

Devgen NV

Limited liability company
Technologiepark 30
9052 Gent-Zwijnaarde (Belgium)
Register of Legal Persons – Enterprise Number BTW BE 0461.432.562

Report of the Board of Directors in accordance with Article 604 of the Belgian Company Code

1. Article 604 of the Belgian Company Code

This special report has been prepared by the board of directors of the limited liability company (*naamloze vennootschap (NV)/société anonyme (SA)*) “Devgen” (the “Company”) in accordance with article 604 of the Belgian Company Code. It relates to the proposal to cancel in full the authorization granted to the board of directors by the extraordinary general shareholders' meeting of April 29, 2005, as amended by the extraordinary shareholders' meeting of June 20, 2008, to increase the Company's share capital within the framework of the authorized capital, and to grant a new authorization to the board of directors by the extraordinary general shareholders' meeting to increase the Company's share capital within the framework of the authorized capital for a period of 5 years, which cancellation and new authorization would enter into force as of the date of publication of the resolution in the annexes to the Belgian Official Gazette. This proposal shall be submitted to an extraordinary general shareholders' meeting of the Company.

2. The present authorized capital

By virtue of the resolution of the extraordinary general shareholders' meeting held on April 29, 2005, the board of directors was authorized, for a period of five years as of the publication in the Belgian Official Gazette of the modification of the articles of association, to increase the share capital in one or more transactions for an amount equal to the share capital of the Company at the time of the power, i.e. EUR 1,039,754.22 (hereafter the "Authorized Capital Amount"). By virtue of the resolution of the extraordinary general shareholders' meeting held on June 20, 2008, the specific conditions of the power to the board of directors of April 29, 2005, were amended.

Subject to the specific conditions of the power to the board of directors of April 29, 2005 (as amended on June 20, 2008), the board of directors is authorized in the framework of the authorized capital to increase the share capital in one or more transactions with a maximum amount of 40 % of the Authorized Capital Amount for whatever purpose or whatever transaction the board of directors deems appropriate or necessary.

Increases above the threshold of 40% of the Authorized Capital Amount are limited to certain transactions, such as the issuance of warrant plans, the issuance of financial instruments or securities as remuneration or consideration for the acquisition of shares, assets and liabilities, the issuance of financial instruments or securities as remuneration or consideration for the acquisition of licences, ownership rights or other rights on intellectual property and the issuance of financial instruments or securities as

remuneration or consideration in the framework of partnership or other business associations.

Below is an overview, until the date of this report, of the utilisation of the authorized capital under the power given by the extraordinary general shareholders' meeting of April 29, 2005 (as amended on June 20, 2008):

Date	Capital Increase (EUR)	Issued Shares	Percentage	Purpose
12-Dec-05	45,575.05	607,667	4.38%	Issuance of "Warrants 2005"
20-Feb-07	112,937.18	1,505,829	10.86%	Private issuance of shares for the benefit of a group of private investors
31-Oct-07	78,405.00	1,045,400	7.54%	Issuance of shares for the benefit of Monsanto Company in the framework of an association and acquisition
Total used	236,917.23	3,158,896	22.78%	
Total remaining	881,241.99	11,749,893	77.21%	

The purpose of the present proposal is threefold: (i) to replace the present authorization with a new authorization, so that a new term of five years starts as of the publication of the resolution taken in that respect by the extraordinary general shareholders' meeting in the annexes to the Belgian Official Gazette, (ii) to update the maximum amount of the authorized capital, to reflect the current amount of the share capital, i.e. EUR 1,341,110.15, and (iii) to do away with the restrictions presently set forth in article 6.3 of the articles of association of the Company.

3. The proposed authorized capital

If the shareholders would approve the proposal of the board of directors, article 6 of the articles of association would read as follows:

Article 6: Authorized capital

6.1 Authorization

By virtue of the resolution of the extraordinary general shareholders' meeting held on _____, 2008, the board of directors has been expressly authorized to increase the share capital in one or more transactions with an amount equal to the share capital of the Company (hereinafter referred to as the "Authorized Capital Amount"), being EUR 1,341,110.15.

The board of directors can exercise this power for a period of five (5) years as of the publication of the resolution in the annexes to the Belgian Official Gazette.

This authorization may be renewed in accordance with the relevant legal provisions.

6.2 General conditions

a) The capital increases to which can be decided according to this authorization, can take place in accordance with the modalities as are to be decided by the board of directors, such as:

- by means of contribution in cash or in kind, within the limits as permitted by the Belgian Company Code,
- through conversion of reserves and issuance premiums,
- with or without issuance of new shares, with or without voting rights,
- through issuance of convertible bonds, subordinated or not,
- through issuance of warrants or bonds to which warrants or other tangible values are attached,
- through issuance of other securities, such as shares in the framework of a stock option plan.

b) In the framework of the use of its powers within the framework of the authorized capital, the board of directors can limit or cancel the preferential subscription right of the shareholders in the interest of the company, subject to the limitations and in accordance with the conditions provided for by the Belgian Company Code.

This limitation or cancellation can also occur to the benefit of the employees of the company and its subsidiaries, and to the benefit of one or more specific persons even if these are not employees of the company or its subsidiaries.

c) If, following a capital increase that has been decided within the framework of the authorized capital, an issuance premium is paid, the board of directors is authorized and obliged to book such issuance premium onto the account "Issuance Premiums", that shall serve as guarantee for third parties in the same manner as the company's share capital and of which, apart from the possibility to convert this reserve into share capital, can only be disposed in accordance with the rules provided by the Belgian Company Code for amendments to the articles of association.

d) The board of directors is authorized, with power of substitution, to amend the articles of association upon each capital increase realized within the framework of the authorized capital, in order to bring them in accordance with the new situation of the share capital and the shares.

6.3 Temporary provision

The board of directors has currently not made use of the power provided in article 6.1. As a result, the available amount to increase the share capital within the framework of the authorized capital is equal to the Authorized Capital Amount."

4. Circumstances and purposes for the use of the authorized capital

The technique of the authorized capital offers the board of directors a degree of flexibility and speed that may be necessary to ensure an optimal management of the Company. The rather elaborate and time consuming procedure to convene an extraordinary general shareholders' meeting to realize a capital increase may in certain circumstances be incompatible with fluctuations on the capital markets or certain opportunities that would be presented to the Company. This could be to the disadvantage of the Company.

For these reasons, the board of directors is also of the opinion that the special conditions that are included in article 6.3 of the articles of association pursuant to the authorization

granted on April 29, 2005 (as amended on June 20, 2008), may in certain circumstances unnecessarily restrict the board's ability to quickly react to certain market opportunities and may therefore not always be in the Company's interest. Therefore, the board of directors proposes to cancel such restrictions, as indicated under 3 above. While such cancellation may in certain circumstances be necessary to allow the board to act quickly in the interest of the Company, the board will, in spite of such cancellation, always see to it that the capital increases, within the framework of the authorized capital, are only realized to the extent that the share capital can reasonably be used in the interest of the Company for the realization of the Company's purpose on a short and medium term.

The board of directors intends to use the above power under the authorized capital under the same circumstances as those described by the board of directors in its report in accordance with article 604 of the Belgian Company Code relating to the power granted by the extraordinary general shareholders' meeting of April 29, 2005 and in its report relating to the amendment to such power as resolved upon by the extraordinary general shareholders' meeting of June 20, 2008, i.e. if, in the interest of the Company, the convening of a general shareholders' meeting would be undesirable or not appropriate. Such circumstances could for instance arise when:

- it appears to be necessary to be able to respond quickly to certain market opportunities, in particular (but not exclusively) in order to finance (in whole or in part) partnerships or takeovers or acquisition of businesses and/or important assets (such as intellectual property rights),
- there is a financing need, whereby the relevant market circumstances are not appropriate for an offering or issuance to all shareholders,
- a prior convening of a shareholders' meeting would lead to an untimely announcement of the transaction, which could be to the disadvantage of the Company,
- the costs related to the convening of a general shareholders' meeting are not in balance with the amount of the proposed capital increase, or
- due to the urgency of the situation it appears that a capital increase within the framework of the authorized capital is necessary in the interests of the Company.

The board of directors can use its powers under the authorized capital to issue shares, stock options or warrants to the personnel, directors and specific consultants of the Company and its subsidiaries.

Furthermore, the board of directors could, amongst other things, use its powers under the framework of the authorized capital in order to finance (in whole or in part) partnerships or takeovers or acquisitions of businesses and/or important assets (such as intellectual property rights), to attract possible new partners or important shareholders to the capital structure of the Company, to strengthen the capital of the Company, or to broaden the international dimension of the shareholders' structure.

In the event of an acquisition by a third party of more than 20% of the financial instruments of the Company, the board of directors may use its powers within the framework of the authorized capital also when it deems that the policy, the growth and/or identity of the Company would be jeopardized.

Done at Ghent, on July 7, 2008

On behalf of the board of directors,

By: _____

Pol Bamelis NV
represented by Pol Bamelis,

By: _____

Thierry Bogaert BVBA,
represented by Thierry Bogaert,