

Devgen announces 2006 financial results in line with expectations and meets targets of business plan

Financial highlights 2006

- Revenue at € 9.3 million in 2006 as compared to € 10.9 million in 2005
- Increased investments in R&D in successful programs, acceleration of nematicide business plan and initial steps in hybrid and biotech rice business plan
- Cash position at € 23.8 million end of December

Business highlights 2006

- Positive outcome of nematicide field trials
- Validation reached in RNAi biotech crop protection technology
- Sound basis laid for developing a rice traits and hybrid seeds business
- Devgen's small molecules to treat inflammation showed efficacy and safety in industry accepted therapeutic animal models

Zwijnaarde, March 15, 2007 – Devgen NV (Euronext: DEVG), a leading European biotechnology company, today announced its financial results for the year ending December 31st, 2006.

2006 was a year of implementation, validation and acceleration for Devgen.

→ The progress of its RNAi crop protection technology led to a one year extension of the Pioneer Overseas Corporation agreement and a 5 year agreement with Monsanto Company (signed in February 2007 but with effect September 1st 2006).

Devgen will continue to make significant investments in the development of a hybrid and biotech rice business, as rice is a world food crop that requires intensive technology inputs to secure long-term productivity and quality improvements.

→ The 2006 nematicide field trials have been successfully completed boding well for a second season of regulatory trials in 2007. Devgen has accelerated its business plan and has initiated field testing outside of Europe in countries such as Japan (the biggest nematicide market), South Africa and a number of banana plantation markets (Canary Islands, Costa Rica, the Philippines).

→ Progress in the pharmaceutical programs is on track to deliver clinical candidates for out-licensing

With the successful conclusion of the IPO in June 2005 (€ 33.7 million funding) and the private placement in February 2007 (€ 31 million funding), Devgen has ample resources to further accelerate its biotech crop protection business plan, to drive the nematicide candidates towards commercialisation and to bring the pharmaceutical programs towards clinical candidates and collaborations with pharmaceutical companies.

Key figures 2006

€ 000 (except for earnings per share)	H1 2006	H2 2006	Y 2006	Y 2005
Revenue	5,006	4,301	9,307	10,917
EBITDA	-4,082	-4,589	-8,671	-2,244
Loss from operations	-4,595	-5,135	-9,730	-3,381
Net of financial income/cost	114	126	240	-111
Net loss	-4,481	-5,009	-9,490	-3,492
Basic earnings per share (€)	-0,30	-0,34	-0,64	-0,28
Cash and cash equivalents¹	28,180	23,780	23,780	34,878

2006 revenues amounted to € 9.3 million, a decrease of 8% compared to the previous year. As was reported last year, revenue from the FMC contract completion was fully recognized in 2005, accounting for € 2.6 million in 2005, including a shift of € 0.4 million from Q1 2006 to 2005.

Earnings before amortization, interest and taxes (EBITDA) decreased by € 6.4 million to € -8.7 million, while net loss for the year amounted to € -9.5 million, as compared to € -3.5 million in 2005. The cash position of Devgen NV was € 23.8 million at the end of 2006.

In the second half of 2006, revenue of € 4.3 million was generated, compared to € 5.0 million in the first six months. This decrease is mostly due to the extra income in the first half of 2006 relating to the finalization of the first 2004 agreement with Monsanto Company. The new contract with Monsanto Company has an effective date of September 1, 2006.

Details of 2006 results

Revenue

Of the total revenue, € 8.9 million was generated by Devgen Crop Protection as compared to € 10.4 million in 2005.

In Human Therapeutics revenue of € 0.45 million was generated, as compared to € 0.55 million in previous year.

Total government grants in 2006 increased 63% to € 2.5 million, compared to € 1.5 million in 2005. In January 2007, Devgen was awarded a new research grant from IWT of € 0.9 million over 16 months, with start date in September 2006, for the development of new targets for the treatment of obesity.

Results

The net loss for 2006 was € 9.5 million, compared to the € 3.5 million last year. This increase is mostly due to the successful progression and acceleration of Devgen's research programs in 2006 which has increased operating costs substantially.

Total research and development expenses in 2006 amounted to € 14.8 million as compared to € 11.4 million in the same period of 2005, an increase of 30 %, mainly due to the increase of outsourcing expenses by approximately € 2.6 million and staff costs by approximately € 0.2 million. The majority of outsourcing expenses relates to nematicide field trials. The increase is also partly

¹ Including restricted cash of € 1.82 million per 31.12.06 and € 1.96 million per 31.12.05

due to costs for preclinical studies in the pharmaceutical programs, consistent with their downstream progression.

Selling, general and administrative expenses in 2006 increased to € 4.4 million as compared to € 3.2 million in 2005, an increase of 38%. Staff costs increased by € 1.1 million partly due to the strengthening of the team and to the increase of share based compensation.

Cash flow and cash position

The net operating cash drain (operating loss + amortization and depreciations + share based compensation) amounted to € 7.6 million as compared to € 2.2 million in 2005.

The cash used in operations was € 10.4 million, as compared to € 5.6 million in 2005. This is the result of the operating cash drain of € 7.6 million and € 2.8 million changes in working capital, including

- increase of grant receivables of € 1.1 million, mainly from IWT;
- increase of trade receivables of € 1.1 million, mainly from Sumitomo and Monsanto Company;
- increase of other current assets of € 0.4 million, mainly interest receivables;
- decrease of trade and other payables of € 0.2 million.

Cash used in investing activities amounted to € 0.37 million in 2006, which is equivalent to the 2005 number.

Cash flow from financing activities amounted to € 0.2 million in 2006 as compared to € 30.8 million in 2005. The cash flow in 2005 included the net proceeds from the IPO and capital increases linked to exercise of warrants of € 31.8 million as compared to € 0.8 million in 2006, and net financial debt payments of € 1 million in 2005 as compared to € 0.6 million in 2006.

Devgen's cash and cash equivalents, including restricted cash of € 1.82 million, amounted to € 23.8 million on December 31, 2006, as compared to € 34.9 million on December 31, 2005.

Consolidated balance sheet

The balance sheet at 31 Dec 2006 remains very solid, with a solvency ratio (equity vs. total assets) of 70 % and a cash position of € 23.8 million, allowing the company to fulfil all its existing financial obligations and to continue its research programs.

2006 segment reporting

The primary segment information is presented in accordance with Devgen's dual business model. Since 2005 the 2 segments are presented as Crop protection and Human Therapeutics, as such reflecting the internal management organisation and reporting structure.

BUSINESS UNIT	Revenue		Costs		Operating result	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006
in '000 EUR						
Human Therapeutics	551	448	4,549	5,580	-3,998	-5,132
Crop protection	10,366	8,859	6,824	9,463	3,542	-605
Not allocated			2,925	3,993	-2,925	-3,993
Total	10,917	9,307	14,298	19,036	-3,381	-9,730

Staffing

Per 31 Dec 2006, Devgen employed 108 staff. Compared to 2005, this is an increase of 3 % in headcount. Devgen has been successful in attracting 2 additional experienced senior people as head of the respective business units nematicides and human therapeutics. It has also strengthened the team with a senior corporate lawyer in January 2006.

Complete financial statements

The complete financial statements of 2006 are available for downloading in the investor section of www.devgen.com.

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Operational highlights

Corporate

- In April 2006, Devgen was informed that 1,4 million shares held by pre-IPO shareholders had successfully been placed with new investors, thus increasing the free float from 60% to 70%, which improved the liquidity of the shares on the stock market.
- Subsequent event: Devgen successfully raised € 31 million in a private placement in February 2007 to fund its rice business plan. Also, the company was informed that, on the same date, 2.2 million shares held by pre-IPO shareholders were replaced, increasing the free float from 70% to 85%.

Biotech crop protection

Devgen has a dual strategy in biotech crop protection:

- 1) *It out- licences its technology to obtain market access in the major biotech row/cash crops.*
 - Devgen's research collaboration with Pioneer Overseas Corporation expired at the end of 2006 whereas the licensing agreement is still in place.
 - On February 6, 2007, Devgen and Monsanto Company have entered into a five-year research and development (R&D) agreement and a five-year technology exchange agreement, with effect September 1st 2006. The new R&D agreement commits additional funding from Monsanto for Devgen's research and is coupled with an agreement which will broaden the relationship so that both companies can explore technology applications in their crop areas of interest. Devgen will leverage Monsanto's technology for use in rice and small cereal grains, especially in Asia. Monsanto intends to initially leverage Devgen's technologies to its core crops of interest such as corn, cotton and soybeans.

2) *Devgen aims to become a "traits², germplasm³ and seed" provider in rice.*

→ traits

Through the technology exchange agreement with Monsanto Company, Devgen has access to Monsanto technology for application in rice. This complements Devgen's crop protection technologies and enables Devgen to create a complete and highly competitive portfolio of biotech traits for rice.

² Trait: plant characteristic that improves its growth, resistance to pests, nutrient content or the like.

³ Plant germplasm is the genetic material of a plant in the form of seed or grafting/cutting material

→ germplasm

Devgen has developed and implemented a breeding strategy with world class staff & advisors. Devgen has also established field stations for accelerated breeding in Kenya and successfully completed an initial breeding season in 2006. In 2007 Devgen intends to expand its breeding base to India and make significant investment in its classical and molecular breeding programs infrastructure.

→ seed

Devgen is exploring options to secure market access for hybrid rice seed through a joint venture or acquisition of a rice seed business in India.

Devgen agrochemical

The promising 2005 results were confirmed by regulatory field trials performed in the course of 2006. To date, over 120 trials have been run in Northern Europe and Mediterranean countries on key agronomic European crops (including sugar beet, potato, carrot, tomato, cucumber, melons and others) and on bananas.

The results in Europe confirmed that Devgen's candidate nematicide products decrease crop injury and enhance crop yield.

The 2006 trial reports will form a substantial part of the data package required by regulatory authorities for market approval applications.

In 2007, a second year of regulatory trials will be conducted in Europe, while the number of exploratory field trials outside Europe will be significantly expanded. First efficacy results on bananas are due in Q2 2007.

Devgen human therapeutics

Based on interesting results from the diabetes program in 2006, Devgen identified related targets for inflammatory diseases, such as rheumatoid arthritis (RA) and inflammatory bowel disease (IBD). Encouraging results in several models of inflammation were achieved and will be investigated further in 2007.

In its cardiac arrhythmia program, Devgen compounds have performed well in a number of "gold standard" cellular and *in vivo* disease and safety models. In 2006, the compound series were further optimized and broadened and in 2007 additional efficacy studies are planned. The aim is to develop a chronically administered oral compound for the treatment of atrial fibrillation.

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Conference call

Devgen will conduct a conference call on Thursday March 15, 2007 at 11am which will also be simultaneously broadcast via internet. The event is open to the public and is accessible via www.devgen.com and via telephone at +32 (0)2 290 14 07. To ask questions during the Q&A session, please join the event via telephone 10 minutes prior to the start of the conference call. A recording of the event will also be made available at www.devgen.com shortly after the call.

Financial calendar

May 10, 2007	Interim business update H1 2007
June 1, 2007	Annual Shareholders' Meeting in Devgen's offices
September 14, 2007	H1 2007 Results
November 15, 2007	Interim business update H2 2007

Auditor's report

The auditor has confirmed that he has accomplished substantially all of the audit work and that, as a result of the audit, no meaningful corrections need to be applied to the financial information as included in this press release.

The Statutory Auditor
DELOITTE BEDRIJFSREVISOREN
Represented by Gino Desmet

About Devgen

Devgen is an innovator in biotechnology focused on discovering, developing and commercializing:

- a novel generation of biotech products to protect a wide spectrum of crops from damage incurred from pests;
- innovative hybrid rice germplasm and traits focused in Indian farmers needs
- safer and more environmentally friendly agro-chemical products to protect crops from damage inflicted by plant parasitic nematodes;
- novel therapeutic concepts and preclinical drug candidates for treatment of metabolic disease (diabetes, obesity), inflammation and arrhythmia.

Each of these solutions is developed on a platform of in-house designed research, development programs and technologies. Devgen has partnerships with industry leaders in biotechnology and agro chemistry. Incorporated in 1997, Devgen has offices in Ghent (Belgium) and Singapore, with a total work force of over 100 people. For more information on Devgen visit the company's web site www.devgen.com.

For more information, please contact:

Hilde Windels, CFO
0032 9 324 24 24
Hilde.windels@devgen.com