

Devgen reports half year results 2011

Regulated information

Ghent, 26 August 2011 – Devgen nv (Euronext Brussels: DEVG), announced today its results for the six month period ending 30 June 2011.

Business highlights

- Strong performance in Devgen's seed business
- Substantial growth in hybrid rice seed sales
- Development program for the Next Generation Hybrid Rice (NGHR) seeds on track for market launch in 2013-2014
- Successful distribution of Vikram cotton seed in first sales season, demonstrates strength of Devgen's sales force and market access
- Devgen appoints Cheminova as distributor for Southern Europe for its nematocide Devguard®
- New members strengthen Board of Directors

Financial highlights

- H1 2011 total revenues increased by 45% versus H1 2010, due to the growth of Devgen's seed business
- H1 2011 operating profit of € 0.2 million compared to an operating loss of € 2.1 million in H1 2010
- € 26.8 million equity funding completed in March 2011
- Cash position¹ at end of H1 2011, amounts to € 46.3 million, up from € 28.8 million at the end of 2010

"With new rice hybrids entering the market in 2012 and Devgen's Next Generation of Hybrid Rice seeds advancing towards commercialisation, we are delivering on our mission to enable the next green revolution in hybrid rice." says Thierry Bogaert, CEO of Devgen, "Furthermore, we recorded solid growth in our India business, received excellent feedback from our hybrid rice products in Indonesia and we continued to strengthen our market access across the region."

Business highlights

Next Generation Hybrid Rice and Biotech Rice

Devgen is using its breeding and biotech platforms to develop the Next Generation of Hybrid Rice seeds as well as biotechnology based crop protection solutions, to meet the increasing requirement to grow more food on less land using less water, labor and agrochemicals.

- Devgen's Next Generation Hybrid Rice (NGHR) program is on track: 2011 results of product development trials in India and Southeast Asia are expected in Q4. Devgen targets launch and sale of NGHR seeds as of 2013-2014.
- Devgen's pipeline of biotech crop protection (insect resistance and herbicide tolerance) and stress traits in rice is progressing as planned.

¹ Including restricted cash for an amount of € 5.7 million at the end of H1 2011 and € 5.8 million at the end of 2010.

Next Generation Hybrid Rice (NGHR) is a key value driver for Devgen and offers significant potential benefits to farmers. India is the world's largest rice producer but its hybrid rice market is still underdeveloped (3% versus 60% in China). This is a significant market opportunity if superior hybrid rice seed such as Devgen's NGHR seed, can be introduced.

Since 2005, Devgen runs a fundamentally redesigned hybrid rice development program combining high yield and product value with farm-traits such as lower water use and suitability for mechanised seeding and harvesting. These Next Generation Hybrid Rice seeds are expected to be at the forefront of the conversion to hybrid rice in India and Southeast Asia.

Devgen seed business

The Devgen seed companies produce and sell proprietary premium seeds in four strategic crops, across India through 600 distributors and more than 20,000 retail outlets. Devgen also markets hybrid rice seeds in Indonesia and Philippines.

Devgen's existing hybrid rice business is centred around 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 South East Asia, and allow Devgen to establish significant presence in the market, ahead of the launch of NGHR seeds.

- Hybrid rice volume sold in H1 2011 is 50% higher than the full year 2010 sales (the 2011 sales for rice are essentially completed):
 - Solid demand for Devgen's 6 current hybrid rice seed products in India. These are the best or equal to the best in their respective market segments in terms of yield and quality.
 - Devgen's hybrid rice DG 1 SHS performed extremely well in Indonesia combining substantial yield increase with a taste profile desired in the market. Q2 sales increased substantially over 2010.
 - Portfolio strengthened with new products with higher yield and quality. Launch targeted in 2012 in both India and Southeast Asia.
- Strong overall performance in Indian seed business (including export sales to Southeast Asia):
 - Investments in state of the art seed production systems and monitoring resulted in improved productivity, lower COGS of newly produced seeds and seed production in line with plan.
 - With approximately 90% of the 2011 sales completed, reported sales at end of Q2 2011 show more than 50% growth versus the full 2010 year.
 - Distribution of cotton seeds, following our agreement with Vikram seeds, leveraged our market access and contributed to both top and bottom lines, in its first year.

Nematicide

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.

It 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.

Key milestones in H1 2011 include:

- Cheminova appointed as distributor for Devgen's nematicide Devguard[®] in Europe. Joint pre-launch activities initiated in Southern Europe show good mid-season results.
- The Russian Federation granted permission to import tomatoes and cucumbers treated with Devguard[®] 500SC from Turkey and other countries. Market opportunities for Devgen are thus expanding in regions that cultivate vegetables for export to Russia.
- Mid-season evaluation of peanut trials in the US with Devgen's modified label permitting more flexible applications, confirm that Enclosure[®] performs comparable to the main competitor product in the market (Temik[®]). Sales will be initiated with the new label after trials are fully evaluated and support from key opinion leading agronomists advising farmers is obtained.
- Mid-season evaluation of vegetable trials in the US indicate Enclosure[®] is providing yields comparable to standard and significantly higher yields than untreated, confirming observations in Europe. Registration in the US for vegetables is not expected before Q1 2012.

Other corporate developments

Devgen strengthened its Board of Directors with two new members. Mr. Aat Van Herk has been a shareholder of the Company since the Company was listed on Euronext in 2005 through its investment company O.G.B.B. A. Van Herk B.V. He has an eminent track record as biotechnology investor and entrepreneur. Mr. Wouter de Ruiter is an important shareholder through Madeli Participaties B.V. He built his career at De Ruiter Seeds and brings with him 20 years of experience in the seed industry. De Ruiter Seeds was purchased by Monsanto Company in 2008.

Financial review

Key financials

in € 1,000	June 30, 2011	June 30, 2010
Sales of goods	11,927	6,022
Research and development services	5,849	6,230
Total revenue	17,776	12,252
Gross profit	8,422	6,643
EBITDA	1,077	-1,040
Operating result (EBIT)	214	-2,120
Net loss for the period	-257	-2,332

in € 1,000	June 30, 2011	December 31, 2010
Cash and cash equivalents ²	46,266	28,819

² Including restricted cash for an amount of € 5.7 million at the end of H1 2011 and € 5.8 million at the end of 2010.

Revenues

Revenues for the first six months of 2011 amount to € 17.8 million compared to € 12.3 million for the same period last year. This 45% increase was entirely due to the solid performance of Devgen's seed business. Revenues from product sales (seeds) amounted to € 11.9 million, nearly double the turnover of € 6.0 million realized over the same period last year. The significantly higher volumes of hybrid rice and the sales generated from the distribution of cotton seeds, following the agreement with Vikram Seeds, contributed to the top line growth. Revenues associated with R&D activities (Monsanto Company and Sumitomo Chemical Company) amount to € 5.8 million for the first six months of 2011, slightly below the € 6.2 realized over the same period last year.

Gross profit

Devgen's gross profit in the first half of 2011 was € 8.4 million up 27% from € 6.6 million in H1 2010. Gross profit from the seed business expressed in % of sales was up with 15% to 22% and amounts to € 2.5 million. Increased production efficiencies contributed to this improvement. This was offset to some extent by the cost of goods, of seeds from inventory produced at higher COGS in 2010.

Devgen's distribution of Vikram cotton seed fully leveraged Devgen's existing market access in key cotton growing areas, at minimal risk and investment, but delivers a lower (distributor) margin than its own integrated activities.

Devgen continues to work to improve its cost of goods and expects to see further improvements through further optimization of its production processes.

The introduction of NGHR seeds is expected to result in a step change improvement in Devgen's cost of goods particularly once these products are established as the main contributors to the Company's rice seed sales.

Operating income

Devgen's operating profit amounted to € 0.2 million in the first half of 2011. This is a significant improvement compared to H1 2010 when the Company made an operating loss of € 2.1 million. This was due to both the improved gross profit and lower operating costs.

Marketing and distribution expenses were € 2.1 million, slightly below last year's € 2.3 million. Lower amortization expenses contributed to the lower cost level.

R&D expenses were € 3.1 million, compared to € 4.1 million in H1 2010. Devgen has reached a point where part of its development expenditure of its nematicide program can be capitalized as intangible assets (€ 0.4 million was capitalized during the first six months of 2011). Provisions of € 0.5 million have been reversed relating to nematicide trials for which there are no further financial obligations (e.g. a subset of trials where no natural nematode infestation took place during the trial phase).

G&A expenditure was € 3.2 million in the first half of 2011. This is largely in line with expenditure over the same period last year.

Other operating income amounted to € 0.3 million compared to € 0.7 million over the same period last year. The other operating income in the first half of 2011 mainly consists of rental income from R&D facilities in Ghent previously occupied by the human therapeutics division. In the first half of 2010,

other operating income included a € 0.5 million gain on our participation in Amakem NV. This was due to the contribution in kind of part of Devgen's assets which were the result of Devgen's former human therapeutic research activities.

Net result

Following financial income and expenses, Devgen reported a net loss for the period of € 0.3 million. This is a considerable improvement on the net loss of € 2.3 million incurred in the first half of 2010.

Cash flow

Devgen reported operating cash inflow of € 1.3 million in the first half of 2011. This contrasts with an operating cash outflow of € 1.1 million in the same period last year.

In the first half of 2011 there was a € 8.0 million increase in net working capital due to the use of the amounts prepaid by Monsanto Company³ in 2009 and the use of pre-season payments made by the customers in our Indian seed business.

In the first half year cash flow from investment activities amounted to € -0.5 million mainly related to the capitalization of development expenses.

The Company generated € 24.5 million from financing activities in the first half of 2011. This was mainly due to the capital increase of € 26.8 million dated April 4, 2011 offset by debt repayments of € 1.3 million.

Devgen's overall net increase in cash during the first half of 2011 was € 17.5 million.

Balance Sheet

In March, Devgen raised € 26.8 million through a private placement with pre-identified investors at a price of € 5.85 per share. The principal new investors were Gimv and Gimv-managed funds who jointly invested € 9 million in Devgen. € 17.8 million was invested by new and existing investors including O.G.B.B. A. Van Herk B.V., Madeli participaties B.V. and Biovest Comm.VA.

As result of this transaction, the Company's solvency ratio (equity versus total assets) improved to 79% at the end of June 2011, compared to 64% at the end of December 2010.

Devgen's non-current assets remained stable at € 29.9 million as at 30 June 2011 versus € 30.5 million as at 31 December 2010.

Working capital increased by € 8.0 million during the first six months of 2011 to a net working capital of € 3.9 million.

The growth in inventories, trade receivables and trade payables is the result of and in line with the significant growth of Devgen seeds business, which achieved an almost 100% increase in revenues in the first half of 2011 versus the same period last year.

³ Early 2009 Monsanto Company paid € 20 million in cash in order to broaden its rights to Devgen's technology. This income is posted on a monthly basis over the remaining contract period for the original contract (October 2007) which ends October 2011.

Outlook full year 2011

Devgen confirms its expectation of substantial growth of turnover for the full year 2011. This confidence is based on expected revenues out of research and development to be in line with plan and the very strong turnover realized from product sales during the first half of 2011. Product sales realized during the first half of 2011 account up to approximately 90% of the sales which can be realized for the FY 2011.

In Devgen's seed business, most sales take place in the first half, while operating costs increase significantly in the second half as the company initiates its investment in marketing and seed production in preparation for the 2012 sales season. Devgen therefore expects a considerably lower operating result for the second half of 2011 compared to the result realized in H1 2011.

Following the equity fund raising in March this year, and taking into account the outcome of the operations for H2, including continuous attention for strict cash control, Devgen expects to end the year with a cash position of approximately € 40 million (including restricted cash of € 5.6 million).

Financial report

The financial report was prepared in accordance with the IAS 34 "Interim Financial Reporting" and is available at the company website.

Auditors Report

Limited review report on the consolidated half-year financial information for the six-month period ended 30 June 2011

To the board of directors

We have performed a limited review of the accompanying consolidated condensed balance sheet, condensed income statement, condensed statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selective notes 1 to 15 (jointly the "interim financial information") of Devgen NV ("the company") and its subsidiaries (jointly "the group") for the six-month period ended 30 June 2011. The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with IAS 34, "*Interim Financial Reporting*" as adopted by the EU.

Our limited review of the interim financial information was conducted in accordance with the recommended auditing standards on limited reviews applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the auditing standards on consolidated annual accounts as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 “*Interim Financial Reporting*” as adopted by the EU.

Diegem, 25 August 2011

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises

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

Represented by Gert Vanhees

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 (Philippines) and Delaware (US), totalling about 280 employees.

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