

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements are filed as part of this form 17-Q, pages 7 to 25 and are incorporated herein by reference to said quarterly report.

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

Analysis of Results of Operations

YTD June 2009 vs. YTD June 2008

Food and beverage firm RFM Corporation reached P134.5 million in net income for the first half of 2009, recovering from a slow start in the first quarter and even overtaking its P132.6 million net income for the same period last year.

RFM also continued to buck the current economic slowdown by growing sales at a robust rate of 22 per cent for the first half of 2009, registering net sales of P3.85 billion, compared to P3.16 billion in 2008.

The improvement in results is expected to continue for the balance year as major raw material prices soften from their high levels late last year and early this year.

Sales would continue to grow well ahead of market growth, despite the reported weakness in the consumer market, as the company leads the way in offering higher value-for-money food and beverage alternatives to the consumer.

Fiesta spaghetti is now No. 1 in the market based on retail audits because of its strong value proposition to Filipino consumers. The Fiesta brand is now the company's second market leader, after the Selecta brand which has been dominating the Philippine ice cream market with a 54 per cent market share.

Swift meat and Selecta milk products have also registered high double-digit sales growth with stronger consumer pull and deeper distribution penetration.

There is also much optimism in the growth performance of Vitwater, or water with vitamins and benefits, which was recently launched as a first-mover in the vitamin-enriched water category, and endorsed by people's champ Manny Pacquiao.

Second quarter 2009 vs. Second quarter 2008

Net income for the second quarter notched P154.2 million, an increase of 142 per cent over that of the second quarter of 2008, and a complete turn-around from the loss of P19.6 million earlier in the first quarter this year.

Continued growth in sales enabled the Group to have a 21.3% increase in consolidated revenues, registering P2.0 billion in sales, as compared to P1.7 billion recorded in the same quarter last year. This also represents a 14.6% growth from the first quarter, brought about by the better performance of its food and beverage business.

Although the prices of major raw materials have softened, it has not declined to last year's levels. However, continued implementation of better plant efficiencies and cost management helped cover rising production costs and therefore improved the company's margins to 30.2% in the second quarter of 2009, from 28.65% in the same quarter last year, and from 22.6% in the first quarter of this year.

The key financial performance indicators for the Company for the six-month period ended June 30, 2009 as compared to the same period in 2008, as well as the second quarter of 2009 as compared with the second quarter of 2008, are as follows:

Key Financial Performance Indicators (Amounts in Millions)*	For the Quarter Ended		For the Six-Month Period Ended	
	June 30, 2009	June 30, 2008 (restated)	June 30, 2009	June 30, 2008 (restated)
Net Revenues	₱2,040	₱1,683	₱3,850	₱3,155
Net Operating Margin	173	155	230	301
Net Income (Loss)	154	64	135	132
EBITDA	206	169	289	283
Current Ratio	1.47	1.76	1.47	1.76

* Except current ratio

1. Net Revenues

This is the barometer of the general demand for the Company's products, reflecting their market acceptability vis-à-vis competition particularly in terms of quality, pricing, and image and perception, as well as availability of the products at the point of purchase market locations. This is of primary importance, and is regularly being monitored for appropriate action and/or improvement.

2. Net Operating Margin

This shows the financial profitability of the primary products of the Company, after deducting the expenses related to their manufacture, distribution, and sale, as well as the general administrative costs in running the business.

3. Net Income

This shows the over-all financial profitability of the Company, including the sale of primary and non-primary products and all other assets, after deducting all costs and expenses, interest expenses on debts and interest income on investments, as well as equity in net earnings or losses of associates.

4. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

This is a general yet reasonable representation of the cash generated by the Company from its current business operations that can then be made available for payment of loan interests, loan principal amortization, and taxes; and any further amount in excess becomes the Company's cash profit.

5. Current Ratio

This determines the Company's ability to meet its currently maturing obligations using its current resources.

Analysis of Financial Condition and Balance Sheet Accounts

As of June 30, 2009, the Group's total assets stood at ₱8.8 billion dropping 4% from last year's ₱9.2 billion.

Cash and cash equivalents declined by 17% as payments for loans and other payables were made during the first half of the year.

Trade receivables also declined by 21% during the period contributing to a 23% total decreased in net receivables.

The level of inventories increased by 9% due to the increasing value of raw materials and other supplies used in the manufacturing process.

The 40% increased in other current assets was mainly due to the additional prepayments made and taxes withheld from customer collections during the period.

The 18% decreased in investments in associates was due to the issuance of Philtown shares as property dividends, which was approved by the board of directors in April 2009, thereby reducing RFM's ownership to 19%.

Various machineries and equipments were also purchased to maintain efficiency in operations, increasing properties and equipments account by about 4%.

Deferred charges were also recognized increasing other assets account by 18%.

Bank loans and long term debts decreased by 13% due to the continuous principal and interest payments made.

Payments were also made to settle trade payables and other accruals decreasing the accounts payable and accrued liabilities account by a slight 1%. Also, payments were made in settling dues from trust receipts and acceptances payable, decreasing the account by 24%.

The Group still maintains a healthy balance sheet with a current ratio of 1.47 and debt-to-equity ratio of 0.81.

Notes to Financial Statements

The Company's financial statements for the first calendar quarter have been prepared in accordance with Philippine Financial Reporting Standards. The same accounting policies and methods of computation used are consistent with the most recent audited financial statements.

The Company discloses the following:

- (a) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income, or cash flows, except those stated in Management's Discussion and Analysis of Results of Operations and Financial Condition;
- (b) There are no material changes in estimates of amounts reported in prior financial periods, other than those disclosed in the most recent audited financial statements;
- (c) Except as disclosed, there are no known trends, demand, commitments, events or uncertainties that may have an impact on sales and income from continuing operations;
- (d) There are no issuances, repurchases and repayments of debt and equity securities other than mentioned;
- (e) There are no known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity nor have a favorable or unfavorable impact on revenues or income from continuing operations;
- (f) There are no dividends paid 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;
- (h) Other than mentioned, there are no material changes in the business composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations;
- (i) There is no change in contingent liabilities since the most recent audited financial statements;
- (j) There were 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 that remain outstanding as of June 30, 2009;

- (k) There were no material off-balance sheet transactions, arrangements, obligations, and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

PART II – OTHER INFORMATION

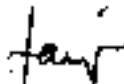
The Company has no other pertinent information to disclose in this quarterly report.

SIGNATURES

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

RFM CORPORATION

Registrant



FELICISIMO M. NACINO, JR.
Executive Vice President/Chief Operating Officer



RAYMOND B. AZARATE
Senior Vice President /Chief Finance Officer

Dated: September 2, 2009

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)

	Unaudited June 30, 2009	Audited December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 426	₱515
Accounts receivable – net (Note 4)	1,670	2,177
Inventories – net (Note 5)	1,502	1,373
Other current assets – net (Note 6)	282	202
Total Current Assets	3,880	4,267
Noncurrent Assets		
Property, plant and equipment – net	2,425	2,339
Investments in associates – net	551	674
Available-for-sale investments	1,642	1,642
Other noncurrent assets – net	354	299
Total Noncurrent Assets	4,972	4,954
TOTAL ASSETS	₱8,852	₱9,221

LIABILITIES AND EQUITY

Current Liabilities		
Bank loans	₱ 127	₱239
Accounts payable and accrued liabilities	1,810	1,798
Trust receipts and acceptances payable	509	670
Current portion of:		
Long-term debt	138	289
Long-term obligations	1	6
Advances from related parties	45	63
Provisions	15	15
Total Current Liabilities	2,645	3,080
(Forward)		

	Unaudited	Audited
	June 30, 2009	December 31, 2008
Noncurrent Liabilities		
Long-term debt – net of current portion	₱ 1,011	₱937
Long-term obligations – net of current portion	41	41
Deferred liabilities	241	256
Net pension obligations	14	2
Total Noncurrent Liabilities	1,307	1,236
Total Liabilities	3,952	4,316
Equity (Note 7)		
Equity Attributable to Equity Holders of the Parent		
Capital stock	3,160	3,160
Capital in excess of par value	790	789
Net unrealized gain on available-for-sale (AFS) financial assets	17	17
Revaluation increment on land – net of deferred income tax liability	501	501
Cumulative actuarial gains (losses) on defined benefit plan	54	54
Share-based compensation	4	4
Retained earnings	375	381
	4,901	4,906
Less cost of treasury stock	(4)	(4)
	4,897	4,902
Minority Interests	3	3
Total Equity	4,900	4,905
TOTAL LIABILITIES AND EQUITY	₱8,852	₱9,221

See accompanying Notes to Consolidated Financial Statements

RFM CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Millions, Except for Earnings Per Share Data)

	For the Quarter Ended June 30		For the Six-Month Period Ended June 30	
	2009	2008	2009	2008
NET REVENUES	₱2,040	₱1,683	₱3,850	₱3,155
DIRECT COSTS AND EXPENSES	1,423	1,201	2,824	2,282
GROSS PROFIT	617	482	1,026	873
SELLING AND MARKETING EXPENSES	(373)	(244)	(636)	(445)
GENERAL AND ADMINISTRATIVE EXPENSES	(86)	(87)	(177)	(138)
MISCELLANEOUS OPERATING INCOME	15	5	17	11
NET OPERATING INCOME	173	156	230	301
OTHER INCOME (CHARGES) – Net (Note 9)	4	(27)	(43)	(57)
INCOME BEFORE PROVISION FOR INCOME TAX	177	129	187	244
PROVISION FOR INCOME TAX	23	37	52	52
INCOME FROM CONTINUING OPERATIONS	154	92	135	192
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	–	(28)	–	(60)
NET INCOME (LOSS)	₱154	₱64	₱135	₱132
Attributable to:				
Equity holders of the Parent Company	₱154	₱64	₱ 135	₱134
Minority interests (Note 2)	–	–	–	(2)
	₱154	₱64	₱ 135	₱ 132
Basic/Diluted Earnings Per Share (Note 9)	₱0.049	₱0.020	₱ 0.043	₱0.042

See accompanying Notes to Unaudited Consolidated Financial Statements

RFM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Millions)

	For the Six Month Period Ended June 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱187	₱185
Adjustments for:		
Interest expense and financing charges	119	173
Depreciation and amortization	60	37
Unrealized foreign exchange gains - net	(16)	-
Equity in net losses (earnings) of associates	(10)	-
Interest and financing income	(34)	(84)
Operating income (loss) before working capital changes	306	311
Decrease (increase) in:		
Accounts receivable and installment contracts receivables	506	(251)
Inventories	(129)	(1,045)
Other current assets	(80)	(267)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(6)	830
Trust receipts and acceptances payable	(161)	(70)
Provisions	-	(3)
Provision for doubtful accounts	13	-
Cash generated from (used in) operations	449	(495)
Interest paid	(119)	(173)
Interest received	34	84
Net cash from (used in) operating activities	364	(584)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments and property and equipment	(165)	(23)
Proceeds from sale of investment property and property plant and equipment	-	22
Increase in other noncurrent assets	(54)	53
Net cash used in investing activities	(219)	52
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of long-term debt obligations / bank loans	76	489
Net repayments of:		
Long-term debt and obligations / bank loans	(270)	(117)
Dividends paid	(25)	-
Increase (decrease) in minority interests and other noncurrent liabilities	(15)	(9)
Net cash from financing activities	(234)	363
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89)	(169)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	515	686
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱ 426	₱ 517

See accompanying Notes to Consolidated Financial Statements

RFM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

RFM Corporation (the Parent Company) is incorporated in the Philippines. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed in the Philippine Stock Exchange (PSE). The Parent Company is mainly involved in the manufacturing, processing and selling of wheat, flour and flour products, pasta, meat, milk, juices, margarine, and other food and beverage products. The Parent Company and its Subsidiaries are collectively referred to as the Group.

The registered office address of the Parent Company is RFM Corporate Center, Pioneer corner Sheridan Streets, Mandaluyong City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded to the nearest million pesos (₱000,000), except for the number of shares or when otherwise indicated.

Statement of Compliance

The financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The financial statements comprise the financial statements of the Group prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The consolidated subsidiaries, which are all incorporated in the Philippines, are as follows:

	Percentage of Ownership
Cabuyao Meat Processing Corporation (CMPC)	100.00
Interbake Commissary Corporation (Interbake)	100.00
RFM Equities, Inc. and Subsidiaries (RFM Equities)	100.00
RFM Insurance Brokers, Inc. (RIBI)	100.00
Conglomerate Securities and Financing Corporation (CSFC)	88.68
RFM Foods Philippines Corporation (RFM Foods)*	100.00
Southstar Bottled Water Company, Inc.*	100.00
Swift Tuna Corporation (Swift Tuna)*	100.00
FWBC Holdings, Inc. and Subsidiary	83.38
Filipinas Water Bottling Company, Inc. (FWBC)	58.37
Rizal Lighterage Corporation (RLC)	82.98
RFM Canning and Marketing, Inc. (RFM Canning)*	70.00
WS Holdings, Inc. (WHI)	60.00

* *Dormant.*

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation. However, intra-group losses that indicate impairment are recognized in the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of the subsidiary so as to benefit from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Group. Minority interests represent the portion of income and expense and net assets in CSFC, FWBC, RLC, RFM Canning and WHI not held by the Group and are presented separately in the consolidated statements of income and within equity in the consolidated balance sheets, separately from the equity attributable to equity holders of the Parent Company.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective in 2009 and in Subsequent Years

The Group have adopted the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective in 2009

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS. This Standard will not have a material impact on the consolidated financial statements.
- PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*, clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. This Standard is not expected to have a significant impact on the consolidated financial statements.
- PFRS 8, *Operating Segments*, replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Company will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party. The Group is assessing the impact of this Standard to its current manner of reporting segment information.
- Amendments to PAS 1, *Presentation of Financial Statements*, introduce a new statement of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income' (OCI). Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also prescribe additional requirements in the presentation of the balance sheet and owner's

equity as well as additional disclosures to be included in the financial statements. The Group is still evaluating whether it will have one or two statements.

- PAS 23, *Borrowing Costs*, has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change.

Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed. The Group does not expect this revised Standard to have any impact on the consolidated financial statements.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, prescribe changes in respect of the holding companies' separate financial statements including (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. The Company expects significant changes in its accounting policies when it adopts the foregoing accounting changes effective January 1, 2009.
- Amendments to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, specifies, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument. The Group does not expect this Standard to have significant impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire. The Group does not expect this Interpretation to have any impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group does not expect this Interpretation to have any impact on the consolidated financial statements.

Effective in 2010

- Revised PFRS 3, *Business Combinations*, and PAS 27, *Consolidated and Separate Financial Statements*, introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as ‘minority interests’); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised FRS 3 must be applied prospectively and PAS 27 must be applied retrospectively with a few exceptions. This will affect future acquisitions and transactions with noncontrolling interests.
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, covers accounting for all non-reciprocal distribution of non-cash assets to owners. It provides guidance on when to recognize a liability, how to measure it and the associated assets and when to derecognize the asset and liability and the consequences of doing so.
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, applies to the accounting for transfers of items of property, plant and equipment by an entity that receive such transfers from its customer, wherein the entity must then use such transferred asset either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items*, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

3. Segment Information

The primary segment reporting format is determined to be the Group’s operating business segments. The Group is organized into the following operating business segments, namely: (1) flour based products, (2) beverage and meat products, and (3) service and others.

The flour-based segment manufactures and sells flour, pasta, bakery and other bakery products. The beverage and meat segment manufactures and sells meat, fats and oil, and milk and juices. Others consist of insurance, financing, lighterage moving, cargo handling, ice cream manufacturing and other services. The operating businesses are organized and managed separately according to the nature of the products and services provided,

with each segment representing a strategic business unit that offers different products and serves different markets.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowance and provisions. Segment liabilities include all operating liabilities and consist principally of trade, wages and taxes currently payable and accrued liabilities.

Intersegment transactions, i.e. segment revenues, segment expenses and segment results, include transfers between business segments. Those transfers are eliminated in consolidation.

Information with regard to the Group's significant business segments is as follows (amounts in millions):

For the Six-Month Period Ended June 30, 2009					
	Flour-Based	Beverage and Meat	Service and Others	Eliminations	Consolidated
Net sales					
External sales	₱2,025	₱888	₱937	₱-	₱3,850
Intersegment sales	-	-	19	(19)	-
	₱2,025	₱888	₱956	(₱19)	₱3,850
Results					
Income (loss) from operations	₱240	(₱79)	₱77	(₱8)	₱230
Other income (charges) - net					(43)
Provision for income tax					52
Net income					135
Other information					
Segment assets	₱5,352	₱3,343	₱4,743	(₱7,973)	₱5,465
Investments	-	-	2,748	(555)	2,193
Consolidated Total Assets					₱8,852
Consolidated Total Liabilities					₱3,952
Depreciation and amortization					₱60

For the Six-Month Period Ended June 30, 2008					
	Flour-Based	Beverage and Meat	Service and Others	Eliminations	Consolidated
Net sales					
External sales	₱1,927	₱631	₱597	₱-	₱3,155
Intersegment sales	-	-	12	(12)	-
	₱1,927	₱631	₱609	(₱12)	₱3,155
Results					
Income (loss) from operations	₱293	(₱60)	₱68	₱-	₱301
Other income (charges) - net					(57)
Provision for income tax					52
Net income					132
Other information					
Segment assets	₱3,643	₱3,172	₱10,636	(₱8,919)	₱8,532
Investments	-	9	2,444	(1,201)	1,252
Consolidated Total Assets					₱11,471
Consolidated Total Liabilities					₱6,649
Depreciation and amortization					₱37

For the Quarter Ended June 30, 2009

	Flour-Based	Beverage and Meat	Service and Others	Eliminations	Consolidated
Net sales					
External sales	₱1,055	₱450	₱535	₱-	₱2,040
Intersegment sales	-	-	45	(45)	-
	₱1,055	₱450	₱580	(₱45)	₱2,040
Results					
Income (loss) from operations	₱176	(₱51)	₱49	(₱1)	₱173
Other income (charges) - net					4
Provision for income tax					23
Net income					154
Other information					
Segment assets	₱5,352	₱3,343	₱4,743	(₱7,973)	₱5,465
Investments	-	-	2,748	(555)	2,193
Consolidated Total Assets					₱8,852
Consolidated Total Liabilities					₱3,952
Depreciation and amortization					₱60

For the Quarter Ended June 30, 2008

	Flour-Based	Beverage and Meat	Service and Others	Eliminations	Consolidated
Net sales					
External sales	₱1,078	₱ 340	₱265	₱-	₱1,683
Intersegment sales	-	-	170	(170)	-
	₱1,078	₱340	₱435	(₱170)	₱1,683
Results					
Income (loss) from operations	₱179	(₱39)	₱24	(₱8)	₱156
Other income (charges) - net					(27)
Provision for income tax					37
Net income (loss)					64
Other information					
Segment assets	₱3,643	₱3,172	₱10,636	(₱8,919)	₱8,532
Investments	-	9	2,444	(1,201)	1,252
Consolidated Total Assets					₱11,471
Consolidated Total Liabilities					₱6,649
Depreciation and amortization					₱37

4. Receivables

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
	(amounts in millions)	
Trade receivables	₱1,536	₱1,951
Advances to related parties	559	561
Other receivables	163	245
	2,258	2,757
Less allowance for doubtful accounts	588	580
	₱1,670	₱2,177

5. Inventories

This include finished goods and goods in process, raw materials, and spare parts and supplies.

6. Other Current Assets

	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
	(amounts in millions)	
Deposits on purchases	₱71	₱61
Creditable withholding taxes	87	70
Current portion of receivable from Meralco – net of deferred interest income	3	8
Prepaid expenses and other current assets – net of allowance for probable losses	121	63
	₱282	₱202

7. Equity

Changes in Equity

	Attributable to Equity Holders of the Parent (amounts in millions)										
	Capital Stock	Capital In Excess of Par Value	Gain on AFS Assets	Net of Deferred Income Tax Liability	Actuarial (Losses) on Defined Benefit Plan	Share-Based Compensation	Retained Earnings	Cost of Treasury Stock	Total	Minority Interests	Total Equity
BALANCES AT JUNE 30, 2008	₱3,928	₱1,013	₱66	₱-	₱4	₱3	₱809	(₱995)	₱4,828	(₱6)	₱4,822
Net income (loss) for the period	-	-	-	-	-	-	111	-	111	11	122
Net unrealized loss on AFS investments	-	-	(31)	-	-	-	-	-	(31)	-	(31)
Sale of AFS Investment	-	-	(18)	-	-	-	-	-	(18)	-	(18)
Actuarial gain (loss) for the period	-	-	-	-	50	-	-	-	50	-	50
Revaluation increment on land	-	-	-	501	-	-	-	-	501	-	501
Total recognized income(loss) for the period	-	-	(49)	501	50	-	111	-	613	11	624
Share-based compensation	-	-	-	-	-	1	-	-	1	-	1
Retirement of treasury stock	(768)	(224)	-	-	-	-	-	-	(992)	-	(992)
Property dividend declaration	-	-	-	-	-	-	(489)	991	502	-	502
Cash dividend declaration	-	-	-	-	-	-	(50)	-	(50)	-	(50)
Dividends of minority interests	-	-	-	-	-	-	-	-	-	(2)	(2)
Net movements during the period	-	-	-	-	-	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2008	₱3,160	₱789	₱17	₱501	₱54	₱4	₱381	(₱4)	₱4,902	₱3	₱4,905
Net income (loss) for the quarter	-	-	-	-	-	-	135	-	135	-	135
Net unrealized loss on AFS investments	-	-	-	-	-	-	-	-	-	-	-
Actuarial loss for the year	-	-	-	-	-	-	-	-	-	-	-
Total recognized income(loss) for the period	-	-	-	-	-	-	135	-	135	-	135
Dividends declared	-	-	-	-	-	-	(141)	-	(141)	-	(141)
Net movements during the period	-	1	-	-	-	-	-	-	1	-	1
BALANCES AT JUNE 30, 2009	₱3,160	₱790	₱17	₱501	₱54	₱4	₱375	(₱4)	₱4,897	₱3	₱4,900

Capital Stock

The details of the Parent Company's capital stock follows:

	Number of Shares	
	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Preferred stock, 10% cumulative and convertible to common stock in the ratio 1:1 - ₱1 par value		
Authorized		
Beginning of period	-	254,424,473
Conversion to common stock	-	(254,434,473)
End of period	-	-
Common stock - ₱1 par value		
Authorized		
Beginning of period	3,978,265,025	4,745,575,527
Retirement of treasury stock	-	(767,310,502)
Conversion to common stock	-	-
End of period	3,978,265,025	3,978,265,025
Issued and outstanding	3,160,403,866	3,160,403,866

Issued and outstanding common shares are held by 3,648 stockholders as of June 30, 2009 and December 31, 2008.

As of December 31, 2007, the Company has 767,310,502 common shares, held in treasury. On June 25, 2008, the BOD approved the retirement of all the shares held in treasury.

On June 28, 2007, the Stockholders and the BOD approved the change in the par value of the common shares of the Company from P2 to P1 and the conversion of 45,575,527 preferred shares to common shares resulting to an increase in the authorized number of common shares from 2.35 billion to 4.74 billion shares. The SEC approved the change in par value of the common shares and the conversion of preferred shares to common shares on September 11, 2007.

On June 25, 2008, the Stockholders and the BOD approved the decrease of authorized capital stock by 1,021,734,975 shares of stock as a result of the retirement of 767,310,502 treasury common shares and 254,424,473 redeemed preferred shares. The SEC approved the retirement of treasury common shares and the redeemable preferred shares on July 29, 2008.

Retained Earnings

On June 21, 2008, the BOD approved the declaration of cash dividends amounting to P50 million to its stockholders as of July 9, 2008, and the issuance of property dividends consisting of 143,652,752 common shares of Philtown at P3.494 per share. The issuance was confirmed and ratified by the BOD and Stockholders of the Company during the annual stockholders meeting and BOD meeting held on June 25, 2008. The SEC approved the issuance of the property dividends on July 9, 2008.

On April 29, 2009, the BOD likewise approved the declaration of cash dividends amounting to 25 million to its stockholders as of May 14, 2009, and the issuance of property dividends consisting of 33,265,912 common shares of Philtown at P3.494 per share.

8. Related Party Transactions

Significant related party transactions are as follows:

Transactions with the Group

- a. Sales and purchases of products and services to/from subsidiaries:
- b. Availments/extensions of both interest-bearing and noninterest-bearing cash advances mainly for working capital purposes and investment activities from/to subsidiaries and other related parties with no fixed repayment terms.
- c. Distributorship services provided by the Parent Company to URICI, a joint venture entity, for the export of frozen dairy dessert/mellorine. URICI pays service fees equivalent to 7% of the total net sales value of goods distributed.
- d. Management services of the Parent Company to RIBI, a majority-owned subsidiary wherein RIBI pays the Parent Company a yearly management fee equivalent to 5% of income before tax or a fixed amount based on the level of net sales, whichever is higher.
- e. Lease of certain warehouse and office spaces by the Parent Company and other subsidiaries from Invest Asia with automatic renewal every year unless terminated by the lessee.
- f. Noninterest-bearing cash advances received by OMP from Philtown and the Parent Company.

g. Sale of certain parcel of land and building and improvements to Invest Asia.

Material intercompany transactions and outstanding balances of the Group were eliminated in the consolidated financial statements.

9. Financial Instruments

Accounting Policies

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category primarily includes the Group's cash in bank and cash equivalents, trade accounts receivables, installment contracts receivables, advances to related parties, advances to officers and employees and other receivables as of June 30, 2009 and December 31, 2008.

AFS investments

AFS investments are nonderivatives that are either designated in this category or not classified in any of the other categories. AFS investments are carried at fair value in the consolidated balance sheet, with the unrealized gains or losses on changes in their fair value being recognized directly in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of income as "Dividends income" when the right of payment has been established.

These financial assets are classified as noncurrent assets unless there is intention to dispose of such assets within twelve months of the balance sheet date.

As of June 30, 2009, the Group's AFS investments consist of investment in preferred shares and quoted common shares.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group's other financial liabilities include accounts payable and accrued liabilities, trust receipts and acceptances payables, bank loans, long-term debt and other long-term liabilities and advances from related parties as of June 30, 2009 and December 31, 2008.

Determination of fair value of financial instruments

Financial assets and liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities, on initial recognition are normally the transaction price. In the case of those financial assets that have no active markets, fair values are determined using an appropriate valuation technique.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments include nonderivative instruments such as cash in banks and cash equivalents, AFS investments, installment contracts receivables, financial assets at FVPL, other receivables, bank loans, short-term and long-term debt and obligations, loans, and advances from and payable to related parties. The main purpose of these financial instruments includes raising funds for the Group's operations and managing identified financial risks. The Group has various other financial assets and financial liabilities such as trade receivables, trade and trust receipts payables, customers' and tenants' deposits which arise directly from its operations. The main risk arising from the use of financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Credit risk

Credit risk arises from the risk of counterparties defaulting. Management is tasked to minimize credit risk through strict implementation of credit, treasury and financial policies. The Group deals only with reputable counterparties, financial institutions and customers. To the extent possible, the Group obtains collateral to secure sales of its products to customers. Also, the Group transacts with financial institutions belonging to the top 25% of the industry, and/or those which provide the Group with long-term loans and/or short-term credit facilities.

The Group does not have significant concentrations of credit risk and does not enter into financial instruments to manage credit risk. With respect to credit risk arising from financial assets other than installment contracts and accounts receivable (such as cash and cash equivalents and AFS investments), the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising fund to meet commitments from financial instruments.

Management is tasked to minimize liquidity risk through prudent financial planning and execution to meet the funding requirements of the various operating divisions within the Group; although long-term and short-term loans obtained from financial institutions, through strict implementation of credit and collection policies, particularly in containing trade receivables; and through capital raising, including equity, as may be necessary. Presently, the Group has existing long-term loans that fund capital expenditures. Working capital requirements, on the other hand, are adequately addressed through short-term credit facilities from financial institutions. Trade receivables are kept within manageable levels.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's short-term and long-term debt obligations.

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-F-1 plus a certain mark-up. The Group has not entered into interest rate swaps and options during 2009 and 2008.

Foreign exchange risk

The Group's exposure to foreign exchange risk results from the Parent Company and URICI's business transactions and financing agreements denominated in foreign currencies.

Management is tasked to minimize foreign exchange risk through the natural hedges arising from its export business and through external currency hedges. Presently, trade importations are immediately paid or converted into Philippine peso obligations as soon as these are negotiated with suppliers. The Group has not done any external currency hedges in 2009 and 2008.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Due to the short-term nature of the transactions, the carrying amounts of cash and cash equivalents, accounts receivable, bank loans, accounts payable and accrued liabilities and trust receipts payable approximate their fair market values.

The fair market value of AFS investments has been determined by reference to quoted market prices at the close of business on December 31, 2008. Investments in unquoted equity securities are carried at historical cost, net of impairment.

The fair value of advances to/from related parties, receivable from Meralco and long-term obligations are based on the discounted value of future cash flows using the applicable rates for similar types of loans.

Management's use of estimates in the determination of fair value

The fair value of financial instruments traded in active markets at the balance sheet date is based on the quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of current fair value as long as there has not been a significant change in economic circumstances since the time of transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

10. Other Income (Charges)

	For the Quarter Ended June 30		For the period Six Month Period June 30	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
Interest expense	(P56)	(P70)	(P119)	(P137)
Interest income	17	43	34	83
Other income, net	43	–	42	(3)
	P 4	(P27)	(P43)	(P57)

11. Earnings per Share (EPS)

	For the Six Month Period Ended June 30	
	2009 (Unaudited)	2008 (Unaudited)
a. Net income attributable to equity holders of the Parent Company (Amounts in Millions)	₱135	₱134
b. Common shares outstanding	3,160,403,866	3,160,403,866
c. Weighted average common shares outstanding	3,160,403,866	3,160,403,866
d. Basic earnings per share (a/b)	₱0.043	₱0.042
e. Diluted earnings per share (a/c)	₱0.043	₱0.042

RFM CORPORATION AND SUBSIDIARIES
Aging Analysis of Trade Receivables
As of June 30, 2009
(Amounts in Millions)

	Amount	%
Under Six (6) Months	₱1,105	72%
Six (6) Months to One (1) Year	228	15%
Over One (1) Year	203	13%
	₱1,536	100%