

Business update Devgen nv - 3rd quarter 2011

Regulated information

Zwijnaarde, Belgium - November 9, 2011 - Devgen nv (Euronext Brussels; DEVG), a company focused on the development of the Next Generation Hybrid Rice (NGHR), today provides a business update and its financial results for the third quarter 2011. NGHR is part of Devgen's strategy to increase the productivity of hybrid rice seed available to farmers in India and Southeast Asia to allow them to grow more food in a more environmentally friendly way.

Business highlights

- Development program for Next Generation Hybrid Rice (NGHR) seeds: field observations of yield trials provide confidence that the program is on track – post harvest data is expected at year end.
- On-going demonstration trials of new hybrid rice products due for sale in 2012 are expected to complete shortly.
- Preparations for the launch of the first premium hybrid sorghum for the current Rabi (winter) season in India are underway.
- Successful launch and completion of first commercial harvesting of a new pan-India hybrid pearl millet.
- Devgen's nematicide Devguard[®] has been further validated in the market in Turkey. Feedback from the pre-launch season activities in Southern Europe has been positive.

Financial highlights

- Third quarter overall revenues were up 29% to € 4.6 million. Nine month revenues were up 42% to €22.3 million (€15.8million – 2010). Seed sales have more than doubled in 2011 to €13.3 million (€6.4 million – 2010).
- Nine month EBITDA loss reduced to €0.4 million (€1.9 million loss – 2010).
- Third quarter net loss of €1.9 million. Nine month net loss reduced to €2.1 million (€3.7 million loss – 2010).
- Cash and cash equivalents of €44.9 million at end September 2011 including restricted cash.
- Full year 2011 outlook of higher revenues maintained.

Thierry Bogaert, CEO of Devgen, commenting on today's announcement said, "Devgen continues to make good progress in executing all elements of its strategy to generate significant value from its breeding and biotech platforms. The development of our Next Generation Hybrid Rice seed is advancing as planned and we remain confident that with its significant benefits it will play a key role in the next green revolution in hybrid rice. The productivity of our breeding platforms should over the coming months and years allow us to launch a continuing stream of new products, which by meeting the needs of the Indian, Indonesian, Philippine, and Vietnamese farming communities and consumers, will enable us to significantly increase the revenues of our current seed business."

Next Generation Hybrid Rice

Devgen is using its breeding and biotech platforms to develop the Next Generation of Hybrid Rice (NGHR) seeds as well as biotechnology based crop protection solutions. These important new products are designed to meet the increasing requirement in India and Southeast Asia to grow more food on less land using less water, labor and agrochemicals.

Devgen's NGHR program is on track. The results of our current extensive product development trials in India and Southeast Asia are expected around the year end. Positive results from these trials will put Devgen on track to launch its NGHR seeds as of 2013-2014.

NGHR is a key value driver for Devgen and will offer significant benefits to farmers such as substantially higher yields, better milling quality and taste. India is the world's largest rice producer but its hybrid rice market is still underdeveloped (3% versus 60% in China). This represents a significant market opportunity for superior hybrid rice seed such as Devgen's NGHR seed.

Devgen remains confident that its NGHR seeds are expected to be at the forefront of the conversion to hybrid rice in India and Southeast Asia. Longer term the Company expects to benefit from the introduction of biotech rice seed.

Devgen's current seed business

Hybrid rice seed

Devgen is well placed to commercialize its NGHR seed given the strength of its current seed business. The Company produces and sells proprietary premium seeds in four strategic crops. In India Devgen sells proprietary hybrid seeds for pearl millet, sorghum, sunflower and rice. In addition the Company leverages its marketing and sales platform



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through the distribution of cotton for third parties through 600 distributors and more than 20,000 retail outlets. Devgen also markets hybrid rice seeds in Indonesia and the Philippines.

Devgen's existing hybrid rice business is built upon a number of premium hybrids which offer advantages to farmers over non-hybrid rice. They provide Devgen with important marketable products for its business in India and elsewhere in Southeast Asia. In the first half of 2011 the volume of hybrid rice was 50% higher than the full year 2010.

During 2011, the Company has been conducting demonstration trials in India with 3 new hybrid rice seed products, of which the best will be selected for launch in 2012. These hybrid products offer significantly superior yields over existing hybrids on the market in combination with long slender grain quality. Devgen expects to report further on these products shortly.

New products strengthening Devgen's position in the other hybrid crops

In the third quarter, Devgen prepared for the launch of a new hybrid sorghum that when introduced is expected to greatly strengthen its current leadership position in the Indian sorghum market by capturing an important share of the so far non-hybridized Rabi sorghum market.

This product is a premium hybrid sorghum seed for the winter (Rabi) season. This new product will, for the first time, offer growers a hybrid with equivalent grain quality and taste to traditional Rabi sorghum varieties, whilst providing a significant grain and fodder yield advantage.

Sorghum is an important cereal crop in India as it requires significantly less water than other cereals making it ideal for cultivation during the dry season. In India sorghum is grown on 8.4 million hectares of land of which 5.6 million during the Rabi season, approximately 20% the size of the 44 million hectares cultivated for rice, India's leading food crop.

A new hybrid pearl millet, designed to deliver high yields of premium grain and fodder along with the desired grain colour and quality, was launched across India during the Kharif season (summer). The Company's current hybrid pearl millet seeds are only suitable for regions that account for approximately 15% of this high-value market. Devgen is looking forward to report on the post season activities which are currently ongoing to share the feedback from the farmers with respect to this new and promising new hybrid.

Pearl millet is an important food crop in India as it requires less water than many cereal crops and is able to survive even at high temperatures making it ideal for cultivation during the dry season. It is grown on 9 million hectares of land across India.

Nematicides

Devgen's nematicide is an agrochemical with a superior environmental and worker exposure profile compared to currently used nematicides, many of which are under significant regulatory scrutiny and cannot be used throughout the growing season.

The product is sold in Turkey under the Devguard® brand to protect eggplants, tomatoes, peppers and cucumbers from infestation by plant parasitic nematodes. In the United States, Devgen is in the process of taking this product to the market in peanuts and key vegetable crops under the Enclosure® brand. In Southern Europe a pre-launch season is ongoing in vegetables.

In Turkey, Devgen's nematicide Devguard® was further validated after a fourth season of demo trials and enhanced farmer training fuelling market growth. The positive impact of the decision of the Russian Federation to grant import permission for tomatoes and cucumbers treated with Devguard® will support further growth starting in H1 2012.

The results of the pre-launch demo trials that are running in cooperation with Devgen's distributor for southern Europe Cheminova have been well received both by the trade as well as by key influencers.

In the US interest in Enclosure® is increasing. The solid performance with the amended master label has been reported by university co-operators. Sales will be initiated once full analysis of the trials has been completed and support from key opinion leading agronomists has been obtained. Registration of Enclosure® for fruiting vegetables is ongoing.

Financial update

Key figures

in € 1,000	Q3 2011	Q3 2010	30/09/2011	30/09/2010
Sales of goods	1,356	415	13,283	6,437
Research and development services	3,196	3,103	9,045	9,333
Total revenues	4,552	3,518	22,328	15,770
EBITDA	-1,488	-894	-411	-1,934
Net loss for the period	-1,874	-1,348	-2,131	-3,680
in € 1,000			30/09/2011	31/12/2010
Cash and cash equivalents (*)			44,915	28,819

(*) Including restricted cash for an amount of € 5.7 million per 30 September 2011 and € 5.8 million per 31 December 2010.

Total **revenues** for the nine months, up to end September, amounted €22.3 million a significant increase on the €15.8 million reported for the same period last year.

Revenues from product sales amount to €13.3 million in the first nine months of 2011, more than double the €6.4 million achieved in 2010. Sales of seeds were €1.4 million in the third quarter compared to €0.4 million during this period last year. Third quarter seed sales were achieved in India mainly from sunflower seeds. The sunflower seed market in India is not expected to grow significantly in 2011 due to the continuing low price of sunflower oil. Cotton seed sales in Karnataka and Andhra Pradesh in the late cotton market also contributed to the growth in third quarter revenues. Seed sales for 2011 continue to be in line with the guidance given at the time of the half year report in August. This guidance highlighted that due to Devgen's product mix that 90% of sales would be made in the first half of the year.

Revenues from research and development services amounted to €9.0 million for the first nine months of 2011 slightly below last year's €9.3 million.

EBITDA for the nine months ending September amounted to a loss of €0.4 million compared to the €1.1 million profit achieved for the half year ending in June. This reflects the seasonality of Devgen's sales.

The **net loss** for the nine months up to the end of September amounted to €2.1 million, higher than the net loss of €0.3 million reported for the first six months of the year. This is in line with guidance. Net loss shows an improvement compared to last year when the net loss amounted to €3.7 million for the first nine months of 2010.

Cash and cash equivalents amounted to €44.9 million, down €1.4 million euro from the end of June 2011. Cash includes €5.6 million cash which is restricted in its use.

Outlook

Seed & product sales revenues in Q4: the fourth quarter forms part of the low season for Devgen. Some further product sales are expected which will contribute to year-on-year top line growth.

Revenues from research and development Q4: Research and development service revenues are expected to decline as previously communicated due to the completion of the agreement with Monsanto at the end of October.

Total revenues in 2011 will be in line with the guidance given at the time of the half year report in August.

Devgen expects that further strict cash management should result in a cash balance (including cash restricted in its use) of €41 million at the end of 2011.

About Devgen nv

Devgen's mission is to deliver the next green revolution in rice to growers that cultivate 60m ha rice in India and Southeast Asia.

Devgen uses advanced biotechnology and molecular breeding technology to develop the Next Generation Hybrid Rice (NGHR) and crop protection solutions with a superior environmental profile:

- Devgen developed the next generation of hybrid rice, improving yield, seed productivity, grain quality, and tolerance to biotic and abiotic stress factors. Devgen strongly believes that this hybrid rice technology has the potential to drive the accelerated conversion of varietal rice to hybrid rice.
- Anticipating the need to increase insect resistance and drought/heat tolerance in rice to a level that is beyond what can be achieved with classical breeding, Devgen created a portfolio of biotech traits using own technology as well as in-licensed technologies.
- Devgen established an integrated seed business in India and Southeast Asia through which its rice crops and technologies reach the market.
- In India, Devgen complemented its hybrid rice business with geographically and seasonally complementary crops: hybrid sorghum, pearl millet and sunflower.
- In its Crop Protection unit, Devgen develops a novel nematicide, an agro-chemical product that protects crops from damage by parasitic nematodes. This product is sold in Turkey and in the US.
- Devgen innovates in crop protection research and environment induced stress tolerance for its own crops and providing technology to corporate partners.

Incorporated in 1997, Devgen has offices in Ghent (Belgium), and has subsidiaries in Singapore, Hyderabad (India), Yogyakarta (Indonesia), General Santos (the Philippines) and Delaware (US), totaling about 280 employees.

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