

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 583 of the Belgian Company Code

1. Article 583 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 583 of the Belgian Company Code. The report relates to the proposal to issue (i) 750,000 (naked) warrants in the framework of a warrant plan substantially for the employees of the Company and its subsidiaries (and future subsidiaries, if any) (“Plan Employees/CEO/Consultants”) and (ii) 11,724 (naked) warrants in the framework of a warrant plan for the directors of the Company (“Plan Directors”).

In accordance with article 583 of the Belgian Company Code, the board of directors further explains in this report the proposed issuance of the warrants.

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) substantially for employees and, in secondary order, for the CEO and the consultants of the Company and its subsidiary (and future subsidiaries, if any) with regard to the Plan Employees/CEO/Consultants and (ii) for the benefit of the independent directors of the Company with regard to the Plan Directors. 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 prepared in accordance with article 596 and article 598 of the Belgian Company Code.

2. Proposed Transaction

The board of directors proposes to submit the issue of 750,000 warrants in the framework of the Plan Employees/CEO/Consultants and 11,724 warrants in the framework of the Plan Directors to an extraordinary general shareholders' meeting of the Company.

2.1 The main terms of these warrants in the framework of the Plan Employees/CEO/Consultants can be summarized as follows.

- *Warrant plan.* The warrants are issued in the framework of a warrant plan substantially for employees and, in secondary order, for the CEO and the consultants of the Company and its subsidiary (and future subsidiaries of the Company, if any). The Nomination- and Remuneration Committee of the Company (or its assigned subcommittee) will be responsible for the administration of the warrant plan and will, amongst other things, select the Participants concerned and be able to impose additional terms, if any, at the time of the offer of the warrants. The warrants will be referred to as “Warrants Employees/CEO/Consultants 2008”.

- *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 “VPPR”-right. The VVPR right will be represented by a separate strip.
- *Warrant agreement.* Participants who accept the offer of the warrants will have to enter into a warrant agreement. This warrant agreement will state among other things the date of the offer of the warrants, the number of warrants offered, the rules relating to the vesting and the exercisability of the offered warrants, the warrant price (if any), the term of the warrants, the exercise price and any other relevant fact and/or condition.
- *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 substantially the employees and, in secondary order, the CEO and the consultants of the Company and its subsidiaries (and future subsidiaries of the Company, if any).
- *Subscription to and placement of the warrants.* The Company will subscribe to the issuance of the warrants, to be able to offer these warrants later to the selected Participants.
- *Warrant price.* Unless otherwise determined in the warrant agreement, the warrants will be offered for free to the selected Participants.
- *Exercise price of the warrants.* The exercise price of the warrants will be determined by the Company’s Nomination and Remuneration Committee at the moment that the warrants are offered to the selected Participants.

When a warrant is offered to an employee of the Company or its subsidiary, the exercise price must at least be equal to:

- the average of the closing prices of the shares of the Company as listed on Euronext Brussels (or any other regulated or public market on which the shares of the Company will then be listed or traded) during the thirty (30) day period (or any other relevant period) preceding the offer by the Nomination and Remuneration Committee to the selected Participant; or
- the closing price of the shares of the Company as listed on Euronext Brussels (or any other regulated or public market on which the shares of the Company will then be listed or traded) on the day preceding the day of the offer to the selected Participant.

When a warrant is offered to the CEO or a consultant of the Company or its subsidiary, the exercise price must at least be equal to the highest amount of either:

- 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 Company’s extraordinary shareholders’ meeting, and
- the lower of the following amounts:
 - (a) the average of the closing prices of the shares of the Company as listed on Euronext Brussels (or any other regulated or public market

on which the shares of the Company will then be listed or traded) during the thirty (30) day period (or any other relevant period) preceding the offer by the Nomination and Remuneration Committee to the selected Participant, and

- (b) the closing price of the shares of the Company as listed on Euronext Brussels (or any other regulated or public market on which the shares of the Company will then be listed or traded) on the day preceding the day of the offer to the selected Participant.

In none of the above described hypotheses will the exercise price be lower than the present fractional value of the Company's shares.

- *Term.* Unless the warrant agreement of the Participant concerned determines a shorter duration, the warrants have a term of ten (10) years as from the date on which the warrants are issued by the board of directors of the Company.
- *Increase of the share capital of the Company.* In the event of exercise of the 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 VPPR-strips which are separately tradable, will not be included in the listing on Euronext Brussels, but can be traded separately on the public auction market of Euronext Brussels.
- *Issuance and exercise conditions.* The detailed issuance and exercise conditions of the Warrants Employees/CEO/Consultants are described in Annex A to this report.

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

- *Warrant plan.* The warrants are issued in the framework of a warrant plan for the independent directors of the Company. The warrants will be referred to as "Warrants Directors 2008".
- *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 "VPPR"-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 the independent directors of the Company. It is proposed to grant each independent director, i.e. Pol Bamelis NV, Jan Leemans, Remi Vermeiren and Allan Williamson, 2,931 warrants.
- *Subscription to and placement of the warrants.* The Company will subscribe to the issuance of the warrants, to be able to offer these warrants later to the selected Participants.
- *Warrant price.* Unless otherwise determined in the warrant agreement, the warrants will be offered for free to the selected Participants.

- *Exercise price of the warrants.* The exercise price of the warrants 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 general shareholders' meeting of the Company.
- *Increase of the share capital of the Company.* In the event of exercise of the 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 VPPR-strips which are separately tradable, will not be included in the listing on Euronext Brussels, but can be traded separately on the public auction market of Euronext Brussels.
- *Issuance and exercise conditions.* The detailed issuance and exercise conditions of the Warrants Directors 2008 are described in Annex B to this report.

3. Justification of the creation of the warrant plan

3.1. General

The board of directors of the Company is of the opinion 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 to the selected Participants a potential participation in the share capital of the Company, which, according to the board of directors, can be considered as a way to appreciate and increase the loyalty and engagement of the selected Participants. The aim of the warrant plan is therefore to realize certain corporate and human resources goals, such as:

- to encourage and motivate the selected Participants;
- to enable the Company and its subsidiary/(ies) to attract and retain employees, consultants and directors with the required experience and skills;
- to align the interest of the selected Participant closer to the interest of the shareholders of the Company by giving them the opportunity to share in the growth of the value of the Company.

3.2. Directors

As mentioned above, it is proposed to the extraordinary general shareholders' meeting to grant the Warrants Directors 2008 to the independent directors of the Company. The board of directors wishes to point out the following.

The warrants will only be granted to non-executive independent directors of the Company, i.e. Pol Bamelis NV, Jan Leemans, Remi Vermeiren and Allan 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. Contrary to the Code, however, the board of directors believes that non-executive directors should not be remunerated for their mandate except, to the extent they are an independent director. Accordingly, the remuneration of the independent directors of the Company consists of the following elements:

- a general remuneration: independent directors are entitled to EUR 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 independent director is actually present in person; the Chairman of the board of directors is entitled to a fixed remuneration of EUR 4,000 per month.
- warrants: in addition to the foregoing cash remuneration, all independent directors are entitled to receive warrants on shares of the Company

The board of directors believes that the remuneration package is justified, as it corresponds to 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 independent directors from different economic sectors. Also, through warrants, the board of directors can remunerate its independent directors without using the Company's cash resources, which is in the interest of a growth company such as the Company.

3.3. Employees and CEO

3.1 Employees

In the past, three warrant plans were issued by the Company for the benefit of the employees of the Company (or its subsidiaries). There are almost no further warrants available under these plans for new grants:

- Plan September 27, 1999: no more warrants available for new grants
- Plan September 22, 2000: no more warrants available for new grants
- Plan December 12, 2005: 45,394 warrants are still available for new grants, but the Company has offered 45,324 warrants on March 17, 2008 to 45,394 employees. If all warrants are accepted, there will only remain 70 warrants available under the Plan of 2005 for future grants. The remaining warrants under the plan 2005 will not be annulled and will therefore remain available for future grants. The limited amount of warrants available for grants to employees justifies the creation of this new plan.

2. CEO

To the permanent representative of the CEO of the Company, Mr. Thierry Bogaert, 329,860 warrants were granted in the past. With the exception of 5,256 warrants that were vested immediately upon acceptance, all other 324,604 warrants for the permanent representative of the CEO are vested at a rate of 1/36th per month during a period of 36 months after the offer of the warrants.

As to the possible grant of warrants under the new Plan Employees/CEO/Consultants to the CEO of the Company, the board of directors wishes to underline that a maximum of 240,000 warrants under the aforementioned plan are available for grants to the CEO.

The Nomination and Remuneration committee of the Company has drafted 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 grants that are foreseen under the new plan must be regarded in the framework of the long term engagement that is expected of the CEO.

3.4. Impact on IFRS

For completeness' sake, 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.

* * *

Done at Ghent, on April 30, 2008

On behalf of the board of directors,

By: _____

Thierry Bogaert BVBA,
represented by Thierry Bogaert
Managing Director

By: _____

Pol Bamelis NV,
represented by Pol Bamelis,
Chairman

Annexes:

- Plan Employees/CEO/Consultants
- Plan Directors