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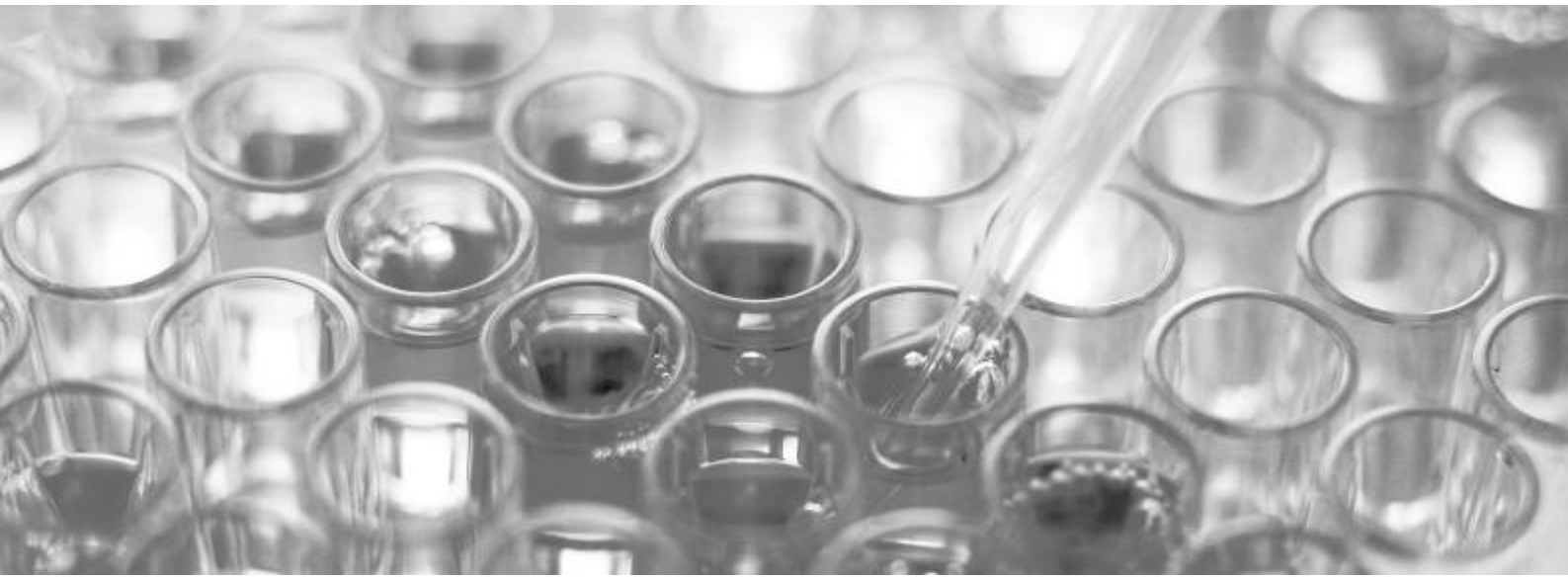

19 September 2006
Announcement of Results for Q1 2006/07
(1 May - 31 July 2006)

Contents

Summary 3
Key figures and financial ratios 4
Unfolding the potential 5
Group financials 10
Ingredients 12
Sugar 16
Outlook for 2006/07 18
Other information 20
Management's statement 21
Income statement 22
Cash flow statement 23
Balance sheet 24
Other segment details 25
Sales growth in Ingredients 26
Stock exchange notices for the last 12 months 27

Danisco is one of the world's leading producers of ingredients for food and other consumer products. The Group employs approximately 10,000 employees in 46 countries and reported revenue of DKK 20.9 billion in 2005/06. Danisco's broad technology platform and product portfolio include emulsifiers, enzymes, stabilisers, cultures, flavours, sugar and sweeteners such as xylitol and fructose. The majority of these ingredients are produced from natural raw materials. Our products are mainly used in the food industry, for instance to improve the texture in bread and ice cream, but are also applied to feed, detergents, textiles and plastics. Danisco is also one of the largest and most efficient sugar producers in Europe.

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Notice no. 13/2006

Announcement of Results for Q1 2006/07
1 May - 31 July 2006
(Unaudited)

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19 September 2006

New organisation in Ingredients

Danisco's overall strategy is maintained, but in Ingredients a number of changes will be carried out to lift the EBIT margin above 15% for the segment by streamlining the organisation and management structure and moving innovation activities to the product divisions and sales. On top of this come more detailed financial targets. Revenue, profit and cash flow in Q1 2006/07 were in line with expectations, and the full-year outlook for 2006/07 is maintained.

Q1 results 2006/07

- **Revenue** grew 2% to DKK 5,283 million, driven by 6% organic growth in Ingredients, while Sugar recorded a slight decline in revenue.
- **EBITDA before special items and share-based payments** fell 1% to DKK 920 million, equivalent to an EBITDA margin of 17.4%.
- **EBIT before special items and share-based payments** rose 6% to DKK 648 million, resulting in an EBIT margin of 12.3%.
- **Special items** amounted to a net expense of DKK 16 million, primarily relating to the integration of Genencor.
- **Consolidated profit** grew 58% to DKK 423 million, mainly attributable to positive developments in share-based payments and special items. Before share-based payments and after special items, consolidated profit rose 25% to DKK 383 million, which was in line with expectations.

Outlook for 2006/07

- The outlook for 2006/07 is unchanged compared with the expectations stated in the Announcement of Results for 2005/06.
- **Revenue** is expected at around DKK 21.0 billion with DKK 13.5 billion in Ingredients and DKK 7.5 billion in Sugar.
- **EBITDA before special items and share-based payments** is expected at around DKK 3,250 million with around DKK 2,550 million in Ingredients and DKK 850 million in Sugar after payment of the earlier announced production levy of DKK 100 million in 2006/07. The levy is expected to be expensed in the second half of 2006/07.
- **EBIT before special items and share-based payments** is expected at around DKK 2,100 million with around DKK 1,800 million in Ingredients and DKK 450-500 million in Sugar.
- **Special items** are expected to be an expense of DKK 100-150 million.
- **Consolidated profit before share-based payments and after special items** is expected at around DKK 1.0 billion.

KEY FIGURES AND FINANCIAL RATIOS

		Q1 2006/07	Q1 2005/06	**YTD 2006/07**	YTD 2005/06
Income statement in DKK million					
Revenue		5,283	5,162	5,283	5,162
EBITDA before special items		976	872	976	872
Operating profit before special items (EBIT)		704	558	704	558
Special items		(16)	(67)	(16)	(67)
Operating profit		688	491	688	491
Financial expenses, net		(93)	(111)	(93)	(111)
Profit before tax		595	380	595	380
Profit from continuing operations		423	294	423	294
Profit from discontinued operations		-	(26)	-	(26)
Profit		423	268	423	268
Profit attributable to equity holders of the parent		414	268	414	268
Operating profit before special items (EBIT)					
Ingredients		511	455	511	455
Sugar		175	198	175	198
Unallocated, other		(38)	(40)	(38)	(40)
		648	**613**	**648**	**613**
Share-based payments		56	(55)	56	(55)
Total		**704**	**558**	**704**	**558**
Cash flows in DKK million					
Cash flow from operating activities		1,466	1,291	1,466	1,291
Cash flow from investing activities		(180)	(433)	(180)	(433)
Cash flow after investments		**1,286**	**858**	**1,286**	**858**
Financial ratios *					
Diluted average number of shares	'000	49,017	49,417	49,017	49,417
Diluted earnings per share (DEPS)	DKK	8.44	5.42	8.44	5.42
Diluted earnings per share before special items and discontinued operations	DKK	8.67	6.33	8.67	6.33
Diluted cash flow per share	DKK	29.91	26.12	29.91	26.12
Diluted number of shares at period-end	'000			48,920	49,408
Diluted book value per share (BVPS)	DKK			256	253
Market price per share	DKK			432	406

	31 July 2006	31 July 2005	30 April 2006
Balance sheet in DKK million			
Assets	30,799	31,949	32,262
Equity attributable to equity holders of the parent	12,621	12,485	12,408
Equity	12,947	12,823	12,726
Interest-bearing debt, net	11,968	13,299	13,224
Invested capital	25,714	27,195	26,566

*) The effect of Danisco's programmes for share options and warrants has been included in the diluted values.

Unfolding the potential

Target for EBIT margin in Ingredients maintained

The overall strategy for Danisco's two business segments is essentially unchanged, but a number of changes will be made to ensure that the financial target of an EBIT margin in Ingredients of minimum 15% is achieved. The measures necessary to achieve this target will be launched under the heading 'Unfolding the potential'.

Strong business platform in Ingredients

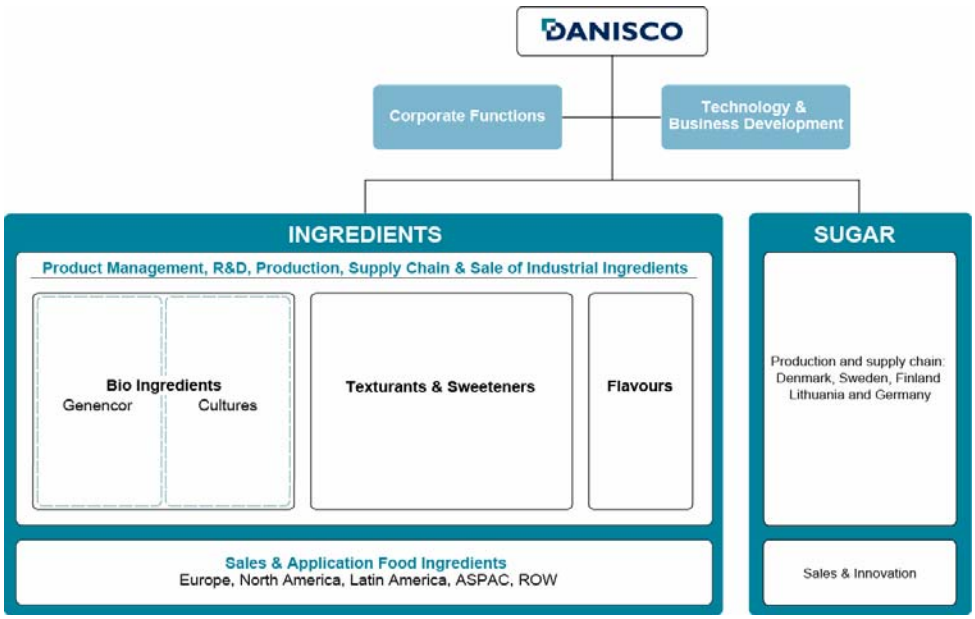
The Ingredients business segment has a broad technology platform and a strong global market position and product portfolio. Danisco's knowledge base is deeply rooted in a competent and dedicated staff located close to the customers. The markets we cater for show attractive growth potential, driven by global population growth and increasing prosperity. In consequence, Ingredients enjoys a strong strategic position.

Focus on strengthening efficiency and competitiveness

The ambition is to strengthen efficiency and competitiveness, chiefly through a reorganisation towards larger units centred round product groups and technologies. This will allow for intra-group synergies in the value chains and a less complex organisation and management structure. The main organisational changes in Ingredients are:

- Consolidation from nine to four product divisions
- Consolidation of R&D into the four product divisions
- Strengthening of the global sales organisation for food ingredients by integrating application activities.

The new organisational structure will take effect on 1 November 2006 and is illustrated in the chart below. The new divisional structure comprises four units: Genencor, Cultures, Texturants & Sweeteners (T&S) and Flavours. More detailed organisational plans will be prepared in the period up to the implementation of the new organisational structure.



More focus on EBIT margin than organic growth

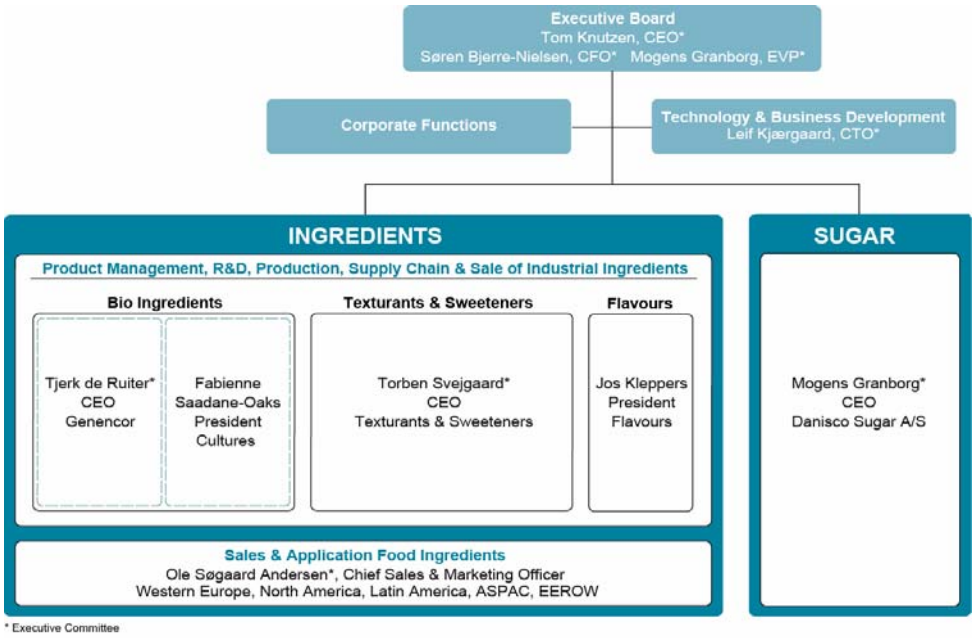
In connection with the reorganisation, focus will increasingly be on improving the EBIT margin and the return on invested capital. Organic growth continues to be a priority, whereas acquisitive growth is given lower priority.

In Sugar, the organisational structure and the objective of maximising cash flow from the sugar production are maintained in parallel with the implementation of the previously announced restructuring resulting from the new EU sugar reform.

The external financial reporting and the financial targets will be adjusted to the new organisation.

Management structure

The management structure is illustrated in the organisation chart below. The Executive Board is unchanged with Tom Knutzen, CEO, Søren Bjerre-Nielsen, CFO, and Mogens Granborg, Executive Vice President and CEO Danisco Sugar.



Profile of the operational units in Ingredients

The three operational units in Ingredients are described in brief below. The units are based on the four divisions: Genencor, Cultures, Texturants & Sweeteners and Flavours. Sharing a common technology platform, the Genencor and Cultures divisions are joined in Bio Ingredients. Closer collaboration between the two divisions will benefit R&D and production technology.

- **Bio Ingredients** is made up of two product divisions, Genencor and Cultures (including food protection and food safety). The enzyme activities will be consolidated in an integrated business system under Genencor.

  Together, the two divisions generated revenue of around DKK 5.1 billion in 2005/06, equivalent to 38% of revenue in Ingredients. Genencor is headquartered in Rochester, New York, USA, and Cultures in Paris, France. Bio Ingredients will have global production facilities and a staff totalling some 2,250 people. It will be the most R&D-intensive product area in Ingredients. Danisco has a leading global market position in all primary product segments under this division.

- **Texturants & Sweeteners** comprises the product areas: Emulsifiers, Textural Ingredients, Functional Systems and Sweeteners (mainly natural sweeteners) as well as a number of minor industrial products.

In 2005/06 the division recorded revenue of around DKK 6.7 billion, equivalent to 50% of revenue in Ingredients. The division employs around 3,100 people in total and is market leader in the product areas mentioned above. The global production structure reflects the raw material situation and the large production volumes. Divisional headquarters are located in Copenhagen, Denmark.

- **Flavours** comprises this one product area and recorded revenue of around DKK 1.5 billion in 2005/06, equivalent to 12% of revenue in Ingredients. The division employs around 700 people and is headquartered in Brussels, Belgium.

Split-up of Innovation

Innovation is made up of two main areas, R&D and Application Support (technical customer support), which will be split up to ensure more effective use of resources, though close collaboration across the organisational structure will be maintained:

- **R&D** is transferred to the product divisions as they carry full responsibility for the product supply chain in the short and long term.

- **Application Support** covers all kinds of technical and innovation support to customers. Being a sales supporting activity only, this area is moved to the sales organisation.

Sales & Application Food Ingredients (SAFI) carries the global responsibility for sales of ingredients to the food industry. The product divisions will continue to have independent organisations to handle sales of industrial ingredients because this activity is structurally different from food ingredients. However, the infrastructure will be leveraged across the organisation. The total staff in SAFI numbers close to 1,350 people.

Technology & Business Development (T&BD) is to ensure optimum technology utilisation and development across the organisation and safeguard interests in relation to risky and long-term research projects that do not naturally fit in under any one division.

Financial targets

The financial targets at group, segment and divisional levels are listed below.

Danisco

At group level, focus is at two balance sheet targets:

- **Net interest-bearing debt:** Average debt equivalent to 3.0-4.5x EBITDA (on a rolling 12-month basis). In case of major acquisitions, this target may be temporarily departed from.

- **Dividends:** To ensure the necessary shareholders' equity to fund the Company's operations and distribute surplus capital to the shareholders through dividend payments and/or share buybacks.

The other financial targets have been stated separately for Ingredients and Danisco Sugar, as they currently operate under different framework conditions.

Ingredients

In Ingredients the following targets have been set for the segment and the divisions:

Ingredients segment
The three financial targets for Ingredients listed below are based on the targets of the four divisions. With regard to return on net operating assets (RONOA) the target is equivalent to Danisco covering the average capital cost (WACC) of currently 7.5%.

- **Organic growth:** 3-6% (2005/06: 5%)
- **EBIT margin:** >15% (2005/06: 12.4%)
- **RONOA:** >20% (2005/06: 16%)

Bio Ingredients
The revenue growth and EBIT margin targets are based on expected market growth and Danisco's will to maintain a high R&D investment level. The two divisions are expected to obtain earnings capacity in line with industry leaders.

- **Organic growth:** 5-10%
- **EBIT margin:** 15-20% (around 12.8% in 2005/06)

Texturants & Sweeteners
The division is characterised by bulk products based on relatively well-known production technology. Profitability is highly dependent on capacity utilisation. With Danisco's market position in these product areas, the targets are.

- **Organic growth:** 3-5%
- **EBIT margin:** >15% (around 14.3% in 2005/06)

Flavours
The targets for Flavours build on the division's modest global market share compared with Danisco's other business areas and on the financial results of recent years being significantly below the current targets.

- **Organic growth:** 2-4%
- **EBIT margin:** 10-15% (around 6.0% in 2005/06)

The above targets should be seen as average targets over a business cycle.

Sugar

Given the political framework for the European sugar industry, the primary objective for Sugar is to maximise cash flow from sugar production, based on Sugar's ability to maintain its position as one of the most efficient sugar producers in the EU. Two sets of targets have been defined for Sugar, covering the periods during and after implementation of the sugar reform.

During reform implementation

- **EBIT:** On average DKK 525-675 million (2006/07: excluding the earlier announced production levy of DKK 100 million).
- **Free cash flow:** Above EBIT before the extraordinary effect from the sale of quota and inventory reductions estimated at a total of around DKK 1 billion.
- **Investments:** Somewhat below depreciation level.

After reform implementation

- **Revenue:** Around DKK 5.5 billion
- **EBIT margin:** >10%

Implementation process

In the period until the implementation of the new organisation on 1 November 2006, the historical quarterly results will be restated in accordance with the changed reporting structure internally as well as externally. When available, the restated results will be published in a separate announcement.

Group financials

Income statement

Continued strong growth in Ingredients

In Q1 2006/07 Danisco recorded revenue growth of 2% to DKK 5,283 million. Ingredients (65% of revenue) recorded organic growth of 6% but was unfavourably impacted by currency (2%). Sugar (35% of revenue) saw 1% fall in revenue as a result of the EU sugar reform and other factors.

Gross profit rose 3% to DKK 1,807 million in Q1 2006/07, equivalent to a gross margin of 34.2% against 33.8% in the same period the year before. This favourable trend covers progress in Ingredients and a setback in Sugar relating to the changed market conditions in the EU.

EBITDA largely unchanged compared to last year

EBITDA before special items and share-based payments fell 1% to DKK 920 million, equivalent to an EBITDA margin of 17.4% against 18.0% in the same period last year. The development reflects a positive trend in Ingredients and a negative trend in Sugar. Ingredients is still affected by high energy and raw material prices.

Ordinary depreciation in Q1 was DKK 272 million against DKK 314 million the year before. However, depreciation in Q1 2005/06 relating to the opening balance sheet for Genencor was overestimated by DKK 30 million, which was reversed in Q2 2005/06. Adjusted for this, depreciation was in line with the prior year.

6% EBIT growth despite setback in Sugar

EBIT before special items and share-based payments rose 6% to DKK 648 million in Q1 2006/07 with the EBIT margin at 12.3% against 11.9% the year before. EBIT before special items was up 26% to DKK 704 million, equivalent to an EBIT margin of 13.3% against 10.8% the year before.

Share-based payments in Q1 2006/07 represented an income of DKK 56 million against an expense of DKK 55 million in the same period the year before. The reason is that some of the programmes offer the employees the possibility of cash settlement, meaning that Danisco must expense costs arising from share price increases and vice versa in case of a decline in the share price. At the beginning of Q1, Danisco's share price was DKK 502 against DKK 432 at the end of the period.

Special items of DKK 16 million mainly relate to planned integration projects in Genencor.

Rising interest expenses

Net interest expenses etc. came to DKK 93 million in Q1 2006/07, including a capital gain of DKK 43 million from the sale of shares in Cambridge Antibody Technology. Adjusted for this, the interest expenses in Q1 were DKK 136 million against DKK 111 million the year before. The increase is ascribable to a higher interest level.

The tax rate was 29% in Q1 2006/07 against 23% in the prior year. Profit for 2005/06 included a tax-exempt income of DKK 60 million, and adjusted for this the tax rate was 27% in Q1 2005/06.

25% growth in underlying consolidated profit

Consolidated profit grew 58% to DKK 423 million, mainly attributable to share-based payments and special items. Before share-based payments and after special items, consolidated profit rose 25% to DKK 383 million, which was in line with expectations.

Cash flow statement

Strong operating cash flow

Cash flow from operating activities before working capital grew 37% to DKK 761 million with working capital contributing DKK 705 million against DKK 736 million the year before. In reality, the underlying trend in working capital is stronger than indicated by these figures, as Sugar received exceptional restitution repayments from the EU in Q1 2005/06. The total cash flow from operating activities in Q1 2006/07 came to DKK 1,466 million, up 14%.

Conservative investment policy

Investments amounted to DKK 180 million in Q1 compared with DKK 296 million in Q1 2005/06. Furthermore, DKK 137 million was paid in Q1 2005/06 in connection with the final takeover of Genencor. In total, Danisco's free cash flow in Q1 2006/07 rose 50% to DKK 1,286 million against last year.

Balance sheet

Positive trend in invested capital

Invested capital has fallen by DKK 852 million, or 3%, to DKK 25,714 million since the start of the financial year. The decline is mainly attributable to a reduction of working capital in Sugar and to currency impact.

Net interest-bearing debt has been reduced by DKK 1,256 million, or 9%, to DKK 11,968 million since the start of the financial year. The debt reduction is at the same level as in the same period the year before.

Equity grew DKK 221 million, or 2%, to DKK 12,947 million in Q1 2006/07. The increase was due to profit for the period of DKK 423 million, buy-back of own shares of DKK 90 million net and unfavourable currency adjustments etc. of DKK 112 million.

Ingredients

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD
Texturant products	1,263	1,236	1,263	1,236	2	2
Speciality products	1,760	1,691	1,760	1,691	4	4
Sweeteners	474	426	474	426	11	11
Group eliminations	6	1	6	1	.	.
Revenue	**3,503**	**3,354**	**3,503**	**3,354**	**4**	**4**
EBITDA	**690**	**666**	**690**	**666**	**4**	**4**
EBITDA margin %	19.7	19.9	19.7	19.9	.	.
EBIT	**511**	**455**	**511**	**455**	**12**	**12**
EBIT margin %	14.6	13.6	14.6	13.6	.	.

Organic growth of 6% was largely attributable to strong growth in Sweeteners. The growth potential for xylitol cannot be fully exploited at the moment due to temporary capacity limitations. Growth in enzymes and cultures also was satisfactory. Profit for Q1 2006/07 was in line with expectations and did not give rise to any changes in the outlook for 2006/07.

Q1 2006/07

Strong organic growth

Ingredients recorded 4% revenue growth to DKK 3,503 million in Q1 2006/07, driven by 6% organic growth and an adverse currency impact of 2%. Rolling 12-month organic growth continued at the 5% level. At product level, sweeteners and speciality products were the main growth drivers, whereas geographically Europe was the key driver.

EBITDA up 4%

EBITDA grew 4% – in line with revenue – to DKK 690 million in Q1, representing an EBITDA margin of 19.7% against 19.9% in the same period last year. The reasons why the revenue growth does not have a bigger impact on earnings are the trend in the product mix in certain product areas and the fact that it has not yet been possible to compensate fully for the rising raw material and energy costs through price increases. Also, a number of structural factors in Sweeteners and Flavours are in process.

Depreciation in Q1 2006/07 was DKK 179 million against DKK 211 million in the same period the year before. In Q1 2005/06, depreciation relating to the opening balance sheet for Genencor was overestimated by DKK 30 million, which was reversed in Q2 2005/06. Adjusted for this, depreciation was in line with the prior year.

EBIT margin grew despite difficult market conditions

EBIT grew DKK 56 million, or 12%, to DKK 511 million, representing an EBIT margin of 14.6% against 13.6% in the prior year (14.5% adjusted for the overestimated depreciation relating to Genencor in Q1 2005/06).

Product areas

Texturant products (organic growth: Q1 3%)

3% organic growth against strong Q1 in 2005/06

The area covers the divisions Textural Ingredients, Functional Systems and Emulsifiers, together representing 36% of revenue in Ingredients. Organic growth in Q1 was 3% with volume growth contributing 2%. Against the strong growth in Q1 2005/06 (10% organic growth) this was satisfactory. In 2006/07 growth has mainly been driven by Eastern Europe, North America and Latin America. The ongoing price adjustments have had an adverse impact on sales, and the area is still affected by unfavourable raw material and energy prices.

Investment project in Brazil postponed

In October 2004 Danisco announced the construction of a new pectin plant in Brazil. As a result of an unfavourable development in the risk-return profile of the project, it has been decided to postpone the project. The decision should also be seen in the light of the capacity expansions at production sites in the Czech Republic and Mexico.

The increase of production capacity for GRINDSTED® SOFT-N-SAFE is progressing as planned, and the existing limited capacity is fully utilised.

Minor acquisition reinforces product range

On 28 August 2006 Danisco announced the acquisition of a leading Chinese cellulose gum (CMC) manufacturer, Zhangjiagang Sanhui Chemical Co. With this new product Danisco now offers all major stabilisers, supplementing its one-stop-supplier strategy. The plant is to ensure that Danisco becomes a global supplier of CMC for the food industry. The company employs around 250 people and has revenue of close to DKK 100 million.

Speciality products (organic growth: Q1 5%)

Enzymes and cultures generated 5% organic growth

Specialty products cover five divisions: Genencor (technical enzymes), Specialities (e.g. food enzymes), Animal Nutrition (e.g. feed enzymes), Cultures and Flavours, representing 50% of revenue in Ingredients. The area reported 5% organic growth in the period with Flavours contributing slightly to the positive performance.

Enzymes and cultures as a minimum maintained market share

The entire enzymes business and Cultures maintained the positive sales trend and are estimated to have maintained their market share during the period. In enzymes for bioethanol, detergents and food enzymes, Genencor is estimated as a minimum to have achieved growth in line with market growth. R&D is a focal point in all enzymes activities, ranging from enzymes for food, feed and technical applications. The rapid development within ethanol means that the previously announced plant closure in Beloit, USA, will not be implemented. The construction of the new enzymes plant in Wuxi, China, is progressing as planned and is expected to be operational before the end of 2006. The integration of Genencor is going ahead as planned.

Underlying enzymes business unaffected by patent case

Genencor has decided to withdraw SPEZYME® ETHYL, used for ethanol production, following the patent infringement ruling on 24 August 2006. The legal options are currently being reviewed and an appeal of the ruling is being considered. Should the ruling be upheld, it may result in Genencor being liable for compensation for the patent infringement. The outlook for the current financial year does not take any liability for compensation into account. Genencor has launched SPEZYME® XTRA to replace SPEZYME® ETHYL, and the ruling will not materially affect Danisco's overall enzymes business. The product withdrawn is just one of a full product range for the ethanol segment, which covers both the traditional ethanol production process and the new 'no-cook' process, for which Genencor launched the STARGEN® 001 product in 2005.

Flavours continued its focus on implementing the previously announced efficiencies.

Sweeteners (organic growth: Q1 14%)

Xylitol and Litesse® were growth drivers

The product range comprises xylitol (natural sweetener), Litesse® (fibres) and a number of specialty sweeteners. The product area represented 14% of revenue in Ingredients. The division recorded organic growth of 14% in Q1 2006/07 with 16% from volume.

Raw material shortage impacted adversely on xylitol growth

The strong growth in the division was driven by xylitol and Litesse®. Europe, North America and Latin America recorded the highest growth rates. The division was impacted by a period of shortage of raw materials (xylose) for xylitol production, considerably limiting growth. The xylose shortage was significant for a period of time, but the situation seems to be improving due to three factors:

- Danisco has launched an investment programme for increasing the xylose capacity at the existing plant in Lenzing, Austria. The new facilities are expected to be operational in the course of the next 12 months.
- Due to financial difficulties, our American sub-supplier was unable to supply xylose for a period of time, but deliveries were resumed in August.
- Prices have been adjusted to some extent because of the rising raw material and energy prices.

Global market leadership maintained

Despite difficult trading conditions, Danisco maintained its market position. The fact that several key accounts continue to launch new products containing xylitol highlights the importance of this position. Growing demand for xylitol and low inventories in the industry in general give rise to expected high activity in the period ahead.

Geographic markets

Europe (organic growth: Q1 7%)

Solid organic growth in Western and Eastern Europe

Europe represented 43% of revenue in Ingredients and recorded 7% organic growth in Q1 2006/07. Western and Eastern Europe both contributed to the positive performance. The strong market trend in Eastern Europe is reflected by Russia recording organic growth above 20% in Q1.

Enzymes, cultures and sweeteners were the strongest product segments. Of the customer segments, dairy and beverages grew the most.

North America (organic growth: Q1 4%)

Characterised by stability

North America represented 28% of revenue in Ingredients and recorded 4% organic growth in the period, mirroring the pattern in 2005/06.

Texturant products, enzymes, cultures and sweeteners were the strongest product segments. Of the customer segments, dairy grew by far the most.

Latin America (organic growth: Q1 18%)

Latin America maintained double-digit organic growth

Latin America represented 8% of revenue in Ingredients and recorded organic growth of 18% in Q1 2006/07.

The progress was broadly based across Danisco's product range, but cultures, feed enzymes and sweeteners generated significant double-digit growth rates in the period. The more traditional texturant products also showed strong growth. Of the customer segments, dairy and ice cream grew the most.

Asia Pacific (organic growth: Q1 4%)

Q1 weaker than the previous periods

The region represented 17% of revenue and recorded organic growth of 4% in the period. China continued to deliver growth rates considerably above this level.

The strongest product areas were enzymes and sweeteners, while for customers it was bakery.

Innovation

The most significant product launches in Q1 2006/07 are listed below:

- **SPEZYME® XTRA** is a new enzyme for making bioethanol (used specifically in starch processing).

- **FERMGEN™** is a new enzyme used in the manufacture of ethanol (faster fermentation in ethanol production).

- **DEFENZ 120BG** is a safe environmentally-friendly enzyme solution for breaking down specific nerve agents.

- **GRINDAMYL™ POWERFresh** is an enzyme used to extend the shelf life of bread, such as sliced bread, tortillas and hot dog buns. It makes bread crumble less and easier to fold, and as such particularly suitable for use in tortillas and hot dog buns.

- **CREMODAN® LF IcePro** is a functional system making it possible to produce tasty ice cream with less than 1% fat. The product is interesting because it matches the healthy food trend while at the same time lowering production costs.

- **Grindsted Crystallizer Range:** In the shift to trans-free fats, producers of yellow fats and similar products have been forced to use alternative raw materials, which has involved changed production methods and led to inferior quality and reduced production capacity. Danisco has developed a new emulsifier range that meets customers' need for faster crystallisation, optimises production capacity and improves the baking properties of, for instance, baking margarine.

- **NovaGARD LM 100 and 200** are two new products for Listeria control in meat products, such as ham and sausages. The two products have been introduced in the USA. They are natural replacers of existing chemically-based solutions, offering improved Listeria control and much better taste.

Sugar

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD
Revenue	**1,847**	**1,875**	**1,847**	**1,875**	**(1)**	**(1)**
EBITDA	**265**	**298**	**265**	**298**	**(11)**	**(11)**
EBITDA margin %	14.3	15.9	14.3	15.9	**.**	**.**
EBIT	**175**	**198**	**175**	**198**	**(12)**	**(12)**
EBIT margin %	9.5	10.6	9.5	10.6	**.**	**.**

Q1 2006/07 was in line with expectations and did not give rise to any changes in the outlook for 2006/07. The most recent field samples support this view. The earlier announced production levy of DKK 100 million will be expensed in the second half of 2006/07. The adjustment of the production structure is progressing as planned, generating strong cash flow. The potential of setting up ethanol production is still being analysed.

Q1 2006/07

Sugar recorded revenue of DKK 1,847 million in 2006/07, down 1% on last year. The production levies relating to the sugar reform mean that the price reductions made will not fully impact revenue until at a later stage. Most market segments performed as expected, but the warm summer meant increased demand for sugar from the soft drink industry. Following the WTO ruling, trade in C sugar will be discontinued by the end of August.

EBITDA came to DKK 265 million, equivalent to an EBITDA margin of 14.3%, in Q1 2006/07 compared to EBITDA of DKK 298 million and an EBITDA margin of 15.9% in the same period last year. The margin performance was attributable to the adverse effects of the extraordinary quota reduction in 2006/07, price pressure on the European sugar markets and higher indirect production costs resulting from the reduced quota.

Depreciation in Q1 2006/07 was DKK 90 million against DKK 100 million the year before.

EBIT fell 12% to DKK 175 million in Q1 2006/07, equivalent to a decline in the EBIT margin from 10.6% to 9.5%.

As planned, Sugar generated a strong cash flow. The positive development in working capital is ascribable to the effects of the EU sugar reform and the elimination of C sugar trade by the end of August 2006 (a consequence of the WTO ruling on C sugar exports). To this should be added a continued conservative investment policy.

Expected sugar output in 2006/07

The results of the second field samples made on 7 September 2006 did not give rise to any change in the expected sugar beet harvest. In consequence, sugar production is expected to be in line with the total EU quota of 988,000 tonnes of sugar.

Restructuring

The announced restructuring plan for Sugar, involving factory closures and staff reductions, is being implemented according to plan. The Swedish authorities have approved the restructuring plan relating to Sweden, while negotiations continue in Finland.

Analysis of ethanol production in Denmark and Germany

In the financial year 2005/06 Danisco announced the intention of investigating the possibilities of setting up ethanol production at sugar factories in Denmark and Germany. This work is still in progress, as specific talks are going on in Germany, whereas there has been no progress in the Danish framework conditions, which currently do not support the establishment of profitable bioethanol production.

Outlook for 2006/07

The outlook for 2006/07 is unchanged compared with the expectations stated in the Announcement of Results for 2005/06. The outlook is based on the prevailing energy and raw material prices.

Revenue
Revenue is expected at around DKK 21.0 billion (DKK 20,912 million) of which

- Ingredients represents around DKK 13.5 billion (DKK 13,289 million)
- Sugar represents around DKK 7.5 billion (DKK 7,881 million)

EBITDA before special items and share-based payments
EBITDA is expected at around DKK 3,250 million (DKK 3,502 million) of which

- Ingredients represents around DKK 2,550 million (DKK 2,355 million)
- Sugar represents around DKK 850 million (DKK 1,319 million) after payment of the earlier announced production levy of around DKK 100 million in 2006/07. The levy is expected to be expensed in the second half of 2006/07.

EBIT before special items and share-based payments
EBIT is expected at around DKK 2,100 million (DKK 2,372 million) of which

- Ingredients represents around DKK 1,800 million (DKK 1,644 million)
- Sugar represents around DKK 450-500 million (DKK 898 million) after payment of the earlier announced production levy of around DKK 100 million in 2006/07. The levy is expected to be expensed in the second half of 2006/07.

Special items
Special items are expected to be an expense of around DKK 100-150 million, primarily relating to integration expenses in Genencor and restructuring in Ingredients.

Financials
Financial expenses are expected to be higher than last year (DKK 497 million) due to higher interest rates.

Consolidated profit before share-based payments and after special items
Profit for the year is expected at around DKK 1.0 billion (DKK 797 million).

Currency and interest assumptions
Outlook for the remainder of 2006/07 is based on a USD exchange rate of DKK 5.84, with the average exchange rate in 2005/06 being DKK 6.16. The average exchange rate in Q1 2006/07 was DKK 5.88. The interest rate level for floating-rate loans is expected to be in line with the forward interest rates prevailing in September 2006.

Exchange rate sensitivity
In the calculation of sensitivity to changes in the value of the USD rate we include currencies that correlate with the USD. A change in the USD rate of DKK 1.00 and the same relative change in USD-related currencies will cause a change in full-year revenue of around DKK 800 million and EBIT of around DKK 100 million.

Risk factors

The forward-looking statements contained in this announcement, including expected revenue and earnings performance, inherently involve risks and uncertainties that could be materially affected by factors such as global economic matters, including interest rate and currency movements, fluctuations in raw material prices, production-related problems, breach or unexpected termination of contracts, price reductions resulting from market-driven price reductions, market acceptance of new products and launches of rivalling products. Danisco is only obliged to update and adjust the stated expectations in so far as this is required by law, including the Danish Securities Trading Act.

Other information

Share capital
Danisco set up a warrant programme in 2002/03 covering more than 6,300 employees. In the third exercise window from 20 March 2006 to 17 April 2006, approximately 6% of the employees exercised their warrants (giving a total 87% of employees having exercised their warrants). The majority of the employees chose cash settlement and a small number chose to subscribe for new shares at a price of DKK 299 per share of DKK 20 nominal value. Danisco therefore effected a capital increase of 1,575 shares of DKK 20 nominal value on 2 May 2006 after which the share capital amounted to DKK 978,520,400, equivalent to 48,926,020 shares of DKK 20 nominal value.

On 2 August 2006, Danisco announced that in the fourth exercise window from 20 June 2006 to 18 July 2006, approximately 1% of the employees exercised their warrants (giving a total 88% of employees having exercised their warrants). The majority of the employees chose cash settlement and a small number chose to subscribe for new shares at a price of DKK 299 per share of DKK 20 nominal value. Danisco therefore effected a capital increase of 625 shares of DKK 20 nominal value on 2 August 2006 after which the share capital amounted to DKK 978,532,900, equivalent to 48,926,645 shares of DKK 20 nominal value.

Share-based payments
At the end of Q1 2006/07 all the warrant and option programmes totalled 1,738,710 shares, equivalent to 3.6% of the Company's share capital. These programmes are expensed in the income statement on an ongoing basis.

As stated at the Annual General Meeting held on 24 August 2006, the Board of Directors has decided to grant up to 250,000 share options at a price of DKK 473 to key employees in the Genencor division.

Information meeting
This announcement of results is also available at www.danisco.com. The meeting for institutional investors, equity analysts and the press to be held today at 3:00 pm can be followed on the above website.

Financial calendar

16 November	2006	IR quiet period begins
14 December	2006	Q2 results (May-October)
16 February	2007	IR quiet period begins
20 March	2007	Q3 results (May-January)
18 May	2007	IR quiet period begins
20 June	2007	Q4 results (May-April)
17 August	2007	IR quiet period begins
29 August	2007	Annual General Meeting 2007
17 September	2007	Q1 results (May-July)
19 November	2007	IR quiet period begins
17 December	2007	Q2 results (May-October)

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In the event of any discrepancy between the meaning of the Danish language version and the English language version of the Announcement of Results, the Danish version prevails.

Management's statement

The Board of Directors and the Executive Board today approved the interim report for the period 1 May - 31 July 2006 of Danisco A/S.

The interim report, which is unaudited, has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and additional Danish disclosure requirements governing interim financial reporting for listed companies. In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities, financial position, cash flows and results of operations.

19 September 2006

Board of Directors

Anders Knutsen, Chairman

Jørgen Tandrup, Deputy Chairman

Håkan Björklund

Kirsten Drejer

Per Gertsen

Lis Glibstrup

Peter Højland

Flemming Kristensen

Bent Willy Larsen

Matti Vuoria

Executive Board

Tom Knutzen, CEO

Søren Bjerre-Nielsen

Mogens Granborg

INCOME STATEMENT 1 May 2006 - 31 July 2006

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06
Continuing operations				
Revenue	**5,283**	**5,162**	**5,283**	**5,162**
Cost of sales	(3,476)	(3,415)	(3,476)	(3,415)
Gross profit	**1,807**	**1,747**	**1,807**	**1,747**
Research and development expenses	(205)	(218)	(205)	(218)
Distribution and sales expenses	(669)	(619)	(669)	(619)
Administrative expenses	(301)	(309)	(301)	(309)
Other operating income	16	19	16	19
Other operating expenses	-	(7)	-	(7)
Share-based payments	56	(55)	56	(55)
Operating profit before special items (EBIT)	**704**	**558**	**704**	**558**
Special items	(16)	(67)	(16)	(67)
Operating profit	**688**	**491**	**688**	**491**
Financial expenses, net	(93)	(111)	(93)	(111)
Profit before tax	**595**	**380**	**595**	**380**
Income tax expense	(172)	(86)	(172)	(86)
Profit from continuing operations	**423**	**294**	**423**	**294**
Discontinued operations				
Profit from discontinued operations	-	(26)	-	(26)
Profit	**423**	**268**	**423**	**268**
Distribution of profit:				
Minority interests	9	-	9	-
Equity holders of the parent	414	268	414	268
Total	**423**	**268**	**423**	**268**
Basic earnings per share (EPS), DKK	8.50	5.47	8.50	5.47
Basic earnings per share from continuing operations (EPS), DKK	8.50	6.01	8.50	6.01
Diluted earnings per share (DEPS), DKK	8.44	5.42	8.44	5.42
Diluted earnings per share before special items and discontinued operations, DKK	8.67	6.33	8.67	6.33

CASH FLOW STATEMENT 1 May 2006 - 31 July 2006

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06
Cash flow from operating activities				
Profit from continuing operations	423	294	423	294
Depreciation	272	314	272	314
Change in working capital	705	736	705	736
Other adjustments	66	(53)	66	(53)
Cash flow from operating activities	**1,466**	**1,291**	**1,466**	**1,291**
Net investments	(180)	(296)	(180)	(296)
Purchase of undertakings and activities	-	(137)	-	(137)
Cash flow after investments	**1,286**	**858**	**1,286**	**858**
Cash flow from financing activities	(1,272)	(1,201)	(1,272)	(1,201)
Cash flow from discontinued operations	-	(26)	-	(26)
Decrease/increase in cash and cash equivalents	**14**	**(369)**	**14**	**(369)**
Cash and cash equivalents at the beginning of the period	411	729	411	729
Exchange adjustment of cash and cash equivalents	(5)	47	(5)	47
Cash and cash equivalents at the end of the period	**420**	**407**	**420**	**407**

BALANCE SHEET

DKK million	**31 July 2006**	31 July 2005	30 April 2006
Assets			
Intangible assets	11,860	11,961	11,965
Property, plant and equipment	8,635	9,572	8,683
Investments	582	675	1,091
Total non-current assets	**21,077**	**22,208**	**21,739**
Inventories	4,492	5,175	5,563
Receivables	4,810	4,159	4,549
Cash and cash equivalents	420	407	411
Total current assets	**9,722**	**9,741**	**10,523**
Total assets	**30,799**	**31,949**	**32,262**
Equity and liabilities			
Share capital	979	994	978
Other reserves	11,642	11,491	11,430
Equity attributable to equity holders of the parent	**12,621**	**12,485**	**12,408**
Minority interests	326	338	318
Total equity	**12,947**	**12,823**	**12,726**
Non-current liabilities	7,725	7,747	7,746
Current liabilities	10,127	11,379	11,790
Total liabilities	**17,852**	**19,126**	**19,536**
Total equity and liabilities	**30,799**	**31,949**	**32,262**

Changes in equity

DKK million		
Balance at the beginning of the period	**12,726**	**12,286**
Profit	423	268
Exchange rate adjustment of foreign subsidiaries and associates	(98)	231
Other movements in equity	(14)	38
Total recognised income and expenses	**311**	**537**
Buyback of own shares	(99)	-
Sale of own shares	9	-
Balance at the end of the period	**12,947**	**12,823**

Own shares

	Number	Nominal value (DKK '000)	% of share capital
Holding at 1 May 2006	103,200	2,064	0.21
Purchase	198,000	3,960	0.40
Redemption of share options	(19,500)	(390)	(0.04)
Holding at 31 July 2006	**281,700**	**5,634**	**0.58**

OTHER SEGMENT DETAILS 1 May 2006 - 31 July 2006

Revenue by business segment

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD
Ingredients	3,503	3,354	3,503	3,354	4	4
Sugar	1,847	1,875	1,847	1,875	(1)	(1)
Group eliminations	(67)	(67)	(67)	(67)	.	.
Total	**5,283**	**5,162**	**5,283**	**5,162**	2	2

Revenue by geographic segment

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD	Distribution % Q1	Distribution % YTD
Denmark	390	460	390	460	(15)	(15)	7	7
Other Nordic countries	980	1,129	980	1,129	(13)	(13)	19	19
Rest of Western Europe	1,184	1,106	1,184	1,106	7	7	22	22
Eastern Europe	487	356	487	356	37	37	9	9
North America	964	939	964	939	3	3	18	18
Latin America	294	255	294	255	15	15	6	6
Asia-Pacific	691	636	691	636	9	9	13	13
Rest of the world	293	281	293	281	4	4	6	6
Total	**5,283**	**5,162**	**5,283**	**5,162**	2	2	100	100

EBITDA before special items

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD	Margin % Q1	Margin % YTD
Ingredients	690	666	690	666	4	4	19.7	19.7
Sugar	265	298	265	298	(11)	(11)	14.3	14.3
Unallocated, other	(35)	(37)	(35)	(37)	.	.	.	.
	920	**927**	**920**	**927**	(1)	(1)	17.4	17.4
Share-based payments	56	(55)	56	(55)	.	.	.	.
Total	**976**	**872**	**976**	**872**	12	12	18.5	18.5

Operating profit before special items (EBIT)

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06	Change % Q1	Change % YTD	Margin % Q1	Margin % YTD
Ingredients	511	455	511	455	12	12	14.6	14.6
Sugar	175	198	175	198	(12)	(12)	9.5	9.5
Unallocated, other	(38)	(40)	(38)	(40)	.	.	.	.
	648	**613**	**648**	**613**	6	6	12.3	12.3
Share-based payments	56	(55)	56	(55)	.	.	.	.
Total	**704**	**558**	**704**	**558**	26	26	13.3	13.3

Special items by business segment

DKK million	**Q1 2006/07**	Q1 2005/06	**YTD 2006/07**	YTD 2005/06
Ingredients	(16)	(127)	(16)	(127)
Sugar	-	-	-	-
Unallocated, other	-	60	-	60
Total	**(16)**	**(67)**	**(16)**	**(67)**

SALES GROWTH IN INGREDIENTS
1 May 2006 - 31 July 2006

Q1 2006/07 compared to Q1 2005/06

Change in %	Growth	Change in currency	**Currency adjusted growth**	Acquisitions	**Organic growth**	Distribution of sales % Q1
Sales growth in geographic segment						
Europe	7	-	**7**	-	**7**	43
North America	2	(2)	**4**	-	**4**	28
Latin America	16	(2)	**18**	-	**18**	8
Asia-Pacific	-	(4)	**4**	-	**4**	17
Rest of the world	(4)	(1)	**(3)**	-	**(3)**	4
Total	**4**	**(2)**	**6**	**-**	**6**	**100**
Sales growth in product segment						
Texturant products	2	(1)	**3**	-	**3**	36
Speciality products	4	(1)	**5**	-	**5**	50
Sweeteners	11	(3)	**14**	-	**14**	14
Total	**4**	**(2)**	**6**	**-**	**6**	**100**

YTD 2006/07 compared to YTD 2005/06

Change in %	Growth	Change in currency	**Currency adjusted growth**	Acquisitions	**Organic growth**	Distribution of sales % YTD
Sales growth in geographic segment						
Europe	7	-	**7**	-	**7**	43
North America	2	(2)	**4**	-	**4**	28
Latin America	16	(2)	**18**	-	**18**	8
Asia-Pacific	-	(4)	**4**	-	**4**	17
Rest of the world	(4)	(1)	**(3)**	-	**(3)**	4
Total	**4**	**(2)**	**6**	**-**	**6**	**100**
Sales growth in product segment						
Texturant products	2	(1)	**3**	-	**3**	36
Speciality products	4	(1)	**5**	-	**5**	50
Sweeteners	11	(3)	**14**	-	**14**	14
Total	**4**	**(2)**	**6**	**-**	**6**	**100**

Stock exchange notices for the last 12 months

19 September	2005	No. 28	Announcement of results for Q1 2005/06
21 September	2005	-	Insiders' trading (2 notices)
1 November	2005	No. 29	Danisco sells part of Genencor's Health Care product portfolio
1 November	2005	No. 30	Warrant programme: Issue of new shares
1 November	2005	-	Updated Articles of Association with appendices
24 November	2005	No. 31	The EU sugar reform
15 December	2005	No. 32	Announcement of results for H1 2005/06
20 December	2005	-	Updated Articles of Association with appendices
27 January	2006	No. 01	Warrant programme: Issue of new shares
30 January	2006	-	Updated Articles of Association with appendices
1 February	2006	No. 02	Tom Knutzen is granted options in Danisco
9 February	2006	No. 03	Danisco safeguards sugar activities for the future
3 March	2006	No. 04	Final adoption of new EU sugar regime and transitional measures
20 March	2006	No. 05	Announcement of results for 9M 2005/06
28 April	2006	No. 06	Leadership change in Danisco as of 1 May 2006
2 May	2006	No. 07	Warrant programme: Issue of new shares
3 May	2006	-	Updated Articles of Association with appendix 1
20 June	2006	No. 08	Announcement of Results for 2005/06
26 June	2006	-	Annual Report 2005/06
31 July	2006	-	Notice convening AGM 2006

Post balance-sheet date stock exchange notices

2 August	2006	No. 09	Warrant programme: Issue of new shares
3 August	2006	-	Updated Articles of Association with appendix 1
24 August	2006	No. 10	Annual General Meeting – Excerpts from Chairman's report
24 August	2006	No. 11	Annual General Meeting held on 24 August 2006
25 August	2006	No. 12	Danisco withdraws SPEZYME® ETHYL enzyme product from the market
1 September	2006	-	Updated Articles of Association with appendix 1

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