

Industry insight

3 Questions With Ori Yehudai

Frutarom's recent successes and future plans

In *Perfumer & Flavorist* magazine's "2006 Industry Top 12*" (Summer issue, page 22), Frutarom Ltd. came in at number 12, with 2005 sales of \$243.8 million. This fast-moving company found itself among the top players in the F&F industry thanks to its geographic expansion and aggressive acquisitions (including a 70-percent stake in GewurzMuhle Nesse and the flavoring extracts business of A.M. Todd Botanical Therapeutics). Yet, Frutarom president and CEO Ori Yehudai isn't satisfied with just a 24-percent increase in sales from 2004. He has stated that the company seeks to cross the \$500-million sales mark by 2008. How will Frutarom reach that goal? Yehudai spoke to *P&F* magazine about the company's recent growth, the coming year and top trends in the flavor industry.

P&F: How would you characterize Frutarom's recent growth strategy?

Yehudai: Frutarom will continue to implement the successful rapid growth strategy that has enabled it to become one of the world's leading fine ingredients and flavor companies. Our strategy is based on achieving above-industry organic growth in core activities and penetrating new and emerging markets, together with strategic acquisitions, which we regard as an important growth engine.

We will maintain the focus on providing tailor-made products and superior service, strengthening our presence in developed countries and intensifying our activities in fast-growing emerging markets, while also entering new markets.

In recent years, Frutarom has made targeted strategic acquisitions, mainly in the European market: CPL in 2001, Flachsmann in 2003, IFF's European Food Systems business in 2004 and GewurzMuhle Nesse in January 2006. The successful acquisition and merger of Nesse, a German group with a broad product portfolio of innovative savory solutions, has expanded Frutarom's market position in Western and Eastern Europe,



Ori Yehudai

including countries in which it had been less active. It also broadened the company's savory offerings with new and innovative flavors, food systems, functional ingredients and seasonings.

In addition, Frutarom views innovation and R&D as being of great importance. To this end, we will keep cooperating with universities and research institutions in order to be able to offer our customers the most innovative products and top service.

The accelerated growth witnessed in recent years has made Frutarom one of the 10 largest global flavor companies. Last year was the sixth consecutive year in which Frutarom considerably improved all key business parameters and achieved significantly above our industry in the company's core activities.

P&F: Where do you see the company heading throughout the coming 12 months?


Yehudai: Frutarom will continue implementing its successful strategy of rapid growth in core activities and strategic acquisitions. We will focus on integrating the most recently acquired activities in order to improve our strong position as a producer and supplier of natural ingredients to the global food industry. The successful acquisitions made by Frutarom in the past few years enable us to keep offering a full-service platform with a wide range of solutions. These include natural flavors, functional ingredients (with scientific bases for health benefits) and food systems.

2006 Industry Top 12

Frutarom came in at number 12* in this year's Industry Top 12. Check out who else made it onto the list in *P&F* magazine's "2006 Industry Top 12*" (Summer issue, page 22). To purchase a copy of the article, visit www.perfumerflavorist.com/articles.



for health benefits; and our high standards for quality, health and safety. In addition, Frutarom's knowledge of food systems enhances our ability to support customers and develop tasty products with unique health components.

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One of Frutarom's basic tenets is to expand R&D investments and international cooperation with universities and research institutions in the development of new products — primarily in natural products and functional food ingredients. The most recent example is our penetration of the omega-3 oil market. Frutarom now offers omega-3 oil produced from *Salvia* oilseed, which is tasteless, odorless and free of heavy metals.

We intend to progress in developing and launching new high-end added-value products with higher margins. We also will improve Frutarom's product mix to strengthen our leadership position in the natural product portfolio with unique extraction techniques and to leverage our leadership in citrus products.

As mentioned in the past, our goal is to become one of the leading players in the flavor industry, achieving sales of between \$500–600 million in 2008. We believe that we will achieve our goal through implementation of our successful strategy, and by offering our customers excellent service and innovative value-added products.

P&F: What trends do you see shaping the industry as a whole?

Yehudai: Some trends shaping the industry are the persistent growth in the convenience food market and an ongoing increase in consumption in the emerging markets, such as East Europe and the Far East, where Frutarom is well positioned and growing fast. These markets have significantly above-industry-average growth rates.

One of the challenges facing the flavor industry is the ability to integrate into the functional food segment (food products providing specific health and wellness benefits). This is the fastest-growing segment in the food industry, and reflects its focus on natural and healthy food. Frutarom is uniquely positioned to support this growing market, which demands that suppliers to food and nutraceutical/pharmaceutical industries meet the highest quality and regulatory standards (such as pesticide free, GMO free, etc.). Our advantage is based on our relationships with — and understanding of — food and beverage producers; our ability to provide unique, tasty flavor solutions together with the scientific bases