



## **Information on non-compliance with the WSE corporate governance rules**

The Board of Directors of MILKILAND N.V. (the "Company") hereby informs about the Company's partial non-compliance with the Code of Best Practice for WSE Listed Companies ("WSE Corporate Governance Rules").

At the beginning it should be underlined that the Company has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles apply to the Company accordingly, with due observance of Dutch corporate law and the Company's corporate structure, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Company does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, the Board of Directors of the Company performs both the management and supervisory functions. As a result, the Company applies those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly. In all cases, the Company endeavors to create procedures maintaining the spirit of all rules applied accordingly. Therefore, the Company is of an opinion that it complies with the principles of the WSE Corporate Governance Rules that refer to relations between supervisory board and management board or to the functioning of those bodies.

The Company intends to comply with all the WSE Corporate Governance Rules, however one rule is observed only partially: Rule 6 of The Best Practice for Supervisory Board Members included in the WSE Corporate Governance Rules: at least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

There is only one governing body in the Company, the Board of Directors comprising both Executive and Non-Executive Directors, which fulfills the duties, respectively, both of a Polish-style management board and supervisory board.

Currently the Board of directors consist only one Non-executive Director. It is the Company's intention that the Board of Directors would consist of at least two – Non executive Directors fulfilling the criteria of independence. The Company is currently searching for the second Non – executive Director.