



Annual Report 2008

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# 1. Introduction

## 1.1. Language of this report

Devgen has prepared its Annual Report in English. Devgen has also made a Dutch language translation of this Annual Report. In case of differences in interpretation between the English and Dutch versions of the Annual Report, the original English version shall prevail. Devgen has verified and is responsible for the translation and the conformity of the Dutch and English language versions.

## 1.2. Availability of the Annual Report

The Annual Report is available to the public free of charge upon request to:

Devgen NV  
Attention Investor Relations  
Technologiepark 30  
9052 Zwijnaarde  
Belgium  
Phone: +32 9 324 24 24  
Fax: + 32 9 324 24 25

E-mail: [ir@Devgen.com](mailto:ir@Devgen.com)

An electronic version of the Annual Report is also available on [www.devgen.com](http://www.devgen.com), for information purposes only. Only the printed Annual Report published in Belgium in accordance with the applicable rules and legislation is legally valid and Devgen takes no responsibility for the accuracy or correctness of the Annual Report available via the internet. Other information on the website of Devgen or on any other website does not form part of this Annual Report.

## 1.3. Declaration of the responsible persons

The undersigned, Thierry Bogaert, Managing Director and CEO and Wim Goemaere, Chief Financial Officer, declare that, to their knowledge:

- The financial statements for the accounting years 2008, 2007 and 2006, drawn up in accordance with the International Financial Accounting Standards (“IFRS”), give a true and fair view of the equity capital, of the financial situation and of the results of Devgen NV and of the companies that are included in the consolidation;
- The Annual Report gives a true overview of the development and results of the company and the position of Devgen NV and the companies included in the consolidation, as well as a description of the most important risks and uncertainties with which they are confronted.

## 1.4. Forward looking statements

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words “believes”, “anticipates”, “estimates”, “may”, “will”, and “continue” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which might cause the actual results, financial condition, performances or achievements of Devgen, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the public is cautioned not to place any undue reliance on such forward looking statements.

These forward-looking statements are made only as of the date of this Annual Report. Devgen expressly disclaims any obligation to update any such forward looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements is based, unless such statement is required pursuant to applicable laws and regulations.

All statements are made and all information is provided as of December 31st 2008, except when explicitly mentioned otherwise.

## 2. Corporate governance

### 2.1. General

Devgen's corporate governance is based on the principles described in the 2004 Belgian Corporate Governance Code, issued by the Belgian Corporate Governance Committee.

In view of this Code, Devgen has described the main aspects of its corporate governance in a corporate governance charter, which together with applicable law and the company's articles of association, governs the way Devgen is managed and controlled.

This charter can be obtained free of charge at the registered office of the company and a summary is available on the company's website ([www.devgen.com](http://www.devgen.com) under the section Investor Relations/Corporate Governance).

While the corporate governance charter describes the main aspects of Devgen's corporate governance, the corporate governance chapter of this Annual Report focuses, as recommended by the Belgian Corporate Governance Code, on more factual information relating to the company's corporate governance, including changes to the company's corporate governance, together with relevant events that took place during 2008.

The Board of Directors has taken due note of the 2009 version of the Belgian Corporate Governance Code, published on March 12, 2009, which applies to the reporting years beginning on or after January 1, 2009.

In the course of 2009, the company will review its governance practices and corporate governance charter in light of the new Code.

### 2.2. Board of Directors

#### 2.2.1. Composition of the Board of Directors

On 31.12.2008 the Board of Directors consisted of 5 members included in the table.

BOARD OF DIRECTORS ON 31.12.2008 <sup>1</sup>

Name	Position	End of term	Audit committee	Nomination and Remuneration Committee
Mr. Remi Vermeiren ( <sup>1</sup> 1940)	Independent, Non-Executive Director Chairman <sup>2</sup>	2009	Chairman	Chairman <sup>2</sup>
Thierry Bogaert BVBA, represented by Dr. Thierry Bogaert ( <sup>1</sup> 1960)	Managing Director, CEO	2009	/	/
Dr. Jan Leemans ( <sup>1</sup> 1955)	Independent, Non-Executive Director	2009		Member
Mr. Patrick Van Beneden ( <sup>1</sup> 1962)	Non-Executive Director	2009	Member	Member
Dr. Alan Williamson ( <sup>1</sup> 1937)	Independent, Non-Executive Director	2009	/	/

<sup>1</sup> In the course of 2008 Hilde Windels BVBA, represented by Mrs. Hilde Windels, and Pol Bamelis NV, represented by Mr. Pol Bamelis, resigned as director, on March 11 and August 25 respectively.

<sup>2</sup> As of August 25, 2008 Mr. Remi Vermeiren was appointed Chairman of the Board, as well as member and Chairman of the Nomination and Remuneration Committee following the resignation of Pol Bamelis NV, represented by Mr. Pol Bamelis.

The term of office of the directors ends immediately after the 2009 Annual General Shareholders' Meeting regarding the financial year 2008.

Mr. Remi Vermeiren, Mr. Jan Leemans and Mr. Allan Williamson qualify as independent directors under the Belgian Company Code during the full term of said mandate.

The Board of Directors considers Mr. Williamson to be an independent director although he served as a non-executive director for more than three terms and on that account does not meet all the criteria set out in appendix A of the 2004 Belgian Corporate Governance Code. The Board of Directors believes that the number of the terms as such does not impair the independence of a director.

The following paragraphs contain brief biographies of each of the directors:

- **Remi Vermeiren**, *Non-executive, independent director, Chairman of the Board of Directors*. Remi Vermeiren holds a degree in Commercial and Financial Sciences. Before he became an independent director of Devgen, he had a 43 year long career at Kredietbank NV, which in 1998 merged with Cera Bank and ABB Insurance into KBC Bank and Insurance Group. In the earlier years, Remi Vermeiren was mainly involved in asset management, trading and administration of securities, treasury and international and investment banking. From 1989 on, Remi Vermeiren was member of the Executive Committee responsible for the day-to-day management of the bank. From 1998 until 2003, he held the function of Chairman of the KBC Bank and Insurance Group and of KBC Bank. During this period, Remi Vermeiren was mainly involved in defining the strategy of the new group, integration of the banking and insurance activities, implementation of the merger of the two banks and the associated cost reduction program, and the expansion of KBC into Central Europe where it became one of the most important Western European investors in the banking and insurance industry. Currently, Remi Vermeiren is also member of a number of quoted and non-quoted companies and of charitable organisations, including of "Foundation RV" set up and funded by himself. He is currently a member of the Board of Directors or administrative management or supervisory bodies of the following companies: Ravago NV (Belgium), Ablynx NV (Belgium) and J. Zinner NV (Belgium). In the past five years, he has held positions as a member of the Board of Directors or administrative, management or supervisory bodies of the following companies: KBC Bank and Insurance Holding (Belgium), KBC Bank NV (Belgium), CSOB Bank (Czech Republic), Crédit Commercial de France (France), Hobbyrama NV (Belgium), Matériaux Gondry SA (Belgium), Hout-Bois Van Steenberge NV (Belgium), Cometel NV (Belgium), Stock Americain Van Wiemeersch NV (Belgium), The Capital Markets Company NV (Belgium), Arda Immo NV (f.k.a. Ardatis NV) (Belgium), Afinia Plastics NV (Belgium), Euronext Holding N.V. (The Netherlands), Euronext Amsterdam N.V. (The Netherlands), ACP II SCA (Luxembourg), IFB SPA (Italy) and Cumerio NV (Belgium).
- **Thierry Bogaert BVBA**, *Managing Director and Chief Executive Officer (CEO)*, represented by Mr. Thierry Bogaert. See Executive management, section 2.3.
- **Jan Leemans**, Ph.D, *Non-executive, independent director*. Jan Leemans is the former Research Director of Plant Genetic Systems in Ghent (Belgium). He has been member of the Board of Hoechst Shering AgrEvo GmbH (Germany), Nunza B.V. (Netherlands), the Flemish Institute of Biotechnology (Belgium) and CropDesign (Belgium). Currently he is on the Board of Misr Hytech, a leading seed company in Egypt, and serves as a trustee of the S M Sehgal Foundation in India.
- **Patrick Van Beneden**, *Non-executive director*. Patrick Van Beneden is the Executive Vice President of Gimv - Life Sciences, responsible for Gimv's investment portfolio in life sciences. Patrick Van Beneden is currently a member of the Board of Directors or supervisory bodies of the following companies: PamGene (The Netherlands), I&I Gent, TorreyPines Therapeutics (United States), Astex Therapeutics (United Kingdom), Biotech Fonds Vlaanderen, Acertys, ActoGeniX and FlandersBio VZW. He is also member of the Advisory Board of Oxford Biosciences Partners and a former board member of Crop Design, Avalon Pharmaceuticals (United States) and Crucell.
- **Alan Williamson**, Ph.D, *Non-executive, independent director*. Alan Williamson is the former Vice President of Basic Research, Immunology and Inflammation and Vice President of Research Strategy at Merck US. He was a member of the Advisory Council of the NIH National Human Genome Institute from

1998 to 2002 and currently is a member of the Sequencing Advisory Panel and Human Microbiome Advisory Panel. He currently serves as a board member of several high tech companies, including Argenta Discovery and Onconova Therapeutics. He formerly served as a board member of, among others, Oxon Therapeutics.

## 2.2.2. Committees of Board of Directors

The Board of Directors has set up an Audit Committee and a Nomination and Remuneration Committee to analyze specific issues and advise the Board of Directors on those issues. The committees are advisory bodies only and the decision-making remains within the collegial responsibility of the Board of Directors. The Board of Directors appoints the members and chairman of each committee and determines the terms of reference of each committee with respect to the organization, procedures, policies and activities of the committee.

### 2.2.2.1. Audit Committee

The Audit Committee assists the Board of Directors on supervising the activities of management through providing advise with *inter alia*:

- The operation of internal risk management and control systems;
- The provision of financial information by Devgen;
- The role and functioning of the internal audit function;
- Relations with the external auditor, including, his independence, remuneration and any non-audit services for Devgen;
- Compliance with recommendations and observations of auditors;
- The financing of Devgen.

The audit review and reporting covers Devgen and its subsidiaries as a whole.

The terms of reference and specific tasks of the Audit Committee are described in Devgen's Audit Committee Charter, available on the company website.

The Audit Committee reports to the Board of Directors on the exercise of its duties, identifying those matters that it considers require action or improvement, and making recommendations as to the steps to be taken. After each committee meeting the Audit Committee sends a report to the Board of Directors on its findings and recommendations.

### 2.2.2.2. Nomination and Remuneration Committee

The Board of Directors has appointed a Nomination and Remuneration Committee within the Board. The committee is composed of at least three members and is composed exclusively of non-executive directors. The Belgian Code of Corporate Governance provides that at least a majority of the members of the committee should be independent directors. The Chairman of the Board of Directors can chair the committee, but should not chair the committee when dealing with the designation of his successor. The CEO participates in the meetings of the committee when it discusses the performance and remuneration of other executive managers.

The role of the Nomination and Remuneration Committee is:

- To make recommendations to the Board of Directors with regard to the election of directors, and to ensure that the appointment and re-election process is organized objectively and professionally;
- To make proposals to the Board on the remuneration policy for non-executive directors and the resulting proposals to be submitted to the Shareholders' Meeting, and the remuneration policy for executive management;
- To make recommendations with regard to the selection and dismissal of candidates for management positions.

The terms of reference and specific tasks of the Nomination and Remuneration Committee are further described in Devgen's Corporate Governance Charter.

### 2.2.2.3. Ad hoc committees

Depending on the need, the Board can set up ad hoc committees. These committees are chaired by a member of the Board of Directors and may be composed of one or more board members. The committee may invite any non-member to attend its meetings. To date, the Board has established several committees to deal with specific topics.

### 2.2.3. Meetings of the Board and Committees in 2008

The **Board of Directors** held ten meetings in 2008 and the procedure of unanimous written decision-making was applied once. Mr. Remi Vermeiren, Mr. Patrick Van Beneden, Mr. Jan Leemans and Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, participated in all those meetings. Mr. Alan Williamson was represented by another director at one meeting and was excused from 2 other meetings. Hilde Windels BVBA, represented by Mrs. Hilde Windels, and Pol Bamelis NV, represented by Mr. Pol Bamelis participated in all meetings until their resignation.

The **Audit Committee** met twice in 2008, thus deviating from the three meetings required by the Corporate Governance Code. Mr. Remi Vermeiren, Mr. Patrick Van Beneden and Pol Bamelis NV, represented by Mr. Pol Bamelis, participated in both meetings.

Following the resignation of Pol Bamelis NV, represented by Mr. Pol Bamelis, on August 25, 2008, Mr. Vermeiren is the only independent director left in the Audit Committee and combines the chairmanship of the Board with the chairmanship ad interim of the Audit Committee in anticipation of the appointment of new chairman. This provisional composition differs from the Corporate Governance Code which demands a majority of independent members and prescribes that the Chairman of the Board of Directors should not chair the Audit Committee.

The **Nomination and Remuneration Committee** held 5 meetings in 2008. Mr. Patrick Van Beneden and Mr. Jan Leemans participated in all those meetings. Pol Bamelis NV, represented by Mr. Pol Bamelis, participated in the three meetings held before his resignation. Mr. Remi Vermeiren participated in two meetings held after his appointment as member and Chairman of the Nomination and Remuneration Committee.

### 2.2.4. Remuneration of directors in 2008

The remuneration package of the directors is subject to approval by the General Shareholders' Meeting.

According to the Belgian Corporate Governance Code, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and the non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

The General Shareholders' Meeting of June 2, 2008 decided that as of January 1, 2007 the independent directors except the chairman receive an attendance fee of 1,500 € for each attended meeting of the Board of Directors, Nomination and Remuneration Committee, Audit Committee and other meetings of ad hoc committees. The chairman receives a monthly fee of 4,000 €. In addition to foregoing cash remuneration and as a departure from the Code all independent directors are entitled to receive 3,000 warrants on Devgen's shares. Such warrants are granted at the beginning of the mandate and vest at the end of the year of the mandate.

Devgen believes that this remuneration package is justified, as it corresponds with market practice and expectations for similar listed companies in the biotechnology field and allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors. Through warrants the company can remunerate its independent directors without using the company's cash resources, which is in the interest of a growth company such as Devgen.

There is no agreement between the company and the non-executive directors that would entitle such directors to any compensation or indemnity triggered by termination of their mandate.

Devgen has not made any loans to the members of the Board of Directors.

### 2.2.5. Shares and warrants held by directors

The table below provides an overview of the shares and warrants held by the non-executive directors on 31.12.2008. The shares and warrants of the managing director are described sub 2.3.5.

Name	Shares	Warrants		
		Outstanding	Exercise price	Vested
Jan Leemans	13,000	2,931	14.40 €	0
Patrick Van Beneden	0	0	-	
Remi Vermeiren	12,000	3,000	9.49 €	3,000
		3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	0
Alan Williamson	1,146	3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	0

## 2.3. Executive management

### 2.3.1. General provisions

The executive management does not constitute an executive committee (directiecomité/comité de direction) within the meaning of article 524bis of the Belgian Company Code.

### 2.3.2. Chief Executive Officer of Devgen NV

**Thierry Bogaert BVBA**, represented by *Thierry Bogaert, Managing Director and Chief Executive Officer (CEO) of Devgen NV*. Thierry Bogaert is a graduate from Ghent University and received a MSc degree from the University of Manitoba, Canada and a PhD from the Medical Research Council, Laboratory of Molecular Biology, Cambridge, United Kingdom. He held faculty positions at the Medical Research Council - Laboratory of Molecular in Cambridge and the Medical Faculty of the Ghent University. He founded Devgen NV in 1997 and has led the company since.

### 2.3.3. Other executive managers

- **Sabine Drieghe**, *Human Resources Director*, received a Msc in Agricultural and Chemical Engineering at the University of Ghent. Prior to joining Devgen in 2001, she headed the laboratory of the Department of Crop Protection at the University of Ghent.
- **Stefan Frey**, *Chief Operation Officer (COO), Head of Nematicide Business Unit*, has obtained his MBA in 1979 in Germany. He joined Bayer Group as Operations Manager, and was subsequently appointed General Manager for several business groups of Bayer worldwide. In 1994, he became Area Director Crop Protection with FMC, where he was responsible for the introduction of new insecticide and herbicide business. Later he became Director of Global Herbicides, Business and Technology Affairs within FMC and was involved in the development of a global herbicide financial goal and strategy. Before joining Devgen, he held the position of Area Director Asia Pacific. He joined Devgen as per 1 April 2006.

- **Wim Goemaere**, *Chief Financial Officer (CFO)*, holds a degree in Applied Economics from the University of Leuven. He held since 1995 the position of CFO at VIB, which is a research institution employing over 1000 researchers. At VIB, his responsibilities included finance and control, tax management, corporate information technology and corporate legal issues. He started his career with BP chemicals in Antwerp in 1987 as analyst and he held various other positions at BP until he was appointed controller at BP Belgium NV in 1993 until 1995.
- **John Mann**, *Head of Plant Breeding*, manages Devgen's global breeding activities in Kenya, India, the Philippines and in Ghent. John Mann started working for Devgen in 2005. He has 35 years of experience in plant breeding of which 20 years with hybrid rice in over 15 countries and brought a number of successful hybrid seed products to market. John has a Ph.D. of the A&M University of Texas.
- **Geert Plaetinck**, *Sr. Director of Research*. Geert Plaetinck manages the company's biotech research in Gent and Singapore in Crop protection and Plant biotechnology. He has over twenty years of experience in managing biotech research at Ghent University, Roche and, since 1998, Devgen. Geert Plaetinck is instrumental in the development of Devgen's core crop protection technology and in managing Devgen's external research collaborations. He has a Ph.D. from the University of Ghent and completed a post-doctoral fellowship at ISREC (Switzerland).
- **Bipin Solanki**, *CEO Devgen Seeds & Crop Technology Private Limited (India), a wholly owned subsidiary of Devgen NV*. Bipin Solanki is a graduate from the Agricultural University of Gujurat. He held senior management positions with business responsibilities at Monsanto Company for 11 years. Prior to joining Monsanto he was employed with Aventis for 14 years managing the seed and crop protection chemical business. He has 25 years of experience in the seed and biotech trait industry in India and served as a member of the Governing Council of the National Seed Association.
- **Ann Viaene**, *IP Counsel, Head of Intellectual Property Department*, holds a MSc in Biotechnology from Ghent University, a PhD in sciences from the University of Leuven and is a qualified European Patent Attorney. Before joining Devgen in 2004, she worked for 6 years in the private practice firm Declercq, Brandt en Partners.
- **Stephane Wilmes**, *General Counsel*, holds a law degree from the University of Ghent, Belgium and graduated from the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC), France. He is the former General Counsel of Innogenetics NV where he gained over 5 years of experience in the biotech field. Prior to joining Innogenetics, he worked at Baker & McKenzie Brussels where his practice included mergers and acquisitions, commercial contract drafting and litigation. He joined Devgen in January 2006.

## 2.3.4. Contracts and remuneration of executive management

### 2.3.4.1. Chief Executive Officer

Thierry Bogaert BVBA has been appointed by the Board of Directors as Chief Executive Officer and Managing Director of Devgen NV. The remuneration of Thierry Bogaert BVBA as Managing Director and CEO is determined by the Board of Directors upon recommendation of the Nomination and Remuneration Committee.

The CEO is appointed, and can be removed, by the Board of Directors of the company.

The CEO is charged by the Board of Directors with the day-to-day management of the company and is also Managing Director of the company. In this function, the CEO has the following general responsibilities:

- He is responsible vis-à-vis the Board of Directors for the business and operational management of the company and the implementation of the decisions of the Board of Directors, within the strategy, planning, values and budgets approved by the Board of Directors;
- He oversees the different departments and divisions of the company, and reports to the Board of Directors on their activities;
- He is responsible for the development of proposals for the Board of Directors relating to strategy, planning, finances, operations, human resources and budgets, and such other matters that are to be dealt with at the level of the Board of Directors.

In exercising his role, the CEO has the following specific tasks:

- The CEO takes the final decision in the decisions of the executive management and in the proposals that the executive management submits to the Board of Directors;
- He must put internal controls in place (i.e. systems to identify, assess, manage and monitor financial and other risks), without prejudice to the monitoring role of the Board of Directors;
- He is responsible and accountable vis-à-vis the Board of Directors of the company for the complete, timely, reliable and accurate preparation of the company's financial statements, in accordance with the accounting standards and policies of the company;
- He must present the Board of Directors with a balanced and understandable assessment of the company's financial situation;
- He must provide the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- He is accountable to the Board of Directors for the discharge of his responsibilities and those of the other executive managers.

The management contract can be terminated subject to a notice of 15 months or an indemnity in lieu of notice equal to 15 months of aggregate fixed remuneration. The contract does not provide for any other benefits upon termination.

Contrary to the Belgian Code on Corporate Governance, the remuneration of the CEO is not disclosed on an individual basis. The Board of Directors believes that this deviation is justified as the compensation is in line with general market practices for equivalent positions and for reasons of privacy.

#### 2.3.4.2. Other executive managers

The majority of the members of the executive management are engaged on the basis of an employment contract. The employment contracts are for an indefinite term and may be terminated by the company subject to a notice period or an indemnity in lieu thereof agreed upon by the concerned parties. The extent thereof is for Belgian employees generally in line with the Claey's formula. The employment contracts include non-competition undertakings for 12 months with six months salary compensation, as well as confidentiality and IP transfer undertakings.

Other members' services are hired on the basis of a service arrangement. The service contracts can be terminated at any time, subject to a six months notice period or compensation. No other contractual payments are due upon termination of the contract by Devgen NV.

The remuneration of the executive members consists of the following elements:

- A basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- A variable remuneration dependent on the executive manager meeting individual and/or team objectives.

In addition each executive manager may be offered the possibility to participate in a stock-based incentive scheme, in accordance with the recommendations set by the Nomination and Remuneration Committee after recommendation by the CEO to such committee.

Each executive manager is also entitled to a number of fringe benefits, consisting of participating in a group insurance scheme, providing a retirement pension, a death cover and a disability and healthcare insurance, a company car, a mobile telephone and/or a laptop computer according to general company policy, and meal vouchers. Executive members whose services are retained on the basis of a services contract do not receive fringe benefits, except that they are provided with a laptop computer according to general company policy.

The following table provides a global overview of the remuneration of the executive management.

#### REMUNERATION EXECUTIVE MANAGEMENT

	2008
Executive management	
Aggregate of payroll and non payroll	2,185 k

The amount of K€ 2,185 (as reported under IFRS note 32) represents the remuneration paid to the executive management, including the CEO, in function during 2008. This amount includes the remuneration of Hilde Windels and Rick Jones. Both belonged to the discontinued pharma division and left Devgen in the course of 2008. The executive management as presented above includes, in addition to the team members in place during the entire year 2008, Ann Viaene, Geert Plaetinck and John Mann who joined the executive management team on December 31, 2008. The remuneration of the members of the executive management team as listed above amounted to K€ 2,228 over 2008.

### 2.3.5. Shares and warrants held by executive managers

The table below provides an overview of the shares and warrants held directly or indirectly by the executive managers on 31.12.2008:

Name	Shares	Warrants		
		Outstanding	Exercise price	Vested
Thierry Bogaert BVBA	0	100,000	9.49 €	100,000
		5,256	11.67 €	5,256
		24,588	21.61 €	13,660
		200,016	20.73 €	127,788
Sabine Drieghe	0	1,404	21.61 €	780
Stefan Frey	0	20,016	14.00 €	2,780
		2,916	21.61 €	1,620
		3,852	14.40 €	535
Wim Goemaere	0	10,008	13.26 €	1,390
John Mann	0	0	-	-
Geert Plaetinck	0	1,296	13.00 €	288
Bipin Solanki	0	15,000	13,26 €	0
Ann Viaene	0	1,112	9.49 €	1,112
		612	21.61 €	340
		1,116	13.00 €	248
Stephane Wilmes	0	5,000	11.54 €	4,168
		4,500	21.61 €	2,500

For a description of the warrant plans, please refer to note 28 to the consolidated financial statements.

## 2.4. Litigation statement and conflicts of interests

### 2.4.1. Litigation statement concerning the directors and executive managers or their permanent representatives

At the date of this Annual Report, none of the directors or executive managers of the company or, in case these are corporate entities none of their permanent representatives, has, for at least the previous five years:

- Any convictions in relation to fraudulent offences;
- Held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation, except for:
  - Remi Vermeiren, who was a member of the supervisory bodies of ACP II SCA Luxembourg (Luxembourg) and IFB SPA (Italy), both of which are in the process of being liquidated;
  - Jan Leemans, who was a member of the Board of Directors and co-founder of Maize Technologies International NV, which has filed for bankruptcy in 2007; and
  - Patrick Van Beneden, who was a member of the Board of Directors of Psychiatric Genomics, which has been dissolved and of Xantos Biomedicine, which was subject to an insolvency procedure;
- Been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), except for:
  - Remi Vermeiren was, in the context of a judicial inquiry into the alleged collaboration within KBLuxemburg and KBC with tax evasion by clients, together with 13 other individuals, referred to the Brussels Correctional Court. Mr. Vermeiren, the other individuals as well as KBC and KBL dispute the accusations made against them;
- Been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

#### **2.4.2. Conflicts of interest of directors and executive managers**

Article 523 of the Belgian Company Code provides for a special procedure within the Board of Directors in the event of a possible conflict of interest of one or more directors with one or more decisions or transactions by the Board of Directors. In 2008 the procedure of conflict of interests of article 523 of the Company Code was applied once, namely during the meeting of the Board of Directors of June 21, 2008. In accordance with said provision, the relevant minutes are included in the 2008 statutory Annual Report of the Board of Directors.

With respect to warrants, shares and other financial instruments, the directors and executive managers are bound by a 'Dealing Code', set up by the Board of Directors to prevent market abuse and avoid conflicts of interests.

This Dealing Code includes rules and procedures for directors, executive managers and other staff members and their affiliates or relatives with respect to treating confidential inside information and dealing in financial instruments of Devgen, whether it be directly or indirectly.

The Dealing Code prohibits dealing in Devgen's financial instruments during certain closed periods before the release of annual or interim financial statements. In addition Devgen may announce other closed periods if there is a risk that persons dealing during such period could abuse or put themselves under suspicion of abusing inside information, such as in periods leading up to the announcement of important news. The prohibition also applies whenever the person concerned has inside information that has not been disclosed to the market yet.

The directors and executive managers, as well as certain other employees of the company, have also been designated as 'Key Insiders' meaning they have to report their transactions in Devgen's financial instruments to the CBFA within 5 working days.

Other than those indicated in this document there are no other conflicts or potential conflicts of interests known to the company.

#### **2.5. Transactions with related companies**

Article 524 of the Belgian Company Code provides for a special procedure that applies to intra-group transactions. The procedure has to be observed for decisions or transactions between Devgen and affiliated companies that are not subsidiary, as well as for decisions or transactions between any of Devgen's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Devgen subsidiary.

In 2008 no such situation occurred.

## 2.6. Compliance with the Belgian Code on Corporate Governance

Devgen has adopted the 2004 Belgian Corporate Governance Code as its reference Code. It complies to a large extent with the provisions of this Code, but believes that certain deviations are justified in view of the company's specific situation.

In line with the "comply-or-explain" principle of the Belgian Corporate Governance Code, the main variances were explained above or are explained here:

- Provision 4.6 of the Belgian Corporate Governance Code states any proposal for the appointment of a director by the Shareholders' Meeting should be accompanied by a recommendation from the Board and by relevant information on the candidate's professional qualifications together with a list of the positions the candidate already holds. In the appointments proposed to the Shareholders' Meeting of June 2, 2008 the Board deviated from these requirements because it concerned re-appointments and the requirement information regarding professional qualifications and current positions was already available on the company's website.
- Provision 8.9 prescribes that the level of shareholding for the submission of proposals by a shareholder to a General Shareholders' Meeting should not exceed 5 % of the share capital. Even though the Board will consider any reasonable proposal submitted by shareholders in the interest of the company, the company holds the view that said threshold is too low to oblige the company to put any proposal on the agenda, all the more taking into account the rotation of shares by investors with a short term view. The company therefore holds to article 532 of the Belgian Company Code and article 34 of the articles of association which set out that the Board of Directors and the statutory auditor are obliged to convene a special or extraordinary Shareholders' Meeting if one or more shareholders that represent, alone or together, one fifth of the share capital so demand.

### 3. Consolidated financial statements

#### 3.1. Consolidated financial statements 2008-2007-2006

##### 3.1.1. Income statement

<b>Income statement</b>	<b>Note</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December				
<b>Continuing operations</b>				
<b>Revenues</b>		<b>9,344</b>	<b>7,284</b>	<b>8,859</b>
Research and development services	1	3,171	5,657	6,827
Sales of goods	1	6,093	338	-
Government grant income	1	80	1,288	2,032
Cost of goods sold	1	(4,170)	(390)	-
<b>Gross profit</b>		<b>5,175</b>	<b>6,895</b>	<b>8,859</b>
Marketing and distribution expenses	2	(2,381)	(91)	-
Research and development expenses	3	(14,422)	(10,793)	(9,743)
General and administrative expenses	4	(5,937)	(5,093)	(4,574)
Other operating income	5	266	212	237
<b>Operating profit / (loss)</b>		<b>(17,300)</b>	<b>(8,871)</b>	<b>(5,220)</b>
Financial income	6	1,688	1,839	843
Financial expense	7	(1,003)	(808)	(603)
<b>Profit / (loss) before taxes</b>		<b>(16,615)</b>	<b>(7,840)</b>	<b>(4,980)</b>
Income taxes	10	-	-	-
<b>Profit / (loss) for the year from continuing operations</b>		<b>(16,615)</b>	<b>(7,840)</b>	<b>(4,980)</b>
<b>Discontinued operations</b>	11			
<b>Profit / (loss) for the year from discontinued operations</b>		<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>
<b>Profit / (loss) for the year from continuing and discontinued operations</b>		<b>(25,123)</b>	<b>(13,874)</b>	<b>(9,490)</b>
<b>Earnings per share</b>	33			
<b>From continuing and discontinued operations</b>				
Basic (€ per share)		(1.41)	(0.83)	(0.64)
Diluted (€ per share)		(1.41)	(0.83)	(0.64)
<b>From continuing operations</b>				
Basic (€ per share)		(0.93)	(0.47)	(0.33)
Diluted (€ per share)		(0.93)	(0.47)	(0.33)

### 3.1.2. Consolidated balance sheet

Consolidated balance sheet	Note	2008	2007	2006
'000 of € / year ended 31 December				
<b>ASSETS</b>				
Goodwill	13	7,855	7,855	-
Intangible assets	14	7,937	9,421	135
Property plant and equipment	15	1,454	2,546	1,736
Building held under lease	15	6,893	7,122	7,351
Investment property	16	1,204	1,245	1,285
Deferred tax assets	26	15	-	-
Cash restricted in its use		4,840	4,980	1,820
Other long term receivables		197	196	-
<b>Non-current assets</b>		<b>30,396</b>	<b>33,365</b>	<b>12,327</b>
Inventory	17	928	2,112	-
Biological assets	18	34	38	-
Grants receivables	19	945	1,547	2,129
Trade receivables	20	2,466	2,429	1,972
Prepaid expenses and other current assets	21	2,590	2,469	1,395
Available-for-sale financial assets	22	-	5,029	-
Cash and cash equivalents	23	19,378	33,854	21,960
Assets classified as held for sale	11	277	-	-
<b>Current assets</b>		<b>26,619</b>	<b>47,478</b>	<b>27,456</b>
<b>Total assets</b>		<b>57,015</b>	<b>80,844</b>	<b>39,783</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	27	1,342	1,339	1,129
Share premium Account	27	88,260	88,202	39,368
Translation reserves		333	10	(22)
Share-based payment	28	3,249	2,711	968
Accumulated losses		(52,621)	(27,498)	(13,624)
<b>Equity attributable to equity holders of the parent</b>		<b>40,563</b>	<b>64,765</b>	<b>27,819</b>
<b>Total equity</b>		<b>40,563</b>	<b>64,765</b>	<b>27,819</b>
Provisions		116	24	10
Long term debt	25	28	379	371
Long term lease debt	25	7,043	7,356	7,650
<b>Non-current liabilities</b>		<b>7,186</b>	<b>7,759</b>	<b>8,031</b>
Current portion of long term debt	25	145	388	416
Current portion of lease building	25	313	294	277
Short term debt	25	2,351	2,735	-
Trade payables	24	3,599	2,752	2,338
Current tax liabilities	31	-	24	-
Other current Liabilities	24	2,685	2,127	902
Liabilities directly associated with assets classified as held for sale	11/25	172	-	-
<b>Current liabilities</b>		<b>9,265</b>	<b>8,320</b>	<b>3,933</b>
<b>Total equity and liabilities</b>		<b>57,015</b>	<b>80,884</b>	<b>39,783</b>

**3.1.3. Cash flow statement**

<b>Cash flow statement</b>	<b>Note</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash used in operations	12	(18,036)	(12,670)	(10,382)
Interest paid		(843)	(613)	(571)
<b>Net cash provided by (used in) operating activities</b>		<b>(18,879)</b>	<b>(13,283)</b>	<b>(10,953)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment		(418)	(1,052)	(1,204)
Purchases of intangible assets		(22)	0	0
Proceeds sales of property plant and equipment		-	13	1
Interest received		1,459	1,797	836
Acquisition of a business	31	(1,052)	(18,950)	-
Financial assets held for trading		5,029	(5,029)	-
<b>Net cash provided by (used in) investing activities</b>		<b>4,997</b>	<b>(23,220)</b>	<b>(367)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of long term debt		-	398	285
Proceeds from issuance of short term debt		-	2,732	
Capital increase		60	49,127	806
Principal payments debt		(717)	(694)	(869)
<b>Net cash provided by (used in) financing activities</b>		<b>(657)</b>	<b>51,563</b>	<b>222</b>
Net effect of currency translation on cash and cash equivalents		(77)	(6)	
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(14,616)</b>	<b>(15,054)</b>	<b>(11,098)</b>
<b>Cash and cash equivalents, beginning of period <sup>(*)</sup></b>		<b>38,834</b>	<b>23,780</b>	<b>34,878</b>
<b>Cash and cash equivalents, end of period <sup>(*)</sup></b>	23	<b>24,218</b>	<b>38,834</b>	<b>23,780</b>

(\*) Balance includes cash restricted in its use classified as non-current assets.

**3.1.4. Consolidated statement of changes in shareholders' equity**

	Common stock Shares	Carrying value	Issuance premium	Accumulated profit (loss)	Share-based compensation	Cumulative translation adjustment	Total
Balance at 31 Dec. 2005	14,762,794	1,107	38,584	(4,134)	194	2	35,753
Net loss 2006				(9,490)			
Capital increase through exercise of warrants	295,508	22	784				
Share-based payment					775		
Translation differences						(24)	
Balance at 31 Dec. 2006	15,058,302	1,129	39,368	(13,624)	968	(22)	27,819
Net loss 2007				(13,874)			
Capital increases through issue of new shares	2,551,229	191	47,940				
Capital increases through exercise of warrants	246,820	19	894				
Share-based payment					1,743		
Translation differences						33	
Balance at 31 Dec. 2007	17,856,351	1,339	88,202	(27,498)	2,711	10	64,765
Net loss 2008				(25,123)			
Capital increase through exercise of warrants	34,258	3	58				
Share-based payment					538		
Translation differences						323	
Balance at 31 Dec. 2008	17,890,609	1,342	88,260	(52,621)	3,249	333	40,563

## 3.2. Recognition and valuation rules

The principal accounting policies adopted when preparing these consolidated financial statements are set out below.

### 3.2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are presented in Euro (€).

These consolidated financial statements have been approved for issue by the Board of Directors on 10 March 2009.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The consolidated financial statements have been established assuming the company in going concern. The company has generated losses since its incorporation, which is inherent to the current stage of Devgen's business life cycle as a biotech company. Sufficient funds have been raised since its incorporation in order to finance the cash needs of its operations. Since the company is currently able to satisfy all financial liabilities and is able to fulfill all payments, the Board of Directors believes that the continuity of the company is not threatened. The company is actively pursuing different ways to strengthen its cash position and is confident that it will obtain sufficient cash in due course to pursue its strategy and to be able to become cash flow positive. Based on the current cash availability and anticipated revenues and/or cash inflows, the Board of Directors believes that the future of the research programs can be guaranteed at least for the following 12 months.

### 3.2.2. Standards and interpretations effective and issued

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue:

#### 3.2.2.1. Became applicable for 2008

- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)
- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (applicable for accounting years beginning on or after 1 January 2008)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments to be applied as from 1 July 2008 onwards)

#### 3.2.2.2. Issued but not yet effective

- IAS 1 Presentation of Financial Statements (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005
- Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003)
- Amendment to IFRS 2 – Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009)
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation (annual periods beginning on or after 1 January 2009)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (annual periods beginning on or after 1 July 2009)

- IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS Business Combinations as issued in 2004.
- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)
- Amendment to IAS 23 Borrowing Costs (applicable for accounting years beginning on or after 1 January 2009)
- Improvements to IFRS (2008) (normally applicable for accounting years beginning on or after 1 January 2009)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (normally prospective application for annual periods beginning on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)
- IFRIC 15 – Agreements for the construction of real estate (applicable for accounting years beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (applicable for accounting years beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (applicable for transfer of assets from customers received on or after 1 July 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group in the period of initial application.

### **3.2.3. Accounting policies**

#### **3.2.3.1. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. Per 31 December 2008, Devgen NV has five fully owned subsidiaries:

- (1) Devgen Pte Ltd in Singapore, incorporated on 26 February 2004
- (2) Devgen Seeds and Crop Protection Pvt Ltd in India, incorporated on 28 March 2007
- (3) Biodev NV in Belgium, incorporated on 8 November 2007
- (4) Devgen US Inc, incorporated on 29 November 2007
- (5) Devgen Pakistan Pte Ltd, incorporated on 12 December 2007

The results of its subsidiaries are included in the consolidated income statement from the effective date of incorporation. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### **3.2.3.2. Foreign currency translation**

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Euro (€), which is the company's presentation currency.

##### **Transactions and balances**

Transactions in currencies other than Euro (€) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange

rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized as income or as expense in the period in which the operation is disposed of.

### 3.2.3.3. Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (as per the date of exchange) of assets given, liabilities incurred or assumed, and equity instrument issued by the Group in exchange for control of the acquired subsidiaries and businesses, plus any costs directly attributable to the business combination. The acquired subsidiaries and businesses' identifiable assets, liabilities and contingent liabilities that meet the condition for recognition under IFRS 3 *Business Combinations* are recognized at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

### 3.2.3.4. Revenue recognition

#### Revenue derived from research collaboration agreements

A substantial part of the company's revenues have been derived from research collaboration agreements and grants from government agencies. Pursuant to such collaborations, the Group agrees to conduct research projects, as defined in the contract. Most of these agreements provide for up front fees for technology access fees, license fees, research & development payments and significant milestone and royalty payments.

- R&D payments are recognized as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of the company's full-time equivalents (FTE) at a specified rate per FTE.
- Technology access and license fees related to research conducted will be recognized as revenue over the expected term of the customer relationship under the terms of the agreement.
- Milestone payments are recognized as revenue when the amount of the milestone payment is determinable and the earnings process relative to the milestone has been fully completed.
- Royalties will be generated by the sales of products incorporating the Group's proprietary technology. Royalties are recognized once the amounts due can be reliably estimated based on the sale of the underlying products and when collect ability is assured. Where there is insufficient historical data on sales and returns to fulfill these requirements, the royalties will not be recognized until the Group can reliably estimate the underlying sales. This may be considerably later than when payment is received if subsequent adjustments for product returns are possible under the terms of the relevant contract. In situations where there is adequate financial information on sales, royalties are recorded based on the reports received from the licensee or based on estimated sales if the information has not been received.

Deferred revenue represents amounts received prior to revenue being earned.

#### Sale of goods

The revenue in the seed business is substantially all related to the sale of goods. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is reported net of sales taxes, returns, discounts and rebates. Rebates to customers are provided for in the same period that the related sales are recorded based on the contract terms. Provisions for estimated returns and allowances are recorded at the time of the sale based on historical rates of returns as a percentage of sales.

Devgen periodically enters into prepayment contracts with customers and receives advance payments for goods to be delivered in future periods. These advance payments are recorded as liabilities and presented as part of trade accounts payable. Revenue from sales of goods associated with advance payments is recognized only from the moment that shipments are made and title, ownership, and risk of loss pass to the customer.

### 3.2.3.5. Grants

#### Research grants

On certain specific research projects, the research costs incurred are partially reimbursed by IWT (Institute for the Promotion of Innovation by Science and Technology in Flanders), the European Commission or EDB (Economic Development Board, Singapore). These grants are recognized under government grant income when there is a reasonable assurance the Group will comply with the conditions attached to them and the grants will be received. The Group considers the overall recognition criteria being met when an award letter has been received, the related project costs have been incurred, and grant specific milestones have been achieved or are assumed to be reliably achieved in the future.

#### Investment grants

Grants from the Flemish Government relating to investments in property, plant and equipment and intangible assets are recognized when there is a reasonable assurance Devgen will comply with the conditions attached to them and the grant will be received. These grants are presented as a decrease in the cost of the related asset. Any outstanding receivables related to these grants are recorded under "grants receivable".

### 3.2.3.6. Property, plant and equipment

Property, plant and equipment are carried at historical costs less accumulated depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains and losses on disposals of property, plant and equipment are included in other income or expense.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their estimated residual values over their estimated useful lives as follows:

Buildings	15 years
Equipment	3 to 5 years
Hard and software	3 years
Furniture	5 years
Computer equipment under leasing	3 years
Leasehold improvements	in line with the term of the rental agreement
Vehicles	5 years

#### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its historical costs less accumulated depreciation and impairment.

#### Intangible assets

##### Internally-generated intangible assets

Research expenses are charged to the income statement as incurred.

An internally generated intangible asset arising from the Group's development is recognized only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortized on a straight-line basis over their useful lives. When no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

The Group considers that the regulatory, clinical or field trial risks inherent to the development of its products preclude it from capitalizing development costs.

As no internally generated intangible asset arising from the Group's development is recognized, all costs incurred to protect certain know-how of Devgen are expensed as incurred.

#### **Purchased intangible assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years.

Acquired knowledge in the form of licenses is recorded at cost less accumulated amortization and impairment. It is amortized over the shorter of the term of the license agreement and its estimated useful life.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

#### **Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the fair value of the identified assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating or business units expected to benefit from the synergies of the business combination. Cash-generating or business units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating or business unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

#### **3.2.3.7. Leases**

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessee**

Assets held under financial leases are initially recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Initial direct costs incurred in connection with the lease are added to the amount recognized as an asset. The corresponding liability to the lessor is included in the balance sheet as a financial obligation. Lease

payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly against income. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Rentals payable under operating leases are charged to income on a straight-line basis over the relevant lease term.

### **The Group as lessor**

Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term. Initial direct costs incurred by the lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

#### **3.2.3.8. Inventory**

Purchased products are valued at acquisition cost, while own-produced products are valued at manufacturing cost including appropriate portion of fixed and variable overhead expenses. In the balance sheet, inventory is valued at historical cost determined on a first-in-first-out basis, and this value is used for the cost of goods sold in the income statement. Allowances have been made for inventories with a net realizable value less than cost, or which are slow moving. Unsalable inventory has been fully written off.

#### **3.2.3.9. Biological assets**

Inventories of biological assets, principally young plants and cuttings in the seeds flowers business, are valued at fair value less estimated point of sale costs.

#### **3.2.3.10. Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less costs to sell.

#### **3.2.3.11. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### **3.2.3.12. Income taxes**

Income tax expense represents the sum of the tax currently payable and the deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted on the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Investment deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **3.2.3.13. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive). As a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

### **3.2.3.14. Pension benefit plans**

#### **Pension obligations**

The Group offers various pension schemes. The schemes are generally funded through payments to insurance companies. The major part of the pension obligations are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The company also has some defined benefit plans for gratuity available only for employees with a seniority of minimum five years.

#### **Share-based compensation**

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the warrants is recognized as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market based vesting conditions are included in assumptions about the number of warrants that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of warrants that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the warrants are exercised.

### **3.2.3.15. Financial instruments**

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### **Loans and receivables**

Loans and receivables are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables. Subsequent to initial recognition loans and receivables are recognized at amortized cost using the effective interest method less any impairment

losses.

### **Available for sale financial assets**

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being available for sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the profit or loss for the period.

### **Financial liability and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the after deducting all of its liabilities.

### **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Financial charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### **Trade payables**

Trade payables are not interest bearing and are stated at their nominal value.

### **Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### **Derivative financial instruments**

The company has no derivative financial instruments to hedge interest rate and foreign currency risks.

### **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available for sale and finance lease receivables, objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments,

an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### **Earnings per share**

Basic net profit (loss) per share is computed based on the weighted average number of ordinary shares outstanding during the period.

Diluted net profit (loss) per share is computed based on the weighted-average number of ordinary shares outstanding including the dilutive effect of warrants.

The profit or loss attributable to the parent entity is adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Ordinary shares should be treated as dilutive when their conversion to ordinary shares would decrease the net earnings per share from continuing ordinary operations.

### **Accounting for share-based payment transactions with parties other than employees**

For equity-settled share-based payment transactions with parties other than employees, the Group measures the goods or services received, and the corresponding increase in equity, directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. In that case, goods or services received are measured at the fair value of the equity instruments granted.

## **3.3. Notes to consolidated financial statements**

### **3.3.1. Note 1: Segment reporting**

#### **3.3.1.1. Business Segments**

In prior years, the Group was organized in two operating business units: Seeds and Crop Technologies, and Human Therapeutics. These business units were the basis on which the Group reported its primary segment information. Devgen Pte Ltd (Singapore), Devgen Seeds and Crop Technology Pvt Ltd (India), Devgen US Inc (USA) and Devgen Seeds Pakistan Pte Ltd (Pakistan) are an integral part of Seeds and Crop Technologies. Biodev NV (Belgium) is an integral part of Human Therapeutics.

Principal activities were as follows:

- Crop protection: research and development in the agrochemical and the biotech crop area, research and development, sales, distribution and marketing in the crop seeds area;
- Human therapeutics: research and development in the pharmaceutical area.

On 27 November 2008, the Group decided to dispose of its Human Therapeutics business unit. The disposal was completed on 31 December 2008. As a result, the Devgen Human Therapeutics business unit has ceased to exist and is reported under discontinued operations. The remaining business unit Devgen Seeds and Crop Technologies is reported under continued operations.

### 3.3.1.2. Geographical Segments

Revenues according to geographic area were as follows:

('000 of €)	2008	2007	2006
Belgium	80	1,288	1,680
United States	2,831	2,831	3,849
Japan	322	2,827	2,978
Singapore	-	-	352
New Zealand	18	-	-
India	6,048	119	-
Pakistan	45	219	-
<b>Total</b>	<b>9,344</b>	<b>7,284</b>	<b>8,859</b>

Assets according to geographic area were as follows:

('000 of €)	2008	2007	2006
Belgium	48,322	77,171	39,034
United States	-	-	-
Singapore	5,600	509	750
India	3,092	2,979	-
Pakistan	-	184	-
<b>Total</b>	<b>57,015</b>	<b>80,844</b>	<b>39,784</b>

Revenues and assets are attributed to countries based on location of customer or grant institution.

### 3.3.2. Note 2: Marketing and distribution expenses

('000 of €)	2008	2007	2006
Staff costs	580	43	-
Marketing	425	28	-
Distribution	191	4	-
Facilities	121	11	-
Corporate expenses	157	5	-
<b>Subtotal</b>	<b>1,475</b>	<b>91</b>	<b>-</b>
Depreciation and amortization	906	-	-
<b>Total marketing and distribution expenses</b>	<b>2,381</b>	<b>91</b>	<b>-</b>

### 3.3.3. Note 3: Research and development expenses

('000 of €)	2008	2007	2006
Staff costs	3,179	3,451	3,625
Share based payment	(6)	104	232
Laboratory expenses	545	501	669
Outsourcing	7,126	3,946	3,070
Patent expenses	757	533	313
License expenses	77	5	75
Facilities	791	686	613
External advice	61	69	33
Corporate expenses	670	558	350
<b>Subtotal</b>	<b>13,200</b>	<b>9,853</b>	<b>8,978</b>
Depreciation and amortization	1,222	939	764
<b>Total research and development expenses</b>	<b>14,422</b>	<b>10,793</b>	<b>9,743</b>

**3.3.4. Note 4: General and administrative expenses**

('000 of €)	2008	2007	2006
Staff costs	3,232	2,508	2,653
Share based payment	489	1,489	470
Facilities	863	447	710
External advice	1,002	326	414
Corporate expenses	209	213	210
<b>Subtotal</b>	<b>5,795</b>	<b>4,984</b>	<b>4,457</b>
Depreciation and amortization	142	110	117
<b>Total general and administrative expenses</b>	<b>5,937</b>	<b>5,093</b>	<b>4,574</b>

**3.3.5. Note 5: Other operating income**

('000 of €)	2008	2007	2006
Rent income	135	173	172
Other operating income	131	39	66
<b>Total other operating income</b>	<b>266</b>	<b>212</b>	<b>237</b>

**3.3.6. Note 6: Financial income**

('000 of €)	2008	2007	2006
Interest income on financial assets	1,459	1,797	836
Other financial income	228	42	7
<b>Total financial income</b>	<b>1,688</b>	<b>1,839</b>	<b>843</b>

**3.3.7. Note 7: Financial expenses**

('000 of €)	2008	2007	2006
Interest charges on financial liabilities	826	601	563
Other financial expenses	177	207	40
<b>Total financial expenses</b>	<b>1,003</b>	<b>808</b>	<b>603</b>

**3.3.8. Note 8: Employee benefits (from continued operations)**

('000 of €)	2008	2007	2006
Wages, salaries and bonuses	4,591	3,909	3,878
Social security costs	968	915	991
Share based compensation expense	491	1,471	505
Pension costs – defined contribution plans	237	211	233
Other	-	1	-
<b>Total employee benefit costs</b>	<b>6,288</b>	<b>6,506</b>	<b>5,607</b>
Share warrants granted (in '000 of number)	47	248	92

The company has various defined contribution plans, some available to substantially all employees, some only available to a selected group of employees. Employees contribute from 0% up to 12% of their annual compensation while the company contributes from 4% up to 15% of the employees' annual compensation. The company also has some defined benefit plans for gratuity available only for employees with a seniority of minimum five years.

The number of average full time equivalents was (executive directors included):

In numbers	2008	2007	2006
Executive directors	1	2	2
R&D, Marketing and distribution	88	47	47
General and administrative staff	57	24	21
<b>Total average full time equivalents</b>	<b>146</b>	<b>74</b>	<b>70</b>

### 3.3.9. Note 9: Operating leases

('000 of €)	2008	2007	2006
Lease payments recognized as an expense (as lessee)	641	270	269
Lease payments recognized as income (as lessor)	135	173	171

### 3.3.10. Note 10: Income Taxes

('000 of €)	2008	2007	2006
Current taxes	0	0	0
Deferred taxes (see note 26)	0	0	0
<b>Total income taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>

A reconciliation setting forth the difference between the expected income tax of the Group and the actual tax charge is as follows:

('000 of €)	2008	2007	2006
Expected income tax credit, computed by applying the statutory tax rate to the book loss	(8,539)	(4,716)	(3,226)
Effect of tax incentives	(1,986)	(1,133)	(414)
Tax effects of costs directly recognized against equity under IFRS	26	(494)	0
Non recognized deferred tax assets on tax loss carry forward	10,623	5,741	2,953
Effect of expenses that are not deductible in determining taxable profit	269	697	329
Other	(392)	(95)	357
<b>Effective income taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 3.3.11. Note 11: Discontinued operations

On 27 November 2008, the Group decided to discontinue its Human Therapeutics business unit. The disposal was completed on 31 December 2008. As a result, the Devgen Human Therapeutics business unit has ceased to exist and is reported under discontinued operations.

On 16 December 2008 the Group had reached a collective labor agreement following negotiations with the social partners. This agreement is a result of the previously announced intention to close Devgen's Human Therapeutics division. This closure lead to the dismissal of the remaining 19 employees, active in this division, the whole process was terminated effective 31 December 2008. All 19 employees have been given the possibility to exercise his/her warrants which were offered under the 2005 warrant plan until the second exercise period of 2012. Also, an accelerated vesting at the latest per 31 December 2008 for all warrants granted to these employees under the 2005 warrant plan was agreed under this collective labor agreement.

Analysis of the loss from discontinued operations:

<b>Discontinued operations</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
<b>Revenues</b>	<b>(20)</b>	<b>593</b>	<b>448</b>
Research and development services	-	-	-
Sales of goods	-	-	-
Government grant income	(20)	593	448
Cost of goods sold	-	-	-
<b>Gross profit</b>	<b>(20)</b>	<b>593</b>	<b>448</b>
Marketing and distribution expenses	-	-	-
Research and development expenses	(8,035)	(6,522)	(4,929)
General and administrative expenses	(466)	(127)	(43)
Other operating income	13	23	14
<b>Operating profit / (loss)</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>

Financial income	-	-	-
Financial expense	-	-	-
<b>Profit / (loss) before taxes</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>
Income taxes	-	-	-
<b>Profit / (loss) for the year from discontinued operations</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>

Analysis of the cash flows from discontinued operations:

<b>Discontinued operations</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
Net cash flows from operating activities	(8,142)	(5,629)	(4,259)
Net cash flows from investing activities	(8)	(332)	(531)
Net cash flows from financing activities	(48)	-	-
<b>Net cash flows from discontinued operations</b>	<b>(8,198)</b>	<b>(5,961)</b>	<b>(4,790)</b>

Assets classified as held for sale:

'000 of € / year ended 31 December	<b>2008</b>	<b>2007</b>	<b>2006</b>
Property, plant and equipment	277	-	-

Liabilities directly associated with assets classified as held for sale:

'000 of € / year ended 31 December	<b>2008</b>	<b>2007</b>	<b>2006</b>
Financial leases	172	-	-

### 3.3.12. Note 12: Cash used in operations

('000 of €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net loss	(25,123)	(13,874)	(9,490)
Adjustments for:			
Income taxes	-	-	-
Depreciation of intangible assets	1,510	304	55
Depreciation of property, plant and equipment	1,117	1,013	1,003
Profit / (loss) disposal on property, plant and equipment	37	-	-
Shared based payment expense	538	1,743	775
Interest expense	842	615	571
Interest income	(1,459)	(1,797)	(836)
Net movement in provisions	97	4	-
Net movement trade and other receivables	391	(1,244)	(2,342)
Net movement trade and other payables	2,453	418	(94)
Rental deposit	(12)	(4)	(3)
Net movement in inventory and biological assets	1,594	(222)	
Other	(21)	374	(21)
<b>Cash used in operations</b>	<b>(18,036)</b>	<b>(12,670)</b>	<b>(10,382)</b>

### 3.3.13. Note 13: Goodwill

('000 of €)	<b>Goodwill</b>
<b>At 31 December 2007</b>	
Cost (first time recognition)	7,855
Accumulated impairment losses	-
Net carrying amount	7,855
<b>Year ended 31 December 2008</b>	
Recognized on business combination during the year	-
Impairment loss for the year	-
Exchange differences	-

Eliminated on disposal of a subsidiary	-
<b>At 31 December 2008</b>	
Cost	7,855
Accumulated impairment losses	-
Net carrying amount	7,855

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The goodwill at 31 December 2008 amounted to € 7,855 ('000), and is integrally related to a business acquisition (see note 31).

This goodwill has been allocated for impairment testing to the Cash Generating Unit (CGU) defined as Devgen Seeds and Crop Technology in India & Philippines. The carrying amount of this CGU amounts to € 16.072 ('000) of which € 7,855 ('000) relates to goodwill.

The yearly impairment test was conducted based on the detailed business planning management was able to prepare over the last year and taking into account the fact that Devgen Seeds and Crop Technology is now fully operational as an integrated premium hybrid seed company in India and all steps have been taken to start the business in the Philippines as of 2009.

The recoverable amount for this CGU has been determined based upon a value in use calculation. Cash flows for a period of five years were projected which were based upon financial plans approved upon by the management and presented to and discussed with the Board. The residual value was based upon a perpetuity of cash flows with a growth rate of 3% and an EBTIDA margin which is equal to the EBITDA margin planned for 2013. The cash flows are discounted at a post-tax discount rate of 15%. The results of this test revealed that the value in use exceeds the carrying amount of the CGU.

**Key assumptions:**

- Cash flows for the first five years (2009-2013) include substantial growth of the business during the first five years, which is however largely in line with expectations on how the market for hybrid seeds is going to grow over this period.
- The relation COGS/SALES will improve due on the one hand to higher prices for new products launched out of the existing pipeline, and on the other hand due to improvements in production processes resulting in lower COGS.
- As of 2014 a conservative growth plan with sales growing at 3% per annum was assumed.
- Only cash flows for India (including export activities out of India) and cash flows generated in the Philippines were taken into account. Cash flows from operations to be started up in other countries in South East Asia (e.g. Indonesia) are not taken into account despite the fact that this business to a large extent will be built on assets acquired – i.e. products available in the product portfolio and pipeline acquired at the time of acquisition. As such expected cash flows generated in these locations could have been added, but were not.

**Key sensitivities:**

- Cash flows were calculated taken into account a tax exempt situation for India based on the tax regime applicable for "agricultural income" (Indian Income Tax art. 1961). As an alternative a standard income tax (34%) was applied on revenues generated in India. This did not change the outcome of the test.
- A post-tax discount rate of 15% was applied compared to 12.5% used for the valuation purposes of the intangibles assets at the time of acquisition. The higher discount rate used can be considered as an extra sensitivity built-in. Management believes that because of the successful business implementation in India, operational risks have been considerably reduced compared to 12 months ago.
- If the cumulative sales over the five year period would be 20% lower, whereby it is reasonable to state that the cost structure of the company can be timely adjusted to the lower level of sales, the recoverable amounts still exceed the carrying amount of the CGU.

Based on the analysis above, no impairment on goodwill was recognized in 2008.

**3.3.14. Note 14: Intangible Assets**

('000 of €)	Licenses	Technical know-how	Trademarks	Dealer relationship	Other	Total
<b>At 31 December 2005</b>						
Cost	529					529
Accumulated depreciations	(335)					(335)
Net carrying amount	194					194
<b>Year ended 31 December 2006</b>						
Additions	-					-
Disposals	-					-
Movements from other category	-					-
Depreciation charge	(55)					(55)
Net carrying amount	(135)					(135)
<b>At 31 December 2006</b>						
Cost	522					522
Accumulated depreciations	(387)					(387)
Net carrying amount	135					135
<b>Year ended 31 December 2007</b>						
Additions	-					-
Acquired through business acquisition	-	4,393	1,884	1,703	1,611	9,591
Disposals	(8)	-	-	-	-	(8)
Movements from other category	-	-	-	-	-	-
Depreciation charge	(49)	(73)	(33)	(109)	(32)	(297)
Net carrying amount	78	4,320	1,851	1,594	1,578	9,422
<b>At 31 December 2007</b>						
Cost	514	4,393	1,884	1,703	1,611	10,105
Accumulated depreciations	(436)	(73)	(33)	(109)	(33)	(683)
Net carrying amount	78	4,320	1,851	1,594	1,578	9,422
<b>Year ended 31 December 2008</b>						
Additions	22					22
Acquired through business acquisition	-					-

Disposals	-						-
Movements from other category	9						9
Depreciation charge	(48)	(441)	(198)	(632)	(195)		(1,515)
Net carrying amount	61	3,879	1,653	961	1,383		7,937
<b>At 31 December 2008</b>							
Cost	545	4,393	1,884	1,703	1,611		10,136
Accumulated depreciations	(484)	(514)	(231)	(741)	(228)		(2,199)
Net carrying amount	61	3,879	1,653	961	1,383		7,937

The intangible assets at 31 December 2008 amounted to € 7,937 ('000) (as compared to € 9,422 ('000) in 2007), comprising an amount of € 7,877 ('000) of intellectual property rights integrally related to a business acquisition (see note 31).

Per 31 December 2008, the material individual intangible assets are (in '000 €):

• Technical know how	3,889
• Technical know how sublicenses	34
• Trademarks	1,653
• Trademark licenses	0
• Dealer relationship	961
• Vendor relationship	820
• Non compete fees	259
• Copyrights	260
• Licenses	61

No intangibles are restricted or pledged or classified as held for sale.

Per 31 December 2008, the most important intangible assets of the Group consist of the following categories with their respective useful lifetimes as used for the amortization:

• Technical know how	10 years
• Technical know how sublicense	10 years
• Trademarks	10 years
• Dealer relationship	1 to 3 years
• Vendor relationship	10 years
• Non compete fees	5 years
• Copyrights	10 years
• Licenses	10 years
• Trademark in license	1 year

The amortization of intangible assets is included in the research and development, and in the marketing and distribution expense line of the income statement.

**3.3.15. Note 15: Property, plant and equipment**

('000 of €)	Land	Building Under lease	Equipment	Hard & Software	Furniture	Vehicles	Computer Equipment under leasing	Leasehold Improvements	Assets under construction	Total
<b>At 31 December 2005</b>										
Cost		8,000	6,182	1,269	543	1	480	414		16,889
Accumulated depreciation		(420)	(5,620)	(1,161)	(454)	(1)	(356)	(30)		(8,042)
Net carrying amount		7,580	562	108	89	0	124	384		8,847
<b>Year ended 31 December 2006</b>										
Additions			654	4	48	6	285	207		1,204
Disposals										0
Movements from other category										0
Depreciation charge		(229)	(445)	(56)	(39)	(1)	(156)	(37)		(963)
Net carrying amount		(229)	209	(52)	9	5	128	170		241
<b>At 31 December 2006</b>										
Cost		8,000	6,836	1,273	591	7	765	621		18,094
Accumulated depreciation		(649)	(6,065)	(1,217)	(493)	(2)	(512)	(67)		(9,005)
Net carrying amount		7,351	771	56	98	5	253	555		9,089
<b>Year ended 31 December 2007</b>										
Additions			208	137	15	58	398	102	135	1,053
Acquired through business acquisition			470	8	3	20				501
Disposals			(52)							(52)
Movements from other category										
Depreciation charge		(229)	(370)	(56)	(35)	(12)	(167)	(51)	(0)	(921)
Net carrying amount		(229)	256	89	(18)	66	231	51	135	581

**At 31 December 2007**

Cost		8,000	7,462	1,418	609	85	1,163	723	135	19,595
Accumulated depreciation		(878)	(6,436)	(1,273)	(528)	(14)	(679)	(118)	(0)	(9,926)
Net carrying amount		7,122	1,026	145	81	71	484	605	135	9,669

**Year ended 31  
December 2008**

Additions	103		129	115	86	57		45	22	557
Disposals			(357)	(1)					(157)	(515)
Assets reclassified as held for sale			(1,328)				(220)			(1,548)
Movements from other category			(58)							(58)
Depreciation charge		(229)	(353)	(74)	(54)	(26)	(235)	(57)		(1,027)
Depreciation reclassified related to assets held for sale			1,171				100			1,271
Net carrying amount	103	(229)	(797)	40	32	31	(355)	(11)	(135)	(1,321)

**At 31 December 2008**

Cost	103	8,000	5,847	1,532	695	142	943	769	157	18,031
Accumulated depreciation		(1,107)	(5,618)	(1,347)	(582)	(40)	(815)	(175)	(157)	(9,683)
Net carrying amount	103	6,893	229	185	113	102	129	594	0	8,348

The property, plant and equipment at 31 December 2008 amounted to € 8,348 ('000) (as compared to € 9,669 ('000) in 2007).

Property, plant and equipment reclassified as held for sale amounts to € 277 ('000) and fully relates to the discontinued operations of the Devgen Human Therapeutics division (see note 11).

The bank borrowing for the building is secured with the building. Vehicles and computer equipment under leasing are secured with their underlying assets.

**3.3.16. Note 16: Investment property**

('000 of €) / at 1 January	2008	2007	2006
Cost	1,400	1,400	1,400
Accumulated depreciation	(195)	(155)	(115)
<b>Net carrying amount</b>	<b>1,204</b>	<b>1,245</b>	<b>1,285</b>
Rental income recognized	135	171	171
<b>Fair value</b>	<b>1,125</b>	<b>1,125</b>	<b>1,125</b>

The investment property at 31 December 2008 amounted to € 1,204 ('000) (as compared to € 1,245 ('000) in 2007). No investment property has been classified as held for sale.

**3.3.17. Note 17: Inventory**

('000 of €)	2008	2007	2006
Raw materials and auxiliaries	430	463	-
Work in progress	-	652	-
Finished goods	498	997	-
<b>Total inventory</b>	<b>928</b>	<b>2,112</b>	<b>-</b>
Costs of inventory recognized as an expense during the period ('000 of €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Costs of goods sold	4,277	390	-
Write-downs of inventory to net realizable value	82	-	-
Reversal of write-downs of inventory to goodwill	(318)	-	-
<b>Total costs of goods sold</b>	<b>4,170</b>	<b>390</b>	<b>-</b>

The inventory at 31 December 2008 amounted to € 928 ('000) (as compared to € 2,112 ('000) in 2007). The trade inventory acquired through the business acquisition in 2007 (see note 31) has been fully sold as per 31 December 2008.

**3.3.18. Note 18: Biological assets**

('000 of €)	2008	2007	2006
Standing crops	34	38	-
<b>Total standing crops</b>	<b>34</b>	<b>38</b>	<b>-</b>

The biological assets at 31 December 2008 amounted to € 34 ('000) (as compared to € 38 ('000) in 2007).

**3.3.19. Note 19: Grants receivable**

('000 of €)	2008	2007	2006
Grants receivable	945	1,547	2,129
<b>Total grants receivable</b>	<b>945</b>	<b>1,547</b>	<b>2,129</b>

No allowances for doubtful debts have been recognized relating to the grants receivable in current or prior years. Per 31 December 2008 and 31 December 2007, there are no material past due or impaired grants receivables.

The credit risk relating to the grants receivable is limited because of the debtors being public governmental institutions and the Group's management considers all conditions fulfilled to collect the grants in the future.

**3.3.20. Note 20: Trade receivables**

('000 of €)	2008	2007	2006
Trade receivables	2,466	2,429	1,973
Allowance for doubtful debts	-	-	-
<b>Net trade receivables</b>	<b>2,466</b>	<b>2,429</b>	<b>1,973</b>

The trade receivables consist of 2 classes:

- Trade receivables relating to the seed business € 345 ('000), consisting of a large number of small receivables from the sale of trade goods. The credit exposure is managed in accordance with standard business practice supported by consistent and regular credit worthiness checks for new and existing customers.
- Other trade receivables, mainly relating to the research collaborations agreements, € 1,730 ('000) is due from the largest customer. There are no other customers who represent more than 10 % of the total balance of trade receivables per 31 December 2008. This concentration risk is mitigated due to the customers being large, established and unrelated.

No allowance for doubtful debts has been recognized in current or prior year.

**Ageing of past due but not impaired trade receivables**

('000 of €)	2008
Not overdue	2,301
60 – 90 days	94
90 – 120 days	-
120 – 180 days	71
More than 180 days	-
<b>Total past due but not impaired trade receivable</b>	<b>2,466</b>

The 60-90 days overdue trade receivables of € 94 ('000) fully relates to seed sales in India for which collection risk is not considered to be impaired. The 120-180 days overdue trade receivables of € 71 ('000) fully relates outstanding rent receivable for which the credit risk is considered to be very low and for which the settlement is foreseen in February 2009.

**3.3.21. Note 21: Prepaid expenses and other current assets**

('000 of €)	2008	2007	2006
Taxes receivable	679	496	400
Interest income receivable	120	297	88
Social expenses prepaid	245	248	223
Deferred charges	1,234	1,316	667
Accrued income	-	-	2
Guarantees paid	34	19	15
Other receivables	279	93	-
<b>Total prepaid expenses and other current assets</b>	<b>2,590</b>	<b>2,469</b>	<b>1,395</b>

**3.3.22. Note 22: Available-for-sale financial assets**

('000 of €)	2008	2007	2006
Floating rate note	-	5,029	-
<b>Total available-for-sale financial assets</b>	<b>-</b>	<b>5,029</b>	<b>-</b>

No available-for-sale financial assets were held as per 31 December 2008.

**3.3.23. Note 23: Cash and cash equivalents**

('000 of €)	2008	2007	2006
Cash on hand	12	7	8
Cash at bank	19,366	22,552	14,018
Short term bank deposits	-	-	-
Highly liquid commercial paper	-	11,295	7,934
<b>Total cash and cash equivalents</b>	<b>19,378</b>	<b>33,854</b>	<b>21,960</b>

The Group has developed an appropriate risk management framework for the management of its short, medium and long-term funding and liquidity requirements. The Group makes use of liquid investments in currency or term accounts, commercial paper and treasury notes. Each instrument in this balanced portfolio possesses high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 3 months.

**3.3.24. Note 24: Trade payables and other current liabilities**

('000 of €)	2008	2007	2006
Trade payables	3,599	2,752	2,338
Taxes other than income taxes payable	-	-	-
Employee benefits	949	708	745
Accrued charges	1,488	54	106
Deferred income	52	50	51
Amounts payable for the acquisition of a business	-	1,040	-
Other	196	275	-
<b>Total trade payables and other current liabilities</b>	<b>6,284</b>	<b>4,879</b>	<b>3,240</b>

The trade payables and other current liabilities at 31 December 2008 amounted to € 6,284 ('000) (as compared to € 4,879 ('000) in 2007).

**3.3.25. Note 25: Borrowings**

('000 of €)	2008	2007	2006
<b>Non-current</b>			
Secured	7,202	7,735	7,821
Non-secured	-	-	200
<b>Total non-current borrowings</b>	<b>7,202</b>	<b>7,735</b>	<b>8,021</b>
<b>Current</b>			
Secured	2,850	3,217	393
Non-secured	-	200	300
<b>Total current borrowings</b>	<b>2,850</b>	<b>3,417</b>	<b>693</b>

The building, vehicles and computer equipment under leasing borrowings are secured with their underlying assets.

The current borrowings include a bank loan of € 2,351 ('000) (160 million Indian Rupees, fixed interest rate of 15.5%) secured by a cash pledge of € 3,300 ('000).

The other borrowings are non-secured but are subject to the following covenants:

- The irrevocable obligation to keep the solvency ratio at a minimum level of 20%;
- The irrevocable obligation to obtain prior permission from the bank in case the assets of the company would be pledged in favor of another institution;

- The irrevocable obligation to grant the same guarantees to the bank in the same range and in the same proportion to the granted or to be granted guarantees, as the company would grant to this other institution.

The carrying amounts of short-term borrowings approximate their fair value.

The Group has no un-drawn borrowing facilities at 31 December 2006, 2007 and 2008.

### Obligations under financial leases

('000 of €)	Minimum lease payments		
	2008	2007	2006
Amounts payable under finance lease (capital and interests portions included)			
Within one year	972	990	906
In the second to fifth year	3,245	3,489	3,262
After five years	7,031	7,798	8,566
	<b>11,248</b>	<b>12,277</b>	<b>12,734</b>
Less future finance charges	3,547	4,059	4,506
Present value of lease obligations	7,701	8,218	8,228
Less amount due for settlement within 12 months	473	507	507
<b>Amount due for settlement after 12 months</b>	<b>7,228</b>	<b>7,711</b>	<b>7,721</b>

Financial leases relate to the financing of computer equipment and building.

Devgen has a purchase option at the end of each finance lease contract to acquire the leased assets. For the computer equipment, this purchase option amounts to 1% of the acquisition value of the leased assets, which matches the amount of the finance lease at inception. For the building lease the purchase option amounts to € 3,000 ('000) in 2019.

The fair value of the finance lease liabilities is approximately equal to their carrying amounts.

### 3.3.26. Note 26: Deferred Income Taxes

Due to the uncertainty surrounding the Group's ability to realize taxable profits in the near future the company did not recognize any deferred tax assets.

The Group has net tax loss carry forwards, available to reduce future corporate income taxes, if any. These carry forwards, except for notional interest deduction credit for an amount of € 5,844 ('000), which can be offset against future income for a period of maximum 7 years, can be offset against future income of the Group for an indefinite period and can be summarized as follows:

('000 of €)	2008	2007	2006
Net tax loss carry forwards	95,633	58,786	41,896
Non recognized deferred tax	32,506	19,981	14,240

Furthermore, the tax loss carry forwards also include R&D investment related tax credits for an amount of € 197 ('000) which could become cash collectible after 5 years if offset against future income is not realized.

Other deductible temporary differences for which no deferred tax assets are recognized:

('000 of €)	2008	2007	2006
Tax credits	3,109	6,444	4,326
Other temporary differences	(1,245)	(729)	240
Non-recognized deferred tax assets	634	1,943	1,552

Tax credits include R&D investment related tax credits which can also be offset against future income. Other temporary differences include € 1,125 ('000) related to the fair value valuation of the intangibles acquired in a business combination (see note 31).

### 3.3.27. Note 27: Share Capital

The various components of Shareholders' equity for the periods 31 December 2006, 31 December 2007 and 31 December 2008 are presented in the Consolidated Statement of Shareholders' Equity. During the year 2008, the share capital increased as follows:

- Through the exercise of 25,149 existing warrants into the same number of new shares on 7 April 2008 with a resulting statutory capital increase of € 58,331.05.
- Through the exercise of 9,109 existing warrants into the same number of new shares on 13 October 2008 with a resulting statutory capital increase of € 12,801.99.

By a decision of the Extraordinary Shareholders' Meeting of 20 June 2008, the company has been allowed to issue 750,000 warrants for the benefit of the CEO, employees and consultants, of which 18,852 warrants were granted as per 31 December 2008; and 11,724 warrants for the benefit of board members, all of which were granted as per 31 December 2008.

All new shares are listed on Eurolist by Euronext Brussels.

	2008	2007	2006
<i>Class Common Stock</i>			
issued and outstanding	17,890,609	17,856,351	15,058,302
par value	0.075	0.075	0.075
issuance premium	4.933	4.940	2.614

At the end of 2008, the issued share capital of Devgen amounted to € 1,341,793 represented by 17,890,609 common shares without nominal value. The statutory share premium amounted to € 92,433,876. The reconciliation is shown in the Consolidated Statement of Shareholders' Equity.

- *Voting rights* – each share of Devgen is entitled to one vote per share.
- *Dividends* – Devgen has never declared or paid dividends on its shares and does not anticipate paying any dividends in the foreseeable future. Under Belgian law, the company is required to set aside at least 5% of its net profits during each financial year and contribute such sum to the legal reserve until such reserve has reached an amount equal to 10% of the company's share capital. As of 31 December 2008, there were no profits available for distribution under Belgian law.
- *Liquidation rights* – In the event of a dissolution of the company, the assets and the proceeds from the sale of the assets remaining after payment of all debts, liquidation expenses and preferences, and taxes are to be distributed among the shareholders on a pro rata basis to their shareholding, after deduction of any amounts that are still to be paid up with regard to preferential rights, if any.
- *Preferential subscription rights* – On the occasion of any capital increase in cash, or issue of convertible bonds or warrants, the company's shareholders have a preferential subscription right. Such preferential subscription right is proportionate to the shareholder's participation in the company's capital at the time of the capital increase or the issuance of convertible bonds or warrants. The preferential subscription right can be restricted or cancelled by a resolution approved by 75% of the votes validly cast at a Shareholders' Meeting where, in principle, at least 50% of the company's share capital is present or represented.

### 3.3.28. Note 28: Share based payment schemes

The company has created several pools of warrants for grant to employees, directors, consultants and research institutions.

All amounts mentioned take into account the combination of shares and warrants at a ratio of one new share/warrant for 3 existing shares/warrants (as decided by the General Shareholder's Meeting on 29 April 2005).

#### Summary table of warrants granted

Creation date of plan	Total number created	Grant date	Total number granted	Total number canceled	Exercise price (in €)	Beneficiary
27/09/1999	296,107	30/09/1999	119,167	133,181	1.14	Employees
		31/08/2000	31,250		3.18	Employees
		12/07/2000	12,500		2.79	Employees
27/09/1999	162,004	27/09/1999	4,934	5,666	1.14	Consultants
		30/09/1999	89,448		1.14	Directors and consultants
		18/09/2000	17,622		3.18	Directors and consultants
22/09/2000	550,000	17/07/2003	44,334	104,135	1.47	Directors
		20/12/2000	148,479		3.18	Employees, Directors and consultants
		12/10/2000	11,364		3.18	Employees, Directors and consultants
		28/01/2002	81,918		2.91	Employees, Directors and consultants
		17/07/2003	43,507		1.47	Employees and Directors
		26/07/2004	187,004		1.23	Employees and Directors
21/12/1999	8,938	21/12/1999	8,938	0	3.025	Research institution
21/12/1999	132,223	21/12/1999	105,778	0	1.143	Research institution
01/06/2004	64,667	29/06/2005	32,000	0	1.23	Research institution
12/12/2005	643,334	12/12/2005	187,000	73,209	9.49	Employees and Directors
		1/02/2006	39,320		11.54	Employees and Directors
		3/02/2006	42,832		11.67	Employees and Directors
		30/06/2006	20,016		14.00	Employees and Directors
		3/07/2006	15,000		14.25	Employees and Directors
		23/03/2007	10,008		21.57	Employees
		26/03/2007	19,992		21.57	Employees
		28/03/2007	54,756		21.61	Employees and Directors
		1/06/2007	209,016		20.73	Directors
		15/3/2008	1,008		13.00	Employees
		16/3/2008	1,980		13.00	Employees
		17/03/2008	24,624		13.00	Employees
		20/06/2008	10,008		13.26	Employees
20/06/2008	750,000	20/06/2008	15,000	0	13.26	Employees
			3,852	0	14.40	Consultants
20/06/2008	11,724	20/06/2008	11,724	2,931	14.40	Directors

### **3.3.28.1. Warrant pool 1999 for employees**

By a decision of the Extraordinary Shareholders' Meeting on 27 September 1999, the company was allowed to issue a maximum of 296,107 warrants to its employees under its 1999 stock option plan, to purchase ordinary shares. The warrants were granted with an exercise price equal to the fair market price of the underlying class shares at the date of grant, as determined by the Board of Directors.

The warrants are granted to selected beneficiaries by decision of the Nomination and Remuneration Committee or the Board of Directors. Under this plan, the warrants vest rateably over four years: 25% of the warrants vest after one year, after that date the remaining 75% become vested on a monthly basis (2.083% per month). All warrants are granted for free.

The duration of the warrants is ten years from the date of creation of the warrants. Except in the event of liquidation, the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year). All vested warrants under this plan have become exercisable, except for these warrants subject to lock-up arrangements.

As of 31 December 2008, there are no warrants available for future grants to employees under this plan. On 12 December 2005, 133,181 existing warrants which were no longer exercisable or which have never been granted have been removed.

All warrants offered to employees from these 1999 plans were granted before 7 November 2002.

### **3.3.28.2. Warrant pool 1999 for directors, consultants and research institutions**

By decisions of the Extraordinary Shareholders' Meeting on 27 September 1999 and 21 December 1999, the company was allowed to issue a maximum of 162,004 warrants to directors and consultants and 141,161 warrants to two specific research institutions.

The warrants granted to directors and consultants have an exercise price equal to the fair market price of the underlying class C shares at the date of grant, as determined by the Board of Directors, and vest ratably over 4 years: 25% of the warrants vest after one year, after that date the remaining 75% become vested on a monthly basis (2.083% per month). The warrants for specific research institutions are granted at the occasion of the achievement of certain specific milestones as defined in the individual contracts. All warrants are granted for free.

The warrants are granted to selected beneficiaries by decision of the Nomination and Remuneration Committee or the Board of Directors. The duration of the warrants for directors and consultants is ten years from the date of creation of the warrants. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year). All vested warrants under this plan have become exercisable, except for these warrants subject to lock-up arrangements.

As of 31 December 2008, there are no warrants available for future grants to directors and consultants. As of 12 December 2005, 5,666 existing warrants which have never been granted have been removed.

As of 31 December 2008 the company had issued 141,161 warrants for 2 research institutions, which will vest upon reaching certain milestones under the research agreement of which 114,716 warrants under this plan were granted and fully vested as of 31 December 2008. There are 26,445 warrants available for future vesting granted to these research institutions.

The duration of the warrants granted to research institutions is ten years from the date of creation of the warrants. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year). All vested warrants under this plan have become exercisable.

The warrants granted to the research institutions have a fixed exercise price, which may differ from the fair market price of the underlying class shares at the date of grant, as determined by the Board of

Directors.

All warrants granted to directors, consultants and research institutions from these 1999 plans were granted before 7 November 2002, except for 44,333 warrants which were granted to directors on 17 July 2003.

#### **3.3.28.3. Warrant pool 2000 for employees, directors and consultants**

By a decision of the Extraordinary Shareholders' Meeting of 22 September 2000, the company was allowed to issue a maximum of 550,000 warrants to its employees, directors and consultants under this 2000 warrant plan, to purchase ordinary shares. These warrants have an exercise price equal to the fair market price of the underlying class shares at the date of offer, as determined by the Board of Directors and vest ratably over 4 years: 25% of the warrants vest after one year, after that date the remaining 75% become vested on a monthly basis (2.083% per month), except if decided otherwise by the company. All warrants are granted for free.

As of 31 December 2008, there are no warrants available for future grants to employees, board members and consultants under this 2000 plan. As of 31 December 2008, 104,135 warrants have been cancelled.

The warrants under this 2000 warrant plan are granted to selected beneficiaries by decision of the Nomination and Remuneration Committee or the Board of Directors. The duration is ten years from the date of creation of the warrants, respectively 22 September 2000. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year).

From this plan, 232,500 warrants were granted after 7 November 2002.

#### **3.3.28.4. Warrant pool Temasek Life Sciences Laboratory**

By a decision of the Extraordinary Shareholders' Meeting of 1 June 2004, the company was allowed to issue 64,667 warrants for the benefit of a specific research institution, to purchase ordinary shares. As of 31 December 2007, 32,000 warrants were granted under this plan.

The duration of the warrants is five years from the date of creation of the warrants. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year). All granted warrants under this plan have been exercised in December 2005. All warrants are granted for free.

As of 31 December 2008, there are 32,667 warrants available for future grant to this research institution.

#### **3.3.28.5. Warrant pool 2005 for employees, directors and consultants**

By a decision of the Extraordinary Shareholders' Meeting of 12 December 2005 the company was allowed to issue a maximum of 643,334 warrants to its employees, directors and consultants under this 2005 warrant plan, to purchase ordinary shares. These warrants have an exercise price equal to the fair market price of the underlying shares at the date of offer, as determined by the Board of Directors and vest ratably over 3 years starting from the grant date, on a monthly basis (1/36 per month), except if decided otherwise by the Board of Directors. All warrants are granted for free.

As of 31 December 2008, there are no warrants available for future grants to employees, directors and consultants under this 2005 plan. As of 31 December 2008, 73,209 warrants have been cancelled.

The warrants from this 2005 warrant plan are granted to selected beneficiaries by decision of the Nomination and Remuneration Committee or the Board of Directors. The duration is ten years from the date of creation of the warrants, respectively 12 December 2005. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year).

### 3.3.28.6. Warrant pool 2008 for employees, directors and consultants

By a decision of the Extraordinary Shareholders' Meeting of 20 June 2008, the company has been allowed to issue a maximum of 750,000 warrants for the benefit of the CEO, employees and consultants, and 11,724 warrants for the benefit of board members, to purchase ordinary shares. These warrants have an exercise price equal to the fair market price of the underlying shares at the date of offer, as determined by the Board of Directors and vest ratably over 3 years starting from the grant date, on a monthly basis (1/36 per month), except if decided otherwise by the Board of Directors. The warrants for the benefit of board members will vest on 31 May 2008. All warrants are granted for free.

As of 31 December 2008, there are 731,148 warrants available for future grants to employees, directors and consultants under the plan for the benefit of the CEO, employees and consultants. As of 31 December 2008, no warrants have been cancelled. As per 31 December 2008, all 11,724 warrants for the benefit of board members were granted, none of which were canceled.

The warrants from these 2008 warrant plans are granted to selected beneficiaries by decision of the Nomination and Remuneration Committee or the Board of Directors. For the warrants for the benefit of the CEO, employees and consultants, the duration is ten years from the date of creation of the warrants, 20 June 2008. For the warrants for the benefit of board members, the duration is five years from the date of creation of the warrants, 20 June 2008. Except in the event of liquidation the exercise of the warrants may only take place during an exercise period (16 to 31 March and 16 to 30 September of each year).

### 3.3.28.7. Accounting for share-based payment

IFRS 2 Share-based payment has become effective as of 1 January 2005. In order to avoid a restatement of its 2005 consolidated financial statements, the Group decided to early adopt as of 1 January 2004 IFRS 2 for all warrants granted after 7 November 2002 which were not vested as of 31 December 2004.

The shared-based compensation expense recognized in the income statement (from continuing and discontinued operations) as such is given below:

('000 of €)	2008	2007	2006
Share based compensation	538	1,743	775

The fair value of each option is estimated on the date of grant using the binomial model by Cox-Ross-Rubinstein (warrants granted in 2003 and 2004) or the Black & Scholes model (warrants granted in 2005, 2006, 2007 and 2008) with the following assumptions:

	Warrants 1999 granted 17 July 2003	Warrants 2000 granted 17 July 2003	Warrants 2000 / 2004 granted 26 July 2004 29 June 2005	Warrants 2005 granted 12 Dec. 2005
Number of warrants granted	44,333	43,500	219,004	187,000
Exercise price	€ 1.47	€ 1.47	€ 1.23	€ 9.49
Expected dividend yield	0	0	0	0
Expected stock price volatility	90%	90%	90%	26.73%
Risk-free interest rate	3.45%	3.73%	3.68%	3.43%
Expected duration	4 years	5 years	4 years	5 years
Forfeiture rate	10%	10%	10%	0%
Fair value	€ 0.72	€ 0.78	€ 0.66	€ 3.26
	Warrants 2006 granted	Warrants 2006 granted	Warrants 2006 granted	Warrants 2006 granted

	1 Feb. 2006	3 Feb. 2006	30 June 2006	3 July 2006
Number of warrants granted	39,320	42,832	20,016	15,000
Exercise price	€ 11.54	€ 11.67	€ 14.00	€ 14.25
Expected dividend yield	0	0	0	0
Expected stock price volatility	26.11%	26.40%	44.31%	44.21%
Risk-free interest rate	3.33%	3.29%	3.86%	3.88%
Expected duration	4.93 years	4.93 years	4.73 years	4.73 years
Forfeiture rate	0%	0%	0%	0%
Fair value	€ 4.63	€ 4.28	€ 6.18	€ 6.17

	<b>Warrants 2007</b> granted 23 March 2007	<b>Warrants 2007</b> granted 26 March 2007	<b>Warrants 2007</b> granted 28 March 2007	<b>Warrants 2007</b> granted 1 June 2007
Number of warrants granted	10,008	19,992	54,756	209,016
Exercise price	€ 21.57	€ 21.57	€ 21.61	€ 20.73
Expected dividend yield	0	0	0	0
Expected stock price volatility	39.61%	39.62%	39.54%	38.08%
Risk-free interest rate	3.96%	3.96%	3.99%	4.46%
Expected duration	4.37 years	4.36 years	4.36 years	4.27 years
Forfeiture rate	0%	0%	0%	0%
Fair value	€ 8.82	€ 8.43	€ 8.46	€ 7.42

	<b>Warrants 2008</b> granted 15 March 2008	<b>Warrants 2008</b> granted 16 March 2008	<b>Warrants 2008</b> granted 17 March 2008	<b>Warrants 2008</b> granted 20 June 2008
Number of warrants granted	1,008	1,980	24,624	10,008
Exercise price	€ 13.00	€ 13.00	€ 13.00	€ 13.26
Expected dividend yield	0	0	0	0
Expected stock price volatility	36.23%	36.23%	36.23%	35.93%
Risk-free interest rate	3.55%	3.55%	3.55%	4.99%
Expected duration	3.88 years	3.87 years	3.87 years	3.74 years
Forfeiture rate	0%	0%	0%	0%
Fair value	€ 4.28	€ 4.28	€ 4.28	€ 4.54

	<b>Warrants 2008</b> granted 20 June 2008	<b>Warrants 2008</b> granted 20 June 2008	<b>Warrants 2008</b> granted 21 June 2008
Number of warrants granted	11,724	15,000	3,852
Exercise price	€ 14.40	€ 13.26	€ 14.40
Expected dividend yield	0	0	0
Expected stock price volatility	35.93%	35.93%	35.96%
Risk-free interest rate	4.88%	4.99%	4.90%
Expected duration	2.5 years	5 years	5 years
Forfeiture rate	0%	0%	0%
Fair value	€ 3.17	€ 5.31	€ 4.59

In 2008, the average share price of the warrants was € 12.32 during the exercise period 16 to 31 March, and € 8.78 during the exercise period 16 to 30 September.

The weighted average risk-free interest rates used are based on Belgian strip-yields at the date of grant with a term equal to the expected life of the warrants.

Movements in the number of share warrants outstanding and their related weighted average exercise prices are as follows:

	2008		2007		2006	
	Warrants ('000)	Average exercise price in €	Warrants ('000)	Average exercise price in €	Warrants ('000)	Average exercise price in €
At 1 Jan.	564	15.11	521	7.00	725	3.93
Granted	68	13.42	294	20.98	117	12.35
Forfeited	65	14.30	5	9.80	25	1.26
Exercised	34	2.08	246	3.50	296	2.73
<b>At 31 Dec.</b>	<b>532</b>	<b>15.83</b>	<b>564</b>	<b>15.11</b>	<b>521</b>	<b>7.00</b>

Share warrants outstanding (in thousands) at the end of the year, have the following earliest exercise dates, expiry dates and exercise prices:

Earliest exercise date	Expiry date	Exercise price	2008 ('000)
2002 (plan 1999, grant 1999)	2009	1.14	0
2003 (plan CSHL, grant 2000)	2009	3.03	9
2003 (plan GHC, grant 2000)	2009	1.14	0
2003 (plan 1999, grant 2000)	2009	2.79	0
2003 (plan 1999, grant 2000)	2009	3.18	0
2005 (plan 1999, grant 2003)	2009	1.47	0
2003 (plan 2000, grant 2000)	2010	3.18	12
2005 (plan 2000, grant 2002)	2010	2.91	1
2005 (plan 2000, grant 2003)	2010	1.47	2
2005 (plan 2000, grant 2004)	2010	1.23	2
2005 (plan 2005, grant 2005)	2015	9.49	106
2005 (plan TLL, grant 2005)	2009	1.23	0
2006 (plan 2005, grant 2006)	2015	11.54	19
2006 (plan 2005, grant 2006)	2015	11.67	14
2006 (plan 2005, grant 2006)	2015	14.00	20
2006 (plan 2005, grant 2006)	2015	14.25	15
2008 (plan 2005, grant 2007)	2015	21.57	10
2008 (plan 2005, grant 2007)	2015	21.57	3
2007 (plan 2005, grant 2007)	2015	21.61	49
2007 (plan 2005, grant 2007)	2015	20.73	206
2007 (plan GHC, grant 1999)	2009	1.14	0
2008 (plan 2005, grant 2008)	2015	13.00	26
2008 (plan 2005, grant 2008)	2015	13.26	10
2008 (plan 2008 board, grant 2008)	2013	14.40	9
2008 (plan 2008 PCC, grant 2008)	2018	13.26	15
2008 (plan 2008 PCC, grant 2008)	2018	14.40	4
<b>Total</b>			<b>532</b>

The following table summarizes the status of the granted and exercisable (vested) warrants as of 31 December 2008:

	Warrants outstanding (in thousands)	Weighted average exercise price (in €)	Warrants vested (in thousands)	Weighted average exercise price (in €)
Balance at 31 Dec. 2008	532	15.83	369	14.84

### 3.3.29. Significant agreements, commitments and contingencies

#### 3.3.29.1. Grants related to research and development projects

Certain research projects of the company are partially funded by grants from government agencies. In 2008, the company had no research grants from IWT ongoing, except for two grants for which all income was recognized in 2007 but for which the final evaluation from IWT was still ongoing in 2008: one agreement of 22 December 2005 (“RNA and PBD pest control project”); and one agreement of 18 January 2007 (“Kinases – Prototype new targets for the treatment of obesity project”). The grants are determined as a percentage of the actual direct costs incurred by the company to execute the project, during the period as defined in the fund agreement. Costs including payroll, consumables and small equipment, outsourcing, depreciation of machinery and equipment, direct general and administrative expense (or a defined fixed overhead allocation percentage), are reimbursed up to 60% of actual project costs incurred during periods ranging from 16 to 36 months.

The “RNA and PBD pest control project”, with a maximum of € 3,289,718 IWT-funding was completed in 2007, one year ahead of planning. IWT is currently evaluating the completion of the project.

The “Kinases – Prototype new targets for the treatment of obesity”, with a maximum funding of € 847,207, was also completed in 2007. The final evaluation of the project by IWT on 19 January 2009 was positive.

On 22 December 2005, EDB (Economic Development Board, Singapore) agreed to provide a grant with a maximum funding of S\$ 3,301,000 to Devgen Pte. Ltd. for the development of fungus resistant GMO plants. EDB will evaluate the progress throughout the project, at which time funding could be terminated if certain milestones, as defined in the agreement, have not been reached or alternatively, continued according the pre-agreed schedule. To this date, it is uncertain if these milestones will be met in the future. Nevertheless, EDB has informed the company that claw back of subsidies on diligently incurred expenses will not occur, proven the company will have performed throughout the project on a best effort basis. Claw back of subsidies would only occur in the event of fraud.

The following table summarizes the financial impact of these grants pursuant to these agreements:

('000 of €)	<b>2008</b>
Grants recognized (cumulative)	6,919
Grants received (cumulative)	5,973
Recognized as accrued income	945
Recognized as deferred income	-

#### 3.3.29.2. Collaborative Research Agreements

##### Sumitomo Chemical Company

On 1 March 2006, Devgen entered into a two-year extension of the research agreement with Sumitomo Chemical Company, which was completed on 1 March 2008. Under the terms of the agreement, following successful completion of earlier collaborations since 2001, Devgen selects and validates novel insecticidal targets, formats high-throughput assays and uses its expertise in computational chemistry to deliver insect active leads, which Sumitomo further develops into marketed products. In addition to research funding fees, Devgen is eligible for performance-based milestone payments and royalty payments.

##### Monsanto Company

On 6 February 2007, Devgen entered into a five-year research and development agreement and a five-year technology exchange agreement with Monsanto Company with retroactive application from 1 September 2006 onwards. Monsanto and Devgen already worked together under an earlier collaboration signed in 2004. Under the terms of the new agreement, Monsanto Company obtains commercial rights

under Devgen's technology to control specific categories of insect pests in its core crops of interest such as corn, cotton and soybeans. Devgen obtains rights to leverage Monsanto's work in rice and small cereal grains, especially in Asia. In addition to license fee payments, Devgen is eligible for significant performance-based milestone and royalty payments.

### Other collaborations

The company has entered into several agreements with universities, academic institutions and consultants in Belgium and abroad to conduct research. Under these collaboration agreements, Devgen's policy is to obtain or acquire patent rights or other rights to technology and discoveries, as they become patentable.

#### 3.3.29.3. The Group acting as a lessor in operating leases

<b>Future minimum lease payments ('000 of €)</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Within one year	52	68	149
In the second to fifth year	-	-	49
After five years	-	-	-
<b>Total contingent rents recognized as income</b>	<b>52</b>	<b>68</b>	<b>198</b>

On 1 June 2004, Devgen entered into an operating lease agreement with the Ghent University to sub-rent 597 m<sup>2</sup> in the building facilities at Technologiepark 30, 9052 Zwijnaarde. The rental agreement has a term of maximum 7 years, cancellable by both parties after 4 years taking into account a notice period of 18 months.

On 1 September 2004, Devgen entered into an operating lease agreement with Porthus NV to sub-rent 367 m<sup>2</sup> in the building facilities at Technologiepark 30, 9052 Zwijnaarde. The rental agreement was terminated on 29 February 2008.

#### 3.3.29.4. The Group acting as a lessee in operating leases

Over the years, the Group has entered into several operating lease agreements for rent of facilities, land, warehouses, company cars and computer equipment.

At the balance sheet date, the Group had outstanding commitments for future minimum rent payments, which fall due as follows:

<b>('000 of €)</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Within one year	231	444	221
In the second to fifth year	113	159	109
After five years	424	453	465
<b>Total contingent rents recognized as expense</b>	<b>768</b>	<b>1,056</b>	<b>795</b>

Included in these operating lease commitments is the annual lease fee for the long lease of the land on which the new building has been constructed. The building is established on the grounds of the University of Ghent. The land was given in long lease by the Ghent University to Devgen for a period of 54 years, terminable by Devgen only once after the first period of 27 years.

#### 3.3.29.5. Lease of the building

On 21 October 2002, Devgen signed a global agreement with ING Lease Belgium and Dexia Lease Services ("the lessors") which incorporated an agreement on the transfer of Devgen's land use rights to the lessors, an agreement on the construction and financing of the building during its construction and a lease agreement on the building once the building was finalized (March 2004).

The agreement is accounted for in accordance with IAS 17 – Leases.

Based upon the finance agreement with the lessors, the outstanding debt after 15 years will amount to € 3 million. If at that time, Devgen would like to obtain the legal title to the building it will have to exercise its purchase option and pay an additional € 3 million. If the purchase option is not exercised, it can either decide to extend the agreement or it will have to return the building to the lessors. Devgen did not receive any fee under this agreement.

### 3.3.29.6. Litigations

The company currently has no material litigations ongoing, except for three disputes with former employees of the company. An adequate provision has been accounted for to cover this risk, based on the management's best estimate.

### 3.3.29.7. Capital commitments

The Group had no commitments to capital expenditures on 31 December 2006, 2007 and 2008.

### 3.3.29.8. Other commitments

The company has entered into various license agreements which require the company to pay royalties either based upon a set percentage of certain product sales and license fee revenue subject, in some cases, to certain minimum amounts, either based on a fixed royalty amount upon signature of the contract, first sale of certain products and/or filing of a new drug application for each subsequent product. Total royalty expense amounted to € 6.5 ('000) for all years until 31 December 2008.

## 3.3.30. Financial instruments

### 3.3.30.1. Capital risk management

The Group manages its capital in order to generate sufficient cash and cash equivalents in order to finance the ongoing research and development projects and the development of its newly acquired seed business.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Under Belgian Corporate Law, 5% of the profit of the year per statutory books of Devgen needs to be allocated to the reserves (legal reserve) until the legal reserve equals 10% of the issued capital.

The adjusted debt-to-equity ratio was as follows:

('000 of €)	2008	2007	2006
Debts	10,052	11,151	8,714
Cash and cash equivalents (*)	24,218	43,863	23,780
Net debts	-	-	-
Equity attributable of the shareholders	40,563	64,765	27,819
Net debt to equity ratio	-	-	-

(\*) Including cash restricted in its use and available-for-sale financial assets.

### 3.3.30.2. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurements and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liability and equity instruments are disclosed in note 1.2 to the financial statements.

**3.3.30.3. Categories of financial instruments**

('000 of €)	2008	2007	2006
<b>Financial assets</b>			
Loans and receivables	26,684	41,263	25,753
Cash restricted in its use	4,840	4,980	1,820
Trade receivable seed business	345	178	-
Other trade receivables	2,121	2,251	1,973
Cash on hand	12	7	9
Cash at bank	19,366	22,552	14,018
Highly liquid commercial paper	-	11,295	7,934
Available-for-sale financial assets	-	5,029	-
Floating rate note	-	5,029	-
<b>Financial liabilities</b>			
At amortized cost	13,479	14,945	11,052
Secured	9,879	10,953	8,214
Long term debt and lease debts	7,070	7,735	7,821
Current portion of long term debt and lease debts	458	483	393
Short term bank debts	2,351	2,735	-
Non secured	3,599	3,993	2,838
Long term bank loans	-	-	200
Current portion of long term bank loans	-	200	300
Trade payables	3,599	2,752	2,338
Other financial payables	-	1,040	-

Details of the financial instruments are available in the relevant notes.

The fair value of the financial instruments is approximately equal to their carrying amounts.

**3.3.30.4. Pledged financial assets as collateral**

In 2004, Devgen placed a cash pledge of € 2,100,000 in favor of the lessors of the building in Zwijnaarde, to cover the V.A.T. recoverability risk of the lessors on the construction cost of the building. This cash pledge is being released on a straight-line basis over 15 years, at the rate of 1/15 per year, starting on 1 April 2005. This amount is classified as a non-current asset (cash restricted in its use) and amounts to € 1,540,000 at 31 December 2008 (as compared to € 1,680,000 in 2007).

In 2007, Devgen placed a cash pledge of € 3,300,000 in favor of a bank to guarantee a short-term bank loan provided to Devgen Seeds and Crop Technology Pvt Ltd in India to finance a portion of a business acquisition (see note 31). The bank loan amounts to € 2,351,104 € per 31 December 2008. The cash pledge will be released upon repayment of the bank loan.

No other financial assets are pledged as collateral.

**3.3.30.5. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to changes in foreign currency exchange rates and interest rates.

**3.3.30.6. Foreign currency risk management**

The Group is exposed to foreign currency risks primarily through its operating activities. Certain purchase transactions of the Group are undertaken in USD. The extent of use of other foreign currencies in the Group is limited. Exchange rate exposure towards the USD can be managed through the use of forward exchange contracts, based upon management's decisions. The extent of use of these forward exchange contracts for the purchase of USD has been focused on managing material USD exposure during 2008.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

('000 of €)	<b>2008</b>
Assets denominated in USD	72
Assets denominated in other foreign currencies	6
Liabilities denominated in USD	301
Liabilities denominated in other foreign currencies	12

The Group is managing its foreign currency risk by matching foreign currency cash inflows with foreign cash outflows or use forward currency exchange contracts to hedge its material foreign currency exposure. Therefore the sensitivity to certain potential changes in, especially the USD/€ exchange, is limited.

The Group does not apply hedge accounting.

At 31 December 2008, no material forward exchange contracts were held by the Group.

### **3.3.30.7. Interest rate risk management**

The Group can be exposed to interest rate risk as entities in the Group can borrow funds at both fixed and floating interest rates. The interest rate risk is managed by the Group by concluding preferably borrowings at fixed interest rates. Per 31 December 2008, substantially all of the outstanding loans have a fixed interest rate, except for the building loan (financial lease debt) which is subject to a variable interest rate, revisable at each fifth anniversary date of the loan agreement based on the average weighted interest rate swap 1 to 5 years (IRS ask) with a duration of 15 years, with a margin of 2.5%. The next revise of the interest rate on this loan will take place in 2009. The current interest rate on this loan is 6.277%.

The Group does not use interest rate swap contracts and forward interest rate contracts.

### **3.3.30.8. Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Therefore, the Group has credit policies in place and the exposure to counterparty credit risk is monitored.

Credit exposure with regard to R&D partnering activities is concentrated with a limited number of creditworthy partners. Credit exposure in the Indian seed business – dealing with a large number of local distributors – is managed in accordance with standard business practice supported by consistent and regular credit worthiness checks for new and existing customers.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group did not receive any collaterals or alter credit enhancements relating to its financial assets.

See also note 20 for additional information on the credit risk management.

### **3.3.30.9. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements.

The Group has developed an appropriate risk management framework for the management of its short, medium and long-term funding and liquidity requirements. The Group makes use of liquid investments in

currency or term accounts, commercial paper and treasury notes. Each instrument in this balanced portfolio possesses high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 12 months.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows.

<b>2008</b> (‘000 of €)	Less than 1 year	1-5 years	More than 5 years	Total
Secured	3,481	3,245	7,031	13,757
Long term debt and lease debts	-	3,245	7,031	10,276
Current portion of long term debt and lease debts	972	-	-	972
Short term bank debts	2,509	-	-	2,509
Non secured	3,599	-	-	3,599
Long term bank loans	-	-	-	-
Current portion of long term bank loans	-	-	-	-
Trade payables	3,599	-	-	3,599
Other financial payables	-	-	-	-
<b>Total</b>	<b>7,081</b>	<b>3,245</b>	<b>7,031</b>	<b>17,356</b>

At the year end of 2008, it was not probable that the counterparty to the financial contracts will make any claim on financial guarantees under the contract. Consequentially, the amount include above is nil.

### 3.3.30.10. Gains and losses per category of financial assets and liabilities

The following table provides an overview of the gains and losses per category of financial assets and liabilities recognized in the income statement.

(‘000 of €)	<b>2008</b>
<b>Financial assets</b>	<b>0</b>
Loans and receivables	0
Available-for-sale financial assets	0
<b>Financial liabilities</b>	<b>0</b>
At amortized cost	0

No gains and losses on the financial assets and liabilities have been recognized directly in equity.

### 3.3.31. Note 31: Business combinations

On 31 October 2007, the Group had acquired a seed business through an asset deal from certain subsidiaries of Monsanto in India, Pakistan and the Philippines. Under the terms of the acquisition agreements, Devgen Group entities have purchased the assets associated with Monsanto's hybrid rice, sunflower, sorghum, and pearl millet businesses and certain other assets in India, Pakistan and the Philippines, for approximately € 20.2 million payable in cash, of which approximately € 19.9 million as opening balance for the acquisition per 31 October 2007 and € 0.3 million capitalized advisory and other expenses per 31 December 2007 directly related to the business acquisition.

As disclosed in the notes to the consolidated financial statements for 2007, the fair value of the acquisition was determined on a provisional basis since not all required information to measure the fair values of the acquired assets and liabilities was available at the date of establishment of the financials. Also the final purchase consideration was determined during 2008. The total impact on the acquisition

consideration is as follows:

('000 of €)	Restated book value		Book value before restatement		Restated Fair value		Fair value before restatement	
	31 Dec. 2008		31 Dec. 2007		31 Dec. 2008		31 Dec. 2007	
Intellectual property and other intangible assets	17,045		17,067		9,591		9,523	
Property, plant and equipment	503		510		496		504	
<b>Total non-current assets</b>	<b>17,548</b>		<b>17,577</b>		<b>10,087</b>		<b>10,027</b>	
Inventory	2,051		2,334		2,114		2,803	
<b>Total current assets</b>	<b>2,051</b>		<b>2,334</b>		<b>2,114</b>		<b>2,803</b>	
Social liabilities	-		-		54		54	
Deferred tax liabilities	-		-		1		139	
<b>Total non-current liabilities</b>	<b>-</b>		<b>-</b>		<b>55</b>		<b>193</b>	
<b>Total acquisition value</b>	<b>19,599</b>		<b>19,911</b>		<b>12,146</b>		<b>12,637</b>	
<b>Acquisition price per 31/10/2007</b>	<b>19,599</b>		<b>19,911</b>		<b>19,599</b>		<b>19,911</b>	
Capitalized acquisition expenses	402		337		402		337	
<b>Total acquisition price</b>	<b>20,001</b>		<b>20,248</b>		<b>20,001</b>		<b>20,248</b>	
Total goodwill on acquisition	-		-		7,855		7,611	

The main movements in fair value can be summarized as follows:

- Increase of intellectual property rights with € 68 ('000)
- Decrease of inventory with € 689 ('000) as a combined effect of inventory returned to Monsanto (hence reducing the final purchase consideration) and fair value revaluation of the seed inventory.
- Decrease in deferred tax liabilities with € 138 ('000) due to the impact of inventory revaluation in India substantially reducing the tax liabilities initially recognized at the Group's Indian subsidiary
- Some minor restatements on property, plant and equipment and the capitalization of additional acquisition expenses in 2008 due to the completion of the acquisition formalities.
- The acquisition price has decreased from € 20,248 ('000) as per 31 December 2007 to € 20,001 ('000) as per 31 December 2008, a reduction with € 247 ('000).

As a consequence of the above movements, the goodwill has increased from € 7,611 ('000) as per 31 December 2007 to € 7,855 ('000) as per 31 December 2008, an increase with € 244 ('000).

The cost of the acquisition of the Seed Business is paid in cash. Per 31 December 2008, the full acquisition price has been paid.

The acquired business contributed € 346 ('000) to the loss of the period for the two months ended per 31 December 2007 and € 1,794 ('000) to the loss of the period ended per 31 December 2008. Due to the seasonal effects of the acquired business, no reliable estimate can be made of the contribution that this business combination would have had on the consolidated income statement in case the acquisition had taken place per January 1, 2007.

### 3.3.32. Note 32: Related party transactions

Apart from transactions with key management personnel there were no other transactions with related parties.

#### 3.3.32.1. Remuneration of key management personnel

The remuneration of the key management, including the executive directors, can be summarized as follows:

<b>Executive management</b> ('000 of €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Short-term benefits <sup>(*)</sup>	2,155	2,681	2,355
Post-employment benefits – defined contributions	30	44	39
Share-based compensation	460	1,496	486
Expense reimbursement	92	156	39
<b>Total benefits</b>	<b>2,736</b>	<b>4,377</b>	<b>2,919</b>
# of warrants & shares offered ('000)	19	268	40
# cumulative outstanding warrants & shares ('000)	402	440	534
Warrants exercised ('000)	1	49	35
Weighted average exercise price (€) of the exercised warrants	1.23	6.62	4.27
Average stock price during exercise periods (16 to 31 March and 16 to 30 Sept. 2008) (€)	10.55	19.83	18.39
Outstanding receivables	2	-	-
Outstanding payables	-	26	278

(\*) In aggregate: the company cost of the Group as mentioned on the individual account

The retirement benefits for the key management are part of the retirement benefit scheme to which all qualified personnel is entitled. The contributions are paid as a percentage of the gross annual salary. No loans, quasi-loans or other guarantees have been given to a member of the executive management.

### 3.3.32.2. Transactions with non-executive directors

<b>Non-executive directors</b> ('000 of €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Short-term employee benefits <sup>(*)</sup>	-	-	-
Post-employment benefits – defined contributions	-	-	-
Share-based compensation	(11)	123	74
Expense reimbursement	74	77	63
<b>Total benefits</b>	<b>63</b>	<b>200</b>	<b>137</b>
# of warrants & shares offered ('000)	12	9	15
# cumulative outstanding warrants & shares ('000)	33	48	104
Warrants exercised ('000)	13	20	78
Weighted average exercise price (€) of the exercised warrants	1.23	5.48	1.27
Average stock price during exercise periods (16 to 31 March and 16 to 30 Sept. 2008) (€)	10.55	19.83	18.39
Outstanding receivables	-	-	-
Outstanding payables	42	12	8

(\*) In aggregate: the company cost of the Group as mentioned on the individual account.

### 3.3.33. Note 33: Disclosures earnings per share

#### 3.3.33.1. From continuing and discontinued operations:

(in €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Basic earnings per share (in €)	(1.41)	(0.83)	(0.64)
Diluted earnings per share (in €)	(1.41)	(0.83)	(0.64)

The calculation of the basic and diluted earnings per share from continuing and discontinued operations is based on the following data:

<b>Earnings</b> ('000 of €)	<b>2008</b>	<b>2007</b>	<b>2006</b>
Earnings for the purpose of basic earnings per share	(25,123)	(13,874)	(9,489)

(net loss of the year)			
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purpose of diluted earnings per share	(25,123)	(13,874)	(9,489)

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**Number of shares**

Weighted average number of shares for the purpose of dilutive potential shares	17,877,058	16,658,968	14,914,169
Effect of dilutive potential ordinary shares	-	-	-
Share warrants	-	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	17,877,058	16,658,968	14,914,169

Warrants that would result in the issue of ordinary shares for more than the average market price of the underlying ordinary shares during the period are considered anti-dilutive and have not been included in the calculation of the diluted earnings per share. At year-end 2008 no warrants were outstanding that have been excluded from the calculation of diluted earnings per share.

**3.3.33.2. From discontinued operations:**

(in €)	2008	2007	2006
Basic earnings per share (in €)	(0.48)	(0.36)	(0.30)
Diluted earnings per share (in €)	(0.48)	(0.36)	(0.30)

The calculation of the basic and diluted earnings per share from discontinued operations is based on the following data:

Earnings ('000 of €)	2008	2007	2006
Earnings for the purpose of basic earnings per share (net loss of the year)	(8,508)	(6,034)	(4,510)
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purpose of diluted earnings per share	(8,508)	(6,034)	(4,510)

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**Number of shares**

Weighted average number of shares for the purpose of dilutive potential shares	17,877,058	16,658,968	14,914,169
Effect of dilutive potential ordinary shares	-	-	-
Share warrants	-	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	17,877,058	16,658,968	14,914,169

Warrants that would result in the issue of ordinary shares for more than the average market price of the underlying ordinary shares during the period are considered anti-dilutive and have not been included in the calculation of the diluted earnings per share. At year-end 2008 no warrants were outstanding that have been excluded from the calculation of diluted earnings per share.

### 3.3.34. Subsidiaries

Details of the company's subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activities
Devgen Pte Ltd	Singapore	100%	100%	R&D
Devgen Seeds and Crop Technology Pvt Ltd	India	100%	100%	Seed business
Devgen Seeds Pakistan Pte Ltd	Pakistan	100%	100%	Seed business
Devgen US Inc	U.S.A.	100%	100%	Nematicides
Biodev NV	Belgium	99%	99%	Dormant

### 3.3.35. Subsequent events

No subsequent events took place after 31 December 2008.

### 3.3.36. Services performed by the auditor

The statutory audit fees amount to € 41 ('000) for Devgen NV (including IFRS statements), approximately € 8 ('000) (16,000 Singapore \$) for Devgen PTE Ltd (Singapore) and approximately € 17 ('000) (1,100,000 Indian Rupees) for Devgen Seeds and Crop Technology Pvt Ltd (India), totaling approximately € 66 ('000) for the Group.

The non audit services in 2008 amounted to approximately € 92 ('000) and were related to:

- Tax advice: approximately € 38 ('000)
- General accounting advices and consultations: approximately € 4 ('000)
- Audits related to EDB subsidies granted in Singapore: approximately € 7 ('000)
- Strategic missions: approximately € 43 ('000)

### 3.4. Annual Report of the Board of Directors on the consolidated financial statements

Dear Madam / Sir Shareholder,

We are pleased to present you the consolidated financial statements for the fiscal year ended 31 December 2008.

#### **1) Strategic and business highlights**

##### Strategic highlights

In line with its strategy to focus its business on agro biotech, Devgen throughout 2008, considered all possible options to sell or spin-out its pharma assets. When it became clear that in the current markets, it was unlikely that a buyer or investor could be found, Devgen terminated its pharma research program and is now fully focused on its agro biotech business, where the company has strong track record in technology and is building a product driven business.

The mission of this business is to enable farmers worldwide to grow more food in a sustainable manner using less land, water, agrochemicals and labor.

Devgen uses advanced biotechnology and molecular breeding technology to develop high yielding seeds and crop protection solutions with a superior environmental profile. Devgen brings this technology to market in the world's major food and feed crops through two complementary strategies:

- In corn, cotton and soybean the company has market access through licensing arrangements with the industry leader, in exchange for R&D funding, milestone payments and royalties;
- In rice, sunflower, sorghum, and pearl millet, major field crops in Asia, Devgen is a provider of premium hybrid seeds in India and is on the path to become a top 3 player. Devgen operations in India encompass biotech R&D, advanced breeding, seed production and conditioning and sales and marketing. In Indonesia and the Philippines, Devgen has taken the first steps towards market entry in rice.

In its Crop Protection unit, Devgen develops a novel nematicide, an agro-chemical product that protects crops from damage by parasitic nematodes.

Devgen has obtained regulatory approval in the US to sell its lead nematicide compound in selected crops and has submitted its first registration dossier for approval in Europe. First sales in the US are targeted in 2010.

In 2008, agriculture was on the priority list of many governments around the world as food prices rose strongly. The price of rice peaked during 2008 and today remains considerably higher than one year ago. As a result, the need for hybrid seeds and technology-supported agriculture became increasingly evident. Governments expressed the need for hybrid seeds and biotechnology to help satisfying the growing global demand for food. In 2008 biotech crops once more grew their market presence and the price for seed with built-in technology increased, reflecting the value they bring to farmers. The global outlook for the agricultural business is positive.

In India, currently Devgen's major market, Devgen targets a top 3 position in value and volume for rice and sunflower and a number 1 position in sorghum. Devgen will launch new products that will increase the productivity of the farmer. Devgen's hybrid rice business is targeted to grow considerably faster than the market for hybrid rice, which is expected to grow at 30% a year.

##### Business highlights

- Devgen discontinued the pharma business to fully focus on its hybrid seeds and agro-biotech activities.

- Devgen is recognized as a premium quality seed company in India for rice, sorghum, pearl millet and sunflower.
- The basis was laid for growth with a strong team, high quality production capabilities, and a marketing and distribution network creating demand across key markets in India.
- Devgen is ready for 2009 market entry in Indonesia, through cooperation with SHS, the country's leading seed producer and distributor, after successful local testing and subject to product registration of the Devgen rice hybrids.
- Devgen successfully activated the seed assets acquired in the Philippines and is ready for market launch end 2009 – beginning of 2010.
- Devgen identified hybrids in its pipeline to be launched during the next 5 years to enable sustainable growth.
- Global integration and strengthening of Devgen R&D:
  - Germplasm and breeding in Kenya, India and the Philippines;
  - Molecular techniques and bio-informatics in Belgium and Singapore.
- A pipeline of rice traits is at various stages of development with first traits (transferred into elite germplasm) ready to move to India in 2010.
- Devgen completed the nematicide registration dossiers for submission as planned.

Devgen turned the seed business assets, acquired in 2007, into a fully operational business and is ready for substantial growth as of 2009. Total sales in 2008 of premium hybrids seeds for rice, sorghum, pearl millet and sunflower amounted to EUR 6.1 Mio which is at the high end of expectations.

In preparation of 2009, the following actions have been taken:

- Indian team strengthened throughout all functions: 159 permanent staff and over 300 temporary staff deliver premium top quality products to the market;
- Production capacity increased: acreage in place to increase seed production 3-fold over 2008 levels. Tolling capacity for seed processing secured for growth up to 2011;
- Market reach: number of distributors tripled, and number of dealers more than doubled to over 20.000;
- Strong demand created: extensive product testing and demo's to farmers in established and new sales territories resulting in advance bookings and related, prepayments by distributors, today already exceeding total sales achieved in 2008.

During 2008, Devgen demonstrated that its hybrids are adapted and potentially competitive in the Philippine and Indonesian markets. In 2009, Devgen plans to expand its hybrid rice business to these two major rice growing countries. Key relationships were established to prepare for market launch by the end of 2009. Devgen plans on creating demand by product demonstrations to farmers as it does already in India.

The hybrid seed business is driven by technology (germplasm, breeding and traits). To remain at the forefront Devgen puts extensive research efforts into the development of new hybrids. The Devgen breeders now benefit from the integration of research platforms in Kenya, India and the Philippines and receive support from molecular assisted breeding expertise and dedicated breeding IT systems in Ghent.

Solid progress was also made in Devgen's RNAi technology platform and in rolling-out a pipeline of biotech traits in rice, based on proprietary technologies, either developed in-house or licensed-in.

The dossier for registration of Devgen's nematicide has been submitted in Italy.

Extensive product testing continued in 2008 to support these filings and to further optimize agricultural practice and product formulation. Approval of registration for selected crops has been obtained in the US. More news on the launch of the product will be announced in the course of the year. The research performed to date revealed new opportunities for crops which today are not actively treated for nematode problems as no suitable products were available. These opportunities will be included in Devgen's target markets.

## 2) Discussion and analysis of the consolidated financial statements of 2006, 2007 and 2008

The consolidated accounts are drawn up in accordance with IFRS and have been approved for issue by the Board of Directors on 10 March 2009.

### Revenues

The company's revenues have been derived from product sales (seeds), research and development partnerships and government grants.

- Revenues have increased from € 7.3 million in 2007 to € 9.3 million in 2008, an increase with 28%.
- Earnings before amortization, interest and taxes (EBITDA) decreased from € -7.8 million in 2007 to € -15.0 million in 2008.
- Net loss for the year from continuing operations related to the Seeds and Crop Technologies business amounted to € 16.6 million as compared to € 7.8 million in 2007, an increase with 112%.
- Net loss for the year from discontinued operations related to the Human Therapeutics business amounted to € 8.5 million as compared to € 6.0 million in 2007, an increase with 41%.
- Total net loss from continued and discontinued operations amounted to € 25.1 million as compared to € 13.9 million in 2007, an increase with 81%.
- The cash position of the company decreased from € 38.8 million by year end 2007 to € 24.2 million by year end 2008 (including € 4.8 million cash restricted in its use).

'000 of € / year ended 31 December	2008	2007	2006
Sales of goods	6,093	338	-
Partnering income	3,171	5,657	6,827
Government grant income	80	1,288	2,032
<b>Total revenues</b>	<b>9,344</b>	<b>7,284</b>	<b>8,859</b>

Through the implementation of its strategy, Devgen is now generating the majority of its revenue out of product sales. On 27 November 2008, the company decided to dispose of its Human Therapeutics business unit. The disposal was completed on 31 December 2008. As a result, the Devgen Human Therapeutics business unit has ceased to exist and is reported under discontinued operations. No revenue was recognized under discontinued operations in 2008 as compared to € 0.6 million government grant income in 2007.

This revenue increase under continuing operations was fuelled by the substantial increase in seed sales, from € 0.4 million in 2007 to € 6.1 million in 2008. On 31 October 2007, the company acquired a seed business in India which had a full year effect in 2008 as compared to only two months in 2007. The seed business is characterized by strong seasonality with the high sales season running from April to August, and the low sales season running from November to February.

The decrease in contract income payments is due to the completion of the collaboration with Sumitomo in February 2008. As a result, income from this partnership amounted to € 0.3 million in 2008 as compared to € 2.8 million in 2007. Devgen's major partnering income stems from the five-year research and development and technology exchange agreement with Monsanto which was signed in 2007. Income from this partnership amounted to € 2.8 million in 2008, the same amount as in 2007.

Government grant income amounted to € 0.1 million in 2008 as compared to € 1.3 million in 2007 and relates to research and development grants from IWT (Institute for the Promotion of Innovation by Science and Technology in Flanders) which were completed in 2007. The 'RNA and PBD pest control project', with a maximum of € 3.3 million IWT-funding was completed in 2007, one year ahead of planning. IWT is currently performing the final evaluation of this project. The 'Kinases – Prototype new targets for the treatment of obesity', with a maximum funding of € 0.8 million, was also completed in 2007 and has been reported under discontinued operations. IWT issued a positive final evaluation of this

project on 19 January 2009. In 2008 and 2007, no EDB grant (Economic Development Board, Singapore) income was recognized. On 22 December 2005, EDB agreed to provide a grant to Devgen with a maximum funding of € 1.5 million for the development of fungus resistant GMO plants. EDB and Devgen are currently re-evaluating the scope and milestones of the grant.

### Gross profit

'000 of € / year ended 31 December	2008	2007	2006
Revenues	9,344	7,284	8,859
Including Sales of goods	6,093	338	-
Cost of goods sold	(4,170)	(390)	-
Gross profit from sales of goods	1,923	(52)	-
<b>Total gross profit</b>	<b>5,175</b>	<b>6,895</b>	<b>8,859</b>

The gross profit from sales of goods amounted to € 1.9 million in 2008. Total gross profit decreased from € 6.9 million in 2007 to € 5.2 million in 2008, a decrease with € 1.7 million or 25%. This decline is a result from the decrease with € 3.7 million in partnering and grant income as explained above. On the other hand, in 2008, Devgen recorded its first full year of seed sales in India and Pakistan for € 6.1 million as compared to € 0.4 million in the last two months of 2007. The cost of goods, fully related to the acquisition, production and processing of seeds and accompanying materials such as packaging and chemicals, amounted to € 4.2 million for the full year 2008 as compared € 0.4 million in the last two months of 2007 due to the expansion of the seed business in 2008. Both in 2008 and 2007, cost of goods sold were negatively impacted by the obligatory revaluation of the acquired trade inventories from a business combination (IFRS 3) at fair value. Since this trade inventory has been sold out as per end of 2008 and the company is now producing its own seeds, this will no longer have an impact going forward.

### Operating expenses and other operating income

'000 of € / year ended 31 December	2008	2007	2006
R & D expenses	14,422	10,793	9,743
Marketing and distribution expenses	2,381	91	-
General, administrative and selling expenses	5,937	5,093	4,574
Other operating income	(266)	(212)	(237)
<b>Total operating costs</b>	<b>22,474</b>	<b>15,765</b>	<b>14,080</b>

Research and development expenses have substantially increased in accordance with the successful progression and acceleration of Devgen's nematocide development and rice breeding programs to support the further expansion of the seed business. Also, Devgen is continuing to invest in its RNAi and biotech crop technologies both for third parties and for its own account. The expenses related to these R&D activities are the main cost driver. Total R&D expenses in 2008 were € 14.4 million as compared to € 10.8 million in the same period of 2007, an increase of € 3.6 million or 34 %, mainly due to the increase of outsourcing expenses with € 3.2 million to € 7.1 million in 2008 as compared to € 3.9 million in 2007 (mainly related to nematocide field trial expenses and crop breeding activities), an increase of depreciation and amortization expenses with € 0.3 million (mainly related to the amortization of intangible assets acquired under the seed business acquisition in 2007), an increase of patent expenses with € 0.2 million, and an increase of research facilities with € 0.1 million. Research staff costs in 2008 amounted to € 3.2 million (including share based payments), a decrease with € 0.4 million as compared to 2007.

Marketing and distribution expenses amounted to € 2.4 million in 2008 as compared to € 0.1 million in 2007 and fully relate to the efforts made to expand the seed business. Major cost drivers have been an increase in marketing staff (from on average 19 in 2007 to 42 in 2008), an increase of depreciation and amortization expenses with € 0.9 million (mainly related to the amortization of intangible assets acquired under the seed business acquisition in 2007), in freight and storage charges related to the distribution of seeds, and the promotional activities related to the shift from selling trade inventories acquired from

Monsanto towards selling its own products.

Selling, general and administrative expenses in 2008 increased to € 5.9 million as compared to € 5.1 million in 2007, an increase of € 0.8 million or 17%. Staff costs (including share based payments) amounted to € 3.7 million, a decrease with € 0.3 million as compared to 2007. The expenses for external advisory services increased with € 0.7 million (including € 0.4 million for strategic advice) to € 1 million in 2008. Expenses for facilities and other corporate expenses increased with € 0.4 million to € 1.1 million. The increase in SG&A expenses is fully due to the first time coverage of 12 months activities in India as compared to only two months in 2007, having a total effect of € 1.2 million increase while SG&A expenses at headquarters have decreased.

Other operating income, mainly related to rent income and scrap seed sales, increased to € 0.3 million in 2008 as compared to € 0.2 million in 2007.

Financial income from cash investments in 2008 amounted to € 1.7 million as compared to € 1.8 million in 2007, while financial expenses related to lease and loan agreements in 2008 increased to € 1 million as compared to € 0.8 million in 2007.

### Discontinued operations

On 27 November 2008, the company decided to dispose of its Human Therapeutics business unit. The disposal was completed on 31 December 2008. As a result, the Devgen Human Therapeutics business unit has ceased to exist and is reported under discontinued operations.

Analysis of the loss from discontinued operations:

<b>Discontinued operations</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
<b>Revenues</b>	<b>(20)</b>	<b>593</b>	<b>448</b>
Government grant income	(20)	593	448
<b>Gross profit</b>	<b>(20)</b>	<b>593</b>	<b>448</b>
Research and development expenses	(8,035)	(6,522)	(4,929)
General and administrative expenses	(466)	(127)	(43)
Other operating income	13	23	14
<b>Operating profit / (loss)</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>
Financial income	-	-	-
Financial expense	-	-	-
<b>Profit / (loss) before taxes</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>
Income taxes	-	-	-
<b>Profit / (loss) for the year from discontinued operations</b>	<b>(8,508)</b>	<b>(6,034)</b>	<b>(4,510)</b>

All revenue in the Human Therapeutics business unit has been derived from government grants. In 2009 the company received a final positive evaluation on the only outstanding IWT project, for which total funding of € 0.8 million was received from 2006 to 2008.

Research and development expenses increased from € 6.5 million in 2007 to € 8 million in 2008 partly due to the efforts the company made to maximize the opportunity to spin off the Human Therapeutics business, and partly due to the expenses related to the discontinuation of the Human Therapeutics activities for which the decision was made on 27 November 2008. On 16 December 2008 the company reached a collective labor agreement to close down this unit. This closure led to the dismissal of the remaining 19 employees, active in this division. The whole process was terminated effective 31 December 2008.

Selling, general and administrative expenses in 2008 amounted to € 0.5 million as compared to € 0.1

million in 2007, and included € 0.4 million advisory expenses to spin off the Human Therapeutics business unit.

As a result from the above, the loss from discontinued operations in 2008 amounted to € 8.5 million as compared to € 6 million in 2007, an increase with € 2.5 million.

### **Net results**

The net loss from continuing and discontinued operations in 2008 amounted to € 25.1 million as compared to € 13.9 million in 2007, an increase with € 11.2 million or 81%. The result in 2008 has been substantially impacted by the first time full year impact of the seed business that only had an effect for two months in 2007, the reduced contract income (from the Sumitomo contract completion in the first quarter of 2008), and the loss from discontinued operations resulting from the closure of the Human Therapeutics division per end of December 2008, all for which details are explained in the revenue and expense sections above.

### **Cash flow**

Cash used in operations in 2008 was € 18 million, as compared to € 12.7 million in 2007. This is due to the net operating cash drain (operating loss + amortization and depreciations + share based compensation) of € 22.5 million, and € 4.5 million improvement in working capital including:

- Increase of trade and other current payables of € 2.5 million, of which € 1.8 million relates to the Indian seed business and includes € 1.3 million cash received in advance from next season's seed sales under the company's advance booking incentive schemes;
- Decrease of seed inventories of € 1.6 million due to the sale of the seed trade inventory acquired from Monsanto under the business combination from 31 October 2007;
- Decrease of trade and grant receivables of € 0.4 million.

In 2008, the cash used in operations includes € 8.1 million from discontinued operations as compared to € 5.6 million in 2007.

Cash provided by investing activities amounted to € 5 million in 2008 as compared to cash used in investing activities of € 23.2 million in 2007. In 2007, an amount of € 18.9 million was paid for the seed business acquisition, mainly consisting of intellectual property rights and other intangible assets, inventory and equipment. In 2008, an amount of € 1.1 million was paid as final installment on this business acquisition. Other investing activities included € 0.3 million net purchases of property, plant and equipment for the seed business in India and € 0.1 million for breeding research in Kenya. On the other hand, interest received amounted to € 1.5 million in 2008 and there was the positive effect of € 5 million cash that became available from the sale of a financial asset investment purchased in 2007.

In 2008, the cash used by investing activities includes € 0.008 million from discontinued operations as compared to € 0.3 million in 2007.

Cash flow used in financing activities amounted to € 0.7 million in 2008 as compared to cash provided by financing activities of € 51.6 million in 2007. The cash flow in 2007 included the net proceeds from capital increases of € 49.1 million as compared to € 0.1 million in 2008, and the net proceeds from financial debt of € 2.4 million in 2007 as compared to net financial debt payments of € 0.7 million in 2008.

In 2008, the cash used in financing activities includes € 0.05 million from discontinued operations as compared to € 0 million in 2007.

As a result from these operational, investing and financing cash flows, a net decrease of € 14.6 million in cash and cash equivalents was recorded during 2008.

Devgen's cash and cash equivalents, including restricted cash of € 4.8 million amounted to € 24.2 million on 31 December 2008, as compared to € 38.8 million on 31 December 2007.

### **Balance sheet**

The balance sheet at 31 December 2008 has a solvency ratio (equity vs. total assets) of 71 % (versus 80% at 31 December 2007). The cash position amounts to € 24.2 million (including € 4.8 million restricted cash), allowing the company to fulfill all its existing financial obligations and to continue its research programs for at least one year.

2007 was exceptionally marked by the seed business acquisition from Monsanto in India and Pakistan for which the final purchase price consideration and valuation was determined in 2008 (see note below on the business acquisition).

Intangible assets in 2008 amounted to € 7.9 million as compared to € 9.4 million in 2007, and is mainly related to the acquisition in 2007 of a portfolio of technical know how, dealer and vendor relationships and intellectual property rights such as trademarks, licenses, copyrights and non-compete arrangements. Goodwill in 2008 amounted to € 7.9 million and fully relates to the business acquisition of 2007.

Total property, plant (including the building lease) and equipment decreased from € 10.9 million in 2007 to € 9.6 million in 2008.

As a result from the discontinued operations related to the pharmaceutical business unit, an amount of € 0.3 million equipment was classified as held for sale in 2008 as compared to € 0 million in 2007.

Inventory of seeds at the end of 2008 amounted to € 1 million as compared to € 2.1 million at the end of 2007.

Total available cash and cash equivalents decreased from € 33.9 million in 2007 to € 19.4 million in 2008. Cash restricted in its use decreased from € 5 million in 2007 to € 4.8 million in 2008 and includes a cash pledge of € 3.3 million provided as guarantee for a short term bank loan of € 2.4 million which was concluded in 2007 to finance the seed business inventory and equipment takeover in India, and for which the term was extended with another year in 2008.

Total net equity decreased from € 64.8 million in 2007 to € 40.6 million in 2008, a decrease of € 24.2 million, due to the impact of the net loss of € 25.1 million, an increase of share-based payments of € 0.5 million and € 0.3 million currency translation reserves.

On the liabilities side of the balance sheet, the building lease resulted in a financial debt of € 7.3 million at year end 2008. Other financial debt of € 0.2 million is related to the financing of investments in research and computer equipment, furniture and leasehold improvements. Liabilities directly associated with assets classified as held for sale amounted to € 0.2 million in 2008 as compared to € 0 million in 2007, and are fully related to financial lease debt.

### **Taxation**

The negative results of the company over the last three years imply that no income taxes were payable. On 31 December 2008, the company had net tax losses carried forward amounting to € 95.6 million, implying potential deferred tax assets of € 32.5 million. However, due to the uncertainty surrounding Devgen's ability to realize taxable profits in the near future, the company did not recognize any deferred tax assets on the balance sheet.

### 3) Business acquisition

On 31 October 2007, the group had acquired a seed business through an asset deal from certain subsidiaries of Monsanto in India, Pakistan and the Philippines. Under the terms of the acquisition agreements, Devgen group entities have purchased the assets associated with Monsanto's hybrid rice, sunflower, sorghum, and pearl millet businesses and certain other assets in India, Pakistan and the Philippines, for approximately € 20.2 million payable in cash, of which approximately € 19.9 million as opening balance for the acquisition per 31 October 2007 and € 0.3 million capitalized advisory and other expenses per 31 December 2007 directly related to the business acquisition.

As disclosed in the notes to the consolidated financial statements for 2007, the fair value of the acquisition was determined on a provisional basis since not all required information to measure the fair values of the acquired assets and liabilities was available at the date of establishment of the financials. Also the final purchase consideration was determined during 2008. The total impact on the acquisition consideration is as follows:

'000 of €	Restated book value	Book value before restatement	Restated Fair value	Fair value before restatement
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
As reported on				
Intellectual property and other intangible assets	17,045	17,067	9,591	9,523
Property, plant and equipment	503	510	496	504
<b>Total non-current assets</b>	<b>17,548</b>	<b>17,577</b>	<b>10,087</b>	<b>10,027</b>
Inventory	2,051	2,334	2,114	2,803
<b>Total current assets</b>	<b>2,051</b>	<b>2,334</b>	<b>2,114</b>	<b>2,803</b>
Social liabilities	-	-	54	54
Deferred tax liabilities	-	-	1	139
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>193</b>
<b>Total acquisition value</b>	<b>19,599</b>	<b>19,911</b>	<b>12,146</b>	<b>12,637</b>
<b>Acquisition price per 31/10/2007</b>	<b>19,599</b>	<b>19,911</b>	<b>19,599</b>	<b>19,911</b>
Capitalized acquisition expenses per 31/12/2008	402	337	402	337
<b>Total acquisition price per 31/12/2008</b>	<b>20,001</b>	<b>20,248</b>	<b>20,001</b>	<b>20,248</b>
Total goodwill on acquisition per 31/12/2008	-	-	7,855	7,611

The main movements in fair value can be summarized as follows:

- Increase of intellectual property rights with € 68 ('000);
- Decrease of inventory with € 689 ('000) as a combined effect of inventory returned to Monsanto (hence reducing the final purchase consideration) and fair value revaluation of the seed inventory;
- Decrease in deferred tax liabilities with € 138 ('000) due to the impact of inventory revaluation in India substantially reducing the tax liabilities initially recognized at the group's Indian subsidiary;
- Some minor restatements on property, plant and equipment and the capitalization of additional acquisition expenses in 2008 due to the completion of the acquisition formalities;
- The acquisition price has decreased from € 20,248 ('000) as per 31 December 2007 to € 20,001 ('000) as per 31 December 2008, a reduction with € 247 ('000).

As a consequence of the above movements, the goodwill has increased from € 7.6 million as previously reported per 31 December 2007 to € 7.9 million as per 31 December 2008, an increase with € 0.2 million.

The cost of the acquisition of the seed business was paid in cash. Per 31 December 2008, the full acquisition price has been paid.

The acquired business contributed € 0.3 million to the loss of the period for the two months ended per 31 December 2007 and € 1.8 million to the loss of the period ended per 31 December 2008.

#### **4) Capital increases and issuance of financial instruments**

Following capital increases took place in 2008:

- Through the exercise of 25,149 existing warrants into the same number of new shares on 7 April 2008 with a resulting statutory capital increase of € 58,331.05;
- Through the exercise of 9,109 existing warrants into the same number of new shares on 13 October 2008 with a resulting statutory capital increase of € 12,801.99.

All new shares are listed on Eurolist by Euronext Brussels.

By a decision of the Extraordinary Shareholders' Meeting of 20 June 2008, the company has been allowed to issue 750,000 warrants for the benefit of the CEO, employees and consultants, of which 18,852 warrants were granted as per 31 December 2008; and 11,724 warrants for the benefit of board members, all of which were granted as per 31 December 2008.

#### **5) Risks**

In application of the Belgian Company Law, the Group informs the shareholders of the risk factors involved in the company's business. In 2008, the Group was potentially subjected to the following inherent risks:

- Early stage of development both in the drug development and crop protection activities;
- Business environment that is characterized by rapid technological change, complexity and severe competition;
- Reliance on collaborative partners to generate short to medium term revenues, and in the long-term to assure the expertise relating to manufacturing, sales and marketing, licenses and technology rights;
- Dependence on key personnel, both principal management and scientific personnel;
- Potential liability relating to products, testing, sales and marketing, and use of future products based thereon;
- Negative reaction, public opinion, to the use of genetic technology and animal testing;
- Inability to obtain and maintain adequate patents and proprietary rights to its technologies and products;
- National and international government regulation relating to biotechnological, agrochemical and pharmaceutical research and development;
- Use of potentially harmful materials in the research and development activities;
- Lack of operating profitability due to the significant research and development expenditures since 1997;
- Additional financing requirements and access to capital that might be needed to fund future activities;
- Potential government interference with regard to pricing for hybrid and biotech seeds on the Indian market.

In 2008, financial risk management was focused on:

##### *Capital risk*

The Group manages its capital in order to generate sufficient cash and cash equivalents in order to finance the ongoing research and development projects and the development of its newly acquired seed business.

##### *Credit risk*

Credit exposure with regard to R&D partnering activities is concentrated with a limited number of creditworthy partners. Credit exposure in the Indian seed business – dealing with a large number of local distributors – is managed in accordance with standard business practice supported by consistent and

regular credit worthiness checks for new and existing customers.

*Interest risk*

All borrowings and leases have fixed interest rates, except for the building loan which is subject to a variable interest rate, revisable at each fifth anniversary date of the loan agreement based on the average weighted interest rate swap 1 to 5 years (IRS) with a duration of 15 years, plus a margin of 2,5%. The Group does not use interest rate swap or forward interest rate contracts.

*Currency risk*

The Group is managing its foreign currency risk by matching foreign currency cash inflows with foreign currency cash outflows or use forward currency exchange contracts to hedge its material foreign currency exposure.

*Translation risk*

Translation exposure arises from the consolidation of the foreign currency denominated financial statements of the Group's foreign subsidiaries. The effect on the Group's consolidated equity is shown as a cumulative translation adjustment.

*Liquidity risk*

The Group has developed an appropriate risk management framework for the management of its short, medium and long-term funding and liquidity requirements. The Group makes use of liquid investments in currency or term accounts, commercial paper and treasury notes. Each instrument in this balanced portfolio possesses high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 12 months.

**6) Listing of elements which by their nature would have consequences in case of a public take-over bid on the company**

The elements which by their nature would have consequences in case of a public take-over bid on the company are listed below. Outside the elements listed below, the company has no knowledge of any other elements which by their nature would have consequences in case of a public take-over bid on the company required to be disclosed by law.

Important agreements which would undergo changes or would be terminated in case of a change of control of the company after a public take-over bid:

- The 6 February 2007 Research and License Option Agreement entered into between Devgen NV and Monsanto Company provides that Monsanto Company is entitled to terminate the Research and License Option Agreement in the event that a company that is engaged in the agricultural biotechnology and/or seed industry acquires a controlling interest in Devgen. Such termination would have no effect on licenses already granted by Monsanto Company to Devgen under the Research and License Option Agreement.

**7) Use of Authorized Capital**

None of the authorized capital of € 1,341,110.15 under the authorization given by the Extraordinary General Shareholders' Meeting of 25 August 2008 has been used as per 31 December 2008.

**8) Subsequent events**

No subsequent events to report.

**9) R&D**

Total R&D expenses represent nearly 75% of total operating costs and amounted to € 23.4 million in 2008. Of this number € 15.3 million was dedicated to the seeds and crop technologies activities and € 8

million to the Human Therapeutics activities disclosed under discontinued operations. Total R&D expenses increased with 35% or € 6.1 million as compared to 2007 (€ 17.3 million). This is mainly due to the increase of outsourcing expenses with approximately € 4.2 million. The latter expenses relate to nematicide field trials, human therapeutics preclinical testing and crop breeding activities. Other R&D expense increases relate to patent expenses and the research facilities in Ghent, India, Kenya and the Philippines.

Done on 10 March 2009,  
On behalf of the Board of Directors,

### 3.5. Auditor's report on the consolidated financial statements

#### **DEVGEN NV**

Statutory Auditor's report  
on the consolidated financial statements  
for the year ended 31 December 2008

The original text of these accounts and reports is in Dutch.

**DEVGEN NV****STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON  
THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008**

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

**Unqualified audit opinion on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of DEVGEN NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 57.015 (000) EUR and the consolidated income statement shows a consolidated loss for the year then ended of 25.123 (000) EUR.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

**Additional comment**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Kortrijk, 11 March 2009

**The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Gino Desmet

## 4. Statutory financial statements 2006 - 2008

### 4.1. Statutory income statement 2006 – 2008

<b>Statutory income statement</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
<b>I. Operating income</b>	<b>3,526</b>	<b>8,371</b>	<b>9,392</b>
Turnover	3,171	5,657	6,827
Other operating income	355	2,714	2,565
<b>II. Operating charges</b>	<b>28,147</b>	<b>22,562</b>	<b>18,696</b>
Services and other goods	17,540	13,928	11,066
Remuneration, social security costs, pensions	7,689	7,490	6,821
Depreciation and amounts written off fixed assets	2,914	1,128	805
Provisions for liabilities and charges	0	10	0
Other operating charges	4	6	4
<b>III. Operating profit/(loss)</b>	<b>-24,621</b>	<b>-14,191</b>	<b>-9,304</b>
<b>IV. Financial income</b>	<b>1,624</b>	<b>1,838</b>	<b>839</b>
Income from current assets	1,459	1,796	832
Other	165	42	7
<b>V. Financial charges</b>	<b>219</b>	<b>196</b>	<b>97</b>
Debt charges	73	75	63
Other	146	121	34
<b>VI. Current profit/(loss) before taxes</b>	<b>-23,217</b>	<b>-12,549</b>	<b>-8,561</b>
<b>VII. Extraordinary income</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gain on disposal of fixed assets	0	0	0
Other	0	0	0
<b>VIII. Extraordinary charges</b>	<b>40</b>	<b>0</b>	<b>0</b>
Other	40	0	3
<b>IX. Profit/(loss) before taxes</b>	<b>-23,257</b>	<b>-12,549</b>	<b>-8,564</b>
<b>X. Income taxes</b>	<b>-5</b>	<b>140</b>	<b>75</b>
Income taxes	-5	140	75
<b>XI. Profit/(loss) for the year after taxes</b>	<b>-23,262</b>	<b>-12,409</b>	<b>-8,639</b>
<hr/>			
<b>Appropriation account</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
<b>A. Loss to be appropriated</b>	<b>-23,262</b>	<b>-12,409</b>	<b>-8,639</b>
Loss for the period available for appropriation	-23,262	-12,409	-8,639

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Loss brought forward	-27,162	-14,753	-6,115
<b>B. Transfer from capital and reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
from capital and share premium account	0	0	0
<b>D. Result to be carried forward</b>	<b>-50,424</b>	<b>27,162</b>	<b>14,753</b>
Loss to be carried forward	50,424	27,162	14,753

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## 4.2. Statutory balance sheet 2006 – 2008

<b>Statutory balance sheet after appropriations</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
'000 of € / year ended 31 December			
<b>ASSETS</b>	<b>47,635</b>	<b>71,354</b>	<b>3,420</b>
<b>I. Formation expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Intangible fixed assets</b>	<b>14,476</b>	<b>16,697</b>	<b>83</b>
Licenses	61	52	83
Technical know how	3,845	4,246	0
Trademarks	1,653	1,809	0
Dealer relationship	961	1,594	0
Vendor relationship	820	913	0
Non compete fees	259	327	0
Copyrights	260	290	0
Technical know how sublicense	34	38	0
Trademark license	0	10	0
Goodwill	6,583	7,418	0
<b>III. Tangible fixed assets</b>	<b>1,316</b>	<b>1,968</b>	<b>1,695</b>
Building	20	0	0
Plant, machinery and equipment	385	662	788
Furniture and vehicles	99	82	101
Leasing and other similar rights	249	484	253
Other tangible assets	563	605	554
Assets under construction	0	135	0
<b>IV. Financial fixed assets</b>	<b>8,093</b>	<b>2,042</b>	<b>1,642</b>
Affiliated enterprises	8,091	2,040	1,639
Investments	8,091	2,040	1,639
Amounts receivable	2	2	3
<b>V. Amounts receivable after one year</b>	<b>197</b>	<b>196</b>	<b>0</b>
<b>VII. Amounts receivable within one year</b>	<b>3,968</b>	<b>4,888</b>	<b>4,581</b>
Trade debtors	2,166	2,251	1,973
Other amounts receivable	1,802	2,637	2,608
<b>VIII. Investments</b>	<b>4,840</b>	<b>21,275</b>	<b>9,754</b>
Other investments and deposits	4,840	21,275	9,754
<b>IX. Cash at bank and in hand</b>	<b>13,129</b>	<b>22,025</b>	<b>13,578</b>
<b>X. Deferred charges and accrued income</b>	<b>1,616</b>	<b>2,263</b>	<b>1,471</b>
<b>TOTAL ASSETS</b>	<b>47,635</b>	<b>71,354</b>	<b>32,805</b>
<b>Statutory balance sheet after appropriations</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>

'000 of € / year ended 31 December

<b>Equity</b>	<b>43,351</b>	<b>66,542</b>	<b>28,791</b>
<b>I. Capital</b>	<b>1,342</b>	<b>1,339</b>	1,129
Issued capital	1,342	1,339	1,129
<b>II. Share premium account</b>	<b>92,434</b>	<b>92,365</b>	<b>42,415</b>
<b>V. Accumulated profit/(loss)</b>	<b>-50,424</b>	<b>-27,162</b>	<b>-14,753</b>
<b>VI. Investment grants</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VII. Provisions and deferred taxation</b>	<b>20</b>	<b>20</b>	<b>10</b>
Provisions for liabilities and charges	20	20	10
<b>VIII. Amounts payable after more than one year</b>	<b>159</b>	<b>379</b>	<b>371</b>
Financial debts	159	379	371
<b>IX. Amounts payable within one year</b>	<b>4,053</b>	<b>4,352</b>	<b>3,492</b>
Current portion of debts after one year	186	388	416
Financial debts	0	0	0
Trade debts	3,410	2,328	2,331
Taxes, remuneration & social security	458	628	745
Taxes	0	0	0
Remuneration & social security	458	628	745
Other amounts payable	0	1,008	0
<b>X. Accrued charges and deferred income</b>	<b>52</b>	<b>61</b>	<b>140</b>
<b>TOTAL LIABILITIES</b>	<b>47,635</b>	<b>71,354</b>	<b>32,805</b>

The major differences between the loss of the year in the statutory accounts (€ 23.3 million) and the loss of the year in the consolidated accounts (€ 25.1 million) are due to:

- The consolidation of Devgen Pte Ltd (increase of statutory loss with € 0.5 million) and of Devgen Seeds and Crop Technology Pvt Ltd (increase of statutory loss with € 2 million);
- Capitalization of capital increase cost (decrease of statutory loss with € 0.03 million)
- Capitalization of business acquisition cost (decrease of statutory loss with € 0.06 million)
- Share-based payment recognition (increase of statutory loss with € 0.5 million);
- Restatement in amortization of goodwill (decrease of statutory loss with € 0.7 million);
- Revaluation of financial instruments (decrease of statutory loss with € 0.06 million);
- Recognition of the building lease (decrease of statutory loss with € 0.08 million);
- Restatements in inventory valuation and related deferred tax adjustments (decrease of statutory loss with € 0.2 million)

The auditor has issued an unqualified opinion on the statutory accounts of Devgen NV.

## 4.3. Annual Report of the Board of Directors on the statutory financial statements

### ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATUTORY FINANCIAL STATEMENTS

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Dear Madam / Sir Shareholder,

We are pleased to present you the financial statements for the fiscal year ended 31 December, 2008.

#### **1) Strategic and business highlights**

##### Strategic highlights

In line with its strategy to focus its business on agrobiotech, Devgen throughout 2008, considered all possible options to sell or spin-out its pharma assets. When it became clear that in the current markets, it was unlikely that a buyer or investor could be found, Devgen terminated its pharma research program and is now fully focused on its agrobiotech business, where the company has strong track record in technology and is building a product driven business.

The mission of this business is to enable farmers worldwide to grow more food in a sustainable manner using less land, water, agrochemicals and labor.

Devgen uses advanced biotechnology and molecular breeding technology to develop high yielding seeds and crop protection solutions with a superior environmental profile. Devgen brings this technology to market in the world's major food and feed crops through two complementary strategies:

- In corn, cotton and soybean the company has market access through licensing arrangements with the industry leader, in exchange for R&D funding, milestone payments and royalties;
- In rice, sunflower, sorghum, and pearl millet, major field crops in Asia, Devgen is a provider of premium hybrid seeds in India and is on the path to become a top 3 player. Devgen operations in India encompass biotech R&D, advanced breeding, seed production and conditioning and sales and marketing. In Indonesia and the Philippines, Devgen has taken the first steps towards market entry in rice.

In its Crop Protection unit, Devgen develops a novel nematicide, an agro-chemical product that protects crops from damage by parasitic nematodes.

Devgen has obtained regulatory approval in the US to sell its lead nematicide compound in selected crops and has submitted its first registration dossier for approval in Europe. First sales in the US are targeted in 2010.

In 2008, agriculture was on the priority list of many governments around the world as food prices rose strongly. The price of rice peaked during 2008 and today remains considerably higher than one year ago. As a result, the need for hybrid seeds and technology-supported agriculture became increasingly evident. Governments expressed the need for hybrid seeds and biotechnology to help satisfying the growing global demand for food. In 2008 biotech crops once more grew their market presence and the price for seed with built-in technology increased, reflecting the value they bring to farmers. The global outlook for the agricultural business is positive.

In India, currently Devgen's major market, Devgen targets a top 3 position in value and volume for rice and sunflower and a number 1 position in sorghum. Devgen will launch new products that will increase the productivity of the farmer. Devgen's hybrid rice business is targeted to grow considerably faster than the market for hybrid rice, which is expected to grow at 30% a year.

### Business highlights

- Devgen discontinued the pharma business to fully focus on its hybrid seeds and agro-biotech activities.
- Devgen is recognized as a premium quality seed company in India for rice, sorghum, pearl millet and sunflower.
- The basis was laid for growth with a strong team, high quality production capabilities, and a marketing and distribution network creating demand across key markets in India.
- Devgen is ready for 2009 market entry in Indonesia, through cooperation with SHS, the country's leading seed producer and distributor, after successful local testing and subject to product registration of the Devgen rice hybrids.
- Devgen successfully activated the seed assets acquired in the Philippines and is ready for market launch end 2009 – beginning of 2010.
- Devgen identified hybrids in its pipeline to be launched during the next 5 years to enable sustainable growth.
- Global integration and strengthening of Devgen R&D:
  - Germplasm and breeding in Kenya, India and the Philippines;
  - Molecular techniques and bio-informatics in Belgium and Singapore.
- A pipeline of rice traits is at various stages of development with first traits (transferred into elite germplasm) ready to move to India in 2010.
- Devgen completed the nematicide registration dossiers for submission as planned.

Devgen turned the seed business assets, acquired in 2007, into a fully operational business and is ready for substantial growth as of 2009. Total sales in 2008 of premium hybrids seeds for rice, sorghum, pearl millet and sunflower amounted to EUR 6.1 Mio which is at the high end of expectations.

In preparation of 2009, the following actions have been taken:

- Indian team strengthened throughout all functions: 159 permanent staff and over 300 temporary staff deliver premium top quality products to the market;
- Production capacity increased: acreage in place to increase seed production 3-fold over 2008 levels. Tolling capacity for seed processing secured for growth up to 2011;
- Market reach: number of distributors tripled, and number of dealers more than doubled to over 20.000;
- Strong demand created: extensive product testing and demo's to farmers in established and new sales territories resulting in advance bookings and related, prepayments by distributors, today already exceeding total sales achieved in 2008.

During 2008, Devgen demonstrated that its hybrids are adapted and potentially competitive in the Philippine and Indonesian markets. In 2009, Devgen plans to expand its hybrid rice business to these two major rice growing countries. Key relationships were established to prepare for market launch by the end of 2009. Devgen plans on creating demand by product demonstrations to farmers as it does already in India.

The hybrid seed business is driven by technology (germplasm, breeding and traits). To remain at the forefront Devgen puts extensive research efforts into the development of new hybrids. The Devgen breeders now benefit from the integration of research platforms in Kenya, India and the Philippines and receive support from molecular assisted breeding expertise and dedicated breeding IT systems in Ghent.

Solid progress was also made in Devgen's RNAi technology platform and in rolling-out a pipeline of biotech traits in rice, based on proprietary technologies, either developed in-house or licensed-in.

The dossier for registration of Devgen's nematicide has been submitted in Italy.

Extensive product testing continued in 2008 to support these filings and to further optimize agricultural practice and product formulation. Approval of registration for selected crops has been obtained in the US. More news on the launch of the product will be announced in the course of the year. The research performed to date revealed new opportunities for crops which today are not actively treated for nematode problems as no suitable products were available. These opportunities will be included in Devgen's target markets.

## **2) Discussion and analysis of the statutory annual accounts**

The tenth fiscal year of Devgen NV has been closed with a loss of € 23,262,031.25 including depreciation charges of € 2,914,399.22.

On 27 November 2008, the company decided to dispose of its Human Therapeutics business unit. The disposal was completed on 31 December 2008. The contribution of this 'discontinued operations' in the loss of Devgen NV was € 8.5 Million, of which € 8 Million was spent on research and development, and of which € 0.5 Million was spent on general and administration.

The operating revenue for the fiscal year 2008 amounts to € 3,525,786.59 comprising € 3,170,518.83 income from sales derived from contract research and € 355,267.76 other operating income. This other operating income includes € 134,816.61 rent income from the sublease of the building, € 60,445.34 government grant income and € 47,658.95 income from seed sales.

The operating expenses amount to € 28,147,224.15, comprising of € 17,540,434.10 for services and other goods, € 7,688,624.30 for remuneration and social security and pensions, € 2,914,399.22 for amortization and depreciations and € 3,766.53 for other operating charges. As a result, operating loss amounts to € 24,621,437.56.

The financial result is positive: € 1,624,405.31 financial income, comprising € 1,459,266.80 financial income from interest income on cash investments and € 165,138.51 other financial income mainly from currency translation gains, against € 219,627.33 financial expenses including € 55,744.74 interest on loans and leases and € 146,302.74 other financial charges from currency translation losses.

The income taxes amount to € 5,094.23 and consist of retained withholding taxes on income from licenses and research know-how.

The loss after taxes for the fiscal year amounts to € 23,262,031.25.

The purchase of tangible fixed assets in 2008 amounts to € 215,917.60 and is composed of:

Research equipment	€	53,141.85
Office and general equipment	€	11,885.64
Hard and software	€	56,554.16
Lab furniture	€	2,784.26
Office furniture	€	1,054.10
Building	€	21,641.35
Vehicles	€	56,521.74
Leasehold improvements	€	12,334.50

In the fiscal year 2008 an amount of € 149,320.00 classified in previous period as a software asset under construction was charged to the operating expenses.

The purchase of intangible fixed assets in 2008 amounts to € 21,613.00 for the acquisition of licenses.

In the fiscal year 2008 the acquisition prices of certain intangible assets were restated. These intangible fixed assets have been purchased as part of a seed business acquisition from certain Asian subsidiaries of Monsanto on 31 October 2007. Under the terms of the acquisition agreements, Devgen NV has acquired a portfolio of intangible assets associated with Monsanto's hybrid rice, sunflower, sorghum and pearl millet businesses in India and Pakistan.

	<b>In 2007</b>	<b>restated in 2008</b>
Technical know how	€ 4,318,643.41	€ 4,354,366.04
Trademarks	€ 1,839,921.17	€ 1,872,322.38
Trademark licenses	€ 11,908.78	€ 49,498.62
Technical know how sublicenses	€ 38,477.01	€ 38,477.01
Dealer relationships	€ 1,702,693.34	€ 1,702,693.34
Vendor relationships	€ 928,437.00	€ 928,437.00
Licenses	€ 49,498.62	€ 49,498.62
Non compete fees	€ 338,355.08	€ 338,355.08
Copyrights	€ 294,648.18	€ 294,648.18
Goodwill	€ 7,544,158.80	€ 7,454,759.78
<b>Total</b>	<b>€ 17,066,741.39</b>	<b>€ 17,045,466.21</b>

The cumulative restatement amounts to € 21,275.18 less acquisition value in 2008 as compared to 2007.

At 31 December 2008, the financial assets amount to € 8,090,980.18 and are composed of the following participations in:

Devgen Pte Ltd	€ 8,029,154.05	(Singapore)
Biodev NV	€ 61,499.00	(Belgium)
Devgen Seeds and Crop Technology Pvt Ltd	€ 0.19	(India)
Devgen Seeds Pakistan Pte Ltd	€ 0.11	(Pakistan)
Devgen US Inc	€ 326.83	(U.S.A.)

In 2008, Devgen NV increased the share capital of Devgen Pte Ltd with an amount of € 6,050,864.45. Devgen NV has no foreign branches. Other financial assets amount to € 1,872.00.

On 31 December 2008, the cash and cash investments amount to € 17,969,427.76 including € 4,840,000.00 restricted cash.

Trade and other receivables amount to € 4,165,798.21, of which € 3,968,445.03 is receivable within one year. Deferred charges and accrued income amount to € 1,615,780.07, of which € 1,493,587.18 are deferred charges, mainly relating to prepaid expenses for facilities and nematicide field trials, and € 119,500.16 accrued income, mainly relating to interest income.

Total net equity amounts to € 43,351,245.53 including the effect of the accumulated losses carried forward of € 50,424,423.47. Financial debts amount to € 344,941.34, of which € 185,930.52 € is payable within one year. Trade payables amount to € 3,259,539.81 and social debts amount to € 407,748.45. Accrued charges and deferred income amount to € 251,981.48.

### **3) Capital increases and issuance of financial instruments**

The following capital increases took place in 2008:

- Through the exercise of 25,149 existing warrants into the same number of new shares on 7 April 2008 with a resulting statutory capital increase of € 58,331.05;
- Through the exercise of 9,109 existing warrants into the same number of new shares on 13 October 2008 with a resulting statutory capital increase of € 12,801.99.

By a decision of the Extraordinary Shareholders' Meeting of 20 June 2008, the company has been allowed to issue 750,000 warrants for the benefit of the CEO, employees and consultants, of which 18,852 warrants were granted as per 31 December 2008; and 11,724 warrants for the benefit of board members, all of which were granted as per 31 December 2008.

All new shares are listed on Euronext Brussels.

#### 4) **Risks**

In application of the Belgian Company Law, Devgen NV has decided to inform the shareholders of the risk factors involved in the company's business. In 2008, Devgen NV was potentially subjected to the following inherent risks:

- Early stage of development both in the drug development and crop protection activities;
- Business environment that is characterized by rapid technological change, complexity and severe competition;
- Reliance on collaborative partners to generate short to medium term revenues, and in the long-term to assure the expertise relating to manufacturing, sales and marketing, licenses and technology rights;
- Dependence on key personnel, both principal management and scientific personnel;
- Potential liability relating to products, testing, sales and marketing, and use of future products based thereon;
- Negative reaction, public opinion, to the use of genetic technology and animal testing;
- Inability to obtain and maintain adequate patents and proprietary rights to its technologies and products;
- National and international government regulation relating to biotechnological, agrochemical and pharmaceutical research and development;
- Use of potentially harmful materials in the research and development activities;
- Lack of operating profitability due to the significant research and development expenditures since 1997;
- Additional financing requirements and access to capital that might be needed to fund future activities;
- Potential government interference with regard to pricing for hybrid and biotech seeds on the Indian market.

In 2008, financial risk management was focused on:

##### *Capital risk*

Devgen NV manages its capital in order to generate sufficient cash and cash equivalents in order to finance the ongoing research and development projects and the development of its newly acquired seed business.

##### *Credit risk*

Credit exposure with regard to R&D partnering activities is concentrated with a limited number of creditworthy partners. For the seed business, carried out by Devgen's subsidiary in India, credit exposure is managed in accordance with standard business practice supported by consistent and regular credit worthiness checks for new and existing customers.

##### *Interest risk*

All borrowings and leases have fixed interest rates, except for the building loan which is subject to a variable interest rate, revisable at each fifth anniversary date of the loan agreement based on the average weighted interest rate swap 1 to 5 years (IRS) with a duration of 15 years, plus a margin of 2,5%. Devgen NV does not use interest rate swap or forward interest rate contracts.

##### *Currency risk*

Devgen NV has the policy to match foreign currency cash inflows with foreign currency cash outflows or use forward currency exchange contracts to hedge its material foreign currency exposure.

##### *Liquidity risk*

Devgen NV has developed an appropriate risk management framework for the management of its short, medium and long-term funding and liquidity requirements. Devgen NV makes use of liquid investments in currency or term accounts, commercial paper and treasury notes. Each instrument in this balanced portfolio possesses high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 12 months.

### **5) Conflict of interest according art 523 of the Company Law**

In 2008 the procedure of conflict of interests of article 523 of the Company Code was applied once, particularly during the meeting of the Board of Directors of June 21<sup>st</sup>, 2008. The only item on the agenda was the acceptance of the proposal of grant of Warrants 2008 as worked out by the Nomination and Remuneration Committee.

The relevant part of the minutes is set out below:

The Chairman presents the proposal worked out by the Nomination and Remuneration Committee regarding the granting of a tranche of Warrants 2008. The proposal is added to these minutes as Appendix A. The Warrants concerned have been created by the Extraordinary General Shareholders' Meeting held before notary public on June 20<sup>th</sup>, 2008.

Before the Board proceeded with the deliberation and resolutions with respect to the agenda item, Dr. Thierry Bogaert informs the Board (as far as needed in accordance with Article 523 of the Belgian Company) that he has a financial interest, that in accordance with article 523 of the Belgian Company Code, possibly is contrary to the resolutions of the Board of Directors relating to the agenda item concerned, as it relates to the grant of warrants to himself.

As to the financial consequences of the proposed grant, and hence of the possible conflict of interest, reference is made to the special report that the Board of Directors has prepared in accordance of Article 596 of the Belgian Company Code in connection with the creation of Warrants 2008.

Mr. Thierry Bogaert further informs that in accordance with Article 523 of the Belgian Company he would notify the Company's Statutory Auditor of the possible conflict of interest. Then Mr. Thierry Bogaert leaves the meeting.

The Board of Directors determines that the proposed grant of Warrants 2008 has been discussed within the Nomination and Remuneration Committee. The proposal was made to grant 100.000 Warrants 2008 to Mr. Thierry Bogaert. The Board of Directors is of the opinion that the proposed grant of Warrants is justified, as (i) it corresponds to what is stated in connection with the remuneration of the executive management in the Annual Report 2007, (ii) it is in the interest of the company that a part of the remuneration of the executive management is aligned to the result of the company.

After deliberation it was unanimously resolved that:

- (a) The Board of Directors approves the proposal of Grant of Warrants 2008, as prepared by the Nomination and Remuneration Committee.
- (b) The Board of Directors approves to grant to every director, with the exception of Thierry Bogaert BVBA, a special power of attorney, to sign the necessary documents, including the offer letters, and take all the necessary action to implement the above board decisions in accordance with the provisions of the Warrantplan 2008.

Article 524 of the Belgian Company Code was not applied in 2008.

### **6) Listing of elements which by their nature would have consequences in case of a public take-over bid on the company**

The elements which by their nature would have consequences in case of a public take-over bid on the company are listed below. Outside the elements listed below, the company has no knowledge of any other elements which by their nature would have consequences in case of a public take-over bid on the company required to be disclosed by law.

Important agreements which would undergo changes or would be terminated in case of a change of control of the company after a public take-over bid:

- The 6 February 2007 Research and License Option Agreement entered into between Devgen NV and Monsanto Company provides that Monsanto Company is entitled to terminate the Research and License Option Agreement in the event that a company that is engaged in the agricultural biotechnology and/or seed industry acquires a controlling interest in Devgen. Such termination would have no effect on licenses already granted by Monsanto Company to Devgen under the Research and License Option Agreement.

### **7) Use of Authorized Capital**

None of the authorized capital of € 1,341,110.15 under the authorization given by the Extraordinary General Shareholders' Meeting of 25 August 2008 has been used as per 31 December 2008.

### **8) Subsequent events**

No subsequent events after 31 December 2008 took place.

### **9) Going concern assessment**

In accordance with Article 96, 6° of the Belgian Company Code, taking into account two consecutive fiscal years of losses, the Board of Directors has decided, after consideration, to apply the valuation rules "assuming going concern", for the following reasons:

- The net assets amount to € 43,351,245.53 on 31 December 2008 versus a debt position of € 4,284,211.08; as a consequence, the ratio of indebtedness of the company is 0.09 compared to 0.07 in the previous fiscal year;
- On 31 December 2008, total cash position (cash and cash investments) amounts to € 17,969,427.76.
- On 31 October 2007, Devgen acquired a seed business in India and Pakistan, with the potential to generate positive future cash flows.

Since the company is currently able to satisfy all financial liabilities and is able to fulfill all payments, the Board of Directors believes that the continuity of the company is not threatened. The company is actively pursuing different ways to strengthen its cash position and is confident that it will obtain sufficient cash in due course to pursue its strategy and to be able to become cash flow positive. Based on the current cash availability and anticipated revenues and/or cash inflows, the Board of Directors believes that the future of the research programs can be guaranteed at least for the following 12 months.

### **10) R&D**

Total R&D expenses amount to € 18.4 million and represent nearly 73% of total operating costs. Of this number 60% was dedicated to the Crop Protection activities and 40% to the Human Therapeutics activities which have been discontinued as per 31 December 2008. The R&D expenses increased with approximately € 1.7 million or 16%, as compared to 2007 (€ 16.7 million). This is mainly due to the increase of staff costs related to the restructuring from the closure of the Human Therapeutics division, and the increased outsourcing expenses for the nematocide field testing activities. The remainder increase can be explained mainly by the increased patent expenses and research facilities expenses.

Finally, we ask you to approve the annual accounts as drawn up and to discharge the directors and the statutory auditor who were in office during the fiscal year ended December 2008 from their liability.

Done on 10 March 2009,  
On behalf of the Board of Directors.

#### 4.4. Auditor's report on the statutory financial statements

### **DEVGEN NV**

#### Statutory Auditor's report for the year ended 31 December 2008

The original text of these accounts and reports is in Dutch.

**DEVGEN NV****STATUTORY AUDITOR'S REPORT FOR THE YEAR  
ENDED 31 DECEMBER 2008 TO THE SHAREHOLDERS' MEETING**

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments and information.

**Unqualified audit opinion on the financial statements**

We have audited the financial statements of DEVGEN NV for the year ended 31 December 2008, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of 47.635 (000) EUR and a loss for the year of 23.262 (000) EUR.

The Board of Directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2008 give a true and fair view of the company's assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.

**Additional comments and information**

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Companies Code and its articles of association are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments and information which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company's articles.
- In accordance with article 523 of the Companies Code, we are required to report on the following operations which have taken place since your last Annual General Meeting:
  - During the Board of Directors meeting of 21 June 2008, Mr. Thierry Bogaert declared that he has a conflict of interest with regard to the decision of the granting of warrants. There are no financial consequences for the company since the warrants were not accepted by the beneficiary.

Kortrijk, 11 March 2009

**The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Gino Desmet