

Notice no. 15/2001

18 September 2001

Announcement of Results for Q1 2001/02

1 May 2001 – 31 July 2001

(Unaudited)

- **Consolidated profit of DKK 281 million (DKK 183 million) against our forecast of DKK 225-275 million**
- **Earnings (EBITA) in Danisco's main business areas up 23 per cent with the Sugar segment advancing 46 per cent and the Ingredients and Sweeteners segment 7 per cent**
- **Sugar was affected by expedited sales and favourable currency adjustments**
- **The consolidated profit for 2001/02 is expected to be DKK 900-975 million.**

Sustained progress

First quarter:

Net sales in Danisco's main business areas – Ingredients, Sweeteners and Sugar – grew to DKK 4.3 billion (DKK 3.9 billion), up 12 per cent on the first quarter of last year. The Ingredients and Sweeteners segment reported 8 per cent growth. The sugar segment was up 15 per cent primarily due to expedited sales as a result of favourable world market prices and actions taken to compensate for the changes in the EU's sugar regime.

Earnings (EBITA) in the main business areas increased to DKK 667 million (DKK 541 million), up 23 per cent. The Sugar segment accounted for the greatest improvement, up 46 per cent on the same period of last year. The progress in the Sugar segment was positively affected by the weakening of the Swedish krona against the euro and favourable market conditions for C sugar coupled with expedited sales. The Ingredients and Sweeteners segment advanced 7 per cent on the same period of last year.

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KEY FIGURES AND FINANCIAL RATIOS

GROUP

	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02
Profit and loss account in DKK million				
Net sales	5,9	4,9	5,9	4,9
<i>of which main business areas</i>	3,8	4,2	3,8	4,2
Operating profit before amortisation of goodwill (EBITA)	603	678	603	678
<i>of which main business areas</i>	541	667	541	667
Amortisation of goodwill	(110)	(94)	(110)	(94)
Operating profit (EBIT)	493	584	493	584
<i>of which main business areas</i>	447	573	447	573
Profit on ordinary activities before tax	320	444	320	444
Profit on ordinary activities	183	281	183	281
Consolidated profit	183	281	183	281
Danisco's share of consolidated profit	173	267	173	267

Cash flows in DKK million

Cash flow from operating activities	960	1,2	960	1,2
Cash flow from investing activities	481	996	481	996
Cash flow from financing activities	(849)	(2,4)	(849)	(2,4)
Total cash flow	592	(163)	592	(163)

Financial ratios

Diluted average number of shares 1)	57,5	56,5	57,5	56,5
Diluted earnings per share (DEPS)	3.01	4.72	3.01	4.72
Cash flow per share	16.7	22.3	16.7	22.3
Net asset value per share (NAV)	242	231	242	231

	31 July 2000	30 April 2001	31 July 2001
Balance sheet in DKK million			
Assets total	35,9	31,9	28,2
Capital and reserves	13,9	12,7	13,0
Interest-bearing debt, net	11,5	11,2	8,5
Invested capital	24,7	23,0	19,9

1) Diluted: In the average number of shares it has been taken into account that shares under the share option programme may be subscribed for at a price lower than the market price.

The key figures and financial ratios are calculated according to "Guidelines for Computation of Financial Ratios and Key Figures 1997", issued by the Danish Society of Financial Analysts, on the basis of the Group's accounting policies. Please see Danisco's report and accounts 2000/01 for definitions.

Danisco develops and produces food ingredients sweeteners and sugar. The Group employs 10,000 people in more than 40 countries. In 2000/01, Danisco boasted net sales of DKK 23.5 billion. Danisco's broad product portfolio includes emulsifiers, stabilisers, flavourings, various types of fat replacers and sweeteners such as xylitol and fructose. Most of these ingredients are produced from natural raw materials and contribute for instance to improving the texture of products such as bread, ice cream and yoghurt. Danisco is also one of the largest and most efficient sugar producers in Europe.

Ingredients and Sweeteners

- Earnings up 7 per cent (EBITA)
- Operating margin of 18 per cent (EBITA)
- Robust growth in Asia-Pacific

Net sales in Q1 2001/02 were up 8 per cent on the same period of last year. Operating margin was 18 per cent (EBITA), on a par with the same period of last year. Earnings (EBITA) increased to DKK 387 million (DKK 363 million), up 7 per cent.

Markets

Net sales in North America advanced 6 per cent in USD terms, of which 4 per cent was due to the acquisition of Florida Flavors. In DKK terms the increase was 11 per cent. Net sales in South America showed an increase of 6 per cent on Q1 2000/01 in DKK terms. The cyclical movements in this region impacted negatively on the sales performance.

In Europe, the sales efforts changed from being country-focused to industry-focused have had the desired effect, as sales grew 5 per cent in DKK terms compared with Q1 2000/01. The breakdown of this increase was uneven, as sales in Western Europe rose 6 per cent, while declining 5 per cent in Eastern Europe.

Sales growth in Asia-Pacific is sustained with an increase of 11 per cent in Q1 2001/02 relative to the same quarter of last year. The Chinese and South Korean markets remain buoyant and show very satisfactory growth rates. The Japanese market is still characterised by uncertain economic prospects.

Products

Sales of Texturant Products were up 6 per cent on the same period of last year. Particularly sales of functional systems to the baking and dairy industries showed healthy growth.

The acquisition of Germantown on 15 August 2001 has provided Danisco with unique market coverage in Australia and New Zealand, markets that were previously covered through sales agents. Further, the acquisition has added additional functional systems capacity. Integration of Germantown has been initiated and will be consolidated from the second quarter of 2001/02.

Raw material prices for texturants showed a rising trend during the quarter. Efforts are being made to offset this cost increase through efficiency enhancement and price adjustments.

Sales of Speciality Products, including flavours, bio- and feed ingredients, showed an increase of 9 per cent on the first quarter of 2000/01. Asia-Pacific and parts of Europe saw healthy growth rates in the flavour segment.

Florida Flavors, acquired in May 2001, has contributed special know-how on flavours to the fruit juice industry. Integration of the business is proceeding according to plan.

Sales in the Sweeteners segment were up 11 per cent on the same quarter of last year. A major part of this increase results from the continuously strong sales performance of xylitol in Asia-Pacific, particularly in South Korea where Danisco has captured a significant market share.

Sales of other naturally based sweeteners remained on a par with Q1 2000/01. Earnings (EBITA) were positively affected by Danisco's currency hedging of JPY against USD in December 2000.

Sugar

- Sales expedited to compensate for changed sugar regime
- Favourable currency effects contributed significantly to earnings improvement of 46 per cent (EBITA)
- Favourable market conditions for C sugar

Net sales in Q1 2001/02 were 15 per cent higher and earnings (EBITA) 46 higher than in the same period of last year. Operating margin (EBITA) increased to 15 per cent, reflecting an increase of 3 percentage points compared with the same period of last year. Earnings (EBITA) benefited from the weakening of the Swedish krona against the euro. The total currency effect is estimated at DKK 40 million, of which DKK 15 million derives from a reduction of costs in Sweden measured in Danish kroner.

Compared with 1999/2000 the total sugar output in the EU fell from 18.2 million tonnes to 15.8 million tonnes in 2000/01, which means there has been a reduced supply of C sugar, which has led to an improved world market price. Further, Danisco has been able to market considerably larger sales volumes of C sugar relative to the same period of last year. Expedition of sales resulted in an earnings

improvement (EBITA) of DKK 55 million in the first quarter, which will impact negatively on earnings in the rest of the year.

Since this year's first field samples of beets made in early August, weather conditions have been particularly favourable for beet development and the potential for the year's sugar production is fully satisfactory. At this stage Danisco Sugar expects an overall production well above the quotas specified by the EU, but lower than the record production of recent years.

Other business

Danisco Foods (fruit and condiments) performed to expectations, whereas Danisco Pack UK underperformed because of sustained low demand for corrugated board in the UK resulting from the recession-like situation in the UK manufacturing industry.

Associated undertakings

Income from associated undertakings, Genencor and Amcor Flexibles Europe, amounted to minus DKK 5 million.

Danisco Venture

Danisco Venture was set up on 1 May 2001. Since then, efforts have been targeted at building a portfolio of potential venture projects. These efforts were successful and a number of venture projects have been identified. Hence, the coming months will be used to convert these venture opportunities into actual investments.

Divestments and acquisitions

In conjunction with the acquisition of Cultor, Danisco established a divestment programme. With the sale of Danisco Pack UK this programme has almost been completed and with a satisfactory result. Work on divesting the remaining activities (Danisco Foods) will continue.

Danisco continues expansion through organic growth as well as acquisitions, like the recent acquisition of Germantown. The consolidation of Germantown will, as announced, affect the consolidated profit negatively in the year of consolidation due to increasing costs relating to amortisation of goodwill and interest expenses. The acquisition is expected to meet Danisco's financial target of a return on investment exceeding the weighted average cost of capital (WACC) in the third full financial year after the acquisition, at the latest.

Accounting policies

IAS 39 Financial Instruments: Recognition and Measurement has become effective and is applied as from the current financial year. Apart from this, the accounting policies applied are unchanged from those applied in the annual accounts.

Implementation of IAS 39 has not impacted on the profit and loss account. Capital and reserves were revalued at the beginning of the quarter by an amount of DKK 42 million, representing the value of forward exchange contracts as hedging for future transactions. This amount was not previously taken to the balance sheet but was stated in a note, cf. Danisco's report and accounts 2000/01 note 24.

Outlook for 2001/02

In the Ingredients and Sweeteners segment, the acquisition of Germantown has led to an upward adjustment of our forecast, and we thus expect full-year earnings (EBITA) to exceed DKK 1.4 billion. The Sugar segment is still expected to see full-year earnings (EBITA) of DKK 1.1 billion.

The consolidated profit for 2001/2002 is expected to be DKK 900-975 million against our previous estimate of DKK 0.9 –1.0 billion,

thereby narrowing our forecast by DKK 25 million due to the sale of Danisco Pack UK and dilution effect from the acquisition of Germantown.

The second quarter of 2001/02 should see a consolidated profit of DKK 175 - 225 million. The above expectations for the future are inherently associated with uncertainty and risks, which may imply that actual results will deviate from forecasts.

18 September 2001

Hugo Schrøder, Chairman of the Board of Directors

Alf Duch-Pedersen, CEO

Financial calendar

17 Dec.	2001	Q2 accounts (Aug.-Oct.)
20 Mar.	2002	Q3 accounts (Nov.-Jan.)
30 Apr.	2002	End of financial year
19 Jun.	2002	Accounts for 2001/02
05 Sep.	2002	Annual General Meeting
18 Sep.	2002	Q1 accounts (May-July)

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

PROFIT AND LOSS ACCOUNT

DKK million	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02
Net sales	5,9	4,9	5,9	4,9
Cost of sales	(4,2	(3,1	(4,2	(3,1
Gross profit	1,7	1,8	1,7	1,8
Research and development costs	(93)	(86)	(93)	(86)
Distribution and sales costs	(654)	(523)	(654)	(523)
Administrative expenses	(413)	(317)	(413)	(317)
Other operating expenses	(18)	(15)	(18)	(15)
Other operating income	25	21	25	21
Operating profit before amortisation of goodwill (EBITA)	603	678	603	678
Amortisation of goodwill	(110)	(94)	(110)	(94)
Operating profit (EBIT)	493	584	493	584
Income from associated undertakings	1	(5)	1	(5)
Other financial expenses, net	(174)	(135)	(174)	(135)
Profit on ordinary activities before tax	320	444	320	444
Estimated tax on profit on ordinary activities	(137)	(163)	(137)	(163)
Profit on ordinary activities	183	281	183	281
Gains and writedowns, etc. on disposal of undertakings	-	-	-	-
Consolidated profit	183	281	183	281
Consolidated profit attributable to minority shareholders	(10)	(14)	(10)	(14)
Danisco's share of consolidated profit	173	267	173	267
Diluted earnings per share (DEPS) DKK	3.01	4.72	3.01	4.72

CASH FLOW STATEMENT

DKK million				
Cash flow from operating activities				
Danisco's share of consolidated profit	173	267	173	267
Depreciation for the period	320	252	320	252
Amortisation of goodwill	110	94	110	94
Change in working capital	320	584	320	584
Other adjustments	37	66	37	66
Cash flow from operating activities	960	1,1	960	1,1
Cash flow from investing activities	481	996	481	996
Cash flow from financing activities	(849)	(2,4	(849)	(2,4
Decrease/increase in cash and cash equivalents	592	(163)	592	(163)
Cash and cash equivalents at the beginning of the period	608	1,0	608	1,0
Exchange adjustment of cash and cash equivalents	(9)	4	(9)	4
Cash and cash equivalents at the end of the period	1,1	922	1,1	922

Net sales by business segment

DKK million	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02	Change % Q1
Ingredients and Sweeteners	2,0	2,1	2,0	2,1	8
Sugar	1,9	2,1	1,9	2,1	15
Other business	2,1	617	2,1	617	(71)
Unallocated (group eliminations)	(54)	(50)	(54)	(50)	
Total	5,9	4,9	5,9	4,9	(17)

Net sales by geographic segment

DKK million	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02	Change % Q1	Distribution % Q1
Denmark	646	527	646	527	(18)	11
Nordic countries excl. Denmark	1,2	1,1	1,2	1,1	(9)	24
Other EU countries	2,3	1,3	2,3	1,2	(45)	25
Rest of Western Europe	89	64	89	64	(28)	1
Eastern Europe	274	417	274	417	52	8
North America	537	577	537	577	7	12
Central and South America	209	198	209	198	(5)	4
Asia-Pacific	366	414	366	414	13	8
Rest of the world	247	306	247	306	24	6
Total	5,9	4,9	5,9	4,9	(17)	100

Operating profit before amortisation of goodwill (EBITA) by business segment

DKK million	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02	Change % Q1	Margin % Q1
Ingredients and Sweeteners	363	387	363	387	7	18
Sugar	229	334	229	334	46	15
Unallocated	(51)	(53)	(51)	(53)	.	.
Other business	62	10	62	10	(84)	2
Total	603	678	603	678	12	14

Operating profit (EBIT) by business segment

DKK million	Q1 2000/01	Q1 2001/02	YTD 2000/01	YTD 2001/02	Change % Q1	Margin % Q1
Ingredients and Sweeteners	305	328	305	328	8	15
Sugar	196	302	196	302	54	14
Unallocated	(54)	(56)	(54)	(56)	.	.
Other business	46	10	46	10	(78)	2
Total	493	584	493	584	18	12

BALANCE SHEET

Assets

DKK million	31 July 2000	30 April 2001	31 July 2001
Intangible fixed assets	7,1	7,0	6,5
Tangible fixed assets	11,1	10,1	9,0
Financial fixed assets	2,1	3,0	3,6
Fixed assets total	21,1	20,1	19,1
Stocks	5,1	5,1	4,0
Debtors	6,1	4,2	3,8
Investments and capital participation	255	94	97
Cash and cash equivalents	1,1	1,0	922
Current assets total	13,1	11,1	8,6
Assets total	35,1	31,1	28,1

Liabilities

Capital and reserves	1,1	1,1	1,1
Other reserves	12,1	11,1	11,1
Capital and reserves total	13,1	12,1	13,0
Minority interests	257	280	295
Provisions total	2,1	2,1	2,1
Amounts falling due after more than one year	2,1	9,1	6,5
Amounts falling due within one year	15,1	6,8	5,6
Creditors total	18,1	16,1	12,1
Liabilities total	35,1	31,1	28,1

Changes in capital and reserves

DKK million	31 July 2000	31 July 2001
Balance at the beginning of the period	13,1	12,1
Changed accounting policy	-	42
Restated balance at 1 May 2001	13,1	12,1
Profit for the period	173	267
Purchase of own shares	(36)	-
Other adjustments	108	(56)
Balance at the end of the period	13,1	13,0

Own shares

	Number	Nominal value (DKK '000)	% of share capital
Holding at the beginning of the period	1,752,000	35,040	3.01
Purchase	-	-	-
Sale	-	-	-
Holding at the end of the period	1,752,000	35,040	3.01