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Press Release

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HERMES COMPLAINS ABOUT CORPORATE GOVERNANCE AT FREENET

European Focus Fund unlikely to support various motions made by the company at its shareholder meeting on 20 July; encourages voluntary reduction of stock appreciation rights package for executive board and review of strategic ownership options for the company as a whole or its two main divisions

Hermes Focus Asset Management Europe Ltd (“Hermes”), manager of the Hermes European Focus Funds with a holding of approx. 5% of Freenet AG’s share capital, announces that for the following reasons it may not be able to support a number of management motions at the shareholder meeting, including supervisory board elections and discharges:

1. Deteriorating transparency - Changes in accounting policies, now involving the capitalisation of subscriber acquisition costs, together with a lack of explanatory disclosure have significantly and unnecessarily reduced transparency at the company.
2. Recent approval of oversized stock appreciation rights plan – A plan involving stock appreciation rights of an equivalent of 5.145 million shares was approved by the supervisory board on 30 May 2007. Of these, 3.1 million were allocated to the management board, potentially leading to a pay-out of EUR 50 million, predominantly to the CEO and CFO. In Hermes’ view, the plan is not consistent with the German Corporate Governance Code in a number of respects, most notably due to the lack of relevant and ambitious performance conditions and the overall size. The approval was made despite Hermes’ suggestions to scale back the plan or introduce more ambitious performance conditions.
3. Need to be open to participation in industry consolidation – With increasingly competitive market conditions in both mobile and fixed line operations, industry consolidation has accelerated and all remaining options to participate therein now need to be explored proactively. This review should no longer exclude a sale or

merger of Freenet AG or of its two main businesses to industrial partners who may be able to provide better long-term prospects for each business.

“We encourage Freenet’s management and supervisory boards to disclose meaningful additional details in connection with the recent accounting changes made. The company should declare publicly that it will explore all strategic options for its businesses, including sale and merger transactions and including solutions that will resolve the current deadlock with Drillisch AG as a shareholder.” says Stephan Howaldt of Hermes. “Hermes further encourages the management board members to declare publicly a meaningful voluntary self-restraint in connection with their personal share appreciation rights allocations.” Hermes would, however, not feel that this would be necessary for staff members below management board level to whom similar stock appreciation rights have been issued only in much smaller quantities.

Hermes announces that it may withhold support and make counterproposals for motions at the shareholder meeting.

Notes to editors:

Hermes Focus Asset Management Europe Ltd. (“HFAME”)

HFAME is an FSA authorised and regulated fund management company that is owned by Hermes Pensions Management Ltd. and is ultimately owned by the BT Pension Scheme. As at 31 March 2007, Hermes Pensions Management Ltd. had funds under management in excess of EUR 100 billion.

HFAME manages the Hermes European Focus Funds, which invest in Continental European publicly quoted companies. As at 31 May 2007 HFAME’s committed funds under management were ca. EUR 2.3 billion from 23 pension fund and other institutional investors, including two of the four largest European pension funds, together representing over 7 million pension fund members.

It seeks to safeguard and improve long-term value by conducting relational shareholder engagement programmes with investee companies. The fund aims to achieve an out-performance of an average of 5%pa on a three year rolling basis over the FTSE World Series Europe(ex-UK) Index.