

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)

September 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 September 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.
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 September 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

The Company ended up with a Net Income of Ps34.7 Million at the end of the third quarter of this year out of which Ps 6.9 Million are for non-cash expenses (depreciation and amortization). The first nine months results yielded a huge 171% improvement in comparison to last year of the same period of a Net Loss of Ps48.9 Million. The company managed to have an unprecedented turnaround due to continual cost reduction measures coupled with price increases.

INCOME FROM SALES AND SERVICES

Company's Year-to-date Income from Sales and Services amounting to Ps1,625.7 Million is higher by 6% from last year's Ps1,531.7 Million. Total material sales went up by 9% as an effect of an improved product mix and better pricing negotiations. The year to date average product mix is 32% dry products 68% liquids.

COSTS AND EXPENSES

Compared to last year, total Cost of Sales and Services increased by only 1% while operating expenses decreased by 6% on a year to date basis despite inflationary pressures for the current year.

The company continues to sustain its profitability with a steady billed volume of 8M SPUs starting July and the continual cost reduction measures. Despite the intermittent materials supply problems and the increasing cost of a number of raw materials, we have managed to maintain modest margins with clients absorbing the additional costs in accordance with the provisions of the manufacturing contracts. Net income for the third quarter is Ps 26.8 Million vs the same period of last year of Ps9.5 Million or a 181% improvement.

The strategy of the company to do campaign runs for products with complete materials have started to pay off with production volume for the past three months maintained at not less than the 8M level/month. Service levels have improved as a result and backlogs continuously cleaned up.

BALANCE SHEETS

Total Assets as of September 30, 2007 amounted to Ps1.746 Billion, an increase of Ps44.89 Million versus Ps1.702 Billion as of end December 2006 brought about by the increase in deposits by 32% and inventories by 30%. Additional deposits of Ps1.94 Million are due to payments made to service providers for the continuing repairs and preventive maintenance of machinery and equipment while the increase in inventories of Ps82.9 Million is in compliance with the contractual three months inventory per manufacturing contract.

Total liabilities increased by Ps74.4 Million from last year's Ps2.062 Billion to this year's Ps2.136 Billion due to a higher Trade and other payables resulting from higher inventories to comply with the three months inventory stock level.

PROJECTIONS

Clients' volume continues to be low as a result of the market slowdown and is compensated by the increase in prices and continuous shift of production towards high volume-high value products. At the same time we are growing regionally by tapping existing MNCs and persuading them to obtain their products from ILI for the supply to their regional counterparts.

Pricing negotiations continue to be difficult and tedious and we project a very minimal increase for the next years. To supplement the decreasing volume and minimal price increases, various cost reduction schemes like the energy conservation program were implemented. After salaries and wages, utilities come in second in the costs and expenses category. On top of these, campaign runs are done where products are manufactured in shorter period of time to reduce fixed costs and enable clients to stock build. The implementation of the ERP system in 2008 is expected to generate savings with an integrated system and a common database for reports and management tool for fast and effective decision-making.

OTHER MATTERS

A) Key Performance Indicators

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

	% Increase (Decrease)	September, 2007 (Unaudited)	September, 2006 (Audited)
VOLUME ('000 SPUs)	(4.93%)	66,607	70,062
REVENUES ('000 PhP)	6.14%	1,625,715	1,531,698
GROSS PROFIT ('000 PhP)	60.30%	195,641	122,048
NET INCOME (LOSS) ('000 PhP)	170.93%	34,698	(48,919)
BASIC EARNINGS PER SHARE (Php)	170.93%	0.084	(0.119)

- 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.

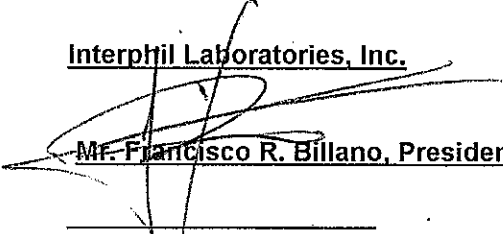
PART II - OTHER INFORMATION

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

SIGNATURES

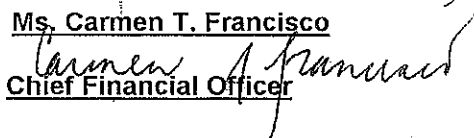
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer Interphil Laboratories, Inc.

Signature and Title  Mr. Francisco R. Billano, President and General Manager

Date _____

Principal Financial Officer Ms. Carmen T. Francisco

Signature and Title  Chief Financial Officer

Date _____

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

	<u>SEPTEMBER</u> 2007 <u>UNAUDITED</u>	<u>DECEMBER</u> 2006 <u>AUDITED</u>
ASSETS		
Current Assets		
Cash	55,637	66,018
Short-term investment	1,180	
Trade and other receivables-net	430,316	415,161
Inventories - net	362,072	279,165
Advances to suppliers and other current assets	9,199	39,357
Total Current Assets	<u>858,403</u>	<u>799,701</u>
Noncurrent Assets		
Property, plant and equipment at cost-net	630,079	673,628
Land at revalued amount	112,195	112,195
Creditable withholding taxes	132,527	103,706
Receivable from Manila Electric Company - net of current portic	5,158	6,181
Deposits	8,070	6,131
Total Noncurrent Assets	<u>888,029</u>	<u>901,842</u>
	<u>1,746,432</u>	<u>1,701,543</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	523,000	455,000
Trade and other payables	473,169	434,324
Output tax	34,551	30,683
Current portion of obligations under finance lease	0	46,546
Total Current Liabilities	<u>1,030,721</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	3,919	4,364
Retirement and long-term sick leave benefits	49,639	49,903
Obligations under finance lease-net of current portion	0	53,270
Total Noncurrent Liabilities	<u>74,421</u>	<u>128,399</u>
	<u>1,105,142</u>	<u>1,094,951</u>
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	255,058	220,360
Cost of treasury shares	(288,514)	(288,514)
Total Stockholders' Equity	<u>641,291</u>	<u>606,592</u>
	<u>1,746,432</u>	<u>1,701,543</u>

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

	<u>2007</u> <u>UNAUDITED</u>	<u>2006</u> <u>UNAUDITED</u>
REVENUES	1,625,715	1,531,698
COST OF SALES AND SERVICES	1,430,074	1,409,650
GROSS PROFIT	195,641	122,048
Personnel	76,978	77,463
Interest expense	36,474	49,357
Rental and outside services	22,603	24,547
Taxes and licenses	1,505	1,275
Depreciation and amortization	6,855	7,850
Utilities	5,683	5,775
Supplies and related costs	9,978	8,770
Entertainment, amusement and representation	1,226	1,154
Repairs and maintenance	2,546	2,007
Insurance	147	1,534
Other expenses	(3,052)	(8,765)
NET INCOME (LOSS)	34,698	(48,919)
Basic Earnings per share(P)*	0.0842	(0.1187)

* 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					34,698		34,698
Balance as of September 30, 2007	337,500	225,000	51,629	60,617	255,058	(288,514)	641,291
Balance as of December 31, 2005 AUDITED	337,500	225,000	51,629	60,617	226,901	(288,514)	613,133
Net loss					(48,919)		(48,919)
Balance as of September 30, 2006	337,500	225,000	51,629	60,617	177,982	(288,514)	564,214

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

	2007 UNAUDITED	2006 UNAUDITED
REVENUES	614,114	570,951
COST OF SALES AND SERVICES	515,296	521,698
GROSS PROFIT	98,818	49,253
Personnel	29,403	22,984
Interest expense	11,860	16,322
Rental and outside services	8,669	8,115
Taxes and licenses	2,559	(3,744)
Depreciation and amortization	2,192	2,689
Utilities	1,706	1,675
Supplies and related costs	3,768	2,249
Entertainment, amusement and representation	387	270
Repairs and maintenance	966	572
Insurance	(62)	462
Provision for Inventory Losses	8,337	1,454
Other expenses	2,237	(13,326)
NET INCOME (LOSS)	<u>26,796</u>	<u>9,532</u>
RETAINED EARNINGS AT BEGINNING OF THE QUARTER	<u>228,263</u>	<u>168,450</u>
RETAINED EARNINGS AT END OF THE QUARTER	<u>255,058</u>	<u>177,982</u>
Basic Earnings per share(P)*	<u>0.0649</u>	<u>0.0231</u>

* Net Income over the weighted number of shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 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)	34,698	(48,919)
Adjustments for		
Depreciation and amortization	71,210	73,329
Equity in net loss of a joint venture	(445)	187
Provision for retirement and long-term sick leave benefits	(263)	12,769
Operating income before working capital changes	<u>105,201</u>	<u>37,367</u>
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and other receivables	(15,155)	(10,291)
Receivable from Manila Electric Company - net of current portion	1,023	2,407
Inventories	(82,908)	22,727
Advances to suppliers and other current assets	30,159	10,282
Increase (decrease) in:		
Trade and other payables	38,846	57,993
Output tax	3,869	2,089
Cash generated from operations	<u>81,034</u>	<u>122,573</u>
Income tax paid	<u>(28,821)</u>	<u>(26,328)</u>
Net cash provided by operating activities	<u>52,213</u>	<u>96,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	(27,661)	(21,104)
Decrease (Increase)		
Short-term investment	(1,180)	(31,657)
Deposits	(1,939)	(1,195)
Cash used in investing activities	<u>(30,780)</u>	<u>(53,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	68,000	(12,500)
Obligations under finance lease	(99,816)	(33,694)
Net cash used in financing activities	<u>(31,815)</u>	<u>(46,194)</u>
NET INCREASE (DECREASE) IN CASH	<u>(10,382)</u>	<u>(3,905)</u>
CASH AT BEGINNING OF THE PERIOD- Jan 1	<u>66,018</u>	<u>82,979</u>
CASH AT END OF THE PERIOD-Sept 30	<u><u>55,637</u></u>	<u><u>79,073</u></u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 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)	26,795	9,532
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	23,739	24,351
Equity in net loss of a joint venture	(78)	0
Retirement and long-term sick leave benefits	1,128	3,222
Operating income before working capital changes	<u>51,584</u>	<u>37,105</u>
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and Other Receivables	(92,329)	(47,962)
Receivable from Manila Electric Company - net of current portion	4,513	0
Inventories	35,812	69,806
Advances to suppliers and other current assets	(1,094)	4,123
Increase (decrease) in:		
Trade and Other Payables	15,361	(23,039)
Output tax	5,192	(1,188)
Income tax paid	(9,900)	0
Net cash provided by (used in) operating activities	<u>9,139</u>	<u>38,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions/disposals of property and equipment	(12,589)	(2,117)
Decrease (Increase) in Deposits		
Short-term investment	0	(30,477)
Deposits	(868)	(559)
Cash provided by (used in) used in investing activities	<u>(13,457)</u>	<u>(33,153)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments (Payments) of:		
Notes payable	71,000	(27,500)
Obligations under finance lease	(75,877)	(12,479)
Net cash provided by (used in) financing activities	<u>(4,877)</u>	<u>(39,979)</u>
NET INCREASE (DECREASE) IN CASH	<u>(9,195)</u>	<u>(34,289)</u>
CASH AT BEGINNING OF THE PERIOD	<u>64,832</u>	<u>113,362</u>
CASH AT END OF THE PERIOD	<u>55,637</u>	<u>79,073</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 611 at the end of the third quarter ending September 30, 2007

2. Summary of Significant Accounting Policies

General

The accompanying unaudited financial statements for the quarter ended September 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 September 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>September 2007</u>	<u>September 2006</u>
a) Net income available to common stockholders	<u>34,698</u>	<u>(48,919)</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>0.0842</u>	<u>(0.1187)</u>

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2007
(in '000s Pesos)

	<u>TOTAL</u>	<u>1 Month</u>	<u>2-3 Mos</u>	<u>4-6 Mos</u>	<u>Over 6 Mos</u>
Trade Receivables					
1) Third party	334,056	200,916	104,872	7,414	20,854
2) Affiliates	38,842	36,160	2,682	0	0
	372,898	237,076	107,553	7,414	20,854
Non-Trade Receivables					
1) Affiliates	10,903	(9,736)	956	19,683	0
Allowance for doubtful accounts	(3,407)				
Others Receivables	49,921				
ACCOUNTS RECEIVABLE - Net	<u><u>430,316</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