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PRESENTATION

Hung Hoeng Chow ***Olam International Limited - General Manager of IR***

Good morning, ladies and gentlemen. I'm Hung Hoeng of Olam Investor Relations. We are very pleased to have you tuned into our live webcast of our first half 2020 results briefing. We're, of course, very disappointed that we are unable to meet face-to-face with you like we are used to. But I believe our briefing and your experience today will be no different from before as today, we continue to have our senior management team and executive team present at this earnings call.

To allow me to introduce our head honcho, Co-Founder and Group CEO of Olam International, Sunny Verghese. To his right is A. Shekhar, Olam's Executive Director and CEO of Olam Food Ingredients, OFI for short; and the man with a calculator with him at all times is our Group CFO, N. Muthukumar, seated at the other end.

Before I move on to the results presentation agenda, please take note that our presentation today must be read along with our financial statements and the management discussion and analysis for the first half 2020, that were issued to the Singapore Exchange this morning. Please also read the cautionary note on forward-looking statements that may be given during this presentation.

Unlike the usual format where Muthu presents the financial results, we will hear from Sunny first on Olam's re-organisation plan that was announced in January this year, and he will be giving you an update on the plan. He will also share the changes to our reporting structure going forward. Shekhar, as CEO of OFI, will also be presenting an update on OFI, 1 of the 2 new operating groups formed as part of this re-organisation. And after hearing the results from Muthu and also Shekhar, Sunny will wrap up today's presentation with key takeaways for us before we take questions.

I will now hand over the time to Sunny.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Thank you, Hung Hoeng, and good morning, ladies and gentlemen, and welcome to our first half results briefing. This is the first time in our history where we are now providing our first half results across the new operating groups that we have created based on the re-organisation plan that Hung Hoeng referred to, which we announced in January of this year. We are delighted that despite the emergence of COVID as the worst pandemic that we have faced this century, we are delighted that we've had a strong set of results for the first half of the year. We've had volumes grow at 5%, revenues at 7%. But most importantly, we have grown earnings by 44.4% in the first half. Secondly, we have made good progress in executing our strategic plan that we laid out to you for the period 2019 to '24, last year in 2019 January. Third, we are also very pleased that we have started off the execution of the re-organisation plan announced in January of this year, and we will walk you through the progress update on where we stand today on that re-organisation plan execution. The fourth is we kept a very, very sharp focus on: A, protecting the lives of our people, 89,000 employees across 67 countries; B, we kept our supply chains open. We also delivered what our customers need in a reliable fashion through this crisis. We maintained our financial strength. And we helped and serve the communities who are affected by COVID in the countries and regions that we operate in.

As Hung Hoeng mentioned, we organised this presentation today in these various segments, 7 segments. My colleagues, Shekhar, who is the CEO of OFI and an Executive Director at Olam International; and Muthu, who is our Group CFO, will work with me to make this presentation.

So I want to start with the re-organisation plan recap and the progress update achieved so far, and then we will also walk you through the changes to the reporting structure in terms of the new operating groups, the new segmentals within each of these operating groups, the key financial metrics that we have chosen to communicate with you our progress. And then Muthu will come in and talk about the group financials; and Shekhar will walk us through the OFI strategy as well as explain the OFI results for the first half of this year. And I'll come back and do a quick summary in terms of the key takeaways from what we wanted to communicate for this first half results.

So as all of you know, just to recap, we announced a new re-organisation plan in January 2020. This new re-organisation plan, built on our strong foundation that we have built over the last 30 years in building an advantage and edge in our origination supply chain, in our processing manufacturing, in our logistics business, in our trading and merchandising business, in our distribution business. That was a franchise that we have built over the last 30 years. In 2019, we announced a new strategic plan for the 6 years 2019 to '24, which envisaged 4 key things that we were planning to do. One was to strengthen our portfolio by exiting 4 business units, 17 SBUs and related 23 assets and then reinvesting capital in our prioritised businesses. The second was to improve margins through cost and capital efficiency. The third strategic pathway was to provide more differentiated value-added solutions and services and enter new channels and segments. And the fourth and final pathway was to seed and incubate new platforms for future growth, what we call our Engine 2 business.

Then in January of this year, building on that strategic plan, we announced a re-organisation plan to simplify our business into 3 new distinct separate operating groups. OIL as a parent and then OFI, Olam Food Ingredients, and OGA, Olam Global Ag. This was the role envisage for OIL. First, a stewardship role which included being the holding company or parent company of OFI and OGA. Second, to make sure that the parenting advantage in terms of institutionalising the Olam ways, spirit, values and culture in terms of the key cost-cutting initiatives on sustainability, digitalisation and operational excellence and building leadership processes and capabilities. The last role in the stewardship part for OIL was to provide shared services across some critical core functions where we needed scale to achieve cost competitiveness and also a standard of delivery of that service to the operating groups OFI, OGA and OIL.

The second role of OIL was as an accelerator. As I mentioned in the strategic plan, we had envisaged that we will exit 4 business units, and we will exit 17 SBUs. And the first role in the accelerator role of OIL is to responsibly divest these deprioritised and assets and businesses earmarked for exit. The second is we have 3 gestating businesses. So, the second role in OIL in the accelerator role was to make sure that we are able to develop and invest in taking these 3 gestating businesses to full potential. And the final role was to incubate new engines and seeds of growth, what we call Engine 2 platforms for growth, and those were the 3 roles.

And that then resulted in us creating OFI, Olam Food Ingredients Limited. And the strategic position of Olam Food Ingredients was to be a global leader in the supply of sustainable, natural, on-trend food ingredients and value-added solutions so that consumers can enjoy the products they love. And it comprises of these 5 business units, and we will go through the new segmentation of this unit shortly.

The second is Olam Global Agri. The strategic position of Olam Global Agri was to be a global market-leading and differentiated food, feed, and fiber agri business, meeting the growing demands of protein supply and food supply in high-growth emerging markets. And this business, as a result of it being quite asset-light, would have high-growth and high returns. And this comprised of 5 business units, our Grains, Animal Feeds & Protein platform; our Rice business; our Edible Oil business; our Cotton business; and our Commodity Financial Services business.

The purpose of the re-organisation was to unlock value and maximise long-term sustained value creation for Olam. And we intended to achieve this through 4 routes. The first was to simplify our portfolio. We had 16 platforms, and it was a little bit getting unwieldy and complex. So, the first objective of creating unlocking value for Olam was to simplify our portfolio by organising into these 3 distinct operating groups. And then it was also for taking the deprioritised exit assets that we had identified in that strategic plan 2019 to '24 plan and warehousing it in OIL so that OIL can focus on the responsible divestment of these deprioritised exiting assets. So, by simplifying our portfolio, we believe that we could unlock value.

The second pathway was to sharpen focus. With an underlying logic and thread, linking all the business units in OFI together and linking all the business units of OGA together and the business units of OIL together, we believe that it will sharpen focus and therefore enhance performance and increase accountability and also enhance our capacity to attract the right kind of talent to these respective operating groups.

The third pathway in unlocking value was to attract additional investors who were the natural investors who had an appetite for this configuration of assets and businesses. And thereby, with that focus and ability to attract the right kind of investors, we believe that we could potentially relate these businesses. And that was a third pathway of unlocking value.

And the final pathway of unlocking value is to accelerate profitable growth, which is, firstly, in OFI to raise additional growth capital to exploit the significant opportunities that we see in that business, which Shekhar will describe to you. And same thing for OGA and as well as for -- and OGA. The second was to deploy the divested proceeds in growth initiatives in OFI, OGA and OIL. And finally, to support the development of the gestating assets to full potential and also seed new engines for growth. So, this was the rationale for why we are going through this re-organisation plan.

In order to make sure that we can execute this well, we decided to do this in a stage-gated way. There were 4 stage gates. The first was to re-segment the business. And as you will see from the results that we're going to be presenting today, we have successfully completed the re-segmentation of Olam Group into 3 businesses, OIL as the holding company and parent; OFI as the Olam Food Ingredients business; and OGA as the Olam Global Agri business. So, this has been completed, and we are pleased to announce that.

The second stage-gate was to re-organise the business in terms of having dedicated, new top leadership or top management teams, which is our exco, our opco, our mancom. And that has also been done in the first 7 months of executing this plan.

The third step is a potential carve-out, and we are engaging with investors and exploring with advisers, potential sequential carve-out of OFI and OGA because I think it will be too much to try and do both at the same time. So, we are at this point in time envisaging a sequential carve-out. And if we meet certain valuation milestones and other strategic milestones, then we will look at listing these carve-out entities in the right jurisdiction, and that would be the final stage. We had announced in January that this process will take between 18 and 36 months to complete. We are expecting to do the first carve-out and listing in 18 months' time, but the timing will be entirely dependent on market conditions, but from our side, we will be prepared to complete this re-organisation plan based on these time lines.

In order to make sure that, therefore, we can execute the stage-gated process, we put in place a governance structure to make sure that, that can happen. So we -- the Board created a Board Steering Committee, 5 members of the Board, are part of this Board Steering Committee, led by our Chairman, Mr. Lim Ah Doo, and then we created a project team, a dedicated project team. And under the project team, we had 12 work streams and these 12 work streams and the project team and the BSC were expected to deliver 4 things.

First is a new value creation plan, which includes a full potential strategic plan, building on the current 2019 to '24 plan, separately for OFI, separately for OGA and separately for OIL. But at the end of the day, our ultimate goal is to increase the value of the Olam Group as a whole, not just one of its individual operating groups. So that is the first delivery of this team.

The second delivery is to develop a targeted operating model which is fit-for-purpose for these 3 new operating groups and then subsequently to develop an organisational model and design an organisational structure that will help us execute this plan.

The third delivery from this team was to come up with the cost and capital transformation plan that will allow us to mitigate the impacts of one-off separation costs and any dissynergies that might result as a consequence of this re-organisation. It was not so much about achieving cost neutrality in terms of this bucket of work. It was about how do we make sure that we can have strategies and plans that will allow us to improve margins even if there are dissynergies that we need to absorb.

And then the final delivery was the functional separation to set up these companies for an eventual carve-out and IPO. And we have already had 7 Board Steering Committee meetings in these last 7 months. We've had 15 project team meetings and many more work stream meetings. So this effort in terms of executing the re-organisation plan, we are acting with speed, and we are acting with focused intent in delivering that.

So, I want to now hand over to Shekhar, who is the CEO of OFI and Executive Director at Olam, to outline the approach to OFI strategy.

Shekhar Anantharaman ***Olam International Limited - CEO of Olam Food Ingredients & Executive Director***

Good morning, everybody, and I'm pleased to talk through this first briefing after we announced our re-organisation in January. So as you all are aware and as Sunny outlined previously, the genesis of OFI was based on a portfolio of leading global platforms that we have built over the last 25 years, and 5 of those platforms coming together in the form of a coherent operating group. And all these -- the highlights of this platform is the commonality of customers and whether it's a large multinational food corporations or the regional champions, whether it's the large private retailers, global private retailers, private label retailers or the foodservice outlets. There is a commonality of customers across this portfolio. There is a commonality of categories that we serve, whether it is bakery, confectionery, beverages, healthy snacking. So there is a lot of commonality in the categories and therefore, the capabilities that we can combine together, and that brings a special focus and coherence to this group of products, all of which have leading established global positions.

The second aspect where OFI is leveraging on the -- on these 5 groups of products is really how well we are integrated between our -- what we think is a fairly unique, sustainable, traceable back-end supply chain origination network with own farming, a large 3.5 million strong smallholder farmer network and how we combine that together with value-added manufacturing, innovation capacity and customer execution capacity in the destination markets.

So these 5 products come together with the coherence of common customers, common capabilities, common categories that we serve, with the combination of a very integrated, sustainable back-end supply chain, on which we are building on to build a very innovation-led, customer-centric, category-led solutions business. And that is really where the whole approach to strategy has been.

So, as we had announced the strategic plan in 2019, early 2019, these product groups had developed the very ambitious plan of their own. And post now the re-organisation into OFI with some of the assets being housed -- exiting assets being housed in OIL, this product group is now building upon a plan wherein we can prioritise, accelerate investments in building upon this franchise that we have today and adding on the capabilities and innovation, adding on the capabilities in category understanding and really providing very differentiated solutions to our customers. And that is the approach to this plan. We are well on our way in terms of identifying and prioritising the various opportunity, and we have a very rich opportunity pipeline. And obviously, we have had to contend with COVID as has the rest of the world. And through COVID, we are seeing obviously a lot of uncertainty, which has been created in the last 6 months and still to contend with. But there is also a lot of opportunity that is coming, as we discussed with our customers, significant opportunities as customers also are rethinking their supply chains, rethinking their suppliers and understanding how they can look at the new tomorrow.

And so, we believe that the OFI platform, which had a very strong starting point, the kind of opportunities that we have, which can layer on top of that foundation. And the customer linkages that are now coming to the fore, all this will be put together in the form of our refreshed strategy, which we'll expect to present by the end of the year, which will also then have the new operating model, the ways of working, which will be part and parcel of the execution and delivery plan.

Sunny, back to you.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Thank you, Shekhar. So, moving on to the OGA strategy. OGA will focus on continuing to build our market-leading and differentiated global food feed and agri business with a particular focus on emerging markets. Compared to most of our peers, we have a superior growth and return profile because we are largely asset-light, and we are deemed as an independent intermediary in the supply chain, which has given us significant growth prospects. It has also allowed us to tap into the new sources of supply and the new sources of demand within this complex. We also expect to see some strong profitable growth for the investments that we have already made in the recent past. For example, we acquired Dangote Flour Mills, and we are in the process of integrating that business and taking up capacity utilisation significantly from when we bought the asset.

So, the investments that we have made already will continue to drive profitable growth for us in the medium term.

We will also continue to selectively invest in our prioritised platforms and markets. And our objective is to make sure that we have an attractive growth business that is also a high-return business with a truly differentiated position focused on food, feed, and fiber. COVID has been a significant tailwind for this business, as we will explain later in terms of the COVID impact.

I want to now move on to OIL. The approach to strategy for OIL. As I've explained to you, the role of OIL is that as a parent company of OFI and OGA, OIL will play a key role to unlock the full value of the Olam Group by: A, providing active stewardship to the new operating groups, as I've mentioned earlier; responsibly divest the deprioritised and assets earmarked for exit; nurture gestating businesses to full potential; incubate new engines for future growth; deploy key cost-cutting initiatives across the operating groups; and finally, providing shared services to the new operating groups.

And I just want to report that we have made good progress in executing the re-organisation plan. So first, senior management and executive team stock management teams for the respective operating groups, OFI and OGA and OIL have been appointed. Second, we are making good progress on developing the target operating model. And then consequently, an organisational model that is fit-for-purpose and will allow OFI to meet its ambition and goals and so to with OGA and OIL. Third, Muthu is chairing our cost and capital transformation work stream, and he and his team are developing a full detailed review using a spend cube analysis on looking at where and how we can become even more cost-efficient and even more capital-efficient that we believe can bring us significant savings and therefore allow the 2 new operating groups to have a better margin profile and a better return profile. And then there is a lot of work going on in the various work streams as we look at the transaction execution management piece of this. And then as we will see now, we are going to be presenting this first half results on the basis of the new operating groups and the new segments within those operating groups.

So, let's talk a little bit about the context and what guided us in terms of decision rules and guiding principles in determining the new segmentals within these new operating groups. The first guiding principle that we used is that whatever segments we are going to be reporting in for the new operating groups has to be consistent with our equity story and the strategy of each operating group.

Secondly, the segments that we create has to be relatively salient. We don't want insignificant segments. So, they have to be relatively salient in the new operating groups' context.

Third, we wanted to simplify in terms of reducing complexity. So, we wanted to have fewer segments than more segments, which was the feedback that we got from sell-side and buy-side analysts as well as our financial advisers.

The fourth was it should be able to be easy to model on the part of analysts as well as investors and other stakeholders. And finally, there should be comparability with the relevant reference peer group that we have selected for the new operating groups. So OFI will be benchmarked against a different set of peer group companies, OGA with an entirely different set of peer group companies. And whatever we are providing in terms of segmentals and key financial metrics has to enable the investors and analysts to be able to compare.

With these principles in mind, for the 3 operating groups, starting with OFI, we already have told you what the strategic position of OFI is. And consistent with that strategic position, we are going to organise OFI into 2 reporting segments. The first is Ingredient Sourcing and Supply Chain, which will include all our direct farming operations, plantation operations, third-party sourcing operations, logistics operations. All of that will be part of Ingredient Sourcing and Supply Chain. And the second would be value-added Food Ingredients and Solutions. And this is the future of the OFI business, and they are going to be investing and building capabilities to pivot over a period of time into a value-added food ingredient supplier and solutions -- ingredient solutions company. So, 2 segments for OFI.

There will be 3 segments for OGA, 2 categories, Food and Feed. The first segment is Food and Feed Origination and Merchandising. The second segment is Food and Feed Processing and Value-added. And the third segment is Fiber and Ag Services.

And then for OIL, the last operating group and the holding company, we will organise OIL and report on 3 segments: first, the deprioritised and assets earmarked for exit; second, on our 3 gestating businesses; and third, on our 5 -- currently 5 engine 2 initiatives that we are incubating, so the incubating businesses. So, exiting deprioritised businesses and assets, gestating businesses and incubating businesses.

So OFI will have 2 segments, OGA will have 3 segments, and OIL will have 3 segments. The 1 segment of OIL, which is the exiting businesses and deprioritised assets, that will be, as you know, a transitory segment because we would hope by 2023 to complete the exit of all the assets and businesses earmarked for divestment. We have already done quite a bit in 2019, the first year of the plan. In the first half of this year, we have done more, which we will describe in the later part of this presentation. And therefore, we feel quite confident that by 2023, the segment under OIL for exiting businesses and assets would get extinguished as we complete that plan.

The second part of the new segmentals is the new reporting metrics in terms of the key financial metrics that we will be providing. They are slightly different for OFI, OGA, consistent with the strategic positioning of these separate businesses. So, for OFI, at the segmental level, we will provide some top line metrics in terms of volumes and revenue. The more relevant metric for the top line is volume for us. Then at the operating profit level, we are moving from EBITDA that we presented in the past to now operating profit EBIT, and that is closer to your patent. So that is the second key financial metric. We will, in terms of margin profile, provide EBIT margin as the key financial metric to give you information on margins. Then on capital efficiency, we have chosen EBIT over invested capital, EBIT by IC as the key measure to demonstrate capital efficiency in that business. And finally, at the operating group level, which will only happen when we carve-out and have distinct balance sheets for OFI, OGA and OIL. At that time, at the operating group level, we will provide 3 key metrics in addition to the ones that we are providing at the segmental level, which will be return on invested capital; return on equity, 2 key return measures; and then funds flow from operations, which is operating cash flow less CapEx but before any acquisitions. So, this would be the key metrics -- performance metrics that we will provide for OFI.

For OGA, revenue is not relevant. We will, as far as top line is concerned, show volume. We will continue with EBIT as a key earnings measure from EBITDA in the past. Instead of EBIT margin as a margin measure for OFI -- for OGA, it will be EBIT per tonne, which is more relevant. And then for capital efficiency at this segmental level at OGA, we will show like in OFI, EBIT by invested capital. And again like OFI, at carve-out, when we have separate balance sheets, we will provide at the operating group level, return on invested capital, return on equity as the 2 key return measures, and free cash flow from operations as we described with OFI.

And then finally, for OIL, we will have 3 segments in which we will report. First is the deprioritised assets and businesses and exit assets and businesses; second is gestating businesses; and third is incubating businesses. The available measure here on top line will be revenue and for earnings will be EBIT, and for capital efficiency will be EBIT by IC. And then again, at group level, we will provide 2 return measures, ROIC, ROE, and FCF from operations.

And then at the consolidated Olam Group level until carve-out happens and post carve-out, we will provide a similar set of key performance measures. Sometime towards the end of this year or before carve-out, we will also provide some medium-term range guidance on critical parameters that will allow you to form a view on the prospects of this business. We are not doing it today. But before carve-out, we will also provide some medium-term range guidance on critical performance metrics that will allow us -- that will allow you to get a view or better understanding of the prospects of these businesses.

So, before I hand over to Muthu on the financial review, let me just talk about the COVID-19 response and outlook. We all know that this is the biggest pandemic that we have had to face in our lifetimes. And for us, there have been 3 major impacts on our business. One is the demand shock. The second is the supply shock. And the third is the financial market accelerants. I will talk a little bit more about the demand side shock and the supply side shock as we go along. But as far as financial markets are concerned, we saw the worst of the disruption in financial markets in March and April. And towards the end of April, we saw a gradual healing of these markets as a result of the speed and intensity with which the central banks and the governments acted in concert, bringing monetary and fiscal policy to bear at size and magnitude and speed, which gradually healed those markets. But these were the 3 major impacts.

So, on the demand side, it is slightly nuanced. Demand for our various products and services, if there was out-of-home consumption, a food service demand, horeca segment demand that was clearly impacted during the first half. So, this would include our edible oil business, where 40% of the demand comes from horeca, foodservice segment and similarly for coffee, and similarly for some of the other products. Second, we saw a big uptick in demand for food staples in grocery and retail demand because of the pantry restocking effect at both the household level and the retail level.

We also saw significant disruptions on the agri supply chains. Because of the lockdowns, both in terms of fresh produce as well as fresh livestock. Many of these slaughterhouses and meat processors were shut down. Many of the fruit processing plants were shut down. So, there was, unfortunately, a lot of dumping of produce at the farm gate because there was no outlet for these products. That is beginning to heal. The logistics constraints that we saw in terms of port lockdowns and warehousing and logistics issues and labour shortage and availability is also beginning to improve and heal as well.

So, we, in the first half, experienced lower demand in some of the non-food categories, particularly the industrial raw material, agricultural raw materials, like, for example, cotton mill utilisation capacities came down quite significantly. Mill demand came down by almost 15% as a result of the COVID lockdowns. Similarly, for tire demand and rubber demand as a consequence. Rubber demand has also been much lower as a result of COVID. In the early part of this crisis, we saw lower demand, for example, in almonds and dairy due to the lockdown in China in the first half of 2020. And I also already mentioned that demand for food staples remained very resilient and, in fact, they had an uptick.

We really focused on 5 or 6 things. The first thing we focused on was in protecting the lives of our people and the safety of our people. We have 89,000 employees in 67 countries. That was our first priority. Our second priority was to make sure that we are able to meet our customers' demand reliably and safely. Our third priority was to make sure that we can keep our supply chains open and functioning. Our fourth priority was to make sure that there was business continuity in all of our locations. We have 206 facilities, manufacturing facilities. We have 550 warehousing and other facilities. So, we had to make absolutely sure that there was a business continuity plan in each of our locations, in each of the countries that we operated, in each specific site. And then the other big thing that we focused on was making sure that we were able to maintain our financial strength and had unfettered access to debt capital markets and bank markets to make sure that we had the necessary resources to support and fund our operations.

And in order to mitigate the impact of COVID, we had a tiered strategy of pulling levers to mitigate that impact. So we had a lot of handbrake levers that we employed -- deployed in the first half, including a salary cut for senior management team, a salary fees for most of the leaders and managers of the company across the globe. Obviously, nobody could travel for the last 6 months. These are all some examples of how we focused on reducing overhead costs, reducing interest costs through better capital efficiency, and taking advantage of lower interest rates to reduce our interest costs. So, these were all handbrake levers. And then we also formed a clear point of view and action plan on a tiered set of additional measures that we will take, which we call the break glass levers if the COVID situation and pandemic really worsened much more than we had anticipated.

We also were very proactive in working with the communities. At the end of 2019, there were 135 million people around the world, out of the 817 million people who went to bed hungry every day who are at level C, stage 3 level of food insecurity, which means they cannot survive without external food assistance. With COVID, that number has almost doubled. 130 million additional people have now unfortunately gone to Level C category of food insecurity, which is almost starvation. So, we felt an obligation to support and help in the various communities that we operate apart from the monetary support that we have provided. I think we have done a lot to advise farmers and communities on safe distancing and various other precautions that they needed to take to successfully navigate through this crisis. We also innovated in terms of approaching our farmer populations more digitally because we were not able to approach them physically through our extension offices and field agents like in the past.

So, the final slide before I hand over to Muthu is, although the COVID pandemic is a problem with radical uncertainty and with unknown probabilities and unbounded outcomes, it is very difficult to forecast what is likely to happen. And we are, therefore, preparing for the worst in terms of our base case scenario but hoping that the good scenario of a vaccine, therapeutic cures can surprise us positively. In that context, we are delighted to see in the papers today the Arcturus and NUS-Duke Medical School early stage vaccine trials and they have said that results will be known by the end of the year, and we are hoping and praying that those kinds of initiatives will bear fruit.

80% to 85% of our portfolio is in food. Most of which is recession-resistant or more -- not as susceptible to recession impacts. So, we feel quite confident about the next half, but given the uncertainty and the range of outcomes that are still possible, we are being cautiously optimistic about the future. We have had a good first half and a good start, and we hope to continue with that momentum into the second half.

I'd like to now hand over to Muthu to walk us through the financial highlights.

Neelamani Muthukumar ***Olam International Limited - MD & Group CFO***

Thank you, Sunny. Good morning, once again, to you all. I'm pleased to present Olam Group's first half 2020 financial results. Volume is up by 5%, almost a million tonnes at 20.1 million tonnes. As Sunny was highlighting, we have moved from EBITDA that we used to use as a key metric to track and report to a more relevant in the new circumstances, EBIT, which stood at S$424 million, lower by 19%, primarily led by some lower performance from the OFI Group, which Shekhar when he presents the segmental results, will provide you more detail. More importantly, PATMI grew 44.4% to S$333 million, compared to S$230 million that we had in the first half of 2019. Operational PATMI, another key metric we track and report, stood at S$202 million compared to S$248 million, an 18.5% lower performance. But happy to report that we had a very positive, significant free cash flow to equity of S$827 million, reflecting our strong liquidity and balance sheet position, which also clearly pans out in our gearing which stood at 1.29x, almost flat, in spite of our net debt going up by S$600 million.

In terms of the highlights, I talked about some of this in the earlier slide. But you can see that our cycle time has been at 63 days compared to 61 days like-to-like period in the first half of 2020 in spite of increase in net debt and well under a target of 2x, which is a self-imposed norm. As Sunny had talked about, we have strongly executed on our re-organisation plan in the first half, already accomplished step 1 and step 2 and we are now reporting in the new segmentals going forward. And I'm pleased to announce that our Board of Directors have declared an interim dividend of 3.5 Singapore cents per share, maintaining the interim dividend compared to the first half of last year.

This is the consolidated results at a glance. Here, again, trying to disaggregate the group's performance into the 3 operating groups on volume, revenue, EBIT and invested capital. As you can see, almost 88% of our volumes are from the OGA Group, led by the grains trading volumes, and that is reflected in revenue as well. Close to 59% of our revenue comes from the OGA, and close to 36% comes from OFI and about 5% from the OIL operating group. However, OFI has contributed 62.1% of our EBIT, with OGA contributing 54%, offset by around 16% from the OIL operating group. In terms of invested capital, 57% of our invested capital is in OFI, 26% in OIL and about 17% in OGA.

As I talked about, almost a million tonnes in terms of our volume growth from 19.1 million tonnes to 20.1 million tonnes on -- compared to first half of 2019, primarily led by the OGA of almost a million tonnes, led by grains trading volumes.

EBIT declined by 18.8% from S$522 million to S$424 million, had a lower performance from OFI in the first half, compensated by better performance by OGA and almost flat performance from the OIL operating group.

PATMI grew 44% to S$333 million compared to the S$230 million that we had in the first half of 2019, backed by our strong outcome of our disciplined divestment activities that we continue to do in the first half of 2020, whether it is the 50% divestment of our sugar refinery in Indonesia or our partial stake divestment in our ARISE platform, the infrastructure and logistics platform, as well as executing on our restructuring and exiting plans in some of our divested and exiting assets.

Overall, at the invested capital, we grew 7% from S$14.5 billion to S$15.5 billion, primarily supported by net fixed capital increase of around S$400 million on account of some acquisitions that we did in the fourth quarter of last year. The Dangote Flour Mills acquisition that we did in OGA and the Cotontchad investment and again in OGA operating group and the Hughson Nut Inc., the almond ingredient manufacturing facility that we acquired in California in Q4 2019 under the OFI Group. Working capital grew around S$600 million primarily because in terms of the business mix that we had in having a lower bulk trading volumes in rice and edible oil, and I will talk about it more as we go along.

Net gearing remained steady at 1.29x. And more importantly, adjusting for readily marketable inventories and secured receivables, the adjusted net gearing stood at 0.34x, a very, very healthy situation.

I talked about the free cash flow to equity, but more importantly, we have generated almost -- more than S$1 billion of free cash flow to fund and resulting in S$827 million of free cash flow to equity in the first half, really showing our discipline in working capital management as well as having very strong and disciplined focus on investing cash flows, primarily on the CapEx and also offset by some of the cash flows that we released by doing a couple of divestments that I talked about in the first half of this year.

We have very strong and resilient balance sheet, reflected by ample liquidity. We have historical highs of almost S$6 billion of cash. We have S$5.3 billion of readily marketable inventories, close to S$1.3 billion of secured receivables, and more than S$7 billion of unutilised bank lines, all amounting to an available liquidity situation of close to S$20 billion, a clear S$5 billion headroom over and above our gross borrowings combination of short term and long term.

Now I will hand over to Shekhar to talk about the OFI segmental performance.

Shekhar Anantharaman ***Olam International Limited - CEO of Olam Food Ingredients & Executive Director***

Thank you, Muthu. And obviously, this is the first time we are presenting these segmentals. We are firstly presenting the operating groups as well as the new segments. So, I'll take a little bit of time to explain how this is structured.

So if you look at the operating group, which is OFI here and see the last 3 years -- and this operating group, as you're aware, is after the -- some of the exiting assets have been put into OIL. So the 5 BUs, which comprise of OFI sans the existing assets, is really what the operating group is, and we have now provided results for the first time in terms of historical results, the '17, '18 and '19 numbers.

So the first thing I'd like to call out is that OFI Group, as it is now structured, has seen very good EBIT growth over the last 3 years going up from something like S$670 million in 2017 to almost S$795 million, almost S$800 million, in 2019, so -- which was a roughly 9% CAGR growth. And if you see the '18 versus '19, almost a 17% growth in the last year. So that's where -- that's how the OFI Group has been trending over the last 3 years.

On invested capital, again, there's been a lot of capital optimisation in terms of working capital, operating cycle time, et cetera, which has led to us being able to maintain and, obviously, aided a little bit by prices in some commodities. But overall, we've been able to optimise and keep the total capital -- invested capital stable at around S$8.5 billion, S$8.6 billion, S$8.7 billion mark, thereby improving our EBIT by IC by almost 200 basis points.

So that is where this group is coming from. And as I explained the performance OFI overall as well as the segments, there's probably 2 aspects that I'd like to again outline. The first is in a pre COVID world, and it seems far back in life, but in a pre COVID world, as we entered 2020, we were expecting against a very strong 2019 performance. Some of our businesses, which had exceptional performances in 2019 for them to be slightly lower than last year. So, I'd call out the cocoa business and the dairy business, which had very good performances in 2019, we're expecting to do lower in 2020. Then amongst other businesses, which were all expecting to grow in 2020 in a pre COVID era, we had Nuts and Spices, which had a particular skew in 2019. And which were earlier part of our Nuts and Spices reporting segment, if you see last year, both businesses, for different reasons, had almost 80% of the results of their EBIT in the first half compared to -- which is an abnormal, not based on any seasonality of these businesses. And the one part which impacted Nuts -- or which resulted in Nuts having that kind of a skew was because we started 2019 with a very high almond price, over S$7, and ended the year with a price around S$6. So you had a significant upswing in the first half, which -- and when the new crop in U.S. and the new crop in Australia came up in the last quarter, we had prices falling by over S$1 per kilo, and that resulted in a very poor second half compared to the normal business seasonality.

And similarly, in hazelnuts, which had a good first half last year, we had -- because of some operational aspects, our 2019 crop season almost fairly significantly impacted. And that again resulted in an impact in the Nuts business for the second half.

So you had -- and I think it's important to understand the context of the 2020 performance compared to -- in the Nuts segment, the performance between H1 and H2, which was very skewed because of almonds and hazelnuts in the first half versus the second half.

And in Spices, similarly, we had even probably a greater skew because, again, we had a very good first half and the second half, as the crop came out in the Q3 and Q4 of 2019, you had lots of yield and solids problems. Therefore, thereby a higher cost, which has again flown through second half of last year and first half of this year.

So that is one aspect, which has skewed the results when we look at the comparison between H1 2020 and H1 2019. And the last component, obviously, is COVID and like Sunny was highlighting, COVID has had a variety of differential impact. And specific to OFI, in most products, we have seen -- we have been, firstly, able to maintain most of our supply chains across the period. So there have been slowdowns. There have been some shutdowns because of lockdowns imposed in some of the geographies. But overall, I am happy to report that we've been able to maintain our supply chains, maintain our factories, keep our people safe and ensure that we continue to deliver to our customers.

Having said that, we have had to take some slowdowns and shutdowns in some locations. And therefore, that has impacted some part of our value segmental when I talk about the manufacturing value-added ingredients segment. And in -- but I would say in most businesses, over first half, we have come out better than last year. If you see the volume growth, we have roughly about 9% volume growth compared to last year. So, net of all the supply chain disruptions and some demand impact, most businesses have come out. The 3 businesses that have got probably impacted in first half and are looking at some kind of a more uncertain situation in the second half are basically almonds, hazelnuts and the cocoa processing business, and I'll talk about that.

So it's a lot to contend with because of the changes to the operating growth, new segments and now in a half yearly reporting format, but I thought it was important to highlight so that you can -- as you look at the results, be able to see the changes on what's happening to the OFI operating group overall between '17, '18 and '19, what we anticipated in '20, which was a growth over and above '19, and what aspects have been impacted because of a H1, H2 SKU, which will correct itself in H2 and what is potentially uncertainty of COVID, which still remains, which we'll have to contend with as we go forward.

So, on an overall basis, the H1 results have been impacted compared to last year, specifically in the Nuts and Spices segment. As far as the Spices segment is concerned, we -- the business is very well positioned. It's seen very strong demand. It's probably the only product in the portfolio which has seen no demand impact. In fact, there is more demand than what we can meet, which has seen prices also firm up. And so even though the first half performance has been lower because of what I mentioned earlier, we see a very strong -- we are very well positioned for a very strong second half.

On the Nuts business also, between the cashew business, peanuts business, which has had, again, a very strong demand response in this COVID environment, we -- and almonds, the U.S. part of the business, are all quite well positioned for the second half. So, it's only almonds Australia, which is impacted by the lockdowns in China and then now India, and that's -- a lot of the supply from Australia goes there. That is probably an uncertain part for H2. Otherwise, Nuts also, I would expect to be a stronger second half compared to both the first half of this year as well as the second half of last year wherein they had been impacted.

So, both these businesses are expected to recover. The Cocoa business, Coffee business and Dairy businesses are -- didn't have any of these skews from last year. So, they will perform or are expected to perform as per normal. And so overall, while the H1 performance for OFI has taken a bit of a beating in the first half, we would expect second half to be -- to recover. There is still some uncertainty about COVID, but net of that, we are cautiously optimistic about the second half compared to the first half of 2020 as well as the second half of last year.

I would expect the capital optimisation to continue, and we will be hoping to keep the overall invested capital at or below last year, which means that from that perspective, from a capital productivity, the portfolio will continue to keep up the good work that we have kept in the last few years.

Moving to the segments. Sunny highlighted the 2 segments. And it's important to understand that going forward for OFI, these 2 are platforms on which the entire strategy of OFI is being built. So it is based on a very strong Ingredient Sourcing and Supply Chain for all the products in the portfolio across our own farming, across smallholder networks that we have built with a very strong focus on sustainability, traceability and now digitisation that is part and parcel of each of these supply chains. So that is a strong platform. It will -- It's likely to remain a big core and a unique differentiator for the OFI business. But a lot of the growth that we see going forward is going to come with the second platform, which we have again started building and populating over the last many years, which is the value-added ingredient and solutions business. And it's already in many of our businesses. There is already a very strong part of the business, but this is an area where we expect to invest significantly more, and we expect significant further growth both in terms of margin growth as well as overall EBIT growth.

So these are the 2 new segments for OFI, and there is a linked-in commonality in the capabilities that we have and in the nature of activities that we perform across the BUs within the Ingredient Sourcing and Supply Chain part segment as well as in the value-added ingredients and solutions part of the business. And there is a strong integration between these 2 platforms, which is a unique differentiator for OFI going forward.

So that is the logic of these 2 segments. So when you look at these segments and see the -- again, looking at the last 3 years of the sourcing and supply chain, we have almost had a 10% CAGR growth across the portfolio, impacted in the first half this year because of -- predominantly because the almonds impact, which I talked about in terms of the pricing of almonds from last year to this year. It was also impacted a little bit on the Australian side, not as much in the U.S. side because of the -- a sudden spurt in temporary water prices, which happened in the first half of this year. It's since corrected since then, but that also impacted the Australian almond costs.

So, both these have had a fairly significant impact in the first half. Like I mentioned, we expect this to correct in the second half. But otherwise, we would expect this segment to be maintaining around this kind of capital and maintain the growth trajectory coming from the last 3 years.

And coming to the second segment, which is the value-added Food Ingredients and Solutions. This is a segment, like I mentioned, is where we would be making more investments, and this would be a segment which is growing. The impact on the first half has been because of slowdown and shutdown in some of the plants that we had to take in cocoa processing, some slowdown in soluble coffee and certainly in hazelnuts, which was impacted by demand in Europe. So, these were areas where we had to take some incremental costs. Again, we would expect -- of course, we don't know how the second half -- what kind of issues might come up in the second half. But overall, there is some demand uncertainty in some parts of the business, but we see ourselves quite well positioned in this segment across most of our product groups. And we are cautiously optimistic of a better second half than the first half.

With that, I will hand back to Muthu for taking the other segmentals of OGA and OIL.

Neelamani Muthukumar ***Olam International Limited - MD & Group CFO***

Thank you, Shekhar. So, moving on to Olam Global Agri. As Sunny had highlighted, it is primarily on food, feed and fiber with Food and Feed having 2 segments: origination and merchandising; the second is processing and value-added. With the nonfood segment being Fiber and Ag Services, consisting of our cotton and commodity financial services businesses.

Now like what Shekhar said here, we have given you a 3-year historical. Obviously, you can see that there has been a considerable growth between 2018 and 2019 from S$225 million of EBIT to S$330 million of EBIT, a 46% growth year-on-year. And more importantly, if you look at H1 2020 on H1 2019, a very healthy 55% growth, reflecting a S$229 million of EBIT over S$147 million in the first half of 2019. And I will talk about it a little bit more when we go into the 3 segments because if you look at overall, while we are trending on the right direction in terms of EBIT per tonne and also, more importantly, growing the capital efficiency parameter from the 10.2% to 12.9% between 2017 and 2019, we will be in a position to disaggregate the performances between the 3 segments shortly. The IC, invested capital, grew S$1 billion. Primarily the largest increase has been seen in the processing and value-added segment, backed by the investment in Dangote Flour Mills that was done in Q4 of 2019.

Moving on to the first segment in the Food and Feed, origination, and merchandising. Here, it has seen a very healthy growth of EBIT over the last 3 years and also on the first half 2020 over the first half 2019 at S$94 million of EBIT compared to S$79 million in the first half of 2019. This has been primarily supported by grains trading. However, rice trading volumes were lower in the first half due to our inability to ship into the hinterland of West Africa, but that problem is behind us now, and we expect these trading bulk trading volumes to ramp up and increase. And similarly, in edible oils, where we had been hit by low prices regime in the first half, and we have seen the edible oil prices now sharply increasing in June and July, we see that these volumes will come back in the second half of this year.

If you look at invested capital, we had grown from S$88 million to S$355 million primarily because we have been investing on fixed capital commitments, which are part of our ongoing capital commitments. And working capital, however, was slightly higher due to the change in business mix that I talked about when I described the group results, in terms of the business mix changing for lower rise in edible oil bulk trading volumes, which we hope that will get corrected itself in the second half of this year.

Moving on to the second segment in this operating group, the processing and value-added. This is where the EBIT has actually grown fourfold to S$96 million as compared to S$25 million in the first half of 2019, primarily due to a strong improvement in the Grains milling business post the acquisition of the Dangote Flour Mills as well as our Animal Feed and Protein business, and more importantly, the branded packed rice distribution business in Africa. We have seen consistent milling margins and animal -- improved animal feed margins that has resulted in almost a threefold increase on our EBIT per tonne from a S$19 a tonne to a S$57 a tonne in the first half of this year.

As I had highlighted earlier, the invested capital during these 6 months on 6 months grew S$550 million primarily on account of the acquisition of Dangote Flour Mills. What we have to really see is despite this higher sales volumes, working capital has been remaining flat because we had, during this period of COVID-19, been able to maintain very tight inventory and receivables norms to ensure that we are not having any credit and counterparty issues and have fairly navigated the situation well.

Moving on to the third segment, which is the nonfood segment in OGA, the Fiber and Ag Services, consisting of our Cotton business and the Quantitative Fund business, which is part of the CFS business. Here, we saw a marginal decline in EBIT of around S$4 million, where we still have S$39 million for the first half compared to S$43 million primarily because there were some slow shipments of African cotton into Asia. And also, we are being cautious about potential counterparty defaults, and that had also led to some slower shipments in the first half.

The invested capital was higher by S$200 million on first half on first half basis primarily because post the acquisition of our Cotontchad business, we have dramatically enhanced planting of cotton, almost fourfold in Chad, that has led to additional working capital being deployed in providing agri inputs to farmers in Chad. Fixed capital marginally rose because of the investment in Cotontchad.

Moving on to the third operating group, Olam International Limited. Apart from being the parent company holding, OFI and OGA, as Sunny had highlighted, it has 3 segments: the deprioritise and exiting assets, the 4 businesses, and also some of the assets moving from the erstwhile OFI and OGA Group housed under OIL. The second is the Gestating Businesses, the 3 businesses, the palm plantation in Gabon, the Packaged Food business in West Africa as well as the Infrastructure and Logistics business in Africa. Those are the 3 Gestating Businesses. And finally, the 5 Engine 2 growth initiatives, which are part of the Incubating Businesses.

Here, we have looked at EBIT losses marginally higher at S$68.3 million, primarily dragged down by the impact of COVID-19 on all the 3 Gestating Businesses. However, we have continued to deliver on our commitments on disciplined divestments in the first half, as I had highlighted earlier, in fully divesting our sugar refinery asset in Indonesia at a considerable gain and also partially divesting our stake sale in ARISE platform and continue to work on reducing our inventories and other restructuring initiatives in our Olam tomato processor factories in California as well as continuing our restructuring of our dairy upstream asset in Uruguay, the NZFSU, both on the east and west and concentrating on the central farm. We also divested our minority shareholding in Mungindi cotton gin in Australia during this period.

Of all -- as a result of all of this, including what impairment we took on deprioritised assets and exit assets in the last quarter of 2019 and the divestments that we have done in first half of 2020, the invested capital came down almost S$400 million in H1 2020 as compared to the same period in the prior year.

Now I'll hand over to Sunny for wrapping up this presentation.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Thank you, Muthu. So, I want to make 3 main points. First, that we have a resilient financial performance despite COVID-19 in the first half. And Muthu has walked us through the details for the group in OGA and OIL and Shekhar has walked us through the results for OFI.

Second, we acted with speed to keep our people safe, firstly, ensure business continuity, maintain our financial strength, and meet our customers' needs while at the same time supporting the communities where we operate.

Third, we are delivering on our re-organisation plan. We have completed the re-segmenting of Olam Group into 3 operating groups, OFI, OGA and OIL. We have reorganised by appointing dedicated leadership and management teams for each of the operating groups. We are on the road to transforming OFI from a niche food raw material supplier and processor to a food ingredients and solutions business and, for OGA, trying to extract full value from the significant investments already made and charting new growth pathways and deepening our current cost and competitive position, leveraging our asset-light model.

I am happy to hand this back to Hung Hoeng to open it up for questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow ***Olam International Limited - General Manager of IR***

Thank you, Sunny. Thank you, Shekhar and Muthu, for the very detailed presentation today. We will now take questions. There are a lot of questions coming through. So -- but let's take the first questions from the participants on the conference call first before moving on to questions from the webcast participants. Operator, can you please let the callers post their questions?

Operator

(Operator Instructions) We got questions from the line. For the first (Operator Instructions) from Maybank.

Thilan Wickramasinghe ***Maybank Kim Eng - Analyst***

It's Thilan from Maybank. Thanks for the very comprehensive presentation. I have 2 questions. The first question is, if you look at your overall PATMI, about 40% of that is from exceptional items, mostly from the divestments and so on. Can you help us think about how much more of a pipeline do you have of this? And also kind of get an idea of what the chunkiness of this is. And also given the COVID situation, are you still -- will you still be able to make a 2023 deadline in terms of exiting most of these? That's question 1.

And question 2, in terms of your overall product lines that you have, what are the segments that are taking the longest to recover from COVID-19? And also, can you give us some idea of which segments will be the most vulnerable if you have a situation of a second wave coming through?

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Thank you, Thilan. I'll take this question. So on the first comment that you made about operating performance versus reported performance, with the impact of the one-off net exceptional gains that we have recorded. So the operating performance at the EBIT level, we were lower by about 18.8% compared to the first half of last year. And in terms of operating PATMI, we were also down about 18.5% compared to last year. However, based on the different businesses that have been impacted, which is actually your second question, and I'll come back to what is the remaining assets, et cetera, in the exiting or deprioritised business segment, but your second question was which are the businesses that are taking longer time to recover from COVID and which are recovering faster.

So the businesses that are taking longer time to recover is the industrial raw material side of the business. So our cotton fiber business within OGA, which is the fibre and ag services segment, that is taking longer to recover. And then in the exiting businesses and assets, we are still operating those assets, businesses like rubber, which we have a supply chain operation in Cote D'Ivoire, which is a processing operation and plantation operations in Gabon, which is still a gestating project but is earmarked and deprioritised for exit. Those businesses are taking longer to recover.

Then in OFI and in OGA, there are some businesses where, as I've mentioned at the outset, because they have a very high food service demand component or out-of-home consumption component, those are now beginning to recover. Particularly in June and July, we have seen a fairly significant pickup in demand as more countries are reopening in a phased way. And demand is beginning to pick up for edible oil, which was impacted because of the COVID lockout, but both India and China, which are big markets for edible oil, we are seeing a strong revival in demand and growth in demand in June and July as lockdowns, particularly in China, is being lifted. And you can see that impact in many of the other markets that we are participating in. And the same thing we are beginning to see in coffee, which has also got a significant out-of-home consumption component that demand is beginning to recover.

So I would say that for industrial raw materials, it is taking the longest time, that is cotton fiber, rubber, et cetera. For food ingredients and feed, the food staples demand has always been strong even through the COVID crisis. And for some of the other categories like coffee, like edible oil, where there has been a significant out-of-home consumption, the worst demand contraction which we saw in the months of March, April and May. In June, July, we are seeing a significant pickup.

Now coming to the deprioritised exit assets, we have roughly, in U.S. dollar terms, the invested capital here is in Sing dollar terms. In U.S. dollar terms, we have roughly $1.3 billion worth of invested capital in our deprioritised businesses and the assets earmarked for exit. So your question was how long will it take us to divest all of this and whether the 2023 time line is still something that we hope to meet. At this point in time, we are quite confident that all of the deprioritised and exiting assets and businesses that have been earmarked as such, we will be able to complete a responsible divestment and exit of these assets within that time frame.

So this year, we shut down all our exiting BUs that we had earmarked for exit, the trading desk of the fertiliser business, the sugar business, the LatAm trading business, the Fundamental Fund business. So we have made a lot of progress. We have sold off our remaining 50% stake in our refinery, sugar refinery in Indonesia. We have sold down our stake in the Infrastructure and Logistics platform, the port and logistics business. So last year, this year, we continue to make progress. We've also shut down some businesses like the Olam tomato processing operations, which releases a lot of working capital that was invested in the business and leaves us only with the remaining fixed assets, which have all been impaired. So the fair value of those assets reflect the current market value.

So we are quite comfortable and confident that the plan that we had outlined in terms of these deprioritised and earmarked assets for exit, we will complete that by this time frame. The size of the invested capital there is roughly $1.3 billion.

Operator

(Operator Instructions) Your next question comes from the line of Uma Devi from The Business Times.

Uma Devi ***The Business Times - Journalist***

Thank you very much for the very comprehensive review of your results. So I think I have a couple of questions. My first question is with regards to the IPOs for OFI and OGA. I understand that the time line is 18 to 36 months from January. But could you offer us a bit more details on what might extend this time line for the company? Is that a second wave of infection, more volatility in financial markets? And I understand you're supposed to provide the valuations for these 2 companies in your results, but it wasn't in the results. So if you could share the valuation? And also, how will this affect the financials if these 2 groups are listed on the stock exchange.

My second question would be on the Cocoa business. So I'd like to...

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Can we request that we take 1 question at a time because we will forget the second question. So let's just answer your first question, and then you can come up with your second question after that.

So on the question of the time line for an eventual carve-out and IPO, when we announced the re-organisation in January of this year, we said that the first carve-out and IPO was expected to happen in 18 months' time, and the second carve-out and IPO will take place roughly a year after that. We said the whole process will be completed in about 3 years. The specific timing will depend a lot on market conditions. There are many issues in terms of preparing for the carve-out and IPO, which are in our hands in terms of re-segmenting the business, in terms of re-organising the business and developing the full potential strategic plan in our businesses, in doing the targeted operating model design and the organisational model design and in the cost and capital transformation piece of work, determining the capital structures for these businesses, how much of debt in each of these businesses, debt mix. All of that is within our control, and we will do that.

What is not in our control is market conditions. So we will only be able to do it when the market conditions are suitable, and that none of us today sitting here can really forecast. So we will do everything that we need to do within our control. And then the timing will be based on market conditions and related factors, which we cannot predict at this point in time. As of today, we are on line to achieve our first carve-out and listing in that 18-month time frame, which is in the second half of next year, or towards the end of the second half of next year is what we are estimating. And we seem to be on track if market conditions and related factors would allow us.

The second part of your question is, what do we expect the value to be of OFI, OGA, OIL? Obviously, I cannot speculate on that. But for the first time, you now know the size of the OFI business historically for the last 3 years, the first half of this year compared to the first half of last year. You heard the explanations about the performance and why the performance is what it has been. So for the first time, the market is now beginning to understand what is the size of OFI? What is the invested capital in OFI? What is the margin and return profile in OFI? What is the size of OGA? What is the invested capital in OGA? What is the margin and return profile? So investors and analysts have a little bit more information now to understand the relative saliency of these 2 businesses and to understand, to some extent, the prospects. Although as I said earlier, we have not yet given any medium-term guidance, which we intend to do with our full year results briefing or at the carve-out, we will be in a position to provide some guidance on critical parameters in the medium-term range guidance, not a point guidance. And that will allow the market participants, investors, analysts, et cetera, to form a view on the value of OFI and the value of OGA.

But we are clearly doing this because we believe that there will be substantial value uplift as we re-organise this business and invest in OFI to become value-added ingredients and value-added solutions, ingredient solutions business, and OGA in terms of being a market-leading and differentiated food, feed and fiber global agri business focused on emerging markets with an asset-light model and high returns.

So we believe that will allow us to substantially unlock value and also maximise value long term on a sustained basis. But obviously, I cannot speculate on what the precise value of these operating groups would be at this point. Happy to take your next question, please, [Uma]?

Uma Devi ***The Business Times - Journalist***

Oh, yes. Yes. Okay. So I just had the next question on the Cocoa business. So could you give us some details on how the Cocoa business has been doing? Has it been impacted by the COVID-19? Or is it one of your better performing segments? And how do you look at it performing for the next year also? That's my final question. Thank you very much.

Shekhar Anantharaman ***Olam International Limited - CEO of Olam Food Ingredients & Executive Director***

Uma, thanks. So as far as the cocoa business is concerned, it's been a very significant part of Olam's portfolio. And even for OFI, that's one of our large businesses. It has performed -- as you know that we had made a big acquisition of the ADM processing assets 5 years ago. And the business has really transformationally integrated our very strong beans, supply chain -- origination supply chain, a very strong sustainability footprint that we have in that business and combine that with the manufacturing innovation and the very -- a top-notch global brand that we acquired from ADM, which is the DeZaan cocoa powders. So the business has done very well over the last few years, and I outlined when I was presenting the segmentals that last year was a very -- was a very good performance by the Cocoa business overall.

This year, again, the first half has been as per plan. There is uncertainty, however, on demand. We are seeing over the second quarter, certainly, contraction in demand for confectionery. There is very strong demand on the powder side. But there is contraction in demand on the confectionery side and from the chocolate companies. And we'll have to see how that pans out. We think we're quite well positioned both in terms of our origination capacity and capability as well as what we have in terms of a very strong powder brand and a very strong liquidation capacity, marketing capacity on the powder side.

So we'll have to see how that -- but there is a little bit of uncertainty about chocolate demand certainly going into the second half. But we are now seeing, as I think Sunny also outlined, in the month of July, you've seen cocoa prices going up. And we're seeing now demand resurrecting for the first half of next year while there is some uncertainty about Q3 and Q4, but the people are quite uncovered for H1 of next year, and we see that demand now coming up.

So overall, we feel very positive, very bullish about the strengths of our Cocoa business, and we would expect it to be a strong performer going forward. But the next 6 months or next 6 to 12 months, there will be some uncertainty because of COVID that we'll all have to contend with.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

And you'll also recall that Shekhar, in his OFI financial performance analysis, also guided that while we've had a lower first half compared to last year's first half, we expect the second half in OFI to be significantly better than the first half and the second half for OFI to also be better than the second half of last year. So I think that's important to keep in mind as well. Thank you.

Hung Hoeng Chow ***Olam International Limited - General Manager of IR***

Thank you. We need to -- we do have 10 minutes for the next few questions, unfortunately, because we have allocated about 1.5 hours for the event. So I would like to just jump into those questions that have been posed on the webcast for some time.

Essentially, let me just sum up some of the questions regards to the COVID 19 impact. I think some of them has been on the questions on how the banks are reacting to the current situation. So has there been any kind of a moratoria imposed on our loans currently? And the banks are exiting the commodity finance business. And would that impact our finances? So that's the one important question.

Neelamani Muthukumar ***Olam International Limited - MD & Group CFO***

Thank you, Hung Hoeng. I should say special thanks to our banking partners who have been with us through these last few months and helped us in becoming stronger both in terms of our balance sheet strength as well as in terms of liquidity and access to all forms of debt capital. And so far, we have not seen any stress or strain as far as Olam is concerned because what we have seen is there are a couple of things which makes us very different. We are very well diversified. We have a very strong churn on our working capital. As you can see that our cycle time is, on the group level is around 60 days. And that clearly demonstrates that our business is performing well, and we are able to buy and sell consistently, and there is a clear demonstration of both cash coming in and cash going out. And we have also been able to successfully refinance all our requirements through these last 6, 7 months. And we are well set to also refinance our rest of the year requirements. So we don't see any stress at this stage.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

And also from a cash standpoint, we have, as you can see from the balance sheet, holding significant cash in the event that the financial market takes even worse turn, if there is a second wave of the pandemic, et cetera. So we have covered our bases as far as that is concerned. And as you can also see from the presentation, we have sufficient and ample liquidity in terms of our undrawn banking facilities and lines in addition to our cash position.

Hung Hoeng Chow ***Olam International Limited - General Manager of IR***

We have this question on the re-organisation that is, first, with OFI doing less this first half versus OGA doing better in this first half, with them doing in opposite directions in terms of performance. How does this affect the re-organisation plan?

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

We have to look at what are the structural prospects for these businesses. These are 2 very, very attractive businesses. The OFI business will be a larger business than the OGA business. The OFI business will be a value-added ingredients natural, sustainable, traceable, on-trend food ingredients and solutions, on the basis of that. And the OGA will be an attractive high growth, high-return food, feed and fiber business. They're slightly different businesses. The OFI business, as you can see, will be definitely a bigger business than the OGA business. It is only that from the reasons that Shekhar explained, et cetera, the first half of 2019, the OFI business in terms of its saliency as far as EBIT is concerned, I don't think the top line volumes and revenues, et cetera are that important. But at the operating profit level, in the first half, OFI contributed to roughly 62% of our EBIT and OGA contributed to less -- to about 54% of our EBIT, whereas OIL contributed a negative 16% to our EBIT.

OIL, we know the nature of those assets that are exiting deprioritised assets, but they're also gestating assets. All of the gestating assets in OIL today, the 3 assets, the Olam Palm Gabon business, the Packaged Foods business in Africa, the consumer business as well as the Infrastructure and Logistics business, all the 3 Gestating Businesses have -- firstly, they're all gestating, and therefore, there's still investments going in. Secondly, they've all been directly impacted by COVID. And the impact of COVID on these businesses have also been quite pronounced.

In the long term, structurally speaking, over a secular time horizon, there are 2 businesses will be very attractive. The OFI business will be a larger business than the OGA business. That does not make the OGA business less attractive. They have different businesses. But in terms of relative size and saliency, the OFI business is a larger business than the OGA business. But in terms of attractiveness, both are equally attractive.

Shekhar Anantharaman ***Olam International Limited - CEO of Olam Food Ingredients & Executive Director***

And I'd probably add that notwithstanding the first half and all the aspects of the H2 performance, I'm actually even more upbeat about the prospects of OFI based on the kind of customer engagement and the kind of possibilities that we are now seeing for the portfolio even more than what we envisaged when we re-organised in January. So I'm very upbeat. Obviously, we'll have to contend with the uncertainty of COVID. But I believe that the value of the business is even more than what we anticipated when we started this re-organisation plan.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

So the portfolio characteristics of the OFI business is unique. Nothing like that exists. So I think it would be a very scarce franchise in terms of what it is in terms of its position.

Hung Hoeng Chow ***Olam International Limited - General Manager of IR***

Thank you for your questions. Unfortunately, we have to end here. And those who have posed questions on the webcast, we will take them off-line with you separately. And for those who are on the phone, please reach out to us at ir@olamnet.com or call us individually, myself, Hung Hoeng and Aditya Renjen, and we will be glad to take your questions off-line. And we really thank you for your participation, and we really hope that the next -- over the next 6 months, things will get better, and we can at least see some of you physically. Thank you for your participation.

Sunny George Verghese ***Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director***

Thank you all very much. Thank you.

Neelamani Muthukumar ***Olam International Limited - MD & Group CFO***

Thank you.