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SEC Registration Number

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(Company's Full Name)

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

Caroline O. Villaseran (Contact Person)

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

Total Amount of Borrowings	
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)

September 30, 2006

Period Ended Date

(Secondary License Type and File Number)



CENTRAL RECEIVING UNIT
 Received by: *[Signature]*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

06 NOV 14 PA:30

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, 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
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 As of September 30, 2006	Treasury Shares	Outstanding Common Stock
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 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 Loss of Ps48.9 Million at the end of the third quarter of this year out of which Ps 7.8M refers to non-cash expenses (depreciation and amortization). This is a huge 61% improvement in comparison to last year of the same period of a Net Loss of Ps126.5 Million. Despite the drop in production volume, the company has managed to minimize losses. Cost reduction measures coupled with aggressive price increase have tremendously contributed to the profitability improvement.

Production Volume for the first nine months decreased by 12% from last year's volume due to decrease in clients' demand an effect of market decline.

INCOME FROM SALES AND SERVICES

Company's Year-to-date Income from Sales and Services increased by 7% from last year's Ps1.4 Million to this year's Ps1.5 Million. Total materials sales decreased by 11% as a result of the decrease in volume while services increased by 32% with the implementation of aggressive price increases and new pricing models for 2006.

The year-to-date average product mix is 33% dry products and 67% liquids. As compared to last year of the same period, there was an immense improvement of 7% in the volume of high valued dry products.

COSTS AND EXPENSES

Compared to last year, total Cost of Services, net of cost of material, increased by 14% while operating expenses increased by 3% on a year-to-date basis.

For the third quarter, decrease in operating expenses is due to the drop in salaries and wages, utilities, repairs & maintenance and representation expenses. 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. On the other hand, the full effect of savings created from the EROP will be realized in 2007.

BALANCE SHEETS

Total Assets as of September 30, 2006 amounted to Ps1.734 Billion, a decrease of Ps22.1 Million versus Ps1.756 Billion as of end December 2005 brought about by the decrease in advances to suppliers by 49%. These include advances on purchases awaiting completion of charges which were eventually reclassified to raw and packaging materials.

Total liabilities increased by Ps26.8 Million from last year's Ps1.14 Billion to this year's Ps1.17 Billion as a consequence of higher level of Trade and Other Payables of Ps572.28 Million. The company is now able to partially settle bank loans. Payments to date amounted to Ps12.5 Million. Obligations under finance lease decreased by 23% due to reduction in capital expenditure for machinery, equipment and vehicles acquired under finance lease agreements with the bank. A major portion of the budgeted capex spending for the year were put on hold as part of cost cutting measures.

PROJECTIONS

Clients' volume remained soft but this has been compensated by the increase in prices and continuous shift of production towards high value products. At the same time we are expanding regionally by tapping existing MNCs and encouraging them to source their products from ILI for supply regional counterparts.

The company generated additional revenue through aggressive pricing negotiations with clients and the new pricing scheme that started in December 2004 and from the auxiliary services rendered for clients including annual product review, product risk management and supplier management requirements. It also expects to make extra income through registered formula sale with volume exclusivity. Furthermore, it has put in place a permanent cost reduction scheme.

OTHER MATTERS

A) Key Performance Indicators

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

	% Increase (Decrease)	September, 2006 (Unaudited)	September, 2005 (Unaudited)
VOLUME ('000 SPUs)	(11.59%)	66,086	74,747
REVENUES ('000 PhP)	6.58%	1,531,698	1,437,142
GROSS PROFIT ('000 PhP)	214.70%	122,048	38,782
NET INCOME (LOSS) ('000 PhP)	61.33%	(48,919)	(126,497)
BASIC EARNINGS PER SHARE (Php)	61.33%	(0.1187)	(0.3070)

- 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>NOV - 13 - 2006</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>NOV - 13 - 2006</u>

INTERPHIL LABORATORIES, INC.
BALANCE SHEETS
AS OF SEPTEMBER 30, 2006 and DECEMBER 31, 2005
(in '000s Pesos)

	SEPTEMBER 2006 UNAUDITED	DECEMBER 2005 AUDITED
ASSETS		
Current Assets		
Cash	79,073	82,979
Short-term investment	31,657	
Trade and other receivables-net	374,882	364,591
Inventories - net	332,790	355,517
Creditable withholding taxes	97,620	71,292
Advances to suppliers and other current assets	10,582	20,864
Total Current Assets	<u>926,605</u>	<u>895,243</u>
Noncurrent Assets		
Property, plant and equipment at cost-net	678,662	730,887
Land at revalued amount	112,195	112,195
Receivable from Manila Electric Company - net of current portion	6,901	9,308
Deposits	9,954	8,759
Total Noncurrent Assets	<u>807,712</u>	<u>861,148</u>
	<u>1,734,317</u>	<u>1,756,392</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	355,000	367,500
Trade and other payables	572,280	514,287
Output tax	33,388	31,299
Current portion of obligations under finance lease	53,374	46,864
Total Current Liabilities	<u>1,014,042</u>	<u>959,951</u>
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	7,849	7,662
Retirement and long-term sick leave benefits	60,161	47,392
Obligations under finance lease-net of current portion	58,363	98,566
Total Noncurrent Liabilities	<u>156,061</u>	<u>183,307</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	177,982	226,901
Cost of treasury shares	(288,514)	(288,514)
Total Stockholders' Equity	<u>564,214</u>	<u>613,133</u>
	<u>1,734,317</u>	<u>1,756,392</u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 and 2005
(in '000s Pesos)

	<u>2006</u> <u>UNAUDITED</u>	<u>2005</u> <u>UNAUDITED</u>
REVENUES	1,531,698	1,437,142
COST OF SALES AND SERVICES	1,409,650	1,398,360
GROSS PROFIT	122,048	38,782
Personnel	77,463	67,471
Interest expense	49,357	43,484
Rental and outside services	24,547	21,093
Taxes and licenses	1,275	6,897
Depreciation and amortization	7,850	4,375
Utilities	5,775	6,002
Supplies and related costs	8,770	6,939
Entertainment, amusement and representation	1,154	1,366
Repairs and maintenance	2,007	1,944
Insurance	1,534	1,574
Management fees	0	1,050
Other expenses	(8,765)	3,084
NET INCOME (LOSS)	(48,919)	(126,497)
Volume ('000 SPU)	66,086	74,747
Basic Earnings per share(P)*	(0.1187)	(0.3070)

* Net Income over the weighted number or shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CHANGES IN EQUITY
(in Pesos 000s)

	Capital Stock		Revaluation Increment in Land	Retained Earnings	Treasury Shares	Total
	Class A	Class B				
Balance as of December 31, 2005 AUDITED	337,500	225,000	60,617	226,901	(288,514.13)	613,133
Net loss				(48,919)		(48,919)
Balance as of September 30, 2006	337,500	225,000	60,617	177,982	(288,514.13)	564,214
Balance as of December 31, 2004 AUDITED	337,500	225,000	58,885	340,727	(288,514.13)	725,227
Net loss				(126,497)		(126,497)
Balance as of September 30, 2005	337,500	225,000	58,885	214,230	(288,514.13)	598,730

INTERPHIL LABORATORIES, INC.
STATEMENTS OF INCOME & RETAINED EARNINGS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 and 2005
(in '000s Pesos)

	<u>2006</u>	<u>2005</u>
	<u>UNAUDITED</u>	<u>UNAUDITED</u>
REVENUES	570,951	520,831
COST OF SALES AND SERVICES	521,700	504,537
GROSS PROFIT	49,251	16,294
Personnel	22,984	23,086
Interest expense	16,322	15,312
Rental and outside services	8,115	7,808
Taxes and licenses	(3,744)	2,284
Depreciation and amortization	2,689	1,466
Utilities	1,675	1,877
Supplies and related costs	2,249	1,947
Entertainment, amusement and representation	270	501
Repairs and maintenance	572	658
Insurance	462	148
Management fees		(1,050)
Provision for Inventory Losses	1,452	4,545
Other expenses	(13,326)	703
NET INCOME (LOSS)	9,532	(42,991)
RETAINED EARNINGS AT BEGINNING OF THE QUARTER	168,450	257,221
RETAINED EARNINGS AT END OF THE QUARTER	177,982	214,230
Volume ('000 SPU)	23,775	24,416
Basic Earnings per share(P)*	0.0231	(0.1041)

* Net Income over the weighted number of shares outstanding

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 and 2005
(in '000s Pesos)

	2006	2005
	<u>UNAUDITED</u>	<u>UNAUDITED</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (Loss)	(48,919)	(126,497)
Adjustments for		
Depreciation and amortization	73,329	66,347
Retirement and long-term sick leave benefits	12,769	
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and other receivables	(10,291)	4,409
Receivable from Manila Electric Company - net of current portion	2,407	
Inventories	22,727	(3,458)
Advances to suppliers and other current assets	10,282	16,742
Increase (decrease) in:		
Trade and other payables	31,852	65,091
Output tax	2,089	2,648
Cash generated from operations	<u>59,065</u>	<u>85,432</u>
Net cash provided by operating activities	<u>96,245</u>	<u>25,282</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(21,104)	(51,818)
Decrease (Increase)		
Short-term investment	(31,657)	
Deposits	(1,195)	(1,010)
Cash used in investing activities	<u>(53,956)</u>	<u>(52,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of:		
Notes payable	(12,500)	77,500
Obligations under finance lease	(33,694)	5,479
Net cash used in financing activities	<u>(46,194)</u>	<u>82,979</u>
NET INCREASE (DECREASE) IN CASH	(3,905)	55,433
CASH AT BEGINNING OF THE PERIOD- Jan 1	82,979	31,152
CASH AT END OF THE PERIOD-September 30	<u>79,073</u>	<u>86,585</u>

INTERPHIL LABORATORIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006, and 2005
(in '000s Pesos)

	2006	2005
	<u>UNAUDITED</u>	<u>UNAUDITED</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (Loss)	9,532	(42,991)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	24,351	22,706
Retirement and long-term sick leave benefits	3,222	
Changes in assets and liabilities:		
Decrease (Increase) in:		
Trade and Other Receivables	(47,962)	75,197
Inventories	69,806	(32,219)
Advances to suppliers and other current assets	4,123	6,497
Increase (decrease) in:		
Trade and Other Payables	(23,039)	(39,712)
Other Taxes Payable	(1,188)	(300)
Net cash provided by (used in) operating activities	<u>38,844</u>	<u>(10,823)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Property and Equipment	(2,117)	(7,289)
Decrease (Increase) in Deposits		(1,221)
Short-term investment	(30,477)	
Deposits	(559)	
Cash provided by (used in) used in investing activities	<u>(33,153)</u>	<u>(8,510)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments (Payments) of:		
Notes payable	(27,500)	20,500
Obligations under finance lease	(12,479)	(8,234)
Net cash provided by (used in) financing activities	<u>(39,979)</u>	<u>12,266</u>
NET INCREASE (DECREASE) IN CASH	(34,289)	(7,067)
CASH AT BEGINNING OF THE PERIOD	113,362	93,652
CASH AT END OF THE PERIOD	<u>79,073</u>	<u>86,585</u>

INTERPHIL LABORATORIES, INC.
SCHEDULE OF AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2006
(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	392,320	364,890	17,018	10,412
2) Affiliates	27,222	12,345	2,970	11,906
	<u>419,541</u>	<u>377,235</u>	<u>19,988</u>	<u>22,318</u>
Non-Trade Receivables				
1) Affiliates	(84,144)	(101,684)	274	17,266
Allowance for doubtful accounts	(3,407)			
Others Receivables	42,892			
ACCOUNTS RECEIVABLE - Net	<u><u>374,882</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

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 612 at the end of the third quarter ending September 30, 2006

2. Summary of Significant Accounting Policies

General

The accompanying unaudited financial statements for the quarter ended September 30, 2006 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, 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)

	<u>September 2006</u>	<u>September 2005</u>
a) Net income available to common stockholders	<u>(48,919)</u>	<u>(126,497)</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>(0.1187)</u>	<u>(0.3070)</u>