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INTERPHARM HOLDINGS INC
Form 10-Q
February 17, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 31, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number 0-22710

INTERPHARM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3673965

State or other jurisdiction of corporation or organization)	(I.R.S. Employer Identification Number)
69 Mall Drive, Commack, New York	11725

(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code (631) 543-2800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES NO

As of the close of business on February 13, 2004, there were 18,658,391 shares of the Registrant's Common Stock outstanding.

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INTERPHARM HOLDINGS, INC.

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PART I

Item 1. Financial Statements

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(Unaudited) (Audited)
December 31, June 30,

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	2003	2003
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,503,936	\$ 2,336,203
Marketable securities, at fair market value	61,199	48,462
Accounts receivable, net	7,032,571	4,930,109
Notes receivable, current	--	1,000,000
Inventories	5,927,631	4,583,205
Prepaid expenses and other current assets	519,095	224,149
Deferred tax assets	23,500	23,500
	-----	-----
Total Current Assets	15,067,932	13,145,628
Property and equipment, net	5,590,400	4,085,302
Notes receivable, long-term	--	524,092
Deferred tax assets	2,537,900	2,537,900
Deposits	961,379	45,873
	-----	-----
TOTAL ASSETS	\$24,157,611	\$20,338,795
	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) December 31, 2003	(Audited) June 30, 2003
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Lines of credit, bank	\$ 424,847	\$ 2,064,793
Current maturities of bank notes payable	--	224,241
Accounts payable, accrued expenses, and other liabilities	6,542,799	5,314,341
	-----	-----
Total Current Liabilities	6,967,646	7,603,375
	-----	-----

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OTHER LIABILITIES		
Bank notes payable, less current maturities	--	237,521
Other liabilities	29,535	29,535
	-----	-----
Total Other Liabilities	29,535	267,056
	-----	-----
TOTAL LIABILITIES	6,997,181	7,870,431
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stocks, 10,000,000 shares authorized; issued and outstanding - 7,195,876 and 7,300,876, respectively; aggregate liquidation preference of \$5,494,080	350,971	352,021
Common stock, \$.01 par value, 70,000,000 shares authorized; shares issued - 18,022,958 and 15,671,649, respectively	180,230	156,717
Additional paid-in capital	15,481,567	12,076,237
Accumulated other comprehensive income	24,316	11,579
Retained earnings	1,921,214	669,678
Treasury stock at cost, 624,145 shares at December 31, and June 30, 2003	(797,868)	(797,868)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	17,160,430	12,468,364
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,157,611	\$ 20,338,795
	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	(UNAUDITED)		
	For The Three Months Ended December 31,	For The S De	
	2003	2002	
	2003	2003	
SALES, Net	\$ 11,706,231	\$ 6,636,220	\$ 18,581,57

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COST OF SALES (including related party rent expense of \$102,000 and \$204,000 for the three months and six months ended December 31, 2003 and 2002, respectively)

	9,087,956	5,431,807	14,531,47
	-----	-----	-----
GROSS PROFIT	2,618,275	1,204,413	4,050,10
	-----	-----	-----
OPERATING EXPENSES			
Selling, general and administrative expenses	860,060	639,219	1,893,83
Related party rent expense	18,000	18,000	36,00
Research and development	154,035	136,213	189,03
	-----	-----	-----
TOTAL OPERATING EXPENSES	1,032,095	793,432	2,118,87
	-----	-----	-----
OPERATING INCOME	1,586,180	410,981	1,931,23
	-----	-----	-----
OTHER INCOME (EXPENSES)			
Related party interest expense	--	(47,075)	--
Interest expense	(4,852)	(22,008)	(10,99
Interest income	2,446	53	5,20
	-----	-----	-----
TOTAL OTHER EXPENSES	(2,406)	(69,030)	(5,79
	-----	-----	-----

(Forward)

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

For The Three Months Ended		For The Six Months Ended	
December 31,		December 31,	
2003	2002	2003	200
-----	-----	-----	-----

(Forward)

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INCOME BEFORE INCOME TAXES	1,583,774	341,951	1,925,441	625,4
PROVISION FOR INCOME TAXES	559,677	98,441	673,905	185,8
NET INCOME	\$ 1,024,097	\$ 243,510	\$ 1,251,536	\$ 439,6
EARNINGS PER SHARE				
Basic earnings per share	\$ 0.05	\$ 0.04	\$ 0.06	\$ 0.
Diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.
Basic weighted average shares outstanding	17,395,546	6,151,178	16,861,779	6,151,1
Diluted weighted average shares and equivalent shares outstanding	68,139,385	35,935,062	68,376,030	35,935,0

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

For the Six Months Ended December 31, 2003

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Addi- tional Pa- id Ca-
BALANCE - July 1, 2003	7,300,876	\$ 352,021	15,671,649	\$ 156,717	\$ 12,
Shares issued for options and warrants exercised	--	--	2,241,382	22,414	2,
Conversion of series J convertible preferred stock to common stock	(105,000)	(1,050)	105,000	1,050	
Valuation adjustments related to Reverse merger	--	--	--	--	
Tax expense in connection with exercise of	--	--			

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Employee stock options	--	--	--	--	
Unrealized gain on marketable securities, net	--	--	--	--	
Net income	--	--	--	--	
	-----	-----	-----	-----	-----
BALANCE - September 30, 2003	7,195,876	350,971	18,018,031	180,181	14,
Valuation adjustments related to Reverse merger	--	--	--	--	
Shares issued for options and warrants exercised	--	--	4,927	49	
Tax expense in connection with exercise of Employee stock options	--	--	--	--	
Unrealized gain on marketable securities, net	--	--	--	--	
Net income	--	--	--	--	
	-----	-----	-----	-----	-----
BALANCE - December 31, 2003	7,195,876	\$ 350,971	18,022,958	\$ 180,230	\$ 15,
	=====	=====	=====	=====	=====

	Retained Earnings	Treasury Shares	Stock Amount	Total Stockholders' Equity
	-----	-----	-----	-----
BALANCE - July 1, 2003	\$ 669,678	624,145	\$ (797,868)	\$ 12,468,364
Shares issued for options and warrants exercised	--	--	--	2,698,764
Conversion of series J convertible preferred stock to common stock	--	--	--	--
Valuation adjustments related to Reverse merger	--	--	--	53,791
Tax expense in connection with exercise of Employee stock options	--	--	--	120,000
Unrealized gain on marketable securities, net	--	--	--	1,180
Net income	227,439	--	--	227,439
	-----	-----	-----	-----
BALANCE - September 30, 2003	897,117	624,145	(797,868)	15,569,538

Valuation adjustments

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related to Reverse merger	--	--	--	10,238
Shares issued for options and warrants exercised	--	--	--	--
Tax expense in connection with exercise of Employee stock options	--	--	--	545,000
Unrealized gain on marketable securities, net	--	--	--	11,557
Net income	1,024,097	--	--	1,024,097
	-----	-----	-----	-----
BALANCE - December 31, 2003	\$ 1,921,214	624,145	\$ (797,868)	\$ 17,160,430
	=====	=====	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
	-----	-----	-----	-----
NET INCOME	\$1,024,097	\$ 243,510	\$1,251,536	\$ 439,617
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on marketable securities, net	11,557	3,235	12,737	(343)
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME	\$1,035,654	\$ 246,745	\$1,264,273	\$ 439,274
	=====	=====	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	December 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,251,536	\$ 439,617
Adjustment to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	408,931	273,733
Deferred tax expense	--	21,500
Accrued interest on related party loans	--	94,062
Provision for doubtful accounts	--	47,165
Tax expense in connection with exercise of employee stock options credited to additional paid-in-capital	665,000	--
Changes in operating assets and liabilities		
Accounts receivable	(2,102,462)	109,272
Inventories	(1,344,426)	(748,300)
Prepaid expenses and other current assets	(294,946)	118,501
Deposits	9,494	--
Accounts payable, accrued expenses and other liabilities	1,228,458	659,906
TOTAL ADJUSTMENTS	(1,429,951)	575,839
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(178,415)	1,015,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from notes receivable	1,524,092	--
Deposit on new building	(925,000)	--
Purchases of property and equipment	(1,914,029)	(453,351)
NET CASH USED IN INVESTING ACTIVITIES	(1,314,937)	(453,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of line of credit, bank	(1,639,946)	--
Repayments of bank notes payable	(461,762)	(116,207)

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Due to related parties	--	(783,721)
Cash received in reverse merger transaction	64,029	--
Proceeds from option exercise	2,698,764	--
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 661,085	\$ (899,928)
	-----	-----

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED), Continued

	Six Months Ended December 31,	
	2003	2002
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (832,267)	\$ (337,823)
CASH AND CASH EQUIVALENTS - Beginning	2,336,203	443,612
	-----	-----
CASH AND CASH EQUIVALENTS - Ending	\$ 1,503,936	\$ 105,789
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the periods for:		
Interest	\$ 10,999	\$ 359,688
Income taxes	\$ 84,456	\$ 176,829

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying interim unaudited consolidated financial statements include the accounts of Interpharm Holdings, Inc. and its subsidiaries that are hereafter referred to as (the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such interim statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The operating results for the three and six months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2004. See Note 2, Change of Fiscal Year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Transition Report on Form 10-K for the six month transition period ended June 30, 2003.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Interpharm Holdings, Inc. through its wholly-owned subsidiary, Interpharm, Inc. ("Interpharm, Inc.") is in the business of developing, manufacturing and marketing generic prescription strength and over-the-counter pharmaceutical products for wholesale distribution throughout the United States. The majority of the Company's sales have been derived from sales of Ibuprofen tablets in both over-the-counter and prescription strength.

REVERSE MERGER

On May 30, 2003, Interpharm, Inc. was acquired by ATEC Group, Inc. ("ATEC"), which simultaneously changed its name to Interpharm Holdings, Inc. In this transaction, ATEC acquired all of the issued and outstanding shares of Interpharm, Inc. in exchange for both ATEC common stock and Series K Convertible Preferred Stock, which totaled approximately 48% of ATEC's voting securities after the transaction was consummated.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ATEC issued to the stockholders of Interpharm, Inc. a total of 6,151,178 shares of common stock and 2,050,393 shares of preferred stock in exchange for all outstanding shares of Interpharm, Inc. In addition, Interpharm, Inc. assumed the equity structure of ATEC, which comprised of 9,495,471 shares of common stock, less 624,145 shares of treasury stock and four classes of preferred stock totaling 395,094 shares.

CHANGE OF FISCAL YEAR

The Company has changed its fiscal year end from December 31 to June 30. A Transition Report on Form 10-K was filed for the six month transition period ended June 30, 2003.

EARNINGS PER SHARE

Basic earnings per share ("EPS") of common stock is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the amount of earnings for the period available to each share of common stock outstanding during the reporting period, giving effect to all potentially dilutive shares of common stock from the potential exercise of stock options and warrants and conversions of convertible preferred stocks.

The effect of the recapitalization of Interpharm, Inc. has been given retroactive application in the earnings per share calculation. The common stock issued and outstanding with respect to the pre-merger ATEC Group, Inc. has been included since the effective date of the reverse merger. The Company has used the two-class method to calculate the effect of the participating Series K Convertible Preferred Stock on the calculation of Basic EPS. The if-converted method has been used to calculate the effect of the participating Series K Convertible Preferred Stock on diluted EPS.

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

STOCK BASED COMPENSATION

At December 31, 2003, the Company had two stock-based employee plans. As permitted under Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amended SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangements as defined by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB No. 25. No stock-based employee compensation cost is reflected in operations, as all options granted under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Net income, as reported	\$1,024,097	\$ 243,510	\$1,251,536	\$ 439,617
Less: Stock-based employee compensation expense determined under fair value-based method for all awards	166,714	-----	333,428	--
Pro forma net income	\$ 857,383	\$ 243,510	\$ 918,108	\$ 439,617

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Basic net income per share				
As reported	\$0.05	\$.04	\$0.06	\$.07
Pro forma	\$0.05	\$.04	\$0.05	\$.07
Diluted net income per share				
As reported	\$0.01	\$.01	\$0.02	\$.01
Pro forma	\$0.01	\$.01	\$0.01	\$.01

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

STOCK BASED COMPENSATION, continued

The fair values of Company common stock options granted to employees were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (1) expected volatility of 124%, (2) risk-free interest rate of 3.4% and (3) expected average lives of 5 years.

NOTE 3 - INVENTORIES

Inventories consist of the following:

	December 31, 2003	June 30, 2003
	-----	-----
Finished goods	\$ 188,823	\$ 347,189
Work in process	3,129,639	2,227,139
Raw materials	2,291,299	1,733,109
Packaging materials	317,870	275,768
	-----	-----
Total	\$5,927,631	\$4,583,205
	=====	=====

NOTE 4 - NOTES RECEIVABLE

Two notes receivable acquired as part of the reverse merger (Note 2) with an aggregate amount of \$1,524,092 were repaid in full during the three months ended September 30, 2003.

NOTE 5 - PROPERTY AND EQUIPMENT

During November 2003, the Company entered into an agreement to acquire an existing facility of approximately 92,000 square feet on approximately thirty-seven acres in Yaphank, NY for a purchase price \$9,250,000. The purchase price for the building and land is \$9,250,000, of which \$925,000 has been paid as a deposit. The contract calls for a closing on or before March 31, 2004.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 6 - BANK DEBT

At December 31, 2003, the Company has a credit facility agreement with a bank, as amended on August 6, 2003, consisting of an advised secured line of credit totaling \$5,000,000 and a \$2,000,000 non-revolving secured facility for equipment purchases ("Equipment Purchase Line"). Any borrowings under the credit facility are collateralized by substantially all assets of the Company and personally guaranteed by four of the Company's stockholders. In addition, the Company must comply with certain financial covenants.

As of December 31, 2003, the Company had outstanding borrowings of \$424,847 under the lines of credit.

At June 30, 2003, there were four separate notes outstanding under the Equipment Purchase Line. Such notes were to mature at various dates through August 2006. During the three months ended September 30, 2003, all of the notes were paid in full.

NOTE 7 - INCOME TAXES

As part of the reverse merger transaction (Note 2), approximately \$7,680,000 of ATEC's Federal net operating loss carryforwards ("NOLs") became utilizable by the Company. During the six month period ended December 31, 2003, stock options were exercised which generated approximately \$9,000,000 of additional NOLs (Note 9). Of this amount, approximately \$2,000,000 was utilized as a deduction for tax purposes during the six months ended December 31, 2003, resulting in a cash benefit of \$665,000. The financial statement tax benefit of the deduction for the exercise of these employee stock options are credited to additional paid-in capital in the period that such tax benefit is recognized for financial statement purposes. At December 31, 2003 the Company has remaining NOLs of approximately \$14,700,000 to reduce future taxable income. These losses expire through 2024 and may be subject to substantial limitations pursuant to Section 382 of the Internal Revenue Code regarding substantial changes in Company ownership.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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NOTE 8 - EARNING PER SHARE

The calculations of basic and diluted EPS are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
Numerator:				
Net income	\$ 1,024,097	\$ 243,510	\$ 1,251,536	\$ 439,617
Less: Preferred stock dividend	41,392	--	82,784	--
Less: Net income attributable to Series K preferred stockholders	103,600	60,877	123,213	109,904
Numerator for basic EPS	879,105	182,633	1,045,539	329,713
Effect of dilutive securities: Net income attributable to Series K preferred stockholders	103,600	60,877	123,213	109,904
Numerator for diluted EPS	\$ 982,705	\$ 243,510	\$ 1,168,752	\$ 439,617
Denominator:				
Denominator for basic EPS Weighted average shares outstanding	17,395,546	6,151,178	16,861,779	6,151,178
Effect of dilutive securities: Convertible Series K preferred stock	42,844,356	29,783,884	42,764,522	29,783,884
Convertible Series A, B, C and J preferred stocks	7,474	--	15,463	--
Stock options	7,892,009	--	8,734,266	--
Denominator for diluted EPS	68,139,385	35,935,062	68,376,030	35,935,062
Basic EPS	\$ 0.05	\$ 0.04	\$ 0.06	\$ 0.07
Diluted EPS	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8 - EARNING PER SHARE, continued

As of February 10, 2004, the total number of common shares outstanding and the number of common shares potentially issuable upon exercise of all outstanding stock options and conversion of preferred stocks (including contingent conversions) is as follows:

Common stock outstanding - December 31, 2003	17,398,813
Common stock issued January 1 to February 10, 2004	1,259,578
Stock options outstanding - February 10, 2004	9,490,000
Common stock issuable upon conversion of preferred stocks:	
Series A	1,526
Series A-1 (maximum contingent conversion)	4,855,389
Series B	292
Series C	5,620
Series K (maximum contingent conversion)	43,907,426

	76,918,644
	=====

NOTE 9 - EQUITY SECURITIES

PREFERRED STOCKS

The Company's preferred stocks consist of the following at December 31, 2003:

	Shares Authorized	Shares Issued and Outstanding	Par Value	Liquidation Preference

Preferred Stocks:				
*Series A cumulative Convertible	29,233	7,631	\$ 763	\$ 763,100
Series A-1 cumulative Convertible	5,000,000	4,855,389	48,554	3,311,375
*Series B convertible	12,704	1,458	145	14,580
*Series C convertible	350,000	281,005	281,005	1,405,025
*Series J convertible	105,000	--	--	--
Series K convertible	3,000,000	2,050,393	20,504	--
	-----	-----	-----	-----
Total preferred	8,496,937	7,195,876	\$ 350,971	\$5,494,080
	=====	=====	=====	=====

* Classes of preferred stock assumed in the ATEC reverse merger.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 9 - EQUITY SECURITIES, continued

PREFERRED STOCKS, continued

At December 31, 2003, the Company had six authorized series of preferred stock; Series A Cumulative Convertible (par value \$.10), Series A-1 Cumulative convertible (par value \$.01), Series B Convertible (par value \$.10), Series C Convertible (par value \$1), Series J Convertible (par value \$.01) and Series K Convertible (par value \$.01) (hereafter referred to as the "A", "A-1", "B", "C", "J" and "K" shares, respectively).

The A shares have an annual dividend rate of 10% of the par value, which is cumulative. They are senior to all other series or classes of capital stock. The B shares have a non-cumulative stated annual dividend rate of \$1 each and are senior to all but the rights of the A stockholders. The C and J shares have no dividend rights, except as may be authorized at the sole discretion of the Company's Board of Directors. The K shares are entitled to receive dividends to the same extent and in the same amounts as the common stock. The A-1 shares have a cumulative annual dividend of \$.0341 per share when and as declared by the Board of Directors. At December 31, 2003, dividends accumulated, but not declared, were approximately \$97,000.

Each of the A, B, C and K shares has the right to one vote on all matters in which stockholders are entitled to vote. The holders of Series A-1 and J shares shall not be entitled to any voting rights. Each of the A, B, C and A-1 shares carry dissolution rights upon liquidation amounting to \$100, \$10, \$5 and \$.682 per share, respectively. The A shares grant the Company the right to redeem such shares at a price of \$100 per share. The A, B and C shares may be converted into shares of common stock at an exchange rate of five, five and fifty shares, respectively, for each share of common stock or approximately 7,438 shares. The conversion rights of the J, K and A-1 shares are described below.

During the six month period ended December 31, 2003, 105,000 of the J shares, representing all of the issued and outstanding J shares, automatically converted into 105,000 shares of the Company's common stock. These shares were automatically converted pursuant a mandatory conversion provision of J shares which the Company triggered when its common stock had a closing price of five dollars for three consecutive days.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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NOTE 9 - EQUITY SECURITIES, continued

PREFERRED STOCKS, continued

The K shares are convertible into shares of common stock, no sooner than May 30, 2004, upon the happening of any of the following events (the "Triggering Events"): (i) the Company is deemed by AMEX to be in compliance with applicable listing standards; (ii) deemed by another exchange to be in compliance with its applicable listing standards in the event the Company's securities are listed on such exchange; or (iii) the Company is no longer listed on AMEX, the Nasdaq National Market or SmallCap Market, or the New York Stock Exchange. Upon the occurrence of any of the above Triggering Events, the K shares become convertible into an aggregate total number of shares of common stock in accordance with a defined formula, which assumes the conversion of the A, B, C and J shares into common stock. The net effect of the conversion feature, which has been deemed to be a contingent event, together with the shares of common stock issued in the reverse merger, would be to issue to Interpharm, Inc. stockholders, common stock totaling approximately 80% of the total number of shares of common stock and voting convertible preferred stock, outstanding as of the date of the Triggering Event, after giving effect to the conversion, less shares of common stock which may be issued between the date of the closing of the reverse merger and the date of the Triggering Event arising out of obligations which arose after the date of closing.

The A-1 shares convert on a 1:1 basis into Company common stock subject to the definitive terms in the list of designations upon (i) the Company reaching \$150 million in sales or (ii) a merger, consolidation, sale of assets or similar transaction.

COMMON STOCK AND STOCK OPTIONS

During the three months ended September 30, 2003, 2,241,382 options and warrants were exercised generating cash proceeds to the Company of approximately \$2,700,000, and resulting in tax deductions allowed for employee stock options approximating \$9,000,000.

During the three months ended December 31, 2003, 8,750 options were exercised on a cashless basis resulting in a net stock issuance of 4,927 shares.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 10 - ECONOMIC DEPENDENCY

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MAJOR CUSTOMERS

The Company had the following customer concentrations for the three and six month periods ended December 31, 2003 and December 31, 2002:

		Sales - Percent of Revenue			
		Three Months Ended December 31,		Six Month Ended December 31,	
		2003	2002	2003	2002
URL/Mutual	(a)	35%	3%	33%	4%
Dr. Reddy's Labs	(b)	23%	50%	25%	48%
Amerisource	(c)	10%	5%	11%	8%

Accounts Receivable

		December 31,	
		2003	2002
URL/Mutual	(a)	\$1,841,764	\$ 125,298
Dr. Reddy's Labs	(b)	2,207,842	\$2,691,230
Amerisource	(c)	694,807	\$ 179,415

- (a) United Research Laboratories and or Mutual Pharmaceuticals Company Inc.
 (b) Dr. Reddy's Laboratories, Inc
 (c) Amerisource - Bergen Services Corp.

The Company complies with its supply agreement to sell various strength Ibuprophen to the Department of Veteran Affairs through Amerisource-Bergen Services Corp as the intermediary wholesale prime vendor.

MAJOR SUPPLIERS

For the three and six month periods ended December 31, 2003, the Company purchased materials from three suppliers totaling approximately 95% and 90% of the Company's total purchases, and for the three and six month periods ended December 31, 2002, the Company purchased raw materials from two suppliers totaling approximately 77% and 71% of the Company's total purchases respectively. At December 31, 2003 and 2002, amounts due to these suppliers included in accounts payable, were approximately \$4,350,000 and \$2,633,000 respectively.

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INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

NOTE 11 - CONTINGENCIES

From time to time, the Company is a party to litigation arising in the

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normal course of its business operations. In the opinion of management, it is not anticipated that the settlement or resolution of any such matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

NOTE 12 - SUBSEQUENT EVENTS

In January, 2004 three employees of the Company exercised 1,259,578 stock options. Cash proceeds from these exercises aggregated approximately \$800,000.

In February 2004, the Company issued 250,000 options to its new Chief Financial Officer and a total of 165,000 options to three other new employees. All options were issued at fair market value on the date of the grant and vest over five years.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Interpharm Holdings, Inc. ("Interpharm," "we," or "us"), through its wholly owned subsidiary, Interpharm, Inc., is engaged in the business of developing, manufacturing and marketing generic over-the-counter and prescription strength pharmaceutical products. We make sales both under our own label and to wholesalers and distributors which sell our products under their labels.

We market our products primarily to wholesalers, drug distributors, repackagers, and other manufacturers through our internal sales staff as well as independent sales representatives. Some of our wholesalers and distributors purchase products that are warehoused for drug chains, independent pharmacies, state and federal governmental agencies and managed healthcare organizations. Sales are recognized when the product is shipped and appropriate provisions are made for returns.

Our operating results for the three and six-month periods ended December 31, 2003 reflect our continuing expansion plan, including previous investments in increasing our production capacity and our pursuit of strategic alliances. Presented below are some of our financial highlights for the three and six-month periods ended December 31, 2003 as compared to the same periods in 2002:

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Three-Months Ended December 31,

			2003	2002

(Unaudited) (Unaudited)				
Revenue	Increased	76%	\$11,706,000	\$6,636,000
Gross Profit	Increased	117%	\$2,618,000	\$1,204,000
Operating Income	Increased	286%	\$1,586,000	\$411,000
Net Income	Increased	320%	\$1,024,000	\$244,000

Six-Months Ended December 31,

			2003	2002

(Unaudited) (Unaudited)				
Revenue	Increased	48%	\$18,582,000	\$12,569,000
Gross Profit	Increased	77%	\$4,050,000	\$2,283,000
Operating Income	Increased	151%	\$1,931,000	\$769,000
Net Income	Increased	185%	\$1,252,000	\$440,000

Net sales from production of Atenolol and Allopurinol pursuant to our strategic alliance with United Research Laboratories, Inc. and Mutual Pharmaceutical Company, Inc. ("URL/Mutual") aggregated approximately \$3,950,000 and \$5,850,000, respectively, for the three and six-month periods ended December 31, 2003. We did not produce either product during the same periods in 2002.

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We believe that a key component of our growth has been, and, will continue to be, our commitment to capital investment to increase production capacity. During the calendar year 2002, and the six-month period ended June 30, 2003, we acquired approximately \$1,200,000 and approximately \$1,000,000, respectively, of new machinery and equipment. In addition, during the six-month period ended December 31, 2003, we invested approximately \$1,900,000 in new equipment, including the purchase and installation of two new packaging lines.

Our commitment to capital investment has allowed us to both continue to meet increasing demand for existing products, such as Ibuprofen, while at the same time allowing us to increase production of Naproxen, and Atenolol and Allopurinol for URL/Mutual. Typically, there is an approximate three to six-month period between the time new equipment is purchased and the time it can be installed, validated pursuant to FDA requirements, and incorporated into production. To that end, we continuously monitor our production capacity with a view towards our projected future needs.

In addition, during November, 2003, we entered into a contract to acquire a building of approximately 92,000 square feet on 37 acres of land in Yaphank, New York. This facility includes an additional 30,000 square feet of mezzanine space which can be utilized for certain production activities. The purchase price for the building and land is \$9,250,000, of which \$925,000 has been paid as a deposit. The contract calls for a closing on or before March 31, 2004. Once we close on the building and FDA approval is obtained, this facility will double our current available space of approximately 100,000 square feet and provide us

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with sufficient additional acreage for potential further expansion of our production facilities in the future. Pending FDA approval, the new facility can be used for warehousing and other activities, thereby creating additional capacity in our current manufacturing plant.

In order to exploit our primary strength in efficient and cost effective manufacturing, we are pursuing additional strategic alliances both similar to URL/Mutual, where we manufacture products that another company markets and for which such other company holds an ANDA, and for products where we hold the ANDA and use another company to market the product. To that end, we have budgeted approximately \$2,000,000 over the next 12 months to our newly assembled research and development team with the goal of increasing our pipeline of drugs in various stages of development by 10 to 12 in the same period. We currently have five drugs in various stages of development.

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THREE AND SIX MONTHS ENDED DECEMBER 31, 2003, COMPARED TO DECEMBER 30, 2002.

REVENUES

Net sales for the six-months ended December 31, 2003 were \$18,582,000 compared to \$12,569,000 for the six-months ended December 31, 2002, an increase of \$6,013,000. Net sales for the three-month period ended December 31, 2003 were \$11,706,000 compared to \$6,636,000 for the three-months ended December 31, 2002, an increase of \$5,070,000. At September 30, 2003, we had approximately \$1,250,000 of inventory waiting to be packaged that was scheduled to be shipped during the month of September. This product was not shipped until October, 2003 as a result of a delay in the placement into service of one of our newly acquired packaging lines. This had the impact of decreasing September sales and increasing October sales for goods that were expected to ship in September.

Commencing during the quarter ended September 30, 2003, we began producing Atenolol and Allopurinol for URL/Mutual pursuant to a manufacturing agreement. Net sales attributable to these products aggregated approximately \$3,950,000 and \$5,850,000, respectively, for the three-month and six-month periods ended December 31, 2003. We did not produce either product during the same periods in 2002. In addition, we have also increased sales of Naproxen \$878,000 from approximately \$200,000 for the three-month period ended December 31, 2002 to \$1,078,000 for the same period in 2003, an increase of approximately 440%. During the six-month period ended December 31, 2003 sales of Naproxen were \$1,534,000 compared to \$498,000 for the same six-month period in 2002, an increase of approximately \$1,036,000, or 208%.

During the three and six-month periods ended December 31, 2003, we did not experience returns of material quantities of any of the products we sell. Therefore, we do not believe that we are subject to a material risk attributable to returns.

Our increase in net sales and corresponding increases in production were made

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possible by approximately \$4,100,000 in purchases of new equipment pursuant to our expansion plan during the calendar years 2002 and 2003.

COST OF SALES

Raw material prices have remained relatively constant during the three and six-month periods ended December 31, 2003 when compared to the same periods in 2002. We have increased our labor force significantly over the past year to accommodate both our current growth and our projected future growth. The FDA regulates most aspects of our manufacturing processes. Therefore, we provide extensive training to all of our employees, which results in a three month lag between the hiring of a new employee and when they can be fully incorporated into our production process.

Our gross profit percentage for the three and six-month periods ended December 31, 2003 was 22.4% and 21.8%, respectively. This represents an increase of 4.2 and 3.6 percentage points, respectively, from the same periods in 2002. Our increasing margins are primarily the result of the production of higher margin products through the diversification of our product line and increased manufacturing efficiency. We believe that, subject to raw material costs and other market conditions, as to which there can be no assurance, gross profit should continue to remain higher than in previous reporting periods.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, General and administrative expenses include salaries and related costs, commissions, travel, facilities, communications costs and promotional expenses for our direct sales and marketing staff, administrative and executive salaries and related benefits, legal, accounting and other professional fees as well as general corporate overhead.

Selling, general and administrative expenses for the six-months ended December 31, 2003 were \$1,894,000, or 10.2% of sales, an increase of \$683,000 when compared to \$1,211,000, or 9.6% of sales for the six-months ended December 31, 2002.

Selling, general and administrative expenses for the six-month period ended December 31, 2003 were primarily made up of salaries, including payroll taxes and benefits (\$708,000), selling commissions (\$175,000), freight expenses (\$178,000), legal, accounting and other professional services (\$324,000) and utilities (\$48,000). Salaries, including payroll taxes and benefits, increased by approximately \$425,000, representing 62.3% of the total increase due to increases in staff to accommodate increased production. Selling commissions increased by approximately \$88,000, representing 13.0% of the total increase due to increased sales. We had no bad debts for the six-months ended December 31, 2003 as compared to \$47,000 during the same period last year.

Selling, general and administrative expenses increased \$221,000 to \$860,000, or 7.3% of net sales during the three-months ended December 31, 2003, from \$639,000, or 9.6% of net sales, during the same period in 2002.

Selling, general and administrative expenses for the three-month period ended December 31, 2003 were primarily made up of salaries, including payroll taxes and benefits (\$333,000), selling commissions (\$109,000), freight expenses (\$100,000), legal, accounting and other professional services (\$95,000) and

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utilities (\$22,000). Salaries, including payroll taxes and benefits increased by approximately \$212,000, and selling commissions and insurance increased by approximately \$66,000 each. These increases were offset primarily by a reduction in legal and accounting expenses of approximately \$186,000. This decrease represents a leveling off of these expenses during the three-month period ended December 31, 2003. During the same period last year, we began the process of going public, which included audits and reviews of our financial statements as required under the securities laws, and the preparation of portions of a proxy statement filed with the SEC. We had never previously incurred these costs as a private company.

INCOME TAXES

The effective tax rate for the six-months ended December 31, 2003 was 35% compared to 29.7% for 2002. The tax provision for the six-months ended December 31, 2003 has resulted in a \$665,000 increase in additional paid-in capital due to the utilization of deductions from stock options exercised during the period.

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LIQUIDITY AND CAPITAL RESOURCES

We currently finance our operations and capital expenditures through cash flows from operations, bank loans, lines of credit, cash acquired in our reverse merger in May, 2003 and cash received from option exercises. Net cash used in operating activities for the six-months ended December 31, 2003 was \$178,000, as compared to \$1,015,000 for net cash provided by operating activities for the same period last year. Our net income increased \$812,000 when comparing the six-month periods ended December 31, 2003 and 2002. This increase in net income was offset by significant changes to our balance sheet; both accounts receivable and inventories increased \$2,102,000 and \$1,344,000, respectively, as did accounts and accrued expenses payable by \$1,228,000. The increase in inventories countered by the increase in payables occurred primarily to enable us to meet customer demand more rapidly. The change in receivables resulted from increased sales.

Net cash used in investing activities was \$1,315,000 for the six months ended December 31, 2003, which resulted from the collection of \$1,524,000 of notes receivable from the reverse merger, offset by increases in fixed assets of \$1,914,000 and a security deposit on our new facility of \$925,000.

Net cash provided by financing activities was \$661,000 for the six months ended December 31, 2003, which resulted from the receipt of \$2,700,000 from option exercises less repayment of various bank lines of approximately \$2,100,000.

As a result of our cash flows from operations and financing activities during the six-months ended December 31, 2003, working capital increased \$2,600,000 to \$8,100,000 from \$5,500,000 at June 30, 2003. In August 2003, we increased our credit lines from \$3,500,000 to \$7,000,000. As of December 31, 2003, the amounts outstanding on these credit lines were \$425,000. We believe that our increased working capital, cash provided by option exercises and increased credit lines will allow us to continue our expansion plans, and will be sufficient to meet our operating needs for the next 12 months.

We are currently meeting with financial institutions to discuss financing alternatives pertaining to our financial requirements for the acquisition of our new facility in Yaphank, New York which is scheduled to close in March, 2004.

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At December 31, 2003, we had approximately \$14,700,000 in Federal net operating loss carryforwards ("NOLs") available to reduce future taxable income. These NOLs could result in savings of up to \$5,000,000 in future income tax payments (although there will be no effect on income tax expenses).

While we anticipate that our cash flow and current credit arrangements will be sufficient for at least the next 12 to 18 months, we may choose to raise additional funds or seek other financing arrangements to facilitate more rapid expansion, to develop new products at a faster pace, or to acquire or invest in complimentary businesses, technologies, services or products.

ACCOUNTS RECEIVABLE

Our accounts receivable at December 31, 2003 was \$7,033,000 compared to \$4,930,000 as at June 30, 2003. This increase is primarily attributable to increased sales volume. The quality of our accounts receivable are good, as such we encounter little or no bad debt exposure.

INVENTORY

At December 31, 2003, our inventory was \$5,928,000, an increase of \$1,345,000 from \$4,583,000 at June 30, 2003. Our inventory turnover decreased slightly when compared to June, 2003, 5.1 versus 6.1 average turns. We believe this to be within acceptable limits to our expansion plan. Additionally, we now manufacture products which have slightly higher costs.

ACCOUNTS PAYABLE

The accounts and accrued expenses payable increased approximately \$1,228,000 during the six- months ended December 31, 2003 as compared to June 30, 2003. This increase is primarily a result of our increase in inventories.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents decreased \$832,000 from \$2,336,000 at June 30, 2003 to \$1,504,000 at December 31, 2003. As discussed previously, during the six-months ended December 31, 2003, we funded our growth primarily from two sources: (i) collection of \$1,524,000 of notes receivable associated with the reverse merger and (ii) through the collection of approximately \$2,700,000 from the exercise of stock options. These inflows were offset by: (i) net cash used from operations of \$178,000, consisting of net income of \$1,252,000, offset by net funds used in operating activities of \$1,430,000; (ii) acquisition of new packaging equipment and other fixed assets aggregating \$1,914,000; (iii) the deposit on our new facility of \$925,000; and (iv) repayment of various bank lines of credit and bank notes payable totaling approximately \$2,102,000.

We believe that one of the most important factors in our ability to continue to grow our business will be our ability to launch new products. To that end, as set forth above, we budgeted approximately \$2,000,000 to research and development over the next 12 months.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that Interpharm make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, Interpharm evaluates judgments and estimates made, including those related to revenue recognition, inventories, income taxes and contingencies including litigation. Interpharm bases its judgments and estimates on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be most critical in understanding the more complex judgments that are involved in preparing our financial statements and the uncertainties that could impact results of operations, financial condition and cash flows.

REVENUE RECOGNITION

Revenues from the sale of our products are recognized upon shipment of the product. Revenues are recorded net of provisions for rebates, charge-backs, discounts and returns, which are established at the time of sale. Estimates for rebates, charge-backs, and discounts are calculated based on actual experience and also cover chargebacks on sales to intermediary wholesale prime vendors for the supply of Ibuprofen to the Department of Veterans Affairs.

We purchase raw materials from suppliers, which is then used in the manufacturing of completed goods and sold back to the suppliers, or by direct drop shipment to the supplier's customers. The raw materials are also used in the manufacturing of products for other customers.

We also (i) have the general inventory risk by taking title to all of the raw material purchased, (ii) establish the selling price for the finished product and, (iii) significantly change the raw materials into the finished product under our specifications and formulas. These factors among others, qualify us as the principal under the indicators set forth in EITF 99-19, Reporting Revenue Gross as a Principal vs. Net as an Agent. If the terms and substance of the arrangement change, such that we no longer qualify to report these transactions on a gross reporting basis, our net income and cash flows would not be affected. However, our sales and cost of sales would both be reduced by a similar amount.

INVENTORY

Our inventories are valued at the lower of cost or market, determined on a first-in, first-out basis, and include the cost of raw materials and manufacturing. We continually evaluate the carrying value of our inventories and when factors such as expiration dates and spoilage indicate that impairment has

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occurred, either a reserve is established against the inventories' carrying value or the inventories are disposed of and completely written off in the period incurred.

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ISSUES AND UNCERTAINTIES

RISK OF PRODUCT LIABILITY CLAIMS

The testing, manufacturing and marketing of pharmaceutical products subject us to the risk of product liability claims. We believe that we maintain an adequate amount of product liability insurance, but no assurance can be given that such insurance will cover all existing and future claims or that we will be able to maintain existing coverage or obtain additional coverage at reasonable rates.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not use any derivative financial instruments to hedge our exposure to adverse fluctuations in interest rates, fluctuations in commodity prices or other market risks, nor do we invest in speculative financial instruments. Borrowings under our lines of credit are indexed to the prime rate.

Due to the nature of our borrowings and short-term investments, we have concluded that there is no material risk exposure.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

At the conclusion of the period ended December 31, 2003, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer, and the then Chief Financial Officer and General Counsel, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chairman and Chief Executive Officer, and the then Chief Financial Officer and General Counsel concluded that our disclosure controls and procedures were effective in alerting them in a timely manner to information relating to the Company required to be disclosed in this report but adopted additional disclosure controls and procedures to improve the quality and timeliness of disclosure during our transition from a private to a public company.

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FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISK

Certain statements in this Report, and the documents incorporated by reference herein, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause deviations in actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied. Such factors include but are not limited to: the difficulty in predicting the timing and outcome of legal proceedings, the difficulty of predicting the timing of U.S. Food and Drug Administration ("FDA") approvals; court and FDA decisions on exclusivity periods; competitor's ability to extend exclusivity periods past initial patent terms; market and customer acceptance and demand for our pharmaceutical products; our ability to market our products; the successful integration of acquired businesses and products into our operations; the use of estimates in the preparation of our financial statements; the impact of competitive products and pricing; the ability to develop and launch new products on a timely basis; the regulatory environment; fluctuations in operating results, including spending for research and development and sales and marketing activities; and, other risks detailed from time-to-time in our filings with the Securities and Exchange Commission.

The words "believe, expect, anticipate, intend and plan" and similar expressions identify forward-looking statements. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERPHARM HOLDINGS, INC.
(Registrant)

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Date: February 17, 2004

By: /S/ GEORGE ARONSON

George Aronson,
Chief Financial Officer
(Duly authorized to sign
on behalf of registrant)

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EXHIBITS

NUMBER	DESCRIPTION
31.1	Certification of Dr. Maganlal K. Sutaria pursuant to Exchange Act Rules 13(a)-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002;
31.2	Certification of George Aronson pursuant to Exchange Act Rules 13(a)-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002;
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002;

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