

**freenet AG**

**Büdelndorf**

ISIN: DE000A0Z2ZZ5

WKN: A0Z2ZZ

## **Invitation to the 2014 Annual General Meeting**

The shareholders of our Company are hereby invited to the **Annual General Meeting**, which will take place on **13 May 2014 at 10 a.m.** (admission from 9 a.m.) in the **Congress Center Hamburg, Hall G, Am Dammtor/Marseiller Strasse, 20355 Hamburg**.

### Agenda

- 1. Presentation of the adopted annual financial statements, the approved consolidated financial statements and the management reports of freenet AG and the Group, the report of the Supervisory Board and the explanatory report of the Executive Board in accordance with Section 289 para. 4 and 5, and Section 315 para. 4 of the German Commercial Code (HGB) for the 2013 financial year.**

The Supervisory Board has approved the annual financial statements and consolidated financial statements presented by the Executive Board; the statements are therefore adopted. A resolution by the Annual General Meeting is therefore not required.

## **2. Resolution on the appropriation of net profit**

The Executive Board and Supervisory Board propose to appropriate the net profit reported in the adopted annual financial statements of freenet AG as at 31 December 2013 in the amount of EUR 335,252,637.03 as follows:

Payment of a dividend of EUR 1.45 per dividend-entitled share, i.e. a total dividend payment of EUR 185,615,973.20, with the remaining balance of EUR 149,636,663.83 to be carried forward. The dividend is payable on 14 May 2014.

Total dividend amount	EUR	185,615,973.20
Balance carried forward	EUR	149,636,663.83
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Net profit	EUR	335,252,637.03

At the time of convening, the Company indirectly held 50,000 treasury shares which are not entitled to dividends. The number of dividend-entitled shares may change between now and the Annual General Meeting as a result of the purchase, cancellation or sale of treasury shares. In such an event, the Annual General Meeting will be presented with an amended resolution on the appropriation of profits with an unchanged dividend of EUR 1.45 per dividend-entitled share, which will require a corresponding adjustment to the total amount to be distributed to the shareholders and a corresponding adjustment to the amount to be carried forward to the next period.

## **3. Resolution on approving the actions of the members of the Executive Board of the Company for the 2013 financial year**

The Executive Board and Supervisory Board propose to approve the actions of the serving members of the Executive Board of the Company in the 2013 financial year for this period.

## **4. Resolution on approving the actions of the members of the Supervisory Board of the Company for the 2013 financial year**

The Executive Board and Supervisory Board propose to approve the actions of the serving members of the Supervisory Board of the Company in the 2013 financial year for this period.

**5. Resolution on the appointment of independent auditors for the audit of the annual and consolidated financial statements for the 2014 financial year and for the review of the interim financial statements as required**

Following the recommendation of the Audit Committee, the Supervisory Board proposes to resolve the following:

- a) PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall be appointed to audit the annual financial statements and consolidated financial statements for the 2014 financial year.
- b) PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall be appointed to review the interim financial statements and management report for the first six months of the 2014 financial year.

**6. Resolution on the authorisation to acquire and use treasury shares in accordance with Section 71 para. 1 no. 8 of the German Stock Corporation Act (AktG), including the authorisation to cancel treasury shares and to reduce the Company's capital stock, as well as the authorisation to exclude put options and subscription rights; cancellation of existing authorisations**

The authorisation to purchase treasury shares resolved at the Annual General Meeting of 6 July 2010 expires on 5 July 2015.

In order to continue to be in the position to purchase treasury shares in the future, the Executive Board is once again to be authorised to purchase treasury shares following the cancellation of the currently existing authorisation pursuant to Section 71 para. 1 no. 8 AktG.

The Executive Board and Supervisory Board therefore propose the following resolutions:

- 1) The Executive Board shall be authorised to purchase treasury shares amounting to a total of 10 per cent of the share capital existing at the time of the resolution on 13 May 2014 with the approval of the Supervisory Board or – if this amount is lower – the share capital existing at the time this authorisation is exercised accordingly, for

any permissible purpose as part of the legal limitations and in line with the following provisions.

The authorisation shall take effect by resolution on 13 May 2014 and remain valid until 12 May 2019. The authorisation can be utilised by the Company, as well as by its subsidiaries or a third party acting for or on the account of the Company or a subsidiary.

In each individual case, the purchase shall be made (i) on the stock exchange, (ii) by means of a public takeover offer, (iii) by means of a public invitation to submit sales offers or (iv) by issuing put options to the shareholders, as decided by the Executive Board.

- In the event of the purchase being made on the stock exchange, the equivalent value paid by the Company per share (excluding ancillary purchase costs) may not exceed or be lower than 10 per cent of the average stock market price of the Company's share in the closing auction in electronic trading on the Frankfurt Stock Exchange on the three stock market trading days preceding the day the obligation to purchase arises.
- In the event of a public invitation to submit sales offers, the equivalent value paid by the Company per share (excluding ancillary purchase costs) may not exceed 10 per cent nor be lower than 20 per cent of the average stock market price of the Company's share in the closing auction in electronic trading on the Frankfurt Stock Exchange on the three stock market trading days preceding the day the sales offers are accepted.
- In the event of a public takeover offer or a purchase by issuing put options, the equivalent value paid by the Company per share (excluding ancillary purchase costs) may not exceed 10 per cent nor be lower than 20 per cent of the average stock market price of the Company's share in the closing auction in electronic trading on the Frankfurt Stock Exchange on the three stock market trading days preceding the cut-off day. The cut-off date is the day on which the final decision is made by the Executive Board regarding the offer or the issuing of put options.

In the event of a substantial change in the share price following a public takeover offer or a public invitation to submit sales offers or following the issuing of put options, leading to differences in the offered selling or purchase price, or the limits of a potential sales or purchase price range, the offer, invitation to submit sales offers or the put options may be adjusted. In this case, the price on the last trading day before publication of the adjustment is decisive; the 10 per cent or 20 per cent limit applies to this amount.

The volume of a public takeover offer or a public invitation to submit sales offers can be restricted. If a public takeover offer, or a public invitation to submit sales offers is oversubscribed, the purchase or acquisition must take place on a proportionate basis according to the relevant tendered shares and thus subject to a partial exclusion of any shareholder rights to sell their shares. The preferential purchase or preferential acceptance of a lower number of shares, up to 50 shares tendered per shareholder, as well as rounding according to commercial practices, may be provided for subject to a partial exclusion of any shareholder rights to sell their shares.

Similarly, the volume of put options offered to shareholders in total can also be limited. If the shareholders are given the option to sell for the purpose of acquisition, this option is granted to the shareholders to an extent relative to their shareholding in accordance with the proportion of the volume of shares to be bought back by the Company in relation to the share capital. Fractional amounts of rights to sell do not need to be issued; in such cases, any partial rights to sell shares shall be excluded.

Further details of rights to sell shares, including the potential takeover offer or a potential invitation to submit sales offers, shall be determined by the Executive Board. This also applies to further details of any rights to sell, particularly with regard to the content, term and, if applicable, tradability of such rights. In doing so, capital market and other legal restrictions and requirements are to be observed.

2) The Executive Board shall be entitled to use treasury shares acquired as a result of this authorisation or preceding authorisations as follows:

a) The shares can be sold on the stock exchange or by means of a public offer made to all shareholders in relation to the percentage of their holding; in the event of an offer being made to all shareholders, the subscription right for residual amounts is excluded.

b) The shares can be sold in other ways against cash payment, if the price of Company shares of the same class is not substantially lower than the price of the shares on the stock exchange at the time of sale. The total proportionate amount of the share capital attributable to the number of shares sold under this authorisation may not exceed 10 per cent of the Company's share capital at the time this authorisation is adopted by resolution at the Annual General Meeting or – if the amount is lower – at the time this authorisation is exercised. The proportionate amount of share capital of new shares issued since the resolution of the Annual General Meeting on this authorisation until the shares are sold as a result of potential authorisations to issue shares from authorised capital with the exclusion of subscription rights in accordance with Sections 203 para 1 and 186 para. 3 sentence 4 AktG is to be included in the maximum limit of 10 per cent. Also to be included is the proportionate amount of share capital which is attributable to shares that can be issued as a result of bonds with conversion or option rights or conversion or option obligations or the Company's right to delivery of shares, if these bonds were issued during the validity of an authorisation passed by resolution at the Annual General Meeting until the shares are sold, in accordance with Sections 221 para. 4 and 186 para. 3 sentence 4 AktG.

c) The shares may be offered and transferred to third parties in (partial) return for the direct or indirect acquisition of companies, parts of companies or participating interests in companies, or any other investment goods, including land ownership and receivables (including from the Company), or as part of company mergers.

d) The shares may be offered to people who are or have been employed by the Company or a subsidiary to purchase, or they may be transferred to such people.

e) The shares may be used to fulfil option or conversion rights, or option or conversion obligations, or the Company's right to deliver shares from option and/or conversion bonds, which the Company or a direct or indirect subsidiary of the Company will issue on the basis of an authorisation by the Annual General Meeting.

f) The Executive Board shall also be authorised to cancel treasury shares without the need for an additional resolution by the Annual General Meeting for the cancellation or its execution. The cancellation may also be effected without reducing capital stock pursuant to Section 237 para. 3 no. 3 AktG in that the cancellation of these shares

increases the proportion of the Company's remaining shares in the share capital pursuant to Section 8 para. 3 AktG. The Executive Board shall be authorised to amend the number of shares stated in the Articles of Association accordingly, as defined in Section 237 para. 4 no. 3, second half-sentence AktG. The cancellation may also be linked to a reduction in capital stock; in this case, the Executive Board is authorised to reduce the capital stock by the proportionate amount of the cancelled shares to the share capital and is authorised by the Supervisory Board to amend the number of shares and amount of share capital stated in the Articles of Association accordingly.

3) Shareholders' subscription rights to the shares used according to section 2) are set out in section 2) a) and also excluded to the extent that these shares are used according to the authorisations stipulated in sections 2) b), c), d) and e).

4) The authorisations to purchase treasury shares, to sell them, to make use of them in other ways or to cancel them may be exercised independently of each other on one or more occasions, in full or partially. If shares are used as consideration, this can also happen in combination with other forms of consideration. They also include the use of Company shares which may have been bought back as a result of earlier authorisations to buy back treasury shares.

5) The Supervisory Board can rule that action relating to these authorisations may only be taken with its approval or the approval of a Supervisory Board committee.

6) The authorisation granted by the Annual General Meeting resolution of 6 July 2010 to purchase treasury shares (Agenda item 7) is revoked and replaced by this one as it takes effect.

**7. Resolution on the authorisation to use equity derivatives as part of the purchase of treasury shares in accordance with Section 71 para. 1 no. 8 AktG and to exclude put options and subscription rights; cancellation of existing authorisation**

By way of addition to the authorisation proposed under Agenda item 6 for the purchase of treasury shares pursuant to Section 71 para. 1 no. 8 AktG, the Company shall also be authorised to purchase treasury shares by means of equity derivatives. This does not result in an increase in the maximum volume of shares which is

permitted to be purchased; it only provides another alternative to acquire treasury shares.

The Executive Board and Supervisory Board therefore propose the following resolutions:

1) In addition to the authorisation proposed under Agenda item 6 of the Annual General Meeting of 13 May 2014 to purchase treasury shares pursuant to Section 71 para. 1 no. 8 AktG, the acquisition of Company shares may also be carried out through the use of equity derivatives in addition to the ways set out therein. The Executive Board shall be authorised to purchase options that convey the right to the Company to purchase Company shares when exercising options ('call options'). Furthermore, the Executive Board shall be authorised to sell options obliging the company to acquire Company shares if the options are exercised by the holders ('put options'). In addition to this, the purchase can be effected by the use of a combination of call and put options as well as by the use of other equity derivatives as determined hereinafter. The authorisation shall take effect by resolution on 13 May 2014 and remain valid until 12 May 2019. The authorisation can be used by the Company, as well as by its subsidiaries or a third party acting for or on the account of the Company or a subsidiary.

All share acquisitions by means of call options, put options, a combination of call and put options or of other equity derivatives are limited to shares amounting to no more than 5 per cent of either the share capital existing at the time of the resolution of the Annual General Meeting or, if this amount is lower, the share capital existing at the time this authorisation is exercised.

2) Options must be concluded with one or more credit institutions, with one or more companies active under Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or Section 7 of the German Banking Act, or with a group or consortium of credit institutions and/or any such companies. The options are to be arranged in such a way that ensures that they are only supplied with shares acquired while safeguarding the principle of treating shareholders equally; this is satisfied by purchasing the shares on the stock exchange. The term of the options must not exceed 18 months and, moreover, must be selected in such a way that shares are acquired through exercising options before 12 May 2019. The purchase price paid by the Company for call options, or selling price received for put options, or paid or received for a

combination of call and put options, may not be significantly higher or lower than the theoretical market value determined by recognised arithmetical methods.

3) The equivalent value for the acquisition of a share as a result of a put option being exercised, consisting of the purchase price (exercise price) agreed in the option and to be paid for the share when the option is exercised (excluding ancillary acquisition-related costs but taking account of the option premium received), may not exceed by more than 10 per cent, nor fall short of by more than 20 per cent, the stock market share price of the Company determined by initial auction in electronic trading on the Frankfurt Stock Exchange on the date of concluding the corresponding option transaction. The equivalent value for the acquisition of a share as a result of a call option being exercised, consisting of the purchase price (exercise price) agreed in the option and to be paid for the share when the option is exercised, may not exceed by more than 10 per cent, nor fall short of by more than 10 per cent, the average stock market share price of the Company determined by the closing auction in electronic trading on the Frankfurt Stock Exchange on the last three market trading days before exercising the call option.

4) Furthermore, it may be agreed with one or more of the credit institutions and/or equivalent companies cited in section 2) above that it (or they) should, within a predefined period, provide the Company with a previously established quantity of shares or previously defined equivalent value, in euros, of the Company shares. The price at which the Company purchases treasury shares must thereby show a discount to the arithmetical average of the volume weighted market averages of the share in electronic trading on the Frankfurt Stock Exchange, calculated over a fixed, predetermined number of stock exchange days. However, the price per share may not fall short of the above-mentioned average by more than 20 per cent. Furthermore, the credit institution(s) and/or equivalent companies mentioned in section 2) above must undertake to buy the shares on the stock exchange at prices within the range that would apply if the shares were purchased on the stock exchange directly by the Company.

5) Should treasury shares be purchased using equity derivatives under consideration of the preceding provisions, any right of the shareholders to conclude such option transactions or other equity derivatives with the Company, as well as any options to sell of the shareholders, is excluded.

6) For the use of treasury shares acquired by way of equity derivatives, the regulations stipulated in sections 2) and 4) of the resolution proposal with regard to Agenda item 6 of the Annual General Meeting of 13 May 2014 shall apply accordingly. The shareholders' subscription rights for treasury shares shall be excluded in accordance with section 2) a) and also if these shares are used in accordance with the resolutions set out in sections 2) b), c), d) and e) of the proposed resolution with regard to Agenda item 6.

7) The Supervisory Board can rule that action relating to these authorisations may only be taken with its approval or the approval of a Supervisory Board committee.

8) The authorisation granted by the Annual General Meeting resolution of 6 July 2010 to purchase treasury shares using equity derivatives (Agenda item 7) is revoked and replaced by this one as it takes effect.

**8. Resolution on the authorisation to issue convertible and/or option bonds and to exclude subscriptions rights, replacing the authorisation granted on 7 July 2009, and a resolution on the creation of contingent capital 2014 and a corresponding amendment to the Articles of Association; cancellation of contingent capital 2009**

The existing authorisation to issue convertible and/or option bonds expires on 6 July 2014 and should be renewed.

The Executive Board and Supervisory Board propose the following resolutions:

**A) Authorisation to issue convertible and/or option bonds and to exclude subscription rights**

The Executive Board shall be authorised to issue, either once or repeatedly until 12 May 2019, registered or no-par-value bearer convertible and/or option bonds (collectively known as 'bonds') with or without a maturity time limit with a total nominal value of up to EUR 640,000,000, and to grant bond holders or creditors conversion or option rights relating to the no-par-value bearer shares of the Company with a proportionate amount of the share capital of up to a total of EUR 12,800,000 subject to the terms of the bond. The bond terms can also specify (i) a conversion or option obligation at the end of the term of the bond or at an earlier date ('final maturity'; this is also applicable for a bond falling due as a result of termination) or

(ii) the right of the Company, upon final maturity, to grant shares of the Company to creditors or holders of convertible or option bonds in part or in whole instead of paying the cash amount which becomes due ('right to delivery of shares').

Aside from euros, bonds can be issued in the legal tender of any OECD member as long as this is linked to an equivalent amount in euros. Bonds can also be issued by a directly or indirectly wholly owned subsidiary of the Company. In this case, the Executive Board shall be authorised to provide a guarantee for the bonds and to grant the holders or creditors conversion or option rights, or conversion or option obligations relating to new no-par-value bearer shares of the Company, or grant the Company a right to delivery of shares.

The individual issues can be divided into partial bonds carrying equal rights.

If option bonds are issued, each partial bond is provided with one or more warrants which entitle the holder or creditor to purchase no-par-value bearer shares of the Company subject to the terms and conditions of the options to be determined by the Executive Board or which – as a result of a right to delivery of shares – obligate them to do so. The option terms also provide for the fulfilment of the option price in euros either in whole or in part through the assignment of partial bonds or payment in cash. The subscription ratio is calculated by dividing the nominal amount of a partial bond by the defined option price for a no-par-value bearer share of the Company. If this results in fractions of shares, measures can be in place to enable these fractions to be rounded up to whole shares, potentially in return for a cash contribution, according to the bond or option terms. The proportionate amount of the share capital of the no-par-value bearer shares of the Company to be purchased for each partial bond must not exceed the nominal amount of the partial bond.

If convertible bonds are issued, the holders or creditors of the partial bonds receive the right or obligation to convert them into no-par-value bearer shares of the Company or to purchase them subject to the terms of the bond to be determined by the Executive Board. The conversion ratio is calculated by dividing the nominal amount of a partial bond by the defined conversion price for a no-par-value bearer share of the Company, and may be rounded up or down to a whole number. The conversion ratio may also be calculated by dividing the issue amount of a partial bond which is lower than the nominal amount by the defined conversion price for a no-par-value bearer share of the Company. Furthermore, an additional cash payment and the

combination or compensation for non-convertible residual amounts may be provided for. The bond terms can also provide for a variable conversion ratio and set the conversion price (subject to the minimum price stipulated hereinafter) within a defined range depending on the development of the stock market price of the Company's share for the duration of the bond. The proportionate amount of the share capital of the no-par-value bearer shares of the Company to be issued during conversion must not exceed the nominal amount of the partial bond.

The terms of the bond can specify that treasury shares of the Company can also be granted in the event of an option being exercised or converted. Furthermore, it is also possible to specify that the Company will not grant no-par-value bearer shares of the Company to holders of conversion or option rights, but instead pay the equivalent value in cash.

The option or conversion price to be set for a no-par-value bearer share of the Company must be equivalent to at least 80 per cent of the non-weighted average closing price of the Company's share in electronic trading on the Frankfurt Stock Exchange on the last ten market trading days before the day on which the resolution regarding the issue of bonds is adopted by the Executive Board or – for subscription right trading – at least 80 per cent of the non-weighted average price of the Company's share in electronic trading on the Frankfurt Stock Exchange on the last ten market trading days before the subscription period begins; this excludes cases in which an option or conversion obligation, or a right to delivery of shares is provided for. In the event of an option or conversion obligation or a right to delivery of shares, the option or conversion price can, subject to the bond terms, either correspond to the aforementioned minimum price or the volume-weighted average price of the Company's share in electronic trading on the Frankfurt Stock Exchange during a reference period of 15 market trading days before the due date or the other defined point in time, even if this average share price is lower or higher than the stated minimum price (80 per cent). The proportionate amount of share capital of the no-par-value bearer shares of the Company to be issued may not exceed the nominal amount of the bond. Section 9 para. 1 and Section 199 para. 2 AktG remains unaffected.

The terms of the bond can specify that the conversion or option price, irrespective of the minimum issue price, can be adjusted during the conversion or option period in

accordance with Section 9 para. 1 in conjunction with Section 199 para. 2 AktG in the following cases, whereby existing value relations have to be maintained:

- Capital increases by converting capital reserves or retained earnings by way of issuing new shares
- Consolidation of shares
- Capital increases or the sale of shares involving the granting of subscription rights (notwithstanding the exclusion of subscription rights for residual amounts), without subscription rights being provided to the holders or creditors of existing convertible or option bonds with conversion or option rights or conversion obligations to the extent to which they would be entitled after exercising the conversion or option right or after fulfilling the conversion obligation
- Issuing further convertible or option bonds or granting or guaranteeing other conversion or options rights or obligations involving an exclusive subscription right being granted to the shareholders (notwithstanding the exclusion of subscription rights for residual amounts), without the holders or creditors of existing conversion or option rights or obligations being granted a subscription right, to the extent to which they would be entitled after exercising the conversion or option right or after fulfilling the obligation
- Capital reductions (if not only in the form of a reduction of the proportion of share capital attributable to an individual share)
- In the event of other unusual measures or events which may have an impact on the Company's capital structure.

In these cases, the adjustment is made in line with Section 216 para. 3 AktG and also in line with normal market practice in such a way that the financial value of the conversion and/or option rights or conversion obligations which existed immediately before the measure which triggered the adjustment remains affected, by adjusting the conversion or option price and/or the number of option or conversion rights or obligations per partial bond.

Instead of an adjustment of the option or conversion price, the payment of a corresponding amount can, in all cases, be provided by the Company in cash on exercising the conversion or option right or on the fulfilment of the conversion or option obligation subject to the terms of the option or convertible bonds.

The shareholders are normally entitled to a subscription right for the bonds. Bonds may also be taken up by one or more credit institutions, with one or more companies active in the credit business under Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or Section 7 of the German Banking Act, or with a group or consortium of credit institutions and/or any such companies with the obligation to offer them to shareholders for acquisition (indirect subscription right). If bonds of a subsidiary of the Company are issued, then the Company has to guarantee the provision of the legal subscription right for the shareholders of freenet AG in accordance with the preceding provisions, provided that the subscription right as provided in the following regulations is not excluded.

However, the Executive Board shall be authorised to issue bonds in accordance with the terms of Section 186 para. 3 sentence 4 AktG with shareholders' subscription rights excluded if the issue price is not significantly lower than the theoretical market value of the bonds calculated in accordance with recognised, and in particular arithmetical, methods. This authorisation for excluding shareholders' subscription rights is only applicable if the shares which have been issued, or which will be issued, to service the conversion and/or option rights or to fulfil the conversion or option obligation in total account for a proportionate amount of the share capital which does not exceed 10 per cent of the corresponding share capital at the time it takes effect and – if this value is lower – at the time when this authorisation is exercised. The proportion of share capital attributable to the shares which will be issued after 13 May 2014 out of authorised capital or which can be acquired as a result of conversion or option rights issued after 13 May 2014 or as a result of conversion obligations established since 13 May 2014 is offset against this maximum amount for excluding shareholders' subscription rights if, when the authorised capital is utilised or when the convertible and/or option bonds are issued, the shareholders' subscription rights are excluded in accordance with Section 186 para. 3 sentence 4 AktG. In addition, it is also necessary to offset the proportion of share capital attributable to treasury shares which the Company has acquired on the basis of an authorisation in accordance with Section 71 para. 1 no. 8 AktG and which it has sold to third parties after 13 May 2014 and up to the point at which this authorisation is exercised in return for a cash payment with shareholders' subscription rights being excluded in accordance with Section 186 para. 3 sentence 4 AktG.

The Executive Board shall also be authorised to exclude shareholders' subscription rights for bonds in relation to residual amounts, and also to exclude the shareholders'

subscription rights to the extent necessary to grant the holders or creditors of conversion or option rights relating to no-par-value bearer shares of the Company or the holders or creditors of convertible bonds to which conversion or option obligations or a right to delivery of shares are attached a subscription right to the extent to which they would be entitled after exercising the conversion or option right or after the conversion or option obligation is fulfilled.

The Executive Board shall be authorised to fix the further details of the issue and terms of the bonds and their conditions in accordance with the principles defined in this authorisation, or to determine them with the approval of the executive bodies of the issuing companies which are direct or indirect subsidiaries. This is applicable particularly with regard to conversion or option rights or obligations, or rights to delivery of shares, the interest rate, the form of interest payment, the term and denomination, the conversion or option period, the definition of a supplementary cash payment, compensation for or merging of residual amounts, dilution protection regulations, cash payment instead of delivery of no-par-value bearer shares and the delivery of existing – instead of the issue of new – no-par-value bearer shares.

The Supervisory Board can rule that action relating to these authorisations may only be taken with its approval or the approval of a Supervisory Board committee.

## **B) Contingent capital and changes to the Articles of Association**

### **a) Contingent capital 2014**

Share capital is subject to a contingent increase of up to EUR 12,800,000 by way of issuing up to 12,800,000 new no-par-value bearer shares, with each individual no-par-value share accounting for EUR 1.00 of the share capital (contingent capital 2014). The purpose of the contingent capital increase is to enable no-par-value bearer shares to be granted to the holders or creditors of convertible and/or option bonds which are issued on the basis of the authorisation of the Company or one of its directly or indirectly owned subsidiaries as adopted by the Annual General Meeting of 13 May 2014 under Agenda item 8, letter A) and which provides a conversion or option right or right to delivery of shares in relation to the no-par-value bearer shares of the Company or which establishes a conversion or option obligation in relation to these shares. The shares are issued at conversion or option prices to be determined in accordance with the authorisation resolution described before.

The contingent capital increase is only to be carried out in the event bonds are issued in accordance with the authorisation resolution by the Annual General Meeting of 13 May 2014 (Agenda item 8) and only to the extent to that conversion or option rights or a right to delivery of shares are utilised or to which holders or creditors with a conversion or option obligation meet their conversion or option obligation and if treasury shares are not used for settlement or if the Company does not provide a cash settlement. The new no-par-value bearer shares participate in the profits from the beginning of the financial year in which they are created. The Executive Board is authorised to stipulate all further details pertaining to the implementation of the contingent capital increase.

#### **b) Changes to the Articles of Association**

Article 4 of the Articles of Association is extended to include the following new paragraph 8:

*‘Share capital is subject to a contingent increase of up to EUR 12,800,000 by way of issuing up to 12,800,000 new no-par-value bearer shares, with each individual no-par-value share accounting for EUR 1.00 of the share capital (contingent capital 2014). The purpose of the contingent capital increase is to enable no-par-value bearer shares to be granted to the holders or creditors of convertible and/or option bonds which are issued on the basis of the authorisation of the Company or one of its directly or indirectly owned subsidiaries as adopted by the Annual General Meeting of 13 May 2014 under Agenda item 8, letter A) and which provides a conversion or option right or right to delivery of shares in relation to the no-par-value bearer shares of the Company or which establishes a conversion or option obligation in relation to these shares. The shares are issued at conversion or option prices to be determined in accordance with the authorisation resolution described before.*

*The contingent capital increase is only to be carried out in the event bonds are issued in accordance with the authorisation resolution by the Annual General Meeting of 13 May 2014 (Agenda item 8) and only to the extent to that conversion or option rights or a right to delivery of shares are utilised or to which holders or creditors with a conversion or option obligation meet their conversion or option obligation and if treasury shares are not used for settlement or if the Company does not provide a cash settlement. The new no-par-value bearer shares participate in the profits from the*

*beginning of the financial year in which they are created. The Executive Board is authorised to stipulate all further details pertaining to the implementation of the contingent capital increase.'*

**c) Cancellation of the existing authorisation and the contingent capital 2009**

The authorisation resolution passed by the Annual General Meeting of 7 July 2009 (Agenda item 10, letter A)), the resolution on the contingent capital 2009 of 7 July 2009 (Agenda item 10, letter B)) and Article 4 para. 7 of the Articles of Association are suspended from the time the authorisation resolution pursuant to letter A) and the contingent capital 2014 pursuant to letter B) a) take effect. Article 4 para. 8 of the Articles of Association in the version pursuant to letter B) b) becomes Article 4 para. 7 of the Articles of Association.

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**REPORTS TO THE ANNUAL GENERAL MEETING REGARDING AGENDA ITEMS 6, 7 AND 8**

**1. Report by the Executive Board regarding Agenda item 6 pursuant to Sections 71 para. 1 no. 8 and 186 para. 4 sentence 2 AktG**

Under Agenda item 6, the Executive Board and Supervisory Board propose authorising the Company, in accordance with Section 71 para. 1 no. 8 AktG and in agreement with usual business practice, to acquire treasury shares totalling up to 10 per cent of either the share capital existing at the time of the resolution on 13 May 2014 or the share capital existing at the time of the respective exercise of the authorisation – whichever amount is smaller.

In accordance with Section 71 para. 1 no. 8 in conjunction with Section 186 para. 4 sentence 2 AktG, the Executive Board has accordingly issued a written report, the text of which is subsequently disclosed in full:

*General*

The existing authorisation to purchase treasury shares pursuant to Section 71 para. 1 no. 8 AktG by resolution of the Annual General Meeting of 6 July 2010 expires on 5

July 2015. In order to continue to be in the position to purchase treasury shares in the future, the Executive Board is once again to be authorised to acquire treasury shares pursuant to Section 71 para. 1 no. 8 AktG. As a result, a new resolution needs to be passed by the Annual General Meeting of 13 May 2014 and the existing authorisation cancelled.

The Supervisory Board can rule that action relating to this authorisation may only be taken with its approval or the approval of a Supervisory Board committee.

### *Acquisition*

With regard to the acquisition of treasury shares, the principle of equal treatment as per Section 53a AktG is to be maintained. The proposed acquisition of shares on the stock exchange, by means of a public takeover offer, a public invitation to submit sales offers or the issuing of put options to the shareholders takes this principle into account. However, even in the case of such an acquisition, it may become necessary for residual amounts to be excluded or for fractional amounts of put options not to be allocated for practical reasons. To this extent, any partial put options are excluded.

Where a public takeover offer or a public invitation to submit sales offers is oversubscribed, which means that the Company is offered more shares than it originally intended to buy, the acceptance must be carried out according to quotas. The number of shares offered by individual shareholders in relation to each other is decisive in this respect. In contrast, the total number of shares held by a shareholder offering these shares for sale is not relevant. For only the shares offered are available to buy. Furthermore, it would not be practicable to check the number of shares held by each shareholder. A potential option to sell of shareholders in respect of their shares is partially excluded here. The preferential acceptance of a lower number of shares, up to 50 shares tendered per shareholder, as well as rounding according to commercial practices, may be provided for in such a case. These possibilities serve to avoid fractional amounts when specifying quotas to be acquired as well as smaller residual shares, and facilitate technical processing. A potential pre-emption right of shareholders in respect of their shares is also partially excluded here.

### *Sale and other uses*

In accordance with the proposed authorisation, treasury shares acquired by the Company can either be withdrawn or resold through a public offer to all shareholders in proportion to their holding or on the stock exchange. In the case of the latter two methods of the sale of acquired shares, the right of the shareholders to equal treatment will also be ensured. In the following cases, however, it should be possible for shareholders' subscription rights to be excluded or shareholders' subscription rights are necessarily excluded in accordance with Section 71 para. 1 no. 8 and Section 186 para. 3 AktG:

a) Firstly, the Executive Board is authorised to exclude residual amounts from the subscription rights in the event of an offer to all shareholders to achieve whole subscription ratios. If the subscription rights for any residual amounts were not excluded, this would significantly complicate the technical implementation of the sale and the exercising of the subscription rights. The new shares excluded from the shareholders' subscription rights as free residual amounts are either sold on the stock exchange or utilised in another way as best as possible for the Company.

b) The proposed authorisation also envisages, in conformity with the legal provisions in Section 71 para. 1 no. 8 sentence 5 AktG, that the Executive Board may dispose of the acquired treasury shares in other ways than on the stock exchange or by means of a public offer to all shareholders, if the acquired treasury shares are disposed of at a price against cash payment which does not significantly fall below the stock exchange price of Company shares with the same terms at the time of the sale, in accordance with Section 186 para. 3 sentence 4 AktG. The applicable date of disposal is the date on which the transfer obligation occurs, even if this should be conditional in nature. Should the transfer not be associated with any particular obligation then the date of disposal is deemed to be the date of the transfer itself. This also applies if the date of the transfer in the obligation agreement is specified as the reference date. The disposal price for treasury shares is finalised shortly before the disposal of the aforementioned shares. This treasury share disposal option is limited to 10 per cent of the share capital, taking into account the offsetting arrangements mentioned in the resolution.

The possibility of selling treasury shares as described above is in the interests of the Company and the shareholders, since upon disposing of such shares to institutional

investors, for example, additional domestic and foreign shareholders can be acquired and the shareholder base broadened. In addition, the Company will be able to adjust its shareholders' equity to the respective business needs, and be able to react quickly and flexibly to favourable stock market conditions. The interests of shareholders with regard to their assets and voting rights are duly respected. As a result of the low disposal volume of a maximum of 10 per cent, the shareholders are not disadvantaged because the shares sold under exclusion of the subscription rights may only be sold at a price that, at the time of the disposal, does not significantly fall below the trading price of Company shares. Interested shareholders can therefore purchase the required number of shares to maintain their holding on the stock market at roughly the same conditions.

c) The Company is furthermore allowed to offer treasury shares for consideration in the context of business mergers or the (indirect) acquisition of companies or parts of companies or interests in companies or other investment goods.

The price at which treasury shares are used in this case depends on the individual circumstances and the respective point in time. When fixing the price, the Executive Board will focus on the interests of the Company and, where possible, on the market price.

The acquisition of investments, companies or parts of companies against the granting of shares is in the interest of the Company if the acquisition is expected to lead to a strengthening or reinforcement of the freenet Group's market position or enables or facilitates market entry into new lines of business. The granting of shares is in the interest of the Company in the remaining cases of acquiring investment goods if the purchased investment goods are of use for the Company's operations or advantageous for the financial, assets or earnings situation of the Company and acquisition in return for a cash consideration is not possible or not at favourable conditions.

In order to flexibly and promptly cater for the legitimate interests of the sellers or the Company upon (if necessary proportionate) payment in the form of shares in the case of such acquisitions, the Executive Board is to be authorised to grant treasury shares with shareholders' subscription rights excluded if authorised capital cannot be used or if there is no intention for authorised capital to be used. In view of the fact that the volume of treasury shares will be limited and that the shares are to be issued at a value which, as far as possible, is based on the market price, interested shareholders

are able to acquire additional shares on the stock exchange subject to essentially equivalent conditions at the same time as a disposal of treasury shares which is carried out for the above-mentioned purposes of acquiring companies, parts of companies or investments and for which shareholders' subscription rights are excluded.

Due to the preceding considerations, the proposed authorisation for the use of treasury shares is, from the Executive Board's viewpoint, in the interest of the Company and can justify the exclusion of the shareholders' subscription rights in individual cases. The definitive exclusion of shareholders' subscription rights is to be determined on a case-by-case basis by the Executive Board, taking into consideration the interests of the Company in the required measures, the necessity of (partially) granting shares and the valuation of the share and consideration.

d) Furthermore, the Company will have the option of being able to offer treasury shares to current and former employees of the freenet Group or to transfer shares to such persons.

The extent to which employees identify with their company is of crucial importance for their motivation and performance. It is therefore in the interests of the Company to maintain or enhance motivation and performance. Issuing shares to employees can make a contribution in this respect. This also applies to former employees, e.g. if approval during employment is made for the period after leaving the Company. The Executive Board is therefore to be authorised to take advantage of this possibility.

It is only natural that shares are not to be offered to employees at the current market rate, and instead may have to be offered to employees at a discount in order to achieve the desired effect. The Executive Board will thus examine the conditions of the employee shareholding scheme in each individual case under consideration of this aspect in order to reach a decision in the best interests of the Company.

e) Furthermore, the Company will have the option to use treasury shares to meet option or conversion rights or option or conversion obligations or a right to delivery of shares of the Company arising out of bonds issued by the Company or a subordinate Group company as a result of an authorisation granted by the Annual General Meeting.

The proposed resolution does not create any new or further authorisations to issue bonds. It merely serves to enable the Company to serve option or conversion rights or option or conversion obligations or rights to delivery of shares of the Company arising out of other authorisations granted by the Annual General Meeting with treasury shares instead of having to make use of the contingent capital otherwise set aside, if this individual case is in the interests of the Company in the view of the Executive Board. Option or conversion rights or option or conversion obligations or rights to delivery of shares that may be served by treasury shares as a result of the proposed authorisation, are based on (i) bonds that will be issued in the future on the basis of the proposed resolution on the authorisation to issue option and/or convertible bonds in the Annual General Meeting of 13 May 2014, and on (ii) bonds that will be issued on the basis of a future authorisation granted by the Annual General Meeting.

**2. Report by the Executive Board regarding Agenda item 7 pursuant to Sections 71 para. 1 no. 8 and 186 para. 4 sentence 2 AktG**

By way of addition to the recommended authorisation under Agenda item 6, the Executive Board has also issued a written report in accordance with Section 71 para. 1 no. 8 in conjunction with Section 186 para. 4 sentence 2 AktG on the proposed resolution under Agenda item 7, the text of which is subsequently disclosed in full:

In addition to the recommended options under Agenda item 6 for the purchase of treasury shares, the Company is also to be authorised to purchase treasury shares through the use of specific equity derivatives. This should not result in an increase in the maximum volume of shares which is permitted to be purchased; it should only provide other alternative ways of acquiring treasury shares. These additional alternatives increase the Company's options to structure its acquisition of treasury shares in a flexible manner.

For the Company, it may be advantageous to acquire call options, sell put options or acquire freenet shares using a combination of put and call options or other equity derivatives, instead of directly acquiring shares of the Company. These courses of action are limited right from the very beginning to 5 per cent of the share capital existing at the time at which the resolution of the Annual General Meeting is adopted or – if lower – the share capital existing at the time when the current authorisation is exercised. The term of the options must not exceed 18 months and, moreover, must

be selected in such a way that shares are acquired through exercising options before 12 May 2019. This arrangement ensures that, after the expiry of the authorisation to acquire treasury shares which is valid until 12 May 2019, the Company does not acquire any treasury shares – subject to a new authorisation.

If a call option is agreed, the Company receives the right, in return for the payment of an option premium, to purchase a predefined number of freenet shares for a defined price (exercise price) from the respective seller of the option (option writer) within a specific period of time or at a specific point in time. From the point of view of the Company, it makes sense for the call option to be exercised if the price of freenet shares is higher than the exercise price, as it is then able to purchase the shares more cheaply from the option writer than on the market. The same also applies when a portfolio of shares is acquired when exercising the option, which could only have been acquired at greater expense elsewhere. Moreover, this arrangement has a positive impact on the Company's liquidity because the exercise price for the shares has only to be paid at the point in time when the call option is exercised. In certain cases, these aspects may justify the Company using call options for the planned acquisition of treasury shares. The option premium must be determined on the basis of arm's length conditions, i.e. taking account of various factors including the exercise price, the term of the option and the volatility of freenet shares – essentially corresponding to the value of the call option.

By taking out put options, the Company grants the holder of the put option the right to sell shares of the Company to the Company for a price determined in the put option (exercise price) within a specific period of time or at a specific point in time. In return for the obligation to purchase treasury shares in accordance with the terms of the put option, the Company receives an option premium which again is determined on the basis of arm's length conditions, i.e. on the basis of various factors, including the exercise price, the term of the option and the volatility of freenet shares – essentially corresponding to the value of the put option. For the holder of the option, it only makes financial sense for the put option to be exercised if the price of freenet shares is lower than the exercise price at the point in time when the option is exercised because they are then able to sell the shares to the Company for a price which is higher than that which can be achieved on the market; in turn, the Company can protect itself on the market against too high a risk resulting from the share price. The arrangement for buying back shares by way of using put options provides the Company with the advantage of being able to define a specific exercise price at the

point at which the option is taken out, whereas the liquidity outflow takes place only on the exercise day. From the point of view of the Company, the consideration payable for acquiring the shares here is reduced by the option premium which has already been received. If the holder of the option fails to exercise the option, particularly because the share price is higher than the exercise price on the exercise day or during the exercise period, the Company does not acquire any treasury shares in this way; however, it collects the option premium.

When put options are used, the price to be paid by the Company for the freenet shares is the exercise price which is determined in each case (excluding ancillary purchase costs but including the option premium received). This exercise price can be higher or lower than the market price of the freenet shares on the day on which the put option is concluded and on the day on which the shares are acquired as a result of the put option being exercised. However, it must not exceed by more than 10 per cent, nor fall short of by more than 20 per cent, the stock market share price of the Company determined by initial auction in electronic trading on the Frankfurt Stock Exchange on the date of concluding the corresponding option transaction. The price to be paid by the Company for the shares is the respective exercise price in the case of call options being used. This exercise price can be higher or lower than the market price of the freenet shares on the day on which the call option is concluded and on the day on which the shares are acquired as a result of the call option being exercised. However, it must not exceed by more than 10 per cent, nor fall short of by more than 10 per cent the average closing price of the Company's share in electronic trading on the Frankfurt Stock Exchange on the last three market trading days before exercising the call option. This does not include ancillary purchase costs and the option premium.

The Company can also arrange equity derivatives which provide for shares to be delivered at a discount to a weighted average price.

The arrangement involving the obligation to agree options and other equity derivatives with only one or more credit institution(s) or equivalent company(ies) and thus to ensure that the options and other equity derivatives are serviced only with shares which have been acquired in accordance with the principle of providing equal treatment to all shareholders prevents a situation in which shareholders are disadvantaged when acquiring treasury shares by means of using equity derivatives. In accordance with the legal provisions in Section 71 para. 1 no. 8 AktG, it is

sufficient to satisfy the requirements of providing equal treatment for all shareholders if the shares are acquired on the stock exchange at the current market price of freenet shares at the time at which the shares are acquired on the stock exchange. Given that the price for the option (option price) is determined on an arm's length basis, the shareholders who do not participate in the option transactions also do not suffer any financial disadvantage. On the other hand, the possibility of arranging equity derivatives means that the Company is able to utilise market opportunities which become available at short notice and to conclude corresponding option transactions or other equity derivatives. Any right of shareholders to conclude such options and other equity derivatives with the Company is excluded, as is any option to sell of the shareholders. This exclusion is necessary in order to permit the use of equity derivatives as part of the process of buying back treasury shares and to achieve the corresponding advantages for the Company. It would not be feasible for corresponding equity derivatives to be concluded with all shareholders.

The Executive Board accordingly considers that there is justification for the authorisation to not grant or to restrict shareholders' rights to conclude such equity derivatives with the Company or any options to sell of the shareholders after taking account of the interests of the shareholders and the interests of the Company in view of the advantages which may accrue to the Company as a result of using call options, put options, a combination of call and put options or other equity derivatives.

With regard to the use of the treasury shares acquired as a result of equity derivatives, there are no differences with respect to the possibilities proposed in Agenda item 6. With regard to the justification for the exclusion of shareholders' subscription rights in relation to the use of the shares, please refer to the report of the Executive Board on Agenda item 6.

### **3. Report by the Executive Board regarding Agenda item 8 pursuant to Sections 221 para. 4 sentence 2 and 186 para. 4 sentence 2 AktG**

In Agenda item 8, the Executive Board and Supervisory Board propose to cancel the existing authorisation to issue bonds, which was not exercised, and to cancel the contingent capital 2009, and to pass a resolution on a new authorisation to issue option and/or convertible bonds and a new contingent capital, and to amend the Articles of Association accordingly.

The Executive Board has issued a written report on the authorisation to exclude subscription rights as part of the newly proposed authorisation pursuant to Sections 221 para. 4 sentence 2 and 186 para. 4 sentence 2 AktG, the text of which is subsequently discussed in full:

In addition to the traditional methods of raising borrowed and equity capital, the possibility of issuing bonds in the form of convertible and/or option bonds provides the Company with the possibility of using attractive alternative financing arrangements on the capital market, depending on the market situation, and thus also to repay any existing borrowed capital. For the above reasons, a proposal will be submitted to the Annual General Meeting to create an authorisation for issuing such bonds.

The issue of bonds permits the Company to raise borrowed capital which, depending on the terms of the bond, can be classified as shareholders' equity or equivalent to shareholders' equity for rating purposes and also for accounting purposes. The individual conversion and option premiums as well as recognition against equity benefit the Company's capital base. The additional possibilities, which provide not only for the granting of conversion or option rights but also the definition of conversion obligations, or a right to delivery of shares, or a combination of convertible bonds and option bonds, extend the scope for the form of these financing instruments. The authorisation also enables the Company to place the bonds itself or via its direct or indirect subsidiaries.

Shareholders generally have subscription rights; these can also be granted in the form of indirect subscription rights. However, it should be possible for these subscription rights to be excluded under the following conditions:

The Executive Board is to be authorised to exclude the shareholders' subscription rights in accordance with Section 186 para. 3 sentence 4 AktG, as long as the issue of shares as a result of the conversion or option rights, of rights to delivery of shares or conversion or option obligations is limited to 10 per cent of the Company's share capital. This maximum amount for the simplified exclusion of subscription rights is reduced by the proportionate amount of the share capital which is attributable to those shares or convertible and/or option bonds which have been issued or sold after 13 May 2014 with the exclusion of shareholders' subscription rights in direct or corresponding application of Section 186 para. 3 sentence 4 AktG. The purpose of

this arrangement is to ensure that subject to a new Annual General Meeting, no bonds are issued if such an issue would mean that the shareholders' subscription rights, with the direct or corresponding application of Section 186 para. 3 sentence 4 AktG, would be excluded for a total of more than 10 per cent of the share capital. This further restriction is in the interests of the shareholders who wish to maintain their holding as far as possible in the event of capital measures.

If shareholders' subscription rights are excluded in this way, the corresponding relevance of Section 186 para. 3 sentence 4 AktG means that the issue price of the bond must be fixed at a level which is not significantly lower than the market value. This takes account of the need to protect shareholders against any dilution of their shareholding. In view of the provision in the authorisation specifying that the issue price of the bonds has to be fixed at a level which is not significantly lower than the theoretical market value, the value of a subscription right would fall to virtually zero. In order to comply with this requirement for issuing bonds, the issue price must not be significantly lower than the theoretical market value of the bonds calculated using recognised, and in particular, arithmetical methods. This arrangement ensures that the shareholders are protected against any dilution of their shareholding, and the shareholders do not suffer any financial disadvantage as a result of the exclusion of subscription rights. Shareholders who wish to maintain their stake in the share capital of the Company can do so by way of purchasing further shares on the market.

The possibility of excluding shareholders' subscription rights as described above provides the Company with the flexibility to take advantage of favourable capital market situations at short notice, and the Company is enabled to take advantage of a low level of interest rates or a favourable demand situation for an issue in a flexible manner and at short notice. A crucial aspect in this respect is that, in contrast to an issue involving bonds with subscription rights, the issue price can only be fixed directly before placement, thus avoiding an increased risk of share price changes during a subscription period and maximising the issue proceeds in the interests of all shareholders. In addition, there are further advantages due to the absence of the lead time associated with the subscription rights in terms of the costs of raising funds and also in terms of the placement risk. With a placement for which shareholders' subscription rights have been excluded, the margin which would otherwise be necessary together with the placement risk can be reduced, and the costs of raising funds can be cut accordingly to the benefit of the Company and its shareholders.

The Executive Board is also authorised to exclude residual amounts from the shareholders' subscription rights. Such residual amounts may result from the amount of the particular issue volume and the need to present a practicable subscription ratio. The exclusion of shareholders' subscription rights in these cases facilitates the processing of the issue. The free residual amounts excluded from the shareholders' subscription rights are either sold on the stock exchange or utilised in another way which most benefits the Company.

In addition, the Executive Board is to be provided with the possibility, subject to the approval of the Supervisory Board, of excluding shareholders' subscription rights in order to provide the holders or creditors of conversion and/or option rights or holders or creditors of bonds which have been issued with conversion or option obligations or rights to delivery of shares a subscription right to which they would be entitled after the conversion or option rights have been exercised or after the conversion or option obligations or rights to delivery of shares have been fulfilled. The option and conversion terms generally contain clauses which are designed to protect the holders or creditors of conversion or option rights against dilution. This makes it easier to place these financial instruments on the market. A subscription right for holders or creditors of existing conversion or option rights or option or conversion obligations or the obligation to take over shares provides the opportunity of preventing the conversion or option price from having to be reduced for the holders or creditors in the event of the authorisation being utilised. This arrangement guarantees a higher issue price for the shares to be issued as a result of the option being exercised or the conversion terms being fulfilled. Given that this arrangement facilitates the placement of the issue, the exclusion of shareholders' subscription rights is in the interests of the shareholders with regard to an optimum finance structure of their company.

If the proposed authorisation is utilised, the Executive Board will submit a corresponding report during the Annual General Meeting.

## **DOCUMENTATION FOR THE ANNUAL GENERAL MEETING; PUBLICATIONS ON THE COMPANY'S WEBSITE**

The approved consolidated financial statements and Group management report, the adopted annual financial statements and management report of freenet AG for the 2013 financial year, the explanatory report of the Executive Board regarding the disclosures in accordance with Sections

289 paras. 4 and 5 and 315 para. 4 HGB, the Supervisory Board report for the 2013 financial year and the proposal from the Executive Board for appropriation of net profit are accessible, from the time of the announcement of convening of the Annual General Meeting up until the closure of the Annual General Meeting, on our Company's website <http://www.freenet-group.de/investor/annual-general-meeting/2014>. Moreover, the documents will be available at the Annual General Meeting of freenet AG.

Furthermore, all of the aforementioned documents will be available to read at the business premises of the Company (Hollerstrasse 126, 24782 Büdelsdorf; Deelbögenkamp 4c, 22297 Hamburg) from the date of convocation of the Annual General Meeting. A copy of these documents will be sent promptly and free of charge to each shareholder on request.

The additional information and documents mentioned in Section 124a AktG are also accessible on the Company's website <http://www.freenet-group.de/investor/annual-general-meeting/2014> effective from the date of convocation of the Annual General Meeting.

## **TOTAL NUMBER OF SHARES AND VOTING RIGHTS**

On the date of convocation of the Annual General Meeting, the Company's share capital amounts to EUR 128,061,016, divided into 128,061,016 registered no-par-value bearer shares (shares), each of which carrying one vote. The total number of shares with voting rights of freenet AG as defined by Section 30b para. 1 no. 1 of the German Securities Trading Act (WpHG) is 128,061,016 on the date of convocation of the Annual General Meeting.

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## **PREREQUISITES FOR ATTENDING THE ANNUAL GENERAL MEETING AND EXERCISING VOTING RIGHTS**

### *Entry in the share register and registration*

Shareholders of the Company are only those who are entered in the share register. As a result, only such shareholders as are included in the share register on the date of the Annual General Meeting and who moreover have registered in good time shall be entitled to attend the Annual General Meeting and to exercise their right to vote. Registration must reach the Company at the

following address at the latest by the end of 6 May 2014 (midnight Central European Summer Time):

Annual General Meeting freenet AG  
c/o ADEUS Aktienregister-Service-GmbH  
Postfach 57 03 64  
22772 Hamburg  
Germany

Fax: +49 (0)69 256 27049

Email: hv-2014@freenet.ag

Following the punctual receipt of registration, shareholders will be sent admission tickets for the Annual General Meeting. Unlike registration, the admission ticket is not a prerequisite for participating; it is only used to simplify the process of admission to the Annual General Meeting.

*Free availability and technical record date deadline*

Shares are not blocked by registration for the Annual General Meeting. Shareholders hold the right of free disposal of their shares, even after registration has been conducted. In respect of the right of attendance and voting, only the stock of shares entered in the share register on the date of the Annual General Meeting shall be authoritative. This will correspond to the stock received by the Company by the last day of registration on the basis of transfer applications. Applications for transfer which reach the company between 7 May 2014 and 13 May 2014 will only be processed and accounted for on 13 May 2014 and take effect after the Annual General Meeting. The technical record date deadline is therefore 6 May 2014, midnight (CET).

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**PROCEDURE FOR VOTING BY PROXY**

Shareholders may appoint a credit institution, a shareholders' association or another person of their choice to exercise their voting rights. It is sufficient to appoint a proxy in writing, as well as to revoke or prove this, unless the law requires a more stringent form; Section 135 AktG remains unaffected. To the extent that the proxy is granted to a credit institution, a shareholders' association or an equivalent person, institution or company as per Section 135 para. 8, Section

135 para. 10 and Section 5 AktG, the requirements of the proxy in the absence of any special provisions in the Articles of Association are governed by the statutory provisions in Section 135 AktG, which states that the proxy must be established in a provable form and in accordance with the characteristics of the respective proxy, which may be enquired by addressing the proxy.

Credit institutions, shareholders' associations and equivalent persons, institutions or companies as per Section 135 para. 8, Section 135 para. 10 and Section 125 para. 5 AktG are only allowed to exercise voting rights for shares that they do not own but for which they are listed as a holder in the share register with the authorisation of the shareholder for which the provisions relating to proxies apply accordingly.

As a service to our shareholders entitled to participate, we continue to offer the opportunity for them to be represented at the Annual General Meeting by a voting representative appointed by the company. For this purpose, the voting representative must be given power of attorney and instructions on exercising the voting right; however, no other shareholder rights may be exercised by the voting representative. The voting representative is under obligation to vote as instructed. It must be considered, however, that the voting representative may not receive instructions on procedural requests or on requests or proposed candidates made for the first time during the Annual General Meeting either before or during the Annual General Meeting. They may exercise the voting right only in respect of agenda items for which they have received instructions from the shareholders.

The power of attorney and instructions given to the voting representative appointed by the company must reach the following address by midnight Central European Summer Time on 12 May 2014, in written form, by fax, by email or otherwise in text form:

Annual General Meeting freenet AG  
c/o ADEUS Aktienregister-Service-GmbH  
Postfach 57 03 64  
22772 Hamburg  
Germany

Fax: +49 (0)69 256 27049  
Email: hv-2014@freenet.ag

The power of attorney and instructions can be recalled or changed in writing using the aforementioned methods until midnight Central European Summer Time on 12 May 2014 (date of receipt).

Shareholders who want to issue a power of attorney to a person of their choice, a credit institution, a shareholders' association or other equivalent persons, institutions or companies according to Section 135 para. 8, Section 135 para. 10 and Section 125 para. 5 AktG or the voting representatives appointed by the company must be themselves authorised to participate in the Annual General Meeting. They must therefore be entered in the share register on the day of the Annual General Meeting and apply for participation in due time. The admission ticket includes a form that can be used for the power of attorney.

Proof of the appointment of a proxy can be sent to the company until midnight Central European Summer Time on 12 May 2014 by email to: [hv-2014@freenet.ag](mailto:hv-2014@freenet.ag). Proof of the appointment of a proxy can also be demonstrated by presenting the power of attorney when the proxy appears in person.

Shareholders shall still be able to exercise their rights in person at the Annual General Meeting even after appointing a proxy. Attending the Annual General Meeting in person revokes any previously granted power of attorney.

If a shareholder appoints more than one person, the Company may reject one or more them.

Shareholders will also receive the details of attendance at the Annual General Meeting and concerning the issuance of powers of attorney and instructions together with the admission ticket.

## **PROCEDURE FOR VOTING BY POSTAL VOTE**

Shareholders entered in the share register can also vote in writing or through electronic channels without attending the Annual General Meeting (postal vote).

Only shareholders entered in the share register and who registered in time with Company to attend the Annual General Meeting (see section above entitled 'Entry in share register and registration') shall be eligible to cast their vote by postal vote in accordance with Article 13 para. 1 of the Articles of Association of the Company.

Postal votes can be sent and revoked in writing, by fax or by email to the following address:

Annual General Meeting freenet AG  
c/o ADEUS Aktienregister-Service-GmbH  
Postfach 57 03 64  
22772 Hamburg  
Germany

Fax: +49 (0)69 256 27049

Email: hv-2014@freenet.ag

If a shareholder would like to attend the Annual General Meeting in person or through a proxy and represent the shares concerned despite having already cast their vote by postal vote, this is possible but will count as a revocation of the vote cast by postal vote for the shares concerned.

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## **PETITIONS, NOMINATIONS, DISCLOSURE RIGHTS**

*Supplementary petitions to the Agenda (pursuant to Section 122 para. 2 AktG)*

Shareholders entered in the share register and whose shares together amount to the proportionate sum of EUR 500,000 may require that items be placed on the Agenda and published in the Federal Gazette and on the Internet at <http://www.freenet-group.de/investor/annual-general-meeting/2014>. Each new petition must be accompanied by grounds or a proposed resolution. Such a request must be submitted in writing to the Company by midnight Central European Summer Time on 12 April 2014 to the following address:

freenet AG  
The Executive Board  
HV Management  
Hollerstrasse 126  
24782 Büdelsdorf  
Germany

or be emailed to the following address together with the name of the applicant and a qualified electronic signature: hv-2014@freenet.ag. Parties presenting petitions have to prove that they are

the holders of an adequate number of shares for the duration of the minimum possession period of three months required by law (Section 122 para. 2, Section 122 para. 1 sentence 3, Section 142 para. 2 sentence 2 and Section 70 AktG) and hold them up until the time of decision-making concerning the petition.

*Counter-petitions and nominations by shareholders (Section 126 para. 1 and Section 127 AktG)*

Counter-petitions from shareholders who are entered in the share register concerning specific Agenda items, and proposals of such shareholders for the appointment of the auditor will be published, including the shareholder's name, statement of grounds and any comment from administration, online at <http://www.freenet-group.de/investor/annual-general-meeting/2014>, provided that the following requirements are fulfilled:

Any counter-petitions concerning a proposal from the Executive Board and/or the Supervisory Board concerning any given Agenda item and any voting proposals must reach the Company by midnight Central European Summer Time on 28 April 2014. They are to be addressed exclusively to:

freenet AG  
The Executive Board  
HV Management  
Hollerstrasse 126  
24782 Büdelsdorf  
Germany

Fax: +49 (0)4331 434 4555

Email: hv-2014@freenet.ag

No petitions bearing a different address or arriving late can be considered.

The grounds for counter-petitions must be indicated. A counter-petition does not need to be made accessible by the Company if one of the criteria for exclusion as per Section 126 para. 2 AktG is fulfilled. Nor do the grounds have to be made accessible if they total more than 5,000 characters in all.

It is not necessary to indicate grounds for nominations concerning the appointment of the auditor. A nomination does not need to be made accessible by the Company if one of the criteria for exclusion as per Section 127 para. 1 and Section 126 para. 2 AktG is fulfilled. Nominations

for the appointment of the auditor also do not need to be made accessible if they do not include the nominee's name, profession and place of residence (Section 127 sentence 3 in conjunction with Section 124 para. 3 sentence 4 AktG). Furthermore the prerequisites and provisions concerning making counter-petitions accessible shall apply.

This does not affect the right of a shareholder to submit counter-petitions concerning the various Agenda items during the course of the Annual General Meeting, even without prior notice to the Company, or to submit nominations. We would like to point out that counter-petitions and nominations – even if they were published before the Annual General Meeting at the request of shareholders – can only be considered at the Annual General Meeting if they are proposed there orally.

*Shareholders' right to information (pursuant to Section 131 para. 1 AktG)*

At the Annual General Meeting, each shareholder and shareholder representative may require information concerning the company's business to be disclosed by the Executive Board to the extent that the information is necessary for a material assessment of the respective Agenda item. The right of information also extends to the Company's legal and commercial dealings with an associated company and also extends to the situation of the Group and of companies included in the consolidated financial statements (Section 131 para. 1 AktG). Under certain circumstances, the Executive Board may refuse to disclose such information (Section 131 para.1 AktG).

Pursuant to Article 15 para. 4 of the Articles of Association, the right to speak and ask questions during the Annual General Meeting can be limited to a reasonable length of time by the chairman of the meeting.

*Further explanatory notes on shareholder rights*

Further explanatory notes concerning shareholder rights as defined by Sections 122 para. 2, 126, 127, 131 of the German Stock Corporation Act can also be consulted on the website <http://www.freenet-group.de/investor/annual-general-meeting/2014>.

Büdelndorf, April 2014

freenet AG

The Executive Board