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The EU takes key steps to restore sugar market balance. Operating profit (EBIT) in Danisco Sugar upgraded by DKK 150 million to DKK 450 million

Following the newly adopted amendment of the EU sugar reform, Danisco plans to sell part of its quota and buy additional quota in Denmark and Sweden with a view to maintaining production efficiency.

Yesterday, as expected, the EU agriculture ministers adopted a number of changes to the sugar regime introduced in 2006. The objective is to further encourage voluntary quota renunciation and thereby ensure the required reduction of European sugar production.

As a new incentive, beet growers will be allowed to sell 10% of the quota. Moreover, sugar producers who sell a quota share corresponding to no less than the EU Commission's temporary quota withdrawal for 2007/08 will receive a refund of the restructuring levy charged on the quota withdrawn.

Executive Vice President, Mogens Granborg, Danisco A/S, says in a comment:

'We are very satisfied with the steps taken. This amendment comprises a range of positive elements in that it provides clarity and rectifies some of the inexpedient aspects of the 2006 reform. We expect the new incentives to accelerate the reduction of sugar production in Europe, bringing us back on track to restoring the market balance.'

Voluntary quota reduction

Expecting that beet growers will take advantage of the possibility to sell quota, Danisco will enter into negotiations with growers and employees for a quota sale of up to 13.5% in all its production countries, corresponding to a total of around 135,000 tonnes of sugar. Per country, this is on a par with the temporary quota withdrawal adopted by the EU Commission in the spring of 2007. The quota reduction will be in force as from 2008/09.

The financial aspect of beet growing varies widely from country to country, and not until it has been clarified to which extent beet growers will sell quota, will it be possible to decide on the distribution of the final quota sale.

Quota purchases in Denmark and Sweden

In order to minimise the effect of this quota reduction in Denmark and Sweden, Danisco Sugar has moreover decided to exploit the possibility offered by the 2006 sugar reform of buying quota. We therefore set out to buy around 32,000 tonnes of quota in Denmark and around 18,000 tonnes of quota in Sweden with effect from 2007/08. This is to ensure the optimum production volume at Danisco Sugar's most efficient sugar factories, which use beet from the best cultivation areas in the respective countries. According to harvest forecasts, sugar yields in Denmark and Sweden are on a par with the Central European level, which underpins the future prospects of sugar beet as a commercially attractive crop for the agricultural sector.

Planned quota purchases and sales will mean a net reduction in Danisco's overall sugar quota of around 85,000 tonnes to around 967,000 tonnes.

Outlook for 2007/08

Quota purchases in Denmark and Sweden will represent a total investment of approx. DKK 220 million to be depreciated over eight years. Danish Sugar Beet Growers and Betodlarna in Sweden will contribute to the investment.

As a result of quota sales, Danisco Sugar will avoid a restructuring levy of approx. DKK 150 million in 2007/08. Against this background, Danisco A/S is upgrading the operating profit (EBIT) estimate for the year in Sugar from around DKK 300 million to around DKK 450 million.

Quota sales are estimated to contribute earnings of approx. DKK 180 million to be recognised under special items. The detailed effect of net quota sales and other items pertaining to the restructuring, including write-down of fixed assets, is expected to be known at the announcement of the Q2 results in December 2007. These items will also be recognised under special items.

The expected profit for the year after share-based payments is increased from more than DKK 1,350 million to more than DKK 1,450 million.

Long-term outlook for Danisco Sugar A/S

We believe that the changes to the reform will lead to significant sales of quota in the EU in the next six months, which will create a better balance between demand and supply in the European sugar market. This forms a key basis for the further development of Danisco's sugar division under a new ownership structure that will now become a reality, just as it supports the announced time frame for establishment of a new ownership structure within the next 1 to 2 years.

The long-term target of reverting to an EBIT margin of 10% is supported by the amended sugar reform. Quota sales and, consequently, lower production mean that we expect long-term revenue in the interval between DKK 5.0 and 5.5 billion.

Yours faithfully

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CEO

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With 9,700 employees in more than 40 countries, Danisco is one of the world's leading suppliers of food ingredients, sugar and industrial bioproducts. Based on our technology platform we use nature's own raw materials and resources to develop and produce ingredients for food and other products used in everyday life. Danisco ingredients are used in about every second ice cream and cheese, every third box of detergent and every fourth loaf of bread produced globally. Danisco ingredients based on food technology and biotechnology are also used in other consumer products - from feed and toothpaste to biofuel and plastics. Throughout the value chain, sustainability is integrated in Danisco's way of doing business.