

COVER SHEET

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SEC Registration Number

I N T E R P H I L L A B O R A T O R I E S , I N C .

(Company's Full Name)

C a n l u b a n g I n d u s t r i a l E s t a t e ,

B o P i t t l a n d , C a b u y a o , L a g u n a 4 0 2 5

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

Caroline O. Villaseran
(Contact Person)

(049) 549-23-45 to 49
(049) 549-30-96 to 98
(Company Telephone Number)

FIRST MONDAY OF MAY

1 2 3 1
Month Day
(Fiscal Year)

1 7 - Q
(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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, 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 **March 31, 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		Outstanding Common Stock
	As of March 31, 2008	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 14)

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

RESULTS OF OPERATIONS

SUMMARY

As in previous years and coming from the regular shutdown for plant maintenance, the Company had a slow start this year but made a recovery towards the end of the first quarter with Gross Operating Revenue of Ps 569.8M and Net Income of Ps 17.7M for an increase of 20% and 935%, respectively when compared to same period of last year. This is primarily due to the revenues generated from the completion of the three months extension of production orders for Plant 3 (AstraZeneca plant) and a higher volume in March of 8.1M SPU's from 6.1M SPU's in January and 6.9M SPU's in February. Transfer of manufacturing operations for AstraZeneca products was completed in December 2007. Focus is now in improving service levels and zeroing backorders as these are getting in the way of 2008 billing price negotiations. Continual implementation of cost improvement programs are in place. Capex spending is held except for cGMP and client audits' compliance. We are on track as far as the SAP implementation is concerned.

With the anticipated decrease in volumes, the company plans to embark into a major change in our business directions and to allow more flexibility and options to shareholders, During the March 26 Board of Directors' Meeting resolutions were passed and approved for the establishment of two companies under Interphil. The operating assets will be transferred to one of the companies while the real estate assets to the other company.

INCOME FROM SALES AND SERVICES

Volume during the first quarter is higher by 7% from last year's 19.7 Million units to this year's 21.1 Million units.

Company's Year-to-date Income from Sales and Services exceptionally increased by 935% from last year's Ps1.7 Million to this year's Ps17.7 Million. Total materials sales improved by 16% and services by 25%

with the completion of the Plant 3 production orders extension for two clients and the partial implementation of tolling fee increases.

For the first three months, product mix was heavy on liquid products with an average of 68% as compared to 65% during the same period of last year.

COSTS AND EXPENSES

Total Cost of Material Sales increased by 25%, due to fuel price related increases implemented by vendors/suppliers while Cost of Services grew by 8% and operating expenses increased by 14% 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 CBA mandated increase in Salaries and Wages and related benefits, Provision for Inventory losses, sales and local taxes and business licenses (as a result of new local tax ordinances) and Rental charges.

BALANCE SHEETS

Total Assets as of March 31, 2008 amounted to Ps1.732 Billion, an increase of Ps80.59 Million versus Ps1.651 Billion as of end December 2007 brought about by the increase in Trade and Other Receivables by 25% or Ps 85M in sales for March..

Total liabilities increased by Ps62.9 Million from last year's Ps0.99 Billion to this year's Ps1.05 Billion with Trade and Other Payables racking up with a Ps434.96 Million share. In compliance with the manufacturing contracts, a three months inventory level is maintained while at the same time negotiating better payment terms with suppliers to maximize cash benefits.

PROJECTIONS

The government has been aggressively promoting the use of generics in recent years, as branded pharmaceutical products are costly in a country like the Philippines which has a very low GDP per capita. There is a large potential market for generics which represents just three percent of the total market.

Changes to be caused by the controversial Cheaper Medicine Bill will impact the Philippines pharmaceutical market in a number of fields, including competition and drug price control mechanisms. Local manufacturing is limited and imports make up a big proportion of the market. The parallel importation of drugs and the power struggling of intellectual property right issues between the multinational pharmaceutical industry and the government have been controversial issues in recent times. We anticipate volume reduction as a result.

To mitigate the volume reduction and improve sales, new business models and judicious price increases are negotiated with clients; at the same time we are growing our export market. We also expect to generate additional revenues through the long-term development of formulations. Budgeted sales for 2008 are Ps2.05 Billion and we are much confident that we will hit the target.

The Company has introduced the Customer Purchase Order System (cPO) to all its clientele as a new way of placing its order to improve Service Level to Client and build customer loyalty. Likewise, we are partnering with our clients to come up with Cost Improvement Programs as part of the client retention initiatives.

OTHER MATTERS

A) Key Performance Indicators

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

	% Increase (Decrease)	March, 2008 (Unaudited)	March, 2007 (Audited)
VOLUME ('000 SPU's)	6.96%	21,116	19,742
REVENUES ('000 PhP)	20.44%	569,780	473,074
GROSS PROFIT ('000 PhP)	58.78%	79,699	50,194
NET INCOME (LOSS) ('000 PhP)	934.82%	17,685	1,709
BASIC EARNINGS PER SHARE (PhP)	975.00%	0.043	0.004

- 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 MARCH 31, 2008 and DECEMBER 31, 2007
(in Pesos 000s)

	MARCH 2008 UNAUDITED	DECEMBER 2007 AUDITED
ASSETS		
Current assets		
Cash & Cash Equivalents	99,304	55,070
Trade and other receivables-net	421,037	335,819
Inventories - net	319,316	349,144
Advances to suppliers and other current assets	9,183	16,793
Total current assets	<u>848,841</u>	<u>756,825</u>
Noncurrent assets		
Property, plant and equipment at cost-net	596,164	614,069
Land at revalued amount	112,195	112,195
Creditable withholding taxes	144,610	136,282
Receivable from Manila Electric Company - net of current portion	12,924	6,830
Deposits	16,809	24,749
Total noncurrent assets	<u>882,702</u>	<u>894,126</u>
Total assets	<u><u>1,731,542</u></u>	<u><u>1,650,952</u></u>
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	523,000	534,000
Trade and other payables	434,964	367,768
Output tax	33,099	22,735
Total current liabilities	<u>991,063</u>	<u>924,503</u>
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	5,422	5,554
Retirement and long-term sick leave benefits	44,599	48,121
Total noncurrent liabilities	<u>62,589</u>	<u>66,243</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	291,658	273,973
Cost of treasury shares held	(288,514)	(288,514)
Total equity	<u>677,890</u>	<u>660,206</u>
Total liabilities and stockholders' equity	<u><u>1,731,542</u></u>	<u><u>1,650,952</u></u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 and 2007
(in Pesos 000s)

	2008	2007
	UNAUDITED	UNAUDITED
REVENUES	569,780	473,074
COST OF SALES AND SERVICES	490,080	422,880
GROSS PROFIT	79,699	50,194
Personnel	24,920	22,194
Rental and outside services	8,122	7,385
Supplies and related costs	2,565	2,614
Taxes and licenses	2,426	(400)
Depreciation and amortization	2,046	2,267
Utilities	1,506	2,317
Entertainment, amusement and representation	723	454
Repairs and maintenance	669	715
Insurance	43	104
Interest expense	9,662	13,336
FX gain/(loss)	4,136	1,920
Interest income	(85)	(351)
Other expenses	5,281	(4,071)
INCOME/(LOSS) BEFORE INCOME TAX	17,685	1,709
PROVISION FOR INCOME TAX	0	0
NET INCOME	17,685	1,709
Basic Earnings per share(P)*	0.043	0.004

* Net Income over the weighted number or shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2008 and 2007
(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 Income					17,685		17,685
Balance as of March 31, 2008	337,500	225,000	51,629	60,617	291,658	(288,514)	677,890
Balance at December 31, 2006	337,500	225,000	51,629	60,617	220,360	(288,514)	606,592
Net Income					1,709		1,709
Balance at March 31, 2007	337,500	225,000	51,629	60,617	222,069	(288,514)	608,301

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 and 2007
(in Pesos 000s)

	2008	2007
	UNAUDITED	UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income(Loss)	17,685	1,709
Adjustments for		
Depreciation and amortization	23,313	23,862
Equity in net loss of a joint venture	(132)	(331)
Provision for retirement and long-term sick leave benefits	(3,522)	(2,678)
Operating income before working capital changes	<u>37,345</u>	<u>22,561</u>
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	(91,312)	107,083
Inventories	29,827	(155,181)
Advances to suppliers and other current assets	7,611	27,581
Increase (decrease) in:		
Trade and other payables	67,196	45,925
Output tax	10,364	(5,967)
Cash generated from operations	<u>61,030</u>	<u>42,003</u>
Income tax paid	(8,327)	(9,827)
Net cash provided by operating activities	<u>52,703</u>	<u>32,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(5,408)	(8,836)
Decrease (increase) in deposits	7,940	(256)
Cash used in investing activities	<u>2,532</u>	<u>(9,092)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	(11,000)	0
Obligations under finance lease	0	(11,846)
Net cash used in financing activities	<u>(11,000)</u>	<u>(11,846)</u>
NET INCREASE (DECREASE) IN CASH	44,235	11,238
CASH & CASH EQUIVALENT AT BEGINNING OF THE PERIOD	55,070	66,019
CASH & CASH EQUIVALENT AT END OF THE PERIOD	<u>99,304</u>	<u>77,257</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, 2008 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, 2008 are the same as compared with the audited financial statements of the Company for the year ended December 31, 2007.

Earnings Per Share (EPS)

	<u>Mar-08</u>	<u>Mar-07</u>
a) Net Income(Loss)	<u>17,685</u>	1,709
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>0.043</u>	<u>0.004</u>

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2008
(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	344,501	253,873	71,377	19,252
2) Affiliates	26,524	11,136	5,285	10,104
	<u>371,025</u>	<u>265,008</u>	<u>76,662</u>	<u>29,355</u>
Non-Trade Receivables				
1) Affiliates	24,176	6,689	942	16,545
Allowance for doubtful accounts	(3,407)			
Others Receivables	<u>29,243</u>			
ACCOUNTS RECEIVABLE - Net	<u><u>421,037</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