

A copy of this document, which comprises the supplementary prospectus relating to Freeserve plc ("Freeserve" or "the Company") in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

The Directors of Freeserve, whose names appear on page 4 of the prospectus issued by the Company dated and published on 12 July 1999 (the "Prospectus"), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of Freeserve (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document is supplemental to and should be read in conjunction with the Prospectus, copies of which are available at the address set out at the end of this document until 10 August 1999. Words and expressions defined in the Prospectus have the same meaning when used in this document, unless the context requires otherwise.

Application has been made to the London Stock Exchange for the whole of the Ordinary Share capital of Freeserve issued and to be issued in connection with the Offer and the subscription for Ordinary Shares by Energis Holdings Limited described in the Prospectus, to be admitted to the Official List. Dealings on the conditional basis described in paragraph 18 of Part 15 of the Prospectus commenced on 26 July 1999. It is expected that admission of the Shares to the Official List will become effective, and unconditional dealings will commence on 2 August 1999. American Depositary Shares ("ADSs"), each representing ten Shares and evidenced by American Depositary Receipts ("ADRs"), have been approved for quotation on the Nasdaq National Market, subject to official notice of issuance, under the symbol FREE. All dealings prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Shares or ADSs in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia or Japan. The Shares have not been and will not be registered under the applicable securities laws of Canada, Australia and Japan and, subject to certain exceptions, may not be offered or sold within Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

All statements relating to Freeserve's business, financial position and prospects should be viewed in light of the year 2000 compliance issues which are set out in Parts 3 and 5 of the Prospectus.

Prospective investors should be aware that an investment in Freeserve involves a high degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" on page 34 of the Prospectus.

Although Freeserve does not have a three year trading record, additional requirements have been imposed to ensure that Freeserve satisfies the conditions for listing.



**FREESERVE plc**  
(Incorporated in England and Wales under the Companies Act 1985 with registered number 3014367)

**Supplementary Prospectus in connection with the  
Offer of 153,043,478 Shares  
at a price of 150 pence per share  
and admission to listing on the London Stock Exchange**

Authorised		Ordinary Shares following closing of the Offer	Issued, and to be issued, fully paid	
Number	Amount		Number	Amount
1,059,000,000	£105,900	Ordinary Shares of 0.01p each	1,007,325,000	£100,732.50

In connection with the Offer, Credit Suisse First Boston (Europe) Limited ("Credit Suisse First Boston") may over-allot or effect transactions which stabilise or maintain the market price of the Shares or ADSs at levels above those which might otherwise prevail in the open market. Such transactions may be effected on the London Stock Exchange, the Nasdaq National Market or otherwise. Such stabilising, if commenced, may be discontinued at any time.

In connection with the Offer, DSG Retail Limited, a wholly owned subsidiary of Dixons Group plc, ("the Selling Shareholder") has granted to Credit Suisse First Boston an option, exercisable for 30 days after the admission of the Shares to the Official List of the London Stock Exchange, to acquire up to an aggregate of 22,956,522 additional Shares (all or a portion of which may, at the election of Credit Suisse First Boston, be in the form of ADSs) at the Offer Price to cover over-allotments, if any, made in connection with the Offer. Such transactions may be effected on the London Stock Exchange, the Nasdaq National Market in the over-the-counter market or otherwise. The Underwriting Agreement contains provisions designed to secure that the extent of any over-allotment is not disclosed. Credit Suisse First Boston does not intend to disclose the extent of any stabilising transactions or the amount of any long or short position.

Credit Suisse First Boston and Cazenove & Co. ("Cazenove"), each of which is regulated by the Securities and Futures Authority Limited, are advising the Company and no one else in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Credit Suisse First Boston and Cazenove respectively, nor for providing advice in relation to the Offer, the contents of this document or any transaction or arrangement referred to herein.

**Joint Global Coordinators**

**Credit Suisse First Boston**

**Cazenove & Co.**

## Introduction

This document is supplemental to and should be read in conjunction with the Prospectus. It updates and adds to certain information set out in the Prospectus to reflect the announcement on 26 July 1999 of the Offer Price, being 150 pence per Ordinary Share, and certain events having occurred since the date of publication of the Prospectus. Pricing information was previously included in the Prospectus on the basis of the Price Range and on the basis of an Offer Price of 140 pence, being the mid-point of the Price Range.

## Definitions

Words and expressions defined in the Prospectus have the same meaning when used in this document, unless the context requires otherwise. In this document "Offer Price" means 150 pence per Ordinary Share to be issued or sold under the Offer.

## Market Information

Offer Price .....	150 pence
Number of Shares being offered <sup>(1)</sup> .....	153,043,478
new Shares .....	90,000,000
existing Shares .....	63,043,478
Market Capitalisation .....	£1,511 million
Estimated net proceeds receivable by Freeserve <sup>(2)</sup> .....	£124.9 million

- (1) This assumes no exercise of the Over-Allotment Option granted by the Selling Shareholder to Credit Suisse First Boston to purchase an additional 22,956,522 Shares.
- (2) The estimated net proceeds receivable by Freeserve are stated after the deduction of the estimated commissions and fees and expenses of the Offer payable by the Company, expected to be approximately £10.1 million.

## Expected Timetable

Announcement of the Offer Price and allocation .....	26 July 1999
Conditional dealings in Shares commenced on the London Stock Exchange and Nasdaq .....	2.30pm on 26 July 1999
Admission and unconditional dealings in shares commence on the London Stock Exchange and Shares credited to CREST accounts .....	9.00am on 2 August 1999
Admission and unconditional dealings in ADSs commence on Nasdaq .....	2.30pm on 2 August 1999
Despatch of definitive share certificates (where applicable) .....	2 August 1999

## 1. The Offer

Of the 153,043,478 Shares available in the Offer, 90,000,000 Shares will be offered by Freeserve and 63,043,478 Shares will be offered by the Selling Shareholder.

Freeserve is reserving 5,000 Shares in the Offer for each of Dame Sue Tinson, Richard Davey and Roger Silverstone respectively, the non-executive directors of Freeserve. In addition, the Selling Shareholder has granted Credit Suisse First Boston the Over-Allotment Option (exercisable until 30 days after the admission of the Shares to the Official List of the London Stock Exchange) to purchase up to 22,956,522 additional Shares in the form of Shares or ADSs to cover any over-allotments or short sales permitted under the stabilisation rules in the U.K.

## 2. Share Capital

2.1 Conditional upon Admission, Freeserve will issue:

(a) 90,000,000 new Ordinary Shares pursuant to the Offer; and

(b) 17,325,000 new Ordinary Shares to Energis Holdings Limited as set out on page 53 in Part 7 of the Prospectus — “CERTAIN TRANSACTIONS AND RELATIONSHIPS — Energis Subscription Agreement”.

2.2 Immediately following completion of the Offer, the authorised share capital of Freeserve will be £225,900 divided into 1,059,000,000 Ordinary Shares of which 1,007,325,000 Ordinary Shares will have been issued and fully paid or credited as fully paid and 51,675,000 Ordinary Shares will be unissued and 150,000 preference shares of £1 each all of which have been issued. A further 1,108,212 Ordinary Shares will be issued upon completion of the acquisition of Babyworld as more particularly described under “Babyworld Agreement” in Part 7 of the Prospectus.

## 3. Directors' and Others' Interests

3.1 The following awards and options in respect of the number of Ordinary Shares set out below will be granted to the Directors under the Unapproved Plan and the Long Term Plan prior to Admission.

Based on the Offer Price, it is expected that, following Admission, the Directors will have the following interests over Ordinary Shares:

Name of Beneficial Owner	Ordinary Shares Beneficially Owned	Ordinary Shares subject to Share Options	Ordinary Shares awarded under the Long Term Plan
John Charles Clare	13,333	—	—
John Pluthero <sup>(1)</sup>	6,666	666,667	666,667
Mark James Danby <sup>(1)</sup>	5,000	466,667	333,333
Nicholas Paul Backhouse <sup>(1)</sup>	6,666	466,667	333,333
Ian Paul Livingston	6,666	—	—
Dame Susan Myfanwy Tinson	5,000	—	—
Richard Harding Davey	5,000	—	—
Roger Saul Silverstone	5,000	—	—

(1) In addition, the executive Directors will be interested in the 7,000,000 Ordinary Shares held by the Freeserve employee benefit trust, as they fall within the class of discretionary beneficiaries under the terms of the trust deed.

3.2 Save as disclosed in paragraph 3.1, none of the Directors has or will, immediately following Admission, have any interest in the share capital of the Company or any of its subsidiaries which has been or will, following Admission, be required to be notified to the Company pursuant to sections 324 or 328 of the Companies Act or which is or will, immediately following Admission, be required to be registered in the register maintained by the Company under section 325 of the Companies Act or which is or will, following Admission, be an interest of a connected person (within the meaning of section 346 of the Companies Act) of a Director which would, if the connected person were a Director, be required to be disclosed as aforesaid and the existence of which is known or could with reasonable diligence be ascertained by that Director.

3.3 Immediately following the Offer and assuming full exercise of the Over-Allotment Option, the Directors are aware of the following interests (within the meaning of Part VI of the Companies Act) which will

represent three per cent. or more of the issued share capital of the Company immediately following Admission:

<u>Holder of interests in Ordinary Shares</u>	<u>No. of Ordinary Shares in which interests held</u>	<u>Percentage of issued ordinary share capital<sup>(3)</sup></u>
Dixons Group Management Limited <sup>(1)</sup> .....	807,000,000	80.11%
Energis Holdings Limited <sup>(2)</sup> .....	37,471,500	3.72%

- (1) Dixons Group Management Limited is a wholly owned subsidiary of Dixons Group plc.
- (2) A summary of the Energis Holdings Subscription Agreement is set out in Part 7 on page 53 of the Prospectus.
- (3) The percentage of issued share capital is based on the issued ordinary share capital of the Company on Admission of 1,007,325,000 ordinary shares of 0.01p each, which includes the shares which will be issued to Energis Holdings upon closing of the Offer, but does not include the shares to be issued as part consideration for the acquisition of Babyworld.

3.4 Save as disclosed in paragraph 3.3, the Company is not aware of any person who is or will be, immediately following Admission, directly or indirectly interested in three per cent. or more of the issued share capital of the Company or of any other person who, directly or indirectly, jointly or severally, will exercise or could exercise control of the Company.

#### **4. Babyworld Acquisition**

It has been agreed that the acquisition of Babyworld will be completed on 6 August 1999. Subject to completion, Babyworld employees will receive grants of options under the Unapproved Plan and awards under the Long Term Plan on the same terms and conditions as Freeserve employees.

#### **5. Material Contract**

Since the date of the Prospectus, Dixons Group, the Selling Shareholder, Freeserve, the Joint Global Coordinators and the other Underwriters have entered into an Underwriting Agreement on 26 July, 1999 pursuant to which, *inter alia*:

- (a) subject to terms and conditions set out in the Underwriting Agreement, the Company has agreed to allot and issue, and the other Underwriters have agreed to subscribe or procure subscribers for new Ordinary Shares at the Offer Price pursuant to the Offer;
- (b) subject to terms and conditions set out in the Underwriting Agreement, the Selling Shareholder has agreed to sell, and the Underwriters have agreed to purchase or procure purchasers for existing Ordinary Shares at the Offer Price pursuant to the Offer;
- (c) the Selling Shareholder has agreed to grant the Over-Allotment Option to Credit Suisse First Boston to purchase or procure purchasers for a further number of existing Ordinary Shares. Further details of the Over-Allotment Option are set out under "Over Allotment and Stabilisation" in Part 12 of the Prospectus. The Selling Shareholder has granted to Credit Suisse First Boston a further option to purchase existing Ordinary Shares. The exercise of the further option may be revoked in whole or in part before the end of the relevant option period. Shares purchased pursuant to this further option are subject to undertakings from Credit Suisse First Boston not to resell such Shares for a period of two years. Credit Suisse First Boston does not intend to disclose, and the Underwriting Agreement contains provisions designed to ensure that disclosure is not made of, the extent of any over allotments made or any stabilising transaction;
- (d) Ordinary Shares are being offered by way of retail offer (as part of the Offer) in the United Kingdom, Jersey and the Isle of Man to, among others, Freeserve Registered Users and Eligible Employees;
- (e) the obligations of the Underwriters under the Underwriting Agreement are subject to certain conditions, including (i) Admission (ii) the representations and warranties on the part of the Selling Shareholder and the Company not having been breached and (iii) certain circumstances of force majeure not having occurred;

(f) the Company and the Selling Shareholder will pay to Credit Suisse First Boston, on behalf of the Underwriters, an underwriting commission of 4.5 per cent. of the aggregate Offer Price for Shares and ADSs sold in the Offer. All commissions will be paid together with any value added tax thereon;

(g) the Company and the Selling Shareholder are responsible for any stamp duty or stamp duty reserve tax arising in respect of the sale by them of Shares or stabilisation or stock lending and for the fees and expenses of their legal advisers in connection with the Offer. The Company will be responsible for other costs and expenses of or incidental to the Offer and the application for Admission, including fees of the receiving bank and registrars, accountancy and other professional fees and expenses, printing and advertising charges and certain expenses of the Joint Global Coordinators;

(h) Dixons Group plc, the Selling Shareholder and the Company have given certain representations, warranties, undertakings and indemnities to the Underwriters;

(i) the Company has agreed with the Joint Global Coordinators, subject to certain exceptions, to restrictions on the disposal of any Ordinary Shares until 180 days after the date of the Underwriting Agreement. The Selling Shareholder and Dixons Group have agreed to further restrictions on the disposal of Shares as more particularly described under "Lock Up Arrangements" in Part 12 of the Prospectus;

(j) the Selling Shareholder will grant an option to Credit Suisse First Boston Equities Limited, under a separate agreement, a copy of which is annexed to the Underwriting Agreement, to enable Credit Suisse First Boston Equities Limited to require the Selling Shareholder to lend to Credit Suisse First Boston Equities Limited shares the subject of the Option (the "Lending Option"). Credit Suisse First Boston Equities Limited may exercise the Lending Option on one or more occasions. Credit Suisse First Boston Equities Limited is to enter into a separate agreement with Credit Suisse First Boston whereby it will lend the shares the subject of the Lending Option to Credit Suisse First Boston; and

(k) if an Underwriter defaults, the purchase commitments of non-defaulting Underwriters may be increased.

## **6. The Freeserve Share Account**

Any Shareholder who wishes to transfer their Freeserve shares out of the Freeserve Share Account during the period from 2 August to 31 August 1999 may do so free of charge on any day which is not a Saturday, Sunday or public holiday. Thereafter, there will be a charge of £5 (plus VAT and an amount equal to fixed stamp duty payable on the transfer out, currently at a rate of £0.50 but which is expected to increase to £5 with effect from 1 October 1999).

## **7. General**

7.1 The Offer Price of 150 pence per Share represents a premium of 149.99 pence over the nominal value of 0.01 pence each per Share.

7.2 On page 36 of the Prospectus, it was noted that AOL was considering offering free internet access to users in the U.K. On 19 July 1999, AOL announced its intention to introduce free internet access for users in the U.K. under the Netscape Online brand.

7.3 ADSs will not be quoted on The Stock Exchange Automated Quotation System ("SEAQ") of the London Stock Exchange.

7.4 On 15 July 1999, Freeserve purchased a further \$2 million in aggregate principal amount of TelePost notes. Following this purchase Freeserve had warrants to purchase an aggregate of 2,104,232 shares of TelePost common stock. Of these notes and related warrants, Freeserve has, to date, sold a total of \$1,360,000 in aggregate principal amount of TelePost notes, together with related warrants to purchase 357,718 shares, to Merchant Capital, Inc. (an affiliate of Credit Suisse First Boston Corporation) and certain Credit Suisse First Boston employees pursuant to letter agreements dated 14 May 1999 and 14 June 1999.

On 15 August 1999, Freeserve expects:

- to purchase an additional \$2 million in aggregate principal amount of TelePost notes;
- to receive related warrants to purchase 526,058 TelePost shares; and
- to sell to Merchant Capital, Inc. and Credit Suisse First Boston employees that are parties to the letter agreements \$340,000 in aggregate principal amount of TelePost notes, together with related warrants to purchase 89,432 TelePost shares.

After the closing of the 15 August 1999 tranche, Freeserve will own \$8.3 million in aggregate principal amount of TelePost notes, together with warrants to purchase 2,183,140 shares, or 29.1 per cent., of TelePost's outstanding common stock.

Pursuant to the note purchase agreement, the warrant agreement and a stockholders' agreement, TelePost's chief executive officer was removed from office and Freeserve was given the ability to elect a majority of the board of TelePost. Freeserve will continue to control the board until the appointment of a chief executive officer and chief financial officer for TelePost satisfactory to Freeserve. At that time Freeserve will have the right to elect the numbers of the directors proportional to the percentage of TelePost that Freeserve would own if all of its warrants were fully exercised, approximately 29 per cent., and control of the board will be transferred back to TelePost's majority shareholders. From the beginning, Freeserve's intention was to provide temporary funding and obtain board control until a new chief executive officer and chief financial officer could be recruited. TelePost continues its search for a new chief executive officer and chief financial officer. TelePost requires additional financing in the short term. A number of options are currently being explored. Credit Suisse First Boston, acting on Freeserve's behalf, has initiated a search for a source of equity capital for TelePost and for a purchaser of the TelePost notes and related warrants held by Freeserve and Credit Suisse First Boston employees and Merchant Capital, Inc. Therefore, although Freeserve effectively controls the TelePost board, it intends to facilitate a refinancing of TelePost, relinquish board control and sell the TelePost notes and related warrants within the next four months. However, such a transaction could take place at any time.

7.5 Save as disclosed in this document, there has been no significant change and no significant new matter has arisen in relation to the Freeserve Group since publication of the Prospectus.

7.6 Copies of the material contract together with the annex referred to in paragraph 5 above will be available for inspection at the offices of Linklaters, One Silk Street, London EC2Y 8HQ and at the registered office of the Company, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TG, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 10 August 1999.

7.7 Copies of this document and the Prospectus are available for inspection only (during normal business hours) at the Company Announcements Office, London Stock Exchange Tower, Old Broad Street, London EC2N 1HP, up to and including 10 August 1999 and copies are available for collection (during normal business hours) on request, free of charge, up to and including 10 August 1999 from the Company's registered office, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, from Credit Suisse First Boston, 1 Cabot Square, London E14 4QJ, from Cazenove, 12 Tokenhouse Yard, London EC2R 7AN and from IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

7.8 The date of this document is 27 July 1999.