

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 modify one of the conditions that apply to the utilisation by the board of directors of the power it was granted by the extraordinary general shareholders' meeting of April 29, 2005 to increase the Company's share capital within the framework of the authorized capital. This proposal shall be submitted to an extraordinary general shareholders' meeting of the Company.

2. Use of 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").

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:

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 881.241,99 11.749.893 77,21%

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

Increases above the threshold of 20% 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.

Because as a result of the use of the authorized capital by the board of directors as of April 2005 – even if the majority of this capital was used in the framework of the issuance of warrants and in the framework of an industrial association which falls in the second category of the authorized capital – the threshold of 20% was exceeded, the board of directors is no longer mandated to perform certain transactions. The board of directors proposes to replace the original threshold of 20% of the Authorized Capital Amount with a threshold of 40% of the Authorized Capital Amount, which would result in a new power for the board of directors to increase the share capital in one or more transactions with a maximum amount of 17.21% of the Authorized Capital Amount for whatever purpose or whatever transaction the board of directors deems appropriate or necessary.

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

3. Article 6: Authorized capital

6.1 Authorization

By virtue of the resolution of the extraordinary general shareholders' meeting held on April 29, 2005, 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 after the determination of the "Initial Capital Increase" (hereinafter referred to as the "Authorized Capital Amount"), being €1,039,754.22.

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, this shall be automatically booked 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 Special conditions

In accordance with the resolution of the extraordinary shareholders' meeting as mentioned under article 6.1, as amended by the extraordinary general shareholders' meeting of 2008 that decided to amend the thresholds for the use of the authorized capital, the power of the board of directors to increase the share capital in one or more transactions in the framework of the authorized capital is subject to the following special conditions:

- a) The board of directors is authorized within 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 that the board of directors deems appropriate or necessary (such opinion evidenced by the use which the board of directors makes of said power).
- b) If the board of directors has already increased the share capital, within the framework of the authorized capital, in one or more transactions by a maximum amount of 40% of the Authorized Capital Amount (be it subject to the condition precedent of realization of the capital increase, or not), then the board of directors can further increase the share capital in one or more transactions by a maximum amount of 60% of the Authorized Capital Amount, but only if such increase is unanimously approved by the members of the board of directors, and provided that the increase takes place within the framework of the following transactions:
- ~ the issuance of stock based remuneration or incentive plans, such as stock option plans, stock purchase plans or other plans, for directors, consultants and personnel of the company and its subsidiaries;
 - ~ the issuance of financial instruments or securities in consideration of the acquisition of shares, assets and liabilities or combinations of shares, assets and liabilities, of companies, undertakings, businesses and associations;
 - ~ the issuance of financial instruments or securities in consideration of the acquisition of licenses, ownership rights or other rights on intellectual property (whether registered or unregistered intellectual property rights, or applications therefore), such as patents, copyrights, data base rights, design rights, know-how and trade secrets;
 - ~ the issuance of financial instruments or securities in consideration of the entering into partnerships or other business associations.

6.4 Temporary provision

- a) Authorization

Each director of the company, acting alone, is mandated to effect the authentic realization of each capital increase, regardless of the nature, the amount or regardless of whether this increase was decided by the general shareholders' meeting or the board of directors, and with the power to bring the articles of association into agreement with the new status of the capital and the number of shares, to complete the history of the capital and if need be to indicate to what extent the board of directors has used the authorized capital.

b) Use of the authorized capital

- 1) By way of deed of December 12, 2005 the board of directors has decided to issue 643,334 naked warrants, referred to as "Warrants 2005", each with the right to subscribe to one (1) new share of the limited liability company "DEVGEN".

Subject and according to the exercise of the "Warrants 2005" under the then relevant circumstances, whereby the fractional value of the share "DEVGEN" amounts to (rounded) EUR 0.075, the capital could be increased with an amount of EUR 48,250.05.

- 2) By way of deed of February 20, 2007, the capital increase was effected, as decided by the board of directors on February 14, 2007, for an amount of EUR 112,937.18, which brought the share capital to EUR 1,242,307.47, by issuing 1,505,829 new shares that were immediately and fully paid up in cash by a group of private investors.

- 3) By way of a deed of October 31, 2007, the realisation of the capital increase was effected, as decided by the board of directors on September 14, 2007, for an amount of EUR 78,405.00 which brought the share capital to EUR 1,339,223.97 by issuing 1,045,400 new shares that were immediately and fully paid up in cash by an industrial partner of the Company in the framework of an association and acquisition.

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 effect 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 Company thinks it appropriate to have a power that would allow it to apply a limited part (i.e. 17,21%) of the Authorized Capital Amount to whatever purpose or whatever transaction the board of directors deems appropriate or necessary.

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 following the power granted by the extraordinary general shareholders' meeting of April 29, 2005, 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.

The use of the powers of the board of directors within the framework of the authorized capital is, however, subject to legal and other special conditions (as referred to in the aforementioned article 6.3 of the proposed resolution).

* * *

Done at Gent, on February 25, 2008

On behalf of the board of directors,

By: _____

Pol Bamelis NV
represented by Pol Bamelis,
Chairman

By: _____

Thierry Bogaert BVBA,
represented by Thierry Bogaert,
Managing director