COVER SHEET

5 8 6 4 8

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)

Lolita O. Elazegui

(Contact Person)

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

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q

(Form Type)

FIRST MONDAY OF MAY

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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, 2006

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, 2006**

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
   4025
   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 Issued and Amount of Debt Outstanding As of March 31, 2006	Treasury Shares As of March 31, 2006	Outstanding Common Stock As of March 31, 2006
Common Class A	**337,500,000**	**64,803,449**	**272,696,551**
Common Class B	**225,000,000**	**85,631,955**	**139,368,045**
TOTAL	**562,500,000**	**150,435,404**	**412,064,596**

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

    Yes [X] 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 [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.
The financial statements and schedule of aging of account 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

The Company posted a net loss of Ps44.5 million during the first quarter of 2006, an improvement of Ps20.5 million vs. last year's net loss of Ps65.0 million. The effect of the agressive pricing strategy and cost reduction program are now being reflected in the first quarter results.

Production volume for the first three months decreased by 10% or 2.08 million units compared against 21.3 million units in 2005. Production volume, product mix and the spiraling fuel and electricity costs remain the major factors that affect margins.

Revenue from sales and services

Year-to-date Revenue from Sales and Services for 2006 grew by 13% or Ps442.9 million for 2006 vs. Ps390.8 million for 2005. The improvement in revenues was largely due to the effect of price increases which the Company has implemented starting January 2006. This compensated for the low production units for the first quarter of 2006.

Costs and expenses

Cost of services – net of materials cost increased by 20% and operating expenses increased by 13% as compared to the same period last year.

The most significant increase in costs and expenses were caused by increases in salaries and wages and related fringe benefits and the effect of price increases on fuel and supplies.

Salaries and wages and related fringe benefits increased as provided for in the recently concluded CBA (Collective Bargaining Agreement) negotiation last March 9, 2006. The CBA is for a period of three (3) years commencing January 1, 2006. Likewise, employee long-term sick leave benefits also increased as a result of the adoption of PAS 19 – on valuation of Employee Benefits.

Balance sheets

Total assets of the Company increased by 2% - from Ps1.756 billion (as of December 31, 2005) to Ps1.792 billion (as of March 31, 2006). The increase was mainly due to the build-up of receivables and inventories corresponding to the drop in production volume. Collections for the first quarter were down as a result of lower sales revenues for the months of January and February.

Total liabilities increased by Ps80.5 million from last year's Ps1.143 billion to this year's Ps1.224 billion due to higher level of trade and other payables by Ps42.4 million and short term borrowings for trade receivable discounting of Ps44.2 million. Increase in trade payables was brought about by the increase in the level of inventories. The Ps44.2 million availment was utilized to pay off maturing suppliers invoices in order not to disrupt deliveries of critical materials for production.

Projections

Clients' volume demand remained soft but we expect an improvement as we expand our export market and continue to shift production towards higher value products.

The company intends to generate additional revenue through its aggressive pricing strategy, export market expansion and investment in long-term development of formulations.

CASH – The Company was able to manage its cash requirements with strict monitoring of collections as they fall due and negotiation of extended payment terms with vendors. Part of the Company's pricing scheme is for a negotiated cash advance for some of its clients, based on forecasted volume deliveries. Additional cash will be generated from the increased sales as a result of the new pricing strategy and new businesses for the ensuing years.

FIXED ASSETS & NUMBER OF EMPLOYEES – The Company continued its systems automation project as well as the upgrade of its facilities. Capital expenditures and repairs are being strictly evaluated , monitored and kept at a minimum level. The Company has no plans of selling the plant, nor a significant part of its equipment.

Below are the items which we have originally included in our Management's Discussion and Analysis or Plan of Operation per the Company's SEC Form 17-A which addresses the Company's plans as to its fixed asset and to its organization.

§ **Automate systems further.** Business restructuring includes the automation, not just of equipment, but also of software and systems in the organization. To address this, the WINLIMS, or Windows Laboratory Information Management System, was acquired. The WINLIMS is a quality documentation system that will manage the whole laboratory equipment and reporting system, also linking Quality Control (QC) to other departments thereby increasing operational efficiency. The new system is compatible with the production and inventory management system allowing better planning and scheduling.

§ **Strengthen the organization.** Interphil believes that in difficult times its people are its most important asset. Apart from maximizing the abilities of existing pf existing talents towards the attainment of corporate goals, personnel training will be a major focus to equip them with the required tools to improve business processes.

Plan Of Operation

The Company has formulated the following strategies to address the present situation.

§ **Restructure the business.** Part of re-tooling the business is reducing its complexity. The Company has decided to focus on the clients whose volumes and revenues contribute the most to the Company. While the line-up includes 1,000 products, only 150 have significant impact on volume and profits. The product portfolio is now being reviewed to see how their contributions can be improved.

§ **Re-engineer procurement.** Relationships with suppliers are being strengthened, through commodity management approach, to allow negotiations for better prices and payment terms, leveraging particularly on total consolidated volumes. Extended payment terms, in particular, allow the Company to better manage cash requirements resulting in lower financing expenses. Additional valuable benefit is ensuring materials supply stability for client forecast support.

§ **Reduce energy consumption.** Electricity and fuel are a major cost and astute use of these resources is essential. To better implement efforts in this regard, power use is monitored on a per SPU basis.

§ **Decrease working capital needs.** Apart from direct costs of production, a more conscientious look at cost of money has also been taken to further reduce interest expense. Billing cycle time has been shortened and inventory levels reduced, resulting in a considerable lowering of daily cash requirements.

LIQUIDITY AND CASH REQUIREMENT MANAGEMENT

The Company seeks to manage its liquidity profile to enable it to finance its capital expenditures and to service its maturing debts. The Company intends to use internally generated funds to cover its financing requirements. Major capital expenditure for the following years will be kept at minimum level and will be financed from operating funds. This will substantially reduce financing costs related to leases.

The Company regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring neither payment nor a significant amount of trade payables that have not been paid within the stated trade terms.

OUTLOOK 2006-2008

The company projects revenues to steadily increase in the years 2006-2008. A positive income is projected by 2008 brought about by improved efficiency, better cash management, and increased volume through expansion of its regional presence. A summary table of key figures is presented in the next section for convenience reference.

OTHER MATTERS

A) Key Performance Indicators

The Company's top five (5) key performance indicators are shown below with their relevant results for March 2006 and March 2005.

	% INCREASE (DECREASE)	March 31, 2006 (Unaudited)	March 31, 2005 (Unaudited)	2006 (Projections)	2007 (Projections)	2008 (Projections
VOLUME ('000 SPUs)	(10%)	19,236	21,317	109,867	112,000	125,330
REVENUES (₱000)	13%	442,850	390,777	2,314,029	2,514,280	2,995,665
GROSS PROFIT (LOSS) (₱000)	171%	17,600	(10,274)	189,695	233,185	363,844
NET PROFIT (LOSS) (₱000)	32%	(44,500)	(65,014)	(34,998)	(3,222)	74,725
BASIC EARNINGS PER SHARE (₱)	32%	(0.108)	(0.158)	(0.085)	(0.008)	0.181

a) 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.

b) 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.

c) Gross Profit
Measures the pricing strategy of the Company. Computed as Revenue less Cost of Sales and Services.

d) Net Loss
Measures the profitability of the company.

e) Basic Earnings Per Share
Measures how much a stockholder earns in the net income or loss of the Company. Basic earnings per share is calculated by dividing net income or loss by the weighted number of common shares issued and outstanding during a particular period of time.

B) The effects of seasonality and cyclicality 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. Santiago Garcia, Chief Operating Officer**
Date	______________
Principal Financial Officer	**Ms. Carmen T. Francisco**
Signature and Title	**Chief Financial Officer**
Date	______________

INTERPHIL LABORATORIES, INC.
BALANCE SHEETS
AS OF MARCH 31, 2006 and DECEMBER 31, 2005
(in Pesos 000s)

	MARCH 2006 UNAUDITED	DECEMBER 2005 AUDITED
ASSETS		
Current assets		
Cash	**67,157**	82,979
Trade and other receivables-net	**386,939**	364,591
Inventories - net	**382,094**	355,517
Creditable withholding taxes	**79,325**	71,292
Advances to suppliers and other current assets	**26,620**	20,864
Total current assets	**942,134**	895,243
Noncurrent assets		
Property, plant and equipment at cost-net	**719,681**	730,887
Land at revalued amount	**112,195**	112,195
Receivable from Manila Electric Company - net of current portion	**8,599**	9,308
Deposits	**9,757**	8,759
Total noncurrent assets	**850,232**	861,148
Total assets	**1,792,366**	1,756,392
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	**411,663**	367,500
Trade and other payables	**556,672**	514,287
Output tax	**25,192**	31,299
Current portion of obligations under finance lease	**46,142**	46,864
Total current liabilities	**1,039,668**	959,951
Noncurrent liabilities		
Deferred income tax	**29,688**	29,688
Excess of accumulated equity in net loss of a joint venture over cost of related investment and advances	**7,963**	7,662
Retirement and long-term sick leave benefits	**52,632**	47,392
Obligations under finance lease-net of current portion	**93,782**	98,566
Total noncurrent liabilities	**184,065**	183,307
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	**182,401**	226,901
Cost of treasury shares held	**(288,514)**	(288,514)
Total equity	**568,633**	613,133
Total liabilities and stockholders' equity	**1,792,366**	1,756,392

INTERPHIL LABORATORIES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 and 2005
(in Pesos 000s)

	2006 UNAUDITED	2005 UNAUDITED
REVENUES	**442,850**	390,777
COST OF SALES AND SERVICES	**425,249**	401,051
GROSS PROFIT	**17,600**	(10,274)
Personnel	**27,138**	20,828
Interest expense	**14,317**	12,909
Rental and outside services	**7,759**	6,173
Taxes and licenses	**2,635**	2,321
Depreciation and amortization	**2,524**	1,467
Utilities	**2,052**	2,186
Supplies and related costs	**3,269**	1,825
Entertainment, amusement and representation	**541**	609
Repairs and maintenance	**575**	544
Insurance	**539**	3,872
Management fees	**0**	1,050
Other expenses	**751**	957
LOSS BEFORE INCOME TAX	**44,500**	65,014
PROVISION FOR INCOME TAX	**0**	0
NET LOSS	**44,500**	65,014
Basic Earnings per share(P)*	**(0.108)**	(0.158)

*** Net Loss over the weighted number or shares outstanding**

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock		Additional	Revaluation	Retained	Treasury	
	Class A	Class B	Paid in Capital	ncrement in Lan	Earnings	Shares	Total
Balance as of December 31, 2005 AUDITED	**337,500**	**225,000**	**51,629**	**60,617**	**226,901**	**(288,514)**	**613,133**
Net loss					**(44,500)**		**(44,500)**
Balance as of March 31, 2006	**337,500**	**225,000**	**51,629**	**60,617**	**182,401**	**(288,514)**	**568,633**
Balance at December 31, 2004, as previously statec	337,500	225,000	51,629	58,885	340,727	(288,514)	725,228
Net loss					(65,015)		(65,015)
Balace at March 31, 2005, as restated	337,500	225,000	51,629	58,885	275,712	(288,514)	660,213

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 and 2005
(in Pesos 000s)

	2006 UNAUDITED	2005 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(44,500)	(65,014)
Adjustments for		
Depreciation and amortization	24,068	21,787
Equity in net loss of a joint venture	302	
Provision for retirement and long-term sick leave benefit	5,241	
Operating income before working capital changes	(14,890)	(43,227)
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	(21,639)	4,627
Inventories	(26,576)	35,805
Advances to suppliers and other current assets	(5,756)	(4,381)
Increase (decrease) in:		
Trade and other payables	42,385	8,625
Output tax	(6,107)	(3,443)
Cash generated from operations	(32,584)	(1,994)
Income tax paid	(8,033)	
Net cash provided by operating activities	(40,617)	(1,994)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(12,862)	(11,661)
Decrease (increase) in deposits	(998)	3,059
Cash used in investing activities	(13,860)	(8,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	44,163	42,000
Obligations under finance lease	(5,507)	(1,738)
Net cash used in financing activities	38,655	40,262
NET INCREASE (DECREASE) IN CASH	(15,821)	29,666
CASH AT BEGINNING OF THE PERIOD	82,979	31,152
CASH AT END OF THE PERIOD	67,157	60,818

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2006
(in Pesos 000s)

	TOTAL	1 Month	2-3 Mos	4-6 Mos
Trade Receivables				
1) Third party	319,279	275,249	36,815	7,214
2) Affiliates	19,631	5,837	1,927	11,867
	338,909	**281,086**	**38,742**	**19,081**
Non-Trade Receivables				
1) Affiliates	**17,296**	**(6,698)**	**1,691**	**22,304**
Allowance for doubtful accounts	**(3,407)**			
Others Receivables	**34,140**			
ACCOUNTS RECEIVABLE - Net	**386,939**			

ACCOUNTS RECEIVABLE DESCRIPTION

yı	**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

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 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, 2006 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, 2006 are the same as compared with the audited financial statements of the Company for the year ended December 31, 2005.

Earnings Per Share (EPS)

	Mar-06	Mar-05
a) Net loss	**(44,500)**	(65,014)
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	**412,065**	412,065
Earnings per share	**(0.108)**	(0.158)