-term sick leave benefits	47,225	49,903
Obligations under finance lease-net of current portion	46,732	53,270
Total noncurrent liabilities	<u>118,851</u>	<u>128,399</u>
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	222,069	220,360
Cost of treasury shares held	(288,514)	(288,514)
Total equity	<u>608,301</u>	<u>606,592</u>
Total liabilities and stockholders' equity	<u><u>1,728,356</u></u>	<u><u>1,701,543</u></u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 and 2006
(in Pesos 000s)

	2007	2006
	UNAUDITED	AUDITED
REVENUES	473,074	442,850
COST OF SALES AND SERVICES	422,880	425,249
GROSS PROFIT	50,194	17,600
Personnel	22,194	27,138
Interest expense	13,336	14,317
Rental and outside services	7,385	7,759
Supplies and related costs	2,614	3,269
Utilities	2,317	2,052
Depreciation and amortization	2,267	2,524
Repairs and maintenance	715	575
Entertainment, amusement and representation	454	541
Insurance	104	539
Management fees	0	0
Taxes and licenses	(400)	2,635
Other expenses	(2,502)	751
INCOME/(LOSS) BEFORE INCOME TAX	1,709	(44,500)
PROVISION FOR INCOME TAX	0	0
NET INCOME (LOSS)	1,709	(44,500)
Basic Earnings (Loss) per share(P)*	0.004	(0.108)

* Net Income (Loss) over the weighted number or shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2007 and 2006
(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, 2006 AUDITED	337,500	225,000	51,629	60,617	220,360	(288,514)	606,592
Net loss					1,709		1,709
Balance as of March 31, 2007	337,500	225,000	51,629	60,617	222,069	(288,514)	608,301
Balance at December 31, 2005, as previously stated	337,500	225,000	51,629	60,617	226,901	(288,514)	613,133
Net loss					(44,500)		(44,500)
Balance at March 31, 2006, as restated	337,500	225,000	51,629	60,617	182,401	(288,514)	568,633

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 and 2006
(in Pesos 000s)

	<u>2007</u>	<u>2006</u>
	<u>UNAUDITED</u>	<u>AUDITED</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income(Loss)	1,709	(44,500)
Adjustments for		
Depreciation and amortization	23,862	24,068
Equity in net loss of a joint venture	(331)	302
Provision for retirement and long-term sick leave benefits	(2,678)	5,241
Operating income before working capital changes	<u>22,562</u>	<u>(14,890)</u>
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	107,083	(21,639)
Inventories	(155,181)	(26,576)
Advances to suppliers and other current assets	27,581	(5,756)
Increase (decrease) in:		
Trade and other payables	45,925	42,385
Output tax	(5,967)	(6,107)
Cash generated from operations	<u>42,004</u>	<u>(32,584)</u>
Income tax paid	<u>(9,827)</u>	<u>(8,033)</u>
Net cash provided by operating activities	<u>32,176</u>	<u>(40,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(8,836)	(12,862)
Decrease (increase) in deposits	(256)	(998)
Cash used in investing activities	<u>(9,092)</u>	<u>(13,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	0	44,163
Obligations under finance lease	(11,846)	(5,507)
Net cash used in financing activities	<u>(11,846)</u>	<u>38,655</u>
NET INCREASE (DECREASE) IN CASH	11,238	(15,821)
CASH & CASH EQUIVALENT AT BEGINNING OF THE PERIOD	66,018	82,979
CASH & CASH EQUIVALENT AT END OF THE PERIOD	<u>77,257</u>	<u>67,157</u>

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 Company is 62% owned by Interpharma Holdings and Management Corporation, an entity incorporated in the Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The accompanying unaudited financial statements for the quarter ended March 31, 2007 have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs). PFRSs include statements name PFRSs and Philippine Accounting Standards (PASS) and interpretations issued by the Philippine Accounting Standards Council.

The accompanying unaudited financial statements have been prepared on a historical cost basis, except for land which is carried at revalued amount and financial assets which are carried at fair value.

The financial statements are presented in Philippine peso, the Company's functional and presentation currency.

The principal accounting policies adopted in preparing the interim unaudited financial statements of the Company for the quarter ended March 31, 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>Mar-07</u>	<u>Mar-06</u>
a) Net Income(Loss)	<u>1,709</u>	<u>(44,500)</u>
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	<u>412,065</u>	<u>412,065</u>
Earnings per share	<u>0.004</u>	<u>(0.108)</u>

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2007
(in Pesos 000s)

	<u>TOTAL</u>	<u>1 Month</u>	<u>2-3 Mos</u>	<u>4-6 Mos</u>
Trade Receivables				
1) Third party	230,768	179,924	36,308	14,536
2) Affiliates	24,494	9,613	3,615	11,266
	<u>255,262</u>	<u>189,537</u>	<u>39,923</u>	<u>25,802</u>
Non-Trade Receivables				
1) Affiliates	10,265	(9,073)	1,004	18,333
Allowance for doubtful accounts	(3,407)			
Others Receivables	<u>37,955</u>			
ACCOUNTS RECEIVABLE - Net	<u><u>300,075</u></u>			

ACCOUNTS RECEIVABLE DESCRIPTION

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