2010 Flavor & Fragrance Leaderboard

Cautious optimism, gradual recovery and a return to growth

A casual survey of the F&F industry in mid-2009 revealed mild strength in flavors, and weakness in fragrances and ingredients. At the time, the first stirrings of recovery talk had begun, though predictions were tenuous. Reflecting back one year later, the industry faces a truly different set of circumstances. Restocking activities in the first half of 2010 have made it difficult for some companies to keep up with supply demands; and no one can predict how long the uptick will last. Meanwhile, the top 10 companies in the industry have further grown market share, from 70.7% in 2008 to ~72.4% in 2009. Simultaneously, the overall market value declined slightly year-over-year to $20 billion. An assessment of individual market share shows that half of the top 10 companies gained percentage in 2009. These and other insights are reflected in *Perfumer & Flavorist* magazine's 2010 Flavor & Fragrance Leaderboard, a ranking—by 2009 sales—of the top 10 F&F companies, with select exclusive insights from key executives regarding their organizations' strategic initiatives and challenges, and thoughts on where the industry is heading. The picture that emerges is one of cautious optimism, gradual recovery and emerging opportunities for growth.

A Note on Rankings

The 2010 Flavor & Fragrance Leaderboard rankings are based on 2009 sales data—including estimates*—gathered by *Perfumer & Flavorist* magazine and John Leffingwell, who provided the majority of the tabulations and market share estimates.** Rank is based on US dollar equivalents. Conversions are based on major currency rates as of Dec. 31, 2009, unless otherwise noted.

* *See individual rankings for details.*

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1 Givaudan

Geneva
2009 sales: $3.824 billion, CHF 3.959 billion
Estimated 2009 market share: 19.1%[a]
CEO, Executive Committee Member: Gilles Andrier

Gilles Andrier

As **Givaudan** CEO Gilles Andrier told *P&F* magazine in June, "The better you anticipate, the better you are."[b] This anticipation—including recognizing the importance of emerging markets, which currently account for 38% of sales—helped carry the company through a turbulent 2009 with only a minor drop in year-over-year results. Following the economic collapse of late 2008, Givaudan reported a slowdown in sales erosion in developed markets for the first half of last year, with growth returning by the second half. Certainly those new product introductions being considered at the close of 2009 have added to positive results for the first half of 2010, which were powered by customer restocking. In addition to growing results from developing markets and increasing business with top customers, Givaudan continues to pursue categories such as health and wellness to increase market share. As a result, Andrier told this magazine that he is "cautiously optimistic as it relates to 2010."

[a] *Givaudan's own estimate of its market share hovers around 25%; John Leffingwell's 19.1% is based on an estimated total 2009 market of $20 billion, a decline from 2008's $20.3 billion.*

[b] *"The Turning Point,"* Perfumer & Flavorist, *page 50 (June 2010)*

2 Firmenich

Geneva
2009 sales: ~2.7295 billion, ~2.826 billion[c]
Estimated market share: ~13.6%
CEO and Director: Patrick Firmenich

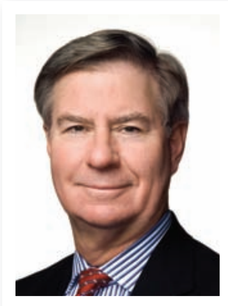
Patrick Firmenich

Firmenich, like its competitors, weathered consumer spending weakness and customer destocking in 2009, leading to a modest year-over-year decline in results. Even as less discretionary categories in flavor and fragrance fared well, discretionary fine fragrance and personal care results suffered. While the company continued investments, including the launch of a new affiliate in Dubai, it did reduce overall spending. Meanwhile, its work with taste enhancer research firm Senomyx provided a pathway to health and wellness solutions for the future. In addition, Firmenich continued to pursue new flavor and fragrance applications, delivery systems and processes to do “more with less and better,” according to its annual report. ***Read more about the company’s naturals activities on Page 23.***

[c] *Accounting period July 1 to June 30*

3 IFF

New York
2009 sales: $2.326 billion
Estimated 2009 market share: 11.6%
Chairman and CEO: Douglas Tough



Douglas Tough

Reflecting wider trends in the industry, **IFF** experienced improvements in its business during the second half of 2009. As newly installed CEO Douglas Tough takes the helm in 2010, the company is enjoying positive comparables, year-over-year, driven by what Tough calls “solid momentum” as a result of customer restocking. At the same time, the company has followed up the launch of creative centers for the Brazilian and Chinese markets with a new site in Russia that will help drive creative, technical and customer service activities in key growth regions. Despite questions about the longevity of the recent recovery, Tough says, “We feel confident that the underlying health of our commercial performance is strong and as a result, we will continue to monitor our performance throughout the balance of the year as we look to make targeted investments to strengthen our marketplace position.”

4 Symrise

symrise
always inspiring more...

Holzminden, Germany
2009 sales: $1.9525 billion; €1.362.0 billion
Estimated 2009 market share: 9.8%
CEO: Heinz-Jürgen Bertram

Heinz-Jürgen Bertram

First Person: Heinz-Jürgen Bertram

CEO

Our strong results for the first quarter of 2010 have confirmed that the F&F market is recovering from last year's challenges. Although the market demonstrated its resilience during the deepest recession in decades, 2009 was a tough year for the industry. The last year had two very distinct halves: The first six months were dominated by a global destocking effect when customers reduced their inventories and changed their order patterns. This affected our business across all segments and regions. Luxury segments such as fine fragrances and the luxury beauty care products were hit especially hard. In the second half of 2009 we saw an upswing in the business which more than compensated for the weakness of the first months. As a result, **Symrise** managed to grow even in a flat market. For 2010 we believe that the F&F market will grow by around 2% to 3%, and we are planning to again outperform the industry.

The key challenge was to adjust our organization to a new business environment during the recession. We experienced less volume, different order patterns and a changed innovation agenda from our customers. Fortunately we acted very fast and implemented a restructuring program in early 2009 that successfully addressed these challenges. This gave us a head start when the market started to recover in the third quarter of 2009. We were thereby able to grow our business by 2.3% in an environment that I had not yet experienced in my 20-year career in this industry.

The economic weakness in 2009 clearly showed that an innovative product portfolio, a strong presence in high-growth emerging markets and a balanced customer base are all vital for sustained growth and profitability. I believe that the F&F industry will continue to be fairly robust but that we will generally face higher volatility in the markets.

The F&F industry is returning to growth, but growth rates will be more moderate than before. As mentioned, we expect market growth of 2% to 3% in 2010. Within Symrise, our traditional F&F business will remain a strong pillar of the group, but our specific strategic focus is on highly innovative areas that differentiate us from our peers, such as functional cosmetic ingredients and consumer health products. These market segments enjoy higher growth rates than the traditional business areas. We will therefore focus on further strengthening this unique profile. As far as the growth rates are concerned, there are still a lot of political and economical uncertainties that can have an effect on our industry. The fundamentals of the industry are strong and healthy, but I believe that it is impossible to predict the market development beyond 2010.

5 Takasago

TAKASAGO

2009 sales:[d] $1.2285 billion
Estimated 2009 market share: 6.1%
President and CEO: Ritaro Igaki

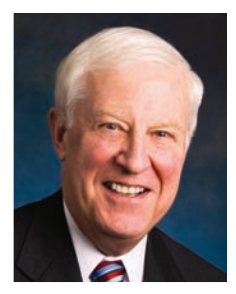
Takasago, like its competitors, experienced a year-over-year decline in sales for the 2008–2009 period. During this time the company has continued to invest in R&D; expand its focus on emerging markets including Brazil, Russia, India and China; and actively control manufacturing and other costs. In support of many of these key goals, the company recently opened a site for trial production, evaluations, and food and beverage concepts at its Hiratsuka, Japan-based corporate R&D site. The center, which encompasses production and evaluation areas, a kitchen, and meeting space, aims to innovate new technologies for flavors and food ingredients for products such as beverages, frozen and and non-frozen desserts, milk products, ready-cooked foods, chewing gum, candy, tablet candy, curry, ramen noodle soup, potato chips and more.

[d] *Accounting period of April 1 to March 31*

6 Sensient Flavors and Fragrances

Milwaukee; Indianapolis (F&F)
2009 sales: ~$548.7 million[e]
Estimated 2009 market share: 2.7%
Chairman and CEO: Kenneth Manning

Delayed product launches and slack consumer demand hurt flavor results for **Sensient** in 2009. Despite this, the company maintained earnings via a strategy of reducing debt and select investments in its business, including a 62,000-square-foot fragrance and flavor manufacturing/laboratory facility in Guangzhou, China; a technical center and sales office in Shanghai; and a new flavor facility in Alajuela, Costa Rica, to serve as a base for its Central American and Caribbean operations. The moves reflected the company's—and the industry's—growing focus on new and emerging markets, as well as a strategy of servicing local markets locally. At the same time, the company launched an expanded portfolio of natural extracts, including florals, herbs and citrus under the Natural Origins trade name. Moving forward, despite challenges in its dehydrated flavors product lines, the company is experiencing growth in both traditional flavors and fragrances. Said CEO Kenneth Manning, "We continue to benefit from the investments we have made in the business and I am very optimistic about the company's future."



Kenneth Manning

[e] *As in previous years, sales of dehydrated products such as vegetables and garlic have been removed from the results as they are not conventionally considered flavors or fragrances.*

7 Mane

Le Bar-sur-Loup, France
2009 sales: $539.3 million; €376.2 million
Estimated 2009 market share: 2.7%
President: Jean Mane

Michel Mane

First Person: Michel Mane

President, Mane USA

Through the succession of four generations, the **Mane** group has always believed in science as the source of innovations on which it is shaping its future. The fifth generation is now being groomed to navigate through uncertain times with the same strong convictions and values on which it has strengthened its foundations.

In 2009, again, Mane has benefited from its past technological choices, outperforming the F&F market with a +13.1% top line growth. Those choices are driven by what remains at the core of its strategy: the markets and its perfumers and flavorists. The design of Mane's state-of-the-art La Sarree supercritical fluids extraction facility allows for the production of the highest integrity natural ingredients. Its perfumers now have access to a versatile palette of unique *Jungle Essence* extracts from fresh plant material, made exclusively available to Mane's fragrance development partners.

Supporting its commitment to sustainability, green chemistry principles also drive the strategy of patented aroma chemical synthesis from renewable resources to further respond or anticipate regulatory constraints. The same applies to Mane fragrance delivery systems such as the now second-generation *Aquafine* and to its macro- and microencapsulation technologies, which provide solutions to the most difficult challenges.

Mane also provides a symbiotic environment in which its global teams can learn from one another, develop their expertise and express their passion with enthusiasm. Its aim is to be a talent magnet and an increasingly desirable partner to work with. Joining the global fragrance design team as vice president of fine fragrance and creative director, Christine Nagel perfectly illustrates what Mane is about: capturing science and nature into emotions.

8 T. Hasegawa

T. HASEGAWA flavors & fragrances

Tokyo
2009 sales:[f] $464.6 million
Estimated 2009 market share: 2.3%
Chairman and CEO: Tokujiro Hasegawa

There are two stories affecting **T. Hasegawa**'s present and future—those of mature and emerging markets. The company's activities essentially focus on the so-called triangular network of the United States, Japan and China. In Japan, T. Hasegawa faces an overall declining domestic market (composition: flavors 70%, aroma chemicals 17.5% and fragrances 9.4%, according to the Japan Flavor & Fragrance Materials Association) that was already relatively small to begin with. The US market faces similar issues. In both markets, fewer products are being launched and low-cost private label offerings are gaining traction. Simultaneously, raw material costs remain high and R&D investments are required to remain competitive, even as customers and consumers demand lower-cost solutions and faster delivery.

[f]*Accounting period of September 1 to August 31*

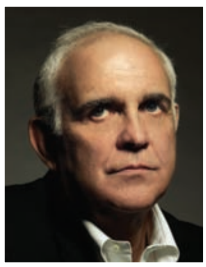
Tokujiro Hasegawa

In these markets, competition among F&F houses is ratcheting up as organizations battle for flat or even shrinking market share. Meanwhile, T. Hasegawa's activities in China, which also address markets in Southeast Asia, are harnessing an emerging market with significant potential. Results in the region have grown steadily, topping a rate of 18% in fiscal 2009 alone. As a result of these divergent scenarios, the company has developed a roadmap for its business moving forward. In China, the company will boost its R&D and sales activities and consumer insight work. The flavors business—flavors, seasonings, extracts, processed food materials, fruit preparations, etc.—will target the alcoholic and non-alcoholic beverage, health food, fast food and other categories. The fragrance division, meanwhile, will take aim at categories that are currently underrepresented in its results, including detergents and air care.

9 Robertet

ROBERTET

Grasse, France
2009 sales: $437.4 million, €305.1 million
Estimated 2009 market share: 2.2%
Chairman and Managing Director: Philippe Maubert

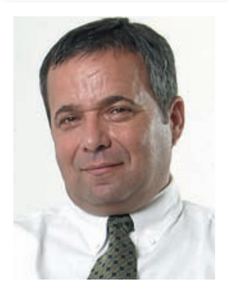


Philippe Maubert

In 2009, facing challenging raw material costs and consumer and customer spending contractions, **Robertet** managed to grow fragrance and flavor sales, though ingredient results dropped. In some periods of the financial year, flavors had represented the single area of growth, reflecting larger trends in the industry. During the year, the company nearly tripled its flavor production capacity in the United States with the completion of a 110,000-square-foot expansion of its flavor headquarters with a capital investment of $30 million. The new addition features equipment capable of processing an additional 70,000 gallons of liquid materials in a variety of batch sizes, and expansion of refrigerated, frozen, and ambient warehouse storage and high-speed packaging capabilities.

10 Frutarom

Haifa, Israel
2009 sales: $425.2 million
Estimated 2009 market share: 2.1%
President and CEO: Ori Yehudai



Ori Yehudai

Last year **Frutarom** faced a slowdown in world markets, a strengthening of the US dollar and ongoing inventory reduction by customers that affected the company's performance. And so it focused on operational efficiencies, expense controls, and R&D and sales infrastructure investments. As a result, in 2009 the company—as with the industry as a whole—witnessed gradual recovery in the economy, accompanied by improved sales. Boosting results were recent acquisitions Oxford Chemicals, FSI and the savory activities of Chr Hansen, which contributed more than $25 million to overall sales last year. At the same time, the company developed 27 natural and FTNF citrus flavor variants as a part of its citrus competence project. The new flavor line includes grapefruit, lime, tangerine, mandarin, orange, lemon, clementine, pomelo, yuzu and blood orange, among others. The flavors are stable and can be used in non-alcoholic beverages and alcoholic beverages, flavored waters, carbonated soft drinks and juices. They are also suitable for dairy, ice cream, confectionery and other applications. Meanwhile, the company has reaffirmed its commitment to both organic growth and strategic acquisitions, with the goal of reaching sales turnover of $1 billion in 2012.