

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, 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 June 30, 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
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.

4025
Postal Code

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		Outstanding Common Stock
	As of June 30, 2007	Treasury Shares	
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>
TOTAL	<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

Continual containment in costs and better than budget price increases have substantially contributed to the profitability of the company. Improvement in product mix and better materials price negotiation have also been major contributing factors in the enhancement of the results of operations for the 2nd quarter. From a Ps 1.7M profit at the end of the 1st quarter, the Company posted a Net Income of Ps7.9 Million at the end of the 2nd quarter of this year net of Ps 4.7M for non-cash expenses (depreciation and amortization). This is a huge 114% improvement over last year of the same period's Net Loss of Ps58.5 Million despite the drop in volume.

Production volume for the 1st semester of 41.3 Million units is slightly lower by 3% from the same period of last year of 42.3 Million units due to frequent equipment breakdowns and material supply issues.

INCOME FROM SALES AND SERVICES

Company's Year-to-date Income from Sales and Services amounting to Ps1,011.6 Million is higher by 5% from last year's Ps960.7 Million. Total material sales went up by 11% as a result of the implementation of price increases.

For the first six months, product mix was geared towards dry products at an average of 32%. However, in comparison to last year of the same period, there was a minor reduction of 2% in the volume of high valued dry products.

COSTS AND EXPENSES

Total Cost of Sales and Services increased by 2% while operating expenses decreased by a hefty 27%, as compared to the same period last year.

Management of materials costs are ongoing with a few snags brought about by supply issue i.e factory shutdown, force majeure are putting pressure on cost of sales. Mark-ups are affected thus we project a reduction on margins towards the end of the year.

We are likewise starting to feel the effect of the spikes in fuel prices starting June. Despite the reduced consumption in kWhrs of electricity, peso values are on the rise as a result of power rate hikes. In contrast, for the first five months of 2007 we have generated a reduction in utilities expense of Ps4.4M. There are also savings in social benefits (decrease in accrual of retirement benefits based on latest actuarial report) and salaries and wages (effect of deferment in replacement of resigned employees and forecasted hires and overtime work).

BALANCE SHEETS

Total Assets as of June 30, 2007 amounted to Ps1.703 Billion, an increase of Ps1.37 Million versus Ps1.702 Billion as of end December 2006 brought about by the increase in deposits by 56% and inventories by 43%. Increase in deposits of Ps1.07M was due to payments made to contractors for ongoing repairs while increase in inventories of Ps118.7M is due to the required three months stocking up per manufacturing contract.

Total liabilities decreased by Ps6.54 Million from last year's Ps1.095 Billion to this year's Ps1.088 Billion due to payment of Obligations under Finance Lease and zero lease availments. All capital expenditures for machineries and equipments are now restricted to critical requirements and are internally financed to reduce financing costs. Trade payables increased due to procurement of inventories to comply with the three months inventory stock level.

PROJECTIONS

Clients' volume remained soft but we are making up for this with the increase in prices and maximization of line efficiencies. At the same time we are manufacturing validation batches of new products of existing clients and are pursuing business with new export clients.

The company generated additional revenue through tough pricing negotiations with clients and from the support services rendered for clients including stability, pilot batches, annual product review, product registrations, product risk management and supplier management requirements. The Company is also looking forward to generate additional income from the recently concluded agreement with Philippine International Trading Corp. (PITC) In addition, it has put in place continual cost reduction programs to cushion the impact of a decreasing volume. On top of these, work flows and business processes are being reviewed continually for operational efficiency to improve service levels to clients and to be able to do campaign runs for high value-high margin products.

OTHER MATTERS

A) Key Performance Indicators

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

	% Increase (Decrease)	June, 2007 (Unaudited)	June, 2006 (Audited)
VOLUME ('000 SPUs)	(2.47%)	41,266	42,311
REVENUES ('000 PhP)	5.29%	1,011,601	960,747
GROSS PROFIT ('000 PhP)	41.63%	105,161	74,248
NET INCOME (LOSS) ('000 PhP)	113.52%	7,903	(58,451)
BASIC EARNINGS PER SHARE (Php)	113.52%	0.019	(0.142)

- 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>14/8/07</u>
Principal Financial Officer	<u>Ms. Carmen T. Francisco</u>
Signature and Title	<u>Carmen T. Francisco</u> <u>Chief Financial Officer</u>
Date	<u>8/14/07</u>

INTERPHIL LABORATORIES, INC.
BALANCE SHEETS
AS OF JUNE 30, 2007 and DECEMBER 31, 2006
(in '000s Pesos)

	JUNE 2007 UNAUDITED	DECEMBER 2006 AUDITED
ASSETS		
Current Assets		
Cash	64,832	66,018
Short-term investment	1,180	
Trade and other receivables-net	337,986	415,161
Inventories - net	397,884	279,165
Advances to suppliers and other current assets	8,105	39,357
Total Current Assets	<u>809,987</u>	<u>799,701</u>
Noncurrent Assets		
Property, plant and equipment at cost-net	641,229	673,628
Land at revalued amount	112,195	112,195
Creditable withholding taxes	122,627	103,706
Receivable from Manila Electric Company - net of current portion	9,671	6,181
Deposits	7,203	6,131
Total Noncurrent Assets	<u>892,924</u>	<u>901,842</u>
	<u>1,702,911</u>	<u>1,701,543</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	452,000	455,000
Trade and other payables	457,808	434,324
Output tax	29,359	30,683
Current portion of obligations under finance lease	41,238	46,546
Total Current Liabilities	<u>980,405</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	3,997	4,364
Retirement and long-term sick leave benefits	48,511	49,903
Obligations under finance lease-net of current portion	34,639	53,270
Total Noncurrent Liabilities	<u>108,010</u>	<u>128,399</u>
	1,088,416	1,094,951
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	228,263	220,360
Cost of treasury shares	(288,514)	(288,514)
Total Stockholders' Equity	<u>614,495</u>	<u>606,592</u>
	<u>1,702,911</u>	<u>1,701,543</u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2006
(in '000s Pesos)

	<u>2007</u> <u>UNAUDITED</u>	<u>2006</u> <u>UNAUDITED</u>
REVENUES	1,011,601	960,747
COST OF SALES AND SERVICES	<u>906,440</u>	<u>886,499</u>
GROSS PROFIT	105,161	74,248
Personnel	47,575	54,479
Interest expense	24,614	33,035
Rental and outside services	13,934	16,432
Taxes and licenses	(1,055)	5,020
Depreciation and amortization	4,663	5,161
Utilities	3,977	4,100
Supplies and related costs	6,210	6,521
Entertainment, amusement and representation	839	884
Repairs and maintenance	1,580	1,435
Insurance	208	1,072
Other expenses	(5,288)	4,561
NET INCOME (LOSS)	<u>7,903</u>	<u>(58,451)</u>
Basic Earnings per share(P)*	<u>0.0192</u>	<u>(0.1418)</u>

* 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, 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	337,500	225,000	51,629	60,617	228,263	(288,514)	614,495
Balance as of December 31, 2005 AUDITED	337,500	225,000	51,629	60,617	226,901	(288,514)	613,133
Net loss					(58,451)		(58,451)
Balance as of June 30, 2006	337,500	225,000	51,629	60,617	168,450	(288,514)	554,682

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE THREE MONTHS ENDED JUNE 30, 2007 and 2006
(in '000s Pesos)

	2007 <u>UNAUDITED</u>	2006 <u>UNAUDITED</u>
REVENUES	538,527	517,898
COST OF SALES AND SERVICES	<u>480,850</u>	<u>459,776</u>
GROSS PROFIT	57,677	58,122
Personnel	25,381	27,341
Interest expense	11,279	18,718
Rental and outside services	6,548	8,673
Taxes and licenses	(654)	2,385
Depreciation and amortization	2,395	2,638
Utilities	1,660	2,047
Supplies and related costs	3,596	3,252
Entertainment, amusement and representation	385	343
Repairs and maintenance	866	860
Insurance	104	534
Management fees	0	0
Provision for Inventory Losses	2,710	1,474
Other expenses	(2,787)	3,809
NET INCOME (LOSS)	<u>6,194</u>	<u>(13,951)</u>
RETAINED EARNINGS AT BEGINNING OF THE QUARTER	<u>222,069</u>	<u>182,401</u>
RETAINED EARNINGS AT END OF THE QUARTER	<u>228,263</u>	<u>168,450</u>
Basic Earnings per share(P)*	<u>0.0150</u>	<u>(0.0338)</u>

* Net Income over the weighted number of shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2006
(in '000s Pesos)

	<u>2007</u>	<u>2006</u>
	<u>UNAUDITED</u>	<u>UNAUDITED</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (Loss)	7,903	(58,451)
Adjustments for		
Depreciation and amortization	47,471	48,978
Equity in net loss of a joint venture	(366)	187
Provision for retirement and long-term sick leave benefits	(1,392)	9,547
Operating income before working capital changes	<u>53,617</u>	<u>261</u>
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and other receivables	80,785	37,671
Receivable from Manila Electric Company - net of current portio	(7,100)	2,407
Inventories	(118,719)	(47,078)
Advances to suppliers and other current assets	31,252	6,159
Increase (decrease) in:		
Trade and other payables	23,485	71,567
Output tax	(1,323)	3,277
Cash generated from operations	<u>61,995</u>	<u>74,264</u>
Income tax paid	<u>(18,921)</u>	<u>(16,863)</u>
Net cash provided by operating activities	<u>43,075</u>	<u>57,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	(15,072)	(18,987)
Decrease (Increase)		
Short-term investment	(1,180)	(1,180)
Deposits	(1,071)	(637)
Cash used in investing activities	<u>(17,323)</u>	<u>(20,804)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	(3,000)	15,000
Obligations under finance lease	(23,939)	(21,214)
Net cash used in financing activities	<u>(26,939)</u>	<u>(6,214)</u>
NET INCREASE (DECREASE) IN CASH	(1,187)	30,383
CASH AT BEGINNING OF THE PERIOD- Jan 1	66,018	82,979
CASH AT END OF THE PERIOD-June 30	<u>64,832</u>	<u>113,362</u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2007, and 2006
(in '000s Pesos)

	<u>2007</u>	<u>2006</u>
	<u>UNAUDITED</u>	<u>UNAUDITED</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (Loss)	6,194	(13,951)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	23,609	24,910
Equity in net loss of a joint venture	(35)	(302)
Retirement and long-term sick leave benefits	1,287	4,307
Operating income before working capital changes	<u>31,055</u>	<u>14,964</u>
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and Other Receivables	(34,301)	59,310
Receivable from Manila Electric Company - net of current portio	903	2,407
Inventories	36,462	(20,502)
Advances to suppliers and other current assets	3,672	11,915
Increase (decrease) in:		
Trade and Other Payables	(22,441)	12,506
Output tax	4,643	9,385
Income tax paid	(9,093)	8,033
Net cash provided by (used in) operating activities	<u>10,898</u>	<u>98,018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	(6,236)	(6,125)
Decrease (Increase) in Deposits		
Short-term investment	(1,180)	(1,180)
Deposits	(815)	362
Cash provided by (used in) used in investing activities	<u>(8,231)</u>	<u>(6,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments (Payments) of:		
Notes payable	(3,000)	(29,163)
Obligations under finance lease	(12,093)	(15,707)
Net cash provided by (used in) financing activities	<u>(15,093)</u>	<u>(44,869)</u>
NET INCREASE (DECREASE) IN CASH	(12,425)	46,205
CASH AT BEGINNING OF THE PERIOD	77,257	67,157
CASH AT END OF THE PERIOD	<u>64,832</u>	<u>113,362</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 average number of employees of the Company is 609 at the end of the second quarter ending June 30, 2007

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 2007</u>	<u>June 2006</u>
a) Net income available to common stockholders	<u>7,903</u>	<u>(58,451)</u>
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	<u>412,065</u>	<u>412,065</u>
Earnings per share	<u>0.0192</u>	<u>(0.1418)</u>

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2007
(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	277,841	199,227	65,995	12,619
2) Affiliates	14,400	2,134	673	11,592
	<u>292,241</u>	<u>201,362</u>	<u>66,669</u>	<u>24,211</u>
Non-Trade Receivables				
1) Affiliates	10,297	(9,350)	530	19,117
Allowance for doubtful accounts	(3,407)			
Others Receivables	35,245			
ACCOUNTS RECEIVABLE - Net	<u><u>334,376</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