deVGen

Devgen NV

ANNUAL REPORT 2011

Table of Content

		Page
	Risk factors	4
1.	Introduction	15
2.	Persons responsible for the content of the registration document	16
3.	Statutory auditor	17
4.	Selected financial information	18
4.1.	Income statement	18
4.2.	Comprehensive income statement	19
4.3.	Balance sheet	19
4.4.	Cash flow statement	21
4.5.	Consolidated statement of changes in shareholders' equity	22
5.	Information about Devgen	23
5.1.	General information	23
5.2.	Important events in the development of Devgen's business	25
5.3.	Investments	28
5.4.	Legal proceedings	29
5.5.	Significant change in the financial or trading position of Devgen since 31 December 2011	29
6.	Business overview	30
6.1.	General	30
6.2.	Devgen	30
6.3.	Devgen's strategy: build the next generation of hybrid rice	31
6.4.	Seed business in India and Southeast Asia	33
6.5.	Biotechnology	36
6.6.	Nematicides	38
6.7.	Patents and intellectual property	41
7.	Group structure	42
8.	Property, plants and equipment	43
9.	Capital resources	47
10.	Research and development, patents and licenses	51
11.	Corporate governance	53
11.1.	General	53
11.2.	Compliance with the corporate governance code	53
11.3.	Internal controls and risk management	54
11.4.	Board of Directors	57
11.5.	Executive and senior management	63
11.6.	Remuneration report	64
11.7.	Litigation statement and conflicts of interests	71
11.8.	Transactions with related companies	73
11.9.	Internal control and risk management systems	73
11.10.	Compliance with the corporate governance code	74

12.	Employees	74
12.1.	Number of employees	74
12.2.	Arrangements for involving the employees in the capital of Devgen	74
13.	Shares and shareholders	75
13.1.	History of capital	75
13.2.	Authorized capital	78
13.3.	Warrants	78
13.4.	Transparency	79
13.5.	Shareholders: overview of transparency declarations and major shareholders	80
13.6.	Paying agent services	81
14.	Consolidated financial statement	82
14.1.	Consolidated financial statements per 31 December 2011	82
14.2.	Annual report of the Board of Directors on the consolidated financial statements of Devgen NV	129
14.3.	Auditor's report on the consolidated financial statements for the year ended 31 December 2011	153
14.4.	Auditor's report on the consolidated financial statements for the year ended 31 December 2010	155
14.5.	Auditor's report on the consolidated financial statements for the year ended 31 December 2009	157
15.	Statutory financial statements 2011-2009	159
15.1.	Statutory income statement 2011 – 2009	159
15.2.	Statutory balance sheet 2011 – 2009	160
15.3.	Annual report of the Board of Directors on the statutory financial statements of Devgen NV	162
16.	Articles of association	186
16.1.	Company purpose	186
16.2.	Governance and representation	187
16.3.	Rights attached to shares	192
16.4.	Changes to the share capital	194
16.5.	Anti-takeover provisions	195
17.	Business objectives and financial outlook	195
18.	Available documents	196

Risk factors

The risks that Devgen believes to be material are described below. However, these risks and uncertainties may not be the only ones faced by Devgen. Additional risks, including those currently unknown or deemed immaterial, may also impair the company's business operations. The risks listed below are not intended to be presented in any assumed order of priority.

Early stage of development

- Devgen's trait research (RNAi technology to achieve in planta resistance against major crops pests and diseases and other non-RNAi based herbicide tolerance, biotic and a-biotic stress) is in pre-field trial stage. The risks at this stage include potential lack of field efficacy, risk of performance below commercial threshold.

- Devgen's hybrid seed products pipeline carries risks in respect of up-scaling of seed production and upon broad cultivation. Some products may reveal defects typically only noticeable during up-scaling or post-market launch.

- Devgen's nematicide technology has entered the market in the U.S. and in Turkey for respectively peanuts and tomatoes, cucurbits, peppers and eggplant. Additionally, Devgen is working towards regulatory approvals in Southern European countries, the Middle East and Africa for launching its products in these markets for selected crops. Risks remain with respect to efficacy under certain environmental conditions such as soil types and temperature and obtaining the regulatory approval which is not solely dependent on elements controlled by the company (e.g. total use limitations of the active ingredient in the market).

Successful products based on Devgen's technologies will require significant development and investment, including testing, to demonstrate their safety and (cost-) effectiveness prior to their commercialization. Problems frequently encountered in connection with the safety, development and utilization of new and unproven technologies and the competitive environment in which Devgen operates, might limit the ability to develop commercially successful products.

Highly competitive business environment

The agro-biotech industry is characterized by high competition, a changing competitive landscape, rapid technological change and complexity. Devgen's success, as well as the success of any of the companies in the industry, depends on the ability to establish a competitive position with respect to factors as technology, product offering, intellectual property, crop pests and diseases, geographic area, and time to market. There are many established biotechnology and agro-chemical companies with resources greater than Devgen's, as well as research and academic institutions that are actively working in similar areas. Competitors may succeed in reaching the market first or in developing technologies and products that are less costly, more effective or more successful than those which are currently being developed by Devgen.

Seed manufacturers, such as Devgen, compete on the basis of availability of product, product range, product traits, including disease resistance, plant quality and other factors as well as based on price, reputation, availability of marketing and distribution channels, customer service and customer convenience. Seed manufacturers compete for production inputs, such as arable land and contract growers. Further, the introduction of biotechnology has resulted in the entry of various agrochemical companies into the seed industry, thus increasing the competition in the industry. In most segments of the market, the number of products available to the grower is steadily increasing as new products are introduced. As a result, the sector will continuously be faced with new and different competitive challenges. The supply of competing products on the market as well as changes in their pricing can result in reduced sales, in competitive price pressure and in reduced profit margins, which may negatively impact the company's business. Some of Devgen's competitors may have, or are subsidiaries of large international corporations that have, significantly greater resources than those available to Devgen. If a company is unable to compete effectively, including in terms of pricing or providing quality products, its market share may decline, which could have a material adverse effect on its financial condition and results of operations.

Important competitors today are multinational companies like Bayer Crop Science, Pioneer (DuPont), Syngenta, but also local players (India) like Advanta and Nath Seeds. Devgen is not in a position to elaborate on the current status of their pipelines with new products to be launched in the near, medium and / or long term.

The seed business is subject to agricultural risks that could affect the results of operations

- Weather factors, diseases and pests, make operational results relatively unpredictable and can have a material adverse effect on Devgen's business and operating results in any year.
- High seasonality of sales; Devgen continues to incur operating expenses while its revenues may be delayed or reduced.
- The need to accurately forecast and manage seed inventory, the failure of which may result in a shortfall or surplus of seeds, which could harm respectively the growth and the operational result of the business.
- The risk of further intervention by regulatory authorities and governments, who can block or cause delay or extra costs in the sale or import of Devgen's products, can regulate pricing of seeds (both towards the farmers producing the seed for Devgen as well to farmers purchasing the final seed products), order recalls, prohibit the planting of seeds, or review their agricultural policies (e.g. with regard to subsidies).
- Dependency on the stability of a good distribution network and the need to attract additional high-quality dealers.
- Transportation risks.
- Dependency on third parties for growing and processing seeds, which is currently almost entirely outsourced by Devgen, and Devgen's dependency on the commercial rates applied by Devgen's sub-contractors for such services.
- Risk of theft of parental lines of seeds, resulting in illegal sales of copycats.
- Risk of product defects in the seeds, which may expose Devgen to a large number of claims by farmers, and this during the same growing season.
- The risk that growers attribute poor crop yields or crop failure to perceived seed defects that may not exist, which could still result in claims against Devgen, negative publicity and a decrease in sales.
- The risk that Devgen's customers are unable to pay their debts to Devgen due to local or other economic conditions.
- The risk that commercial or parental seed stored in one or more of Devgen's seed inventory locations might get damaged and/or become obsolete by reasons out of Devgen's control such as fungal infections, quality loss due to climatic conditions, power shortage at storage locations and so on.

Devgen mitigates risks as much as possible with respect to parental seed by storing similar seed at multiple locations. Slow moving inventory items might also become obsolete. Devgen is mitigating this risk as much as possible through appropriate inventory management. Quantities returning from the market (standard practice in the Indian seed market) could be affected by improper storage during this period and result in obsolete material. Proper provision are taken for such risks and strict controls are exercised on the quality of the material which is returned from market. Losses of commercial or parental seed could nevertheless harm the company in the short term without jeopardizing long term plans

- The risk of Devgen's inability to charge through price increases affecting its production costs into the price charged to the final customer.

The inability to effectively implement growth strategies or manage growth in the agricultural business could adversely affect operation results

As a part of the growth strategy, Devgen is planning to make investments designed to increase sales of its products. In India for example, Devgen is seeking to expand sales of its hybrid rice, sunflower, sorghum and pearl millet seeds. Devgen further envisages expanding its business into other areas of South East Asia. This growth strategy involves risks and difficulties, many of which are beyond Devgen's control but which are also applicable to all companies within the sector such as:

- The market for hybrids in these countries does not develop as expected and farmers continue to use inbred varieties.

- Competition is bringing to market new and effective products at a much higher rate resulting in loss of market share for Devgen.

- Multiple years of abnormal weather conditions impacting as well production as sales and resulting in negative cash flows for Devgen.

- Government intervention with respect to banning the introduction of hybrid rice and the pricing of hybrid rice compared to inbred varieties.

- The position countries and governments are taking with the introduction of biotech products in the human food chain.

In addition there can be no assurance that Devgen will be able to complete its plans on schedule or at all, or without incurring additional unforeseen material (capital) expenditures. Any inability on Devgen's part to manage its growth effectively or to ensure the continued adequacy of its current systems to support its growth strategy could have a material adverse effect on its business, results of operations, financial condition and cash flows. Furthermore, if market conditions change or for any other reasons, Devgen may decide to delay, modify or forgo some aspects of its growth strategy.

Dependence on research and development

Devgen is heavily dependent on the success of its research and development and the failure to develop new and improved products could adversely affect its business. While Devgen is at present marketing and selling certain hybrid seed products in India, Indonesia and the Philippines, the continuation and growth of its business in these countries and other regions will to a large extent depend on its ability to regularly increase the quality of its existing products and to enlarge the scope of its product portfolio. Devgen intends to make significant investments in research and development in order to enable it to identify and develop new seeds to meet consumer demands and keep pace with new product introductions by Devgen's competitors. The development process for new varieties of seeds is lengthy and costly. On average, it takes five to eight years for a proprietary seed variety to reach commercial viability. Despite investments in this area, Devgen's research and development efforts may not result in the discovery or successful development of new products. The success of new product offerings will depend on several factors, including Devgen's ability to:

- accurately anticipate and properly identify Devgen's customers' needs and industry trends;
- innovate, develop and commercialize new products and applications in a timely manner;
- differentiate Devgen's products from its competitors' products;
- use its research and development budget efficiently;
- launch new varieties/products on a timely basis; and
- price its products competitively.

Devgen's financial condition could deteriorate if it is unable to successfully develop and commercialize new products.

Negative reaction to the use of genetic technology

Research and development of trait technology by Devgen and commercialization of any potential product resulting from these technologies may depend in part on market acceptance of the use of genetically engineered products and product candidates, including plants and plant products. Furthermore, the use of genetic technology in some of its research and development could generate negative publicity for Devgen and public expressions of concern with respect to genetic technology in general could result in greater governmental regulation. Any of these factors could delay or even prevent the successful development of potential products for which substantial investments have been made by Devgen and may have substantial adverse effect on Devgen.

Devgen relies on intellectual property and failure to protect this property may affect its ability to compete

Devgen generally protects its technology and products (including its germplasm) through a combination of intellectual property rights, including patents, plant variety protection rights and trademarks, where available in each of the countries in which it operates.

Devgen's intellectual property position might be challenged and involve complex legal and factual questions. Devgen will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that its proprietary technologies are covered by valid and enforceable intellectual property rights, in particular patents. Devgen intends to continue to consider to apply for patents covering its technologies where deemed appropriate. However, applications for patent protection may be challenged by the patent office(s) and may not result in issued patents. In addition, others may challenge or invalidate Devgen's patents or may independently develop similar or alternative technologies or products not covered by Devgen's patent rights or design around Devgen's patented technologies. Existing patents and any future patents of Devgen may therefore not be sufficiently broad to prevent others from practicing these technologies or from developing competing products. No consistent policy regarding the breadth of claims allowed in patents covering Devgen's technology and its products relating to plant biotech products has emerged to date. Accordingly, Devgen cannot predict the breadth of claims allowed in its or other companies' patents in this field.

Devgen also relies on trade secrets to protect technology where it believes patent protection is not appropriate or obtainable. However, trade secrets are difficult to protect. While Devgen generally requires employees, collaborators and consultants to enter into confidentiality agreements, it may not be able to adequately protect its trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information.

The laws of some of the countries in which Devgen operates may not protect Devgen's intellectual property rights to the same extent as the laws of other countries, or at all. Devgen cannot be certain that the steps it has taken or will take to protect its intellectual property will adequately protect its proprietary rights or that others will not independently develop or otherwise acquire equivalent or superior technology. Furthermore, licensors of intellectual property that Devgen uses may not be able to adequately protect and maintain the value of their intellectual property rights licensed to Devgen. Attempting to protect Devgen's intellectual property, through litigation or otherwise, can be time consuming and expensive, have uncertain results and, in some countries, be ineffective. If Devgen is not ultimately successful in protecting and enforcing its intellectual property rights for any reason, it may experience a material adverse effect on its competitive position and its business.

The lack of available intellectual property protection or a change in law protecting plant patents or plant varieties that could remove any protection for Devgen's patented seeds or protected plant varieties could have a material adverse effect on Devgen's business, results of operations and financial condition, and increase competition or reduce the value of its research and development efforts.

Devgen's success will also depend, in part, on its ability to operate without infringing on or misappropriating the proprietary rights of others. There are many issued patents and patent applications filed by third parties relating to technology, products or processes that are similar or identical to Devgen's or its licensors, and others may be filed in the future. There can be no assurance that Devgen's activities, or those of its licensors, will not infringe patents owned by others. Devgen believes that there may be significant litigation in the industry regarding patent and other intellectual property rights, and Devgen does not know if it or its collaborators would be successful in any such litigation. Devgen could incur substantial costs in any litigation or other proceedings relating to alleged patent infringements and other proprietary rights, even if these are resolved in favor of Devgen. Some of Devgen's collaborators or competitors may be able to sustain the costs of such litigation or proceedings more effectively or for a longer time because of their greater resources. Any failure to protect its intellectual property rights and the costs related to litigations and disputes with respect to intellectual property rights used by Devgen, may have a substantial adverse effect on Devgen's financial conditions and its ability to conduct its business.

Devgen's ability to develop new products, including new seed varieties, may also depend on whether Devgen has the right to use applicable proprietary technologies, such as the licensing of biotech traits, germplasm or basic seed from third parties. Obtaining the rights to use these technologies can be complicated because:

- technologies may be subject to proprietary intellectual property rights, many of which have been patented;

- pending patent applications, overlapping patent claims and litigation over issued patents makes ownership of technologies uncertain; and

- licenses for proprietary technologies may be unavailable on terms acceptable to it or because exclusive rights to use them are given to other companies.

Failure to obtain the rights to use technologies that are important to Devgen's business could have a material adverse effect on Devgen's business, results of operations and financial condition.

Reliance on collaborative partners

The company's ability to generate revenues also depends upon the formation, maintaining, renewal and sustainability of multiple collaborative arrangements and license agreements with third parties. Part of Devgen's revenue from the collaborative and license agreements has been related to the research phase of agreements in the agrochemical field, which revenue is for specified periods and in certain cases is partially offset by corresponding research costs. Following the completion of the research phase of a collaborative or license agreement, additional revenue will depend on the successful development of the technology into products, Devgen's partners' willingness and ability to incorporate the technology licensed from Devgen as well as on the subsequent successful marketing and sale thereof. Collaborators might also pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including Devgen's competitors.

Disagreements with current collaborators, licensees and licensors could develop, collaborators could become competitors in the future and collaborators could preclude Devgen from entering into collaborations with their competitors, all of which could harm Devgen's future agreements, revenues and product development.

A research program which represented 87% of "revenues resulting from research and development services" in 2011 was completed in October 2011. The continuation of the research program representing the other 13% this turnover realized in 2011 is decided on a year by year basis. This program will be continued in 2012.

A description of the contracts with the most important collaborative partners in 2011 is included in Note 23.1 of the consolidated financial statements and Note 1 of the consolidated financial statements contains information on Devgen's major customers.

Natural calamities, political, economic and social developments in the countries where Devgen operates may adversely affect Devgen's business

Currently Devgen has operations in India, Indonesia, the Philippines and other countries and several of Devgen's employees reside and or travel frequently to these countries.
These countries have experienced various natural calamities such as earthquakes, floods, drought and a devastating tsunami in recent years. The occurrence of such natural disasters could have a negative impact on the economies of these and the adjacent countries, which could adversely affect Devgen.

Dependence on key personnel

Being a relatively young and mid-sized company, Devgen's success depends on the continued contributions of its principal management and scientific personnel and on its ability to develop and maintain important relationships with leading academic institutions, scientists and companies in the face of intense competition for such relationships. In particular, Devgen's research programs depend on its ability to attract and retain highly skilled biologist, chemists and other scientists. If Devgen loses the services of certain personnel, including, in particular, members of its management team, its activities and/or research and development efforts may be seriously and adversely affected.

There can be no assurance that Devgen will be able to retain and where necessary attract such management and personnel on acceptable terms, given the competition for experienced people. Devgen's anticipated growth and expansion calls for additional expertise with regard to breeding, regulatory affairs, manufacturing and marketing, and requires the addition of new management personnel in all regions where Devgen intends to develop and sell its products. The failure to develop such expertise and to attract the needed personnel could have a materially adverse effect on Devgen's prospects for success.

Government regulation

The biotechnology agrochemical and agricultural industries are highly regulated by numerous governmental authorities. These national and international regulatory authorities administer a wide range of laws and regulations governing the research, development, evaluation, testing, approval, manufacturing, import, export, incorporation into subsidy schemes, labeling and marketing of agro-chemicals, seed products and other biotechnology products (e.g. biotech crops) and also review the quality, safety and effectiveness of these products. Furthermore, each regulatory authority may impose its own requirements and may refuse to grant, or may require additional data before granting an approval.

Government regulations thus impose significant costs and restrictions on the development of agro-chemicals, seed products and other biotechnology products, including those Devgen is developing.

The time required to obtain regulatory approval varies between territories and no assurance can be given that any of Devgen's products will be approved in any territory within the timescale envisaged, or at all, or that once approved in a territory, the national authority of such territory will authorize the export of the product developed in such territory for commercialization in other countries.

If regulatory approval is obtained, the product and its manufacture will most likely be subject to continuing review and this approval may be withdrawn or restricted. Changes in applicable legislation or regulatory policies, or discovery of problems with the product, or its production process, site or manufacturer, may result in further expenditures, the imposition of restrictions on the product, its sale, its import or export, manufacture or use, including withdrawal of the product from the market.

Devgen's worldwide operations and products are subject to a broad range of environmental, health and safety laws and regulations. These requirements affect Devgen's day-to-day operations, tend to become more stringent over time and may call for changes in Devgen's operations and/or the purchase of new equipment. There can be no assurance that Devgen, and its sub-contractors and partners who are handling Devgen materials, have been or will be at all times in complete compliance with all environmental, health and safety (including containment) requirements. Violations could result in penalties, the curtailment or cessation of operations, liability for the consequences of contamination of the environment with genetically engineered products or for cleanup of contaminated environment or property or other sanctions, which could be material. Enactment of new environmental, health and safety laws and regulations, stricter enforcement by regulatory authorities, or the identification of new information could result in significant costs and other liabilities in the future.

No history of operating profitability

Due in large part to significant research and development expenditures, Devgen has not been profitable and has generated operating losses since it was incorporated in 1997. To date, the combined revenue of Devgen and its subsidiaries is insufficient to generate profitable operations. Since its incorporation Devgen has losses carried forward in an amount of approximately € 75.5 million on a consolidated basis. Devgen expects to incur losses for at least the next several years. These losses are likely to increase as Devgen expands its research and development activities, develops and commercializes crop protection products (e.g. nematicides) and hybrid seeds and possibly expands its facilities.

Devgen's business plan contemplates that in term it will generate meaningful revenues from product sales, royalties and licensing agreements. To date, Devgen has not yet received any substantial revenue from royalties, and it is not know when it will receive such revenue, if at all.

Devgen's ability to achieve profitability will depend, among other things, on whether Devgen succeeds in successfully commercializing its crop protection products (e.g. nematicides) and seeds, and whether

Devgen or its collaborative partners meet certain contractual milestones, successfully complete the development of a marketable product, obtain regulatory approvals, establish manufacturing, sales and marketing arrangements and raise sufficient funds to finance these activities. It also depends on Devgen's ability to cope with any of the risk factors set out above and elsewhere in this document.

If the time required to generate revenues and achieve profitability is longer than anticipated or if Devgen is unable to obtain the necessary funds, it may not be able to fund and continue its operations. No assurance can be given that Devgen will be able to achieve profitability or that profitability, if achieved, can be sustained.

No dividends

Devgen has not paid any dividends and does not expect to pay dividends on the shares in the foreseeable future. Also, possible further issues of shares may also entail additional dilution. Such dilution may have an impact on the amount of dividends, if any, per share.

Additional financing requirements and access to capital

Devgen might need additional financing in the future to fund its operations. Devgen's operations require and are expected to continue to require significant funding to cover research and development expenses and costs to produce, process, market and sell products.

Per 31 December 2011, the cash position of the group is 44,269 ('000) euro, including 5,718 ('000) euro restricted cash. During 2011, the company realized a negative net operating cash flow of 8,071 ('000) euro; the cash flow from investing activities was -611 ('000) euro over the same period. The cash flow from financing activities was 24,230 ('000) positive in 2011. The cash burn in 2011 amounted to 11,048 ('000) euro.

The situation on the financial markets has been proven to be very volatile and could result in difficulties for Devgen to access these markets. Devgen does not know whether additional financing will be available when needed, or that, if available, it will obtain financing on terms favorable to its shareholders or Devgen. In particular, Devgen's future funding requirements will depend on many factors, including, but not limited to:

- any changes in the breadth of its research and development programs;
- its ability to successfully develop and commercialize seed products, nematicides and other crop protection products;
- the results of research and development by the collaborative partners or licensees of Devgen;
- the ability and willingness of its partners to incorporate technology licensed from Devgen in their products and to subsequently successfully market and sell these products;
- its ability to manage growth;
- the time and costs involved in filing, prosecuting, defending and enforcing patent and intellectual property claims.

If Devgen's business plan or the assumptions thereof change or are inaccurate, it might need to seek additional capital. In this respect, Devgen might seek to raise funds through public or (specifically targeted) private equity offerings. Such offerings could result in dilution the interests of Devgen's current shareholders. If Devgen obtains funds through a bank credit facility or through the issuance of debt securities or preferred shares, this indebtedness or preferred shares could have rights senior to the rights of holders of Devgen's ordinary shares, and the terms could impose restrictions on its operations. To the extent that Devgen raises additional funds through collaboration and licensing arrangements, it may be required to relinquish some rights to its technologies or product candidates, or grant licenses on terms that are not favorable to Devgen. If adequate funds are not available, Devgen may not be able to continue developing its products, or even to continue its business.

Tax legislation

Devgen currently has staff and/or activities in Belgium, Singapore, India, Indonesia, the Philippines and the U.S. Consequently, Devgen is subject to the jurisdiction of a number of tax authorities. Changes in tax legislation could impact the determination of Devgen's tax liabilities for any given tax year and thus adversely affect the operating results.
Furthermore, a substantial part of Devgen's future earnings will comprise of dividends received from its subsidiaries. Since some of its subsidiaries are overseas companies, Devgen may be subject to double taxation on any dividends paid by those subsidiaries, at the corporate level in the country of operation and at the shareholder level in Belgium.

Currency fluctuations

Devgen is subject to risks of currency exchange to the extent that some of its revenues are received in currencies other than the currencies of Devgen's related costs (mainly USD). Currency fluctuations between the Euro and the other currencies in which Devgen does business could cause foreign currency transaction gains and losses (Indian Rupee, Philippine Peso, Singapore Dollar and the Indonesian Rupiah).

Future dividend payments to Devgen by its overseas subsidiaries will also be subject to foreign currency fluctuations. In such event, Devgen's earnings and the valuation of on a consolidated basis may be adversely affected.

In addition, Devgen is subject to the legal and administrative practices related to foreign exchange in the countries outside the Euro zone where it operates, which could change.

Devgen is exposed to international regulatory risks

Devgen's international operations expose it to financial and operating uncertainty and subject it to government laws and regulations that may adversely affect its results of operations and financial condition. There are a number of risks inherent in doing business in international markets, including the following:

- restrictive trade policies;
- inconsistent product regulation or policy changes by local agencies or governments (including inconsistent approaches to genetically modified seeds);
- inconsistent treatment of warranty claims and liabilities;
- inconsistent environmental laws and regulations;
- varying tax regimes, including regulations relating to withholding taxes;
- exchange controls and currency restrictions;
- exposure to expropriation or other government actions;

- political, economic and social instability.

These and other factors may have a material adverse effect on Devgen's business, results of operations and financial condition. Further, the cost of complying with government regulations can be substantial. The regulations applicable to existing and future seed production facilities may change. Devgen is required to obtain various licenses and approvals from different government agencies to continue to sell Devgen's products. There can be long delays in obtaining the required clearances from regulatory authorities in any country after applications are filed. Any failure or delay in obtaining regulatory approvals and licenses and any onerous conditions on such licenses could harm the marketing of any products Devgen develops and its financial results.

Devgen relies on the IT systems in managing its sales, supply chain, production process, logistics, research and development and other integral parts of Devgen's business

Devgen is heavily reliant on its information systems technology in connection with order booking, dealer management, material procurement, research and development, accounting and production. Any failure in Devgen's information technology systems could result in business interruptions, including disruption in its distribution management, the loss of buyers, damaged reputation and weakening of its competitive position, and could have a material adverse effect on Devgen's business, financial condition and results of operations.

Subsidies and grants

Devgen has received and may receive in future subsidies and grants under various research and technology development programs. The granting governments may reduce, stop funding in the future or even re-claim subsidies granted in the past whenever the related conditions are not met by Devgen such as maintaining certain levels of employment within R & D. Furthermore, not all of the granted subsidies may actually be received by Devgen due to strategic choices, changes in Devgen's research programs or the results of the research.

Potential liability

The sale, marketing and use of products of Devgen may expose it to liability claims, specifically in case of unintended sale and use of obsolete products. This could result o.a. in substantial costs for Devgen, a diversion of management attention and curtailments in the commercialization of products. Unlike for its nematicide business, Devgen currently does not have product liability insurance for its seeds business and its inability to obtain sufficient product liability insurance at an acceptable cost could prevent or inhibit the commercialization of agriculture products. Furthermore, Devgen's collaborators may face similar liability claims, which could adversely affect Devgen's collaborations with such parties. While under certain circumstances Devgen is entitled to be indemnified against losses by its corporate collaborators, indemnification may not be available or adequate for Devgen.

Hazardous chemical and biological materials and genetically modified organisms used in research and development activities and operations – insurance risks

Devgen's research and development activities involve the controlled use of potentially harmful biological and chemical materials as well as various radioactive compounds and hazardous materials.

Devgen may commence at some point with field trials with genetically modified plants which despite strict containment measures carry a risk of involuntary release to the environment.

Furthermore Devgen uses pesticides and other hazardous materials in the operation of its business. Some of its products itself can be considered hazardous to some extent (nematicides).

Devgen is subject to laws and regulations governing the use, storage, handling and disposal of these materials and their waste products, which may change.

The cost of compliance with, or any potential violation of, these laws and regulations could be significant. Although Devgen believes that it complies with the applicable laws and regulations and the industry standards, Devgen cannot completely eliminate the risks related to the use, storage and disposal of these materials, which may result in personal, property or environmental damage. Devgen could be forced to suspend or close down its operations, be subject to civil or criminal penalties and/or held liable for the damages associated with the improper application, accidental release or the use or misuse of these substances, which liability could exceed its resources.

While Devgen has contracted insurance policies against these liabilities and believes that it maintains insurance coverage in amounts consistent with industry norms, these policies do not cover all risks and are subject to exclusions and deductibles. Devgen will seek further coverage in this respect in line with developments of its research programs. However it cannot be guaranteed that Devgen's insurance policies will adequately cover all damages and liabilities. If Devgen suffers a large uninsured loss or any insured loss suffered by Devgen significantly exceeds Devgen's insurance coverage, Devgen's financial condition and results may be materially affected.

Finally there is no guarantee that insurance policies will continue to be available at a price or under terms that are satisfactory to Devgen.

1. Introduction

Annual report 2011

This annual report is a registration document in accordance with article 28 of the Belgian Act of 16 June 2006 relating to public offerings of securities and the admission for trading on a regulated market. The English version of this annual report has been approved by the Financial Services and Markets Authority on 24 April 2012, according to article 23 of the aforementioned Act.

Language of this annual report

Devgen has prepared its annual report in English. Devgen has also made a translation in Dutch of this annual report. Both the English version and the Dutch version of the annual report are legally binding. Devgen has verified and is responsible for the translation and the conformity of both versions.

Availability of the annual report

The annual report is available to the public free of charge upon request to:

Devgen – Investor Relations
Technologiepark 30
B-9052 Ghent - Zwijnaarde
Belgium

Phone +32 9 324 24 24
Fax +32 9 324 24 25
E-mail ir@devgen.com

The annual report is also available from the website of Devgen (www.devgen.com).

Forward looking statements

This document may contain forward-looking statements containing the words “anticipates”, “expects” , “intends”, “plans”, “estimates”, “may” and “continues” as well as similar expressions. Such forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause the actual results, performance or achievements of Devgen to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, among others: agricultural risks and difficulties, including weather factors, diseases and pests, the costs and requirements of regulatory compliance and the speed with which approvals are received; public acceptance of biotechnology products; political, economic and social developments in countries where Devgen operates and other risks and factors detailed in the company’s most recent annual report.

These forward looking statements speak only as of the date of publication of this document. Devgen disclaims any obligation to update such forward looking statements in this document to reflect any change in its expectations, conditions or circumstances on which such statement is based, unless required by law or regulation. This document does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer, to purchase or subscribe for any securities issued by Devgen NV.

All statements are made and all information is provided as of 31 December 2011, except when explicitly mentioned otherwise.

2. Persons responsible for the content of the registration document

The Board of Directors of Devgen (see chapter 11.2), assumes responsibility for the content of this registration document. The Board of Directors declares that having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its content.

3. Statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises, a civil company, having the form of a cooperative company with limited liability (*"coöperatieve vennootschap met beperkte aansprakelijkheid/ société coopérative à responsabilité limitée"*) organized and existing under the laws of Belgium, with registered office at Berkenlaan 8b, 1831 Diegem, Belgium (IBR: B-00025 - 1986), represented by Mr. Gert Vanhees, of Belgian nationality, having his domicile at Berkenlaan 8b, 1831 Diegem, Belgium has been elected as statutory auditor of Devgen for a term of three years ending immediately after the closing of the General Shareholders' meeting to be held in 2013 that will have deliberated and resolved on the financial statements for the fiscal year ending on 31 December 2012.

4. Selected financial information

4.1. Income statement

in € 1,000	2011	2010	2009
Revenues	**25,493**	**20,735**	**18,524**
Research and development services	10,412	12,463	9,170
Sales of goods	15,081	8,284	9,149
Government grant income	0	-12	205
Cost of goods sold	-13,477	-8,711	-5,942
Gross profit	**12,016**	**12,024**	**12,582**
Marketing and distribution expenses	-4,376	-4,543	-4,315
Research and development expenses	-8,126	-8,453	-10,086
General and administration expenses	-6,213	-6,071	-6,289
Other operating income and expenses	398	852	170
Operating profit / (loss)	**-6,301**	**-6,191**	**-7,938**
Financial income	836	262	271
Financial expenses	-1,545	-1,196	-852
Profit / (loss) before taxes	**-7,010**	**-7,126**	**-8,519**
Income taxes	-38	-16	-
Net profit / (loss) for the year from continuing operations	**-7,048**	**-7,141**	**-8,519**
Profit / (loss) for the year from discontinued operations	-	-	-133
Profit / (loss) for the period	**-7,048**	**-7,141**	**-8,651**
Profit / (loss) for the period attributable to			
Shareholders of the parent company	-7,048	-7,141	-8,651
Minority interest	-	-	-

Losses per share (in €)	2011	2010	2009
Basic loss per share	-0.30	-0.36	-0.45
Diluted loss per share	-0.30	-0.36	-0.45

4.2. Comprehensive income statement

in € 1,000	2011	2010	2009
Profit / (loss) for the period	-7,048	-7,141	-8,651
Currency translation resulting from foreign transactions	121	186	-148
Total comprehensive income / (loss) for the period	**-6,927**	**-6,954**	**-8,799**

4.3. Balance sheet

in € 1,000	2011	2010	2009
ASSETS			
Goodwill	7,855	7,855	7,855
Intangible assets	4,812	5,274	6,548
Property plant and equipment	2,473	3,157	2,709
Building held under lease	4,889	6,470	6,670
Investment property	2,406	1,088	1,158
Deferred tax assets	0	0	16
Cash restricted in its use	5,718	5,866	5,603
Other financial assets	500	500	0
Other long term loans and receivables	324	293	210
Non-current assets	**28,975**	**30,504**	**30,769**
Inventory	2,546	4,939	2,369
Biological assets	2	24	19
Grants receivables	0	0	334
Trade receivables	2,666	3,651	3,901
Other current assets	1,291	1,512	2,437
Cash and cash equivalents	38,551	22,953	40,159
Assets classified as held for sale	0	0	63
Current assets	**45,056**	**33,079**	**49,282**
TOTAL ASSETS	**74,031**	**63,582**	**80,051**

in € 1,000	2011	2010	2009
EQUITY AND LIABILITIES			
Share capital	1,820	1,476	1,475
Share premium account	128,526	102,275	102,190
Translation reserves	491	370	185
Share-based payment	5,309	4,843	4,437
Accumulated losses	-75,456	-68,407	-61,272
Equity attributable to equity holders of the parent	**60,689**	**40,557**	**47,015**
Total equity	**60,689**	**40,557**	**47,015**
Provisions	67	52	48
Deferred tax liabilities	0	0	0
Long term debt	0	104	1
Long term debt lease	5,960	6,341	6,700
Non-current liabilities	**6,028**	**6,497**	**6,749**
Current portion of long term debt	104	104	132
Current portion of lease building	381	359	338
Short term debt	69	1,452	1,530
Trade payables	2,566	3,390	4,924
Current tax liabilities	0	0	0
Prepayments	2,805	2,864	3,042
Other current liabilities	1,330	1,422	1,088
Deferred income	59	6,937	15,233
Total current liabilities	**7,313**	**16,528**	**26,287**
TOTAL EQUITY AND LIABILITIES	**74,031**	**63,582**	**80,051**

4.4. Cash flow statement

in € 1,000	2011	2010	2009
Cash flow from operating activities			
Operating profit / (loss)	-6,301	-6,191	-7,938
Income taxes paid	-69	16	0
Depreciation of tangible and intangible fixed assets	1,742	2,270	2,061
(Profit) / loss disposal on property, plant and equipment	46	-470	-162
Share-based payment expenses recognized as costs	466	406	1,188
Gross operating cash flow	**-4,116**	**-3,969**	**-4,851**
Changes in trade receivables	1,116	250	-1,435
Changes in inventory	2,545	-2,575	-1,426
Changes in trade payables	-824	-1,534	1,325
Other changes in net working capital	-6,792	-6,379	17,392
Net operating cash flow	**-8,071**	**-14,207**	**11,005**
Cash flow from investing activities			
Investments in development expenses	-300	0	0
Investments in intangible assets	-27	0	0
Investments in property, plant and equipment	-284	-1,125	-1,666
Proceeds from sales of property, plant and equipment	-	10	212
Cash flow from investing activities	**-611**	**-1,115**	**-1,454**
Cash flow from financing activities			
Net financial result	-709	-934	-581
Proceeds from issuance of long-term debts	-	207	105
Principal debt payments	-1,657	-503	-1,330
Net proceeds from capital increases	26,596	86	14,064
Cash flow from financing activities	**24,230**	**-1,144**	**12,258**
Net effect of currency translation on cash and cash equivalents	-97	-478	-264
Net increase / (decrease) in cash and cash equivalents	**15,451**	**-16,943**	**21,544**
Cash and cash equivalents at beginning of period (1)	**28,819**	**45,762**	**24,218**
Cash and cash equivalents at end of period (1)	**44,270**	**28,819**	**45,762**

(1) Balance includes cash restricted in its use classified as non-current assets.

4.5. Consolidated statement of changes in shareholders' equity

in € 1,000 except number of shares	Number of shares	Capital	Issuance premium	Accumulated loss	Share-based payment expenses	Cumulative translation adjustment	Equity attributable to equity holders of the parent
Balance at 1 January 2009	**17,890,609**	**1,342**	**88,260**	**-52,621**	**3,249**	**333**	**40,563**
Net loss for 2009				-8,651			-8,651
Other comprehensive income						-148	-148
Capital increases through issue of new shares	1,753,339	133	13,926				14,059
Capital increases through exercise of warrants	5,003		4				4
Share-based payment					1,188		1,188
Reserve							0
Balance at 31 December 2009	**19,648,951**	**1,475**	**102,190**	**-61,272**	**4,437**	**185**	**47,015**
Net loss for 2010				-7,141			-7,141
Other comprehensive income						186	186
Capital increases through issue of new shares							0
Capital increases through exercise of warrants	27,691	1	84				85
Share-based payment					406		406
Liquidation Biodev				7			7
Reserve							0
Balance at 31 December 2010	**19,676,642**	**1,476**	**102,275**	**-68,407**	**4,843**	**370**	**40,557**
Net loss for 2011				-7,048			-7,048
Other comprehensive income						121	121
Capital increases through issue of new shares	4,584,549	344	26,234				26,578
Capital increases through exercise of warrants	5,209	0	18				18
Share-based payment					466		466
Reserve							0
Balance at 31 December 2011	**24,266,400**	**1,820**	**128,527**	**-75,456**	**5,309**	**491**	**60,690**

5. Information about Devgen

5.1. General information

5.1.1. Legal and commercial name of Devgen

Devgen NV

5.1.2. Place of registration of Devgen and its registration number

Devgen is registered in Ghent (Belgium) under company number 0461.432.562.

5.1.3. Date and country of incorporation and the length of life of Devgen

Devgen was incorporated in Belgium on 10 September 1997, for an indefinite period of time.

5.1.4. Domicile and legal form of Devgen, the legislation under which Devgen operates, and its address and telephone number of its registered office (or principal place of business if different from its registered office)

Devgen has the legal form of a public limited liability company (*"naamloze vennootschap – NV / société anonyme – SA"*) and operates under the laws of Belgium.

The company's domicile and registered office is located at:

Technologiepark 30,
B-9052 Zwijnaarde (Ghent)
Belgium
Phone: +32 9 324 24 24
Fax: +32 9 324 24 25

5.1.5. Mission and company profile

Devgen's mission is to shape the field of hybrid rice in India and Southeast Asia and help farmers meet the productivity increases needed to grow more food on less land using less water, labour and agro-chemicals.

Devgen uses advanced biotechnology and molecular breeding technology to develop the Next Generation Hybrid Rice (NGHR™) seeds and crop protection solutions with a superior environmental profile:

- Devgen develops the next generation of hybrid rice, improving yield, seed productivity, grain quality, and tolerance to biotic and abiotic stress factors. Devgen strongly believes that this hybrid rice technology has the potential to drive the accelerated conversion of conventional rice to hybrid rice.

- Anticipating the need to increase insect resistance and drought/heat tolerance in rice to a level that is beyond what can be achieved with traditional breeding, Devgen creates a portfolio of biotech traits using own technology as well as in-licensed technologies.

- Devgen established an integrated seed business in India and Southeast Asia through which its rice crops and technologies reach the market. In India, Devgen complemented its hybrid rice business with geographically and seasonally complementary crops: hybrid sorghum, pearl millet and sunflower.

- In its Crop Protection unit, Devgen developed a novel nematicide, an agro-chemical product that protects crops from damage by parasitic nematodes. This product is currently sold in Turkey and was recently introduced on the market in the US.

- Devgen innovates in crop protection research and environment induced stress tolerance for its own crops and provides technology to corporate partners.

Incorporated in 1997, Devgen has offices in Ghent (Belgium), and has subsidiaries in Singapore, Hyderabad (India), Yogyakarta (Indonesia), General Santos (the Philippines) and Delaware (US), totalling around 250 staff.

5.2. Important events in the development of Devgen's business

Date	Milestone
September 1997	Devgen is founded and raises in December 1997 € 1.92 million through a private placement.
April 1998	Devgen enters into a one-year collaboration with Janssen Pharmaceutica, a subsidiary of Johnson & Johnson.
August 1998	Devgen raises € 5.55 million through a private placement.
October 1999	Devgen raises € 23.0 million through a private placement.
November 1999	FMC Corporation and Devgen announce a non-exclusive insecticide discovery agreement.
July 2000	Devgen raises € 6.3 million in a follow-on round of financing. As a result, total investment amounts to 36.8 million.
June 2001	Devgen strengthens its diabetes research via collaboration with Metabolex in the US. The two companies work successfully together to identify the mode-of-action and activity of novel compounds for diabetes.
September 2001	Devgen and FMC Corporation announce the extension of their collaboration in the field of insecticide discovery. Devgen enters into an expanded five-year non-exclusive collaboration with FMC Corporation in the field of insecticide discovery.
February 2002	Devgen completes the first C. elegans genome-wide RNAi feeding library as a tool for high throughput identification and validation of drug and pesticide targets.
July 2002	Devgen announces a target validation collaboration with Genentech to validate the function of novel drug targets.
May 2003	Devgen and Sumitomo Chemical Company announce a three-year crop protection research collaboration to develop novel insecticides.
December 2003	Devgen enters in a collaboration relating to nematode control with Pioneer Overseas Corporation.
February 2004	Devgen and an undisclosed pharmaceutical company initiate a collaboration to investigate the role of candidate targets in signaling pathways.
February 2004	Incorporation of Devgen Private Limited, a fully owned Devgen subsidiary based in Singapore, focusing on control of fungal disease in plants.
May 2004	Devgen enters into a collaboration in insect control with Monsanto Company.

June 2004	Devgen successfully completes a nutraceuticals program with an undisclosed party designed to evaluate potential nutrient additives for weight control in animals.
June 2005	Devgen raises € 33.7 million in successful IPO.
September 2005	Devgen presents positive nematicide field trial results.
June 2006	Devgen and Sumitomo announce extension of crop protection collaboration.
July 2006	Devgen starts rice breeding activities in Kenya.
February 2007	Devgen and Monsanto Company announce a research and technology agreement.
February 2007	Devgen raises € 31 million through a private placement.
March 2007	Devgen announces positive outcome of 2006 season of nematicide field trials.
October 2007	Devgen acquires the rice, sunflower, sorghum, and pearl millet business in India and other Asian countries from several Monsanto Company affiliates.
May 2008	Devgen finalizes the trials for the first registration dossiers compilation of its candidate nematicide product in key geographies.
November 2008	Devgen concludes first seed sales season in India.
December 2008	Devgen closes down its pharma division.
March 2009	Devgen NV and Sumitomo Chemical Company renew their agrochemical compound discovery agreement.
April 2009	Devgen and Monsanto Company update their research and technology agreement; Devgen receives payment of € 20 million.
13 May 2009	Devgen & Leads Agri sign agreement for distribution of Devgen's hybrid rice seed products in the Philippines.
22 Jul 2009	Devgen and Sang Hyang Seri announce hybrid rice production cooperation in Indonesia.
7 Aug 2009	Devgen NV and its partner for Turkey, Dogal A.S., receive regulatory approval for Devgen's nematicide product in Turkey and launch the product under the brand name Devguard® for use on tomato and cucumber under protected cover.
1 Oct 2009	Devgen NV (Euronext, Brussels: DEVG) completes successful private placement.

13 Oct 2009	Devgen NV and PT (Persero) Sang Hyang Seri obtain registration approval of two hybrid rice varieties in Indonesia.
30 Oct 2009	Devgen NV and Dogal A.S. receive regulatory approval in Turkey for the use of Devgen's nematicide product Devguard ® in eggplant and pepper.
26 Nov 2009	Devgen & Leads Agri announce the launch of Masuwerte ™, Devgen's first hybrid rice seed product for the Philippines.
15 Dec 2009	Devgen technology delivers a premium pearl millet hybrid for hot and dry environments in India.
31 March 2010	Devgen and IRRI form a partnership for the development of drought-tolerant rice hybrids to the benefit of the Asian rice farmers.
19 May 2010	Devgen launches its nematicide in the U.S. under the brand name Enclosure® for use on peanut.
4 May 2010	Devgen launches a new premium hybrid rice, Frontline Gold RH 1531, to meet the increasing demand for hybrid rice in India.
17 June 2010	Devgen and PT (Persero) Sang Hyang Seri sign a memorandum of understanding on the introduction of biotech rice in Indonesia.
16 November 2010	Devgen and PT (Persero) Sang Hyang Seri launch DG 1 SHS on the market in Indonesia.
25 March 2011	Devgen NV appoints Cheminova as distributor in Southern Europe for its nematicide Devguard®.
4 April 2011	Devgen NV successfully completes a private placement for a total amount of € 26.8 million.
13 April 2011	Devgen and SHS celebrate with the National Outstanding Farmers Association the positive customer feedback of their hybrid rice DG 1 SHS in Indonesia.
1 June 2011	Devgen strengthens its Board of Directors.
17 June 2011	Devgen and Vikram Seeds sign a cross-distribution agreement.
July 2011	Multi-location trials in India, the Philippines and Vietnam with new and proprietary hybrid rice varieties based on NGHR-technology.
28 February 2012	Devgen successfully expands its hybrid pearl millet seeds portfolio in India.
28 February 2012	Devgen starts sales of two new hybrid rice seeds in India.

5.3. Investments

Intangible assets

The intangible assets on 31 December 2011 amounted to € 4,812 (‘000), mainly consisting of intellectual property, know-how and relating rights acquired through a business combination in 2007. The gross book value of those intangibles assets amounted to € 9,591 (‘000), with a remaining carrying amount of € 4,451 (‘000) per 31 December 2011.

Per 31 December 2011, the material individual intangible assets are (in ‘000 €):

Individual assets	Carrying amount per 31 December 2011
Technical know-how	2,539
Trademarks	1,092
Vendor relationship	541
Copyrights	172

The other intangible assets relate to a portfolio of technical knowhow sublicenses, licenses, vendor relationship rights, non-compete fees and copyrights.

No intangibles are restricted or pledged or classified as held for sale.

Property, plant and equipment

The property, plant and equipment at 31 December 2011 amounted to € 2,473 (‘000). The investments in property, plant and equipment over the past 3 years were respectively € 284 (‘000) in 2011, € 925 (‘000) in 2010 and 1,666 (‘000) in 2009.

Per 31 December 2011, the carrying amount of the property, plant and equipment is composed of the following main categories (in ‘000 €):

Main categories	Carrying amount per 31 December 2011
Land	101
Building	622
Machinery, equipment and furniture	1,755

Per 31 December 2011, there are no individual material assets within property, plant and equipment.

Building held under lease

The building held under lease fully relates to the building located in Ghent (Belgium). Per 31 December 2011, the carrying value of this asset amounts to € 4,889 (‘000).

Investment property

The investment property relates to the portion of the building held under lease which is subleased to third parties. The carrying value of the investment property amounts to € 2,406 (‘000) per 31 December 2011.

5.4. Legal proceedings

The company is not, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the company is aware) during the 12 months preceding the date of this registration document which may have or has had in the recent past significant effects on the financial position or profitability of Devgen.

5.5. Significant change in the financial or trading position of Devgen since 31 December 2011

No significant changes except for the exercise of warrants during the semi-annual exercise period between 16 and 31 March 2012.

6. Business overview

6.1. General

The world faces a multitude of challenges to feed its growing population. Despite major efforts, the number of poor and hungry people continues to increase. The economic and food crises of the past years have worsened this trend.

The global population is growing and is expected to exceed 9 billion people by 2050[1]. Meanwhile, the availability of arable land per person is decreasing worldwide. Labour is becoming a scarce input factor for both industry and agriculture. Water availability required for agriculture decreases whilst water usage per capita increases.

To meet the needs of a growing population, food production must increase by 70% by 2050. 80% of this increase must come from increasing the productivity of existing arable land[2]. Despite this growing need, investment in innovative agricultural technologies that could increase yields has been limited during the past decade and the gap between productivity growth and population growth has been widening.

It is now widely recognized that renewed and increased investment in food and agricultural technology is urgently required. However, the traditional agricultural sector and governments have been struggling to adequately respond to these challenges and are now increasingly looking for innovative new technologies to help tackle the problem.

6.2. Devgen

Devgen is an agro-biotech company developing and commercializing hybrid seeds and crop protection solutions. Its mission is to shape the field of hybrid rice in India and Southeast Asia and help farmers meet the productivity increases needed to grow more food on less land using less water, labor and agrochemicals. To achieve this goal Devgen is using its advanced molecular breeding and biotechnology research platforms to develop proprietary hybrid and Next Generation Hybrid Rice (NGHR™) seeds as well as biotechnology based crop protection solutions.

Devgen's improved NGHR™-varieties are expected to offer farmers significant performance benefits over existing varieties, including substantially higher yields, improved production efficiencies, better milling quality, suitability for mechanized seeding and desired taste. NGHR™-seed is a key value driver for Devgen and has the potential to transform the company into a leading supplier of hybrid rice seed in India and Southeast Asia upon its launch in 2014.

Devgen expects to be well placed to commercialize its NGHR™-seed due to the strength of its current hybrid seed business which provides good market access across India and parts of Southeast Asia. Devgen's existing hybrid rice business is centered on a number of premium seeds which offer advantages to farmers over traditional varieties. This product portfolio has allowed Devgen to establish a significant presence in India and in Indonesia. Whilst further establishing its presence in the Philippines Devgen is now looking to expand its market access to other important rice producing countries in Southeast Asia such as Vietnam.

---

[1] Source: The Economist, 24 February 2011.
[2] Source: FAO, The State of Agricultural Commodity Markets 2009.

In India, Devgen complements its hybrid rice business through the production and sale of proprietary hybrid seeds of three other geographically and seasonally complementary crops: pearl millet, sorghum and sunflower. Seeds are sold through a network of more than 600 distributors and approximately 20,000 retailers across India. Devgen also leverages its marketing and sales platform in India to distribute hybrid cotton seeds in-licensed from a third party.

Anticipating the need to increase insect resistance and drought / heat tolerance in rice seed to a level that is beyond what can be achieved with traditional breeding, Devgen is also developing a portfolio of biotech traits using its own technology as well as in-licensed technologies.

Devgen has successfully developed a novel nematicide, an agrochemical product that protects crops from damage by parasitic nematodes. It offers a superior environmental and worker exposure profile compared to other currently marketed nematicides, many of which are under significant regulatory scrutiny and cannot be used throughout the growing season. This product is currently sold in Turkey and was introduced on the market in the US for use on selected crops, while in Southern Europe pre-launch activities have been completed successfully.

Devgen now combines a portfolio of first class hybrid seed products, market access in India and Southeast Asia, advanced plant breeding capabilities and a cutting-edge technology platform.

6.3. Devgen's strategy: build the next generation of hybrid rice

6.3.1. Rice productivity

With a population of nearly 4 billion, Asia is the world's most populous continent, accounting for around 60% of the global population. Rice is Asia's most important food crop providing as much as half of the region's total food calories. Worldwide the crop is grown on 160 million hectares, 90% of which is situated in Asia.

Asia's population is forecasted to rise to close to 5 billion by 2025. However, due to the increasing demands of industrial and urban development, it is very unlikely that the agriculture land area is going to grow and keep pace with the population growth.

It is estimated that by 2025 around one third more rice will need to be produced in Asia against a backdrop of land, labor and water shortages. To meet this challenge increasing efforts are being made by many countries in Asia to improve the productivity of rice growing through the deployment of advanced technologies and modern agricultural techniques.

6.3.2. Hybrid rice

To help address this problem Devgen is developing Next Generation Hybrid Rice (NGHR™) seeds for Indian and Southeast Asian markets. NGHR™ is expected to greatly improve rice growing productivity by offering farmers significantly higher yields and, used in combination with modern agronomy, is expected to require less water, labour and agrochemicals.

Hybrid rice has already been successfully adopted in China (60% hybridization), while in India and the rest of Southeast Asia the hybrid rice market is still under developed. This is principally because the current generation of hybrid rice varieties does not provide sufficient yield increase over elite non-hybrid varieties and lacks grain quality, a desirable taste, milling quality and other agronomic properties such as drought tolerance.

	Area (in million hectares)	% hybrid rice	Annual production (in million tons of rice)
China	29	60	193
India	44	3.5	148
Indonesia	12	3.5	60
Bangladesh/Nepal	12.5	<1	47
Vietnam	7.5	8	39
Philippines	4.4	4.5	16
Myanmar	8	-	30
Thailand	11	-	32
Total Worldwide	160		650

6.3.3. Next Generation Hybrid Rice

Since 2005, Devgen has undertaken a fundamental redesign of hybrid rice using its advanced molecular breeding platform to deliver Next Generation Hybrid Rice (NGHR™) seeds. The company's advanced NGHR™ breeding platform is showing to be considerably more efficient than hybrid rice technology currently in the market in India and Southeast Asia.

Devgen's improved next generation varieties are expected to offer farmers significant performance advantages over existing varieties, including substantially higher yields, improved production efficiencies, better milling quality, suitability for mechanized seeding and desired taste.

NGHR™ is a key value driver for Devgen and has the potential to transform the company into a leading supplier of hybrid rice seed in India and Southeast Asia. The uptake of NGHR™-seed is likely to significantly improve the income and quality of life of farmers and benefit Devgen through a lower cost of goods.

When launched, Devgen's breakthrough NGHR™-varieties could offer farmers a step change in performance over existing hybrid and non-hybrid varieties helping to raise their incomes and improve their overall quality of life.

In 2011, Devgen's researchers in India and the Philippines produced hundreds of new and proprietary hybrid rice varieties based on NGHR™-technology. These were then tested during the July 2011 rice-growing season in multi-location trials in India, the Philippines and Vietnam. The data analysis identified a substantial number of NGHR™-varieties that in these trials gave a more than 20% yield advantage over the best conventional varieties and a more than 10% yield advantage over the current-best hybrid rice varieties in the market.

Historical examples in many crops (such as cotton, corn and sorghum) have shown that the majority of farmers only choose to plant hybrid varieties instead of conventional varieties once they offer a yield advantage of 20% or more. A substantial number of Devgen's NGHR™-varieties now reach this commercial breakthrough threshold. Devgen is therefore confident that it is on track to deliver hybrid rice varieties that have the potential to fundamentally change the farmer's economics and to drive the adoption of hybrid rice varieties in India and Southeast Asia.

The best performing NGHR™-varieties identified in the 2011 season are undergoing seed production research and are scheduled to enter multi-location performance trials in the planting season which starts in mid-2012. In January 2013, Devgen expects to select NGHR™-varieties for pilot seed production and market entry through large-scale farmer trials in July 2013. First sales of NGHR™-seeds are targeted for 2014.

Upon launch the widespread adoption of NGHR™ is expected to help to sustainably provide the productivity increases that India and Southeast Asia need to feed a growing population using less land, water, labour and agrochemicals.

6.4. Seed business in India and Southeast Asia

Devgen started its seed business in 2008 after acquiring certain seed assets in hybrid rice, sorghum, pearl millet and sunflower in India and the Philippines. Its seed business has grown consistently since then and in 2011 generated revenues of € 15.1 million through sales of premium hybrid products across India, Indonesia and the Philippines and the distribution of cotton seed in India.

Regulatory approval

Country specific regulations apply for the development, testing and commercialization of seed products. These regulations may also govern genetic exclusivity, environmental concerns, product viability, performance and labelling. Seed companies must generally comply with each country's quality standards for seed products before they can do business. Some countries only allow so called "notified" products, having gone through the approval process, to be introduced in subsidy schemes while other products can be sold without prior approval. Export transactions require phytosanitary certification and sometimes prior in-country inspection of seeds to prevent the spread of plant diseases post import.

6.4.1. Hybrid rice in India and Southeast Asia

Devgen expects to be well placed to commercialize its NGHR™-seed due to the strength of its current seed business which provides good market access across India and parts of Southeast Asia.

Devgen's hybrid rice business in India and Southeast Asia is centered on a number of premium rice hybrid seeds which offer advantages to farmers over traditional varieties. This product portfolio has allowed the company to establish a significant presence in the hybrid seed segment of these markets ahead of the launch of NGHR™-seeds in 2014.

The strength of Devgen's market access was evident in 2011 when it achieved an over 40% volume increase in the sales of hybrid rice seeds versus 2010. Investments in 2011 have led to a further strengthening of Devgen's product portfolio with new hybrid rice seed products set for launch in India, Indonesia and the Philippines in 2012 and a number of products selected for national registration trials in Vietnam in preparation for expected launch in 2014.

These steps pave the way for further expansion of Devgen's seed business in 2012.

Hybrid rice in India

Devgen currently holds an estimated top three position in the Indian private hybrid rice market. The total hybrid rice market in 2011, including the subsidized channel (30%) represents a volume of 22,000 tons of seed with approximate market value of € 50 million. Devgen is active in this market through the sale of five premium first-generation hybrid seeds that offer performance advantages to farmers over non-hybrid rice with respect to yield, taste, drought tolerance and suitability for mechanized seeding and harvesting.

Products	Year of market introduction
Frontline RH257	2008
Frontline RH664	2008
Frontline Gold	2011
Frontline RH1422	2011
Ganga	2011

The potential volume of this market when adaptation of hybrid seeds sets through, amounts to between 300 and 400,000 tons of hybrid rice seed or around 15 times the current market size in volume.

Devgen has state-of-the-art rice breeding, testing, production and sales and marketing capabilities in India. The company plans to bring further new and improved current generation hybrid rice products to the market as it prepares for the launch of NGHR™-seeds in 2014.

In 2011, Devgen saw the successful conclusion of farmer trials of two new premium hybrid rice varieties. During these trials, Devgen's new hybrid rice varieties were grown in several hundred locations across key rice markets in India's Eastern states. Over 125,000 farmers visited the sites as part of the pre-launch marketing campaign. The farmers who conducted the tests and those who visited the fields gave highly positive feedback on yield, grain quality and plant type substantially validating the market potential of these new, improved hybrid rice varieties. In addition, extensive seed production trials showed that these new products have improved production efficiency over current hybrid seed products, hence an expected lower cost of goods and reduced production risk. Sales of these 2 new products are planned to start in the planting season that begins in May 2012.

Hybrid rice in Indonesia

In Indonesia, Devgen distributes and sells its hybrid rice products, DG 1 SHS and DG 2 SHS, in partnership with the government owned seed company Pt Sang Hyang Seri (Persero). In 2011, DG 1 SHS and DG 2 SHS were distributed in Indonesia's 10 key rice growing markets across Sumatera, Java and Sulawesi and were enthusiastically welcomed by farmers. Both hybrids combine a substantial improvement in yield with the taste profile desired by Indonesian consumers and are on track to become leading hybrid rice products in the country's 12 million hectare rice market. In 2012 Devgen plans to introduce DG 5 SHS, another current generation hybrid which is specifically well adapted to the subtropical climate prevailing in Indonesia. When adaptation of hybrid seeds sets through, the potential seed volume of this market equals more than 100,000 tons.

Hybrid rice in the Philippines

In the Philippines, about 220 thousand of the 4.4 million hectares of rice acreage is currently planted with hybrid rice. Total potential market volume if hybrid seed becomes widely adopted is over 33,000 tons of seed.

Since 2009 Devgen has been producing and selling Masuwerte, a high-yielding, long-grain hybrid rice that is distributed through Leads Agri, a leading supplier in the country for crop protection products.

Devgen's research station in the Philippines is an important contributor to both the development of new current generation and NGHR™-seeds.

In 2011 Devgen obtained registration for three new hybrid rice products. These seeds are planned to be launched in the Philippines in 2012 under the Frontline brand and have the potential to offer farmers superior yield and grain quality versus currently grown conventional and hybrid varieties.

Hybrid rice in Vietnam

In Vietnam, Devgen has a pipeline of promising hybrid rice varieties that have been selected for provincial and national registration trials in 2011. The first hybrid rice products are expected to reach the market in 2014 followed by NGHR™-seed in the seasons afterwards.

6.4.2. Counter season crops in India

As rice is a seasonal crop in India that is in general only planted once a year, Devgen complemented its rice seed business through the production and sale of hybrid seeds of three other geographically and seasonally complementary crops: sorghum, pearl millet and sunflower. This allows Devgen to make optimal use of its sales and marketing team. It also guarantees a year-round presence in this market allowing the sales team to optimally support the farmer community.

Sorghum, pearl millet and sunflower together are planted on 20 million hectares in India.

In 2011 Devgen also leveraged its market and sales capabilities to act for the first time as a distributor of cotton seed throughout India.

Hybrid sorghum

Sorghum is an important cereal crop in India as it requires significantly less water than other cereals making it ideal for cultivation in dry areas. In India sorghum is grown on 8 million hectares of land.

Devgen is the leading producer of premium hybrid sorghum seed grown by farmers during the Indian summer (Kharif) season from June to October (2.5 million hectares). Devgen further strengthened its position in 2011 with strong growth of its existing portfolio specifically aimed at this market segment. In 2011, Devgen also launched Mahalaxmi Shubhra, a new hybrid sorghum product for the so far non-hybridized Rabi (winter) sorghum market which accounts for 5.5 million hectares or more than two thirds of the total sorghum market. This new product has the potential to offer growers, for the first time, a hybrid variety with equivalent grain quality and taste to traditional Rabi sorghum varieties, whilst providing a significant grain and fodder yield advantage. The introduction of Mahalaxmi Shubhra therefore has potential to more than double the size of the overall Indian hybrid sorghum market with an estimated potential market volume of more than 30,000 tons of seed.

In total Devgen realized a year–on–year volume growth of 30% in hybrid sorghum seed sales.

Devgen is also working on the conversion from variety to hybrids of the domestic fodders sorghum market, a market which is so far almost exclusively making use of varietal non-hybrid seeds. A volume growth of 40% for fodder sorghum was achieved in 2011.

Hybrid pearl millet

Pearl millet is grown in India on 10 million hectares annually. Like sorghum, pearl millet is ideally suited for dry areas.

Devgen is currently a top ten player in the Indian hybrid pearl millet market. In 2011 Devgen achieved a 12% volume increase in hybrid pearl millet seed sales.

Devgen also successfully completed the first sales season of Atheeva, its first hybrid pearl millet seed adapted to all pearl millet growing areas in India and grown during the Kharif (summer) season. In its first sales season the new seed was purchased, planted and harvested by over 15,000 farmers across all the pearl millet growing areas in India. The feedback from farmers was most encouraging, referring to a number of advantages over currently available products including higher yields of premium grain and fodder combined with desirable color and quality.

This is an important new product for Devgen as it has the potential to enable the company to gain access to farmers in North India, which account for almost 85% of the 10 million hectare pearl millet market. Prior to this launch Devgen's hybrid pearl millet seeds were only suitable for regions that account for approximately 15% of this high-value market. The total potential volume of the hybrid pearl millet market in India is estimated to represent 20,000 tons of seed.

Hybrid sunflower

Sunflower seeds are a valuable add-on to the other crops where Devgen is active, even though the market for sunflower seeds was limited in 2011 due to unfavorable farmer economics for farmers growing sunflower. Nevertheless, due to the quality of the company's hybrid sunflower seed portfolio Devgen performed well achieving respectable volumes. The hybrid sunflower market in India has a potential market volume of more than 3,000 tons of seed.

Hybrid cotton

In 2011, Devgen acted for the first time as a distributor of hybrid cotton seeds in-licensed from a third party. This distribution activity leverages Devgen's marketing and sales capabilities and increases the company's revenue without increasing its sales force or G&A costs. This activity carries no seed production or stock risk.

6.5. Biotechnology

6.5.1. Biotech traits for rice

Where a specific trait is not identified in a crop, genes conferring the desired characteristics can be inserted into the crop's genome. This leads, for example, to increased resistance to insects or improved tolerance to herbicides or to drought.

In addition to developing Next Generation Hybrid Rice (NGHR™) seeds, Devgen anticipates the need to increase insect resistance, herbicide tolerance and drought/heat tolerance in rice to a level that is beyond what can be achieved with traditional breeding. Therefore, Devgen has been creating a portfolio of such candidate traits using Devgen's own technology as well as in-licensed technologies.

Its portfolio of candidate biotech traits is being introduced into NGHR™-germplasm for use in NGHR™-products in the future. Incorporated into NGHR™-seeds these traits are expected to further improve the productivity of rice growing by enabling farmers to grow more food on less land using less water, labor and agrochemicals.

In 2011, Devgen's pipeline of crop protection (insect resistance and herbicide tolerance) and stress traits in rice made progress as planned. Activities in Devgen's government certified biotech greenhouse facilities in Hyderabad (India) and Singapore were further expanded.

Biotech traits in general are gaining market share owing to their ability to improve crop yields and overall farmer economics. In 2011, a record of 395 acres (160 million hectares) was planted throughout the world with biotechnology seeds. The market for biotech seeds has grown since the introduction of biotech crops in 1996 to an estimated $ 13.2 billion in 2011, with approximately $ 4.1 billion attributed to direct technology fees collected by the seed companies for improved traits[3].

6.5.2. Research and development agreements

Since it was founded in 1997 Devgen has established a number of strategic research and development collaborations with companies, universities, academic institutions and consultants in Belgium and abroad. These collaborations support and validate Devgen's technology platform and often provide an additional source of income through collaborative research income and or potential royalty payments.

Devgen continues to innovate in crop protection research and environment induced stress tolerance research for use with its own crops and to provide technology to corporate partners. Over time, drought and heat stress have become important areas of expertise within the company and it is because of this expertise that Devgen has established a technology licensing and collaboration agreements with multiple governmental organization devoted to improving the productivity of rice growing.

[3] Source: ISAAA (International Service for the Acquisition of Agri-Biotech Applications) – Global Status of Commercialized biotech Crops: 2011.

6.6. Nematicides

Nematodes have been known for a long time to cause serious problems in agriculture. Nematodes damage the roots of important field and vegetable crops, thereby causing significant yield reductions. In extreme cases they can cause complete crop destruction.

Nematodes cause swellings (galls) on the roots of affected plants. These galls interfere with the water- and nutrient-conducting abilities of the roots. Damage to the roots caused by nematodes can also allow the entry of soil-borne, disease-causing, micro-organisms.

Above ground the symptoms of nematode infestation include wilting, loss of vigor, yellowing of leaves, reduced fruit, seed or fiber yield and quality. Worldwide annual crop damage caused by nematodes is estimated to amount to 80 billion USD. Globally farmers are estimated to annually spend close to 1 billion USD on nematode-controlling products.

Relative nematode impact on yield

++	++	+++	++++
large acreage commodities	industrial crops	vegetables/ fruits & vines	high value specialized crops
corn cotton soybean canola cereals	peanuts tobacco sugar beet	potatoes carrots fruits grapes tropical fruits	tomato pepper cucurbits melons ornamentals

The treatment options

Although there has been a recent upturn in nematicide research, not many effective new compounds have been registered within the last 20 years and few new management strategies have been developed. This short-fall in innovation coupled with ever-tightening regulations of products' toxicological and environmental profile, has severe implications for food production. It is leaving farmers, particularly in Europe, with very few options in terms of approved/cost effective control solutions.

Devgen's nematicide

Devgen's program is a result from its proprietary crop protection research, started in 1999 when Devgen used its research expertise on *C. elegans* genetics and genomics, to identify candidate insecticide and nematicide products that meet the various specifications of the farmer (efficacy), the authorities (low toxicity to non-target organisms) and the consumer (no residues). After initial success from this innovative R & D approach, Devgen continued to develop, register and introduce an effective nematicide with less environmental and human impact than traditional nematicides.

Extensive field trialing over the past years in commercial environments has proven the efficacy and selectivity of Devgen's nematicide in a wide range of vegetable crops and situations. The efficacy, selectivity and reduced health risk of Devgen's nematicide in 'situation of use' with respect to environment, residue and worker exposure are key differentiators compared to existing nematicides.

The growers' experience after more than a year on the market

- Devgen's nematicidal product was launched in 2009 in Turkey under the brand name Devguard® for the use in tomatoes, cucumbers, peppers and eggplant under protective cover and in 2010 in the U.S. under the brand name Enclosure® for use on peanuts. The product continuous to be well received in the market in Turkey. In the U.S. sales are expected to be initiated with the new label after trials are fully evaluated and support from key opinion leading agronomists advising farmers is obtained.

Turkey	Tomato	Pepper	Cucumber	Eggplant
Estimated total area (ha)	270,000	98,000	59,000	33,000
Application rate (L/ha)	14	14	14	14

US	Peanut
Estimated total area (ha)	570,000
Application rate (L/ha)	7

A multitude of opportunities for growth

In 2010, the EU commission approved Devgen's request to update the directive 91/414/EC accepting the nematicidal use of CPD20. This approval was essential for the start of the review of the regulatory dossiers for Devguard® that have been submitted in Spain, Italy and Greece. Initial approvals for the use of Devguard® in tomatoes, cucumbers, melon, pepper, eggplant (under protected cover) are expected from 2012 onwards.

Important advances have been made in Italy and premarket activities were started in anticipation of a regulatory approval for the product. Dossiers have also been submitted in Spain, Greece, Morocco and South-Africa and Devgen is closely following up the evolution of the review processes in these countries.

Devgen meanwhile continues field trials to further broaden the use of its product to more crops and more countries.

Regulatory approval

The registration of Plant Protection Products (PPP) in Europe is covered by the Regulation (EC) No. 1107/2009 which entered into force in June 2011. All active ingredients (a.i.) included in Annex I of Directive 91/414/EEC, at expiry date, have to be reviewed according to the Regulation and if the use is acceptable, the a.i. is approved and listed in the Annex of the Execution Regulation (EU) No. 540/2011. This review is undertaken at European level under the responsibility of the European Food Safety Agency (EFSA). For the PPP, the decision is still based on national review but under a zonal approach, also in accordance to the Regulation. The authorization to sell a formulated product (= registration) is delivered by national authorities (typically Ministry of Agriculture or Health). The registration can be delivered only for products containing an active ingredient approved and included in the Annex of Regulation or under EU review. The Regulation (EC) No. 1107/2009 includes the evaluation process under zonal approach between countries of the same zone (North, Central and South Europe), except for greenhouse and indoor uses, where Europe is considered as one zone. The national registrations are extended by the procedure of mutual recognition.

In U.S., the use of agrochemical products is regulated by the U.S. Environmental Protection Agency

(EPA), an agency of the federal government of the U.S. charged to regulate chemicals and protect human health by safeguarding the natural environment: air, water, and land.

The table below gives an overview of the regulatory approval status of Devgen's nematicide.

	Regulatory approval
US	
Peanuts: master label / supplemental label	Granted
Fruiting Vegetables and cucurbits group	Pending
Other crops	Registration trials ongoing
Turkey	
Tomatoes and cucumbers	Granted
Peppers and eggplant	Granted
EU	
Recognition of Devgen source of iprodione	Granted
Annex I inclusion of nematicidal use	Granted
Italy, Spain, Greece and Portugal for protected crops	Pending
South-Africa	
Tomatoes and potatoes	Pending
Other crops	Registration trials ongoing
Morocco	
Tomatoes	Pending
Other crops	Registration trials ongoing

6.7. Patents and intellectual property

Devgen's success and ability to compete depend largely on its ability to protect its proprietary technology and information and to operate without infringing the intellectual property rights of others. The company relies on a combination of patent, plant variety, trademark and trade secret laws, as well as confidentiality, assignment and licensing agreements, to establish and protect its intellectual property position. In addition to using external patent attorneys and advisers, the company employs a European patent attorney leading its intellectual property department. The company has developed internal processes for monitoring, identifying and recording patentable technologies and has dedicated internal resources for managing and overseeing its intellectual property rights position.
The company is actively seeking and obtaining means of intellectual property protection. Inventions in the company's crop protection, trait and seed activities are covered by several patent families that encompass granted patents and patents in examination.

- Biotech traits, such as the RNAi technology in general and such as target sequences for crop protection against specific commercially interesting insect species, are covered by several patent families.

- In its nematicide program, the company has protected the use of its lead compound and other interesting compounds as nematicides in international patent applications.

- The international patent applications are nationalized in the most important territories which are of interest to Devgen or its licensees. Whenever it is or has been deemed necessary by local patent legislation, divisional applications are filed to protect separate inventions in these patent families.

- Devgen is actively out-licensing, in-licensing and cross-licensing know-how, IP and patent rights relevant to plant biotech traits in its commercial activities and research collaborations.

- New hybrids in rice, sorghum and pearl millet that are developed by Devgen are protected under the respective plant variety protection legislations in the Asian countries.

- Devgen products are sold under trademark protected brand names in the various Asian markets.

- Additional information on some of these topics can be found on public websites of the World Intellectual Property Organization (WIPO), the United States Patent and Trademark Office (USPTO) or the European Patent Office (EPO).

7. Group structure

Per 31 December 2011, Devgen NV had the following subsidiaries:

Singapore

1. Devgen Private Limited, incorporated on 26 February 2004,
2. Devgen Rice Indonesia Private Limited., incorporated 12 May 2009, and
3. Devgen Seeds and Crop Technology Private Limited, incorporated 21 April 2009, with a branch in the Philippines: Devgen Seeds and Crop Technology (Phils.) Pte. Ltd.

United States

4. Devgen US Inc., incorporated on 29 November 2007.

India

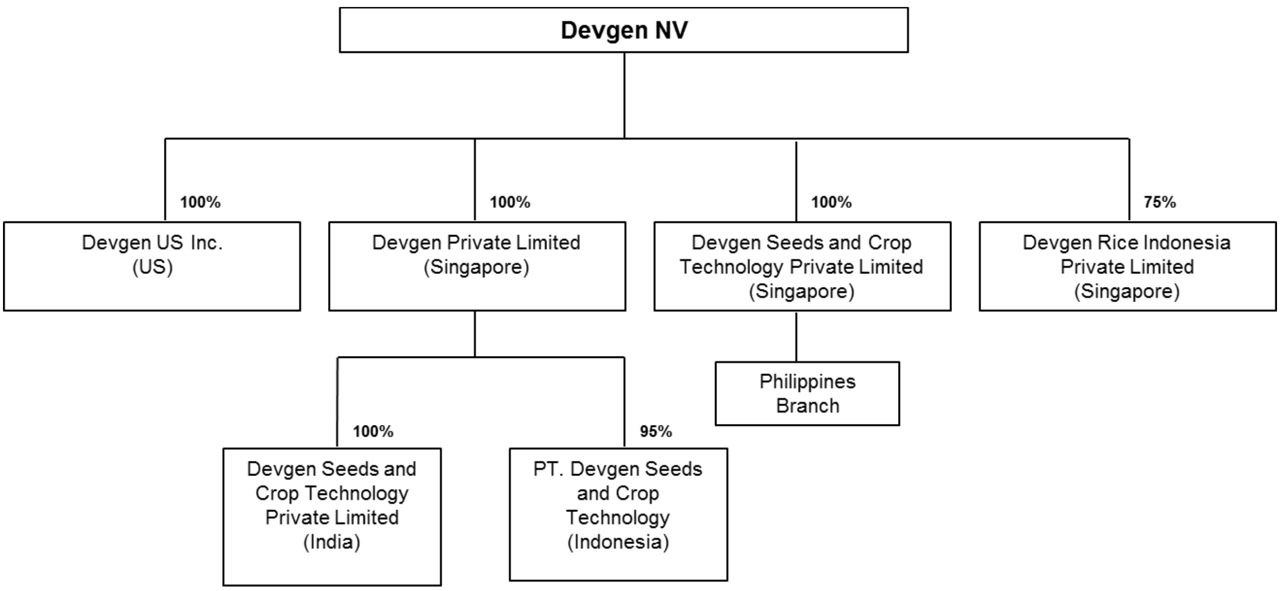
5. Devgen Seeds and Crop Technology Private Limited, incorporated 28 March 2007.

Indonesia

6. PT. (Perseroan Terbatas) Devgen Seeds and Crop Technology, incorporated 2 December 2009.

The liquidation of Devgen Seeds Pakistan (Private) Limited was completed and closed in the course of 2011. The liquidation of Biodev NV was completed and closed in the course of 2010.

All shares of these subsidiaries are fully owned by the group, except for Devgen Rice Indonesia Private Limited, where 75% of the shares are owned by Devgen NV or its subsidiaries and except for PT. (Perseroan Terbatas) Devgen Seeds and Crop Technology, where 95% of the shares are owned by Devgen NV or its subsidiaries.



8. Property, plants and equipment and building held under lease

(in '000 EURO)	Land	Building	Building held under lease	Machinery, equipment and furniture	Assets under construction	Total
At 1 January 2009						
Cost	103	-	8,000	9,928	157	18,188
Accumulated depreciation	-	-	-1,107	-8,577	-157	-9,841
Net carrying amount	**103**	**-**	**6,893**	**1,351**	**-**	**8,347**
Mutations during 2009						
Additions	-	-	-	340	1,326	1,666
Disposals	-	-	-	-47	-	-47
Movements from other category	1	-	-	8	-	9
Depreciation charge	-	-	-223	-412	-	-635
Depreciation reclassified as held for sale	-	-	-	39	-	39
Net carrying amount	**104**	**-**	**6,670**	**1,279**	**1,326**	**9,379**
At 31 December 2009						
Cost	104	-	8,000	10,228	1,326	19,658
Accumulated depreciation	-	-	-1,331	-8,948	-	-10,279
Net carrying amount	**104**	**-**	**6,669**	**1,280**	**1,326**	**9,379**
Mutations during 2010						
Additions	-	198	-	697	30	925
Disposals	-	-	-	-174	-	-174
Exchange rate differences	13	12	-	128	123	276
Movements from other category	-	588	-	861	-1,449	-
Depreciation charge	-	-57	-199	-467	-	-723
Depreciation reclassified as held for sale	-	-1	-	-56	-	-57
Net carrying amount	**116**	**740**	**6,470**	**2,269**	**30**	**9,626**
At 31 December 2010						
Cost	116	798	8,000	11,739	30	20,683
Accumulated depreciation	-	-58	-1,530	-9,470	-	-11,058
Net carrying amount	**116**	**740**	**6,470**	**2,269**	**30**	**9,625**
Mutations during 2011						
Additions	-	33	-	251	-	284
Disposals	-	-22	-	-263	-	-284
Exchange rate differences	-15	-95	-	-170	-	-281
Movements from other categories	-	-	-1,406	0	-30	-1,436
Depreciation charge	-	-55	-180	-548	-	-783
Reverse accumulated depreciations on disposals	-	22	-	215	-	237
Net carrying amount	**101**	**622**	**4,884**	**1,755**	**-**	**7,361**
At 31 December 2011						
Cost	101	714	6,594	11,557	-	18,966
Accumulated depreciation	-	-92	-1,710	-9,802	-	-11,604
Net carrying amount	**101**	**622**	**4,884**	**1,755**	**-**	**7,361**

Land

The land is substantially located in India, where Devgen owns a processing plant of commercial and parental seed, containing also cold storage facilities, laboratories and greenhouses.

In Belgium, the land on which Devgen's head office building (building under lease) is erected has been established on the grounds of the University of Ghent. The land was given in long term lease by the University of Ghent to Devgen for a period of 54 years, starting as of 21 October 2002, terminable by Devgen only once after the first period of 27 years. The initial canon amounted to € 2.97 per m² and per year and is being adjusted to cost of living index on an annual basis.

Building held under lease and investment property

Since 2004, the main facilities of Devgen headquarters are located in the Technologiepark in Ghent (Zwijnaarde), which is the core biotech cluster in Belgium. Devgen has approximately 6,000 m² of research and office space at its disposal (or approximately 9,000 m² including technical floor and car park). The facilities are designed in such a way that they fulfil the requirements of a modern research lab, in terms of functionality, flexibility, bio-security and bio-safety. Special attention is given to a contingency and security plan. This encompasses a set of measures and policies in case of fire, burglary, power interruption and other risks. The building is equipped with state of the art technical features to minimize disaster or damage and maximize security.

The main facilities are covering the current and future needs of Devgen in Belgium. Part of the building is currently made available to third parties who use certain premises and associated services. A first agreement, covering 643 m², was entered into with the Ghent University and expires per 31 May 2018. A second agreement was made with Argen-X BV for a period of 5 years starting 1 September 2009 (604 m^2) and a third agreement was entered into with Biorem Engineering BVBA effective 1 February 2011 for a period of 5 years (195 m^2), it being understood that for the latter two agreements either party to the agreement can terminate the agreement at any time with a 12 month notice period. Sublet building space is not included in the property, plant and equipment table above but shown separately as investment property, amounting to € 2,406 ('000) at 31 December 2011. Investment property has not been classified as held for sale. The net carrying amount of the building under lease at 31 December 2011 amounts to € 4,889 ('000). During 2011, a net book value of € 1,406 ('000) has been reclassified from Building held under lease to Investment property, following the increase of office and laboratory space subleased to the above mentioned third parties.

The financing of the main facilities has been structured through a financial lease agreement. On 21 October 2002, Devgen signed a global agreement with ING Lease Belgium and Dexia Lease Services ("the lessors") which incorporated an agreement on the transfer of Devgen's land use rights to the lessors, an agreement on the construction and financing of the building during its construction and a lease agreement on the building once the building was finalized (March 2004). Based upon the € 10,000 ('000) finance agreement with the lessors, an upfront lease payment of € 1,000 ('000) was paid in 2004 to be followed by quarterly lease payments of € 187 ('000) (as revised after the first five years period after the first 5 yearly interest rate revision) each and a residual value after 15 years of € 3,000 ('000) . If at that time Devgen would like to obtain the legal title to the building, it will have to exercise its purchase option and pay the additional € 3,000 ('000) residual value. If the purchase option is not exercised, Devgen can either decide to extend the agreement or it will have to return the building to the lessors. Devgen did not receive any fee under this agreement. The lease for the building is secured with the building.

Other buildings

In India, Devgen has built supporting infrastructure, being a plant for processing of commercial and its parental seed, cold storage facilities, laboratories and green houses. The net carrying amount of these buildings at 31 December 2011 amounts to € 622 ('000).

Machinery, equipment and furniture

The machinery, equipment and furniture have a net carrying amount of € 1,755 ('000) per 31 December 2011. The main components within this asset class are:

- Infrastructure in the processing plant in India, with a net carrying value of € 661 ('000) per 31 December 2011.
- Leasehold improvement relating to the building held under lease in Belgium with a net carrying value of € 734 ('000) per 31 December 2011.
- Other seed production and processing equipment and breeding research equipment, located in the various locations where Devgen has these type of activities (the Philippines, India, Singapore, Indonesia and Belgium).
- Furniture includes both laboratory and office furniture in Devgen's locations in Belgium, Singapore, India and the Philippines.
- IT infrastructure: Devgen's IT infrastructure consists of a global enterprise grade network of servers, routers, firewalls and WAN optimizing equipment. The network services both the management team, allowing the management of all enterprise resources, as well as the scientific staff with important demands towards applications and database storage for both experimental breeding and biotech data management. At its headquarters in Belgium, Devgen has a professional server hosting facility which is monitored continuously. This facility is equipped with a UPS and an emergency generator for backup purposes, but also with a professional waterless fire suppression system. At this location 40 servers are hosted, many of them virtualized to adhere to the company's responsible care creed. This set includes a high performance Linux cluster for bioinformatics needs. The storage environment is a 6TB SAN. Backups are securely taken off-site. Communications are supported by VOIP telephone systems to reduce cost and enhance company integration. At other locations smaller but adequate functionality is available. All locations are interconnected by VPN connections for seamless integration and security reasons. This allows for a highly centralized and formalized management of the IT infrastructure, which guarantees responsible IT corporate governance, ease of contingency and disaster recovery.

Rent facilities

Over the years, Devgen has entered into several operating lease agreements for rent of facilities, land, warehouses, company cars and computer equipment.

Devgen is renting office space, cold storage facilities, land for breeding purposes, land for pre-foundation seed production and greenhouse facilities in India, Indonesia, the Philippines and Singapore.

Financing of the property, plant and equipment

Apart from the building and some vehicles, certain property, plant and equipment has been externally financed by bank loans. The borrowings in 2011 include a bank loan in Belgium of € 104 ('000), as part of a leasehold improvements credit line of € 312 ('000), with a fixed interest rate of 4.75%. This is a non-secured loan.

The carrying amounts of short-term borrowings approximate their fair value.

Pledged financial assets as collateral

In 2004, Devgen placed a cash pledge of € 2,100 (‘000) in favour of the lessors of the building in Zwijnaarde, to cover the V.A.T. recoverability risk of the lessors on the construction cost of the building. This cash pledge is being released on a straight-line basis over 15 years, at the rate of 1/15 per year, starting on 1 April 2005. This amount is classified as a non-current asset (cash restricted in its use) and amounts to € 1,120 (‘000) at 31 December 2011, as compared to € 1,260 (‘000) at the end of 2010).

In 2011, Devgen placed a cash pledge of € 4,555 (‘000) in favour of a bank to guarantee a short-term bank loan provided to Devgen Seeds and Crop Technology Pvt Ltd in India to finance working capital requirements. The total overdraft facility amounts to 237.5 million Indian Rupees (approximately € 3.5 million), whereof € 69 (‘000) was used per 31 December 2011. The overdraft facility has been concluded for the financing of working capital needs, which fluctuate during the year following the seasonal effects in Devgen’s seed business. The amount of the cash pledge convers the value of the overdraft facility including possible interest charges, bank charges and exchange rate fluctuations.

No other financial assets are pledged as collateral.

9. Capital resources

At the end of 2011, the issued share capital of Devgen NV amounted to € 1,819,978 represented by 24,266,400 common shares without nominal value. The statutory share premium amounted to € 133,593,757. The consolidated share premium amounted to € 128,526,489 whereby the costs related to capital increases are deducted from the proceeds from the capital increase through the share premium account. The reconciliation, at consolidated level is shown in the consolidated statement of shareholders' equity below.

in € 1,000 except number of shares	Number of shares	Capital	Issuance premium	Accumulated loss	Share-based payment expenses	Cumulative translation adjustment	Equity attributable to equity holders of the parent
Balance at 1 January 2009	**17,890,609**	**1,342**	**88,260**	**-52,621**	**3,249**	**333**	**40,563**
Net loss for 2009				-8,651			-8,651
Other comprehensive income						-148	-148
Capital increases through issue of new shares	1,753,339	133	13,926				14,059
Capital increases through exercise of warrants	5,003		4				4
Share-based payment					1,188		1,188
Reserve							0
Balance at 31 December 2009	**19,648,951**	**1,475**	**102,190**	**-61,272**	**4,437**	**185**	**47,015**
Net loss for 2010				-7,141			-7,141
Other comprehensive income						186	186
Capital increases through issue of new shares							0
Capital increases through exercise of warrants	27,691	1	84				85
Share-based payment					406		406
Liquidation Biodev				7			7
Reserve							0
Balance at 31 December 2010	**19,676,642**	**1,476**	**102,275**	**-68,407**	**4,843**	**370**	**40,557**
Net loss for 2011				-7,048			-7,048
Other comprehensive income						121	121
Capital increases through issue of new shares	4,584,549	344	26,234				26,578
Capital increases through exercise of warrants	5,209	0	18				18
Share-based payment					466		466
Reserve							0
Balance at 31 December 2011	**24,266,400**	**1,820**	**128,527**	**-75,456**	**5,309**	**491**	**60,690**

The following capital increases took place in the years 2007 up to and including 2011:

- On 20 February 2007, Devgen raised € 31,245,951.75 through a private placement by issuance of 1,505,829 new shares placed with institutional investors at a price of € 20.75 per share.
- On 31 October 2007, Devgen raised € 18,001,788 through a private placement by issuance of 1,045,400 new shares placed with Monsanto Company at a price of € 17.22 per share.
- On 1 October 2009, Devgen raised € 14.7 million through a private placement by issuance of 1,753,339 new shares placed with pre-identified institutional investors at a price of € 8.38 per share.
- On 4 April 2011, Devgen raised € 26.8 million through a private placement by issuance of 4,584,549 new shares placed with pre-identified institutional investors at a price of € 5.85 per share.

All new shares are listed on Euronext Brussels, except for 2,638,936 shares issued per 4 April 2011 for which listing is applied for.

Devgen has created several pools of warrants for grant to employees, directors, consultants and research institutions. Below is a summary table of the accumulated number of warrants created and granted since incorporation of the company up to 31 December 2011:

Beneficiary	Creation date of plan	Total number created	Total number granted
Employees	27/09/1999	296,107	162,926
Directors and consultants	27/09/1999	162,004	156,338
Research institution	21/12/1999	8,938	8,938
Research institution	21/12/1999	132,223	105,778
Employees, directors and consultants	22/09/2000	550,000	472,272
Employees and directors	12/12/2005	643,334	635,560
Employees	20/06/2008	750,000	488,701
Directors	20/06/2008	11,724	11,724
CEO	24/07/2009	300,000	300,000
Directors	24/07/2009	36,000	36,000
CEO & directors	01/06/2010	80,604	80,604
CEO & directors	01/06/2011	121,436	121,436

The following table summarizes the status of the outstanding and exercisable (vested) warrants as of 31 December 2011:

In number of warrants, unless otherwise mentioned	Month of expiry	Exercise price (in €)	Outstanding warrants 31/12/2010	Transactions 2011				Outstanding warrants 31/12/2011
				Granted	Exercised	Cancelled	Not exercised	
Plan 2005, grant 2005 (*)	Dec. 2015	9.49	104,112	0	0	0	0	104,112
Plan 2005, grant 2006 (*)	Dec. 2015	11.54	13,400	0	0	0	-2,880	10,520
Plan 2005, grant 2006 (*)	Dec. 2015	11.67	12,772	0	0	0	-792	11,980
Plan 2005, grant 2006 (*)	Dec. 2015	14.00	20,016	0	0	0	0	20,016
Plan 2005, grant 2006 (*)	Dec. 2015	14.25	6,000	0	0	0	0	6,000
Plan 2005, grant 2007 (*)	Dec. 2015	21.57	10,008	0	0	0	-10,008	0
Plan 2005, grant 2007 (*)	Dec. 2015	21.57	3,332	0	0	0	-3,332	0
Plan 2005, grant 2007 (*)	Dec. 2015	21.61	40,954	0	0	0	-1,138	39,816
Plan 2005, grant 2007 (*)	Dec. 2015	20.73	206,016	0	0	0	0	206,016
Plan 2005, grant 2008 (*)	Dec. 2015	13.00	23,485	0	0	-82	-766	22,637
Plan 2005, grant 2008 (*)	Dec. 2015	13.26	10,008	0	0	0	0	10,008
Plan 2008 Board, grant 2008	Jun. 2013	14.40	8,793	0	0	0	0	8,793
Plan 2008 PCC, grant 2008	Jun. 2018	13.26	15,000	0	0	0	0	15,000
Plan 2008 PCC, grant 2008	Jun. 2018	14.40	1,391	0	0	0	0	1,391
Plan 2008 PCC, grant 2009	Jun. 2018	3.50	60,989	0	-5,209	-826	0	54,954
Plan 2008 India, grant 2009	Jun. 2018	3.50	177,548	0	0	-1,731	0	175,817
Plan 2009 CEO, grant 2009	Jul. 2014	6.65	300,000	0	0	0	0	300,000
Plan 2009 Directors, grant 2009	Jul. 2014	6.65	30,000	0	0	0	0	30,000
Plan 2008 PCC, grant 2010	Jun. 2018	10.49	26,892	0	0	0	0	26,892
Plan 2008 India, grant 2010	Jun. 2018	10.49	22,418	0	0	-1,942	0	20,476
Plan 2010 CEO & Directors, grant 2010	May 2015	8.78	30,000	0	0	0	0	30,000
Plan 2008 PCC, grant 2011	Jun. 2018	5.61	0	71,496	0	0	0	71,496
Plan 2008 India, grant 2011	Jun. 2018	5.61	0	66,668	0	-4,649	0	62,019
Plan 2011 CEO & Directors, grant 2011	May 2016	6.78	0	121,436	0	-6,000	0	115,436
Total			**1,123,134**	**259,600**	**-5,209**	**-15,230**	**-18,916**	**1,343,379**
Weighted average exercise price (in €)			**10.41**	**6.16**	**3.50**	**6.38**	**19.28**	**9.54**

The capital increases resulting from the exercise of warrants in the years 2007 up to and including 2011 were as follows:

- Exercise of 2,964 existing warrants into the same number of new shares on 6 October 2011 with a resulting capital increase of € 10,374.00.
- Exercise of 2,245 existing warrants into the same number of new shares on 8 April 2011 with a resulting capital increase of € 7,857.50.
- Exercise of 7,866 existing warrants into the same number of new shares on 5 October 2010 with a resulting capital increase of € 26,390.59.
- Exercise of 19,825 existing warrants into the same number of new shares on 7 April 2010 with a resulting capital increase of € 61,181.47.
- Exercise of 3,878 existing warrants into the same number of new shares on 6 October 2009 with a resulting statutory capital increase of € 11,293.24.
- Exercise of 1,125 existing warrants into the same number of new shares on 27 April 2009 with a resulting capital increase of € 1,375.48.
- Exercise of 9,109 existing warrants into the same number of new shares on 13 October 2008 with a resulting statutory capital increase of € 12,801.99.
- Exercise of 25,149 existing warrants into the same number of new shares on 7 April 2008 with a resulting capital increase of € 58,331.05.
- Exercise of 104,962 existing warrants into the same number of new shares on 3 October 2007 with a resulting capital increase of € 367,292.57.
- Exercise of 141,858 existing warrants into the same number of new shares on 5 April 2007 with a resulting capital increase of € 545,092.74.

All new shares are listed on Euronext Brussels, except for 2,638,936 shares issued per 4 April 2011 for which listing is applied for.

10. Research and development, patents and licenses

Devgen's success and ability to compete depends largely on its ability to protect its proprietary technology and information and to operate without infringing the intellectual property rights of others. Devgen relies on a combination of patent, plant variety protection, trademark and trade secret laws, as well as confidentiality, assignment and licensing agreements, to establish and protect its intellectual property position.

Devgen is actively seeking and obtaining intellectual property protection for its technology inventions, plant varieties and events in the important Western Agronomic countries, as well as in the Southeast Asian countries, where its commercial focus for crop protection lies.

Devgen has built an intellectual property portfolio covering the activities in its distinct business units.

At present, Devgen holds several patent families (including both granted patents and pending patent applications) with claims directed to several aspects of RNAi technology and pest control:

- the use of RNAi technology in screening assays;
- RNAi enabling technologies;
- RNAi targets in insect, nematode, fungal and household pests, and their use in crop and substrate protection in agriculture and house-hold environment;
- the use of a new generation of agro-chemical products to protect crops from damage inflicted by plant parasitic nematodes.

In addition to patent protection, it is Devgen's policy to protect its proprietary hybrid seeds through plant variety protection and trademark label in the Indian and other Southeast Asian markets. Devgen's business and technology activities are currently registered under the Devgen trademark in the Benelux, UK, Germany, Switzerland, U.S., Singapore, the Philippines, Indonesia and pending registrations in India and Vietnam. Furthermore, Devgen's nematicides products are commercialized under proprietary brand name(s), at this moment in Turkey under the Devguard® logo and in the U.S. under the Enclosure® logo.

Devgen's policy is to actively use its patent rights in commercial and research collaborations, seeking for cross-licensing arrangements and out-licensing of these rights.

Devgen has made arrangements (in the past) with its collaborative partners on RNAi technology regarding collaborative IP, Devgen's IP and its partner's IP with the view of securing each party's respective rights and obligations. In the event Devgen commercializes products falling under collaborative IP or the partner's IP, it would be subject to royalties.

As part of a 5-year technology exchange agreement with Monsanto Company, Devgen has licensed Monsanto technology for use as rice traits, and any resulting product sales will be subject to royalty payments.

Following its acquisition of the hybrid rice, sunflower, sorghum and pearl millet seed business in India, Pakistan and the Philippines, Devgen filed Plant Variety Protection applications of the hybrids and parents for India for rice sorghum and pearl millet, and acquired key brand names such as Frontline and Mahalaxmi. Devgen is further broadening the protection of the Frontline brand name and has introduced new brand names in selected Southeast Asian countries in line with its business opportunities. New hybrids and parental lines resulting from its research activities are protected as soon as they reach the market.

Devgen's research and commercial activity can be subject to patent license agreements with third parties and sales of products can fall within the scope of in-licensed patent(s) subject to royalty payments. These payments result from agreements concluded in the past with several research institutions and commercial corporations. Such agreements are standard business practice.

11. Corporate governance

11.1. General

Devgen's corporate governance is based on the principles described in the 2009 Belgian corporate governance code, issued by the Belgian corporate governance committee.

In view of this code, Devgen has described the main aspects of its corporate governance in a corporate governance charter, which together with applicable law and the company's articles of association governs the way Devgen is managed and controlled.

This charter can be obtained free of charge at the registered office of the company and is available on the company's website (www.devgen.com, under the section investor relations / corporate governance).

11.2. Compliance with the corporate governance code

Devgen has adopted the 2009 Belgian corporate governance code as its reference code. It complies with the provisions of this code with the exception of the deviations enumerated hereunder;

- The chairman of the Board of Directors, Mr. Remi Vermeiren, is also chairman of the Audit Committee, which deviates from provision 5.2./3 of the corporate governance code. The Board of Directors finds that this deviation is justified as it is beliefs that, given his experience and skills, Mr. Remi Vermeiren is best suited to fulfill the function of chairman of the Audit Committee next to the function of chairman of the Board of Directors. Mr. Remi Vermeiren holds a degree in commercial and financial sciences and has a strong financial experience as former chairman of the executive committee of KBC Group and as member of the administrative, management or supervisory bodies of various companies. See section on "Expertise within the Audit Committee" in paragraph 4.5 of this annual report for additional information.

- Devgen does not comply with the provision 5.2./4 of the corporate governance code which states that a majority of the Audit Committee's members should be independent. As of 1 July 2011, no member out of the 3 members of the Audit Committee qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three subsequent directorships since they joined the Board of Directors in April 2005 and Mr. Marien represents more than 10% of the shares. The Board of Directors considers that the members of the audit committee have the necessary business, industry and financial experience to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Devgen does not fully comply with provision 5.2./17 which states that an independent internal audit function should be established. In view of the size of the company, Devgen has no overall formal internal audit function. However, as explained further in Devgen's corporate governance charter, the Audit Committee regularly evaluates the need for particular internal audits and the steps to be taken given the findings of such evaluations.

- Devgen does not comply with provisions 5.3./1 and 5.4./1 of the corporate governance code which state that the majority of the members of the Nomination and Remuneration Committee should be independent. As of 1 July 2011, there is only one member, Mr. Orlando de Ponti, of the five member committee who qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. The other formerly independent directors in the Nomination and Remuneration Committee, Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three directorships since they joined the board in April 2005. The Board of Directors considers that the members of the Nomination and Remuneration Committee have the necessary experience and competences to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Contrary to provision 7.7 of the corporate governance code, which sets out that non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits, the Extraordinary Shareholders Meeting of 1 June 2011 granted each non-executive director, or its permanent representative, 6,000 warrants on Devgen shares. Through warrants the company can remunerate its non-executive directors without using the company's cash resources, which is in the interest of a growth company such as Devgen. In addition to these warrants, the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed Board mandate year. The chairman of the Board of Directors is entitled to a monthly fee of € 4,000. Devgen believes that this remuneration package is justified, as it corresponds with market practice and expectations for similar listed companies in the biotechnology field and allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors.

- Unlike set out in provision 7.18 of the corporate governance code, the contract between the CEO and Devgen does not specify that the severance package excludes variable cash bonuses in case the departing CEO did not meet the performance criteria referred to in the contract. The termination indemnity is calculated on the basis of the fixed remuneration applicable at the time of termination and the average variable cash bonus paid in previous 3 years. The Board of Directors believes this arrangement to be fair and in the interest of the company.

11.3. Internal controls and risk management

Devgen has implemented a risk management system and an internal control structure, which are monitored by the Audit Committee.

Devgen has implemented a risk management system and an internal control structure, which are monitored by the Audit Committee.

a. Control environment

Organization of internal control

The internal control environment is organized by Devgen's executive management and is monitored by the Audit Committee. The role of the Audit Committee is stipulated in Devgen's corporate governance charter. The Audit Committee evaluates on a regular basis the needs with respect to internal auditing based on a risk assessment. The Audit Committee takes the necessary action relating to the findings of this evaluation.

Today the company does not have an internal audit department. The company is assigning these tasks to staff members with appropriate qualifications and if necessary field experts from outside the company are engaged to perform these audits. Based upon a 3-year rotation plan, all important business cycles across all legal entities are subject to an internal audit.

Ethical values
The Audit Committee prepared a "Code of Conduct" which applies for all Devgen companies and employees. Furthermore, the employment contracts of all employees contain stipulations with respect to ethical conduct of business.

b. Risk analysis

We refer to section 6 "Risks" of this annual report for a detailed risk analysis of the Devgen group.

c. Control activities

Control activities include the measures taken by Devgen to ensure that the risks under its control are appropriately controlled and mitigated.

- Devgen appoints highly qualified personnel in key positions within all entities of the group.

- The management has clearly aligned responsibilities as set out in the job descriptions which are prepared for all employees of the company.

- The management is also responsible to comply with internal regulations and the Board of Directors is ensuring that the management is respecting the general policies and the corporate plans.

- The implementation of a set of procedures amongst others with respect to purchasing and payments based on double signatures, periodical stock takings, to be systematically applied within all entities of the company.

- The external legal counsel of the group together with the CEO and the management team has set up internal procedures in order to ensure that acts performed within or by the company are in compliance with the existing laws and external regulations.

- Risks with respect to infrastructure - as there are: fire, unwanted access and power failures - have been minimized by taking appropriate measures. For assets which are crucial for the continuity of the company, being it equipment for R & D or production but also the stored biological material such as seeds, measures have been taken to duplicate these assets and to spread them over different locations. Next to avoiding risks in this respect, where possible, insurance has been taken to cover loss of these assets, always based however on an economic justification whereby the risk is evaluated against the price to insure the risk.

- With respect to complying with regulations concerning safety at work, working with biotechnological material and environmental matters in general, appropriate measures were taken within the company to guarantee compliance with these regulations and to operate with and within the required permits in this respect. Amongst others Devgen applies the guidelines as prescribed in the international standards of "Excellence through Stewardships".

- The IT department is responsible for the continuity of the IT-platforms used by the company to support its operations as well as for the implementation of system access controls and safely storing data. Appropriate measures were taken to assure the continuity of the operations of the company taking into account the requirements of the different departments.

- The IP-portfolio, for the protection of knowledge and proprietary technology, is managed in a deliberated way by evaluating on a regular basis the costs to maintain such protection versus the benefits of doing this. Furthermore it is clearly communicated to employees on how to deal with confidential information ("gate keeping") and rules are in place on how to share such information with third parties (CDA's). Within the lab the progress of the research is registered and relevant documentation is stored in an electronic lab note book with registration of the date of entry.

- In addition procedures are in place with respect to in- and outgoing material flows in order to protect the rights of the parties involved at all times.
- The company has procedures in place with respect to managing crisis situations.
- Risks related to "Insider trading" are managed through clear communications to the parties involved, the availability of guidelines ("dealing code") and the appointment of a compliance officer.
- We refer to Note 24 "Financial instruments" of the consolidated financial statements for a detailed discussion on the managing of the credit risks, interest risks, exchange risks and liquidity risks.

d. Information and communication

The following policies and procedures have been implemented relating to the information and communication processes:

- A standardized process is in place which enables the corporate finance department of the group to prepare consolidated financial statements on a quarterly basis.
- Manuals are being used in order to assure preparing and reporting financial information in a consistent manner.
- The valuation rules, compliant with IFRS, are documented and are published in the annual accounts.
- Management support systems have been implemented generating consistent financial and operational information (ERP-applications).
- Procedures are in place in order to verify the accuracy of the reporting figures, such as comparison with prior period results and with budgets.
- The external auditors of the company are requested to pay special attention to area's with specific company and industry risk which can have an immediate effect on the financial information provided by the company.

e. Supervision and monitoring

Supervision and monitoring activities are performed by the executive and senior management on a daily basis. The Audit Committee monitors the control activities with the company.

11.4. Board of Directors

11.4.1. Composition of the Board of Directors and its Committees

At the beginning of 2011, the Board of Directors consisted of the following seven members: Mr. Remi Vermeiren (chairman), Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, Mr. Orlando de Ponti, Blenar BVBA represented by Mr. Jan Leemans, Gengest BVBA represented by Mr. Rudi Mariën, Mr. Patrick Van Beneden and Mr. Alan Williamson.

On 1 June 2011, Van Herk Global Agri B.V., represented by Mr. Aat van Herk was appointed as non-executive director of the company. On 1 June 2011, Mr. Wouter de Ruiter was appointed as non-executive director of the company. On 28 September Mr. Wouter de Ruiter voluntarily resigned and the same day the Board of Directors co-opted Madeli Participaties B.V., having as only director Madeli B.V., represented by Mr. Wouter de Ruiter. Therefore the Board of Directors consists of nine members on 31 December 2011.

Up to 1 July 2011 Mr. Remi Vermeiren and Blenar BVBA, represented by Mr. Jan Leemans, qualified as independent directors under the Company Code. Mr. Orlando de Ponti and Mr. Wouter de Ruiter qualify until present as independent directors. The only executive director is Thierry Bogaert BVBA, managing director and Chief Executive Officer (CEO).

On 31 December 2011 the Board of Directors consisted of nine members included in the table.

Name	Position	End of term	Audit committee	Nomination and Remuneration Committee
Remi Vermeiren (1940)	Non-executive director, chairman	2013	Chairman	Chairman
Thierry Bogaert BVBA, represented by Thierry Bogaert (1960)	Managing director, CEO	2013	/	/
Orlando de Ponti (1945)	Non-executive director	2013	/	Member
Blenar BVBA, represented by Jan Leemans (1955)	Non-executive director	2013	Member	Member as of 01.01.2011
Gengest BVBA, represented by Rudi Mariën (1945)	Non-executive director	2014	Member	Member
Patrick Van Beneden (1962)	Non-executive director	2013	/	Member
Alan Williamson (1937)	Non-executive director	2013	/	/
Madeli Participaties B.V., with as only director Madeli B.V., represented by Wouter de Ruiter (1967)	Non-executive director	2013	/	/
Van Herk Global Agri B.V., represented by Aat van Herk (1951)	Non-executive director	2013	/	/

Mr. Orlando de Ponti and Mr. Wouter de Ruiter qualify as independent directors under the Belgian Company Code.

The following paragraphs contain brief biographies of each of the directors (9):

Mr. Remi Vermeiren, non-executive director, chairman of the Board of Directors

Mr. Remi Vermeiren holds a degree in Commercial and Financial Sciences. Before he became an independent director of Devgen, he had a 43 year long career at Kredietbank NV, which in 1998 merged with Cera Bank and ABB Insurance into KBC Bank and Insurance Group. In the earlier years, Mr. Remi Vermeiren was mainly involved in asset management, trading and administration of securities, treasury and international and investment banking. From 1989 on, Mr. Remi Vermeiren was member of the Executive Committee responsible for the day-to-day management of the bank. From 1998 until 2003, he held the function of chairman of the KBC Bank and Insurance Group and of KBC Bank. During this period, Mr. Remi Vermeiren was mainly involved in defining the strategy of the new group, integration of the banking and insurance activities, implementation of the merger of the two banks and the associated cost reduction program, and the expansion of KBC into Central Europe where it became one of the most important Western European investors in the banking and insurance industry. Currently, Mr. Remi Vermeiren is also member of a number of listed and non-listed companies and of charitable organizations, including of ''Foundation RV'' set up and funded by himself. He is currently a member of the Board of Directors or administrative management or supervisory bodies of the following companies: Ablynx NV, J. Zinner NV and MCS NV. He is responsible for the orderly liquidation of ACP II SCA (Luxembourg). In the past five years, he has held positions as a member of the Board of Directors or administrative, management or supervisory bodies of the following companies: Hobbyrama NV, Matériaux Gondry SA, Hout-Bois Van Steenberge NV, Cometal NV, Stock Americain Van Wiemeersch NV, The Capital Markets Company NV, Arda Immo NV (f.k.a. Ardatis NV), Afinia Plastics NV, Euronext Holding N.V. (The Netherlands), Euronext Amsterdam N.V. (The Netherlands), ACP II SCA (Luxembourg), IFB SPA (Italy), Cumerio NV and Ravago NV.

Thierry Bogaert BVBA, managing director and Chief Executive Officer (CEO), represented by Mr. Thierry Bogaert

See executive management, section 11.5.1.

Mr. Orlando de Ponti, independent, non-executive, director

Mr. Orlando de Ponti graduated as Agricultural Engineer and as doctor at the Wageningen Agricultural University. He gained important experience in the breeding and seed business working for the Dutch Ministry of Agriculture and, from 1991 to 2008, as managing director R & D of Nunhems B.V., a global vegetable seed company with important operations in India. He is the immediate past president of the International Seed Federation (ISF), member of the Verwaltungsrat of Ernst Benary Samenzucht GmbH (Germany) and of the supervisory board of Royal van Zanten B.V. (The Netherlands).

Blenar BVBA represented by Mr. Jan Leemans, non-executive director

Mr. Jan Leemans is the former Research Director of Plant Genetic Systems in Ghent. He has been member of the board of Hoechst Shering AgrEvo GmbH (Germany), Nunza B.V. (the Netherlands), and the Flemish Institute of Biotechnology and CropDesign NV. Currently he is also on the board of Misr Hytech, a leading seed company in Egypt, and serves as a trustee of the S M Sehgal Foundation in India.

Gengest BVBA represented by Mr. Rudi Mariën, non-executive director

Mr. Rudi Mariën is, through his investment company Biovest ComVa, an important shareholder of Devgen NV. He was the co-founder, reference shareholder and chairman of the biotech company Innogenetics NV. He brings to Devgen significant experience in the management of both private and public businesses. Mr. Rudi Mariën holds a degree in pharmaceutical sciences from the University of Ghent, and is specialized in clinical biology. Mr. Rudi Mariën was the CEO and director of Barc NV group. Currently Mr. Rudi Mariën is director of Biocartis S.A. (Switzerland). He is president and managing director of Gengest BVBA and Biovest CVA. Through his management company, Gengest BVBA, he has board mandates in different stocklisted (e.g. Quest For Growth, MDx Health) and private biotech companies (e.g. Actogenix NV, Pharmaneuroboost NV, Oystershell NV).

Mr. Patrick Van Beneden, non-executive director

Mr. Patrick Van Beneden is the executive vice president of Gimv - Life Sciences, responsible for Gimv’s investment portfolio in life sciences. He is currently a member of the Board of Directors or supervisory bodies of the following companies: Endosense (Switzerland), Astex Therapeutics (U.K.), Biotech Fonds Vlaanderen NV, ActoGeniX NV and FlandersBio VZW. He is also observer in the Board of Directors of JenaValve (Germany) and member of the Advisory Board of Oxford Biosciences Partners and a former board member of CropDesign NV, Ablynx NV, Innogenetics NV, Avalon Pharmaceuticals (US), TorreyPines Therapeutics (US) and Crucell N.V. (the Netherlands).

Mr. Alan Williamson, PhD, non-executive director

Mr. Alan Williamson is the former vice president of Basic Research, Immunology and Inflammation and vice president of Research Strategy at Merck US. He was a member of the Advisory Council of the NIH National Human Genome Institute from 1998 to 2002 and currently is a member of the Sequencing Advisory Panel and Human Microbiome Advisory Panel. He currently serves as a board member of several high tech companies, including Onconova Therapeutics (U.K.). He formerly served as a board member of, among others, Oxxon Therapeutics (U.K.), Solexa (U.K.) and Pulmagen Therapeutics (U.K.).

Madeli Participaties B.V., with as only director Madeli B.V., represented by Mr. Wouter de Ruiter, independent, non-executive director

Mr. Wouter de Ruiter has more than 20 years of experience in the seed industry. Prior to assuming the role at Devgen, Mr. Wouter de Ruiter was the breeding lead for the Cucurbits for Monsanto Company, where he oversaw the development of several market-leading varieties. Before that he was head of the breeding department from De Ruiter Seeds, a Dutch seed company (sold to Monsanto Company) in Bergschenhoek. He holds a master degree in Plant Genetics and Breeding from the Wageningen University.

Van Herk Global Agri B.V., represented by Mr. Aat van Herk, non-executive director

Mr. Aat van Herk is by means of his investment company O.G.B.B. A van Herk B.V. an important shareholder of Devgen NV since its initial public offering at Euronext in 2005. His experience as entrepreneur and his excellent track record as investor in biotech companies imply an important added value for the company. Mr. Aat van Herk is the founder of the Dutch company van Herk Groep B.V. Van Herk Groep B.V., in its capacity as independent enterprise, is active in a considerable amount of areas of the economy: real estate, construction, property development, biotech, financial services and energy.

Operation

In 2011 the Board of Directors held seven ordinary meetings. The date and attendance of these Board meetings are set out in the table below.

Name	03/03	30/03	11/04	14/06	26/08	28/09	14/12
Remi Vermeiren	X	X	X	X	X	X	X
Thierry Bogaert (Thierry Bogaert BVBA)	X	X	X	X	○	X	X
Patrick Van Beneden	X	-	-	X	X	X	X
Jan Leemans (Blenar BVBA)	X	-	-	X	○	X	X
Alan Williamson	X	-	-	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	○	-	X	X	X	X
Orlando de Ponti	-	○	-	X	○	X	X
Aat van Herk (Van Herk Global Agri	n/a	n/a	n/a	-	-	-	-
Wouter de Ruiter	n/a	n/a	n/a	X	○	X	n/a
Wouter de Ruiter (Madeli Participaties B.V.)	n/a	n/a	n/a	n/a	n/a	n/a	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable

The Audit Committee

In 2011 the Audit Committee was composed of Mr. Remi Vermeiren (chairman), Blenar BVBA represented by Mr. Jan Leemans and Gengest BVBA, represented by Mr. Rudi Mariën.

Currently, the Audit Committee does not have a member who qualifies as an independent director in the sense of article 526ter of the Company Code and therefore the Audit Committee is not validly composed in accordance with article 526bis of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance, by proposing to the next general shareholders meeting the appointment of a new independent director who has the necessary expertise to become chairman of the Audit Committee.

The Audit Committee met four times in 2011 as set out in the table below.

Name	02/03	14/06	25/08	13/12
Remi Vermeiren	X	X	X	X
Jan Leemans (Blenar BVBA)	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	X	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

Expertise within the Audit Committee

The Board of Directors believes that at least one member of the Audit Committee, namely Mr. Remi Vermeiren, has the necessary expertise in the field of accounting and audit, because Mr. Remi Vermeiren holds a degree in Commercial and Financial Science and gained experience in accounting and audit as former chairman of the Executive Committee of KBC Group and as a member of the administrative, management or supervisory bodies of various companies.

The Nomination and Remuneration Committee

Mr. Remi Vermeiren (chairman), Mr. Patrick Van Beneden, Gengest BVBA, represented by Mr. Rudi Mariën, Mr. Orlando de Ponti and Blenar BVBA, represented by Mr. Jan Leemans, were part of the Nomination and Remuneration Committee in 2011.

Currently, the Nomination and Remuneration Committee does not incorporate a majority of independent directors in the sense of article 526ter of the Company Code and therefore the Nomination and Remuneration Committee is not validly composed in accordance with article 526quater of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance.

The Nomination and Remuneration Committee met three times as set out in the table below.

Name	03/03	28/09	14/12
Remi Vermeiren	X	X	X
Patrick Van Beneden	X	X	X
Rudi Mariën (Gengest BVBA)	X	X	X
Orlando de Ponti	-	X	X
Jan Leemans (Blenar BVBA)	-	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

11.4.2. Evaluation process of the Board of Directors, its committees and individual members

Every two years the Board of Directors will, under the lead of its chairman, assess its size, composition, performance and those of its committees, as well as the contribution of each director.

This evaluation process has four objectives:

- assessing how the Board of Directors and its committees operate;
- checking that the important issues are suitably prepared and discussed;
- checking the board's and committees' current composition against the desired composition ;and
- evaluating the actual contribution of each director's work, the director's presence at board and committee meetings and his involvement in discussions and decision-making.

The chairman can organize an individual meeting with each director to discuss these items, including the director's own performance and the performance of his colleague directors.

The conclusions resulting from these individual meetings will be submitted to the board by the chairman.

An individual evaluation of each director will be conducted every 2 years as part of the global evaluation of the board and each time the Board considers his nomination for re-appointment by the General Shareholders' meeting.

The non-executive directors should assess their interaction with the executive management at least once a year. To this end they will meet at least once a year in the absence of the executive director.

11.4.3. Overview of the efforts made to ensure that at least one third of the members of the Board of Directors is of another gender than the other members

The Nomination and Remuneration Committee will develop a plan to attract suitable future board members of both genders in the years up to 2017.

11.5. Executive and senior management

11.5.1. Executive management

Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, managing director and Chief Executive Officer (CEO) of Devgen NV.

Mr. Thierry Bogaert is a graduate from Ghent University and received a MSc degree from the University of Manitoba, Canada and a PhD from University of Cambridge (UK). He held faculty positions at the Medical Research Council - Laboratory of Molecular Biology in Cambridge and the Medical Faculty of the Ghent University. He founded Devgen NV in 1997 and has led the company since.

Mr. Wim Goemaere, Chief Financial Officer (CFO).

Mr. Wim Goemaere holds a degree in applied economics from the University of Leuven. He held since 1995 the position of CFO at VIB which is a research institution employing over 1000 researchers. At VIB, his responsibilities included finance and control, tax management, corporate information technology and corporate legal issues. He started his career with BP Chemicals in Antwerp in 1987 as analyst and he held various other positions at BP until he was appointed controller at BP Belgium NV in 1993 until 1995.

11.5.2. Senior managers

Mrs. Sabine Drieghe, Human Resources Director

Sabine Drieghe received a Msc in Agricultural and Chemical Engineering at the University of Ghent. Prior to joining Devgen in 2001, she headed the laboratory of the Department of Crop Protection at the University of Ghent.

Mr. Luc Maertens, Sr. Director Planning and Coordination

Mr. Luc Maertens received a Msc in Biomedical Sciences at the University of Brussels. Prior to joining Devgen in 1998, he has been working in the laboratory of the VIB Department Medical Protein Research of the Faculty of Medicine at the University of Ghent. He holds positions in Regulatory Affairs, Operations, HS & E and is heading the Planning & Coordination Office since 2008.

Mr. Geert Plaetinck, Sr. Director of Research

Mr. Geert Plaetinck manages the company's biotech research in Ghent and Singapore in Crop protection and Plant biotechnology. He has over twenty years of experience in managing biotech research at Ghent University, Roche and, since 1998, Devgen.
Mr. Geert Plaetinck is instrumental in the development of Devgen's core crop protection technology and in managing Devgen's external research collaborations. He has a Ph.D. from the University of Ghent and completed a post-doctoral fellowship at ISREC (Switzerland).

Mr. Bipin Solanki, CEO Devgen Seeds & Crop Technology Private Limited (India), a wholly owned subsidiary of Devgen NV

Mr. Bipin Solanki is a graduate from the Agricultural University of Gujurat. He held senior management positions with business responsibilities at Monsanto Company for 11 years. Prior to joining Monsanto Company he was employed with Aventis for 14 years managing the seed and crop protection chemical business. He has 25 years of experience in the seed and biotech trait industry in India and served as a member of the Governing Council of the National Seed Association.

Mrs. Ann Viaene, PhD, European Patent Attorney, Head of Intellectual Property and Regulatory Department

Mrs. Ann Viaene holds a MSc in Biotechnology from Ghent University, a PhD in sciences from the University of Leuven and is a qualified European Patent Attorney. Before joining Devgen in 2004, she worked for 6 years with De Clercq, Brants and Partners, currently De Clercq and Partners.

11.6. Remuneration report

11.6.1. Remuneration of the non-executive directors

The remuneration of the non-executive directors is decided upon by the General Shareholders' meeting. The Nomination and Remuneration Committee makes proposals to the Board of Directors on the remuneration policy and the remuneration for non-executive directors, taking into account the corporate governance code, market practice and the characteristics of listed growth companies. The Board of Directors subsequently proposes a remuneration package to the General Shareholders' meeting, based upon the proposal of the Nomination and Remuneration Committee.

According to the code, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and the non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

The Nomination and Remuneration Committee consists of the 5 following members:

- Mr. Remi Vermeiren, chairman;
- Gengest BVBA, represented by Mr. Rudi Mariën;
- Blenar BVBA, represented by Mr. Jan Leemans;
- Mr. Patrick Van Beneden;
- Mr. Orlando de Ponti.

The General Shareholders' meeting of 2 June 2009 resolved that the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed board mandate year. Said General Shareholders' meeting also confirmed that the remuneration of the chairman consists of a monthly fee of € 4,000.

The following remuneration has been paid by the company to the non-executive directors during 2011:

Director	Attendances (*)	Amount (€)
Remi Vermeiren	Board - AC - RemCo	48,000
Gengest BVBA - Rudi Mariën	Board - AC - RemCo	22,500
Blenar BVBA - Jan Leemans	Board - AC - RemCo	18,000
Patrick Van Beneden	Board - RemCo	-
Alan Williamson	Board	13,500
Orlando de Ponti	Board - RemCo	13,500
Wouter de Ruiter	Board	3,000
Madeli Participaties - Wouter de Ruiter	Board	1,500
Van Herk Global AGRI - Aat van Herk	Board	-

(*) AC = Audit Committee; RemCo = Nomination and Remuneration Committee.

In addition to foregoing cash remuneration and as a deviation from the code all non-executive directors or their permanent representatives were offered 6,000 warrants on Devgen's shares by the Extraordinary Shareholders meeting of 1 June 2011. Said warrants were granted at the beginning of the mandate and become vested warrants on 31 May 2012.

There is no agreement between the company and the non-executive directors that would entitle such directors to any compensation or indemnity triggered by termination of their mandate and Devgen has not made any loans to the members of the Board of Directors.

The managing director and CEO, Thierry Bogaert BVBA, does not receive remuneration in his capacity of director of Devgen NV. His remuneration as executive manager is specified further on.

In the next two years, 2012 and 2013, the remuneration of the non-executive directors will be on the same basis as in 2011.

11.6.2. Shares and warrants held by non-executive directors

The table below provides an overview of the shares and warrants held by the non-executive directors on 31 December 2011. For the key features of these warrants, please refer to IFRS note 22 of the consolidated financial statements.

Board of Directors on 31 December 2011	Shares	Warrants		
		Outstanding	Exercise price	Vested
Orlando de Ponti	-	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Jan Leemans	13,000	2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Blenar BVBA	-			
Rudi Mariën	385,000	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Gengest BVBA	-			
Biovest ComVa (*)	2,708,489			
Remi Vermeiren	20,000	3,000	9.49 €	3,000
		3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Patrick Van Beneden	-	-	-	-
Alan Williamson	1,146	3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Wouter de Ruiter,	-	-	-	-
BV Madeli Participaties	2,083,863	-	-	-
Aat van Herk	-	-	-	-
Van Herk Global Agri BV	-	-	-	-
O.G.B.B. A. Van Herk B.V. (**)	4,507,700	-	-	-

(*) Biovest ComVa is an investment company controlled by Mr. Rudi Mariën.
(**)O.G.B.B. A. Van Herk B.V. is an investment company controlled by Mr. Aat van Herk.

11.6.3. Remuneration of the executive and senior management

The remuneration of Thierry Bogaert BVBA as CEO, as well the remuneration of the CFO and the senior managers are determined by the Board of Directors, upon proposal of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee determines the relevant benchmark and makes proposals on the remuneration policy and individual remuneration, taking into account the skills, experience, performance and responsibilities of the individual.

The CEO makes proposals to the board and the Committee, with respect to the remuneration of the executive and senior management of the company and its subsidiaries.

The Board of Directors has adopted a remuneration policy for the executive and senior management in line with the market standard in the sector and the performance of the managers. The remuneration policy is designed to retain the managers and to give them the incentive to achieve the short and long term goals of the company. The remuneration consists of the following:

- a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- a variable remuneration, both as a cash bonus and in the form of an offer of warrants to the company's shares, depending on the extent to which the manager met his objectives in the past year;
- extra-legal benefits, including participation in a pension scheme, a disability and healthcare insurance, a company car, mobile phone, laptop and meal vouchers.

The following table provides the remuneration of the executive and senior management in 2011:

in '000 EUR	Note	CEO	CFO	Senior management	Total
Fixed remuneration		359	168	857	1,383
Expenses and allowances		24	18	78	120
Variable remuneration					
- in cash	(a)	215	25	146	386
- in warrants	(b)	140	37	141	318
Total variable remuneration		355	62	287	704
Post-employment benefits		0	12	56	68
Total remuneration		**737**	**260**	**1,279**	**2,276**

(a) Variable remuneration earned in 2011, paid in 2012 for CFO and senior management; earned in 2011, paid in 2012, 2013 and 2014 for CEO (see below).

(b) Warrants granted by the Nomination and Remuneration Committee per 7 March 2012, not yet accepted per date of this report. The valuation of this part of the variable remuneration is done using the Black & Scholes model for the calculation of the fair value of the warrants.

The relative portions of the fixed and variable remuneration are as follows:

	CEO	CFO	Senior management
Fixed remuneration	49%	64%	68%
Expenses and allowances	3%	7%	6%
Variable remuneration			
- in cash	29%	10%	11%
- in warrants	19%	14%	11%
Total variable remuneration	48%	24%	22%
Post-employment benefits	0%	5%	4%
Total remuneration	**100%**	**100%**	**100%**

The variable remuneration paid out in cash or granted in warrants during 2011 as part of the remuneration over services in 2010 is as follows:

in '000 EUR	CEO	CFO	Senior management	Total
Variable remuneration				
- in cash	213	16	128	357
- in warrants	95	31	110	235
Total variable remuneration	**307**	**47**	**238**	**593**

In the next two years, 2012 and 2013, the remuneration of the CFO and senior managers will be on the same basis. The Board of Directors furthermore expects the total remuneration package of the CEO in the coming 2 years to be in line with the total remuneration package in 2011, assuming an equivalent performance.

The post-employment benefits for the CFO and the majority of senior management are payments into a defined contribution pension plan, under which the company pays a fixed percentage of the fixed gross salary to an insurance company.

The CEO, the CFO and the senior management are eligible for variable annual cash and warrant bonuses.

In accordance with the provisions of the Company Code the variable bonus of the CEO will be based on the performances for 3 years, where only 50% of the bonus shall be based on the performances of 2011, 25% on the performances of 2012 and 25% on the performances of 2013.

During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee and in common agreement with the CEO, determine performance criteria of the CEO (i) for the then current calendar year (the “One Year Performance Criteria”), (ii) for the two years’ period including the then current and the next calendar year (the “Two Years Performance Criteria”) and (iii) for the three years’ period including the then current and the next two calendar years (the “Three Years Performance Criteria”). The One Year Performance Criteria, the Two Year Performance Criteria and the Three Year Performance Criteria may include quantitative as well as qualitative objectives (such as objectives in terms of cash burn, revenues, EBIT and technical and business milestones).

The variable annual bonus shall be calculated as following. During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee, determine the CEO’s performance (expressed as a percentage) against the One Year Performance Criteria for the previous calendar year (the “One Year Performance Percentage”), against the Two Years Performance Criteria for the two previous calendar years (the “Two years Performance Percentage”) and against the performance criteria for the three previous calendar years (the “Three Years Performance Percentage”).

During the first quarter of the year, when the budget for the coming year has been defined, the CEO determines the quantitative and qualitative goals for CFO and senior management. At the end of the year the CEO evaluates the goals. Based on this evaluation the CEO makes a proposal for variable annual cash and warrant bonuses to the Nomination and Remuneration Committee. The Board Directors decides on the variable annual cash and warrant bonuses for the CFO and the senior management, at the recommendation of the Nomination and Remuneration Committee.

The severance pay contractually foreseen for the CEO, the CFO and senior management to be paid in the event of early termination does not exceed 12 months' basic and variable remuneration.

Belgian law and normal practice are the basis for the severance arrangements with the executive managers, except for the CEO and the CFO whose contractual arrangements entered into at the time of their appointment provide for notice periods of 12 and 9 months respectively.

There are no provisions allowing the company to reclaim any variable remuneration paid to executive management based on incorrect financial information.

11.6.4. Shares and warrants held by executive and senior managers

The table below provides an overview of the warrants held directly or indirectly by the executive and senior managers on 31 December 2011.

Name	Year of grant	Exercise price	Outstanding per 31.12.2010	Exercised in 2011	Cancelled in 2011	Outstanding per 31.12.2011	Vested per 31.12.2011
Thierry Bogaert	2005	9.49 €	100,000	-	-	100,000	100,000
	2006	11.67 €	5,256	-	-	5,256	5,256
	2007	20.73 €	200,016	-	-	200,016	200,016
	2007	21.61 €	24,588	-	-	24,588	24,588
	2009	6.65 €	300,000	-	-	300,000	300,000
	2011	6.78 €	-	-	-	85,436	85,436
Sabine Drieghe	2007	21.61 €	1,404	-	-	1,404	1,404
	2009	3.50 €	13,574	-	-	13,574	11,402
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	15,228	3,384
Wim Goemaere	2008	13.26 €	10,008	-	-	10,008	10,008
	2009	3.50 €	13,032	-	-	13,032	11,584
	2010	10.49 €	5,292	-	-	5,292	2,940
	2011	5.61 €	-	-	-	13,212	2,936
Geert Plaetinck	2008	13.00 €	1,296	-	-	1,296	1,296
Bipin Solanki	2008	13.26 €	15,000	-	-	15,000	15,000
	2009	3.50 €	150,000	-	-	150,000	-
	2010	10.49 €	10,008	-	-	10,008	-
	2011	5.61 €	-	-	-	15,388	-
Luc Maertens	2006	11.67 €	1,224	-	-	1,224	1,224
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	900	-	-	900	900
	2009	3.50 €	3,924	-	-	3,924	3,488
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	1,620	360
Ann Viaene	2005	9.49 €	1,112	-	-	1,112	1,112
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	1,116	-	-	1,116	1,116
	2009	3.50 €	3,625	2,610	-	1,015	435
	2010	10.49 €	7,992	-	-	7,992	4,440
	2011	5.61 €	-	-	-	14,796	3,288

For the key features of these warrants, please refer to Note 22 “Share-based payment schemes” of the consolidated financial statements.

Per 31 December 2011, the CEO, the CFO and the senior management held the following number of shares of the company:

- Mr. Thierry Bogaert: 47,732 shares
- Mrs. Ann Viaene: 2,610 shares

11.7. Litigation statement and conflicts of interests

11.7.1. Litigation statement

At the date of this report, none of the directors, executive or senior managers of the company or, in case these are corporate entities none of their permanent representatives, has, for at least the previous five years:

- Any convictions in relation to fraudulent offences;
- Held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation, except for:
    - Mr. Remi Vermeiren, who was a member of the supervisory bodies of ACP II SCA Luxembourg (Luxembourg) and IFB SPA (Italy), both of which are in the process of being voluntarily liquidated with Remi Vermeiren acting as liquidator for ACP II SCA Luxembourg;
    - Mr. Jan Leemans, who was a member of the Board of Directors of Maize Technologies International NV, which has filed for bankruptcy in 2007;
- Been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), except for:
    - Mr. Remi Vermeiren who was, in the context of a criminal procedure on the alleged collaboration within KBLuxembourg and KBC with tax evasion by clients, together with 13 other individuals, prosecuted before the Correctional Court ("correctionele rechtbank") of Brussels. On 8 December 2009, the Correctional Court decided that the prosecution was inadmissible because of an infringement of the right of defense of the defendants, so that Mr. Remi Vermeiren was dismissed from prosecution. The public prosecutor lodged an appeal against this judgment of the Correctional Court, which appeal was rejected by the Court of Appeal on 10 December 2010. Subsequently the prosecutor general turned to the Court of Cassation ("Hof van Cassatie") which has, by its decision of 31 May 2011, rejected the cassation appeal. The decision declaring the prosecution inadmissible has thus become definitive.
- Been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

11.7.2. Conflicts of interest of directors and managers

In 2011 the procedure of conflict of interest of article 523 of the Company Code was applied, namely during the meeting of the Board of Directors of 30 March 2011 with regard to the proposal to have a capital increase by means of a private placement in the framework of the authorized capital as set out in section 3 of this annual report. The order of the relevant events of that board meeting is described below:

Gengest BVBA, with as permanent representative Mr. Rudi Mariën, acting in its capacity as director of Devgen NV, informs the Board of Directors, before the commencement of the deliberations, that it, in respect to the transaction that is on the agenda, possibly might have a financial interest that conflicts with the interest of the company. Mr. Rudi Mariën is the permanent representative of Gengest BVBA in respect to its capacity of director of the company.

In the framework of the capital increase as described in the agenda, the Board of Directors intends, in the interest of the company, to nullify the preferential subscription rights of the existing shareholders (and, as far as required and applicable, the existing holders of warrants and / or bonds) of the company in the framework of the proposed increase of the authorized capital of the company by means of the issuance of new shares on the occasion of a private placement.

Following the proposed capital increase, Gengest BVBA and / or its permanent representative, Mr. Rudi Mariën directly, or by means of an affiliated company, subscribes to the to be issued new shares in the framework of the private placement. It cannot be excluded that Gengest BVBA and / or its permanent representative Mr. Rudi Mariën may have a personal financial interest that could potentially conflict with the interests of the company. In particular, this Director has a direct interest in the lowest possible subscription price. This personal interest is not necessarily compatible with the interests of the company. The exact financial consequences of this potential conflict can however only be assessed and / or calculated after the final subscription price has been determined by the Board of Directors.

Given the above and pursuant to article 523 of the Company Code, the Director concerned therefore proposes to not participate in the deliberations and decisions on the first four items on the agenda of this meeting. The other members of the board align themselves with this proposal.

Thereafter, Mr. Remi Vermeiren reads a statement on the account of Mr. Patrick Van Beneden, acting in his capacity as director of Devgen NV, in which it is identified that the preferential subscription right of shareholders is nullified in favor of, among others the Gimv-group. Mr. Patrick Van Beneden is employed by the Gimv-group and holds several mandates in Gimv-group affiliated companies. Mr. Patrick Van Beneden emphasized that he did not intervene, nor will intervene in the decision of the Gimv-group to, or not, effectively subscribe.

Mr. Patrick Van Beneden explains that, following the above explanation, there is no legal obligation to apply to article 523 of the Company Code, if there would be any proprietary interest in connection with his person, this would not be in conflict with the interests of the company in the framework of this decision of the Board of Directors.

Nonetheless, in view of his mandates and interests within the Gimv-group, Mr. Patrick Van Beneden elects to, as far as necessary and applicable, in accordance with article 523 of the Company Code not participate in the deliberations and decisions on the first four agenda items.

It is, as far as necessary and applicable, also stated that currently it is not possible to assess and / or calculate the possible financial consequences of the above mentioned facts. The other members of the Board of Directors concur with the proposal of Mr. Patrick Van Beneden.

Gengest BVBA, with as its permanent representative Mr. Rudi Mariën then puts down the phone and does not participate to the meeting during the deliberation and decision making on the first four items on the agenda in accordance with article 523 of the Company Code. The statutory auditor of the company will be informed of the aforementioned statements made by the directors.

11.8. Transactions with related companies

Article 524 of the Company Code provides for a special procedure that applies to intra-group transactions. The procedure has to be observed for decisions or transactions between Devgen and affiliated companies that are not subsidiary, as well as for decisions or transactions between any of Devgen's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Devgen subsidiary.

In 2011 article 524 was not applicable.

11.9. Internal control and risk management systems

The main features of the internal control and risk management systems of Devgen and its affiliated companies are described in the annual report of the Board of Directors on the statutory financial statements (15.3) and in the annual report on the consolidated financial statements (14.2).

12. Employees

12.1. Number of employees

The average number of full time equivalents in the continued activities is as follows:

	2011	2010	2009
Executive director	1	1	1
Employees	231	266	247
- R & D and production	*123*	*144*	*120*
- Sales, general and administrative staff	*109*	*144*	*127*
Total average full time equivalents	232	267	248

The average number of full time equivalents increased with 8% between 2009 and 2010; followed by a decrease with 13% between 2010 and 2011. These mutations result from the ordinary course of business, especially in the Indian subcontinent and Southeast Asia, where the development of new business activities, process optimization, outsourcing of processes and adoption to local business practices and industry developments cause continues changes in the number of full time equivalents.

12.2. Arrangements for involving the employees in the capital of Devgen

Devgen has created several pools of warrants for grant to employees. Reference can be made to chapter 14 for more detailed information on the warrant plans for employees.

13. Shares and shareholders

13.1. History of capital

Per 31 December 2011, Devgen NV's share capital amounts to € 1,819,977.68 represented by 24,266,400 shares, each having the same fractional value.

The table below provides an overview of the history of the company's share capital since its incorporation in 1997. The overview should be read together with the notes set out below the table.

Date	Transaction	Number and class of shares issued	Issue price per share (€)	Capital increase (€) (1)	Issue premium paid (€)	Share capital (€)	Aggregate number of shares after the transaction
10 September 1997	Incorporation	2,500	24.79			61,973.38	2,500
8 October 1997	Stock split (1/1,000) and reclassification of shares [2]	/	/	/	/	61,973.38	2,500,000
11 December 1997	Capital increase in cash [3, 4]	6,001,000 (preferred B)	0.31	148,760.90	1,710,750.40	210,734.29	8,501,000
27 August 1998	Capital increase in cash [5]	6,000,000 (preferred B)	0.93	148,736.11	5,428,868.19	359,470.40	14,501,000
25 February 1999	Capital increase in cash [6]	1,365,680 (C)	0.02	33,854.32		393,324.72	15,866,680
22 October 1999	Capital increase in cash [7, 8]	11,500,000 (preferred B)	2.00	285,200.00	22,714,800.00	678,524.72	27,366,680
22 October 1999	Capital increase through incorporation of issuance premiums	/	/	5,642.28	(5,642.28)	684,167.00	27,366,680
19 July 2000	Capital increase in cash [9]	2,223,515 (preferred B)	2.85	55,587.88	6,281,429.87	739,754.88	29,590,195
1 June 2004	Capital increase through incorporation of issuance premiums	/	/	25,913,227.42	(25,913,227.42)	26,652,982.30	29,590,195
1 June 2004	Capital decrease to compensate for losses incurred	/	/	25,913,227.42	/	739,754.88	29,590,195
29 April 2005	Capital increase through incorporation of issuance	/	/	2,740,221.52	(2,740,221.52)	3,479,976.40	29,590,195

	premiums						
29 April 2005	Capital decrease to compensate for losses incurred	/	/	(2,740,221.52)	/	739,754.88	29,590,195
29 April 2005	Reversed stock split (3/1)						9,863,420
9 June 2005	Capital increase in cash (10)	4,000,000	7.50	299,999.34	29,700,000.66	1,039,754.22	13,863,420
29 June 2005	Capital increase resulting from the exercise of warrants (11)	498,544	7.50	37,390.72	3,701,689.28	1,077,144.94	14,361,964
29 December 2005	Capital increase resulting from the exercise of warrants (12)	400,83	see note 12	30,062.25	752,578.11	1,107,207.19	14,762,794
4 April 2006	Capital increase resulting from the exercise of warrants (12)	158,206	see note 12	11,865.45	464,767,79	1,119,072.64	14,921,000
5 October 2006	Capital increase resulting from the exercise of warrants (12)	137,302	see note 12	10,297.65	341,410.63	1,129,370.29	15,058,302
20 February, 2007	Capital increase through issuance of new shares	1,505,829	20.75	112,937.18	31,133,014	1,242,307.47	16,564,131
5 April 2007	Capital increase resulting from the exercise of warrants (12)	141,858	see note 12	10,639.35	534,453.39	1,252,946.82	16,705,989
3 October 2007	Capital increase resulting from the exercise of warrants (12)	104,962	see note 12	7,872.15	359,420,42	1,260,818.97	16,810,951
31 October 2007	Capital increase through issuance of new shares	1,045,400	17,22	78,405	17,923,383	1,339,223.97	17,856,351
7 April 2008	Capital increase resulting from the exercise of warrants (12)	25,149	see note 12	1,886.18	56,445	1,341,110.15	17,881,500
31 October 2008	Capital increase resulting from the exercise of warrants (12)	9,109	see note 12	683.18	12,118.81	1,341,793.33	17,890,609
27 April 2009	Capital increase resulting from the exercise of warrants (12)	1,125	see note 12	84.38	1,291.10	1,341,877.71	17,891,734
6 October 2009	Capital increase resulting from the exercise of	3,878	see note 12	290.85	11,002.39	1,342,168.56	19,645,073

	warrants (12)						
6 October 2009	Private placement	1,753,339	8.38	131,500.425	14,561,480.39	1,473,668.99	19,648,951
7 April 2010	Capital increase resulting from the exercise of warrants (12)	19,825	see note 12	1,486.88	66,694.59	1,475,155.87	19,668,776
5 October 2010	Capital increase resulting from the exercise of warrants (12)	7,866	see note 12	589.95	25,800.64	1,475,745.82	19,676,642
4 April 2011	Private placement	4,584,549	5.85	343,841.18	26,475,770.47	1,819,587.00	24,261,191
8 April 2011	Capital increase resulting from the exercise of warrants (12)	2,245	See note 12	168.38	7,689.12	1,819,755.38	24,263,436
6 October 2011	Capital increase resulting from the exercise of warrants (12)	2,964	See note 12	222.30	10,151.70	1,819,977.68	24,266,400

(1) The amount of the share capital does not include issue premiums, if any, that have been paid with respect to the issuance of shares.

(2) At the same occasion, the shares were reclassified into three classes of shares: 1,000,000 A shares, 1,498,000 preferred B shares, and 2,000 C shares.

(3) At the same occasion, 30,500 B shares were reclassified into 30,500 ordinary B shares and 1,467,500 B shares were reclassified into 1,467,500 C shares.

(4) The shares were subscribed to by Abingworth Bioventures II SICAV (3,001,000 shares), GIMV NV (1,500,000 shares) and Biotech Fonds Vlaanderen NV (1,500,000 shares).

(5) The shares were subscribed to by GIMV NV (1,500,000 shares), Biotech Fonds Vlaanderen NV (1,500,000 shares), Abingworth Bioventures II SICAV (2,998,900 shares) and Elkinbrook Limited (1,100 shares).

(6) The shares were subscribed to by Mr. Thierry Bogaert (500,000 shares), and by a number of employees (865,680 shares).

(7) The shares were subscribed to by Abingworth Bioventures II SICAV (1,000,000 shares), Biotech Fonds Vlaanderen NV (1,000,000 shares), GIMV NV (500,000 shares), Bank Brussel Lambert NV (1,750,000 shares), De Vaderlandsche NV (1,250,000), KBC Securities NV (1,000,000), Life Science Partners (1,500,000 shares), Mercator & Noordstar NV (1,500,000 shares), Rendex NV (1,250,000 shares) and Sofindev NV (750,000 shares).

(8) At the same occasion, 30,500 ordinary shares B were reclassified into 30,500 shares C.

(9) The shares were subscribed to by Polytechnos Genomics (GP) Limited (1,872,637 shares), Capricorn Venture Fund NV (167,404) and Baring Capricorn Ventures Limited (183,474).

(10) On 29 April 2005, the company's General Shareholders' meeting decided to increase the company's share capital with the issue of new shares in connection with an initial public offering. The capital increase was completed on 9 June 2005, and 4,000,000 new ordinary shares were issued. At the same time, all existing shares of the company were converted into ordinary shares.

(11) On 29 April 2005, the company's General Shareholders' meeting decided to create an "Over-allotment Warrant". The warrant was granted to KBC Securities NV to cover over-allotments in connection with the initial public offering by the company. On 29 June 2005, the share capital was increased through exercise of 498,544 over-allotment Warrants and the issuance of 498,544 new ordinary shares.

(12) An exercise period closed for a number of warrants issued under various warrant plans of Devgen NV. The warrants exercised during that exercise period typically have different exercise prices, depending on the relevant plan and tranche they relate to.

13.2. Authorized capital

By virtue of the resolution of the Extraordinary General Shareholders' meeting held on 25 August 2008, the Board of Directors has been expressly authorized to increase the share capital within a timeframe of five years as of the publication of the minutes in the annexes to the Belgian Official Gazette, in one or more transactions, with a total amount of € 1,341,110.15. The Board of Directors can use the above powers for any purpose or type of transaction that the Board of Directors believes appropriate or necessary in the interest of the company.

The Board of Directors can exercise this power for a period of five (5) years, starting from 5 September 2008, date of the publication of the resolution of the Extraordinary General Shareholders' Meeting in the annexes to the Belgian Official Gazette.

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

The Board of Directors decided to make use of the authorized capital on 1 October 2009 in the framework of a private placement for an amount of € 131,500.43 so that a balance of authorized capital of € 1,209,609.72 remained.

At the meeting of the Board of Directors on 30 March 2011 the Board decided to increase the capital within the authorization as set out above. Consequentially, on 4 April 2011 Devgen NV issued 4,584,549 new shares in a private placement with pre-identified investors for a total amount of € 26,819,611, resulting in a statutory capital increase of € 343,841.18.

After this capital increase the remainder of the authorized capital amounts to € 865,768.54.

13.3. Warrants

Devgen has created a number of warrants. Reference can be made to Chapter 14 for more detailed information on the warrant plans.

The table below sets forth an overview of the outstanding securities that have been issued by Devgen NV up to 31 December 2011.

Actual voting rights attached to:	Number of voting rights
Shares representing the share capital	24,266,400
Note – For information purposes: potential future voting rights attached to shares representing the share capital, to be issued upon the exercise of:	
Warrants 2005	438,879
Warrants for employees, CEO and consultants 2008	689,344
Warrants for directors 2008	8,793
Warrants CEO 2009	300,000
Warrants for directors 2009	30,000
Warrants for CEO & directors 2010	30,000
Warrants for CEO & directors 2011	115,436
Subtotal	1,612,452
Total	25,878,852

Out of the 1,612,852 warrants, 1,343,379 warrants have been granted before 31 December 2011; the remaining 269,073 warrants have been created but not yet granted.

13.4. Transparency

The Company Code and the company's articles of association provide that each natural person or legal entity acquiring or transferring shares or other financial instruments of the company that entitle the holder thereof to voting rights, whether or not representing the company's share capital (such as warrants or convertible bonds, if any), must, within two business days following the transaction, notify the company and the Belgian Financial Services and Markets Authority ("FSMA") of the total number of voting financial instruments held by him each time where as a result of the acquisition or transfer the total number of voting financial instruments held by him after the transaction exceeds or falls below a threshold of 3%, 5%, 10% or 15% (or every subsequent multiple of 5%) of the total number of voting financial instruments of the company at the moment of the transaction. If the number of voting financial instruments held by him is equal to or in excess of 20%, the notification must also contain a description of the policy in the framework of which the acquisition or transfer takes place, as well as how many voting financial instruments have been acquired over the last 12 months, and in which manner.

All persons acting individually must make the notification. It must also be made by affiliated persons or persons acting in concert with respect to the holding, acquisition or transfer of voting financial instruments. In that event the voting financial instruments of the affiliated persons or persons acting in concert must be combined for the purpose of determining whether a threshold is passed.

Persons that individually or jointly transfer or acquire the legal or factual control over a person holding 3% or more of the voting rights of the company must also notify this to the company and the FSMA.

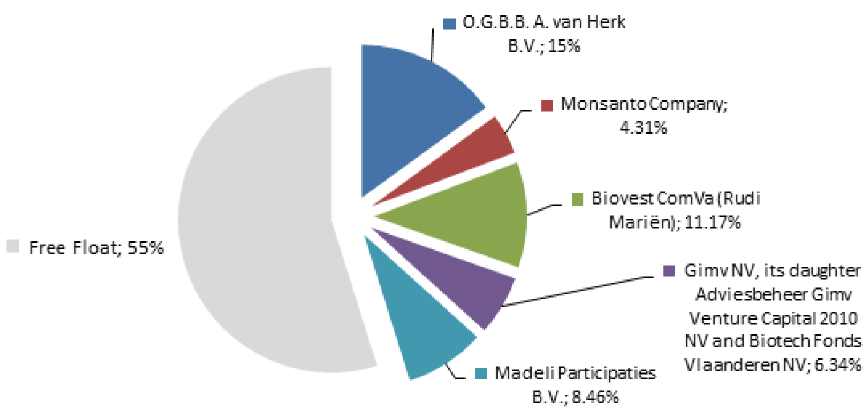
13.5. Shareholders: overview of transparency declarations and major shareholders

The table below provides an overview of the transparency declarations that the company has received to date.

	Party	Date of declaration	Shares	Total voting securities on date of declaration	
			Number	Number	% (1)
1	O.G.B.B. A. Van Herk B.V.	01/09/2008	2,277,266	2,277,266	12.74 %
2	Petercam NV	01/09/2008	1,423,430	1,423,430	7.96 %
3	Monsanto Company	01/09/2008	1,045,400	1,045,400	5.85 %
4	BPTS	01/09/2008	633,000	633,000	3.54 %
5	KBC Asset Management NV	01/09/2008	558,863	558,863	3.13 %
6	Biovest ComVa (Rudi Mariën)	13/11/2008	1,082,574	1,082,574	6.05 %
7	Petercam NV	24/12/2008	771,504	771,504	4.31 %
8	Petercam NV	28/04/2009	-	-	< 3 %
9	KBC Asset Management NV	30/04/2009	-	-	< 3 %
10	Biovest ComVa (Rudi Mariën)	12/10/2009	2,195,668	2,195,668	11.17 %
11	BT Pension Scheme Trustees Limited (BPTS)	19/10/2009	590,500	590,500	3.01%
12	O.G.B.B. A. Van Herk B.V.	13/11/2009	2,947,569	2,947,569	15%
13	Undisclosed party	31/08/2010	591,295	591,295	3.01%
14	Undisclosed party	22/11/2010	1,002,628	1,002,628	5.10 %
15	BT Pension Scheme Trustees Limited (BPTS)	10/03/2011	574,749	547,749	2.92%
16	Gimv NV, its daughter Adviesbeheer Gimv Venture Capital 2011 NV and Biotech Fonds	08/04/2011	1,538,462	1,538,462	6.34%
17	Madeli Participaties B.V.	21/04/2011	2,052,476	2,052,476	8.46%
18	Monsanto Company	25/04/2011	1,045,400	1,045,400	4.31%

(1) The percentage of voting securities is calculated on the basis of the outstanding voting securities at the time of the declaration.

Major shareholders as of 31 December 2011, based upon the above mentioned transparency declaration.



The remuneration report, included in sections 14.2 and 15.3 of this document, contains an overview of the number of shares held by the directors per 31 December 2011.

13.6. Paying agent services

The financial service for the shares of the company will be provided in Belgium by KBC Bank free of charge for the shareholders.

Shareholders should inform themselves about the costs that other financial intermediaries may charge in connection with paying agency services.

14. Consolidated financial statement

14.1. Consolidated financial statements per 31 December 2011

Income statement

in € 1,000	Note	2011	2010	2009
Revenues		**25,493**	**20,735**	**18,524**
Research and development services	1	10,412	12,463	9,170
Sales of goods	1	15,081	8,284	9,149
Government grant income	1	0	-12	205
Cost of goods sold		-13,477	-8,711	-5,942
Gross profit		**12,016**	**12,024**	**12,582**
Marketing and distribution expenses	2	-4,376	-4,543	-4,315
Research and development expenses	2	-8,126	-8,453	-10,086
General and administration expenses	2	-6,213	-6,071	-6,289
Other operating income and expenses	3	398	852	170
Operating profit / (loss)		**-6,301**	**-6,191**	**-7,938**
Financial income	5	836	262	271
Financial expenses	5	-1,545	-1,196	-852
Profit / (Loss) before taxes		**-7,010**	**-7,126**	**-8,519**
Income taxes	7	-38	-16	-
Net profit / (loss) for the year from continuing operations		**-7,048**	**-7,141**	**-8,519**
Profit / (loss) for the year from discontinued operations	8	-	-	-133
Profit / (loss) for the period		**-7,048**	**-7,141**	**-8,651**
Profit / (loss) for the period attributable to				
Shareholders of the parent company		-7,048	-7,141	-8,651
Minority interest		-	-	-

Losses per share (in €)	Note	2011	2010	2009
Basic loss per share	26	-0.30	-0.36	-0.45
Diluted loss per share	26	-0.30	-0.36	-0.45

The accompanying notes are an integral part of this income statement.

Statement of comprehensive income

in € 1,000	2011	2010	2009
Profit / (loss) for the period	-7,048	-7,141	-8,651
Currency translation resulting from foreign transactions	121	186	-148
Total comprehensive income / (loss) for the period	**-6,927**	**-6,954**	**-8,799**

The accompanying notes are an integral part of this statement of comprehensive income.

Balance sheet

in € 1,000	Note	2011	2010	2009
ASSETS				
Goodwill	9	7,855	7,855	7,855
Intangible assets	10	4,812	5,274	6,548
Property plant and equipment	11	2,473	3,157	2,709
Building held under lease	11	4,889	6,470	6,670
Investment property	12	2,406	1,088	1,158
Cash restricted in its use	17	5,718	5,866	5,603
Other financial assets	13	500	500	0
Other long term loans and receivables	13	324	293	210
Non-current assets		**28,975**	**30,504**	**30,769**
Inventory	14	2,546	4,939	2,369
Biological assets	14	2	24	19
Grants receivables		0	0	334
Trade receivables	15	2,666	3,651	3,901
Other current assets	16	1,291	1512	2,437
Cash and cash equivalents	17	38,551	22,953	40,159
Assets classified as held for sale	8	0	0	63
Current assets		**45,056**	**33,079**	**49,282**
TOTAL ASSETS		**74,031**	**63,582**	**80,051**
EQUITY AND LIABILITIES				
Share capital	21	1,820	1,476	1,475
Share premium account	21	128,526	102,275	102,190
Translation reserves		491	370	185
Share-based payment	22	5,309	4,843	4,437
Accumulated losses		-75,456	-68,407	-61,272
Equity attributable to equity holders of the parent		**60,689**	**40,557**	**47,015**
Total equity		**60,689**	**40,557**	**47,015**
Provisions		67	52	48
Long term debt	19	0	104	1
Long term debt lease	19	5,960	6,341	6,700
Non-current liabilities		**6,028**	**6,497**	**6,749**
Current portion of long term debt	19	104	104	132
Current portion of lease building	19	381	359	338
Short term debt	19	69	1,452	1,530
Trade payables	18	2,566	3,390	4,924
Prepayments	18	2,805	2,864	3,042
Other current liabilities	18	1,330	1,422	1,088
Deferred income	18	59	6,937	15,233
Total current liabilities		**7,313**	**16,528**	**26,287**
TOTAL EQUITY AND LIABILITIES		**74,031**	**63,582**	**80,051**

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

in € 1,000	Note	2011	2010	2009
Cash flow from operating activities				
Operating profit / (loss)	2	-6,301	-6,191	-7,938
Income taxes paid		-69	16	0
Depreciation of tangible and intangible fixed assets		1,742	2,270	2,061
(Profit) / loss disposal on property, plant and equipment		46	-470	-162
Share-based payment expenses recognized as costs	22	466	406	1,188
Gross operating cash flow		**-4,116**	**-3,969**	**-4,851**
Changes in trade receivables		1,116	250	-1,435
Changes in inventory		2,545	-2,575	-1,426
Changes in trade payables		-824	-1,534	1,325
Other changes in net w orking capital		-6,792	-6,379	17,392
Net operating cash flow		**-8,071**	**-14,207**	**11,005**
Cash flow from investing activities				
Investments in development expenses	10	-300	0	0
Investments in intangible assets	10	-27	0	0
Investments in property, plant and equipment	11	-284	-1,125	-1,666
Proceeds from sales of property, plant and equipment		-	10	212
Cash flow from investing activities		**-611**	**-1,115**	**-1,454**
Cash flow from financing activities				
Net financial result	5	-709	-934	-581
Proceeds from issuance of long-term debts		-	207	105
Principal debt payments		-1,657	-503	-1,330
Net proceeds from capital increases		26,596	86	14,064
Cash flow from financing activities		**24,230**	**-1,144**	**12,258**
Net effect of currency translation on cash and cash equivalents		-97	-478	-264
Net increase / (decrease) in cash and cash equivalents		**15,451**	**-16,943**	**21,544**
Cash and cash equivalents at beginning of period (1)		**28,819**	**45,762**	**24,218**
Cash and cash equivalents at end of period (1)		**44,270**	**28,819**	**45,762**

(1) Balance includes cash restricted in its use classified as non-current assets.

The accompanying notes are an integral part of this cash flow statement.

Depreciation charges on tangible and intangible fixed assets decreased in 2011 compared to 2010, resulting from the decreasing investment level in tangible and intangible fixed assets over the past few years. The significant decrease in the net operating cash out flow from € -14.2 million in 2010 to € -8.1 million in 2011 is mainly resulting from the decrease in inventory and trade receivable balances during 2011 with € 3.7 million, whereas the inventory and trade receivable increased with € 2.3 million between

2009 and 2010. The cash flow from financing activities in 2011 is significantly impacted by the proceeds from the private placement of 4,584,549 new shares on 4 April 2011, which resulted in net proceeds for the company of € 26.6 million.

Consolidated statement of changes in shareholders' equity

in € 1,000 except number of shares	Number of shares (1)	Capital (1)	Issuance premium (1)	Accumulated loss (1)	Share-based payment expenses (2)	Cumulative translation adjustment (1)	Equity attributable to equity holders of the parent (1)
Balance at 1 January 2009	**17,890,609**	**1,342**	**88,260**	**-52,621**	**3,249**	**333**	**40,563**
Net loss for 2009				-8,651			-8,651
Other comprehensive income						-148	-148
Capital increases through issue of new shares	1,753,339	133	13,926				14,059
Capital increases through exercise of warrants	5,003		4				4
Share-based payment					1,188		1,188
Reserve							0
Balance at 31 December 2009	**19,648,951**	**1,475**	**102,190**	**-61,272**	**4,437**	**185**	**47,015**
Net loss for 2010				-7,141			-7,141
Other comprehensive income						186	186
Capital increases through issue of new shares							0
Capital increases through exercise of warrants	27,691	1	84				85
Share-based payment					406		406
Liquidation Biodev				7			7
Reserve							0
Balance at 31 December 2010	**19,676,642**	**1,476**	**102,275**	**-68,407**	**4,843**	**370**	**40,557**
Net loss for 2011				-7,048			-7,048
Other comprehensive income						121	121
Capital increases through issue of new shares	4,584,549	344	26,234				26,578
Capital increases through exercise of warrants	5,209	0	18				18
Share-based payment					466		466
Reserve							0
Balance at 31 December 2011	**24,266,400**	**1,820**	**128,527**	**-75,456**	**5,309**	**491**	**60,690**

(1) See Note 21 "Equity attributable to equity of the parent company" for details
(2) See Note 22 "Share-based payment schemes" for details

The accompanying notes are an integral part of this statement of changes in shareholders' equity.

Recognition and valuation rules

The principal accounting policies adopted when preparing these consolidated financial statements are set out below.

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are presented in '000 Euro ('000 €).
These consolidated financial statements have been approved for issue by the Board of Directors on 7 March 2012.
The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. The consolidated financial statements have been established assuming the company in going concern. The company has generated losses since its incorporation, which is inherent to the current stage of Devgen's business life cycle as an agro-biotech company. Sufficient funds have been raised since its incorporation in order to finance the cash needs of its operations. Since the company is currently able to satisfy all financial liabilities and is able to fulfill all payments, the Board of Directors believes that the continuity of the company is not threatened. In addition, the company is continuously evaluating different ways to strengthen its cash position and is confident that it has access to sufficient cash to pursue its strategy and to be able to become cash flow positive. Based on the current cash availability and anticipated revenues and/or cash inflows, the Board of Directors believes that the future of the research programs can be guaranteed at least for the following 12 months.

2. Standards and interpretations effective and issued

2.1 Effective standards and interpretations

At the date of authorization of these financial statements, the following Standards and Interpretations became effective:

- Improvements to IFRS (2009-2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The application of these new and revised IFRS standards has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.2 Standards and interpretations that have been issued but are not yet effective

The following standards and interpretations are published, but not yet applicable for the annual period beginning on 1 January 2011:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015).
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 July 2011).
- Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011).
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012).
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014).
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013).

The directors estimate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group in the period of initial application.

3. Accounting policies

3.1 Principles of consolidation

General

The consolidated financial statements comprise the financial statements of the parent company, Devgen NV, and its controlled subsidiaries, after the elimination of all intercompany transactions.

Subsidiaries

Per 31 December 2011, Devgen NV has six owned subsidiaries:

(1) Devgen Pte Ltd in Singapore, incorporated on 26 February 2004.

(2) Devgen Seeds and Crop Technology Private Limited in India, incorporated on 28 March 2007.

(3) Devgen US Inc, incorporated on 29 November 2007.

(4) Devgen Rice Indonesia Private Limited, incorporated on 12 May 2009.

(5) Devgen Seeds and Crop Technology Private Limited, incorporated on 21 April 2009.

(6) Devgen Seeds and Crop Technology PT, incorporated on 2 December 2009.

All shares are fully owned by the group, except for (4) where 75% of the shares are owned by Devgen and for (6) where 95% of the shares are owned by Devgen. All of the above mentioned 6 subsidiaries are fully consolidated.

The results of its subsidiaries are included in the consolidated income statement from the effective date of incorporation. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The impact of non-controlling interests is not material at 31 December 2011.

Investments in associated companies

Investments in associated companies over which the company has significant influence (typically those that are 20-50% owned) are accounted for under the equity method of account and are carried in the balance sheet at the lower of the equity and the recoverable amount, and the pro rata shares of income (losses) of associated companies in included in income. Per 31 December 2011, the group does not own investments in associated companies.

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Euro (€), which is the company's presentation currency.

Transactions and balances

Transactions in currencies other than Euro (€) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognized as income or as expense in the period in which the operation is disposed of.

4. Revenue recognition

Revenue derived from research collaboration agreements

A substantial part of the company's revenues have been derived from research collaboration agreements and grants from government agencies. Pursuant to such collaborations, the group agrees to conduct research projects, as defined in the contract. Most of these agreements provide for upfront fees for technology access, license fees, research & development payments and milestone and royalty payments.

R & D payments are recognized as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of the company's full-time equivalents (FTE) at a specified rate per FTE.

Technology access and license fees related to research conducted will be recognized as revenue over the expected term of the customer relationship under the terms of the agreement.

Milestone payments are recognized as revenue when the amount of the milestone payment is determinable and the earnings process relative to the milestone has been fully completed.

Royalties might be generated by the sales of products incorporating the group's proprietary technology. Royalties are recognized once the amounts due can be reliably estimated based on the sale of the underlying products and when collectability is assured. Where there is insufficient historical data on sales and returns to fulfill these requirements, the royalties will not be recognized until the group can reliably estimate the underlying sales. This may be considerably later than when payment is received if subsequent adjustments for product returns are possible under the terms of the relevant contract. In situations where there is adequate financial information on sales, royalties are recorded based on the reports received from the licensee or based on estimated sales if the information has not been received.

Deferred revenue represents amounts received prior to revenue being earned.

Sale of goods

The revenue in the seed business is substantially related to the sale of goods. Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is reported net of sales taxes, returns, discounts and rebates. Rebates to customers are provided for in the same period that the related sales are recorded based on the contract terms. Revenues in the seed industry can be affected by returns of product from the market. A combination of measures has been put in place to assure maximum control of returns from market at key moments during season to assure maximum accuracy of net sales reported. Provisions for returns will be based on management estimates supported by elaborate documentation on amounts which remained unsold in the market at the reporting date. No provisions will be made if the expected return volume remains below 1% of the volume sold for a particular crop.

Devgen periodically enters into prepayment contracts with customers and receives advance payments for goods to be delivered in future periods. These advance payments are recorded as liabilities and presented as part of other current liabilities. Revenue from sales of goods associated with advance payments is recognized only from the moment that shipments are made and title, ownership, and risk of loss pass to the customer.

Grants

Research grants

On certain specific research projects, the research costs incurred are partially reimbursed by I.W.T. (Institute for the Promotion of Innovation by Science and Technology in Flanders), the European Commission or EDB (Economic Development Board, Singapore). These grants are recognized under government grant income when there is a reasonable assurance the group will comply with the conditions attached to them and the grants will be received. The group considers the overall recognition criteria being met when an award letter has been received, the related project costs have been incurred, and grant specific milestones have been achieved or are assumed to be reliably achieved in the future.

Investment grants

Grants from the Flemish Government relating to investments in property, plant and equipment and intangible assets are recognized when there is a reasonable assurance Devgen will comply with the conditions attached to them and the grant will be received. These grants are presented as a decrease in the cost of the related asset. Any outstanding receivables related to these grants are recorded under "grants receivable".

5. Balance sheet items

Property, plant and equipment

Property, plant and equipment are carried at historical costs less accumulated depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains and losses on disposals of property, plant and equipment are included in other income or expense.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their estimated residual values over their estimated useful lives as follows:

Buildings	15 years
Equipment	3 to 5 years
Hard and software	3 to 5 years
Furniture	5 years
Computer equipment under leasing	3 years
Leasehold improvements	Based upon underlying asset, limited to outstanding period of lease contract
Vehicles	4 to 5 years

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its historical costs less accumulated depreciation and impairment.

Intangible assets

Internally-generated intangible assets

Research expenses are charged to the income statement as incurred. An internally-generated intangible asset arising from the group's development is recognized only if all of the following conditions are met:

- An asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The group considers that a project entering the stage of regulatory submission qualifies for capitalization as internally generated intangible asset. The costs for the submission of the dossier, the further data gathering through field trials and the post launch optimization are included in the capitalization, if the aggregated amount per projects is estimated to be material to the financial statements. The regulatory or field trial risks inherent to projects which do not yet reach the stage of regulatory submission preclude those projects from capitalization.

In 2011, only certain projects with the field of Devgen's nematicides business have been capitalized as internally-generated intangible assets. The internally-generated intangible assets are amortized on a straight-line basis over a period of 7 years, which represents a prudent estimate of the useful lives of the nematicides projects. When no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

Purchased intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years. Acquired knowledge in the form of licenses is recorded at cost less accumulated amortization and impairment. It is amortized over the shorter of the term of the license agreement and its estimated useful life.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from Goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the fair value of the identified assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumu-lated impairment losses.

For the purpose of impairment testing, Goodwill is allocated to each of the group's cash-generating or business units expected to benefit from the synergies of the business combination. Cash-generating or business units to which Goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating or business unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any Goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for Goodwill is not reversed in a subsequent period.

Leases

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessee

Assets held under financial leases are initially recognized as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Initial direct costs incurred in connection with the lease are added to the amount recognized as an asset. The corresponding liability to the lessor is included in the balance sheet as a financial obligation. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly against income. If there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Rentals payable under operating leases are charged to income on a straight-line basis over the relevant lease term.

The group as lessor

Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term. Initial direct costs incurred by the lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Inventory

Purchased products are valued at acquisition cost, while own-produced products are valued at manufacturing cost including appropriate portion of fixed and variable overhead expenses. In the balance sheet, inventory is valued at historical cost determined on a first-in-first-out basis with respect to the nematicide business and inventory is valued at historical cost determined on a weighted average basis for the seed business. These values are used for the cost of goods sold in the income statement. Allowances have been made for inventories with a net realizable value less than cost, or which are slow moving. Unsalable inventory has been fully written off. Results from quality testing on finished products are considered in the determination of the inventory allowances.

Biological assets

Inventories of biological assets, principally young plants and cuttings in the seeds flowers business, are valued at fair value less estimated point of sale costs. However, since market-determined prices or values are not available for standing crops that have not yet reached harvest point, and for which alternative estimates of fair value determination are unreliable, the group is measuring its biological assets at its cost (inputs given to the crop growers) less any depreciations or impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. It is the group's policy to hold investments to maturity. All investments are initially recognized at fair value, which is the cost at recognition date. Gains and losses are recognized in income when the investments are redeemed or impaired, as well as through the amortization process.

Income taxes

Current taxes are based on the results of the group companies and are calculated according to local tax rules.

Deferred tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Tax rates used are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the group has a present obligation (legal or constructive). As a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Pension benefit plans

Pension obligations

The group offers various pension schemes. The schemes are generally funded through payments to insurance companies. The major part of the pension obligations are defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The company also has some defined benefit plans for gratuity available only for employees with a seniority of minimum five years.

Share-based compensation

The group operates equity-settled, share-based compensation plans, for the benefit of staff, executive and non-executive directors. According to the publication of IFRS2, the cost of share-based payment transactions is reflected in the income statement. The warrants are valued at grant date, based on the share price at grant date, exercise price, expected volatility, dividend estimates, and interest rates. Warrant cost is taken into result on a straight-line basis from the grant date until the first exercise date.

Financial instruments

Financial assets and financial liabilities are recognized on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables. Subsequent to initial recognition loans and receivables are recognized at amortized cost using the effective interest method less any impairment losses.

Available for sale financial assets

Unlisted shares and listed redeemable notes held by the group that are traded in an active market are classified as being available for sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in the profit or loss for the period.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Financial charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The company has no derivative financial instruments to hedge interest rate and foreign currency risks.

Impairment of assets

Goodwill is reviewed for impairment at least annually. For other tangible and intangible assets, at each balance sheet date, an assessment is made as to whether any indication exists that assets may be impaired. If any such indication exists, an impairment test is carried out in order to determine if and to what extent a valuation allowance is necessary to reduce the asset to its value in use (the present value of estimated future cash flows) or, if higher, to its fair value less cost to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs to sell while value in use is the present value of the future cash flows expected to be derived from an asset. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the assets belong. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Reversal of impairment losses recognized in prior years is included as income when there is an indication that the impairment losses recognized for the asset are no longer needed or the need has decreased, except for impairment losses on Goodwill, which are never reversed.

Earnings per share

Basic net profit (loss) per share is computed based on the weighted average number of ordinary shares outstanding during the period. Diluted net profit (loss) per share is computed based on the weighted-average number of ordinary shares outstanding including the dilutive effect of warrants. The profit or loss attributable to the parent entity is adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. Ordinary warrants should be treated as dilutive when their conversion to ordinary shares would decrease the net earnings per share from continuing ordinary operations.

Accounting for share-based payment transactions with parties other than employees

For equity-settled share-based payment transactions with parties other than employees, the group measures the goods or services received, and the corresponding increase in equity, directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. In that case, goods or services received are measured at the fair value of the equity instruments granted.

Reclassifications

Certain items previously reported under specific financial statement captions have been reclassified to conform to the current year presentation. Prior period amounts have been revised to reflect the income realized from the sales of other production outputs and substandard material (failing quality testing and disqualifying to enter in the regular sales channel) on the income statement line “Sales of goods” instead of on the line “Other operating income”. The new presentation method better reflects the sales of these goods as an integral part of Devgen’s seed business revenues.

The table below outlines the impact of these restatements on the income statement accounts of 2010 and 2009:

in € 1,000	Impact restatement 2010	Impact restatement 2009
Increase in sales of goods	140	89
Increase in gross margin	**140**	**89**
Decrease in other operating income	-140	-89
Operating profit / (loss)	**0**	**0**

There is no impact on net income or on retained losses as of 31 December 2011, 31 December 2010 and 31 December 2009.

Critical accounting judgments and key sources of estimation uncertainty

General business risks

We refer to the chapter "Risk factors" in the annual report of the Board of Directors for an overview of the risks affecting Devgen's business.

Critical judgments in applying the entity's accounting policies

The management has made the following judgments in the applications of the accounting policies having a significant effect on the amounts recognized in the financial statements:

- No impairment on Goodwill was recognized after impairment testing analysis based on the key assumptions and sensitivities as declared by the management (see note on Goodwill);

- Provisions for return of goods (impacting sales of seed) have been accounted for based on management's estimates supported by elaborate documentation on amounts which remained unsold in the market at the reporting date; provisions for inventory obsolescence risks have been recognized based upon QA test results, inventory aging information and historical data on evolution of germination rates of the seeds.

- Based on management's judgment and taking into account available cash and cash equivalents per 31 December 2011, going concern is at least assured for 12 months following the next Annual Extraordinary General Shareholders' meeting to be held on 1 June 2012.

Key sources of estimation uncertainty

The management considers the following information about key assumptions and uncertainties concerning the future having a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Apart from general business risk (such as fire destroying inventories) assets might be affected by government interventions making particular business transactions impossible – e.g. exporting or importing material or withdrawal of permissions to sell certain material, which could in turn lead to excess stocks and write-offs.

Notes to consolidated financial statements

Overview of notes to the consolidated financial statements

1.	Operating segments	100
2.	Operating results by function	101
3.	Other operating income and expenses	102
4.	Operating income and expenses by nature	103
5.	Financial income and expenses	103
6.	Employee benefits	103
7.	Income Taxes	104
8.	Discontinued operations	105
9.	Goodwill	106
10.	Intangible Assets	108
11.	Property, plant and equipment	110
12.	Investment property	111
13.	Other non-current assets	111
14.	Inventory and biological assets	112
15.	Trade receivables	112
16.	Prepaid expenses and other current assets	113
17.	Cash, cash equivalents and cash restricted in its use	113
18.	Trade payables and other current liabilities	114
19.	Borrowings	115
20.	Deferred Income Taxes	116
21.	Equity attributable to equity of the parent company	116
22.	Share based payment schemes	118
23.	Significant agreements, commitments and contingencies	120
24.	Financial instruments	122
25.	Related party transactions	125
26.	Earnings per share	126
27.	Subsequent events	127
28.	Services performed by the auditor	127

1. Operating segments

General

Devgen reports its activities as one operating segment, since its core technologies finally will be incorporated in the same products, in particular hybrid seeds, and will result in one single revenue stream. The nematicides business is a developing one with limited revenues to date. Therefore the nematicide operations are not reported as a separated business segment.

Information about products and services

The revenue per group of products and services is composed as follows:

in € 1,000	2011	2010	2009
Research and development services	**10,412**	**12,463**	**9,170**
Revenue from biotech and crop protection research collaboration and licensing agreements	10,412	12,463	9,170
Sales of goods	**15,081**	**8,284**	**9,149**
Sales of goods resulting from own production and technology	11,630	8,284	9,149
Sales of Rice Seeds	5,065	3,862	2,276
Sales of Other products	6,565	4,422	6,873
Sales of goods, where Devgen acts as distributor (a)	3,452	-	-
Government grant income	**-**	**-12**	**205**
Grant income relating to biotech research programs in Singapore	-	-12	205
Total revenues	**25,493**	**20,735**	**18,524**

(a) The sales of goods where Devgen acts as distributor for seeds produced by third parties bear lower risks (production, return and obsolescence risks), but are resulting in lower gross margins compared to sales of goods from own production and technology.

Information about geographical areas

Revenue from external customers can be split as follows based upon the location of the customers:

in € 1,000	2011	2010	2009
Europe	56	92	82
United States of America	9,026	10,861	8,173
Indian subcontinent	12,256	6,806	8,342
South East Asia	4,155	2,976	1,927
Total revenues	**25,493**	**20,735**	**18,524**

The non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts can be split as follows based upon the location of the assets:

in € 1,000	2011	2010	2009
Europe	27,057	28,277	29,012
United States of America	148	-	-
Indian subcontinent	1,605	2,017	1,564
South East Asia	165	209	177
Total	**28,975**	**30,503**	**30,753**

Information about major customers

The revenues from research and technology are substantially all generated through 2 major customers, with one customer representing 87% out of the total revenue from research and development services for 2011 (2010: 87%, 2009: 89%). See also Note 23 on "Collaborative research agreements".

The sales of goods are realized through a large number of customers, with no customers representing more than 10% of the total sales of goods in 2011, 2010 and 2009.

2. Operating results by function

in € 1,000	2011	2010	2009
Revenues	**25,493**	**20,735**	**18,524**
Research and development services	10,412	12,463	9,170
Sales of goods	15,081	8,284	9,149
Government grant income	0	-12	205
Cost of goods sold	-13,477	-8,711	-5,942
Gross profit	**12,016**	**12,024**	**12,582**
Gross profit on sales of goods	***12%***	***-5%***	***54%***
Marketing and distribution expenses	-4,376	-4,543	-4,315
Research and development expenses	-8,126	-8,453	-10,086
General and administrative expenses	-6,213	-6,071	-6,289
Other operating income	398	852	170
Operating profit / (loss)	**-6,301**	**-6,191**	**-7,938**

Revenues

Revenues for 2011 amount to € 25.5 million compared to € 20.7 million in 2010. This 23% increase is entirely due to the excellent performance of Devgen's seed business. Revenues from product sales amount to € 15.1 million, nearly double the turnover of € 8.3 million reported in 2010. Key contributors to this growth are significantly higher volumes of hybrid rice seeds and sales generated from the distribution of cotton seeds, following the agreement with Vikram Seeds. Seed revenues over the second half of 2011 are adding 26% to the turnover realized in the first half of 2011.

Sales of goods in H2 2011 comprise sunflower seeds in India and rice seeds in the Philippines as per expectations. Additional volumes of sorghum and cotton seeds in India contributed to the sales in H2 2011.

Revenues associated with R & D activities (Monsanto Company and Sumitomo Chemical Company) at € 10.4 million are as anticipated lower than in 2010 due to the agreement with Monsanto Company ending in October 2011. In 2010 revenues from research activities amounted to € 12.5 million.

Gross profit

Devgen reports a gross profit of € 12.0 million in 2011 which is in line with the 2010 gross profit. The sales and gross profit growth in the seed business have fully compensated the lower revenues from research contracts. A gross margin of € +1.6 million (11.9% on sales of goods) is achieved over the full year 2011 compared to a negative gross margin of € -0.6 million in 2010. This significant improvement in the gross profit on product sales results from improved production management leveraged by better production conditions in 2011. The gross margin on seed sales in H2 2011 turned negative. Fixed costs allocation over the second half of the year impacts on costs of goods sold for the total year. Cost of goods sold is furthermore impacted by obsolescence posted on 2010 surplus sunflower inventory H2 2011.

Devgen continues to work to improve its cost of goods and expects to see further improvements through optimization of its production processes and by reducing obsolescence risk in the short term. In the medium term, the introduction of NGHR seeds is expected to result in a step change improvement in Devgen's cost of goods particularly once these products are established as the main contributors to the company's rice seed sales.

Operating result

Devgen's operating loss amounts to € 6.3 million in 2011, which is slightly above the € 6.2 million operating loss reported in 2010, but in line with expectations.

Marketing and distribution expenses are at € 4.4 million, slightly below last year's € 4.5 million. These expenses allowed for a product sales increase of 82% in 2011. Devgen is reaping the benefits of its continuing market building investment during previous years.

Reported R & D expenses are € 8.1 million, compared to € 8.5 million in 2010. R & D cash expenses increased by € 0.9 million following the intensified investments in the development of NGHR. This impact is offset by capitalizing part of the development expenditure for nematicides in areas and for crops where registration has been obtained (€ 0.3 million) and by the reversal of previously made provisions for which there are no further financial obligations also relating to the nematicides development trials (€ 0.7 million).

G & A expenditure amounts to € 6.2 million in 2011, slightly above last year's € 6.1 million. This 2% increase is below inflation levels.

3. Other operating income and expenses

in € 1,000	2011	2010	2009
Rent income	350	322	182
Gain realized on the contribution in kind of pharma-assets	0	465	0
Miscellaneous other operating income	67	65	0
Miscellaneous other operating expenses	-19	0	-12
Total other operating income and expenses	**398**	**852**	**170**

Other operating income amounts to € 0.4 million in 2011 compared to € 0.9 million in 2010. The 2011 other operating income mainly consists of rental income from Devgen's R & D facilities in Ghent. In 2010, other operating income also included € 0.5 million gain on the contribution in kind of part of Devgen's human therapeutic assets in Amakem NV.

4. Operating income and expenses by nature

in € 1,000	Note	2011	2010	2009
Sales	1	25,493	20,735	18,524
Other operating revenues	3	417	852	182
Total operating revenues		**25,910**	**21,587**	**18,706**
Material costs		-11,687	-6,789	-2,735
Employee benefits	6	-8,201	-7,501	-8,652
Depreciation and amortization		-1,742	-2,270	-2,061
Services, subcontracting and other goods		-10,562	-11,217	-13,184
Other operating expenses	3	-19	0	-12
Total operating expenses		**-32,211**	**-27,778**	**-26,644**
Operating profit / (loss)		**-6,301**	**-6,191**	**-7,938**

5. Financial income and expenses

in € 1,000	2011	2010	2009
Interest income	515	136	236
Other financial income	321	125	35
Total financial income	**836**	**261**	**271**
Interest charges on liabilities	-493	-570	-608
Other financial expenses	-1,052	-627	-244
Total financial expenses	**-1,545**	**-1,197**	**-852**
Net financial result	**-709**	**-936**	**-581**

The interest income earned on term deposits and bank accounts increased from € 0.1 million to € 0.5 million. The increase results from increase in the cash position of the group following the € 26.6 million net proceeds from the private placement in April 2011.

Other financial income entirely consists of realized and unrealized exchange rate differences. Other financial expenses consist of € 0.1 million bank charges and € 0.9 million exchange rate differences.

6. Employee benefits

The number of average full time equivalents including executive directors is as follows:

in number of employees	2011	2010	2009
Production	44	67	59
Research and development	79	77	60
Marketing and distribution	75	86	95
General and administration	34	38	33
Total	**232**	**267**	**248**

The employee benefits relating to the above mentioned average full time equivalents are as follows (for 2011 including the executive directors):

in € 1,000	2011	2010	2009
Wages, salaries and bonuses	7,524	7,014	7,227
Share based payment	420	238	1,162
Pension costs - defined contributions plans	256	249	263
Total	**8,201**	**7,501**	**8,652**

Wages, salaries and bonuses contain all payroll costs for the employees, members of the management team and executive directors of the Devgen group, including social taxes, contributions and withholdings.

The company has various defined contribution plans, some available to substantially all employees, some only available to a selected group of employees. Employees contribute from 0% up to 12% of their annual compensation while the company contributes from 4% up to 15% of the employees' annual compensation.

A defined benefit plan is in place in Devgen's Indian subsidiary for all employees with at least 5 years of service offering to these employees ½ month of their basic salary last drawn, for every completed year of service. This becomes 1 months of service for employees having completed at least 10 years with the company (or it predecessor). The net defined benefit obligation as of 31 December 2011 is not material to the consolidated financial statements of the group.

7. Income taxes

Reported income taxes are split as follows:

in € 1,000	2011	2010	2009
Current taxes	-38	0	0
Deferred taxes	0	-16	0
Total income taxes	**-38**	**-16**	**0**

A reconciliation setting forth the difference between the expected income tax of the group and the actual tax charge is as follows:

in € 1,000	2011	2010	2009
Profit / (loss) before taxes	**-7,010**	**-7,126**	**-8,519**
Statutory tax rates	34%	34%	35%
Expected income tax credit, computed by applying the statutory tax rate to the loss for the period	**2,383**	**2,427**	**2,941**
Effect of tax incentives	631	3,004	2,554
Tax effects of costs directly recognized against equity under IFRS	76	3	219
Non recognized deferred tax assets	-3,145	-5,540	-5,639
Effect of expenses that are not deductable in determining taxable profit	85	-241	-428
Other	-69	331	353
Reported income taxes	**-38**	**-16**	**0**

8. Discontinued operations

On 27 November 2008, the group decided to discontinue its Human Therapeutics business unit. As a result, the Devgen Human Therapeutics business unit has ceased to exist and is reported under discontinued operations. The disposal was completed on 31 December 2008. Residual effects of these discontinued operations were reported in the 2009 financial statements as shown below.

Analysis of the loss from discontinued operations:

(in '000 EURO)	2009
Revenues	**-**
Cost of goods sold	-
Gross profit	**-**
Marketing and distribution expenses	-
Research and development expenses	-125
General and administrative expenses	-10
Other operating income	2
Operating profit / (loss)	**-133**
Financial income	-
Financial expenses	-
Profit / (Loss) before taxes	**-133**
Income taxes	-
Profit / (loss) for the year - from discontinued operations	**-133**

Analysis of the cash flows from discontinued operations:

(in '000 EURO)	2009
Net cash flow from operating activities	-127
Net cash flow from investing activities	212
Net cash flow from financing activities	-71
Net cash flows from discontinued operations	**14**

Assets classified as held for sale:

(in '000 EURO)	2009
Property, plant and equipment	63

9. Goodwill

in € 1,000	2011	2010	2009
Cost - as at 31 December	7,855	7,855	7,855
Accumulated impairment losses - as at 31 December	-	-	-
Net carrying amount as at 31 December	**7,855**	**7,855**	**7,855**

The Goodwill per 31 December 2011 amounts to € 7.9 million and fully arises from a business combination in 2007 in which Devgen acquired an existing seed businesses and related assets from Monsanto Company in India and the Philippines. Based upon the assets acquired in this business combination, Devgen has built its seed business activities in India and Southeast Asia. For impairment testing purposes, Goodwill is therefore fully allocated to the Cash Generating Unit (CGU) defined as Devgen Seeds and Crop Technology in India and the Philippines.

The yearly impairment test was conducted based on the updated detailed business planning management has prepared during 2011 for both the entities in the Philippines and in India.

The recoverable amount for this CGU has been determined based upon a value in use calculation. Cash flows for a period of five years were projected which were based upon financial plans approved upon by the management and presented to and discussed with the board. The residual value was based upon perpetuity of free cash flows (defined as operating results, corrected for depreciations, amortizations, working capital movements and investments) with a growth rate of 5% and an EBITDA margin which is equal to the EBITDA margin planned for 2016. The cash flows are discounted at a post-tax discount rate of 12.2%. The sum of the discounted cash flows or the value in use exceeds the carrying amount of the CGU. Therefore, no impairment on Goodwill was recognized in 2011.

Key assumptions used in value-in-use calculation

The calculation of the value-in-use of the cash generating unit Devgen Seeds and Crop Technology in India and the Philippines is most sensitive to the following assumption:

- Growth rates used during the projected period;
- Growth rates used for the extrapolation of free cash flows in the perpetuity; and
- Discount rate.

Growth rates used during the projected period

The estimated free cash flows used for the value-in use calculations are mainly influenced by volume increases and increases in the gross margin.

Through the introduction of new hybrid seeds in the coming years, significant sales growth is expected during the first 5 year period. The sales growth rates realized in the seed business over de period between

2009 and 2011 (29%) has been used as a basis for the estimation of the sales growth rates during the 5 year projected period. There is however no guarantee that historical growth percentages achieved in the past, will be achieved in the years to come. Through the planned introduction of the new and next generation hybrid rice seeds, further economies of scale and continuing improvements in production efficiencies and obsolescence rates, the gross margin is expected to improve gradually during this 5 year period.

Only free cash flows for India (including export activities out of India) and free cash flows generated in the Philippines were taken into account. Free cash flows from operations starting up in other countries in South East Asia (e.g. Indonesia) are not taken into account despite the fact that this business to a large extent will be built on assets acquired – i.e. products (hybrids and parental material) available in the product portfolio and pipeline acquired at the time of acquisition. As such expected cash flows generated in these locations could have been added to the value-in-use calculations, but were not.

Growth rates used for the extrapolation of free cash flows in the perpetuity

After the projected 5 year period, perpetuity has been applied based upon the estimates free cash flows for 2016. A long term growth rate of 5% has been used in the calculation of this perpetuity.

The rice market in India covers approximately 44 million hectares of agricultural land, whereof currently only 3% is planted using hybrid seeds. Devgen expects that through the introduction of new hybrid rice seeds such as its NGHR-seeds the conversion from non-hybrid seeds to hybrid seeds will be accelerated. New Generation Hybrid Rice seeds will offer the farmer the desired extra yield above the yields achieved by the use of non-hybrid and the current hybrid seeds. Such an accelerated conversion should allow for a market penetration of hybrid seeds in the medium to long term of over 50% of the total market, comparable to what happened in other crops following the introduction of high performing hybrids. Taking into account this significant expansion of the market for hybrid seeds, the long term growth rate of 5% represents a prudent estimate.

Discount rate

The discount rate used for the calculation of the present value of the future free cash flows is based upon the weighted average cost of capital (WACC) of Devgen NV, since the GCU is almost completely funded through intercompany capital. This discount rate has been estimated at 12.2% per 31 December 2011.

Key sensitivities

Sensitivity to changes in growth rates used during the projected period

Management has considered the possibility of achieving the break-even point in the business activities in India and the Philippines with 1 year delay. Under this scenario, the carrying value of the CGU is still below the value in use calculation.

Sensitivity to changes in growth rates used for the extrapolation of free cash flows in the perpetuity

Management has considered the possibility of a zero long term growth rate. Under this scenario, the carrying amount of the CGU would still be below the recoverable amount.

Sensitivity to changes in the discount rate

Management has considered the possibility of changes in the weighted average cost of capital (WACC) of Devgen NV. An increase in the WACC, to reflect a higher risk profile of the project, from 12.2% to 15.2% or 18.2% would not result in an impairment issue.

10. Intangible assets

(in '000 EURO)	Development expences	Technical know-how	Trademarks	Dealer Relationship	Other intangible assets	Total
At 1 January 2009						
Cost	0	4,393	1,884	1,703	2,156	10,136
Accumulated depreciation	0	-514	-231	-741	-712	-2,199
Net carrying amount	**0**	**3,879**	**1,653**	**961**	**1,444**	**7,937**
Mutations during 2009						
Additions including translation differences	0	0	0	0	-1	-1
Depreciation charge incl. translation diff.	0	-439	-187	-525	-236	-1,388
Net carrying amount	**0**	**3,440**	**1,466**	**436**	**1,206**	**6,548**
At 31 December 2009						
Cost	0	4,393	1,884	1,703	2,155	10,134
Accumulated depreciation	0	-953	-418	-1,267	-948	-3,586
Net carrying amount	**0**	**3,440**	**1,466**	**436**	**1,206**	**6,548**
Mutations during 2010						
Additions including translation differences	0	0	0	0	31	31
Depreciation charge incl. translation diff.	0	-439	-187	-436	-242	-1,304
Net carrying amount	**0**	**3,000**	**1,279**	**0**	**995**	**5,275**
At 31 December 2010						
Cost	0	4,393	1,884	1,703	2,186	10,166
Accumulated depreciation	0	-1,392	-605	-1,703	-1190	-4,891
Net carrying amount	**0**	**3,001**	**1,279**	**0**	**996**	**5,275**
Mutations during 2011						
Additions	300	0	0	0	27	327
Exchange rate differences	0	0	0	0	49	49
Movements from other categories	0	0	0	0	30	30
Depreciation charge	-10	-439	-187	0	-234	-870
Net carrying amount	**290**	**2,562**	**1,092**	**0**	**868**	**4,812**
At 31 december 2011						
Cost	300	4,393	1,884	1,703	2,292	10,572
Accumulated depreciation	-10	-1,831	-792	-1,703	-1,424	-5,760
Net carrying amount	**290**	**2,562**	**1,092**	**0**	**868**	**4,812**

As of 2011, certain projects within the field of Devgen's nematicides business have been capitalized as internally-generated intangible assets, for a total amount of € 0.3 million. The group considers that a project entering the stage of regulatory submission qualifies for capitalization as internally generated intangible asset. The costs for the submission of the dossier, the further data gathering through field trials and the post launch optimization are included in the capitalization, if the aggregated amount per projects is estimated to be material to the financial statements.

Per 31 December 2011, the material individual intangible assets are (in ‘000 €):

- Technical know-how 2,539
- Trademarks 1,092
- Vendor relationship 541
- Copyrights 172

All these material individual intangible assets result from the business combination in 2007, through which Devgen acquired a seed business from Monsanto Company in India.

Per 31 December 2011, the most important intangible assets of the group consist of the following categories with their respective useful lifetimes as used for the amortization, and their remaining useful life:

- Technical know-how 10 years – 6 years
- Trademarks 10 years – 6 years
- Vendor relationship 10 years – 6 years
- Copyrights 10 years – 6 years

The amortization of intangible assets is included in the research and development, and in the marketing and distribution expense line of the income statement.

Per 31 December 2011, no intangibles are restricted or pledged or classified as held for sale.

11. Property, plant and equipment and building held under lease

(in '000 EURO)	Land	Building	Building held under lease	Machinery, equipment and furniture	Assets under construction	Total
At 1 January 2009						
Cost	103	0	8,000	9,928	157	18,188
Accumulated depreciation	-	0	-1,107	-8,577	-157	-9,841
Net carrying amount	**103**	**0**	**6,893**	**1,351**	**0**	**8,347**
Mutations during 2009						
Additions	-	0	-	340	1,326	1,666
Disposals	-	0	-	-47	-	-47
Movements from other category	1	0	-	8	-	9
Depreciation charge	-	0	-223	-412	-	-635
Depreciation reclassified as held for sale	-	0	-	39	-	39
Net carrying amount	**104**	**0**	**6,670**	**1,279**	**1,326**	**9,379**
At 31 December 2009						
Cost	104	0	8,000	10,228	1,326	19,658
Accumulated depreciation	-	0	-1,331	-8,948	-	-10,279
Net carrying amount	**104**	**0**	**6,669**	**1,280**	**1,326**	**9,379**
Mutations during 2010						
Additions	-	198	0	697	30	925
Disposals	-	0	0	-174	-	-174
Exchange rate differences	13	12	0	128	123	276
Movements from other category	-	588	0	861	-1,449	0
Depreciation charge	-	-57	-199	-467	-	-723
Depreciation reclassified as held for sale	-	-1	0	-56	-	-57
Net carrying amount	**116**	**740**	**6,470**	**2,269**	**30**	**9,626**
At 31 December 2010						
Cost	116	798	8,000	11,739	30	20,683
Accumulated depreciation	0	-58	-1,530	-9,470	0	-11,058
Net carrying amount	**116**	**740**	**6,470**	**2,269**	**30**	**9,625**
Mutations during 2011						
Additions	0	33	0	251	0	284
Disposals	0	-22	0	-263	0	-284
Exchange rate differences	-15	-95	0	-170	0	-281
Movements from other categories	0	0	-1,406	0	-30	-1,436
Depreciation charge	0	-55	-180	-548	0	-783
Reverse acumulated depreciations on disposals	0	22	0	215	0	237
Net carrying amount	**101**	**622**	**4,884**	**1,755**	**0**	**7,361**
At 31 December 2011						
Cost	101	714	6,594	11,557	0	18,966
Accumulated depreciation	0	-92	-1,710	-9,802	0	-11,604
Net carrying amount	**101**	**622**	**4,884**	**1,755**	**0**	**7,361**

The bank borrowing for the building is secured with the building held under lease.

12. Investment property

in € 1,000	2011	2010	2009
Cost			
As at 1 January	1,400	1,400	1,400
Transfer from property, plant and equipment	1,702	-	-
As at 31 December	**3,102**	**1,400**	**1,400**
Depreciations			
As at 1 January	**-311**	**-241**	**-195**
Charge for the year	-89	-70	-46
Transfer from property, plant and equipment	-297	-	-
As at 31 December	**-696**	**-311**	**-241**
Net carrying amount	**2,406**	**1,088**	**1,158**
Rental income recognized	**350**	**322**	**182**

The investment property relates to the part of a building, located in Ghent, Belgium, which is held under financial leasing and subleased to third parties. During 2011, additional space has been subleased, resulting in the reclassification of part of the building from the line property, plant and equipment to Investment property.

13. Other non-current assets

in € 1,000	2011	2010	2009
Other financial assets	500	500	-
Other long term loans and receivables	324	293	210
Total other non-current assets	**824**	**793**	**210**

In 2010 Devgen made a contribution in kind of part of its remaining pharma assets into a newly established biotech company Amakem NV. Devgen received 24% of the shares of the company. Devgen has decided to hold this participation as an investment classified as “other financial assets” on its balance sheet. The value of the participation remained unchanged during 2011. Following a capital increase in Amakem NV in which Devgen did not participate, Devgen’s share in this affiliate company decrease to 4.86 % per 31 December 2011. New shares were issued at a price exceeding the share price at the time when Devgen made its contribution in kind.

Devgen participates in a Belgian tax incentive program for research and developments investments. Based upon this program, Devgen can recover € 0.3 million income taxes spread over the coming 5 years.

14. Inventory and biological assets

in € 1,000	2011	2010	2009
Raw materials and auxiliaries	743	427	448
Work in progress	1,204	976	1,253
Finished goods	599	3,536	668
Biological assets	2	24	19
Total inventory and biological assets	**2,548**	**4,963**	**2,388**

Increased sales volumes in combination with stringent production planning and QA testing, resulting in turn in timely write-offs of obsolete material, during 2011 resulted in a significant decrease of inventory levels carried forward from the 2011 sales seasons to the 2012 sales seasons compared to the situation per end of 2010.

in € 1,000	2011	2010	2009
Cost of goods sold	11,635	7,770	6,003
Write downs of inventory to net realizable value	-	103	-61
Obsolescence provisions and scrapping of inventory	1,843	838	-
Total cost of goods sold	**13,477**	**8,711**	**5,942**

During 2011, Devgen has recognized stock-write offs following recurring (€ 1.3 million) and non-recurring events (€ 0.5 million). The evolution in the recurring stock-write offs is in line with the growth in Devgen's sales of goods. The occurrence of stock-write offs on goods returned from the market is common practice in the seed business

15. Trade receivables

in € 1,000	2011	2010	2009
Trade receivables	2,711	3,676	3,909
Allowance for doubtful debts	-46	-25	-8
Total trade receivables	**2,665**	**3,651**	**3,901**

The trade receivables consist of 2 classes:

- Trade receivables relating to the seed and nematicide business € 1.4 million (2010: € 1.7 million and 2009: 1.3 million), consisting of a large number of small receivables from the sale of trade goods. The credit exposure is managed in accordance with standard business practice supported by consistent and regular credit worthiness checks for new and existing customers.

- Other trade receivables, mainly relating to the two largest customers from the research collaborations agreements, amount to € 1.2 million (2010: € 1.9 million and 2009: € 2.5 million). Apart from these, there are no other customers who represent more than 10 % of the total balance of trade receivables per 31 December 2011. This concentration risk is mitigated due to the customers being large, established and unrelated.

- During 2011, the allowance for doubtful debtors has increased to € 46 (‘000) from € 25 (‘000).

Per year-end, the ageing of the trade receivables is as follows:

in € 1,000	2011	2010	2009
Current	2,021	2,867	3,252
60 - 90 days	322	274	75
90 - 120 days	96	30	31
120 - 180 days	131	185	510
More than 180 days	141	294	33
Total trade receivables	**2,711**	**3,651**	**3,901**

16. Prepaid expenses and other current assets

in € 1,000	2011	2010	2009
Taxes receivable	272	225	248
Interest income receivable	115	21	18
Social expenses prepaid	82	133	902
Other prepaid expenses	811	1,025	1,164
Guarantees paid	11	108	104
Total prepaid and other current assets	**1,291**	**1,513**	**2,436**

The other prepaid expenses relate to payments made in 2011 for costs relating to 2012, such as prepared rent and prepaid insurance premiums.

17. Cash, cash equivalents and cash restricted in its use

in € 1,000	2011	2010	2009
Term deposits	19,200	-	-
Cash on hands	25	18	14
Cash at bank	19,327	22,934	40,144
Other cash equivalents	-	2	1
Total cash and cash equivalents	**38,551**	**22,953**	**40,159**
Term deposits	5,555	-	-
Cash at bank	163	5,866	5,603
Total cash restricted in its use	**5,718**	**5,866**	**5,603**
Total cash and cash equivalents, including restricted cash	**44,270**	**28,819**	**45,762**

The group has developed an appropriate risk management framework for the management of its short, medium and long-term funding and liquidity requirements. The group makes mainly use of liquid investments in currency accounts and term accounts. All instruments used have high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 12 months.

Per 31 December 2011, the cash, cash equivalents and restricted cash at banks and on hand were denominated in the following currencies (in euro-equivalents):

- In Euro: € 16.8 million (86%)
- In Indian Rupees: € 1.7 million (9%)
- In other currencies: € 0.9 million (5%)

Per 31 December 2011, the term deposits are characterized as follows:

- Term deposits – Restricted cash :
    - All term deposits are denominated in Euro
    - Weighted average interest rate: 2.02%
    - Weighted average term: 7.1 months
- Term deposits – Unrestricted cash :
    - All term deposits are denominated in Euro
    - Weighted average interest rate: 1.37%
    - Weighted average term: 3.1 months

18. Trade payables and other current liabilities

in € 1,000	2011	2010	2009
Trade payables	2,566	3,390	4,924
Prepayments	2,805	2,864	3,042
Other current liabilities	1,330	1,422	1,088
Employee benefits	1,186	885	806
Accrued charges	119	181	47
Others	25	356	236
Deferred income	59	6,937	15,233
Non-financial current liabilities	**6,760**	**14,613**	**24,287**

The prepayments amount to € 2.8 million per 31 December 2011 and are composed of advances received from Devgen's seed business customers for sales orders relating to the 2012 Kharif season.

The decrease in the deferred income over the past 3 years relates to the usage of a prepayment received from Monsanto Company in 2009 under the collaboration research agreement.

19. Borrowings

in € 1,000		2011	2010	2009
Long term debt	(a)	-	104	1
Long term debt lease	(b)	5,960	6,341	6,700
Total non-current borrowings		**5,960**	**6,445**	**6,701**
Current portion of long term debt	(a)	104	104	132
Current portion of lease building	(b)	381	359	338
Short term debt	(c)	69	1,452	1,530
Total current borrowings		**553**	**1,915**	**2,000**
Total borrowings		**6,514**	**8,360**	**8,701**

The fair value of the borrowings is approximately equal to their carrying amounts.

(a) Long term debts

The long term debts relate to an un-secured 3 year leasehold improvement loan in Belgium, concluded in 2009, for an initial amount of € 0.3 million, whereof € 0.1 million is outstanding per 31 December 2011 as current portion of long term debt.

(b) Long term debt lease

The borrowing relates to the financial lease of a building, located in Ghent (Belgium). The borrowing is secured with the underlying asset. The obligations under this lease agreement are as follows:

in € 1,000	2011	2010	2009
Amounts payable under finance lease			
Within one year	748	748	776
In the second to fifth year	2,992	2,992	2,992
After five years	4,683	5,431	6,179
Total minimum lease payments	**8,423**	**9,171**	**9,947**
Less future finance charges	2,082	2,471	2,881
Present value of lease obligations	6,341	6,700	7,066
Less amount due for settlement within 12 months	381	359	410
Amount due for settlement after 12 months	**5,960**	**6,341**	**6,656**

Devgen has a purchase option at the end of the lease contract to acquire the leased building; the purchase option can be exercised in 2019 by paying the residual value of the building equal to € 3,000 (‘000).

(c) Short term debts

The short term debts fully relate to overdraft facilities in India, contractually agreed with 2 Indian banks, of in total 237.5 million Indian Rupees (approximately € 3.5 million), with an average interest rate of

11.05%. These loans are secured by a cash pledge of € 4.6 million, which is presented under Cash Restricted in its use on the face of the balance sheet.

The group's un-drawn borrowing facilities at 31 December 2011 amounted to € 3.4 million (31 December 2010: € 2.5 million).

The carrying amounts of short-term borrowings approximate their fair value.

20. Deferred income taxes

Due to the uncertainty surrounding the group's ability to realize taxable profits in the near future, the company did not recognize any deferred tax assets.

The group has net tax loss carry forwards, available to reduce future corporate income taxes, if any. These carry forwards, except for notional interest deduction credit for an amount of € 9.8 million, which can be offset against future income for a period of maximum 7 years, can be offset against future income of the group for an indefinite period and can be summarized as follows:

in € 1,000	2011	2010	2009
Net tax loss carry forwards (pre-tax)	111,862	105,876	106,442
Non recognized deferred tax asset	**38,022**	**32,312**	**34,769**

Furthermore, the tax loss carry forwards also include R & D investment related tax credits for an amount of € 0.3 million which could become cash collectible after 5 years if offset against future income is not realized.

Other deductible temporary differences for which no deferred tax assets are recognized:

in € 1,000	2011	2010	2009
Tax credits (pre-tax)	1,927	1,927	3,109
Other (pre-tax)	-3,511	-2,761	-2,014
Non recognized deferred tax assets / (liability)	**-538**	**-283**	**372**

Tax credits include R & D investment related tax credits which can also be offset against future income but for an indefinite period of time.

21. Equity attributable to equity of the parent company

in € 1,000	2011	2010	2009
Share capital	1,820	1,476	1,475
Share premium account	128,526	102,275	102,190
Translation reserves	491	370	185
Share-based payment	5,309	4,843	4,437
Accumulated losses	-75,456	-68,407	-61,272
Equity attributable to equity holders of the parent	**60,689**	**40,557**	**47,015**
Minority interests	**-**	**-**	**-**
Total equity	**60,689**	**40,557**	**47,015**

The various components of Shareholders' equity for the periods 31 December 2009, 31 December 2010 and 31 December 2011 are presented in the Consolidated Statement of Shareholders' Equity.

The following capital increases took place in 2011:

- Through a private placement of 4,584,549 new shares on 4 April 2011 at an issue price of € 5.85 per share, resulting in a capital increase of € 0.3 million and an increase of the share premium account with € 26.5 million.
- Through the exercise of 2,245 warrants into the same number of new shares on 8 April 2011, resulting in a capital increase of € 168 and an increase of the share premium account with € 7,689.
- Through the exercise of 2,964 warrants into the same number of new shares on 6 October 2011, resulting in a capital increase of € 222 and an increase of the share premium account with € 10,152.

All new shares are listed on Euronext Brussels, except for 2,638,936 shares issued per 4 April 2011 for which listing is applied for.

Per 31 December, the share capital of Devgen NV is composed as follows:

	2011	2010	2009
Number of shares issued and outstanding	24,266,400	19,676,642	19,648,951
Par value per share (in €)	0.075	0.075	0.075
Issuance premium per share (in €)	5.296	5.198	5.201

Voting rights – each share of Devgen is entitled to one vote per share.

Dividends – Devgen has never declared or paid dividends on its shares and does not anticipate paying any dividends in the foreseeable future. Under Belgian law, the company is required to set aside at least 5% of its net profits during each financial year and contribute such sum to the legal reserve until such reserve has reached an amount equal to 10% of the company's share capital. As of 31 December 2011, there were no profits available for distribution under Belgian law.

Liquidation rights – In the event of a dissolution of the company, the assets and the proceeds from the sale of the assets remaining after payment of all debts, liquidation expenses and preferences, and taxes are to be distributed among the shareholders on a pro rata basis to their shareholding, after deduction of any amounts that are still to be paid up with regard to preferential rights, if any.

Preferential subscription rights – On the occasion of any capital increase in cash, or issue of convertible bonds or warrants, the company's shareholders have a preferential subscription right. Such preferential subscription right is proportionate to the shareholder's participation in the company's capital at the time of the capital increase or the issuance of convertible bonds or warrants.

The preferential subscription right can be restricted or cancelled by a resolution approved by 75% of the votes validly cast at a General Shareholders' meeting where, in principle, at least 50% of the company's share capital is present or represented.

22. Share based payment schemes

The company has created several warrant plans for grant to employees, directors, consultants and research institutions. Over the past 3 years, the following warrant pools have been created.

Warrant plan 2009 for CEO and directors

By a decision of the Extraordinary Shareholders' meeting of 24 July 2009, the company has been allowed to issue 300,000 warrants with a lifetime of 5 years after the creation date for the benefit of the CEO, all of which were granted and vested as per 31 December 2009; and 36,000 warrants with a lifetime of 5 years after the creation date for the benefit of board members, of which 36,000 were granted as per 31 December 2009 and 30,000 were vested on 31 May 2010. The remaining 6,000 warrants were cancelled.

All warrants were granted for free.

Warrant plan 2010 for CEO and directors

By a decision of the Extraordinary Shareholders' meeting of 1 June 2010, the company has been allowed to issue:

- 44,604 warrants for the benefit of the CEO with a lifetime of 5 years after the creation date, granting for free and vesting on acceptance;

- 36,000 warrants for the benefit of the members of the board with a lifetime of 5 years after the creation date, granting for free and vesting on 31 May 2011.

On 31 December 2010, 50,604 warrants were cancelled.

Warrant plan 2011 for CEO and directors

By a decision of the Extraordinary Shareholders' meeting of 1 June 2011, the company has been allowed to issue:

- 85,436 warrants for the benefit of the CEO with a lifetime of 5 years after the creation date, granting for free and vesting on acceptance;

- 30,000 warrants for the benefit of the members of the board with a lifetime of 5 years after the creating date, granting for free and vesting on 31 May 2012.

On 31 December 2011, 6,000 warrants were cancelled.

Warrants exercisable under the warrant plans

The total number of outstanding warrants on 31 December 2011 amounts to 1,343,379, which can lead to the creation of the same number of shares. These warrants may be exercised under the following conditions:

In number of warrants, unless otherwise mentioned	Month of expiry	Exercise price (in €)	Outstanding warrants 31/12/2010	Transactions 2011				Outstanding warrants 31/12/2011
				Granted	Exercised	Cancelled	Not exercised	
Plan 2005, grant 2005 (*)	Dec. 2015	9.49	104,112	0	0	0	0	104,112
Plan 2005, grant 2006 (*)	Dec. 2015	11.54	13,400	0	0	0	-2,880	10,520
Plan 2005, grant 2006 (*)	Dec. 2015	11.67	12,772	0	0	0	-792	11,980
Plan 2005, grant 2006 (*)	Dec. 2015	14.00	20,016	0	0	0	0	20,016
Plan 2005, grant 2006 (*)	Dec. 2015	14.25	6,000	0	0	0	0	6,000
Plan 2005, grant 2007 (*)	Dec. 2015	21.57	10,008	0	0	0	-10,008	0
Plan 2005, grant 2007 (*)	Dec. 2015	21.57	3,332	0	0	0	-3,332	0
Plan 2005, grant 2007 (*)	Dec. 2015	21.61	40,954	0	0	0	-1,138	39,816
Plan 2005, grant 2007 (*)	Dec. 2015	20.73	206,016	0	0	0	0	206,016
Plan 2005, grant 2008 (*)	Dec. 2015	13.00	23,485	0	0	-82	-766	22,637
Plan 2005, grant 2008 (*)	Dec. 2015	13.26	10,008	0	0	0	0	10,008
Plan 2008 Board, grant 2008	Jun. 2013	14.40	8,793	0	0	0	0	8,793
Plan 2008 PCC, grant 2008	Jun. 2018	13.26	15,000	0	0	0	0	15,000
Plan 2008 PCC, grant 2008	Jun. 2018	14.40	1,391	0	0	0	0	1,391
Plan 2008 PCC, grant 2009	Jun. 2018	3.50	60,989	0	-5,209	-826	0	54,954
Plan 2008 India, grant 2009	Jun. 2018	3.50	177,548	0	0	-1,731	0	175,817
Plan 2009 CEO, grant 2009	Jul. 2014	6.65	300,000	0	0	0	0	300,000
Plan 2009 Directors, grant 2009	Jul. 2014	6.65	30,000	0	0	0	0	30,000
Plan 2008 PCC, grant 2010	Jun. 2018	10.49	26,892	0	0	0	0	26,892
Plan 2008 India, grant 2010	Jun. 2018	10.49	22,418	0	0	-1,942	0	20,476
Plan 2010 CEO & Directors, grant 2010	May 2015	8.78	30,000	0	0	0	0	30,000
Plan 2008 PCC, grant 2011	Jun. 2018	5.61	0	71,496	0	0	0	71,496
Plan 2008 India, grant 2011	Jun. 2018	5.61	0	66,668	0	-4,649	0	62,019
Plan 2011 CEO & Directors, grant 2011	May 2016	6.78	0	121,436	0	-6,000	0	115,436
Total			**1,123,134**	**259,600**	**-5,209**	**-15,230**	**-18,916**	**1,343,379**
Weighted average exercise price (in €)			**10.41**	**6.16**	**3.50**	**6.38**	**19.28**	**9.54**

(*) The expiry date of the Plan 2005 is 11 December 2015, except for the warrants granted to employees which are on the payroll of Devgen NV per 25 June 2009, which have an extended expiry date per 11 December 2020.

Accounting for share-based payment

IFRS 2 share-based payment has become effective as of 1 January 2005. In order to avoid a restatement of its 2005 consolidated financial statements, the group decided to early adopt as of 1 January 2004 IFRS 2 for all warrants granted after 7 November 2002 which were not vested as of 31 December 2004.

The share-based compensation expense recognized in the income statement (from continuing and discontinued operations) amounts to € 466 (‘000) in 2011, compared to € 406 (‘000) in 2010 and € 1,188 (‘000) in 2009.

The fair value of each option is estimated on the date of grant using the Black & Scholes model (warrants granted as of 2005) with the following assumptions:

	Warrants 2008	Warrants 2011	Warrants 2011
Warrants granted to	Employees	Directors	CEO
Grant date	8 March 2011	1 June 2011	1 June 2011
Number of w arrants granted	138,164	30,000	85,436
Current share price (in €)	5.80	6.62	4.22
Exercise price (in €)	5.61	6.78	6.78
Expected dividend yield	0%	0%	0%
Expected stock price volatility	48%	47%	48%
Risk-free interest rate	3.35%	3.09%	3.16%
Expected duration (in years)	3.65	4.00	4.00
Fair value per w arrarnt (in €)	**2.33**	**2.61**	**1.11**

23. Significant agreements, commitments and contingencies

23.1 Collaborative research agreements

Sumitomo Chemical Company

In March 2009 Devgen renewed its R & D agreement with Sumitomo Chemical Company Limited for a 3 year term. Under multiple agreements between 2001 and 2008, both companies conducted research on discovery of new agrochemicals. Under the terms of the 2009 agreement, Devgen receives funding for its research activities and is eligible for royalties. Sumitomo Chemical Company has renewed the agreement with an annual extension, based upon Sumitomo Chemical Company's option to renew the term of the agreement with successive annual extensions.

Monsanto Company

On 6 February 2007, Devgen entered into a 5 year research and development agreement and a 5 year technology exchange agreement with Monsanto Company with retroactive application from 1 September 2006 onwards until end of October 2011. Under the terms of this agreement, Monsanto Company obtains commercial rights under Devgen's technology to control specific categories of insect pests in its core crops of interest such as corn, cotton and soybeans. Devgen obtains rights to leverage Monsanto's work in rice and small cereal grains, especially in Asia. In addition to license fee payments, Devgen is eligible for performance-based milestone and royalty payments. In 2009, both companies have modified the scope of their research and technology agreement signed in 2007, giving broader rights to Monsanto Company on Devgen's technology.

Other collaborations

The company has entered into several agreements with companies, universities, academic institutions and consultants in Belgium and abroad to promote, sell or distribute products and to conduct research and development.

23.2 The group acting as a lessor in operating leases

Devgen NV entered into 3 operating lease agreements for the sub-rent of laboratory and office space in its building in Ghent (Belgium). Based upon these 3 operating lease agreements, Devgen is entitled to receive the following minimum lease payments as rent income:

in € 1,000	2011	2010	2009
Within one year	343	238	294
In the second to the fifth year	424	513	63
After five years	-	-	-
Total future lease commitments as lessor	**767**	**751**	**358**

23.3 The group acting as a lessee in operating leases

Over the years, the group has entered into several operating lease agreements for rent of facilities, land, warehouses, company cars and computer equipment in Belgium, India, the Philippines, the USA and Singapore.

At balance sheet date, the group has the following outstanding commitments relating to non-cancellable future minimum rent payments:

in € 1,000	2011	2010	2009
Within 1 year	405	577	440
Between 2 and 5 years	507	398	138
After 5 years	-	323	608
Total non-cancellable future minimum rent payments	**912**	**1,298**	**1,186**

23.4 Lease of the building in Ghent

On 21 October 2002, Devgen signed a global agreement with ING Lease Belgium and Dexia Lease Services (“the lessors”) which incorporated an agreement on the transfer of Devgen’s land use rights to the lessors, an agreement on the construction and financing of the building during its construction and a lease agreement on the building once the building was finalized (March 2004).

The agreement is accounted for in accordance with IAS 17 – leases.

Based upon the finance agreement with the lessors, the outstanding debt after 15 years will amount to € 3 million. If at that time, Devgen would like to obtain the legal title to the building it will have to exercise its purchase option and pay an additional € 3 million. If the purchase option is not exercised, it can either decide to extend the agreement or it will have to return the building to the lessors.

23.5 Litigations

Devgen NV is currently involved in litigation with a former sub-contractor, with whom a service agreement has been terminated by Devgen NV during 2011. Management is convinced that the exposure to the financial statements resulting from this litigation is limited and remote.

At current, the group is not involved in other pending litigation that is material.

23.6 Capital commitments

The group had no material commitments to capital expenditures on 31 December 2011.

24. Financial instruments

Capital risk management

The group manages its capital in order to generate sufficient cash and cash equivalents in order to finance the ongoing research and development projects and the further expansion of the seed business in India and Southeast Asia and the expansion of the nematicide business.

The capital structure of the group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Under the Company Code, 5% of the profit of the year per statutory books of Devgen needs to be allocated to the reserves (legal reserve) until the legal reserve equals 10% of the issued capital.

The adjusted debt-to-equity ratio is as follows:

in € 1,000	2011	2010	2009
Debts	6,581	8,412	8,749
Cash and cash equivalents (*)	44,270	28,819	45,762
Net cash / (debts)	37,688	20,407	37,013
Equity attributable to the shareholders	60,689	40,557	47,015
Net debt to equity ratio	-	-	-

(*) Including cash restricted in its use

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurements and the basis on which income and expenses are recognized, in respect of each class of financial assets, financial liability and equity instruments are disclosed in the section on “Recognition and valuation rules” included in these financial statements.

Categories of financial instruments

in € 1,000	2011	2010	2009
Financial assets	**46,981**	**32,470**	**49,663**
Loans and receivables	***46,981***	***32,470***	***49,663***
Cash restricted in its use	5,718	5,866	5,603
Trade receivables Seed business	1,472	1,683	1,332
Other trade receivables	1,239	1,967	2,569
Cash on hand	25	18	14
Term deposits	19,200	-	-
Cash on bank	19,327	22,934	40,144
Other cash equivalents	-	2	1
Financial Liabilities	**9,080**	**11,750**	**13,653**
At amortized cost	***9,080***	***11,750***	***13,653***
Secured	6,410	8,152	8,596
Long term debt and lease debts	5,960	6,341	6,700
Current portion of long term debt and lease debts	381	359	366
Short term bank loans	69	1,452	1,530
Non secured	2,670	3,598	5,057
Long term bank loans	-	104	1
Current portion of long term bank loans	104	104	132
Trade payables	2,566	3,390	4,924
Net financial assets and liabilities	**37,901**	**20,720**	**36,010**

Details of the financial instruments are available in the relevant notes.

The fair value of the financial instruments is approximately equal to their carrying amounts.

Pledged financial assets as collateral

In 2004, Devgen placed a cash pledge of € 2,100 (‘000) in favor of the lessors of the building in Zwijnaarde, to cover the V.A.T. recoverability risk of the lessors on the construction cost of the building. This cash pledge is being released on a straight-line basis over 15 years, at the rate of 1/15 per year, starting on 1 April 2005. This amount is classified as a non-current asset (cash restricted in its use) and amounts to € 1,120 (‘000) at 31 December 2011 (2010: 1.3 million; 2009: € 1.4 million).

Devgen placed a total cash pledge of € 4,555 (‘000) in favor of two banks to guarantee 2 short-term overdraft facilities provided to Devgen Seeds and Crop Technology Pvt Ltd in India to finance its working capital requirements. Per 31 December 2011, only € 0.1 million of this overdraft facility is used (2010: € 1.4 million; 2009: € 1.5 million).

No other financial assets are pledged as collateral.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group’s activities expose it primarily to changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The group is exposed to foreign currency risks primarily through its operating activities. Certain purchase transactions and certain sales transactions of the group are undertaken in USD. Exchange rate exposure towards the USD can be managed through the use of forward exchange contracts, based upon management's decisions. The extent of use of other foreign currencies in the group is very limited.

The group is furthermore managing its foreign currency risk by matching foreign currency cash inflows with foreign cash outflows. Occasionally forward currency exchange contracts are used to hedge material foreign currency exposure. Therefore the sensitivity to certain potential changes in, especially the USD / EUR and USD / INR exchange is limited. The group does not apply hedge accounting.

At 31 December 2011, no forward exchange contracts were held by the group.

Interest rate risk management

The group can be exposed to interest rate risk as entities in the group can borrow funds at both fixed and floating interest rates. Per 31 December 2011, substantially all of the outstanding loans have semi-variable or variable interest rates. The financial lease debt relating to the building held under lease is subject to a variable interest rate, revisable at each fifth anniversary date of the loan agreement based on the average weighted interest rate swap 1 to 5 years (IRS ask) with a duration of 15 years, with a margin of 2.5%. The first revision of the interest rate on this loan took place in 2009. The current interest rate on this loan is 5.925%. The overdraft facility in India with ING Vysya Bank and HDFC Bank is linked to the base rate provided by these banks. This rate can be changed from time to time during the term of the overdraft facility. The base rate of a particular bank is linked to Reserve Bank of India REPO lending rate to banks.

The group does not use interest rate swap contracts and forward interest rate contracts.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. Therefore, the group has credit policies in place and the exposure to counterparty credit risk is monitored.

Credit exposure with regard to R & D partnering activities is concentrated with a limited number of creditworthy partners. Credit exposure in the seed business – dealing with a large number of local distributors – is managed in accordance with standard business practice supported by consistent and regular credit worthiness checks for new and existing customers.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk. The group did not receive any collateral or alter credit enhancements relating to its financial assets.

See also note on "Trade receivables" for additional information on the credit risk management.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate risk management framework for the management of the group's short, medium and long-term funding and liquidity requirements.

The group makes mainly use of liquid investments in currency accounts and term accounts. Instrument used possesses high grade credit ratings, capital reimbursement guarantees and limited time horizons up to maximum 12 months.

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

in € 1,000	within 1 year	between 2 and 5 years	after more than 5 years	Total
Secured	**817**	**2,992**	**4,683**	**8,491**
Long term debt and lease debts	0	2,992	4,683	7,675
Current portion of long term debt and lease debts	748	0	0	748
Short term bank loans	69	0	0	69
Non secured	**2,670**	**0**	**0**	**2,670**
Current portion of long term bank loans	104	0	0	104
Trade payables	2,566	0	0	2,566
Total financial liabilities including interests	**3,487**	**2,992**	**4,683**	**11,161**

Gains and losses per category of financial assets and liabilities

During 2011, 2010 and 2009, no material gains and losses on financial assets and liabilities have been recognized in the income statement. No gains and losses on financial assets and liabilities were recognized directly in equity.

25. Related party transactions

During 2009, 2010 and 2011 there have been transactions with key management personnel and non-executive directors, as listed below. Apart from these transactions, there were no other transactions with related parties.

Remuneration of key management personnel

The remuneration of the key management, including the executive directors, can be summarized as follows:

in € 1,000	2011	2010	2009
Short-term benefits	2,079	2,255	2,376
Post-employment benefits – defined contributions	47	49	49
Share-based compensation	300	168	1,059
Total benefits	**2,425**	**2,472**	**3,484**
# of warrants & shares offered ('000)	168	96	511
# cumulative outstanding warrants & shares ('000)	1,016	896	957
Warrants exercised ('000)	3	18	1
Weighted average exercise price (€) of the exercised warrants	3.50	3.45	3.50

The retirement benefits for the key management are part of the retirement benefit scheme to which all qualified personnel is entitled. The contributions are paid as a percentage of the gross annual salary.

No loans, quasi-loans or other guarantees have been given to a member of the executive management.

Transactions with non-executive directors

The remuneration of the non-executive directors, can be summarized as follows:

in € 1,000	2011	2010	2009
Short-term employee benefits	-	-	-
Post-employment benefits – defined contributions	-	-	-
Share-based compensation	46	166	22
Director fees, including expense reimbursments	123	91	99
Total benefits	**168**	**257**	**121**
# of warrants & shares offered ('000)	36	36	30
# cumulative outstanding warrants & shares ('000)	99	84	71
Warrants exercised ('000)	-	-	-
Weighted average exercise price (€) of the exercised warrants	-	-	-

26. Earnings per share

Earnings per share from continuing and discontinued operations:

in €	2011	2010	2009
Basic earnings per share	-0.30	-0.36	-0.46
Diluted earnings per share	-0.30	-0.36	-0.46

The calculation of the basic and diluted earnings per share from continuing and discontinued operations is based on the following data:

in € 1,000 except for number of shares	2011	2010	2009
Earnings			
Earnings for the purpose of basic earnings per share (net loss of the year)	-7,048	-7,141	-8,651
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purpose of diluted earnings per share	**-7,048**	**-7,141**	**-8,651**
Number of shares			
Weighted average number of shares for the purpose of dilutive potential shares	23,082,853	19,665,382	17,892,436
Effect of dilutive potential ordinary shares	230,771	236,071	-
Share warrants	-	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**23,313,624**	**19,901,453**	**17,892,436**

Warrants that would result in the issue of ordinary shares for more than the average market price of the underlying ordinary shares during the period are considered anti-dilutive and have not been included in the calculation of the diluted earnings per share. At year-end 2011 230,771 warrants were outstanding that have been included in the calculation of diluted earnings per share.

Earnings per share from continued operations:

in €	2011	2010	2009
Basic earnings per share	-0.30	-0.36	-0.45
Diluted earnings per share	-0.30	-0.36	-0.45

The calculation of the basic and diluted earnings per share from continued operations is based on the following data:

in € 1,000 except for number of shares	2011	2010	2009
Earnings			
Earnings for the purpose of basic earnings per share (net loss of the year)	-7,048	-7,141	-8,519
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purpose of diluted earnings per share	**-7,048**	**-7,141**	**-8,519**
Number of shares			
Weighted average number of shares for the purpose of dilutive potential shares	23,082,853	19,665,382	17,892,436
Effect of dilutive potential ordinary shares	230,771	236,071	-
Share warrants	-	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**23,313,624**	**19,901,453**	**17,892,436**

Warrants that would result in the issue of ordinary shares for more than the average market price of the underlying ordinary shares during the period are considered anti-dilutive and have not been included in the calculation of the diluted earnings per share. At year-end 2011 230,771 warrants were outstanding that have been included in the calculation of diluted earnings per share.

27. Subsequent events

There are no major subsequent events to the balance sheet date which have a material impact on the further evolution of the company.

28. Services performed by the auditor

Deloitte Bedrijfsrevisoren CVBA o.v.v.e. CB, represented by Mr. Gert Vanhees is appointed as statutory auditor of Devgen NV. In 2011, fees paid to the statutory auditor and its affiliated companies for auditing services amounted to € 88 (‘000), fees for tax services were € 24 (‘000) and fees for other attestation missions amounted to € 8 (‘000).

29. Statement from the responsible persons

The undersigned persons state that, to the best of their knowledge:

- the consolidated financial statements of Devgen NV and its subsidiaries as of 31 December 2011 have been prepared in accordance with the International Financial Reporting Standards, and give a true and fair view of the assets and liabilities, financial position and results of the whole of the companies included in the consolidation; and

- the annual report on the consolidated financial statements gives a fair overview of the development and the results of the business and of the position of the whole of the companies included in the consolidation, as well as a description of the principal risks and uncertainties faced by them.

Undersigned by Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, CEO and Mr. Wim Goemaere, CFO.

14.2. Annual report of the Board of Directors on the consolidated financial statements of Devgen NV

Dear Madam/ Sir, Shareholder,

We are pleased to present to you the consolidated financial statements for the fiscal year that ended 31 December 2011.

1. Strategic and business highlights

Business highlights

- Breakthrough results in multi-location field trials of Devgen's Next Generation Hybrid Rice varieties.
- Solid growth in seed sales in India and Southeast Asia.
- Introduction of new hybrid sorghum and pearl millet varieties and successful start of distribution of cotton seeds in India.
- Registration of three new hybrid rice varieties in the Philippines.
- Progression of key rice biotech traits into the regulatory process in India and strengthening of biotech activities and infrastructure in India and Singapore.
- Cheminova appointed as distributor for Southern Europe for Devgen’s nematicide Devguard®.
- Two reference investors appointed to the Board of Directors.

Next Generation Hybrid Rice and Biotech Rice

Since 2005, Devgen has undertaken a fundamental redesign of hybrid rice in order to develop Next Generation Hybrid Rice (NGHR™) seeds. The company uses an advanced breeding platform that is considerably more efficient than hybrid rice technology currently in the market in India and Southeast Asia.

Devgen’s improved varieties are expected to offer farmers significant performance benefits over existing varieties, including substantially higher yields, improved production efficiencies, better milling quality, suitability for mechanized seeding and desired taste.

In 2011, Devgen’s researchers in India and the Philippines produced hundreds of new and proprietary hybrid rice varieties based on NGHR™-technology. These were then tested during the July 2011 rice-growing season in multi-location trials in India, the Philippines and Vietnam. The recently completed data analysis identified a substantial number of NGHR™-varieties that gave in these trials a more than 20% yield advantage over the best conventional varieties and a more than 10% yield advantage over the current-best hybrid rice varieties in the market.

Historical examples in many field crops (such as cotton, corn and sorghum) and in many vegetable crops, learn that farmers only prefer to plant hybrid varieties over conventional varieties once they offer a yield advantage of 20% or more. A substantial number of Devgen’s NGHR™-varieties now reach this commercial breakthrough threshold. The company is therefore confident that it is on track to deliver hybrid rice varieties that have the potential to fundamentally change the farmer’s economics and to drive the adoption of hybrid rice varieties in India and Southeast Asia.

The best NGHR™-varieties identified in the 2011 season now undergo seed production research and are scheduled to enter multi-location performance trials in the upcoming planting season mid-2012. In January 2013, Devgen expects to select NGHR™-varieties for pilot seed production and market entry through large-scale farmer trials in July 2013. The full start of sales is targeted for 2014.

Regarding biotech rice, Devgen's pipeline of crop protection (insect resistance and herbicide tolerance) and stress traits in rice made progress as planned. Activities in Devgen's government certified biotech greenhouse facilities in Hyderabad (India) and Singapore were further expanded.

Devgen's current hybrid rice seed business in India and Southeast Asia

Devgen's existing hybrid rice business in India and Southeast Asia is centered on a number of premium seeds which offer advantages to farmers over traditional varieties. This product portfolio has allowed the company to establish a significant presence in the hybrid seed segment of these markets.

Devgen strengthened its market access in 2011 and achieved a 40% increase in the sales of hybrid rice seeds versus 2010. This was amongst others due to:

- The solid performance in the Indian private hybrid rice seed market of Devgen's current hybrid rice seed portfolio.
- The success of Devgen's hybrid rice seed DG 1 SHS, that is in high demand from Indonesian farmers because of its high yield, excellent taste and adaptation to the farmer's needs.
- The successful introduction in the Philippines of Frontline GoldTM, one of Devgen's newly registered varieties that offers farmers superior yield and grain quality versus currently grown conventional and hybrid rice varieties.

Investments in 2011 have led to a strengthening of Devgen's product portfolio with new hybrid rice seed products set for launch in India, Indonesia and the Philippines in 2012.

In India, Devgen saw the successful conclusion of farmer trials of two new premium hybrid rice varieties. During these trials, Devgen's new hybrid rice varieties were grown in several hundred locations across key rice markets in India's Eastern states. Over 125,000 farmers visited the sites as part of the pre-launch marketing campaign. The farmers who conducted the tests and those who visited the fields gave highly positive feedback on yield, grain quality and plant type. The market potential of these improved hybrid rice varieties is therefore substantially validated. Furthermore, extensive seed production trials showed that these products have improved production efficiency over current hybrid seed products, hence an expected lower cost of goods and reduced production risk. Sales of these new products start in the planting season that begins in May 2012.

In the Philippines, Devgen obtained registration for three additional new hybrid rice varieties.

These various necessary steps taken last year, pave the way for the further expansion of Devgen's seed business in 2012.

Devgen's activities in other hybrid crops in India

Devgen strengthened its market access in India in its existing seed business in three other strategic crops – sorghum, pearl millet and sunflower. Devgen produces and sells across India proprietary premium seeds of these crops that are seasonally and geographically complementary to rice. The company also started to distribute cotton seeds which complements its portfolio of proprietary hybrid seeds.

In 2011, Devgen realized a 40% growth in hybrid sorghum seed revenues. Devgen introduced an important new hybrid sorghum variety in the market. This product is designed to strengthen Devgen's current leadership of the Indian hybrid sorghum market by having the potential to capture an important share of the so far non-hybridized Rabi (winter) sorghum market which accounts for more than two thirds of the total sorghum market. This new product is expected to offer growers, for the first time, a hybrid variety with equivalent grain quality and taste to traditional Rabi sorghum varieties, whilst providing a significant grain and fodder yield advantage.

Devgen saw a 29% increase in hybrid pearl millet seed sales in 2011. The company successfully completed the first sales season of its first hybrid pearl millet seed adapted to all pearl millet growing areas in India. In its first sales season the new seed was purchased, planted and harvested by over 15,000 farmers across all the pearl millet growing areas in India. The feedback from farmers was most encouraging, referring to a number of advantages over currently available products including higher yields of premium grain and fodder combined with desirable color and quality. Until the market introduction of this new product, Devgen's hybrid pearl millet seeds were suited only for the South of India (15% of the market). The new hybrid pearl millet seed is important for Devgen as it gives the company first time access to farmers in North India, which account for almost 85% of the 10 million hectare pearl millet market.

The market for sunflower seeds was again limited in 2011. Farmer economics were slightly better than last year but still not at sufficient levels to convince them to grow sunflower in a much larger acreage. Devgen performed well against this difficult market background achieving respectable volumes at prices exceeding last year's net sales prices. This solid performance was due to the quality of the company's hybrid sunflower seed portfolio.

In 2011, Devgen acted for the first time as a distributor of hybrid cotton seeds in-licensed from a third party. This distribution activity leveraged Devgen's marketing and sales capabilities and increased the company's revenue without increasing its sales force or G & A costs. This activity carries no seed production or stock risk, but contributes only a distributor margin.

Nematicides

Devgen's novel nematicide for agrochemical use offers a superior environmental and worker exposure profile compared to other currently marketed nematicides. The company's product is already sold in Turkey under the Devguard® brand to protect tomatoes, peppers, eggplants and cucumbers from infestation by plant parasitic nematodes.

At the end of March 2011, Cheminova was appointed as the distributor for Devgen's nematicide Devguard® in Southern Europe. This cooperation led to successful joint pre-launch activities in that region.

Last year, the Russian Federation granted permission to import tomatoes and cucumbers treated with Devguard® 500SC from Turkey and other countries. Market opportunities for Devgen are thus expanding in regions that cultivate vegetables for export to Russia.

Data from the first full season of peanut trials with Enclosure® in the US, using a modified label that permitted more flexible applications, confirmed that it performed as well as its main competitor in the market. Sales based on this new label are expected to start once the trials have been fully evaluated and support from key opinion leading agronomists advising farmers has been gained.

The full season evaluation of vegetable trials in the US indicates that Enclosure® delivers crop yields comparable to standard nematicide treatments and significantly higher yields than untreated crops. These results confirm previous observations in Europe.

Devgen is closely monitoring the progress in the review of its registration dossiers by the regulatory authorities. Registrations of Enclosure® and Devguard® in more crops and countries are expected in the course of 2012.

Other corporate developments

Devgen appointed two reference investors to its Board of Directors:

- Mr. Aat Van Herk is an important shareholder of the company since Devgen was listed on Euronext in 2005 through the investment company O.G.B.B. A. Van Herk B.V. He has an eminent track record as biotechnology investor and entrepreneur.

- Mr. Wouter de Ruiter is an important shareholder through Madeli Participaties B.V. He built his career at De Ruiter Seeds and brings with him 20 years of experience in the seed industry. De Ruiter Seeds was purchased by Monsanto Company in 2008.

2. Financial review

The consolidated accounts are drawn up in accordance with IFRS and have been approved by the Board of Directors on 7 March 2012.

Financial highlights

- Revenues from seed sales achieving 82% growth in 2011. The gross profit growth from these seed sales in 2011 is fully compensating for the lower revenues from research contracts.

- Research income down 16% following the completion of the 5 year research and licensing agreement with Monsanto Company.

- With operating expenditure in 2011 in line with 2010, operating loss at € 6.3 million compared to € 6.2 million loss in 2010.

- € 26.8 million equity funding completed in April 2011.

- Strong cash position at end of 2011, amounting to € 44.3 million, up from € 28.8 million at the end of 2010, including restricted cash for an amount of € 5.7 million per 31 December 2011 compared to € 5.9 million per 31 December 2010.

Key financials

in € 1,000	2011	2010	1H 2011	2H 2011
Research and development services	10,412	12,451	5,849	4,563
Sales of goods	15,081	8,284	11,927	3,154
Total revenue	**25,493**	**20,735**	**17,776**	**7,717**
Cost of goods sold	-13,477	-8,711	-9,354	-4,123
Gross profit	**12,016**	**12,024**	**8,422**	**3,594**
EBITDA	-4,559	-3,921	1,077	-5,636
Operating result (EBIT)	-6,301	-6,191	216	-6,517
Net loss of the period	**-7,048**	**-7,141**	**-255**	**-6,793**

in € 1,000	31/12/2011	31/12/2010
Cash and cash equivalents (*)	44,269	28,819

(*) Including cash restricted in its use for € 5,718 (‘000) per 31 December 2011 and € 5,866 (‘000) per 31 December 2010.

Revenues
Devgen’s revenues amounted to € 25.5 million in 2011 compared to € 20.7 million in 2010. This 23% increase is due to the excellent performance of Devgen’s seed business. Revenues from product sales amounted to € 15.1 million, nearly double the turnover of € 8.3 million reported in 2010. This excellent growth is mainly attributable to volume growth in hybrid rice seeds (+50%), hybrid sorghum seeds (+35%), hybrid pearl millet seeds (+12%) and to the start of the distribution of cotton seeds.

As anticipated, given the seasonality of the business, seed revenues in the second half of the year were much lower than in the first half of 2011. Seed sales in the second half of the year were comprised of sales of sunflower seeds in India and rice seeds in the Philippines, which were in line with expectations. These sales were further increased by realization of additional volumes of sorghum and cotton seeds in India in the second half of 2011.

Revenues associated with R & D activities (Monsanto Company and Sumitomo Chemical Company) were € 10.4 million in 2011 compared to € 12.5 million in the previous year. This lower figure was due to the completion of the 5 year research and licensing agreement with Monsanto Company in October 2011.

Gross profit
Devgen reported a gross profit of € 12.0 million in 2011 which is in line with the gross profit achieved in 2010. The sales and gross profit growth from the seed business was able to fully compensate for the lower revenues from research contracts.

Devgen achieved a gross profit of € 1.6 million on the sales of goods in 2011 compared to a gross loss of € 0.4 million in 2010. This significant improvement in the gross profit from sales of goods resulted from volume increases and was further due to improved production efficiencies and better production conditions in 2011.

Due to the seasonality in the sales of seeds and write down of obsolete inventories at the end of the season, the gross profit in the second half of 2011 is lower than in the first half of the year.

Operating result
Devgen’s operating loss amounted to € 6.3 million in 2011, which is slightly above the € 6.2 million operating loss reported in 2010, but in line with expectations.

Marketing and distribution expenses of € 4.4 million were slightly below last year’s € 4.5 million. Devgen is benefitting from the market building investment it has made in previous years. This allows the company to realize significant sales growth while total marketing and distribution expenses remain at the same level.

Reported R & D expenses were € 8.1 million, compared to € 8.5 million in 2010. General and administration expenses amount to € 6.2 million in 2011, slightly above last year’s € 6.1 million.

Other operating income amounted to € 0.4 million in 2011 compared to € 0.9 million in 2010. In 2010, other operating income included a € 0.5 million gain on the contribution in kind of part of Devgen’s human therapeutic assets to Amakem NV, a new start-up company focused on eye disease.

Net result
Devgen reported a net loss for the period of € 7.0 million, compared to € 7.1 million loss reported for 2010. Operating expenses were stable. A reduction in R & D income was compensated by growth in the gross profit of the seed business.

Cash flow
Devgen had an operating cash outflow of € -8.1 million in 2011, compared to an outflow of € -14.2 million in 2010. With an operating result equivalent to last year's result, the net operating cash outflow improved by € 6.1 million compared to 2010. This improvement mainly results from favorable changes in trade receivable and inventory balances during 2011.

The cash outflow on investment activities amounted to € 0.6 million, including € 0.3 million nematicides development expenses.

The company generated € 24.2 million from financing activities in 2011. This consists of the € 26.8 million capital increase dated 4 April 2011 offset by debt repayments of € 1.7 million and net financial expenses of € 0.9 million.

Balance sheet
In April 2011, Devgen raised € 26.8 million through an equity private placement with pre-identified investors at a price of € 5.85 per share. The principal new investors were Gimv and Gimv-managed funds who jointly invested € 9 million, while € 17.8 million was invested by other new and existing investors including O.G.B.B. A. Van Herk B.V., Madeli Participaties B.V. and Biovest Comm.VA.

As a result of this transaction, the company's solvency ratio (equity versus total assets) improved to 82% at the end of December 2011, compared to 64% at the end of December 2010.

Devgen's non-current assets remained stable at € 29.0 million as at 31 December 2011 versus € 30.5 million as at 31 December 2010.

The net working capital (excluding cash and cash equivalents) increased from € -4.5 million as of 31 December 2010 to € -0.2 million per end of 2011. This € 4.3 million change is the effect of the usage of the prepayment received from Monsanto Company and the decrease of the inventory and trade receivable balances.

Cash and cash equivalents amount to € 44.3 million as of 31 December 2011, including € 5.7 million restricted cash. The increase of € 15.5 million compared to end December 2010 is due to the € 26.8 million proceeds from the above mentioned private placement offset by € 11.3 million cash used in operating, investing and other financing activities.

Taxation
The losses incurred by the company over the last years imply that no income taxes were payable. On 31 December 2011, the company had net tax losses carried forward for an amount of € 111.8 million, resulting in a potential deferred tax asset of € 38.0 million. However, due to the uncertainty surrounding Devgen's ability to realize taxable profits in the near future, the company did not recognize any deferred tax assets on the balance sheet.

3. Capital increases and issuance of financial instruments

The following capital increases took place in 2011:

- Through a private placement of 4,584,549 new shares on 4 April 2011 at an issue price of € 5.85 per share, resulting in a capital increase of € 0.3 million and an increase of the share premium account with € 26.5 million.

- Through the exercise of 2,245 warrants into the same number of new shares on 8 April 2011, resulting in a capital increase of € 168 and an increase of the share premium account with € 7,689.

- Through the exercise of 2,964 warrants into the same number of new shares on 6 October 2011, resulting in a capital increase of € 222 and an increase of the share premium account with € 10,152.

Following the decision of the Extraordinary Shareholders' meeting of 1 June 2011, the following warrants have been granted and accepted:

- 85,436 warrants for the benefit of the CEO with a lifetime of 5 years after the creation date, granting for free and vesting on acceptance;

- 30,000 warrants for the benefit of the members of the Board with a lifetime of 5 years after the creating date, granting for free and vesting on 31 May 2012.

On 31 December 2011, a total of 6,000 warrants were cancelled.

4. Corporate governance statement

4.1 Corporate governance code

Devgen's corporate governance is based on the principles described in the 2009 Belgian corporate governance code, issued by the Belgian corporate governance committee. In view of this code, Devgen has described the main aspects of its corporate governance in a corporate governance charter, which together with applicable law and the company's articles of association, governs the way Devgen is managed and controlled.

This charter can be obtained free of charge at the registered office of the company and is available on the company's website (www.devgen.com under the section Investor Relations / Corporate Governance).

4.2 Compliance with the corporate governance code

Devgen has adopted the 2009 Belgian corporate governance code as its reference code. It complies with the provisions of this code with the exception of the deviations enumerated hereunder;

- The chairman of the Board of Directors, Mr. Remi Vermeiren, is also chairman of the Audit Committee, which deviates from provision 5.2./3 of the corporate governance code. The Board of Directors finds that this deviation is justified as it is beliefs that, given his experience and skills, Mr. Remi Vermeiren is best suited to fulfill the function of chairman of the Audit Committee next to the function of chairman of the Board of Directors. Mr. Remi Vermeiren holds a degree in commercial and financial sciences and has a strong financial experience as former chairman of the executive committee of KBC Group and as member of the administrative, management or supervisory bodies of various companies. See section on "Expertise within the Audit Committee" in paragraph 4.5 of this annual report for additional information.

- Devgen does not comply with the provision 5.2./4 of the corporate governance code which states that a majority of the Audit Committee's members should be independent. As of 1 July 2011, no member out of the 3 members of the Audit Committee qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three subsequent directorships since they joined the Board of Directors in April 2005 and Mr. Marien represents more than 10% of the shares. The Board of Directors considers that the members of the audit committee have the necessary business, industry and financial experience to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Devgen does not fully comply with provision 5.2./17 which states that an independent internal audit function should be established. In view of the size of the company, Devgen has no overall formal internal audit function. However, as explained further in Devgen's corporate governance charter, the Audit Committee regularly evaluates the need for particular internal audits and the steps to be taken given the findings of such evaluations.

- Devgen does not comply with provisions 5.3./1 and 5.4./1 of the corporate governance code which state that the majority of the members of the Nomination and Remuneration Committee should be independent. As of 1 July 2011, there is only one member, Mr. Orlando de Ponti, of the five member committee who qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. The other formerly independent directors in the Nomination and Remuneration Committee, Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three directorships since they joined the board in April 2005. The Board of Directors considers that the members of the Nomination and Remuneration Committee have the necessary experience and competences to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Contrary to provision 7.7 of the corporate governance code, which sets out that non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits, the Extraordinary Shareholders Meeting of 1 June 2011 granted each non-executive director, or its permanent representative, 6,000 warrants on Devgen shares. Through warrants the company can remunerate its non-executive directors without using the company's cash resources, which is in the interest of a growth company such as Devgen. In addition to these warrants, the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed Board mandate year. The chairman of the Board of Directors is entitled to a monthly fee of € 4,000. Devgen believes that this remuneration package is justified, as it corresponds with market practice and expectations for similar listed companies in the biotechnology field and allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors.

- Unlike set out in provision 7.18 of the corporate governance code, the contract between the CEO and Devgen does not specify that the severance package excludes variable cash bonuses in case the departing CEO did not meet the performance criteria referred to in the contract. The termination indemnity is calculated on the basis of the fixed remuneration applicable at the time of termination and the average variable cash bonus paid in previous 3 years. The Board of Directors believes this arrangement to be fair and in the interest of the company.

4.3 Internal controls and risk management

Devgen has implemented a risk management system and an internal control structure, which are monitored by the Audit Committee.

a. Control environment

Organization of internal control

The internal control environment is organized by Devgen's executive management and is monitored by the Audit Committee. The role of the Audit Committee is stipulated in Devgen's corporate governance charter. The Audit Committee evaluates on a regular basis the needs with respect to internal auditing based on a risk assessment. The Audit Committee takes the necessary action relating to the findings of this evaluation.

Today the company does not have an internal audit department. The company is assigning these tasks to staff members with appropriate qualifications and if necessary field experts from outside the company are engaged to perform these audits. Based upon a 3-year rotation plan, all important business cycles across all legal entities are subject to an internal audit.

Ethical values
The Audit Committee prepared a "Code of Conduct" which applies for all Devgen companies and employees. Furthermore, the employment contracts of all employees contain stipulations with respect to ethical conduct of business.

b. Risk analysis

We refer to section 6 "Risks" of this annual report for a detailed risk analysis of the Devgen group.

c. Control activities

Control activities include the measures taken by Devgen to ensure that the risks under its control are appropriately controlled and mitigated.

- Devgen appoints highly qualified personnel in key positions within all entities of the group.
- The management has clearly aligned responsibilities as set out in the job descriptions which are prepared for all employees of the company.
- The management is also responsible to comply with internal regulations and the Board of Directors is ensuring that the management is respecting the general policies and the corporate plans.
- The implementation of a set of procedures amongst others with respect to purchasing and payments based on double signatures, periodical stock takings, to be systematically applied within all entities of the company.
- The external legal counsel of the group together with the CEO and the management team has set up internal procedures in order to ensure that acts performed within or by the company are in compliance with the existing laws and external regulations.
- Risks with respect to infrastructure - as there are: fire, unwanted access and power failures - have been minimized by taking appropriate measures. For assets which are crucial for the continuity of the company, being it equipment for R & D or production but also the stored biological material such as seeds, measures have been taken to duplicate these assets and to spread them over different locations. Next to avoiding risks in this respect, where possible, insurance has been taken to cover loss of these assets, always based however on an economic justification whereby the risk is evaluated against the price to insure the risk.
- With respect to complying with regulations concerning safety at work, working with biotechnological material and environmental matters in general, appropriate measures were taken within the company to guarantee compliance with these regulations and to operate with and within the required permits in this respect. Amongst others Devgen applies the guidelines as prescribed in the international standards of "Excellence through Stewardships".
- The IT department is responsible for the continuity of the IT-platforms used by the company to

support its operations as well as for the implementation of system access controls and safely storing data. Appropriate measures were taken to assure the continuity of the operations of the company taking into account the requirements of the different departments.

- The IP-portfolio, for the protection of knowledge and proprietary technology, is managed in a deliberated way by evaluating on a regular basis the costs to maintain such protection versus the benefits of doing this. Furthermore it is clearly communicated to employees on how to deal with confidential information ("gate keeping") and rules are in place on how to share such information with third parties (CDA's). Within the lab the progress of the research is registered and relevant documentation is stored in an electronic lab note book with registration of the date of entry.

- In addition procedures are in place with respect to in- and outgoing material flows in order to protect the rights of the parties involved at all times.

- The company has procedures in place with respect to managing crisis situations.

- Risks related to "Insider trading" are managed through clear communications to the parties involved, the availability of guidelines ("dealing code") and the appointment of a compliance officer.

- We refer to Note 24 "Financial instruments" of the consolidated financial statements for a detailed discussion on the managing of the credit risks, interest risks, exchange risks and liquidity risks.

d. Information and communication

The following policies and procedures have been implemented relating to the information and communication processes:

- A standardized process is in place which enables the corporate finance department of the group to prepare consolidated financial statements on a quarterly basis.

- Manuals are being used in order to assure preparing and reporting financial information in a consistent manner.

- The valuation rules, compliant with IFRS, are documented and are published in the annual accounts.

- Management support systems have been implemented generating consistent financial and operational information (ERP-applications).

- Procedures are in place in order to verify the accuracy of the reporting figures, such as comparison with prior period results and with budgets.

- The external auditors of the company are requested to pay special attention to area's with specific company and industry risk which can have an immediate effect on the financial information provided by the company.

e. Supervision and monitoring

Supervision and monitoring activities are performed by the executive and senior management on a daily basis. The Audit Committee monitors the control activities with the company.

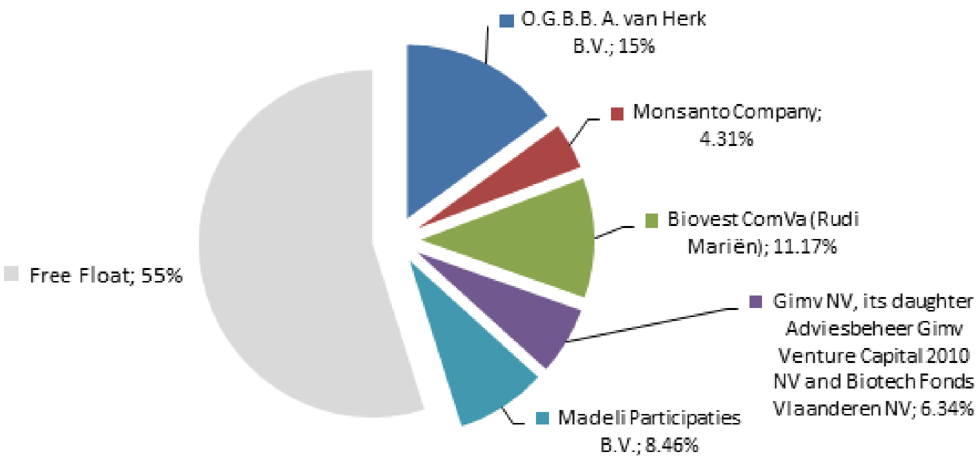
4.4 Shareholders' structure at balance sheet date

The table below provides an overview of the transparency declarations that Devgen NV has received to date.

	Party	Date of declaration	Shares	Total voting securities on date of declaration	
			Number	Number	% (1)
1	O.G.B.B. A. Van Herk B.V.	01/09/2008	2,277,266	2,277,266	12.74 %
2	Petercam NV	01/09/2008	1,423,430	1,423,430	7.96 %
3	Monsanto Company	01/09/2008	1,045,400	1,045,400	5.85 %
4	BPTS	01/09/2008	633,000	633,000	3.54 %
5	KBC Asset Management NV	01/09/2008	558,863	558,863	3.13 %
6	Biovest ComVa (Rudi Mariën)	13/11/2008	1,082,574	1,082,574	6.05 %
7	Petercam NV	24/12/2008	771,504	771,504	4.31 %
8	Petercam NV	28/04/2009	-	-	< 3 %
9	KBC Asset Management NV	30/04/2009	-	-	< 3 %
10	Biovest ComVa (Rudi Mariën)	12/10/2009	2,195,668	2,195,668	11.17 %
11	BT Pension Scheme Trustees Limited (BPTS)	19/10/2009	590,500	590,500	3.01%
12	O.G.B.B. A. Van Herk B.V.	13/11/2009	2,947,569	2,947,569	15%
13	Undisclosed party	31/08/2010	591,295	591,295	3.01%
14	Undisclosed party	22/11/2010	1,002,628	1,002,628	5.10 %
15	BT Pension Scheme Trustees Limited (BPTS)	10/03/2011	574,749	547,749	2.92%
16	Gimv NV, its daughter Adviesbeheer Gimv Venture Capital 2011 NV and Biotech Fonds	08/04/2011	1,538,462	1,538,462	6.34%
17	Madeli Participaties B.V.	21/04/2011	2,052,476	2,052,476	8.46%
18	Monsanto Company	25/04/2011	1,045,400	1,045,400	4.31%

(1) The percentage of voting securities is calculated on the basis of the outstanding voting securities at the time of the declaration.

Overview of the major shareholders as of 31 December 2011, based upon the above mentioned transparency declaration.



The remuneration report, included in paragraph 5 of this document, contains an overview of the number of shares held by the directors per 31 December 2011.

4.5 Composition of the Board of Directors and its Committees

The Board of Directors
At the beginning of 2011, the Board of Directors consisted of the following seven members: Mr. Remi Vermeiren (chairman), Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, Mr. Orlando de Ponti, Blenar BVBA represented by Mr. Jan Leemans, Gengest BVBA represented by Mr. Rudi Mariën, Mr. Patrick Van Beneden and Mr. Alan Williamson.

On 1 June 2011, Van Herk Global Agri B.V., represented by Mr. Aat van Herk was appointed as non-executive director of the company. On 1 June 2011, Mr. Wouter de Ruiter was appointed as non-executive director of the company. On 28 September Mr. Wouter de Ruiter voluntarily resigned and the same day the Board of Directors co-opted Madeli Participaties B.V., having as only director Madeli B.V., represented by Mr. Wouter de Ruiter. Therefore the Board of Directors consists of nine members on 31 December 2011.

Up to 1 July 2011 Mr. Remi Vermeiren and Blenar BVBA, represented by Mr. Jan Leemans, qualified as independent directors under the Company Code. Mr. Orlando de Ponti and Mr. Wouter de Ruiter qualify until present as independent directors. The only executive director is Thierry Bogaert BVBA, managing director and Chief Executive Officer (CEO).

Operation
In 2011 the Board of Directors held seven ordinary meetings. The date and attendance of these Board meetings are set out in the table below.

Name	03/03	30/03	11/04	14/06	26/08	28/09	14/12
Remi Vermeiren	X	X	X	X	X	X	X
Thierry Bogaert (Thierry Bogaert BVBA)	X	X	X	X	○	X	X
Patrick Van Beneden	X	-	-	X	X	X	X
Jan Leemans (Blenar BVBA)	X	-	-	X	○	X	X
Alan Williamson	X	-	-	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	○	-	X	X	X	X
Orlando de Ponti	-	○	-	X	○	X	X
Aat van Herk (Van Herk Global Agri B.V.)	n/a	n/a	n/a	-	-	-	-
Wouter de Ruiter	n/a	n/a	n/a	X	o	X	n/a
Wouter de Ruiter (Madeli Participaties B.V.)	n/a	n/a	n/a	n/a	n/a	n/a	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable

The Audit Committee
In 2011 the Audit Committee was composed of Mr. Remi Vermeiren (chairman), Blenar BVBA represented by Mr. Jan Leemans and Gengest BVBA, represented by Mr. Rudi Mariën.

Currently, the Audit Committee does not have a member who qualifies as an independent director in the sense of article 526ter of the Company Code and therefore the Audit Committee is not validly composed in accordance with article 526bis of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance, by proposing to the next general shareholders meeting the appointment of a new independent director who has the necessary expertise to become chairman of the Audit Committee.

The Audit Committee met four times in 2011 as set out in the table below.

Name	02/03	14/06	25/08	13/12
Remi Vermeiren	X	X	X	X
Jan Leemans (Blenar BVBA)	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	X	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

Expertise within the Audit Committee

The Board of Directors believes that at least one member of the Audit Committee, namely Mr. Remi Vermeiren, has the necessary expertise in the field of accounting and audit, because Mr. Remi Vermeiren holds a degree in Commercial and Financial Science and gained experience in accounting and audit as former chairman of the Executive Committee of KBC Group and as a member of the administrative, management or supervisory bodies of various companies.

The Nomination and Remuneration Committee

Mr. Remi Vermeiren (chairman), Mr. Patrick Van Beneden, Gengest BVBA, represented by Mr. Rudi Mariën, Mr. Orlando de Ponti and Blenar BVBA, represented by Mr. Jan Leemans, were part of the Nomination and Remuneration Committee in 2011.

Currently, the Nomination and Remuneration Committee does not incorporate a majority of independent directors in the sense of article 526ter of the Company Code and therefore the Nomination and Remuneration Committee is not validly composed in accordance with article 526quater of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance.

The Nomination and Remuneration Committee met three times as set out in the table below.

Name	03/03	28/09	14/12
Remi Vermeiren	X	X	X
Patrick Van Beneden	X	X	X
Rudi Mariën (Gengest BVBA)	X	X	X
Orlando de Ponti	-	X	X
Jan Leemans (Blenar BVBA)	-	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

4.6 Overview of the efforts made to ensure that at least one third of the members of the Board of Directors is of another gender than the other members

The Nomination and Remuneration Committee will develop a plan to attract suitable future board members of both genders in the years up to 2017.

5. Remuneration report

5.1 Remuneration of the non-executive directors

The remuneration of the non-executive directors is decided upon by the General Shareholders' meeting.

The Nomination and Remuneration Committee makes proposals to the Board of Directors on the remuneration policy and the remuneration for non-executive directors, taking into account the corporate governance code, market practice and the characteristics of listed growth companies. The Board of Directors subsequently proposes a remuneration package to the General Shareholders' meeting, based upon the proposal of the Nomination and Remuneration Committee.
According to the code, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and the non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

The Nomination and Remuneration Committee consists of the 5 following members:

- Mr. Remi Vermeiren, chairman;
- Gengest BVBA, represented by Mr. Rudi Mariën;
- Blenar BVBA, represented by Mr. Jan Leemans;
- Mr. Patrick Van Beneden;
- Mr. Orlando de Ponti.

The General Shareholders' meeting of 2 June 2009 resolved that the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed board mandate year. Said General Shareholders' meeting also confirmed that the remuneration of the chairman consists of a monthly fee of € 4,000.

The following remuneration has been paid by the company to the non-executive directors during 2011:

Director	*Attendances (*)*	Amount (€)
Remi Vermeiren	Board - AC - RemCo	48,000
Gengest BVBA – Rudi Mariën	Board - AC - RemCo	22,500
Blenar BVBA - Jan Leemans	Board - AC - RemCo	18,000
Patrick Van Beneden	Board - RemCo	0

Alan Williamson	Board	13,500
Orlando de Ponti	Board - RemCo	13,500
Wouter de Ruiter	Board	3,000
Madeli Participaties - Wouter de Ruiter	Board	1,500
Van Herk Global AGRI - Aat van Herk	Board	0

(*) AC = Audit Committee; RemCo = Nomination and Remuneration Committee.

In addition to foregoing cash remuneration and as a deviation from the code all non-executive directors or their permanent representatives were offered 6,000 warrants on Devgen's shares by the Extraordinary Shareholders meeting of 1 June 2011. Said warrants were granted at the beginning of the mandate and become vested warrants on 31 May 2012.

There is no agreement between the company and the non-executive directors that would entitle such directors to any compensation or indemnity triggered by termination of their mandate and Devgen has not made any loans to the members of the Board of Directors.

The managing director and CEO, Thierry Bogaert BVBA, does not receive remuneration in his capacity of director of Devgen NV. His remuneration as executive manager is specified further on.

In the next two years, 2012 and 2013, the remuneration of the non-executive directors will be on the same basis as in 2011.

5.2 Shares and warrants held by non-executive directors

The table below provides an overview of the shares and warrants held by the non-executive directors on 31 December 2011. For the key features of these warrants, please refer to IFRS note 22 of the consolidated financial statements.

Board of Directors on 31 December 2011	Shares	Warrants		
		Outstanding	Exercise price	Vested
Orlando de Ponti	-	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Jan Leemans	13,000	2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Blenar BVBA	-			
Rudi Mariën	385,000	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Gengest BVBA	-			
Biovest ComVa (*)	2,708,489			
Remi Vermeiren	20,000	3,000	9.49 €	3,000
		3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Patrick Van Beneden	-	-	-	-
Alan Williamson	1,146	3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Wouter de Ruiter	-	-	-	-
BV Madeli Participaties	2,083,863	-	-	-
Aat van Herk	-	-	-	-
Van Herk Global Agri BV	-	-	-	-
O.G.B.B. A. Van Herk B.V. (**)	4,507,700	-	-	-

(*) Biovest ComVa is an investment company controlled by Mr. Rudi Mariën.
(**)O.G.B.B. A. Van Herk B.V. is an investment company controlled by Mr. Aat van Herk.

5.3 Remuneration of the executive and senior management

The remuneration of Thierry Bogaert BVBA as CEO, as well the remuneration of the CFO and the senior managers are determined by the Board of Directors, upon proposal of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee determines the relevant benchmark and makes proposals on the remuneration policy and individual remuneration, taking into account the skills, experience, performance and responsibilities of the individual.

The CEO makes proposals to the board and the Committee, with respect to the remuneration of the executive and senior management of the company and its subsidiaries.

The Board of Directors has adopted a remuneration policy for the executive and senior management in line with the market standard in the sector and the performance of the managers. The remuneration policy is designed to retain the managers and to give them the incentive to achieve the short and long term goals of the company. The remuneration consists of the following:

- a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- a variable remuneration, both as a cash bonus and in the form of an offer of warrants to the company's shares, depending on the extent to which the manager met his objectives in the past year;
- extra-legal benefits, including participation in a pension scheme, a disability and healthcare insurance, a company car, mobile phone, laptop and meal vouchers.

The following table provides the remuneration of the executive and senior management in 2011:

in '000 EUR	Note	CEO	CFO	Senior management	Total
Fixed remuneration		359	168	857	1,383
Expenses and allowances		24	18	78	120
Variable remuneration					
- in cash	(a)	215	25	146	386
- in warrants	(b)	140	37	141	318
Total variable remuneration		355	62	287	704
Post-employment benefits		0	12	56	68
Total remuneration		**737**	**260**	**1,279**	**2,276**

(a) Variable remuneration earned in 2011, paid in 2012 for CFO and senior management, paid in 2012, 2013 and 2014 for CEO (see below).

(b) Warrants granted by the Nomination and Remuneration Committee per 7 March 2012, not yet accepted per date of this report. The valuation of this part of the variable remuneration is done using the Black & Scholes model for the calculation of the fair value of the warrants.

The relative portions of the fixed and variable remuneration are as follows:

	CEO	CFO	Senior management
Fixed remuneration	49%	64%	68%
Expenses and allowances	3%	7%	6%
Variable remuneration			
- in cash	29%	10%	11%
- in warrants	19%	14%	11%
Total variable remuneration	48%	24%	22%
Post-employment benefits	0%	5%	4%
Total remuneration	**100%**	**100%**	**100%**

The variable remuneration paid out in cash or granted in warrants during 2011 as part of the remuneration over services in 2010 is as follows:

in '000 EUR	CEO	CFO	Senior management	Total
Variable remuneration				
- in cash	213	16	128	357
- in warrants	95	31	110	235
Total variable remuneration	**307**	**47**	**238**	**593**

In the next two years, 2012 and 2013, the remuneration of the CFO and senior managers will be on the same basis. The Board of Directors furthermore expects the total remuneration package of the CEO in the coming 2 years to be in line with the total remuneration package in 2011, assuming an equivalent performance.

The post-employment benefits for the CFO and the majority of senior management are payments into a defined contribution pension plan, under which the company pays a fixed percentage of the fixed gross salary to an insurance company.

The CEO, the CFO and the senior management are eligible for variable annual cash and warrant bonuses.

In accordance with the provisions of the Company Code the variable bonus of the CEO will be based on the performances for 3 years, where only 50% of the bonus shall be based on the performances of 2011, 25% on the performances of 2012 and 25% on the performances of 2013.

During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee and in common agreement with the CEO, determine performance criteria of the CEO (i) for the then current calendar year (the "One Year Performance Criteria"), (ii) for the two years' period including the then current and the next calendar year (the "Two Years Performance Criteria") and (iii) for the three years' period including the then current and the next two calendar years (the "Three Years Performance Criteria"). The One Year Performance Criteria, the Two Year Performance Criteria and the Three Year Performance Criteria may include quantitative as well as qualitative objectives (such as objectives in terms of cash burn, revenues, EBIT and technical and business milestones).

The variable annual bonus shall be calculated as following. During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee, determine the CEO's performance (expressed as a percentage) against the One Year Performance Criteria for the previous calendar year (the "One Year Performance Percentage"), against the Two Years Performance Criteria for the two previous calendar years (the "Two years Performance Percentage") and against the performance criteria for the three previous calendar years (the "Three Years Performance Percentage").

During the first quarter of the year, when the budget for the coming year has been defined, the CEO determines the quantitative and qualitative goals for CFO and senior management. At the end of the year the CEO evaluates the goals. Based on this evaluation the CEO makes a proposal for variable annual cash and warrant bonuses to the Nomination and Remuneration Committee. The Board Directors decides on the variable annual cash and warrant bonuses for the CFO and the senior management, at the recommendation of the Nomination and Remuneration Committee.

The severance pay contractually foreseen for the CEO, the CFO and senior management to be paid in the event of early termination does not exceed 12 months' basic and variable remuneration.

Belgian law and normal practice are the basis for the severance arrangements with the executive managers, except for the CEO and the CFO whose contractual arrangements entered into at the time of their appointment provide for notice periods of 12 and 9 months respectively.

There are no provisions allowing the company to reclaim any variable remuneration paid to executive management based on incorrect financial information.

5.4 Shares and warrants held by executive and senior managers

The table below provides an overview of the warrants held directly or indirectly by the executive and senior managers on 31 December 2011.

Name	Year of grant	Exercise price	Outstanding per 31.12.2010	Exercised in 2011	Cancelled in 2011	Outstanding per 31.12.2011	Vested per 31.12.2011
Thierry Bogaert	2005	9.49 €	100,000	-	-	100,000	100,000
	2006	11.67 €	5,256	-	-	5,256	5,256
	2007	20.73 €	200,016	-	-	200,016	200,016
	2007	21.61 €	24,588	-	-	24,588	24,588
	2009	6.65 €	300,000	-	-	300,000	300,000
	2011	6.78 €	-	-	-	85,436	85,436
Sabine Drieghe	2007	21.61 €	1,404	-	-	1,404	1,404
	2009	3.50 €	13,574	-	-	13,574	11,402
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	15,228	3,384
Wim Goemaere	2008	13.26 €	10,008	-	-	10,008	10,008
	2009	3.50 €	13,032	-	-	13,032	11,584
	2010	10.49 €	5,292	-	-	5,292	2,940
	2011	5.61 €	-	-	-	13,212	2,936
Geert Plaetinck	2008	13.00 €	1,296	-	-	1,296	1,296
Bipin Solanki	2008	13.26 €	15,000	-	-	15,000	15,000
	2009	3.50 €	150,000	-	-	150,000	-
	2010	10.49 €	10,008	-	-	10,008	-
	2011	5.61 €	-	-	-	15,388	-

Name	Year of grant	Exercise price	Outstanding per 31.12.2010	Exercised in 2011	Cancelled in 2011	Outstanding per 31.12.2011	Vested per 31.12.2011
Luc Maertens	2006	11.67 €	1,224	-	-	1,224	1,224
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	900	-	-	900	900
	2009	3.50 €	3,924	-	-	3,924	3,488
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	1,620	360
Ann Viaene	2005	9.49 €	1,112	-	-	1,112	1,112
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	1,116	-	-	1,116	1,116
	2009	3.50 €	3,625	2,610	-	1,015	435
	2010	10.49 €	7,992	-	-	7,992	4,440
	2011	5.61 €	-	-	-	14,796	3,288

For the key features of these warrants, please refer to Note 22 “Share-based payment schemes” of the consolidated financial statements.

Per 31 December 2011, the CEO, the CFO and the senior management held the following number of shares of the company:

- Mr. Thierry Bogaert: 47,732 shares
- Mrs. Ann Viaene: 2,610 shares

6. Risks

In application of the Company Code, Devgen has decided to inform the shareholders of the risk factors involved in the company’s business. In 2011, Devgen was potentially subjected to the following inherent risks:

- Early stage of development in its crop protection and trait development activities.
- Business environment that is characterized by rapid technological change, complexity and severe competition.
- The seed business is subject to various agricultural risks that could affect the results of operations, such as:
  - weather factors, diseases and pests, which make operational results relatively unpredictable.
  - high seasonality of sales.
  - risk of further intervention by regulatory authorities and governments with regard to registration, import/export, pricing, safety etc.
  - dependency on the stability of a good distribution network.
  - transportation risks.
  - dependency on third parties for the growing and production and processing of seeds.
  - risk of theft of parental lines of seeds.

- risk of product defects in the seeds.
- risk that growers attribute poor crop yields or crop failure to perceived seed defects.
- risk that commercial seed stored in one or more of Devgen's seed inventory locations might get damaged.
- risk of Devgen's inability to charge through price increases affecting its production costs into the price charged to the final customer.

- The inability to effectively implement growth strategies or manage growth in the agricultural business could adversely affect operation results.
- Dependence on research and development to develop new and improved products.
- Negative reaction to the use of biotechnology.
- Inability to obtain and maintain adequate patents and/or other intellectual property right protection for its technologies and products.
- Reliance on collaborative partners to generate short to medium term revenues, and in the long-term to assure the expertise relating to manufacturing, sales and marketing, licenses and technology rights.
- Natural calamities, political, economic and social developments in the countries where Devgen operates may adversely affect Devgen's business.
- National and international government regulations relating to biotechnological and agrochemical research and development, as well as to the testing, approval, manufacturing, labeling, import and export and marketing of products.
- Dependence on key personnel, both principal management and scientific personnel.
- Potential liability relating to products, testing, sales and marketing, and use of future products based thereon.
- Lack of operating profitability due to the significant research and development expenditures since 1997.
- Additional financing requirements and access to capital that might be needed to fund future activities.
- Changes in tax legislation could impact the determination of Devgen's tax liabilities and Devgen could be subject to double taxation on any dividends paid by Devgen subsidiaries.
- Devgen is exposed to international regulatory risks.
- Devgen relies on the IT systems in managing its sales, supply chain, production process, logistics, research and development and other integral parts of Devgen's business.
- Devgen has received and expects to continue to receive subsidies and grants under various research and technology development programs and granting governments may reduce, stop funding in the future or even re-claim subsidies granted.
- The sales, marketing and use of its products may expose Devgen to liability claims.
- Use of potentially harmful materials in the research and development activities.
- Financial risks: The company is exposed to financial risks, such as financing risks, credit risks, interest

risks, currency risks and liquidity risks. We refer to Note 24 “Financial instruments” in the consolidated financial statements per 31 December 2011 for a detailed discussion of these financial risks.

7. Listing of elements which by their nature would have consequences in case of a public take-over bid on the company

The elements which by their nature would have consequences in case of a public take-over bid on the company are listed below. Outside the elements listed below, the company has no knowledge of any other elements which by their nature would have consequences in case of a public take-over bid on the company required to be disclosed by law.

Important agreements which would undergo changes or would be terminated in case of a change of control of the company after a public take-over bid:

The 6 February 2007 Research and License Option Agreement entered into between Devgen NV and Monsanto Company provides that Monsanto Company is entitled to terminate the Research and License Option Agreement in the event that a company that is engaged in the agricultural biotechnology and/or seed industry acquires a controlling interest in Devgen. Such termination would have effect on the funded research, but no effect on licenses already granted by Monsanto Company to Devgen under the Research and License Option Agreement. This Research and License Option Agreement ended per 31 October 2011.

8. Research and development

Total R & D expenses of the Devgen group amounted to € 8.1 million in 2011, compared to € 8.5 million in 2010. For an update of the research programs, please refer to section 1 Strategic and business highlights of this annual report.

9. Use of authorized capital

By virtue of the resolution of the Extraordinary Shareholders’ meeting held on 25 August 2008, the Board of Directors has been expressly authorized to increase the share capital within a time frame of five years as of the publication of the minutes in the annexes to the Belgian Official Gazette, in one or more transactions, with a total amount of € 1,341,110.15.

The Board of Directors decided to make use of the authorized capital on 1 October 2009 in the framework of a private placement for an amount of € 131,500.43 so that a balance of authorized capital of € 1,209,609.72 remained.

At the meeting of the Board of Directors on 30 March 2011 the Board decided to increase the capital within the authorization as set out above. Consequentially, on 4 April 2011 Devgen NV issued 4,584,549 new shares in a private placement with pre-identified investors for a total amount of € 26,819,611, resulting in a statutory capital increase of € 343,841.18.

After this capital increase the remainder of the authorized capital amounts to € 865,768.54.

10. Conflict of interest according article 523 of the Company Code

In 2011 the procedure of conflict of interest of article 523 of the Company Code was applied, namely during the meeting of the Board of Directors of 30 March 2011 with regard to the proposal to have a capital increase by means of a private placement in the framework of the authorized capital as set out in section 3 of this annual report.

Gengest BVBA, with as permanent representative Mr. Rudi Mariën, acting in its capacity as director of Devgen NV, informs the Board of Directors, before the commencement of the deliberations, that it, in respect to the transaction that is on the agenda, possibly might have a financial interest that conflicts with the interest of the company. Mr. Rudi Mariën is the permanent representative of Gengest BVBA in respect to its capacity of director of the company.

In the framework of the capital increase as described in the agenda, the Board of Directors intends, in the interest of the company, to nullify the preferential subscription rights of the existing shareholders (and, as far as required and applicable, the existing holders of warrants and / or bonds) of the company in the framework of the proposed increase of the authorized capital of the company by means of the issuance of new shares on the occasion of a private placement.

Following the proposed capital increase, Gengest BVBA and / or its permanent representative, Mr. Rudi Mariën directly, or by means of an affiliated company, subscribes to the to be issued new shares in the framework of the private placement. It cannot be excluded that Gengest BVBA and / or its permanent representative Mr. Rudi Mariën may have a personal financial interest that could potentially conflict with the interests of the company. In particular, this director has a direct interest in the lowest possible subscription price. This personal interest is not necessarily compatible with the interests of the company. The exact financial consequences of this potential conflict can however only be assessed and / or calculated after the final subscription price has been determined by the Board of Directors.

Given the above and pursuant to article 523 of the Company Code, the Director concerned therefore proposes to not participate in the deliberations and decisions on the first four items on the agenda of this meeting. The other members of the board align themselves with this proposal.

Thereafter, Mr. Remi Vermeiren reads a statement on the account of Mr. Patrick Van Beneden, acting in his capacity as director of Devgen NV, in which it is identified that the preferential subscription right of shareholders is nullified in favor of, among others the Gimv-group. Mr. Patrick Van Beneden is employed by the Gimv-group and holds several mandates in Gimv-group affiliated companies. Mr. Patrick Van Beneden emphasizes that he did not intervene, nor will intervene in the decision of the Gimv-group to, or not, effectively subscribe.

Mr. Patrick Van Beneden explains that, following the above explanation there is no legal obligation to apply article 523 of the Company Code; if there would be any proprietary interest in connection with his person, this would not be in conflict with the interests of the company in the framework of this decision of the Board of Directors.

Nonetheless, in view of his mandates and interests within the Gimv-group, Mr. Patrick Van Beneden elects to, as far as necessary and applicable, in accordance with article 523 of the Company Code, not participate in the deliberations and decisions on the first four agenda items.

It is, as far as necessary and applicable, also stated that currently it is not possible to assess and / or calculate the possible financial consequences of the above mentioned facts. The other members of the Board of Directors concur with the proposal of Mr. Patrick Van Beneden.

Gengest BVBA, with as its permanent representative Mr. Rudi Mariën then puts down the phone and does not participate to the meeting during the deliberation and decision making on the first four items on the agenda in accordance with article 523 of the Company Code. The statutory auditor of the company will be informed of the aforementioned statements made by the directors.

Article 524 of the Company Code was not applicable in 2011.

11. Subsequent events

There are no major subsequent events to the balance sheet date which have a material impact on the further evolution of the company.

Done on 7 March 2012,

On behalf of the Board of Directors.

14.3. Auditor’s report on the consolidated financial statements for the year ended 31 December 2011

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011 to the shareholders’ meeting

The original text of this report is in Dutch

To the shareholders

As required by law and the company’s articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Devgen NV (“the company”) and its subsidiaries (jointly “the group”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 74,031 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 7,048 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the “Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group’s financial position as of 31 December 2011, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.
Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 17 April 2012
The statutory auditor

14.4. Auditor’s report on the consolidated financial statements for the year ended 31 December 2010

Statutory auditor’s report on the consolidated financial statements for the year ended 31 December 2010 to the shareholders’ meeting

To the shareholders

As required by law and the company’s articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Devgen NV (“the company”) and its subsidiaries (jointly “the group”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 63,582 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 7,141 (000) EUR.
The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the “Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.

We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group’s financial position as of 31 December 2010, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.
Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 4 March 2011
The statutory auditor

14.5. Auditor's report on the consolidated financial statements for the year ended 31 December 2009

Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2009 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Devgen NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 80,051 ('000) EUR and the consolidated income statement shows a consolidated loss for the year then ended of 8,651 ('000) EUR.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2009, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.
Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 11 March 2010
The statutory auditor

15. Statutory financial statements 2011-2009

15.1. Statutory income statement 2011 – 2009

	Statutory income statement '000 of €/ year ended 31 December	2011	2010	2009
I.	**Operating income**	**10,790**	**14,115**	**10,091**
	Turnover	10,411	12,561	9,252
	Own construction capitalized	33	0	0
	Other operating income	346	1,554	839
II.	**Operating charges**	**11,682**	**13,545**	**16,726**
	Cost of goods sold	0	1,023	75
	Services and other goods	6,445	6,520	10,166
	Remuneration, social security costs, pensions	3,436	3,726	4,048
	Depreciation and amounts written off fixed assets	1,756	2,249	2,425
	Provisions for liabilities and charges	0	-20	0
	Other operating charges	45	47	12
III.	**Operating profit/(loss)**	**-892**	**570**	**-6,635**
IV.	**Financial income**	**940**	**246**	**213**
	Income from current assets	509	131	179
	Other	431	115	34
V.	**Financial charges**	**304**	**349**	**114**
	Interest and other debt charges	28	65	48
	Other	276	284	66
VI.	**Current profit/(loss) before taxes**	**-256**	**467**	**-6,536**
VII.	**Extraordinary income**	**0**	**465**	**198**
	Take-back of depreciations and amortizations	0	0	30
	Gain on disposal of fixed assets	0	115	168
	Other exceptional income	0	350	0
VIII.	**Extraordinary charges**	**41**	**41**	**76**
	Extraordinary depreciation charges	0	28	0
	Loss on disposal fixed assets	41	13	76
	Other	0	0	0
IX.	**Profit/(loss) before taxes**	**-297**	**891**	**-6,414**
X.	**Income taxes**	23	82	13
XI.	**Profit/(loss) for the year after taxes**	**-274**	**973**	**-6,401**

Statutory income statement '000 of €/ year ended 31 December		2011	2010	2009
A.	Loss to be appropriated	-56,126	-55,852	-56,825
	Profit /(Loss) for the period available for appropriation	-274	973	-6,401
	Loss brought forward	-55,852	-56,826	-50,424
B.	Transfer from capital and reserves	0	0	0
	from capital and share premium account	0	0	0
D.	Result to be carried forward	-56,126	-55,852	-56,825
	Loss to be carried forward	-56,126	-55,852	-56,825

15.2. Statutory balance sheet 2011 – 2009

Statutory balance sheet '000 of €/ year ended 31 December		2011	2010	2009
	ASSETS			
	Fixed assets	**30,722**	**27,644**	**21,679**
I.	Formation expenses	0	0	0
II.	Intangible fixed assets	9,354	10,366	12,377
III.	Tangible fixed assets	774	934	1,044
	Land and buildings	0	5	13
	Plant, machinery and equipment	20	98	196
	Furniture and vehicles	66	64	77
	Leasing and other similar rights	1	2	21
	Other tangible assets	687	734	567
	Assets under construction	0	31	170
IV.	Financial fixed assets	20,594	16,344	8,258
	Affiliated enterprises - participating interests	20,092	15,842	8,256
	Other financial assets - shares	500	500	0
	Other financial assets - receivable	2	2	2
	Current assets	**50,093**	**34,182**	**48,637**
V.	Amounts receivable after one year	322	293	210
VI.	Inventory	0	0	187
	Raw materials	0	0	187
VII.	Amounts receivable within one year	7,114	5,622	4,246
	Trade debtors	1,239	3,408	3,017
	Other amounts receivable	5,875	2,214	1,229
VIII.	Investments	24,875	5,815	5,600
	Other investments and deposits	24,875	5,815	5,600
IX.	Cash at bank and in hand	16,812	21,393	37,083
X.	Deferred charges and accrued income	970	1,059	1,311
	TOTAL ASSETS	**80,815**	**61,825**	**70,315**

Statutory balance sheet '000 of €/ year ended 31 December		2011	2010	2009
	Equity	**79,288**	**52,724**	**51,656**
I.	Capital	1,820	1,476	1,474
	Issued capital	1,820	1,476	1,474
II.	Share premium account	133,594	107,100	107,008
V.	Accumulated profit/(loss)	-56,126	-55,852	-56,826
VI.	Investment grants	0	0	0
VII.	Provisions and deferred taxation	0	0	20
	Provisions for liabilities and charges	0	0	20
	Amounts payable	**1,527**	**9,101**	**18,640**
VIII.	Amounts payable after more than one year	0	104	1
	Financial debts	0	104	1
IX.	Amounts payable within one year	1,469	2,059	3,405
	Current portion of amounts payable after one year	104	104	132
	Financial debts	0	0	0
	Trade debts	978	1,585	2,771
	Taxes, remuneration & social security	387	370	503
	Other amounts payable	0	0	0
X.	Accrued charges and deferred income	58	6,938	15,234
	TOTAL LIABILITIES	**80,815**	**61,825**	**70,315**

The major differences between the loss of the year in the statutory financial statements of Devgen NV (€ -0.3 million) and the loss of the year in the consolidated financial statements (€ -7.0 million) are due to:

- Differences in valuation rules between BE GAAP and IFRS relating to Devgen NV. The net impact of the IFRS restatements is € +0.7 million in 2011, resulting in a restated result of the year for Devgen NV of € 0.4 million profit.

- The consolidation of the subsidiaries. The aggregated impact on the consolidated result is € -7.4 million and mainly relates to Devgen Seeds and Crop Technology Pvt Ltd which has realized in 2011 a loss of € -4.2 million.

The statutory auditor has delivered an unqualified opinion on the financial statements. The entire version of the financial statements, the unqualified audit opinion of the statutory auditor as well as the statutory annual report, that has not been included entirely herein, will be published according to the statutory provisions and can be obtained free of charge upon request.

15.3. Annual report of the Board of Directors on the statutory financial statements of Devgen NV

Dear Madam/ Sir, Shareholder,

We are pleased to present to you the statutory financial statements for the fiscal year that ended 31 December 2011.

1. Strategic and business highlights

Devgen NV is the holding company of the Devgen group, which totals 7 legal entities. The strategic and business highlights of Devgen NV and its subsidiaries can be summarized as follows.

Business highlights

- Breakthrough results in multi-location field trials of Devgen's Next Generation Hybrid Rice varieties.
- Solid growth in seed sales in India and Southeast Asia.
- Introduction of new hybrid sorghum and pearl millet varieties and successful start of distribution of cotton seeds in India.
- Registration of three new hybrid rice varieties in the Philippines.
- Progression of key rice biotech traits into the regulatory process in India and strengthening of biotech activities and infrastructure in India and Singapore.
- Cheminova appointed as distributor for Southern Europe for Devgen’s nematicide Devguard®.
- Two reference investors appointed to the Board of Directors.

Next Generation Hybrid Rice and Biotech Rice

Since 2005, Devgen has undertaken a fundamental redesign of hybrid rice in order to develop Next Generation Hybrid Rice (NGHR™) seeds. The company uses an advanced breeding platform that is considerably more efficient than hybrid rice technology currently in the market in India and Southeast Asia.

Devgen’s improved varieties are expected to offer farmers significant performance benefits over existing varieties, including substantially higher yields, improved production efficiencies, better milling quality, suitability for mechanized seeding and desired taste.

In 2011, Devgen’s researchers in India and the Philippines produced hundreds of new and proprietary hybrid rice varieties based on NGHR™-technology. These were then tested during the July 2011 rice-growing season in multi-location trials in India, the Philippines and Vietnam. The recently completed data analysis identified a substantial number of NGHR™-varieties that gave in these trials a more than 20% yield advantage over the best conventional varieties and a more than 10% yield advantage over the current-best hybrid rice varieties in the market.

Historical examples in many field crops (such as cotton, corn and sorghum) and in many vegetable crops, learn that farmers only prefer to plant hybrid varieties over conventional varieties once they offer a yield advantage of 20% or more. A substantial number of Devgen's NGHR™-varieties now reach this commercial breakthrough threshold. The company is therefore confident that it is on track to deliver hybrid rice varieties that have the potential to fundamentally change the farmer's economics and to drive the adoption of hybrid rice varieties in India and Southeast Asia.

The best NGHR™-varieties identified in the 2011 season now undergo seed production research and are scheduled to enter multi-location performance trials in the upcoming planting season mid-2012. In January 2013, Devgen expects to select NGHR™-varieties for pilot seed production and market entry through large-scale farmer trials in July 2013. The full start of sales is targeted for 2014.

Regarding biotech rice, Devgen's pipeline of crop protection (insect resistance and herbicide tolerance) and stress traits in rice made progress as planned. Activities in Devgen's government certified biotech greenhouse facilities in Hyderabad (India) and Singapore were further expanded.

Devgen's current hybrid rice seed business in India and Southeast Asia

Devgen's existing hybrid rice business in India and Southeast Asia is centered on a number of premium seeds which offer advantages to farmers over traditional varieties. This product portfolio has allowed the company to establish a significant presence in the hybrid seed segment of these markets.

Devgen strengthened its market access in 2011 and achieved a 40% increase in the sales of hybrid rice seeds versus 2010. This was amongst others due to:

- The solid performance in the Indian private hybrid rice seed market of Devgen's current hybrid rice seed portfolio.
- The success of Devgen's hybrid rice seed DG 1 SHS, that is in high demand from Indonesian farmers because of its high yield, excellent taste and adaptation to the farmer's needs.
- The successful introduction in the Philippines of Frontline GoldTM, one of Devgen's newly registered varieties that offers farmers superior yield and grain quality versus currently grown conventional and hybrid rice varieties.

Investments in 2011 have led to a strengthening of Devgen's product portfolio with new hybrid rice seed products set for launch in India, Indonesia and the Philippines in 2012.

In India, Devgen saw the successful conclusion of farmer trials of two new premium hybrid rice varieties. During these trials, Devgen's new hybrid rice varieties were grown in several hundred locations across key rice markets in India's Eastern states. Over 125,000 farmers visited the sites as part of the pre-launch marketing campaign. The farmers who conducted the tests and those who visited the fields gave highly positive feedback on yield, grain quality and plant type. The market potential of these improved hybrid rice varieties is therefore substantially validated. Furthermore, extensive seed production trials showed that these products have improved production efficiency over current hybrid seed products, hence an expected lower cost of goods and reduced production risk. Sales of these new products start in the planting season that begins in May 2012.

In the Philippines, Devgen obtained registration for three additional new hybrid rice varieties.

These various necessary steps taken last year, pave the way for the further expansion of Devgen's seed business in 2012.

Devgen's activities in other hybrid crops in India

Devgen strengthened its market access in India in its existing seed business in three other strategic crops – sorghum, pearl millet and sunflower. Devgen produces and sells across India proprietary premium seeds of these crops that are seasonally and geographically complementary to rice. The company also started to distribute cotton seeds which complements its portfolio of proprietary hybrid seeds.

In 2011, Devgen realized a 40% growth in hybrid sorghum seed revenues. Devgen introduced an important new hybrid sorghum variety in the market. This product is designed to strengthen Devgen's current leadership of the Indian hybrid sorghum market by having the potential to capture an important share of the so far non-hybridized Rabi (winter) sorghum market which accounts for more than two thirds of the total sorghum market. This new product is expected to offer growers, for the first time, a hybrid variety with equivalent grain quality and taste to traditional Rabi sorghum varieties, whilst providing a significant grain and fodder yield advantage.

Devgen saw a 29% increase in hybrid pearl millet seed sales in 2011. The company successfully completed the first sales season of its first hybrid pearl millet seed adapted to all pearl millet growing areas in India. In its first sales season the new seed was purchased, planted and harvested by over 15,000 farmers across all the pearl millet growing areas in India. The feedback from farmers was most encouraging, referring to a number of advantages over currently available products including higher yields of premium grain and fodder combined with desirable color and quality. Until the market introduction of this new product, Devgen's hybrid pearl millet seeds were suited only for the South of India (15% of the market). The new hybrid pearl millet seed is important for Devgen as it gives the company first time access to farmers in North India, which account for almost 85% of the 10 million hectare pearl millet market.

The market for sunflower seeds was again limited in 2011. Farmer economics were slightly better than last year but still not at sufficient levels to convince them to grow sunflower in a much larger acreage. Devgen performed well against this difficult market background achieving respectable volumes at prices exceeding last year's net sales prices. This solid performance was due to the quality of the company's hybrid sunflower seed portfolio.

In 2011, Devgen acted for the first time as a distributor of hybrid cotton seeds in-licensed from a third party. This distribution activity leveraged Devgen's marketing and sales capabilities and increased the company's revenue without increasing its sales force or G & A costs. This activity carries no seed production or stock risk, but contributes only a distributor margin.

Nematicides

Devgen's novel nematicide for agrochemical use offers a superior environmental and worker exposure profile compared to other currently marketed nematicides. The company's product is already sold in Turkey under the Devguard® brand to protect tomatoes, peppers, eggplants and cucumbers from infestation by plant parasitic nematodes.

At the end of March 2011, Cheminova was appointed as the distributor for Devgen's nematicide Devguard® in Southern Europe. This cooperation led to successful joint pre-launch activities in that region.

Last year, the Russian Federation granted permission to import tomatoes and cucumbers treated with Devguard® 500SC from Turkey and other countries. Market opportunities for Devgen are thus expanding in regions that cultivate vegetables for export to Russia.

Data from the first full season of peanut trials with Enclosure® in the US, using a modified label that permitted more flexible applications, confirmed that it performed as well as its main competitor in the market. Sales based on this new label are expected to start once the trials have been fully evaluated and support from key opinion leading agronomists advising farmers has been gained.

The full season evaluation of vegetable trials in the US indicates that Enclosure® delivers crop yields comparable to standard nematicide treatments and significantly higher yields than untreated crops. These results confirm previous observations in Europe.

Devgen is closely monitoring the progress in the review of its registration dossiers by the regulatory authorities. Registrations of Enclosure® and Devguard® in more crops and countries are expected in the course of 2012.

Other corporate developments

Devgen appointed two reference investors to its Board of Directors:

- Mr. Aat Van Herk is an important shareholder of the company since Devgen was listed on Euronext in 2005 through the investment company O.G.B.B. A. Van Herk B.V. He has an eminent track record as biotechnology investor and entrepreneur;

- Mr. Wouter de Ruiter is an important shareholder through Madeli Participaties B.V. He built his career at De Ruiter Seeds and brings with him 20 years of experience in the seed industry. De Ruiter Seeds was purchased by Monsanto Company in 2008.

2. Financial review

The statutory accounts are drawn up in accordance with BE GAAP and have been approved by the Board of Directors on 7 March 2012.

Key financials

in '000 EUR	**2011**	**2010**
Turnover	10,412	12,561
Other operating income	379	1,554
Raw materials, consumables and goods for resale	0	-1,023
Services and other goods	-6,445	-6,520
Remuneration, social security costs and pensions	-3,436	-3,727
Depreciation charges and write-offs	-1,755	-2,229
Other operating charges	-45	-47
Operating profit (+) / loss (-)	**-892**	**570**
Net financial income (+) / loss (-)	636	-103
Net extraordinary income	-41	424
Income taxes	23	83
Profit (+) / loss (-) of the period	**-274**	**973**
in '000 EUR	**31 Dec. 2011**	**31 Dec. 2010**
Equity	79,287	52,724
Cash and cash equivalents	41,687	27,208

Income statement

The turnover in 2011 amounts to € 10.4 million compared to € 12.6 million in the previous year. The current year turnover is mainly composed of income from research collaboration agreements with Monsanto Company and Sumitomo. The agreement with Monsanto Company ended per 31 October 2011, which has a negative impact on the turnover of € 2.0 million.

The current year other operating income amounts to € 0.3 million and mainly consists of rent income from the sub-lease of part of the office and laboratory facilities in the building in Ghent (Belgium). Previous year other operating income included non-recurring intercompany sales of goods for an amount of € 1,109 ('000). The relating cost of goods sold amounted to € 1.0 million in 2010.

Services and other goods amount to € 6.4 million in 2011, which is slightly below the € 6.5 million in 2010. This decrease mainly relates to lower subcontracting expenses for Devgen's nematicides business. The payroll costs amount to € 3.4 million in 2011, compared to € 3.7 million in 2010. This decrease is mainly caused by the decrease in the average number of full time equivalents with 5% to 44.9 full time equivalents in 2011. Depreciations charges amount to € 1.8 million in 2011, compared to € 2.2 million in 2010. This decrease is due to the overall low investment level in research equipment over the past few years. Furthermore, the dealer relationships acquired from Monsanto Company in 2007 were fully depreciated at the end of 2010, resulting in € 0.4 million lower depreciation charges in 2011.

As a result, the operating loss of the period amounts to € -0.9 million in 2011 compared to an operating profit of € 0.6 million in 2010.

Devgen has realized a net financial income of € 0.6 million in 2011, compared to a net financial loss of € 0.1 million in the previous year. This improvement of € 0.7 million is the combined effect of higher interest income earned on the cash and cash equivalents and positive net realized and unrealized exchange rate differences in 2011.

Taking into account the extraordinary charges on the disposal of assets and the positive income taxes resulting from the Belgian tax incentives on R & D investment, Devgen NV has realized a net loss of the period of € 0.3 million in 2011. In 2010, the company realized € 1.0 million net profit of the year.

Balance sheet

Total assets per 31 December 2011 amount to € 80.8 million, compared to € 61.8 million at the end of the previous year.

The net book value of the intangible fixed assets is € 9.3 million per 31 December 2011, compared to € 10.4 million per 31 December 2010. During 2011, investments in intangible fixed assets amount to € 0.1 million and consist of software licenses. As of 31 December 2011, the intangible fixed assets mainly relate to technical know-how, trademarks, vendor relationships and goodwill relating to the acquired business activities in India at the end of 2007. The net book value of the tangible fixed assets amounts to € 0.8 million at the end of 2011, compared to € 0.9 million per 31 December 2010.

At 31 December 2011, the financial fixed assets amount to € 20.6 million, compared to € 16.3 million at the end of the previous year. This increase fully relates to a capital increase in Devgen Pte Ltd.

Per 31 December 2011, the affiliated enterprises mainly include participations in:

- Devgen Pte Ltd, a Singapore based research centre and parent company of Devgen's Indian subsidiary, for € 19.4 million;
- Devgen Seeds and Crop Technology Pte Ltd, a Singapore based company with a branch office in the Philippines, for € 0.2 million; and
- Devgen US Inc., operating for Devgen's nematicids business, for € 0.5 million.

Other financial assets amount to € 0.5 million, remaining unchanged during 2011 and mainly consisting of the participation in Amakem NV following the contribution in kind of part of Devgen's remaining pharma assets earlier 2010.

The participations are valued at acquisition value. As per 31 December 2011, the Board of Directors is confident that there are no factors indicating possible less values on these participations based on the expected evolution of the businesses in the different regions Devgen is operating today. Both the seed business in India and the Philippines and the nematicide business in the US have the potential to generate positive future cash flows.

Amounts receivable within one year amount to € 7.1 million, of which € 1.2 million trade debtors and € 5.8 million other amounts receivable. In total an € 5.5 million relates to intercompany receivables. On 31 December 2011, the cash and cash investments amount to € 41.7 million, compared to € 27.2 million as of 31 December 2011. The cash and cash investments included € 5.7 million restricted cash per 31 December 2011, compared to € 5.8 million at the end of the previous year.

Per 31 December 2011, the net equity amounts to € 79.3 million, compared to € 52.7 million in the previous year. This increase with € 26.6 million is the net effect of the appropriation of the loss of the year and € 26.8 million capital increases.

The total amounts payable amount to € 1.5 million per 31 December 2011, compared to € 9.1 million at the end of the previous year. The decrease mainly relates to the usage of € 6.7 million deferred technology income during 2011, following the € 20.0 million prepayment received from Monsanto Company in 2009.

3. Capital increases and issuance of financial instruments

The following capital increases took place in 2011:

- Through a private placement of 4,584,549 new shares on 4 April 2011 at an issue price of € 5.85 per share, resulting in a capital increase of € 0.3 million and an increase of the share premium account with € 26.5 million.
- Through the exercise of 2,245 warrants into the same number of new shares on 8 April 2011, resulting in a capital increase of € 168 and an increase of the share premium account with € 7,689.
- Through the exercise of 2,964 warrants into the same number of new shares on 6 October 2011, resulting in a capital increase of € 222 and an increase of the share premium account with € 10,152.

Following the decision of the Extraordinary Shareholders' meeting of 1 June 2011, the following warrants have been granted and accepted:

- 85,436 warrants for the benefit of the CEO with a lifetime of 5 years after the creation date, granting for free and vesting on acceptance;
- 30,000 warrants for the benefit of the members of the Board with a lifetime of 5 years after the creating date, granting for free and vesting on 31 May 2012.

On 31 December 2011, a total of 6,000 warrants were cancelled.

4. Corporate governance statement

4.1 Corporate governance code

Devgen's corporate governance is based on the principles described in the 2009 Belgian corporate governance code, issued by the Belgian corporate governance committee. In view of this code, Devgen has described the main aspects of its corporate governance in a corporate governance charter, which together with applicable law and the company's articles of association, governs the way Devgen is managed and controlled.

This charter can be obtained free of charge at the registered office of the company and is available on the company's website (www.devgen.com under the section Investor Relations / Corporate Governance).

4.2 Compliance with the corporate governance code

Devgen has adopted the 2009 Belgian corporate governance code as its reference code. It complies with the provisions of this code with the exception of the deviations enumerated hereunder;

- The chairman of the Board of Directors, Mr. Remi Vermeiren, is also chairman of the Audit Committee, which deviates from provision 5.2./3 of the corporate governance code. The Board of Directors finds that this deviation is justified as it is beliefs that, given his experience and skills, Mr. Remi Vermeiren is best suited to fulfill the function of chairman of the Audit Committee next to the function of chairman of the Board of Directors. Mr. Remi Vermeiren holds a degree in commercial and financial sciences and has a strong financial experience as former chairman of the executive committee of KBC Group and as member of the administrative, management or supervisory bodies of various companies. See section on "Expertise within the Audit Committee" in paragraph 4.5 of this annual report for additional information.

- Devgen does not comply with the provision 5.2./4 of the corporate governance code which states that a majority of the Audit Committee's members should be independent. As of 1 July 2011, no member out of the 3 members of the Audit Committee qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three subsequent directorships since they joined the Board of Directors in April 2005 and Mr. Marien represents more than 10% of the shares. The Board of Directors considers that the members of the audit committee have the necessary business, industry and financial experience to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Devgen does not fully comply with provision 5.2./17 which states that an independent internal audit function should be established. In view of the size of the company, Devgen has no overall formal internal audit function. However, as explained further in Devgen's corporate governance charter, the Audit Committee regularly evaluates the need for particular internal audits and the steps to be taken given the findings of such evaluations.

- Devgen does not comply with provisions 5.3./1 and 5.4./1 of the corporate governance code which state that the majority of the members of the Nomination and Remuneration Committee should be independent. As of 1 July 2011, there is only one member, Mr. Orlando de Ponti, of the five member committee who qualifies as independent director as set out in provision 2.4./1 of the corporate governance code. The other formerly independent directors in the Nomination and Remuneration Committee, Mr. Remi Vermeiren and Mr. Jan Leemans have been appointed director for more than three directorships since they joined the board in April 2005. The Board of Directors considers that the members of the Nomination and Remuneration Committee have the necessary experience and competences to fulfill their role. The Board of Directors will propose the necessary actions to remedy the non-compliance.

- Contrary to provision 7.7 of the corporate governance code, which sets out that non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits, the Extraordinary Shareholders Meeting of 1 June 2011 granted each non-executive director, or its permanent representative, 6,000 warrants on Devgen shares. Through warrants the company can remunerate its non-executive directors without using the company's cash resources, which is in the interest of a growth company such as Devgen. In addition to these warrants, the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed Board mandate year. The chairman of the Board of Directors is entitled to a monthly fee of € 4,000. Devgen believes that this remuneration package is justified, as it corresponds with market practice and expectations for similar listed companies in the biotechnology field and allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors.

- Unlike set out in provision 7.18 of the corporate governance code, the contract between the CEO and Devgen does not specify that the severance package excludes variable cash bonuses in case the departing CEO did not meet the performance criteria referred to in the contract. The termination indemnity is calculated on the basis of the fixed remuneration applicable at the time of termination and the average variable cash bonus paid in previous 3 years. The Board of Directors believes this arrangement to be fair and in the interest of the company.

4.3 Internal controls and risk management

Devgen has implemented a risk management system and an internal control structure, which are monitored by the Audit Committee.

a. Control environment

Organization of internal control
The internal control environment is organized by Devgen's executive management and is monitored by the Audit Committee. The role of the Audit Committee is stipulated in Devgen's corporate governance charter. The Audit Committee evaluates on a regular basis the needs with respect to internal auditing based on a risk assessment. The Audit Committee takes the necessary action relating to the findings of this evaluation.

Today the company does not have an internal audit department. The company is assigning these tasks to staff members with appropriate qualifications and if necessary field experts from outside the company are engaged to perform these audits. Based upon a 3-year rotation plan, all important business cycles across all legal entities are subject to an internal audit.

Ethical values
The Audit Committee prepared a "Code of Conduct" which applies for all Devgen companies and employees. Furthermore, the employment contracts of all employees contain stipulations with respect to ethical conduct of business.

b. Risk analysis

We refer to section 6 “Risks” of this annual report for a detailed risk analysis of the Devgen group.

c. Control activities

Control activities include the measures taken by Devgen to ensure that the risks under its control are appropriately controlled and mitigated.

- Devgen appoints highly qualified personnel in key positions within all entities of the group.

- The management has clearly aligned responsibilities as set out in the job descriptions which are prepared for all employees of the company.

- The management is also responsible to comply with internal regulations and the Board of Directors is ensuring that the management is respecting the general policies and the corporate plans.

- The implementation of a set of procedures amongst others with respect to purchasing and payments based on double signatures, periodical stock takings, to be systematically applied within all entities of the company.

- The external legal counsel of the group together with the CEO and the management team has set up internal procedures in order to ensure that acts performed within or by the company are in compliance with the existing laws and external regulations.

- Risks with respect to infrastructure - as there are: fire, unwanted access and power failures - have been minimized by taking appropriate measures. For assets which are crucial for the continuity of the company, being it equipment for R & D or production but also the stored biological material such as seeds, measures have been taken to duplicate these assets and to spread them over different locations. Next to avoiding risks in this respect, where possible, insurance has been taken to cover loss of these assets, always based however on an economic justification whereby the risk is evaluated against the price to insure the risk.

- With respect to complying with regulations concerning safety at work, working with biotechnological material and environmental matters in general, appropriate measures were taken within the company to guarantee compliance with these regulations and to operate with and within the required permits in this respect. Amongst others Devgen applies the guidelines as prescribed in the international standards of “Excellence through Stewardships”.

- The IT department is responsible for the continuity of the IT-platforms used by the company to support its operations as well as for the implementation of system access controls and safely storing data. Appropriate measures were taken to assure the continuity of the operations of the company taking into account the requirements of the different departments.

- The IP-portfolio, for the protection of knowledge and proprietary technology, is managed in a deliberated way by evaluating on a regular basis the costs to maintain such protection versus the benefits of doing this. Furthermore it is clearly communicated to employees on how to deal with confidential information (“gate keeping”) and rules are in place on how to share such information with third parties (CDA’s). Within the lab the progress of the research is registered and relevant documentation is stored in an electronic lab note book with registration of the date of entry.

- In addition procedures are in place with respect to in- and outgoing material flows in order to protect the rights of the parties involved at all times.

- The company has procedures in place with respect to managing crisis situations.
- Risks related to "Insider trading" are managed through clear communications to the parties involved, the availability of guidelines ("dealing code") and the appointment of a compliance officer.
- We refer to Note 24 "Financial instruments" of the consolidated financial statements for a detailed discussion on the managing of the credit risks, interest risks, exchange risks and liquidity risks.

d. Information and communication

The following policies and procedures have been implemented relating to the information and communication processes:

- A standardized process is in place which enables the corporate finance department of the group to prepare consolidated financial statements on a quarterly basis.
- Manuals are being used in order to assure preparing and reporting financial information in a consistent manner.
- The valuation rules, compliant with IFRS, are documented and are published in the annual accounts.
- Management support systems have been implemented generating consistent financial and operational information (ERP-applications).
- Procedures are in place in order to verify the accuracy of the reporting figures, such as comparison with prior period results and with budgets.
- The external auditors of the company are requested to pay special attention to area's with specific company and industry risk which can have an immediate effect on the financial information provided by the company.

e. Supervision and monitoring

Supervision and monitoring activities are performed by the executive and senior management on a daily basis. The Audit Committee monitors the control activities with the company.

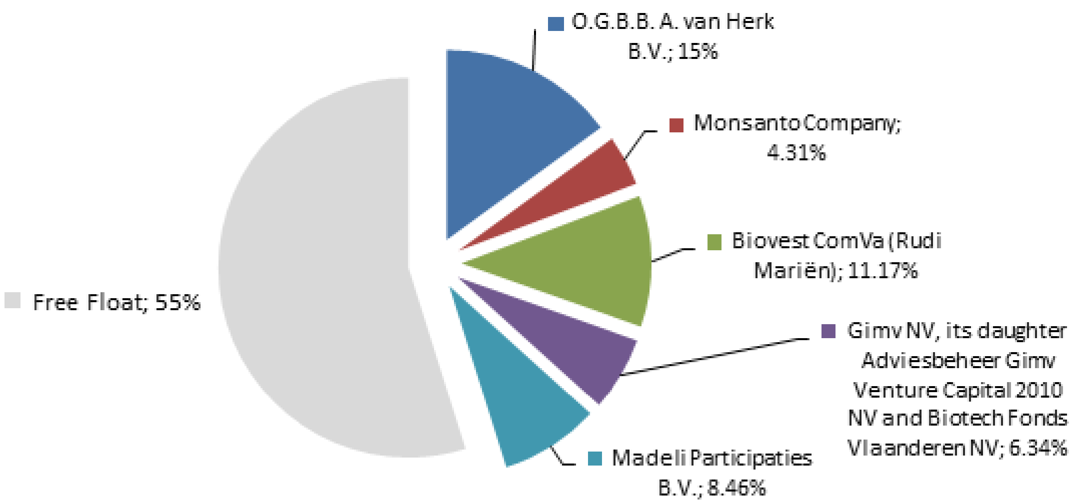
4.4 Shareholders' structure at balance sheet date

The table below provides an overview of the transparency declarations that Devgen NV has received to date.

	Party	Date of declaration	Shares	Total voting securities on date of declaration	
			Number	Number	% (1)
1	O.G.B.B. A. Van Herk B.V.	01/09/2008	2,277,266	2,277,266	12.74 %
2	Petercam NV	01/09/2008	1,423,430	1,423,430	7.96 %
3	Monsanto Company	01/09/2008	1,045,400	1,045,400	5.85 %
4	BPTS	01/09/2008	633,000	633,000	3.54 %
5	KBC Asset Management NV	01/09/2008	558,863	558,863	3.13 %
6	Biovest ComVa (Rudi Mariën)	13/11/2008	1,082,574	1,082,574	6.05 %
7	Petercam NV	24/12/2008	771,504	771,504	4.31 %
8	Petercam NV	28/04/2009	-	-	< 3 %
9	KBC Asset Management NV	30/04/2009	-	-	< 3 %
10	Biovest ComVa (Rudi Mariën)	12/10/2009	2,195,668	2,195,668	11.17 %
11	BT Pension Scheme Trustees Limited (BPTS)	19/10/2009	590,500	590,500	3.01%
12	O.G.B.B. A. Van Herk B.V.	13/11/2009	2,947,569	2,947,569	15%
13	Undisclosed party	31/08/2010	591,295	591,295	3.01%
14	Undisclosed party	22/11/2010	1,002,628	1,002,628	5.10 %
15	BT Pension Scheme Trustees Limited (BPTS)	10/03/2011	574,749	547,749	2.92%
16	Gimv NV, its daughter Adviesbeheer Gimv Venture Capital 2011 NV and Biotech Fonds	08/04/2011	1,538,462	1,538,462	6.34%
17	Madeli Participaties B.V.	21/04/2011	2,052,476	2,052,476	8.46%
18	Monsanto Company	25/04/2011	1,045,400	1,045,400	4.31%

(1) The percentage of voting securities is calculated on the basis of the outstanding voting securities at the time of the declaration.

Overview of the major shareholders as of 31 December 2011, based upon the above mentioned transparency declaration.



The remuneration report, included in paragraph 5 of this document, contains an overview of the number of shares held by the directors per 31 December 2011.

4.5 Composition of the Board of Directors and its Committees

The Board of Directors

At the beginning of 2011, the Board of Directors consisted of the following seven members: Mr. Remi Vermeiren (chairman), Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, Mr. Orlando de Ponti, Blenar BVBA represented by Mr. Jan Leemans, Gengest BVBA represented by Mr. Rudi Mariën, Mr. Patrick Van Beneden and Mr. Alan Williamson.

On 1 June 2011, Van Herk Global Agri B.V., represented by Mr. Aat van Herk was appointed as non-executive director of the company. On 1 June 2011, Mr. Wouter de Ruiter was appointed as non-executive director of the company. On 28 September Mr. Wouter de Ruiter voluntarily resigned and the same day the Board of Directors co-opted Madeli Participaties B.V., having as only director Madeli B.V., represented by Mr. Wouter de Ruiter. Therefore the Board of Directors consists of nine members on 31 December 2011.

Up to 1 July 2011 Mr. Remi Vermeiren and Blenar BVBA, represented by Mr. Jan Leemans, qualified as independent directors under the Company Code. Mr. Orlando de Ponti and Mr. Wouter de Ruiter qualify until present as independent directors. The only executive director is Thierry Bogaert BVBA, managing director and Chief Executive Officer (CEO).

Operation

In 2011 the Board of Directors held seven ordinary meetings. The date and attendance of these Board meetings are set out in the table below.

Name	03/03	30/03	11/04	14/06	26/08	28/09	14/12
Remi Vermeiren	X	X	X	X	X	X	X
Thierry Bogaert (Thierry Bogaert BVBA)	X	X	X	X	○	X	X
Patrick Van Beneden	X	-	-	X	X	X	X
Jan Leemans (Blenar BVBA)	X	-	-	X	○	X	X
Alan Williamson	X	-	-	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	○	-	X	X	X	X
Orlando de Ponti	-	○	-	X	○	X	X
Aat van Herk (Van Herk Global Agri B.V.)	n/a	n/a	n/a	-	-	-	-
Wouter de Ruiter	n/a	n/a	n/a	X	○	X	n/a
Wouter de Ruiter (Madeli Participaties B.V.)	n/a	n/a	n/a	n/a	n/a	n/a	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable

The Audit Committee
In 2011 the Audit Committee was composed of Mr. Remi Vermeiren (chairman), Blenar BVBA represented by Mr. Jan Leemans and Gengest BVBA, represented by Mr. Rudi Mariën.

Currently, the Audit Committee does not have a member who qualifies as an independent director in the sense of article 526ter of the Company Code and therefore the Audit Committee is not validly composed in accordance with article 526bis of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance, by proposing to the next general shareholders meeting the appointment of a new independent director who has the necessary expertise to become chairman of the Audit Committee.

The Audit Committee met four times in 2011 as set out in the table below.

Name	02/03	14/06	25/08	13/12
Remi Vermeiren	X	X	X	X
Jan Leemans (Blenar BVBA)	X	○	X	X
Rudi Mariën (Gengest BVBA)	X	X	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

Expertise within the Audit Committee
The Board of Directors believes that at least one member of the Audit Committee, namely Mr. Remi Vermeiren, has the necessary expertise in the field of accounting and audit, because Mr. Remi Vermeiren holds a degree in Commercial and Financial Science and gained experience in accounting and audit as former chairman of the Executive Committee of KBC Group and as a member of the administrative, management or supervisory bodies of various companies.

The Nomination and Remuneration Committee
Mr. Remi Vermeiren (chairman), Mr. Patrick Van Beneden, Gengest BVBA, represented by Mr. Rudi Mariën, Mr. Orlando de Ponti and Blenar BVBA, represented by Mr. Jan Leemans, were part of the Nomination and Remuneration Committee in 2011.

Currently, the Nomination and Remuneration Committee does not incorporate a majority of independent directors in the sense of article 526ter of the Company Code and therefore the Nomination and Remuneration Committee is not validly composed in accordance with article 526quater of the Company Code.

The Board of Directors will propose the necessary actions to remedy the non-compliance.

The Nomination and Remuneration Committee met three times as set out in the table below.

Name	03/03	28/09	14/12
Remi Vermeiren	X	X	X
Patrick Van Beneden	X	X	X
Rudi Mariën (Gengest BVBA)	X	X	X
Orlando de Ponti	-	X	X
Jan Leemans (Blenar BVBA)	-	X	X

X = present in person, ○ = participated by phone, - = absent or represented by proxy, n/a = not applicable.

4.6 Overview of the efforts made to ensure that at least one third of the members of the Board of Directors is of another gender than the other members

The Nomination and Remuneration Committee will develop a plan to attract suitable future board members of both genders in the years up to 2017.

5. Remuneration report

5.1 Remuneration of the non-executive directors

The remuneration of the non-executive directors is decided upon by the General Shareholders' meeting.

The Nomination and Remuneration Committee makes proposals to the Board of Directors on the remuneration policy and the remuneration for non-executive directors, taking into account the corporate governance code, market practice and the characteristics of listed growth companies. The Board of Directors subsequently proposes a remuneration package to the General Shareholders' meeting, based upon the proposal of the Nomination and Remuneration Committee.
According to the code, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and the non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

The Nomination and Remuneration Committee consists of the 5 following members:

- Mr. Remi Vermeiren, chairman;
- Gengest BVBA, represented by Mr. Rudi Mariën;
- Blenar BVBA, represented by Mr. Jan Leemans;
- Mr. Patrick Van Beneden;
- Mr. Orlando de Ponti.

The General Shareholders' meeting of 2 June 2009 resolved that the non-executive directors, with the exception of the chairman, are entitled to a compensation of € 1,500 per attended meeting of the Board of Directors, the Nomination and Remuneration Committee, the Audit Committee and other meetings of ad hoc committees, as well as a fixed amount of € 7,500 for every fully performed board mandate year. Said General Shareholders' meeting also confirmed that the remuneration of the chairman consists of a monthly fee of € 4,000.

The following remuneration has been paid by the company to the non-executive directors during 2011:

Director	*Attendances (*)*	Amount (€)
Remi Vermeiren	Board - AC - RemCo	48,000
Gengest BVBA- Rudi Mariën	Board - AC - RemCo	22,500
Blenar BVBA - Jan Leemans	Board - AC - RemCo	18,000
Patrick Van Beneden	Board - RemCo	0
Alan Williamson	Board	13,500
Orlando de Ponti	Board - RemCo	13,500
Wouter de Ruiter	Board	3,000
Madeli Participaties - Wouter de Ruiter	Board	1,500
Van Herk Global AGRI - Aat van Herk	Board	-

(*) AC = Audit Committee; RemCo = Nomination and Remuneration Committee.

In addition to foregoing cash remuneration and as a deviation from the code all non-executive directors or their permanent representatives were offered 6,000 warrants on Devgen's shares by the Extraordinary Shareholders meeting of 1 June 2011. Said warrants were granted at the beginning of the mandate and become vested warrants on 31 May 2012.

There is no agreement between the company and the non-executive directors that would entitle such directors to any compensation or indemnity triggered by termination of their mandate and Devgen has not made any loans to the members of the Board of Directors.

The managing director and CEO, Thierry Bogaert BVBA, does not receive remuneration in his capacity of director of Devgen NV. His remuneration as executive manager is specified further on.

In the next two years, 2012 and 2013, the remuneration of the non-executive directors will be on the same basis as in 2011.

5.2 Shares and warrants held by non-executive directors

The table below provides an overview of the shares and warrants held by the non-executive directors on 31 December 2011. For the key features of these warrants, please refer to IFRS note 22 of the consolidated financial statements.

Board of Directors on 31 December 2011	Shares	Warrants		
		Outstanding	Exercise price	Vested
Orlando de Ponti	-	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Jan Leemans	13,000	2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Blenar BVBA	-			
Rudi Mariën	385,000	6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Gengest BVBA	-			
Biovest ComVa (*)	2,708,489			
Remi Vermeiren	20,000	3,000	9.49 €	3,000
		3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Patrick Van Beneden	-	-	-	-
Alan Williamson	1,146	3,000	14.25 €	3,000
		3,000	20.73 €	3,000
		2,931	14.40 €	2,931
		6,000	6.65 €	6,000
		6,000	8.78 €	6,000
		6,000	6.78 €	-
Wouter de Ruiter	-	-	-	-
BV Madeli Participaties	2,083,863	-	-	-
Aat van Herk	-	-	-	-
Van Herk Global Agri BV	-	-	-	-
O.G.B.B. A. Van Herk B.V. (**)	4,507,700	-	-	-

(*) Biovest ComVa is an investment company controlled by Mr. Rudi Mariën
(**)O.G.B.B. A. Van Herk B.V. is an investment company controlled by Mr. Aat van Herk

5.3 Remuneration of the executive and senior management

The remuneration of Thierry Bogaert BVBA as CEO, as well the remuneration of the CFO and the senior managers are determined by the Board of Directors, upon proposal of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee determines the relevant benchmark and makes proposals on the remuneration policy and individual remuneration, taking into account the skills, experience, performance and responsibilities of the individual.

The CEO makes proposals to the board and the Committee, with respect to the remuneration of the executive and senior management of the company and its subsidiaries.

The Board of Directors has adopted a remuneration policy for the executive and senior management in line with the market standard in the sector and the performance of the managers. The remuneration policy is designed to retain the managers and to give them the incentive to achieve the short and long term goals of the company. The remuneration consists of the following:

- a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- a variable remuneration, both as a cash bonus and in the form of an offer of warrants to the company's shares, depending on the extent to which the manager met his objectives in the past year;
- extra-legal benefits, including participation in a pension scheme, a disability and healthcare insurance, a company car, mobile phone, laptop and meal vouchers.

The following table provides the remuneration of the executive and senior management in 2011:

in '000 EUR	Note	CEO	CFO	Senior management	Total
Fixed remuneration		359	168	857	1,383
Expenses and allowances		24	18	78	120
Variable remuneration					
- in cash	(a)	215	25	146	386
- in warrants	(b)	140	37	141	318
Total variable remuneration		355	62	287	704
Post-employment benefits		0	12	56	68
Total remuneration		**737**	**260**	**1,279**	**2,276**

(a) Variable remuneration earned in 2011, paid in 2012 for CFO and senior management, paid in 2012, 2013 and 2014 for CEO (see below).

(b) Warrants granted by the Nomination and Remuneration Committee per 7 March 2012, not yet accepted per date of this report. The valuation of this part of the variable remuneration is done using the Black & Scholes model for the calculation of the fair value of the warrants.

The relative portions of the fixed and variable remuneration are as follows:

	CEO	CFO	Senior management
Fixed remuneration	49%	64%	68%
Expenses and allowances	3%	7%	6%
Variable remuneration			
- in cash	29%	10%	11%
- in warrants	19%	14%	11%
Total variable remuneration	48%	24%	22%
Post-employment benefits	0%	5%	4%
Total remuneration	**100%**	**100%**	**100%**

The variable remuneration paid out in cash or granted in warrants during 2011 as part of the remuneration over services in 2010 is a follows:

in '000 EUR	CEO	CFO	Senior management	Total
Variable remuneration				
- in cash	213	16	128	357
- in warrants	95	31	110	235
Total variable remuneration	**307**	**47**	**238**	**593**

In the next two years, 2012 and 2013, the remuneration of the CFO and senior managers will be on the same basis. The Board of Directors furthermore expects the total remuneration package of the CEO in the coming 2 years to be in line with the total remuneration package in 2011, assuming an equivalent performance.

The post-employment benefits for the CFO and the majority of senior management are payments into a defined contribution pension plan, under which the company pays a fixed percentage of the fixed gross salary to an insurance company.

The CEO, the CFO and the senior management are eligible for variable annual cash and warrant bonuses.

In accordance with the provisions of the Company Code the variable bonus of the CEO will be based on the performances for 3 years, where only 50% of the bonus shall be based on the performances of 2011, 25% on the performances of 2012 and 25% on the performances of 2013.

During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee and in common agreement with the CEO, determine performance criteria of the CEO (i) for the then current calendar year (the “One Year Performance Criteria”), (ii) for the two years’ period including the then current and the next calendar year (the “Two Years Performance Criteria”) and (iii) for the three years’ period including the then current and the next two calendar years (the “Three Years Performance Criteria”). The One Year Performance Criteria, the Two Year Performance Criteria and the Three Year Performance Criteria may include quantitative as well as qualitative objectives (such as objectives in terms of cash burn, revenues, EBIT and technical and business milestones).

The variable annual bonus shall be calculated as following. During the first quarter of each year, the Board of Directors will, at the recommendation of the Nomination and Remuneration Committee, determine the CEO’s performance (expressed as a percentage) against the One Year Performance Criteria for the previous calendar year (the “One Year Performance Percentage”), against the Two Years Performance Criteria for the two previous calendar years (the “Two years Performance Percentage”) and against the performance criteria for the three previous calendar years (the “Three Years Performance Percentage”).

During the first quarter of the year, when the budget for the coming year has been defined, the CEO determines the quantitative and qualitative goals for CFO and senior management. At the end of the year the CEO evaluates the goals. Based on this evaluation the CEO makes a proposal for variable annual cash and warrant bonuses to the Nomination and Remuneration Committee. The Board Directors decides on the variable annual cash and warrant bonuses for the CFO and the senior management, at the recommendation of the Nomination and Remuneration Committee.

The severance pay contractually foreseen for the CEO, the CFO and senior management to be paid in the event of early termination does not exceed 12 months' basic and variable remuneration.

Belgian law and normal practice are the basis for the severance arrangements with the executive managers, except for the CEO and the CFO whose contractual arrangements entered into at the time of their appointment provide for notice periods of 12 and 9 months respectively.

There are no provisions allowing the company to reclaim any variable remuneration paid to executive management based on incorrect financial information.

5.4 Shares and warrants held by executive and senior managers

The table below provides an overview of the warrants held directly or indirectly by the executive and senior managers on 31 December 2011.

Name	Year of grant	Exercise price	Outstanding per 31.12.2010	Exercised in 2011	Cancelled in 2011	Outstanding per 31.12.2011	Vested per 31.12.2011
Thierry Bogaert	2005	9.49 €	100,000	-	-	100,000	100,000
	2006	11.67 €	5,256	-	-	5,256	5,256
	2007	20.73 €	200,016	-	-	200,016	200,016
	2007	21.61 €	24,588	-	-	24,588	24,588
	2009	6.65 €	300,000	-	-	300,000	300,000
	2011	6.78 €	-	-	-	85,436	85,436
Sabine Drieghe	2007	21.61 €	1,404	-	-	1,404	1,404
	2009	3.50 €	13,574	-	-	13,574	11,402
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	15,228	3,384
Wim Goemaere	2008	13.26 €	10,008	-	-	10,008	10,008
	2009	3.50 €	13,032	-	-	13,032	11,584
	2010	10.49 €	5,292	-	-	5,292	2,940
	2011	5.61 €	-	-	-	13,212	2,936
Geert Plaetinck	2008	13.00 €	1,296	-	-	1,296	1,296
Luc Maertens	2006	11.67 €	1,224	-	-	1,224	1,224
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	900	-	-	900	900
	2009	3.50 €	3,924	-	-	3,924	3,488
	2010	10.49 €	1,008	-	-	1,008	560
	2011	5.61 €	-	-	-	1,620	360

Name	Year of grant	Exercise price	Outstanding per 31.12.2010	Exercised in 2011	Cancelled in 2011	Outstanding per 31.12.2011	Vested per 31.12.2011
Ann Viaene	2005	9.49 €	1,112	-	-	1,112	1,112
	2007	21.61 €	612	-	-	612	612
	2008	13.00 €	1,116	-	-	1,116	1,116
	2009	3.50 €	3,625	2,610	-	1,015	435
	2010	10.49 €	7,992	-	-	7,992	4,440
	2011	5.61 €	-	-	-	14,796	3,288

For the key features of these warrants, please refer to Note 22 "Share-based payment schemes" of the consolidated financial statements.

Per 31 December 2011, the CEO, the CFO and the senior management held the following number of shares of the company:

- Mr. Thierry Bogaert: 47,732 shares
- Mrs. Ann Viaene: 2,610 shares

6. Risks

In application of the Company Code, Devgen has decided to inform the shareholders of the risk factors involved in the company's business. In 2011, Devgen was potentially subjected to the following inherent risks:

- Early stage of development in its crop protection and trait development activities.
- Business environment that is characterized by rapid technological change, complexity and severe competition.
- The seed business is subject to various agricultural risks that could affect the results of operations, such as:
  - weather factors, diseases and pests, which make operational results relatively unpredictable.
  - high seasonality of sales.
  - risk of further intervention by regulatory authorities and governments with regard to registration, import/export, pricing, safety etc.
  - dependency on the stability of a good distribution network.
  - transportation risks.
  - dependency on third parties for the growing and production and processing of seeds.
  - risk of theft of parental lines of seeds.
  - risk of product defects in the seeds.
  - risk that growers attribute poor crop yields or crop failure to perceived seed defects.
  - risk that commercial seed stored in one or more of Devgen's seed inventory locations might get damaged.
  - risk of Devgen's inability to charge through price increases affecting its production costs into the price charged to the final customer.

- The inability to effectively implement growth strategies or manage growth in the agricultural business could adversely affect operation results.
- Dependence on research and development to develop new and improved products.
- Negative reaction to the use of biotechnology.
- Inability to obtain and maintain adequate patents and/or other intellectual property right protection for its technologies and products.
- Reliance on collaborative partners to generate short to medium term revenues, and in the long-term to assure the expertise relating to manufacturing, sales and marketing, licenses and technology rights.
- Natural calamities, political, economic and social developments in the countries where Devgen operates may adversely affect Devgen's business.
- National and international government regulations relating to biotechnological and agrochemical research and development, as well as to the testing, approval, manufacturing, labeling, import and export and marketing of products.
- Dependence on key personnel, both principal management and scientific personnel.
- Potential liability relating to products, testing, sales and marketing, and use of future products based thereon.
- Lack of operating profitability due to the significant research and development expenditures since 1997.
- Additional financing requirements and access to capital that might be needed to fund future activities.
- Changes in tax legislation could impact the determination of Devgen's tax liabilities and Devgen could be subject to double taxation on any dividends paid by Devgen subsidiaries.
- Devgen is exposed to international regulatory risks.
- Devgen relies on the IT systems in managing its sales, supply chain, production process, logistics, research and development and other integral parts of Devgen's business.
- Devgen has received and expects to continue to receive subsidies and grants under various research and technology development programs and granting governments may reduce, stop funding in the future or even re-claim subsidies granted.
- The sales, marketing and use of its products may expose Devgen to liability claims.
- Use of potentially harmful materials in the research and development activities.
- Financial risks: The company is exposed to financial risks, such as financing risks, credit risks, interest risks, currency risks and liquidity risks. We refer to Note 24 "Financial instruments" in the consolidated financial statements per 31 December 2011 for a detailed discussion of these financial risks.

7. Listing of elements which by their nature would have consequences in case of a public take-over bid on the company

The elements which by their nature would have consequences in case of a public take-over bid on the company are listed below. Outside the elements listed below, the company has no knowledge of any other elements which by their nature would have consequences in case of a public take-over bid on the company required to be disclosed by law.

Important agreements which would undergo changes or would be terminated in case of a change of control of the company after a public take-over bid:

The 6 February 2007 Research and License Option Agreement entered into between Devgen NV and Monsanto Company provides that Monsanto Company is entitled to terminate the Research and License Option Agreement in the event that a company that is engaged in the agricultural biotechnology and/or seed industry acquires a controlling interest in Devgen. Such termination would have effect on the funded research, but no effect on licenses already granted by Monsanto Company to Devgen under the Research and License Option Agreement. This Research and License Option Agreement ended per 31 October 2011.

8. Research and development

Total R & D expenses of the Devgen group amounted to € 8.1 million in 2011, compared to € 8.5 million in 2010. For an update of the research programs, please refer to section 1 Strategic and business highlights of this annual report.

9. Use of authorized capital

By virtue of the resolution of the Extraordinary Shareholders' meeting held on 25 August 2008, the Board of Directors has been expressly authorized to increase the share capital within a time frame of five years as of the publication of the minutes in the annexes to the Belgian Official Gazette, in one or more transactions, with a total amount of € 1,341,110.15.

The Board of Directors decided to make use of the authorized capital on 1 October 2009 in the framework of a private placement for an amount of € 131,500.43 so that a balance of authorized capital of € 1,209,609.72 remained.

At the meeting of the Board of Directors on 30 March 2011 the Board decided to increase the capital within the authorization as set out above. Consequentially, on 4 April 2011 Devgen NV issued 4,584,549 new shares in a private placement with pre-identified investors for a total amount of € 26,819,611, resulting in a statutory capital increase of € 343,841.18.

After this capital increase the remainder of the authorized capital amounts to € 865,768.54.

10. Conflict of interest according article 523 of the Company Code

In 2011 the procedure of conflict of interest of article 523 of the Company Code was applied, namely during the meeting of the Board of Directors of 30 March 2011 with regard to the proposal to have a capital increase by means of a private placement in the framework of the authorized capital as set out in section 3 of this annual report.

Gengest BVBA, with as permanent representative Mr. Rudi Mariën, acting in its capacity as director of Devgen NV, informs the Board of Directors, before the commencement of the deliberations, that it, in respect to the transaction that is on the agenda, possibly might have a financial interest that conflicts with the interest of the company. Mr. Rudi Mariën is the permanent representative of Gengest BVBA in respect to its capacity of director of the company.

In the framework of the capital increase as described in the agenda, the Board of Directors intends, in the interest of the company, to nullify the preferential subscription rights of the existing shareholders (and, as far as required and applicable, the existing holders of warrants and / or bonds) of the company in the framework of the proposed increase of the authorized capital of the company by means of the issuance of new shares on the occasion of a private placement.

Following the proposed capital increase, Gengest BVBA and / or its permanent representative, Mr. Rudi Mariën directly, or by means of an affiliated company, subscribes to the to be issued new shares in the framework of the private placement. It cannot be excluded that Gengest BVBA and / or its permanent representative Mr. Rudi Mariën may have a personal financial interest that could potentially conflict with the interests of the company. In particular, this director has a direct interest in the lowest possible subscription price. This personal interest is not necessarily compatible with the interests of the company. The exact financial consequences of this potential conflict can however only be assessed and / or calculated after the final subscription price has been determined by the Board of Directors.

Given the above and pursuant to article 523 of the Company Code, the Director concerned therefore proposes to not participate in the deliberations and decisions on the first four items on the agenda of this meeting. The other members of the board align themselves with this proposal.

Thereafter, Mr. Remi Vermeiren reads a statement on the account of Mr. Patrick Van Beneden, acting in his capacity as director of Devgen NV, in which it is identified that the preferential subscription right of shareholders is nullified in favor of, among others the Gimv-group. Mr. Patrick Van Beneden is employed by the Gimv-group and holds several mandates in Gimv-group affiliated companies. Mr. Patrick Van Beneden emphasizes that he did not intervene, nor will intervene in the decision of the Gimv-group to, or not, effectively subscribe.

Mr. Patrick Van Beneden explains that, following the above explanation there is no legal obligation to apply article 523 of the Company Code; if there would be any proprietary interest in connection with his person, this would not be in conflict with the interests of the company in the framework of this decision of the Board of Directors.

Nonetheless, in view of his mandates and interests within the Gimv-group, Mr. Patrick Van Beneden elects to, as far as necessary and applicable, in accordance with article 523 of the Company Code, not participate in the deliberations and decisions on the first four agenda items.

It is, as far as necessary and applicable, also stated that currently it is not possible to assess and / or calculate the possible financial consequences of the above mentioned facts. The other members of the Board of Directors concur with the proposal of Mr. Patrick Van Beneden.

Gengest BVBA, with as its permanent representative Mr. Rudi Mariën then puts down the phone and does not participate to the meeting during the deliberation and decision making on the first four items on the agenda in accordance with article 523 of the Company Code. The statutory auditor of the company will be informed of the aforementioned statements made by the directors.

Article 524 of the Company Code was not applicable in 2011.

11. Going concern assessment

In accordance with article 96, 6° of the Company Code, the Board of Directors has decided, after consideration, to apply the valuation rules "assuming going concern", for the following reasons:

- Through a private placement in 2011, Devgen NV increased its cash position with € 26.8 million.
- The ratio between Devgen's equity and the total assets amounts to 98% per 31 December 2011.
- On 31 December 2011, the total cash position amounts to € 41.7 million, including € 5.7 million restricted cash.
- All Devgen's business activities, amongst which the seeds, traits and nematicides businesses, have the potential to generate future operating cash flows.

Since the company is currently able to satisfy all financial liabilities and is able to fulfill all payments, the Board of Directors believes that the continuity of the company is not threatened. Based on the current strong cash position, the Board of Directors believes that the future of the research programs and the continuing support of the subsidiaries can be guaranteed for at least 12 months following the next Annual General Shareholders meeting to be held on 1 June 2012.

12. Subsequent events

There are no major subsequent events to the balance sheet date which have a material impact on the further evolution of the company.

13. Discharge of the Board of Directors and the statutory auditor

We ask you to approve the annual accounts as drawn up by the board of directors and audited by the statutory auditor. We ask you to grant the directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2011 the discharge of liability for the exercise of their respective mandates during the said fiscal year.

We specifically ask you to discharge the directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2011 from any liability in relation to the breach of article 526bis § 2 of the Company Code, due to the fact that none of the members of the Audit Committee currently qualifies as an independent director, with the required skills in the field of accounting and audit.

We specifically ask you to discharge the directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2011 from any liability in relation to the breach of article 526quater § 2 of the Company Code, due to the fact that just one of the five members of the Nomination and Remuneration Committee currently qualifies as an independent director.

Done on 7 March 2012,

On behalf of the Board of Directors

16. Articles of association

Below is a summary of the salient terms of the company's articles of association, with regard to the topics listed. For a full description of the provisions relating thereto, reference is made to the articles of association themselves, an updated version of which can be found at all times on the company's website (www.devgen.com).

The description hereafter is only a summary and does not purport to give a complete overview of the articles of association, nor of all relevant provisions of Belgian law.

16.1. Company purpose

Articles 3 of the articles of association of the company provide for the following company purpose:

to engage in Belgium and abroad, in its own name and on behalf of third parties, alone or in collaboration with third parties, in the following activities:

- all forms of research and development on biological and chemical compounds and organisms, as well as the industrialization and commercialization of the results thereof;
- the research and development of biotechnological or derivative products that could have a market value in agro chemical and agro biotech applications related to crop protection and seed businesses, in nutrition, and in human and animal health care, diagnostics and therapeutics, based amongst other things on the technology of genetics, genetic engineering, chemistry and cell biology;
- the commercialization of the aforementioned products and application domains;
- the acquisition, disposal, exploitation, commercialization and management of intellectual property, property and usage rights, trade marks, patents, drawings, licenses, etc.

The company is also authorized to engage into all commercial, industrial, financial and real estate transactions, which are directly or indirectly related to, or that may be beneficial to the achievement of, its corporate purpose.

It can, by means of subscription, contribution, merger, collaboration, financial participation or otherwise, take interests or participate in any company, existing or to be incorporated, undertakings, businesses and associations in Belgium or abroad.

The company can manage, valorize or sell these interests and can also, directly or indirectly, participate in the Board of Directors, management, control and dissolution of companies, undertakings, business and associations in which it has an interest or participation. The company can provide guarantees and sureties for the benefit of these companies, undertakings, business and associations, act as their agent or representative, and grant advances, credit, mortgages, or other securities.

16.2. Governance and representation

16.2.1. Board of Directors

The company is managed by its Board of Directors, acting as collective body and consisting of at least five directors, which has the authority to carry out all actions that are useful or serve to achieve the corporate purpose of the company, with the exception of those that according to law are reserved to the General Shareholders' meeting.
The directors are elected by the General Shareholders' meeting for a term not to exceed six years.

The General Shareholders' meeting can dismiss the directors at any time. A director whose mandate has ended can be re-elected.

The General Shareholders' meeting determines the remuneration of the directors. In case of conflict of interest, the directors must comply with the provisions of the Company Code.

The Board of Directors elects a chairperson.

The Board of Directors meets whenever the interest of the company so requires, as well as each time two directors request so. Board meetings are in principle convened by the chairperson.

Resolutions of the Board of Directors are passed by majority vote, unless otherwise required by the articles of association or applicable law. In the event votes are tied, the director chairing the meeting has a casting vote.

The Board of Directors may delegate its management powers, in whole or in part, to an Executive Committee or to one or more persons, director or not.
Without prejudice to the general representative powers of the Board of Directors as a collective body, the company shall be validly represented in and out of court by two directors, acting jointly.

16.2.2. Statutory auditors

The control of the financial situation, the financial statements and the validity of the transactions to be reported in the financial statements, is entrusted to one or more statutory auditors.

16.2.3. General Shareholders' meeting

The Annual General Shareholders' meeting must each year be held on the first business day of the month of June at eleven o'clock.

The Board of Directors and each statutory auditor can independently convene a General Shareholders' meeting.

The Board of Directors and the statutory auditor are obliged to convene a special or extraordinary meeting if one or more shareholders that represent, alone or together, one fifth of the share capital so demand.

16.3. Rights attached to shares

The shares of the company are in registered or dematerialized form, at the choice of the shareholders. Each shareholder can at any time, at his expense, demand that his shares be converted from one form to another. There are no different categories of shares. The Board of Directors can at the time it determines call for full payment of any not fully paid-up shares.

16.3.1. Voting rights

Each shareholder of Devgen is entitled to one vote per share. Shareholders may vote by proxy. Towards the company, the shares are deemed to be indivisible. If several owners own one share, or the rights attached to a share are divided among several persons, Devgen may suspend the exercise of rights attached to such share until one person (a “common representative”) is appointed as the owner of the share for Devgen’s purpose. Devgen’s articles of association provide that if a share is subject to a right of usufruct, the exercise of the voting right attached to such share is exercised by the common representative, and, failing a common representative, by the usufructor. The voting rights attached to shares that have been pledged, are exercised by the owner-pledgor.

Voting rights can further be suspended, inter alia, (i) by a competent court, (ii) in the event that the shares were not fully paid-up notwithstanding a request thereto by the Board of Directors, and (iii) in respect of shares which entitle their holder to voting rights above the threshold of 3%, 5% or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of Devgen on the date of the relevant General Shareholders’ meeting, except where the shareholder has notified Devgen and the FSMA at least 20 days prior to the relevant Shareholders’ meeting on which he wishes to vote. Voting rights attached to redeemed shares are also suspended, as long as the owner of the shares or a subsidiary thereof holds the shares concerned.

16.3.2. Right to attend and vote at Shareholders’ meetings and formalities

The Annual Shareholders’ meeting is held on the first business day of June, or, if this date falls on a public holiday, the meeting will be held at the same time on the next business day at the registered office of Devgen or at the place determined in the convening notice.
Principally, all shareholders and holders of warrants and bonds (if any) issued by Devgen and all holders of certificates issued with the co-operation of Devgen (if any) are entitled to attend the Shareholders’ meeting, it being understood that only shareholders can vote at a Shareholders’ meeting.

The right to participate in a general meeting and to exercise voting rights is only granted on the basis of the recording of shares in the name of the shareholder, on the fourteenth (14^{th}) day before the General Meeting at midnight (24:00 hours) (“the record date”), either

- by their record in the register of registered shares of the company
- by their record in the accounts of an acknowledged account holder or clearing agent

The account holder or clearing agent delivers a certificate to the shareholder evidencing the amount of shares for which the shareholder, on the record date, has indicated his intention to participate in the general meeting.

Ultimately on the sixth (6^{th}) day before the meeting, the shareholder informs the company or the person appointed thereto by the company of his intention to participate in the meeting.

In a special register designated by the Board of Directors is recorded for each shareholder who has expressed the intention to participate in the general meeting:

- the name, and the address (or the registered office),
- the number of shares possessed on the record date and for which he has expressed the intention to participate in the general meeting,
- a description of the documents evidencing that he was in possession of the shares on the record date.

The holders of other securities issued by the company (including holders of warrants and bonds issued by the company) who have the right to participate in the general meeting mutatis mutandis have to fulfill the same formalities. In accordance with Article 537 of the Company Code, the holders of warrants and bonds issued by the company may attend any General Meeting, but only with an advisory vote.

Prior to participating in the meeting the shareholders or their proxy holders must sign the attendance list, indicating:

- the identity of the shareholder
- if applicable, the identity of the proxy holder, and
- the number of shares they represent.

At the opening of the meeting the bureau of the meeting completes the attendance list with details of the persons attending the General Meeting from a distance.

16.3.3. Notices convening the Shareholders' meeting

The notice convening the Shareholders' meeting must state the place, date, time of the meeting and must include an agenda indicating the items to be discussed.

In accordance with article 533 of the Company Code, the notice must be published in the Belgian Official Gazette (Belgisch Staatsblad / Moniteur belge) at least 30 days prior to the meeting or the registration date (if so specified in the convening notice). The notice must also be published in a national newspaper 30 days before the meeting or the registration date (if so specified in the convening notice), except if it concerns an Annual Shareholders' meeting held at the municipality, place, day and hour mentioned in the articles of association of Devgen and whose agenda is limited to the examination and approval of the annual accounts, the Board of Directors' annual report, the statutory auditor's annual report, the vote on the discharge of the directors and the statutory auditor, and, the case being, the matters referred to in article 554, section 3 and 4 of the Company Code. The notice must also be published in media of which reasonably can be expected that it provides for an effective distribution of the information with the public in the European Economic Area and, which is swiftly and in a non-discriminatory way accessible.

The annual accounts, the Board of Directors' annual report and the statutory auditor's annual report are made available to the shareholders, holders of bonds, warrants and certificates issued with the co-operation of Devgen at the latest at the same date as the convening of the Annual Shareholders' meeting.

Convening notices will be sent 30 days prior to the meeting to holders of registered shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the co-operation of Devgen, the directors and the statutory auditor of Devgen. This communication is made by ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfillment of such formality.

In accordance with applicable laws, shareholders can have items put on the agenda of the General Shareholders' meeting and submit resolution proposals.

16.3.4. Powers of attorney and electronic forms

Each shareholder may be represented at the meeting by a proxy holder to whom a written proxy was granted, or can vote through an electronic form as provided for in the relevant legislation in force. Such proxies or forms have to bear the signature of the principal (which can be an electronic signature as referred to in Article 1322, paragraph 2 of the Civil Code or as otherwise permitted by applicable legislation) and at least mention:

- the complete and correct identity of the shareholder, including residence address or registered office,
- the number of shares for which the shareholder participates in the deliberations and voting,
- the form of the shares,
- the agenda of the meeting, including the proposed resolutions,
- the positive or negative vote or the abstention regarding each proposed resolution.

A shareholder can appoint a separate proxy holder for every form of shares that he owns for each of his securities accounts, if he owns shares of the company which are deposited on more than one securities account.

Assembled proxies, proxies granted by substitution, or proxies granted by financial institutions, trusts, fund managers or account holders in the name and on behalf of several shareholders, have to contain the information stated above for each individual shareholder in whose name and on whose behalf they participate in the general meeting.

In accordance with the applicable statutory provisions, the signed and dated proxy has to be sent to the registered office or to a place specified in the notice convening the meeting, by mail, fax, e-mail or other means mentioned in article 2281 of the Civil Code. For notary deeds the original signed proxy is required.

The Board of Directors can determine the text of these proxies and demand that the proxies, or electronic forms be deposited at the registered office of the company at the latest in the course of the sixth (6^{th}) calendar day before the date of the meeting.

Legal persons are represented by the body charged with the representation according to their articles of association, or by a person, shareholder or not, to whom a proxy has been granted in accordance with the provisions of the articles of association.

16.3.5. Quorum and majorities

There is no attendance quorum at the Shareholders' meeting, except as provided by law in relation to decisions regarding certain matters. Decisions are taken by a simple majority of the votes cast, except where the law or the articles of association of Devgen provide for a special majority. Matters involving special quorum and majority requirements include, among others, amendments to the articles of association, including amendments to the rights attached to the shares, the issue of new shares (save for capital increases and corresponding share issues which are decided by the Board of Directors within the framework of the authorized capital), the issue of convertible bonds or warrants and decisions regarding mergers and de-mergers, which require at least 50% of the share capital to be present or represented and the affirmative vote of the holders of at least 75% of the votes cast. Amendments to the corporate purpose of Devgen require at least 50% of the share capital and 50% of the profit sharing certificates (if any) to be present or represented and the affirmative vote of at least 80% of the votes cast at the Shareholders' meeting.

If the quorum is not reached, a second meeting may be convened which can validly deliberate and resolve regardless of the quorum. The special majority requirements, however, remain applicable.

16.3.6. Dividends

All shares participate in the same manner in Devgen's profits (if any). Shares carry the right to receive dividends (if any) payable with respect to the entire preceding financial year.
Pursuant to a proposal of the Board of Directors, the balance of the net annual profit is presented to the General Shareholders' meeting, which has the sole authority to resolve on its attribution by simple majority of the votes cast, and this within the restrictions established by articles 617 to 619 of the Company Code.

No dividend may be issued when the net assets as established in the annual accounts, at the close of the last financial year, pursuant to such distribution, are lower than or would fall below the amount of the paid-up capital or, if this amount is higher, of the called-on capital, increased with all reserves which may not be distributed in accordance with the law or Devgen's articles of association.

The Board of Directors may, subject to compliance with the provisions of the Company Code, issue an advance payment on the annual dividend which must be deducted from the dividend issued on the results of the entire financial year. It determines the amount of these advance payments and the payment date.

Dividends are paid at the date and on the location determined by the Board of Directors.
In principle, the distribution obligation of dividends on registered and dematerialized shares expires after five years in accordance with article 2277 of the Belgian Civil Code. In principle, the distribution obligation of dividends on bearer shares cannot expire. Pursuant to the Law of 24 July 1921, as amended by the Law of 22 July 1991, Devgen has the possibility to deposit these dividends with the Deposit and Consignation Office ("*Deposito- en Consignatiekas*"). The dividend deposited with the Deposit and Consignation Office which was not claimed within thirty years, will accrue to the Belgian State.

Devgen has never declared or paid any dividends on its shares. Devgen's dividend policy will be determined and may change from time to time by decision of Devgen's Board of Directors. Any issue of dividends will be based upon Devgen's future earnings, financial condition, cash needs, capital adequacy, compliance with applicable statutory and regulatory requirements, general business conditions and other factors considered as important by Devgen's Board of Directors.

The Board of Directors expects to retain all earnings generated by Devgen's operations for the development and growth of its business and does not anticipate paying any dividend to the shareholders for the coming years.

16.3.7. Rights regarding dissolution and liquidation

In accordance with article 633 of the Company Code, if, as a result of losses, Devgen's net assets are less than 50% of its share capital, the directors must submit the question whether or not to dissolve Devgen and any other possible steps to the Shareholders' meeting for consideration.

The Board of Directors must justify its proposals in a special report to the Shareholders' meeting. If the Board of Directors proposes that Devgen's activities be continued, it must detail the measures that it proposes taking to remedy Devgen's financial situation. The directors must convene a Shareholders' meeting within 2 months after the loss is noted, or should have been noted under legal or statutory provisions, with a view to discussing the continuation or the dissolution or not of Devgen.

If, as a result of losses, Devgen's net assets are less than 25% of Devgen's share capital, the Shareholders' meeting may approve Devgen's dissolution with only 25% of the votes cast in favor of dissolution.

Furthermore, pursuant to article 634 of the Company Code, if Devgen's net assets are less than the legal minimum share capital (i.e. € 61,500), any interested party may ask the court to dissolve Devgen. The court may grant Devgen a grace period to allow it to remedy its situation.

In the event Devgen is dissolved for any reason, Devgen's shareholders, acting at the general Shareholders' meeting, will appoint one or more liquidators and determine at the same time the liquidation method to be used. After settlement of all debts, charges and expenses relating to the liquidation, the net assets will be equally distributed amongst all the shareholders, after deduction of that portion, if any, of their shares that are not fully paid.

These are no liquidation preferences for certain shares.

16.4. Changes to the share capital

16.4.1. Changes to the share capital decided by the shareholders

Pursuant to the Company Code, Devgen may increase or decrease its share capital by decision of Devgen's Shareholders' meeting, taken with a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Devgen is present or represented. If the quorum is not reached at a first meeting, a second meeting can be convened with the same agenda but without quorum requirements.

16.4.2. Authorized capital

Article 6 of the articles of association sets out that by virtue of the resolution of the Extraordinary General Shareholders' meeting held on 25 August 2008, the Board of Directors has been expressly authorized to increase the share capital in one or more transactions with an amount of € 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.

The Board of Directors has made use of the power under the authorized capital on 1 October 2009. The share capital was increased with € 131,500,43 during a capital increase through which 1,753,339 new shares were placed with pre-identified institutional investors for a total amount of € 14.7 million. As a result, the remaining available amount to increase the share capital within the framework of the authorized capital was equal to € 1,209,609.72.

At the meeting of the Board of Directors on 30 March 2011, the Board decided to increase the capital within the authorization as set out above. Consequentially, on 4 April 2011 Devgen NV issued 4,584,549 new shares in a private placement with pre-identified investors for a total amount of € 26,819,611, resulting in a statutory capital increase of € 343,841.18.

After this capital increase the remainder of the authorized capital amounts to € 865,768.54.

16.4.3. Preferential subscription right – amendments to the shareholders rights

Belgian company law and Devgen's articles of association give shareholders preferential subscription rights to subscribe on a pro rata basis to any issue of new shares subscribed for in cash, convertible bonds or warrants. These preferential subscription rights are transferable during the subscription period and within the limits of the transferability of the shares to which they relate. They can be exercised during a period determined by the Shareholders' meeting, with a legal minimum of 15 days.
When considering the possibility of amending the rights of the shareholders, the articles of association do not contain conditions more strict than the legal provisions in Belgium. Events where shareholders' rights can be amended, include the decision of the General Shareholders' meeting to limit or cancel the preferential subscription right of the shareholders in the framework of a capital increase. Such decision is subject to the quorum and voting requirements required for any amendment to the articles of association, and to special reporting requirements. The Shareholders' meeting may also authorize the Board of Directors to restrict or withdraw the preferential subscription rights when issuing securities within the framework of Devgen's authorized capital.

The Board of Directors of Devgen is authorized, within the limits of the authorized capital, to cancel or restrict the preferential subscription rights granted by law to the holders of existing shares in accordance with article 596 et seq. of the Company Code. The Board of Directors is authorized to cancel or restrict the preferential subscription rights in favor of one or more persons, even if such persons are not members of the personnel of Devgen or its subsidiaries.

16.5. Anti-takeover provisions

16.5.1. Takeover bids

Public takeover bids on the company's shares and other voting securities (such as warrants or convertible bonds, if any) are subject to the supervision of the FSMA. Public takeover bids must be made for all of the company's voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion in new voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the company.

In addition, as soon as a person or group of persons acting in concert, holding more than 30% of the voting securities issued by the company would (whether through an acquisition or a subscription etc.) be holding more than 30% of the voting right bearing securities, the outstanding voting rights bearing or voting rights conferring securities of the company will become subject to a takeover bid, at a price compliant with the provisions of the Belgian takeover legislation. There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the transparency regulations requiring the disclosure of important shareholdings (see further under section 13.4) and merger control, that may apply to the company and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of the company's shares. These provisions may also have the effect of depriving the shareholders of the opportunity to sell their shares at a premium.

In addition, the Board of Directors of Belgian companies may in certain circumstances, and subject to prior authorization by the shareholders, deter or frustrate public takeover bids through dilutive issuances of equity securities (within the framework of the authorized capital - see section 13.2 above) or through share buy-backs (i.e. purchase of own shares).

Normally, the authorization of the Board of Directors to increase the share capital of the company within the authorized capital through contributions in cash with cancellation or limitation of the preferential right of the existing shareholders is suspended as of the notification to the company by the FSMA of a public takeover bid on the securities of the company.

The General Shareholders' meeting can, however, authorize the Board of Directors to increase the share capital by issuing shares in an amount of not more than 10% of the existing shares of the company at the time of such a public takeover bid. The Board of Directors was not granted the specific authorization to increase the share capital of the company at the time of a public takeover bid. The Board of Directors was also not granted the specific authorization to purchase own shares in case of a threatening serious disadvantage to the company.

16.5.2. Squeeze out

Pursuant to article 513 of the Company Code, or the regulations promulgated there-under, a person or entity, or different persons or entities acting alone or in concert, who, together with the company, own 95% of the securities conferring voting rights in a public company, can acquire the totality of the securities conferring (potential) voting rights in that company following a squeeze-out offer. The shares that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value as to safeguard the interests of the transferring shareholders.

16.5.3. Sell-out right

Holders of securities conferring (potential) voting rights may require an offeror who, acting alone or in concert, following a takeover bid, owns 95% of the voting capital or 95% of the securities conferring voting rights in a public company to buy their securities at the price of the bid, upon the condition that the offeror has acquired, through the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

17. Business objectives and financial outlook

Excerpt from press release dd. 8 March 2012

Devgen believes that it is well positioned to achieve a further increase in seed sales in 2012 because of:

- The solid foundation the company laid in its improved product portfolio, its management systems and market access in India, Philippines and Indonesia.
- The favorable status of the company's ongoing field production in India which is currently running according to plan.

Devgen's investments over the last years and those continuing in 2012 are expected to deliver a series of value creating milestones including:

- New proprietary hybrid rice varieties entering the market in Southeast Asia.
- Final advancement in December 2012 of selected NGHRTM varieties, from research to pre-commercial seed production, pre-launch activities and registration trials thus delivering confirmation that Devgen's NGHRTM-technology can deliver the yield and productivity increases required to shape the field of hybrid rice.
- New product registrations and first sales of new Devgen hybrid rice seeds in selected countries.
- Regulatory approval for Devgen's nematicides in more countries and crops.
- Although revenues from research and development are expected to decline following the contractually agreed completion of the deal with Monsanto Company in October 2011, the company is confident that Devgen's biotech and breeding technology and IP portfolio has the potential to deliver revenues and value through corporate partnerships.

The company is confident that the available cash is sufficient to continue its investments in R & D and market access in India and Southeast Asia.

Devgen NV

18. Available documents

The documents below are available on the company's registered office or on the company's website www.devgen.com or can be provided upon request to:

Devgen NV
Investor Relations
Technologiepark 30
B-9052 Zwijnaarde,
Belgium

Tel: +32 9 324 24 24
Fax: +32 9 324 24 25

info@devgen.com

- Memorandum of association and the articles of association of Devgen;
- Reports of the Board of Directors;
- Historical financial information of Devgen and its subsidiaries for the financial years preceding this registration document.