

## Devgen NV

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

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### Report of the Board of Directors in accordance with article 583 of the Belgian Company Code

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#### 1. Article 583 of the Belgian Company Code

This special report has been drawn up by the Board of Directors of the limited liability company (*naamloze vennootschap /société anonyme*) “Devgen” (the “Company”) in accordance with article 583 of the Belgian Company Code.

The report relates to the proposal of the Board of Directors to the Extraordinary Shareholders' Meeting of the Company to issue 80,604 (naked) warrants and to grant 44,604 thereof to the permanent representative of the CEO of the Company and 36,000 thereof to the non-executive directors of the Company or their permanent representatives, and such in the framework of the warrant plan "Plan CEO & Directors 2010".

In accordance with article 583 of the Belgian Company Code, the Board of Directors explains the proposed issuance of warrants in this report.

In connection with the issuance of the warrants, the Board of Directors proposes to cancel the preferential subscription rights of the shareholders of the Company in order to reserve the (naked) warrants (i) for the permanent representative of the CEO of the Company and (ii) for the non-executive directors of the Company who are natural persons and for the permanent representatives of the non-executive directors who are legal entities. These possible beneficiaries will hereinafter be referred to as the “Participants”.

The proposed cancellation of the preferential subscription right of the shareholders, the categories of Participants and the consequences of the issuance of the warrants for the existing shareholders of the Company are further explained in the special report of the Board of Directors of the Company in accordance with article 596 and article 598 of the Belgian Company Code.

#### 2. Proposed Transaction

The Board of Directors proposes to submit to an Extraordinary General Shareholders' Meeting of the Company the issuance of 80,604 warrants in the framework of the Plan CEO & Directors 2010.

The main terms of these warrants in the framework of the Plan CEO & Directors 2010 can be summarized as follows.

- *Warrants on shares of the Company.* Each warrant entitles the holder thereof to subscribe to one (1) new share of the Company.
- *Shares.* The new shares to be issued upon exercise of the warrants, will have the same rights and benefits as the existing shares of the Company. The shares will participate in the result of the Company as of and for the entire fiscal year in which they will be issued. Dividends paid on the shares will benefit from the right to reduced

withholding tax, i.e. the so-called “VVPR”-right. The VVPR right will be represented by a separate strip

- *Cancellation of preferential subscription right of the shareholders.* The Board of Directors proposes to cancel the preferential subscription right of the existing shareholders in accordance with article 596 of the Belgian Company Code for the benefit of (i) the permanent representative of the CEO of the Company, Mr. Thierry Bogaert, and (ii) the non-executive directors of the Company who are natural persons, and the permanent representatives of the non-executive directors who are legal entities, namely Mr. Orlando de Ponti, Mr. Jan Leemans, Mr. Rudi Mariën, Mr. Remi Vermeiren, Mr. Alan Williamson and Mr. Patrick Van Beneden. It is proposed to grant 44,600 warrants to Mr. Thierry Bogaert and 6,000 to each of the other persons.
- *Subscription to and placement of the warrants.* The issuance of the warrants by an extraordinary shareholders meeting of the Company will count as an offer for subscription.
- *Warrant price.* The warrants will be offered for free.
- *Exercise price of the warrants.* The exercise price will be equal to the average of the closing prices of the shares of the Company as listed on Euronext Brussels during the thirty (30) day period preceding the issuance of the warrants by the extraordinary general shareholders' meeting of the Company.
- *Term.* The warrants have a term of five (5) years as from the date on which the warrants are issued by the extraordinary Shareholders Meeting of the Company.
- *Increase of the share capital of the Company.* In the event of exercise of warrants, the share capital of the Company shall be increased.
- *Listing:* The Company shall submit a request for the listing on Euronext Brussels of the new shares that may be issued upon exercise of the warrants. The VVPR-strips which are separately tradable, will not be included in the listing on Euronext Brussels, but can be traded separately on the public market of Euronext Brussels.
- *Issuance and exercise conditions.* The detailed issuance and exercise conditions of the Warrants CEO & Directors 2010 are described in an Annex to this report.

### **3. Justification of the creation of the warrant plan**

#### **3.1. General**

The Board of Directors of the Company holds that the issuance of the warrants is in the interest of the Company because, on the one hand, it enables the Company to obtain new means in the future and because, on the other hand, the issuance of the warrants allows the Company to offer a potential participation in the share capital of the Company to the Participants, which, according to the Board of Directors, can be considered as a way to appreciate and increase the loyalty and engagement of the Participants. The aim of the warrant plan is therefore to realize certain corporate and human resources goals, such as:

- to encourage and motivate the Participants without affecting the cash position of the company;
- to enable the Company and its subsidiaries to attract and retain a CEO and directors with the required experience and skills;

- to align the interests of the Participants closer to the interests of the shareholders of the Company by giving them the opportunity to share in the growth of the value of the Company.

### **3.2. CEO**

In the past 749,164 warrants were granted to the permanent representative of the CEO of the Company, Dr. Thierry Bogaert, of which 629,860 were accepted. Of these warrants 305,256 vested immediately upon acceptance and 324,604 warrants vest(ed) at a rate of 1/36<sup>th</sup> per month during a period of 36 months following the offer of the warrants.

At present warrants can still be granted to the permanent representative of the CEO under the "Warrant plan Employees/CEO and Consultants 2008".

As to the new Plan CEO & Directors 2010, the Board of Directors wishes to underline that it proposes to issue maximum of 44,604 warrants. The issuance of these warrants by the Extraordinary Shareholders' Meeting will constitute an offer to the permanent representative of the CEO and upon acceptance of the warrants they will immediately vest.

The Board of Directors of the Company has, upon advice of the Nomination and Remuneration Committee, worked out a remuneration policy for the CEO that is in line with market standards in the sector and the performance of the manager. Hereby, the interests of the manager are aligned with those of the shareholders of the Company. The granting of warrants has to be a motivation to meet the long and short term objectives of the Company. The grant provided for in the plan is to be considered in the framework of the long term commitment that is expected of the CEO.

### **3.3. Non-executive Directors**

As mentioned above, the Board of Directors proposes the Extraordinary Shareholders' Meeting to issue and immediately grant 6,000 warrants to each non-executive director of the Company or its permanent representative, i.e. to Mr. Orlando de Ponti, Mr. Jan Leemans, Mr. Rudi Mariën, Mr. Patrick Van Beneden, Mr. Remi Vermeiren and Mr. Alan Williamson.

According to the Belgian Corporate Governance Code, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and non-executive directors should not receive performance-related remuneration such as bonuses or stock related long-term incentive schemes, fringe benefits or pension benefits. The grant of warrants to non-executive directors is therefore not in accordance with the Corporate Governance Code.

The Board of Directors believes however that the proposed grant of warrants is justified in order to realize above mentioned company and human resources goals.

Next to the offer of warrants from the Company, the remuneration of the non-executive directors of the Company consists of the following compensation in cash:

- a remuneration of € 1,500 per meeting of the Board of Directors or a meeting of the Audit committee, the Nomination and Remuneration Committee or a sub-committee of the Board of Directors, on which the non-executive director is actually present in person;
- a yearly remuneration of € 7,500.

The Chairman of the Board of Directors is not entitled to the above mentioned remunerations but to a fixed remuneration of € 4,000 per month.

The Board of Directors believes that the remuneration package is justified, as it corresponds with market practice and expectations for small, listed companies in the agro and biotechnological field. In addition, it allows the Company to offer an appropriate remuneration to attract and retain experienced non-executive directors from different economic sectors.

Also, through warrants, non-executive directors can be remunerated without using the Company's cash resources, which is in the interest of a growth company such as the Company.

### **3.4. Impact on IFRS**

For completeness, the Board of Directors emphasizes that in accordance with the IFRS2 accounting standards, the allocation of the warrants might have an impact on the consolidated result and net equity of the Company. In particular, upon the grant of the warrants, the Company will have to book as cost the difference, if any, between the "fair value" of the warrant and the issuance price of the warrant against the corresponding increase of the net equity at the rate of the vesting of the warrant.

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Done at Ghent, on ....., 2010

On behalf of the Board of Directors,

By: \_\_\_\_\_

Remi Vermeiren  
Chairman of the Board

By: \_\_\_\_\_

Thierry Bogaert BVBA,  
Managing Director  
Represented by Thierry Bogaert

Annexes:

Plan CEO& Directors 2010