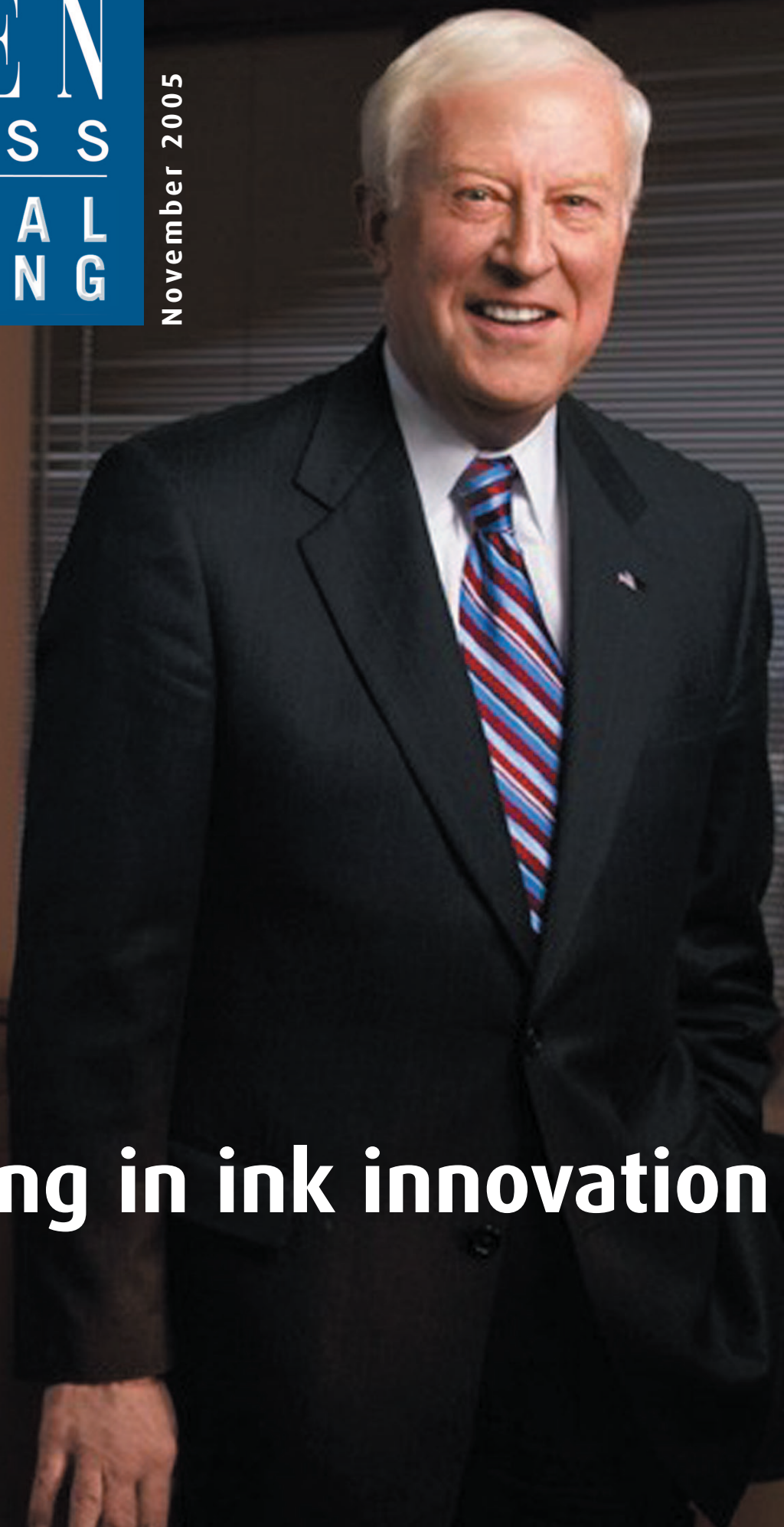




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SCREEN PROCESS & DIGITAL IMAGING

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Investing in ink innovation



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Investing in ink innovation

Sensient Technologies specialises in the manufacture and marketing of colours, flavours and fragrances. In this article SP&DI discusses the company's past, present and future with the company's chairman, president and CEO, Kenneth P Manning.



Sensient Technologies' chairman, president and CEO Kenneth P Manning

SP&DI: The focus of Sensient's business has changed radically from commodities to technology-oriented speciality chemicals businesses. Could you describe this change?

Mr Manning: The company started as a gin producer but quickly converted to the yeast business when Prohibition was passed. From there, the organisation moved into commodities businesses such as frozen potatoes and bulk cheese. When I became CEO, I evaluated the company's technical strengths and realised that our future was in the high-growth, high-value businesses of flavours and colours. We decided to build on these strengths and diversified into some interesting speciality chemical areas including inkjet inks, pharmaceutical colours and high end sophisticated colours. We also moved into a new range of flavour products with technologies such as reaction flavours. We now emphasise high-growth, technology-oriented businesses.

We also expanded geographically. We took a company that was primarily domestic (95 per cent of employees were American and most business took place in the US) and expanded our business worldwide. Today, only 33 per cent of employees are US citizens. In fact, Sensient has 74 facilities in 30 countries, with more than half of sales outside the US.

SP&DI: How quickly did this change take place?

Mr Manning: The focus of the company changed over a span of eight years. Originally, I planned for ten acquisitions to execute the strategy. As it turned out, we made 21 acquisitions all over the world, and

they were all accretive and all successful. We now have a completely new global company with a turnover of over \$1 billion.

SP&DI: What has been your strategy for growth?

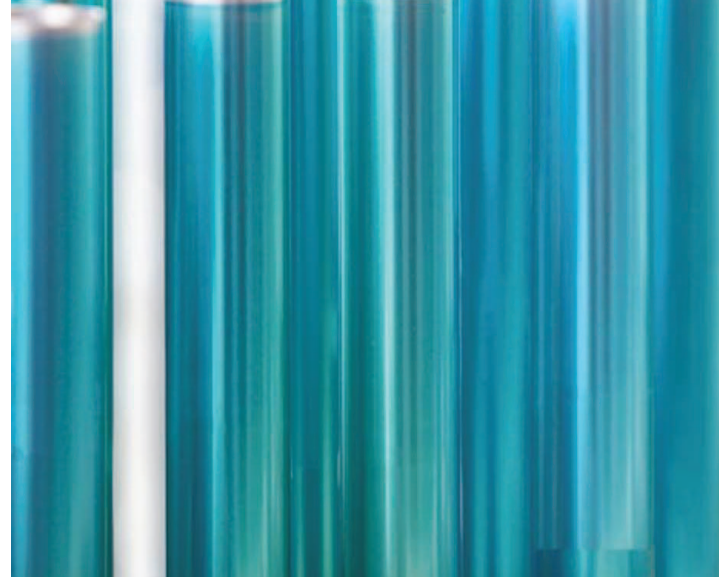
Mr Manning: Our strategy has been to make acquisitions for cash. The acquisitions were actual purchases, not stock. We have also recently reduced our debt to capital ratio, from 53 per cent in January of 2004 to nearly 45 per cent today. We are generating record amounts of cash and, as a result, we are well positioned to start a new round of acquisitions.

We are the largest food colour company and third largest flavours and fragrances company in the world. We plan to grow in both areas.

SP&DI How is your business structured to cope with the unique needs of each of those very different business sectors?

Mr Manning: We have three operating groups: The Flavors and Fragrances Group, based in Indianapolis, Indiana; the Color Group, based in St. Louis, Missouri; and the Asia Pacific Group, based in Melbourne, Australia.

The Flavors and Fragrances Group, with revenues of nearly \$630 million, supplies flavours for food and beverages and fragrances for personal and home care products. We are a leading manufacturer and marketer of flavour systems for the dairy, beverage and other food industries. The Color Group has revenues of more than \$380 million and is a leading developer, manufacturer and supplier of colours. We are No. 1 in the market in food and beverage colours and cosmetic colours and we are the second largest natural colour manufacturer in the world. We also produce nonfood colours for industrial applications and digital imaging, including inkjet inks and display imaging.



Sensient's organic photo conductors (OPCs) are essential components of high-speed printers and photocopiers



New food-grade inkjet inks enable unique, high-speed printing on food products

The Asia Pacific Group is a producer and marketer of colours, flavours and fragrances for Australia and Southeast Asia. We established the Asia Pacific Group in 1996 and it is one of the faster growing geographical areas for our business.

When a profit centre goes beyond a set threshold, it moves into the Flavor or Color Group. Recently, the China business grew dramatically so its operations were moved into the Flavors and Fragrances Group.

SP&DI: What are you developing in the areas of inkjet ink printing?

Mr Manning: One interesting technology is high-speed printing onto food products with food-grade inkjet inks. For example, we are currently involved in printing Trivial Pursuit questions onto potato chips. This process required developing technologies capable of printing customised messages onto food products at high speed. In conventional inkjet printing, we offer a line of pigmented inks that has been very successful in the desktop business. This is a quality product with a long shelf-life.

We are also manufacturing sophisticated chemicals for organic light-emitting diodes (OLEDs), which is a promising area of imaging, used in flat panel displays. We are experimenting with nano technology.

SP&DI: How does Sensient view the global makeup of the ink and printing industries?

Mr Manning: In all of our technologies, but particularly in the ink and printing businesses, we capitalise on specific expertise wherever it is located. For example, Switzerland is home to a new sublimation technology that will allow us to print directly onto textiles and avoid many of the environmental problems involved in printing on cloth.

In terms of the inkjet ink business, the more technically sophisticated ink production is likely to stay in Europe and the US. However, other inkjet ink production is likely to move to Asia, to save on labour costs.

SP&DI: What is Sensient's ability to support customers on a global scale and where is your business growing?

Mr Manning: We have 74 facilities in 30 countries and sell products in 150 countries. We see increasing opportunities in Eastern Europe, including Poland and the Ukraine, which have a growing demand for sophisticated products. Although our most expensive food colours are natural, they are the preferred products in emerging countries including Poland, the Czech Republic and Romania.

We continue to support our European operations, with several colour and flavour facilities in the UK. We have a fragrance laboratory in Spain and two successful operations in France (including our cosmetic colour business which is

a high-growth business). We also have several locations in Germany and Italy. We are looking to expand into Eastern Europe and South America.

SP&DI: If you wanted to back a winner in the ink business, what would it be?

Mr Manning: One area of great interest is printing onto pharmaceuticals. Another excellent opportunity is printing that overcomes environmental issues by eliminating solvent and clean-up issues. There is strong customer demand for higher quality products, particularly in graphics and photographic sectors of desktop printing. While quality has improved in printing digital photographs, there is room for further progress. Overall, growing trends will be in desktop printing for photography and printing on pharmaceuticals, as well as the need to develop environmentally-friendly processes.

SP&DI: The last 10 years have seen significant change. What lies ahead?

Mr Manning: We are about to embark on some additional acquisitions. We are particularly interested in adding to our technical product lines, such as chemicals for organic light-emitting diodes (OLEDs) and organic photo conductors (OPCs), which are chemicals used in high-speed laser printers and photocopiers.

We are also prepared to strengthen product lines in the food flavour and colour areas with acquisitions. In addition, we are open to adding certain geographic positions, particularly in Eastern Europe and South America. We will continue to pursue business in China, but on a grass-roots basis rather than through acquisitions. We are pursuing growth in the pharmaceutical and cosmetic colour area. We target acquisitions that are fast-growing, high-margin businesses with opportunities within specific geographic regions.

One of Sensient Technologies' primary strengths is its expertise in chemistry related to digital and analogue printing. Sensient offers a range of products and capabilities for digital imaging, including finished inks, component dyes and pigments.

Key digital printing applications include:

- Desktop inkjet printing for home and office
- Photographic printing
- Wide-format printing for graphic and commercial applications
- Specialty printing for industrial and commercial applications

Sensient's Formulabs brand of inkjet inks are sold in bulk to printer OEMs, system integrators and third-party aftermarket manufacturers.

www.sensient-tech.com



Sensient's highly purified inkjet inks meet the needs of specialised inkjet printing applications