

Frutarom's Strategy Is To Continue To Grow By A Combination Of Both Rapid Internal Growth And Through Acquisitions Of Other Flavor Companies Worldwide

Basic Materials

Synthetics

(FRUT-LSE, FRUTF-OTC: BB)

Frutarom Ltd. (Headquarters)

25 Hashaish Street

P.O.B 10067

Haifa 26110 Isreal

Phone: 972 4 8462 462



Ori Yehudai
President and CEO

BIO:

Mr. Ori Yehudai began his career with Frutarom in 1986 in the sales department. In 1994 he was made General Manager and in 1996 became President and Chief Executive Officer of the Company.

From 2001-2004 Mr. Yehudai served as the Chairman of the Manufacturers Asso-

ciation in the North of Israel. Today he acts as the Chairman of the Israeli Manufacturers Association Finance Committee.

In 2003 Mr. Yehudai was chosen by the Manufacturers Association to receive the "Industry Award" at a ceremony in the presence of the Prime Minister of Israel

Born in 1954 in Israel, Mr. Yehudai holds a BA in Economics and a MA in Business Administration, both from Tel Aviv University.

Company Profile:

Frutarom is a leading global manufacturer of flavor and fine ingredients for the food, beverage, functional foods, nutraceutical, pharmaceutical and personal care industries. Founded in Israel in 1933, Frutarom is a global company with significant production and development centers on three continents that markets its products on five continents to over 20,000 customers in more than 120 countries.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Yehudai, what is the vision for Frutarom today?

Mr. Yehudai: "Frutarom is focused on being the preferred partner for tasty and healthy success. We believe that the food industry is moving consistently and rapidly, in the direction of healthier food, but of course not giving up the food's taste, which is extremely important and maybe the first factor for choosing a food product. This trend did not change even taking into consideration the worldwide situation. Frutarom's vision and unique position (having products both in the taste and health arena, and expertise in

combining them) enable us to give our customers the right solution that includes not only the taste element, but also the health element into one offering. Frutarom's strategy is to continue growing by a combination of rapid internal growth and acquisitions. We made 26 acquisitions over the last sixteen years, 7 in 2007 and 3 already this year and our full intention is to continue with both trends of internal growth and acquisitions. Our goal within the next four years is to reach 1bn by the year 2012."

CEOCFO: What is the competitive landscape like and why is there so much to be acquired?

Mr. Yehudai: "The flavor and fragrance industry size, including the ingredients that we are dealing with is around \$20 billion. The market is dominated by four players with a market share of about 50%, each with sales turnover of between \$1 billion to 3.5 billion. On the other hand, there are hundreds of much smaller competitors whose turnover is \$1 million to a couple of 10's of million dollars. In between there are five or six medium sized players with a turnover of between half-a-million to \$1 billion. As many other industries, in the past ten years the market is going through a consolidation process. We see The consolidation process among the big companies and also among the small and mid sized players. Frutarom sees itself as one of the main consolidators in the market. We are taking advantage of our global position, which gives us the ability mainly in the last two or three years to make acquisitions and integrate them with existing sites, operations and businesses that we have in the acquisition relative markets. Most of the seven acquisitions we made in 2007 and the three acquisitions that we made in 2009 have been consolidated or

are being consolidated with our existing businesses that we are managing in the same country.”

CEO CFO: You have customers in 120 different countries; is there a geographic concentration for you and are there areas where you would like to be more involved geographically?

Mr. Yehudai: “The main acquisitions that we made over the last five or six years were in Europe and today more than 60% of our business is in Europe. Our share of the US market is too small, compared with what we would like to achieve. So the US should be a prime target for both internal growth and for acquisition, and it should enhance our US position. It doesn’t mean that we are not looking for opportunities in Western Europe, but we would like to see ourselves four years from now with a much better balance between America, Europe, and Asia.”

CEO CFO: Frutarom ‘provides innovative comprehensive solutions’; would you give us a concrete example of what a customer might experience at Frutarom that they won’t get somewhere else?

Mr. Yehudai: “What we are doing consistently and are doing in our innovation center built three years ago in Switzerland, is to bring in many customers from mid-sized to local food companies in order to work with them together on developing solutions that include not only the taste part, but in many cases the fruit and vegetables parts that they need in the product, texture solutions and the healthy ingredients. The customers can benefit from our almost \$100 million business of natural ingredients that are oriented also towards health benefits and functional foods. Many products are being developed together with our customers in our lab or in their lab, in good cooperation and partnership. We are not supporting only the flavor or only the health ingredient, but the real solution. That is the main differentiation from the product point of view.”

CEO CFO: With production facilities all over the world how do you maintain quality control and standards?

Mr. Yehudai: “We have our headquarters, including supply chain and quality assurance on a global level. We also have a QA, regulation and registration arm in each of the locations and each of the businesses with professional people that are really good with food, nutraceutical, pharmaceutical, and cosmetic industries. So we have experts in each field that are dealing with the actual legislation and regulations in each market and on a global basis and of course we keep tight control on our quality assurance and quality control processes.”

“Frutarom has been growing for many years both through acquisitions and through internal growth in a profitable way. Typically, we’ve experienced double digit growth, which is much higher than the growth of the food and flavor industry. We are very diversified and not dependent on raw materials or one particular customer. We made 26 successful acquisitions. We became expert in integrating acquisitions and creating value from each acquisition. We have a strong commitment to our shareholders. Two or maximum three quarters after we make an acquisition, we will see in accretive earnings per share improvement, which is very important for us as a public company. All these are good reasons to look at Frutarom.” - Ori Yehudai

CEO CFO: What’s new in the flavors industry; are there changes from year-to-year in popular flavors?

Mr. Yehudai: “Flavors per se, I will not tell you that strawberry or orange are very different now compared to what they were five or ten years ago, but I think that what we see is a trend towards more natural flavors as people prefer to use natural flavors and not artificial, chemical based flavors. We see the health trend at as the main one: we see a lot of movement towards reduction of salt, sugar, and calories in foods. This change has also changed the customer needs for support from the flavor industry, which is now supporting the customer also by offering it the right taste solution that enables the food processor to use less sugar, less salt,

and calories in their products. We are also seeing ethnic directions in many markets, which is important. The functional foods direction – a combination of food with and health ingredients being added to it may in some cases require special care: the health ingredient may have off-taste which is another challenge for the flavor industry. Our unique offering is to be able to provide not only the flavor and the health ingredients, but the full solution with the best taste and the health ingredient is supporting that trend.”

CEO CFO: What is the financial picture like for Frutarom today?

Mr. Yehudai: “We are generating excellent cash flow and we are a very profitable company. The world situation is of course very challenging. The main issue is demand and consumption, more in certain markets than others, but Frutarom has a very strong balance sheet, with very strong support from our main banks all over the world supporting our future, and acquisition strategy. So we are sound, positive and conservative company.”

CEO CFO: In closing, why should potential investors look at Frutarom?

Mr. Yehudai: “Frutarom has been growing for many years both through acquisitions and through internal growth in a profitable way. Typically, we’ve experienced double digit growth, which is much higher than the growth of the food and flavor industry. We are very diversified and not dependent on raw materials or one particular customer. We made 26 successful acquisitions. We became expert in integrating acquisitions and creating value from each acquisition. We have a strong commitment to our shareholders. Two or maximum three quarters after we make an acquisition, we will see in accretive earnings per share improvement, which is very important for us as a public company. All these are good reasons to look at Frutarom.”