

Danisco A/S
Langebrogade 1
P.O. Box 17
DK-1001 Copenhagen K
Tel. +45 3266 2000
Fax +45 3266 2175
www.danisco.com
info@danisco.com

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Danisco signs agreement on the divestment of Flavours and enters strategic partnership with Firmenich

- The divestment of Flavours to Firmenich is based on an enterprise value of DKK 3.36 billion
- Strategic partnership agreement with Firmenich – a world leader with flavours and fragrances
- Enhanced focus on growth in Bio Ingredients and Texturants & Sweeteners
- Share buyback at the level of DKK 500 million once the divestment has been concluded

Danisco has entered into an agreement on the divestment of Flavours to Firmenich, a world leader with flavours and fragrances. An enterprise value for the activities has been agreed at DKK 3.36 billion, corresponding to 2.2 times revenue in 2006/07. The agreement is subject to approvals by the relevant authorities in a number of countries. The agreement is expected to be concluded around the end of June 2007.

At the same time, Danisco and Firmenich are entering a strategic partnership, which will provide unique and comprehensive solutions for the food industry. The agreement allows for Danisco maintaining a unique product offering for its customers and for a strengthening of the position of both parties in the food industry.

Danisco's leading global market position in ingredients used in food as well as industrial applications has been boosted over relatively few years through organic growth and several acquisitions. The acquisitions of Rhodia Food Ingredients (cultures) in 2004 and Genencor (enzymes) in 2005 were major events enforcing Danisco's market position and strengthening our biotechnology platform.

Danisco has managed to obtain a global market position as no. 1, 2 or 3 within Bio Ingredients and Texturants & Sweeteners. During the same period, a major consolidation has taken place within the flavours and fragrance industry. With revenue in Flavours of approx. 1.5 billion in 2006/07, corresponding to only 2-3% of the world market, Danisco's market position in this ingredients area is limited compared with the largest players. Flavours currently employs some 800 employees, or less than 8% of the total staff in Danisco.

Unfolding the potential: Enhanced focus on growth in Bio Ingredients and Texturants & Sweeteners

The divestment of Flavours should be seen as a value-creating and forward-looking initiative. The new ownership will create a critical mass for the activity and the strategic partnership allows us to further capitalise on Danisco's global sales and applications organisation in close cooperation with Firmenich. In addition, financial as well as managerial resources will be released with a view to increasing growth in Bio Ingredients and Texturants & Sweeteners, both enjoying a strong technology platform and market position.

As a natural next step in 'Unfolding the potential', an accelerated process is being launched to identify additional growth initiatives based on Bio Ingredients and Texturants & Sweeteners. The divestment of Flavours will necessitate a resource adjustment, however, the basic objectives of 'Unfolding the potential' will remain unchanged.

Accounting facts

The accounting gain is estimated at around DKK 0.4 billion after an expected tax expense of DKK 0.4 billion. This tax expense is caused by the fact that the transaction to a large extent involves activities that are integrated in the legal entities of the Danisco group. The released invested capital of around DKK 2.4 billion covers goodwill and operating assets including working capital in equal measure. In consequence of the transaction, Flavours will be recognised in the accounts for Q1 2007/08 under discontinued operations, and the accounting gain will be recognised under special items.

Planned share buyback

Proceeds after tax are expected at DKK 2.9 billion and will consequently reduce Danisco's debt significantly. The group's financial gearing expressed as net interest-bearing debt compared with EBITDA will as a consequence of the transaction fall to the lower end of the financial gearing target range of 3.0 – 4.5. Share buybacks at the level of DKK 500 million are expected to be launched once the divestment of Flavours is concluded during the first six months of 2007/08. It should be noted that the group's capital structure is regularly evaluated in order to ensure an optimal balance between the group's gearing, strategic initiatives and financial scope.

Outlook

The outlook for 2006/07 is maintained and the Announcement of Results is released on 20 June 2007, where, as planned, the outlook for the present financial year will be announced.

Telephone conference

A telephone conference for investors, analysts and the press will be held on Monday at 9:00 am. It will be possible to follow the conference from our website. The telephone number for participation in the telephone conference is: +353 1 436 4265.

Firmenich

Firmenich is the largest privately-owned company in the perfume and flavour business and ranks among the world's top three in the industry. Founded in Geneva, Switzerland, in 1895, it has built its reputation on its innovation, creativity and entrepreneurial spirit as global flavours partner to the leading manufacturers of food, beverages, confectionery, dairy and pharmaceuticals. The company had CHF 2.3 billion in annual revenue at end June 2006 and employs 4,800 people.
www.firmenich.com

Danisco Flavours

Danisco's Flavours Division develops and produces a vast range of natural and nature-identical flavours for the global food & beverage industry as well as speciality chemicals and natural extracts for the flavour and fragrance industry. The division is one of the world's leading producers of dairy flavours, vanilla, citrus and coffee flavours. As an international flavour house with flavour creation and application centres in strategic locations worldwide, we are able to combine technical and creative flavour skills with our extensive knowledge of food ingredients and tailoring our products to the requirements of individual customers. In 2006/07 Danisco's Flavours Division recorded revenue of approx. DKK 1.5 billion and employed some 800 people.

Yours faithfully

Tom Knutzen
CEO

For further information, please contact:

Investor Relations, Danisco A/S, tel. +45 3266 2912
Media Relations, Danisco A/S, tel. +45 3266 2913

With 10,500 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.