Interim report on the 1st quarter 2005

mobilcom

mobilcom AG – Group Overview

Result	Q1 2005	Q4 2004 (adjusted[1])	Q3 2004 (adjusted[1])	Q2 2004 (adjusted[1])	Q1 2004 (adjusted[1])
Third-party sales in million €	450.6	485.5	477.5	466.6	467.7
EBITDA in million €	57.2	25.2	49.8	42.4	45.8
EBIT in million €	44.1	2.2	33.7	25.8	29.2
EBT in million €	45.9	4.7	36.1	27.5	30.6
Consolidated result in million €	28.3	13.2	23.1	15.7	17.0
Earnings per share in €[2]	0.45	0.20	0.35	0.24	0.26
As a percentage of sales					
EBITDA	12.7	5.2	10.4	9.1	9.8
EBIT	9.8	0.5	7.1	5.5	6.2
EBT	10.2	1.0	7.6	5.9	6.5
Consolidated result	6.3	2.7	4.8	3.4	3.6
Balance sheet					
Balance sheet total in million €	974.1	872.4	909.3	875.6	885.6
Shareholders' equity in million €	638.9	585.5	600.2	584.1	594.4
Equity ratio in per cent	65.6	67.1	66.0	66.7	67.1
Return on equity in per cent	4.6	2.2	3.9	2.7	3.0
Return on capital employed in per cent	5.0	0.6	4.1	3.1	3.5
Finances and investments					
Cash flow from operating activities in million €	55.4	0.2	44.5	54.9	99.9
Liquid funds on balance sheet date in million €	338.2	367.1	403.8	378.4	356.1
Depreciation and amortisation (excl. goodwill) in million €	13.1	20.0	13.2	13.7	13.7
Investments in million €	61.8	8.2	11.0	5.5	5.0
Net financial assets in million €	336.0	365.1	400.0	372.5	348.1
Customers					
Mobile telephony customers in million	4.51	4.56	4.33	4.21	4.16
Active Internet access customers in million	3.9	3.8	3.8	3.7	3.8
Monthly average revenue per user in €	18.0	19.3	20.4	20.8	20.7
of which per contract customer in €	27.9	30.2	32.5	31.5	30.1
of which per prepaid customer in €	6.1	6.7	6.4	7.4	7.0
EBITDA per mobile telephony customer in €	4.5	–0.1	2.4	3.6	3.7
EBIT per mobile telephony customer in €	3.7	–2.9	1.0	2.1	2.1
Employees					
At end of quarter	3,429	3,072	2,970	2,916	2,790

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).
2 Earnings per share are calculated by dividing the net profits/loss attributable to the share-holders by the weighted average number of shares in circulation during the period.

List of Contents

1. To the shareholders

1.1 Letter to the shareholders

Dear shareholders,

Your company has achieved an excellent operating performance in the first quarter and has considerably boosted its profitability. We have also established an ideal strategic position for the expected merger of mobile telephony, fixed network and Internet as well as for a consolidation of the telecommunications market. We are pressing on with the intended merger with our subsidiary freenet.de AG from within a position of strength. The new company will become the only complete national telecommunications provider apart from Deutsche Telekom, and will be able to combine its financial resources in order to resume an active role in the consolidation process. All shareholders will benefit from this process: mobilcom shareholders as well as freenet shareholders.

Your company has also continued its positive development in earnings in the first quarter of 2005 as a result of the strong earnings growth of the Mobile Telephony Service Provider. With EBITDA of €57.2 million, we have improved our EBITDA margin compared with the previous year quarter from 9.8 per cent to the current figure of 12.7 per cent. With earnings stable in the Fixed Network/Internet segment, the Mobile Telephony Service Provider segment saw profitability improve considerably, and accounted for 35.6 per cent of group EBITDA compared with 33.3 per cent in the previous year. The Mobile Telephony Service Provider segment accounted for 37.7 per cent of group EBIT (€44.1 million), compared with 29.8 per cent last year.

Because of the considerable improvement in profitability of the Mobile Telephony Service Provider segment, EBITDA of €20.3 million after the first quarter already accounts for more than one third of the figure budgeted for the whole of 2005. This enables us to reiterate our forecast of achieving EBITDA of €60 million. This figure represents an increase of 50 per cent compared with last year. EBIT improved in the first quarter of 2005 by around 90 per cent to €16.6 million. This performance has been achieved not only by consistent cost control but also by the more selective policy of signing up new customers. This is because mobilcom relies primarily on its own chain of shops and distribution with specialist retail partners as well as intensive customer retention. With success: only 0.15 million contract customers failed to extend their mobilcom contract in the first quarter of 2005. This is lower than half the previous year's figure of 0.33 million customers. At the same time, we are making good progress with expanding our distribution channels. In January, we signed up the “Bosch Car Service” with 800 locations as a partner, and the process of expanding our chain of shops, which is expected to comprise approx. 250 locations at the end of the year, is starting to pick up pace. We feel that our policy of focusing on quality is paying dividends: our shops with their high quality of advice were not only one of the three winners of a comprehensive nationwide comparison carried out by the trade magazine “connect” (all three winners received the same number of points), they are also setting standards for the mobile telephony sector with innovative design. The design of the four flagship stores, which is to be used as an example for the planned conversion of the entire chain of shops, was chosen as the winner in the category “products of high architectural quality” on the occasion of the “Euroshop” exhibition in Düsseldorf, and by the architecture periodicals “AIT” and “Intelligente Architektur”. In the first quarter, we focused our range of products to an even greater extent on the needs of our customers. For instance, the new “13-Cents Tariff” which has been introduced offers the lowest rate per minute available on the German mobile market. This is also the conclusion of Stiftung Warentest. mobilcom passes on the subsidy for the mobile telephone, which is still typical in the mobile telephony market, to the customer in the form of lower rates per minute. A customer who does not wish to do without a modern and attractive mobile phone still enjoys complete transparency with the “Always-One-Price Tariffs”. The customer pays the same rate per minute, 24 hours every day of the week, irrespective of whether telephoning into the German fixed network or into any national mobile network. mobilcom is also the first mobile telephony service provider to offer its customers contracts for all four German mobile networks. With this holistic concept, we are now in an excellent position to achieve our intended growth to 4.8 million customers. At the end of the first quarter of 2005, the number of customers (4.51 million) was 0.35 million higher than was the case in the previous year quarter.

You can see that your company is combining profitability and growth and offering you as a shareholder excellent prospects as a result of its strategy.

Dr. Thorsten Grenz
Chairman of the Executive Board

Michael Grodd
Member of the Executive Board

1.2 Investor relations report

Data of mobilcom shares

ISIN WKN	DE6622400 DE000A0A8F89		
Designated sponsor	DZ Bank AG, Frankfurt		
Codes			
	Reuters	Stock exchange Frankfurt a. M.	MOBG.F
		XETRA trading	MOBG.DE
	Bloomberg		MOB

Figures for mobilcom shares

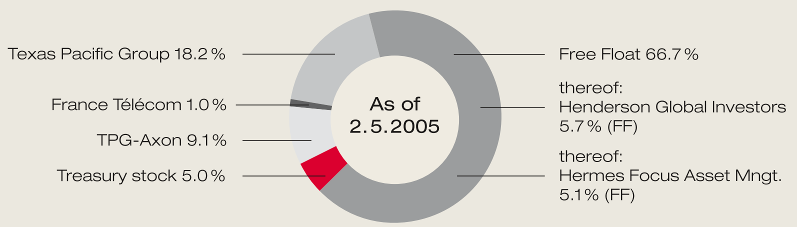
Period	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Outstanding shares	62,416,710	63,865,424	65,701,800	65,701,800	65,701,800
Admitted shares	65,701,800	65,701,800	47,101,800	47,101,800	47,101,800
Share capital	65,701,800	65,701,800	65,701,800	65,701,800	65,701,800
Market value at end of quarter in thousand €	1,113	1,066	766,740	1,097,220	1,088,678
Average turnover of shares per trading day	414,891	383,953	514,823	368,662	670,168
Order book turnover XETRA in €	439,412,570	344,175,899	398,226,545	377,418,547	706,209,644
Earnings per share in €*	0.45	0.20	0.35	0.24	0.26
Year's high in €	18.55	16.85	16.67	17.58	19.55
Year's low in €	15.82	12.02	8.90	14.22	13.29
Price on reference date in €	17.84	16.70	11.67	16.70	16.57

* Earnings per share is the result of dividing the net income attributable to the shareholders by the weighted average number of outstanding shares during the period.

Investor relations report

The first quarter of 2005 was extremely important for the entire mobilcom group and its shareholders. On 4 March 2005, the Executive Board of mobilcom AG announced in a mandatory notification that it intended to proceed with the merger with the subsidiary freenet.de AG. The new company is expected to be able to focus with combined forces and resources on the rapidly changing market situation in the telecommunications sector. Apart from Deutsche Telekom, the new company will be the only complete service provider on the German telecommunications market, and will be able to assume an active role in the expected market consolidation process. The planned merger not only enjoys industrial logic; it will also release financial synergy which will be able to boost considerably the value of the new company. The capital market has responded to the announcement with strongly higher share prices. After the announcement, both shares gained between 9 per cent and 12 per cent – confirmation that the shareholders of both companies consider a merger to be beneficial. mobilcom management notified its Anglo-Saxon and German shareholders of the planned structural changes and future prospects in the first quarter of 2005. mobilcom AG will continue to maintain contact with its shareholders in the course of the next few weeks and months, and will also discuss current matters with its investors.

Shareholder structure



Share buy-back programme completed in Q1 2005

The first share buy-back programme since the initial establishment of mobilcom AG was successfully completed on 31 January 2005. In total, mobilcom acquired 3,285,000 shares for an average price of €15.62 (total volume: €51.3 million). The Executive Board of mobilcom decided on 12 November 2004 to buy back shares in the company up to the end of the first quarter of 2005; an initial restriction equivalent to 5 per cent of the share capital has been imposed. As the first company after the new statutory regulations have come into force, mobilcom has published the progress of the share buy-back programme on the company's website every week, and has accordingly made details available to all interested investors. The shareholders' meeting on 22 April 2005 provided mobilcom AG with further authorisation to buy up to a maximum of 10 per cent of the company's own shares. mobilcom can thus continue to optimise its capital structure and pay out liquidity to its shareholders by way of buying back shares in addition to dividend payments.

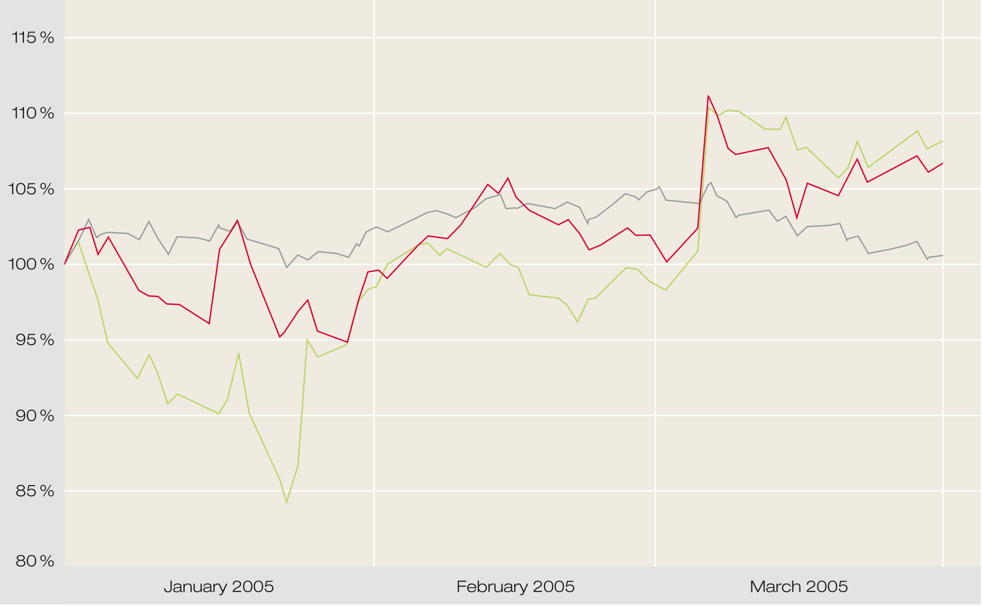
The development of mobilcom shares

mobilcom shares have achieved a very positive performance in the first quarter of 2005, increasing by 6.8 per cent from €16.71 (30 December 2004) to €17.84 by the end of the quarter. The shares of our subsidiary freenet.de AG achieved even stronger growth following the proposal to merge both companies, and ended the first quarter of 2005 with a gain of 8.3 per cent to €20.53. Both shares have accordingly recovered appreciably from their quarterly lows on 28 January 2005 and 24 January 2005 respectively, and since then the share prices have been very sound and not very volatile. The market capitalisation of the mobilcom group amounted to approx. €1.1 billion on 31 March 2005. The market capitalisation of the mobilcom subsidiary freenet.de AG amounted to €1.2 billion on the same date.

Index performance

The performance of the TecDAX has been much worse than that of mobilcom and freenet.de. The index comprising the largest technology stocks ended the first quarter with a slight gain of 1.2 per cent. The DAX ended the first quarter of 2005 with a gain of 3.1 per cent at 4,349 points.

Share price performance from 30 December 2004 to 31 March 2005



■ TecDAX ■ mobilcom ■ freenet

TecDAX performance index
High: 547.20 points
Low: 518.84 points

mobilcom AG
High: € 18.55
Low: € 15.82

freenet.de AG
High: € 20.90
Low: €15.95

Current recommendations of analysts

Following mobilcom's published intention regarding the planned merger with freenet.de AG, almost all analysts have revised and increased their price targets for mobilcom shares.

Institution	Recommendation	Price target	Date
Berenberg Bank	"Buy" (unchanged)	€ 25.00	15. 5. 2005
Citigroup Smith Barney	"Buy" (start of coverage)	€ 19.50	14. 4. 2005
Deutsche Bank	"Buy" (previously: "Hold")	€ 19.50	10. 3. 2005
Dresdner Kleinwort Wasserstein	"Buy" (previously: "Add")	€ 20.00	8. 3. 2005
DZ Bank AG	"Buy" (unchanged)	€ 23.00	8. 3. 2005
BHF Bank AG	"Buy" (unchanged)	€ 22.00	11. 3. 2005
Kepler Equities	"Buy" (unchanged)	€ 26.00	18. 3. 2005
Metzler Equities	"Buy" (unchanged)	€ 20.00	11. 1. 2005
UBS AG	"Buy" (start of coverage)	€ 20.60	4. 4. 2005
Sal. Oppenheim	"Neutral" (unchanged)	€ 18.00	7. 3. 2005
SES Research	"Outperform" (unchanged)	€ 14.70	8. 3. 2005
West LB	"Outperform" (unchanged)	€ 19.00	9. 3. 2005

2. Management report: financial report

2.1 Market

The overall market for telecommunications is expanding
According to the annual report of the Regulatory Authority for Posts and Telecommunications (Regulierungsbehörde für Telekommunikation und Post – RegTP), the overall market for telecommunications in 2004 expanded by 2 per cent from €63.2 billion to €64.5 billion. Whereas sales generated by mobile telephone services increased in line with the overall market, thereby maintaining their 34 per cent of the overall market, fixed network activities declined by one percentage point to 37 per cent. mobilcom also expects to see further growth of the overall market in financial 2005; this would probably be again due primarily to the continued dynamic development of the mobile telephony market and the DSL market.

Mobile telephony is still a growth market
According to data provided by the market research institute Gartner, 647 million mobile telephones were delivered throughout the world in 2004, 29.6 per cent more than was the case in 2003. According to Gartner, the market growth last year was due primarily to the strong sales figures in the emerging markets such as China, Brazil and India as well as an unexpectedly high number of replacement sales in the industrialised countries. For 2005, the market researchers expect to see a further gain of 8 per cent to 730 million units.

The German mobile telephony market also experienced strong growth in 2004. The annual report of RegTP indicates that the number of customers increased by 10 per cent to 71.3 million in 2004, and that the volume of connection minutes increased by 9 per cent to 37.2 billion. The number of text messages sent from mobile networks (SMS) increased by a further 4 per cent to 20.6 billion. The number of messages sent via the Multimedia Messaging Service (MMS) has tripled to 91 million.

In the first quarter of 2005, the number of customers in the overall market increased to 72.5 million (Q1 2004: 66.1 million). Net growth in Germany was accordingly 1.2 million in the first quarter of 2005 – however, the number of gross new customers amounted to around 4.45 million. This number is attributable mainly to customers who changed their provider. The number of gross new customers in the German mobile telephony market in 2005 is expected to be slightly lower than the level seen in 2004 (namely 17 million compared with 18.7 million). Market growth of existing customers is expected to be around 6 per cent (2004: 10 per cent). The penetration rate would accordingly be 91 per cent (2004: 87 per cent). In financial 2005, the competitors will accordingly need to boost the loyalty of existing customers by way of intensive customer retention measures – to an even greater extent than has been the case in the past.

mobilcom market share with new customers reaches 6.2 per cent

With 4.51 million customers (31 December 2004: 4.56 million), mobilcom is the second largest mobile telephony service provider in Germany behind debitel (8.64 million customers as of 31 December 2004) and ahead of Talkline (2.5 million customers as of 31 December 2004). In the first quarter of 2005, mobilcom's share of the market for new customers was 6.2 per cent, compared with 10.1 per cent in the same previous year period. mobilcom's shares among new contract customers was 7.7 per cent (Q1 2004: 8.0 per cent). The company's share of the contract customer market declined from 7.4 per cent to 6.9 per cent compared with the Q1 2004. In the first quarter of 2005, 5.5 per cent of German prepaid customers telephoned with mobilcom compared with 5.3 per cent in the same previous year period.

German fixed network market

According to information provided by RegTP, the volume of narrowband traffic last year in the fixed network/internet market, in which the mobilcom subsidiary freenet.de AG operates, declined to around 326 billion connection minutes – compared with 344 billion in 2003. According to RegTP, the downturn of 5.2 per cent is due to fixed network lines being substituted by mobile telephony solutions and also the trend away from narrowband connections to broadband DSL connections. The share of DTAG competitors of the narrowband market increased from 43 to 46 per cent. The number of connection minutes routed via DTAG competitors increased from 148 billion to 150 billion, whereas DTAG reported a downturn from 197 billion to 176 billion in 2004.

RegTP has reported strong growth in the market for broadband connections: at the end of 2003, the figure was running at 4.5 million, and had risen to 6.9 million at the end of 2004. DSL technology accounted for around 97 per cent of this figure (6.7 million) in 2004, whereas other access technologies, such as cable modem, satellite or power line played a minor role. The share of the DSL market enjoyed by the DTAG competitors increased from 11 per cent in 2003 to 20 per cent in 2004 (1.17 million connections) – with a rising trend. RegTP is assuming that the DTAG competitors have achieved a 33 per cent of the new business market (incl. resale of DTAG connections), and reported “much more intense price competition”.

The rapid growth of DSL business accompanied by aggressively priced products as well as fierce price competition on the call-by-call market continued in the first quarter of 2005. In the opinion of mobilcom, this trend will continue to be very much in evidence in the course of financial year 2005.

2.2 Company situation and development of business

2.2.1 Operational development: group

Result	Q1 2005	Q4 2004 (adjusted*)	Q3 2004 (adjusted*)	Q2 2004 (adjusted*)	Q1 2004 (adjusted*)
Third-party sales in million €	450.6	485.5	477.5	466.6	467.7
EBITDA in million €	57.2	25.2	49.8	42.4	45.8
EBIT in million €	44.1	2.2	33.7	25.8	29.2
EBT in million €	45.9	4.7	36.1	27.5	30.6
Consolidated result in million €	28.3	13.2	23.1	15.7	17.0
Earnings per share in €	0.45	0.20	0.35	0.24	0.26
As a percentage of sales					
EBITDA	12.7	5.2	10.4	9.1	9.8
EBIT	9.8	0.5	7.1	5.5	6.2
EBT	10.2	1.0	7.6	5.9	6.5
Consolidated result	6.3	2.7	4.8	3.4	3.6

* Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

The mobilcom group continued its positive development in earnings in the first quarter of 2005 thanks to the strong earnings growth seen in the Mobile Telephony Service Provider segment.

Consolidated result up by 66.5 per cent

With sales of €450.6 million (Q1: €467.7 million), the mobilcom group has further improved its profitability: with EBITDA of €57.2 million (Q1 2004 : €45.8 million), the telecommunications group beat the previous year figure achieved in Q1 2004 by 24.9 per cent. The EBITDA margin improved from 9.8 per cent to 12.7 per cent. Earnings in the Fixed Network/Internet segment were stable, and the Mobile Telephony Service Provider segment saw profitability improve appreciably, and accounted for 35.6 per cent of consolidated EBITDA (previous year: 33.3 per cent). EBIT improved to €44.1 million (Q1 2004: €29.2 million). The EBIT margin increased from 6.2 per cent to 9.8 per cent. Earnings generated by the Mobile Telephony Service Provider segment also increased to 37.7 per cent of overall earnings, compared with the previous year’s figure of 29.8 per cent. Consolidated result improved to €28.3 million (Q1 2004: €17.0 million). EPS grew from €0.26 in Q1 2004 to €0.45 in Q1 2005.

1 Consolidated results adjusted retroactively in accordance with IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

Gross profit margin is rising, materials ratio is falling

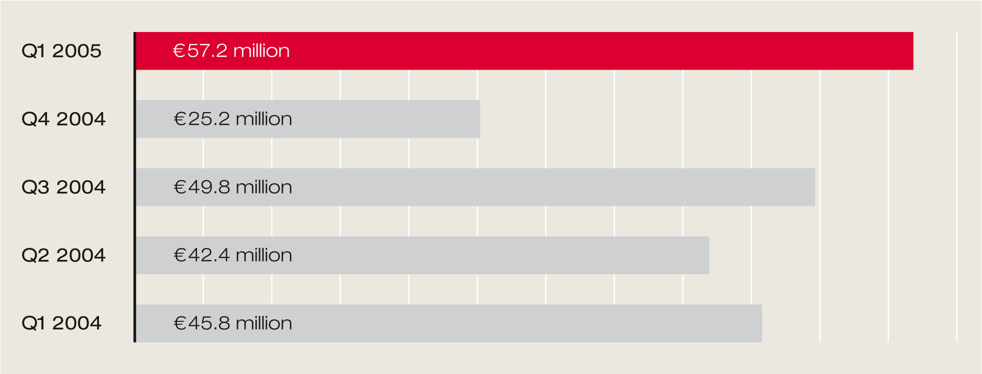
The improved cost structure continues to be a major factor behind this earnings performance: the gross profit margin of 27.6 per cent is considerably higher than last year's figure of 25 per cent. The materials ratio declined accordingly from 75 per cent to 72.4 per cent. Other operating expenses were stated as 11.9 per cent, below last year's figure of 13 per cent. Primarily as a result of strong growth in the workforce, namely by 639 to 3,429 employees, the personnel expense ratio increased in the period under review to 6.9 per cent compared with 6.7 per cent in the first quarter of 2004. Staff were recruited for the Fixed Network/Internet segment, which employed 665 more men and women on 31 March 2005 than was the case one year ago (namely 1,860 employees). In addition, the expense for stock options of €7.4 million was taken to the income statement for the first quarter in accordance with IFRS2. In the Mobile Telephony Service Provider segment, the number of employees declined in the same period by 26 to 1,569.

Financial position opening up scope for action

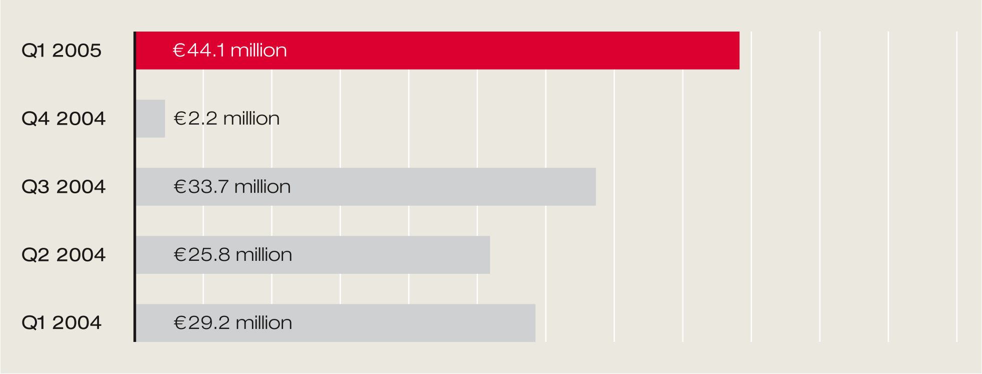
The financial position will continue to be very strong in the first three months for the mobilcom group. Thanks to the further strong cash flow from current activities (€55.4 million), the mobilcom group has a strong position in terms of cash and cash equivalents, namely €338.2 million (31 March 2004: €356.1 million), although considerable outflows were reported as a result of acquisitions in the Fixed Network/Internet segment. The group made considerable progress in terms of working capital in 2004, and has reduced working capital by a further €39.0 million since the beginning of this year – the Mobile Telephony Service Provider segment has made an above-average contribution (€17.8 million) to this improvement. Net financial assets of the group amounted to €336.0 million at the end of the quarter (31 March 2004: €348.1 million). Despite the share buy-back programme (€23.9 million), shareholders' equity was stated as €638.9 million, €44.5 million higher than the corresponding figure seen on 31 March 2004. The equity ratio was an unusually high 65.6 per cent (31 March 2004: 67.1 per cent).

1 Adjusted in accordance with IAS 1.

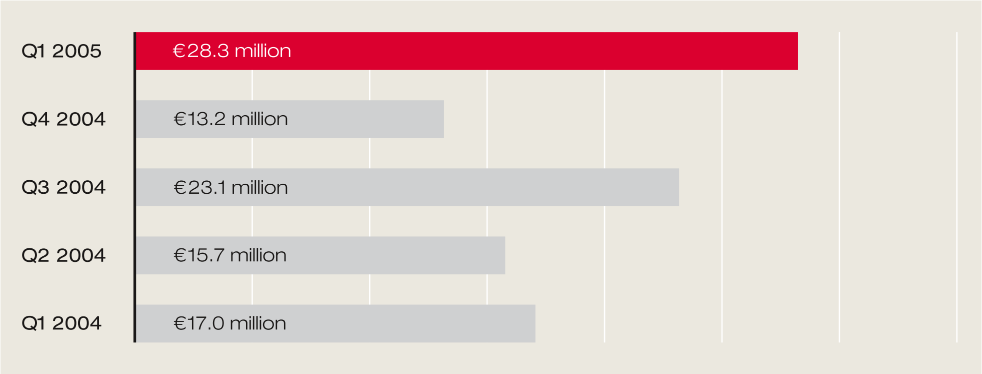
EBITDA group



EBIT group



Consolidated result



2.2.2 Operation development: Mobile Telephony Service Provider

Result	Q1 2005	Q4 2004 (adjusted*)	Q3 2004 (adjusted*)	Q2 2004 (adjusted*)	Q1 2004 (adjusted*)
Revenues in million €	311.5	360.8	361.9	357.4	348.5
EBITDA in million €	20.3	–0.4	10.3	15.0	15.2
EBITDA as percentage of sales	6.5	–0.1	2.8	4.2	4.4
EBIT in million €	16.6	–12.9	4.2	8.7	8.7
EBIT as percentage of sales	5.3	–3.6	1.2	2.4	2.5
Mobile telephony customers in million	4.51	4.56	4.33	4.21	4.16
of which contract customers in million	2.48	2.46	2.32	2.27	2.40
of which prepaid customers in million	2.03	2.10	2.02	1.94	1.77
Gross new customers in million	0.27	0.46	0.41	0.44	0.42
Monthly average revenues per user in €	18.0	19.3	20.4	20.8	20.7
of which per contract customer in €	27.9	30.2	32.5	31.5	30.1
of which per prepaid customer in €	6.1	6.7	6.4	7.4	7.0
EBITDA per mobile telephony customer in €	4.5	–0.1	2.4	3.6	3.7
EBIT per mobile telephony customer in €	3.7	–2.9	1.0	2.1	2.1

* Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

Strong growth in profitability

The announced shift in focus in the direction of greater emphasis on earnings became very evident in the first quarter of financial 2005: the Mobile Telephony Service Provider segment has considerably strengthened its profitability and, with EBITDA (earnings before interest, taxes, depreciation and amortisation) of €20.3 million (Q1 2004: €15.2 million), it has already generated more than one third of the figure budgeted for the whole of 2005 (€60 million). Earnings before interest and taxes (EBIT) improved by around 90 per cent to €16.6 million compared with the first quarter of the previous year (Q1 2004: €8.7 million). One major reason behind the increase in earnings: mobilcom is now much more selective with regard to signing up new customers than was the case last year, and focuses primarily on its own chain of shops and distribution via specialist retail partners, and also relies on intensive customer retention. With success: the number of customers, namely 4.51 million, was 0.35 million higher than the corresponding figure in the first quarter of 2004. With the strong first quarter of 2005, mobilcom has confirmed its EBITDA target of €60 million for 2005 for the Mobile Telephony Service Provider segment (2004: €40.6 million), and has also confirmed its aim of boosting the number of customers to 4.8 million.

EBITDA per customer has risen to a record level

Sales in the first quarter of 2005 came in at €311.5 million, which was 10.6 per cent down compared with the previous year figure of €348.5 million. This is due primarily to lower commission income for signing up new customers. Whereas the Mobile Telephony Service Provider segment in the first quarter of 2004 had to sign up 0.42 million gross new customers in order to keep the number of customers stable at 4.16 million, improved customer retention in the case of contract customers meant that 0.27 million new gross customers were sufficient in the first quarter of 2005 to stabilise the number of customers at 4.51 million (31 December 2004: 4.56 million). The value-oriented growth in the customer base last year resulted in lower monthly average revenues per user (ARPU); however, this resulted in higher earnings overall and also higher earnings per customer: EBITDA per mobile telephony customer attained the record level of €4.48 in the first quarter of 2005, compared with €3.68 in the first quarter of 2004, the previous year quarter which reported the strongest earnings. In the period under review, mobilcom reported a contract customer ARPU of €27.90 (Q1 2004: €30.1). Prepaid ARPU was €6.1 (Q1 2004: €7.0). Because the prepaid customer base (2.03 million) was 0.26 million higher than was the case last year and because the number of contract customers was 0.07 million higher than the corresponding previous year's figure, the relative weighting of prepaid customers increased. ARPU of the entire customer base accordingly amounted to €18.0 (Q1 2004: €20.7).

EBITDA margin reaches 6.5 per cent – EBIT margin has doubled

The increase in profitability of the mobile telephony service provider is illustrated by the gross profit margin, which has risen to 16.3 per cent, a 1.9 percentage point improvement compared with the corresponding figure last year. Overhead costs of €30.3 million were €4.6 million lower than was the case last year. mobilcom has made further progress in terms of the efficiency of capital employed: net working capital declined by €16.3 million compared with 31 March 2004 to €30.9 million. As a result of the company's excellent cost position, EBITDA of €20.3 million is around one third higher than last year's figure (Q1 2004: €15.2 million). With an EBITDA margin of 6.5 per cent, the company has already attained its medium-term target. In the first quarter of 2004, the most profitable previous year quarter, the EBITDA margin was running at 4.4 per cent. Growth in EBIT was even stronger: this parameter improved by 91.6 per cent to €16.6 million compared with the EBIT of €8.7 million generated by mobilcom in its Mobile Telephony Service Provider segment in the same previous year period. mobilcom has accordingly more than doubled its EBIT margin to 5.3 per cent (Q1 2004: 2.5 per cent).

Quarterly comparison: more selective policy of signing up new customers

The total number of customers amounted to 4.51 million at the end of the first quarter of 2005, up 0.35 million compared with the figure at the end of the same previous year quarter. The number of contract customers increased over the year by

0.08 million to 2.48 million, and the number of prepaid customers (2.03 million) was 0.26 million higher than the figure seen at the end of the first quarter of 2004. With its contract customer activities, mobilcom has again visibly benefited from improved customer retention. Only 0.15 million customers failed to extend their mobilcom contract in the first quarter of 2005. This figure is much lower than half the corresponding previous year figure of 0.33 million. Accordingly, mobilcom was able to adopt a more selective strategy with regard to signing up new customers. As a result of the higher level of customer retention, only 0.16 million gross new customers were necessary to increase the number of contract customers to 2.48 million, an increase of 0.02 million compared with the figure at the start of the year. In prepaid business, a typical action business, mobilcom gained 0.12 million gross new customers in the first quarter of 2005, and lost 0.18 million customers. This reflects the company's aim of adopting a much more selective policy with regard to prepaid customers and also reflects the company's aim of focussing on quality. Because a small proportion of top customers is in particular responsible for a much more significant percentage of overall sales and because mobilcom is now addressing this target group to a greater extent, revenues per prepaid customer are expected to increase in the medium term.

Numerous product innovations at CeBIT

The innovative products which mobilcom presented at CeBIT will have a positive impact on signing up new customers and retaining existing customers as the year progresses. mobilcom has focused consistently on the actual needs of mobile telephony customers using simple, innovative and fair tariff structures. For instance, the new "13-Cents Tariff" which has been introduced is the lowest rate available on the German mobile telephony market. Stiftung Warentest confirmed at the beginning of April that the 13-Cents Tariff is the cheapest rate in the whole of Germany for normal telephone customers. The testers had assumed a typical utilisation pattern of 70 minutes. With the mobilcom tariff, a normal telephone customer could have telephoned for a further 30 minutes without incurring any additional costs. With this tariff, mobilcom passes on the subsidy for the mobile telephone, which is otherwise still typical for the mobile telephony market, to the customer in the form of lower rates per minute. A customer who does not wish to do without a modern and attractive mobile phone still enjoys complete transparency with the "Always-One-Price Tariffs". The customer pays the same rate per minute, 24 hours every day of the week, irrespective of whether telephoning into the German fixed network or into any national mobile network. In a market survey carried out by the Hamburg agency pilot checkpoint on behalf of mobilcom AG, three quarters of those surveyed in January 2005 stated that they did not know the complex tariff structures and the associated rates per minute of their mobile telephony contract. Accordingly, more than 60 per cent of those surveyed wanted to see a standard rate per minute and thus greater transparency. With the mobilcom offer, instead of a standing charge, the customer agrees to pay only a minimum charge which can be used for calls or for sending MMS and SMS text messages. The “Always 45-cents Tariff” with a minimum charge of €15 and a rate per minute of 45 Cents offers very attractive conditions to low-volume users. Compared with prepaid offers, which also target low-volume users, mobilcom also offers attractive mobile phones for a price of only €1. A normal-volume user with a monthly minimum charge of €25 can use the “Always 35-Cents Tariff” to pay a constant rate per minute of only 35 cents for telephone calls to all German mobile networks or to the German fixed network. The customer can also buy a latest-generation mobile phone for prices starting at €1. For high-volume users, the rate per minute in the “Always 25-Cents Tariff” drops to 25 cents in conjunction with a minimum charge of €50.

First service provider for O_2

mobilcom will be the first service provider to offer mobile contracts for all four German mobile networks. Negotiations with O_2 were successfully completed at the beginning of March 2005. mobilcom will probably start to sell O_2 mobile contracts in the second quarter of 2005. In November 2004, it was the first service provider to start selling prepaid products for O_2.

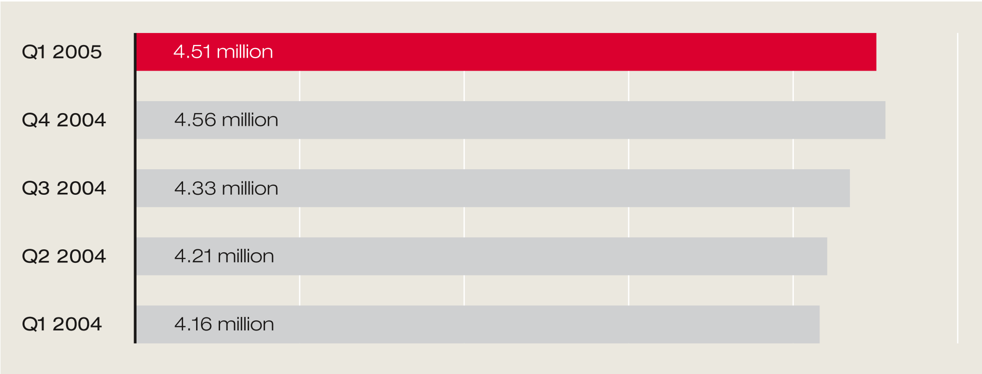
Distribution network is expanding – design award for flagship stores

mobilcom has further expanded its own shop and specialist retailer distribution channels: in the first quarter of 2005, the company opened eight new shops throughout Germany. Overall, mobilcom accordingly has 227 mobilcom shops as of 31 March 2005 (31 March 2004: 202 shops) including four flagship stores in Berlin, Cologne, Düsseldorf and Stuttgart. For the design of its flagship stores, mobilcom was chosen as the winner in the category “Products of high architectural quality” on the occasion of the “Euroshop” exhibition in Düsseldorf and by the trade journals “AIT” and “Intelligente Architektur”. The chain of shops is to be expanded to 250 by the end of the financial year. The company has strengthened specialist retail sales by the more than 800 outlets of the “Bosch Car Service” operations throughout Germany, which in future will also offer mobilcom products. The new partner started to distribute the company’s products in the first quarter of 2005.

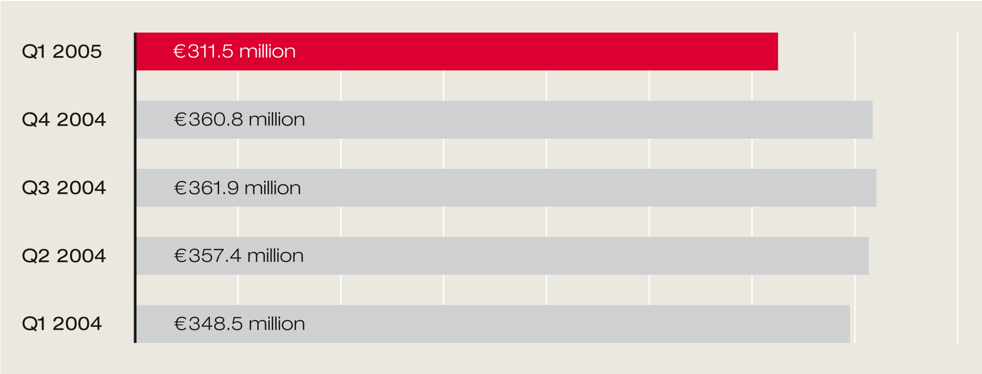
Outlook: growth forecast has been confirmed

In view of the strong first quarter, mobilcom is still forecasting that EBITDA will expand by 50 per cent to €60 million for the whole of 2005 (2004: €41 million). EBIT is expected to more than triple to €32 million (2004: €9 million). As a result of the recognisable success of the customer retention projects and the expansion of its distribution network, mobilcom has also confirmed its growth objective of 4.8 million customers by the end of financial 2005 despite its more selective policy of signing up new customers.

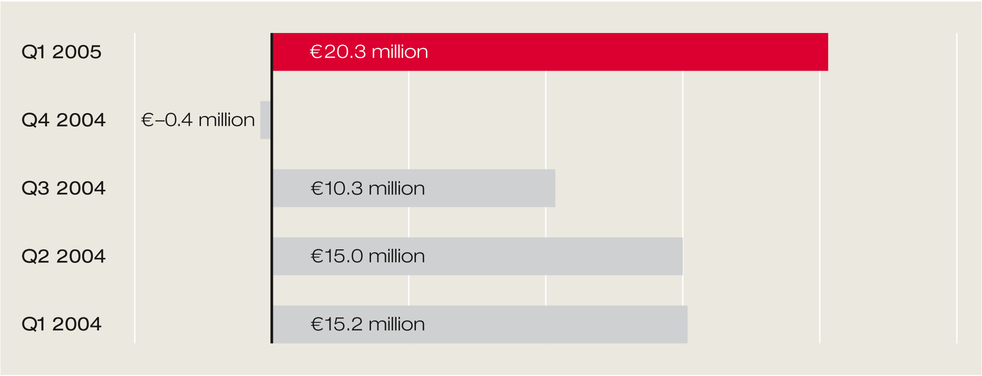
Number of Mobile Telephony Service Provider customers



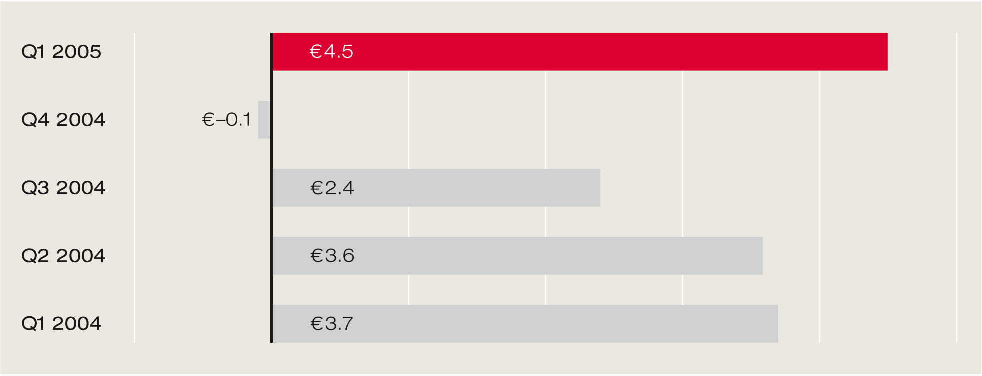
Mobile Telephony Service Provider sales



Mobile Telephony Service Provider EBITDA



EBITDA per customer



2.2.3 Operational development Fixed Network/Internet

Result	Q1 2005	Q4 2004 (adjusted*)	Q3 2004 (adjusted*)	Q2 2004 (adjusted*)	Q1 2004 (adjusted*)
Revenues in million €	146.0	124.7	115.6	109.2	119.2
EBITDA in million €	36.8	25.6	39.5	27.4	30.6
EBITDA as a percentage of sales	25.2	20.5	34.2	25.1	25.6
EBIT in million €	27.5	15.1	29.5	17.1	20.5
EBIT as a percentage of sales	18.8	12.1	25.5	15.7	17.2
Fixed network customers in million	3.9	4.6	3.6	4.3	3.2
Active Internet households in million	3.9	3.8	3.8	3.7	3.8
Fixed network minutes sold, incl. Internet, in billion	6.4	6.2	6.2	6.1	6.9

* Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).

In the first quarter, the Fixed Network/Internet segment run by freenet.de AG, Hamburg, boosted sales and stabilised earnings at last year's level. Whereas the number of telephony and DSL customers continued to increase, there was a slight downturn in the number of narrowband Internet access customers. The sales and earnings of the Strato group acquired as of 1 February 2005 were already completely included in the financial statements for the period ending 31 March 2005. The acquisition of Talkline ID completed on 7 April is expected to be consolidated from the second quarter 2005 onwards.

Sales and EBITDA are rising

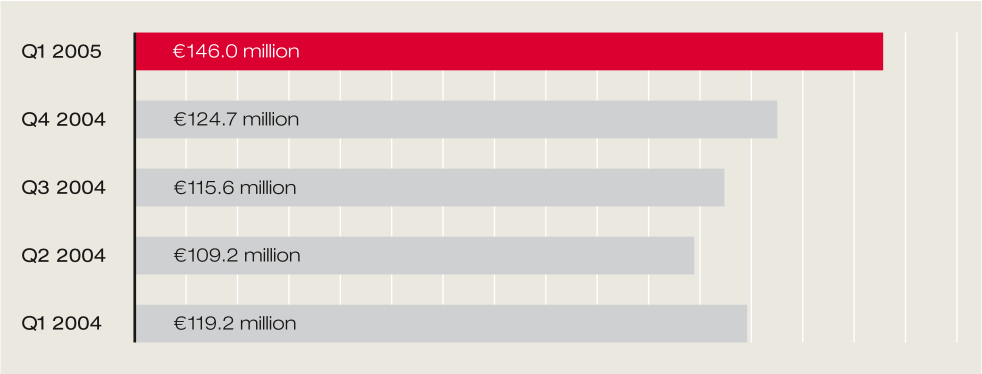
In the Fixed Network/Internet segment, sales increased by almost 23 per cent after the acquisition of the Strato group. On the back of sales which improved from €119.2 million to €146.0 million, freenet has succeeded in increasing EBITDA to €36.8 million (Q1 2004[1]: €30.6 million) and EBIT to €27.5 million (Q1 2004[1]: €20.5 million). The EBITDA margin was 25.2 per cent (Q1 2004[1]: 25.6 per cent), and the EBIT margin was 18.8 per cent (Q1 2004[1]: 17.2 per cent). The retroactive adjustment of results for the first quarter of 2004 in accordance with IFRS 2 resulted in a considerably negative impact on the previous year results published in the Fixed Network/Internet segment (EBITDA: €37.9 million; EBIT: €27.8). The costs of stock options of €7.4 million were taken to the income statement.

1 Consolidated results adjusted retroactive in accordance with IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).

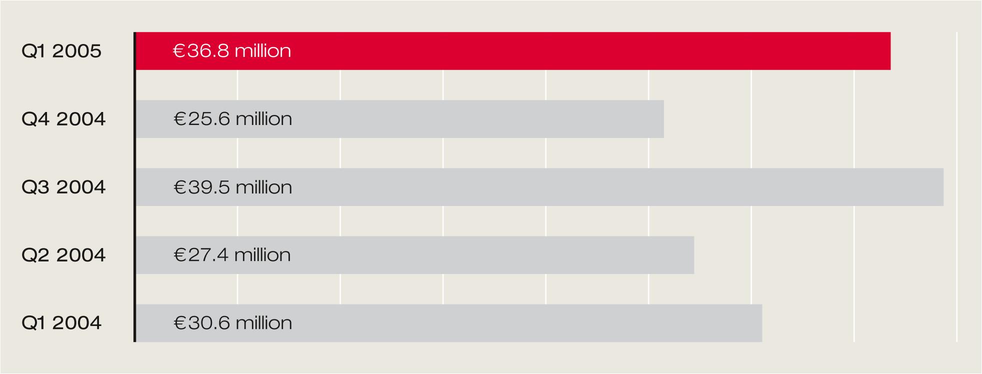
The number of DSL customers is increasing

Particularly in the DSL market, which enjoys excellent prospects for the future, the segment maintained the rate of growth in the first quarter of 2005 with around 0.12 million new customers. The Fixed Network/Internet segment reported 0.47 million existing customers as of 31 March. At the end of the first quarter of 2004, the number of DSL customers amounted to 0.13 million. The number of telephony customers has increased from 3.2 million to 3.9 million compared with the first quarter of 2004, and the number of Internet access customers increased by 0.1 million to 3.9 million compared with last year.

Fixed Network/Internet sales



Fixed Network/Internet EBITDA



2.2.4 Impact of new accounting standards

The conclusion of the so-called “Improvement Project” of the International Accounting Standards Board (“IASB”) in December 2003 resulted in the revision of various standards which are initially applicable for financial years commencing on or after 1 January 2005. Accordingly, the main changes in the interim report for Q1 2005 are those relating to disclosure in the balance sheet and the income statement and a corresponding adjustment of previous year comparison figures.

With the revision of IAS 1, one of the new aspects is that the structure of the balance sheet has been changed to reflect maturities. Assets and liabilities are presented according to the criteria of short-term or long-term. The liquidity structure which has previously been based on HGB is no longer applicable. Minority interests are no longer stated as a balance sheet item between shareholders and debt capital; instead, they are stated as a separate item under shareholders’ equity.

The accounting regulations for “share-based payments” were revised with the adoption of IFRS 2 by the IASB in February 2004. According to the new standard, stock option schemes and other forms of remuneration based on the value of company shares used within the group as remuneration systems with a long-term incentive effect have to be recognised with their fair value in the income statement. In addition, the previous year figures have to be adjusted retroactively. The initial application of this standard has resulted in higher personnel expenses in Q1 2005. Shareholders’ equity is correspondingly lower, and the provisions are correspondingly higher.

In March 2004, with the publication of IFRS 3, the IASB adopted new regulations applicable for business combinations which were contractually agreed after 31 March 2004. Accordingly, these rules have to be applied for the initial consolidation of the Strato group. In addition, IFRS 3 specifies modified rules for the amortisation of goodwill. Scheduled amortisation of goodwill is no longer permissible, and has been replaced by the introduction of an impairment test which has to be carried out at least once every year. If the impairment test identifies a lower value of the goodwill, a one-off impairment has to be taken to the income statement. No adjustments were necessary in the mobilcom group as a result of these regulations in Q1 2005.

2.2.5 Analysis of net worth

The net financial assets of the mobilcom group declined slightly as of 31 March 2005 to €336.0 million (31 March 2004: €348.1 million). The almost unchanged equity ratio of 65.6 per cent (31 March 2004: 67.1 per cent) shows that the company is in an extremely good position to face the challenges of the market.

Compared with 31 March 2004, the balance sheet total increased from €885.6 million to €974.1 million. On the assets side of the balance sheet, long-term assets increased by €125.3 million to €346.5 million. Intangible assets increased by €72.0 million to €120.0 million, and goodwill increased by €68.7 million to €109.7 million, whereas the value of property, plant and equipment declined by €15.4 million as a result of depreciation and amortisation. The increase in intangible assets and goodwill is due mainly to the acquisition of the Strato group by freenet.de AG. Short-term assets as of 31 March 2005 declined by €36.8 million to €627.6 million (31 March 2004: €664.4 million). The acquisitions in the fixed network business and the share buy-back programme resulted in liquid assets declining by €17.9 million. Other receivables and other assets declined by €46.6 million to €65.7 million (31 March 2004: €112.3 million), also as a result of lower commission claims against the network operators. The increase in total liabilities is due mainly to the increase of €30.9 million to €38.0 million in current taxes on income due to higher results. The increase of €22.5 million to €37.7 million in deferred income tax liabilities is due mainly to the initial consolidation of the Strato group. At the same time, the mobilcom group reported hardly any debt at the end of Q1 2005.

The sound net worth is evident in a comparison of assets and liabilities as of 31 March 2005. Long-term as well as short-term liabilities are both covered more than twice by assets.

2.2.6 Analysis of the financial position

The inflow from current activities in the mobilcom group amounted to €55.4 million in the first three months of 2005 – compared with €99.9 million in the corresponding previous year period. Cash flow from investing activities reflects mainly the acquisitions of freenet.de AG, and at €–59.6 million confirms the expansion strategy of the mobilcom group which is still balanced and earnings-oriented (Q1 2004: €–3.6 million). The cash flow from financing activities of €–24.6 million (Q1 2004: €–2.4 million) is attributable mainly to the programme of buying back mobilcom shares which was completed in the first quarter (€–23.9 million). Overall, cash and cash equivalents in the first three months of 2005 declined by €28.8 million (Q1 2004: increase of €93.8 million). On 31 March 2005 the group had strong cash and cash equivalents €338.2 million (€356.1 million as of 31 March 2004).

2.2.7 Analysis of the earnings position

Whereas revenues declined by 3.7 per cent to €450.6 million compared with the previous year period, mobilcom has achieved a considerable improvement in earnings: gross profit compared with the first three months of 2004 increased by €7.3 million to €124.3 million. The gross profit margin has accordingly improved by 2.6 percentage points to 27.6 per cent. The personnel expense ratio has risen to 6.9 per cent (Q1 2004: 6.7 per cent) – primarily as a result of the recruitment of staff in the Fixed Network/Internet segment. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased to €57.2 million (Q1 2004: €45.8 million). Earnings before interest and taxes (EBIT) also confirmed this trend, rising to €44.1 million (Q1 2004: €29.2 million). Following a positive financial result of €1.8 million, earnings before taxes improved to €45.9 million (Q1 2004: €30.6 million). After taxes on income (€17.5 million), earnings are stated as €28.3 million (Q1 2004: €17.0 million).

After due consideration is given to other shareholders, namely the external freenet shareholders, consolidated three-month earnings in 2005 are stated as €19.8 million (Q1 2004: €13.8 million).

2.2.8 Employees

		Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Employees (incl. temporary staff)		**3,429**	**3,072**	**2,970**	**2,916**	**2,790**
Mobile Telephony Service Provider		1,569	1,569	1,568	1,580	1,595
Fixed Network/Internet		1,860	1,503	1,402	1,336	1,195
Other		0	0	0	0	0
Average number of employees		**3,312**	**3,032**	**2,948**	**2,890**	**2,771**
Mobile Telephony Service Provider		1,571	1,567	1,568	1,583	1,593
Fixed Network/Internet		1,741	1,465	1,380	1,307	1,178
Other		0	0	0	0	0
Personnel expenses/ratio	in million €	**31.3**	**32.0**	**17.4**	**25.4**	**31.3**
	in per cent	**6.9**	**6.6**	**3.7**	**5.4**	**6.7**
Mobile Telephony Service Provider	in million €	17.7	15.0	17.0	15.4	15.1
	in per cent	5.7	4.2	4.7	4.3	4.3
Fixed Network/Internet	in million €	15.0	17.0	0.5	10.0	16.3
	in per cent	10.6	13.6	0.4	9.2	13.6

Group: number of employees has risen to 3,429

Despite the higher number of employees of freenet.de AG, personnel expenses in the mobilcom group remained stable at €31.3 million in the first three months of 2005. However, this is due primarily to the adjustment of previous year figures in accordance with IFRS 2. This has resulted in the previous year figure in the Fixed Network/Internet segment increasing by €7.4 million. The personnel expense ratio at the same time increased from 6.7 per cent to 6.9 per cent. Because of the recruitment of staff in the Fixed Network/Internet segment, the group employed 3,429 persons at the end of the first quarter of 2005, 639 more than the corresponding figure on 31 March 2004 (2,790).

Mobile Telephony Service Provider: increasing productivity

The higher productivity in the Mobile Telephony Service Provider segment has again resulted in a lower personnel requirement: as of 31 March 2005, the Mobile Telephony Service Provider segment employed 1,569 persons – 26 less than one year previously. In Q1 2005, the segment reported personnel expenses of €17.7 million (Q1 2004: €15.06 million). The personnel expense ratio increased from 4.3 to 5.3 per cent as a result of higher sales. mobilcom aims to stabilise the personnel expense ratio at the current level.

Fixed Network/Internet: rising personnel expenses

The Fixed Network/Internet segment run by freenet.de AG has reported strong growth in personnel. As of 31 March 2005, the company employed 1,860 persons, 665 more than was the case on 31 March 2004 (1,195). On average during the first three months, this segment employed 1,741 persons – 563 more than in the corresponding previous year period. Personnel expenses in Q1 2005 declined to €15.0 million (Q1 2004: €16.3 million). Whereas sales increased by 23.0 per cent, the personnel expense ratio declined from 13.6 to 10.6 per cent. It has to be borne in mind that the previous year figures include an expense attributable to the recognition of stock options in the income statement under IFRS 2. If this effect is disregarded, personnel expenses would have increased to €12.8 million (Q1 2004: €8.9 million).

2.2.9 Corporate bodies

The Executive Board consists of two persons, namely the Chairman of the Executive Board and the director responsible for Sales and Marketing. The Supervisory Board has twelve members, six of whom are elected from the ranks of the company's employees.

Members of the Executive Board

Dr. Thorsten Grenz, Strande
Chairman
Further mandates:
- Dr. Schmidt AG & Co., Berlin
  Member of the Supervisory Board
- freenet.de AG, Hamburg
  Deputy Chairman of the Supervisory Board

Michael Grodd, Munich
Director responsible for Marketing and Sales

Members of the Supervisory Board

Prof. Dr.-Ing. Dieter H. Vogel, Düsseldorf
(Chairman of the Supervisory Board)
Managing partner, LGB & Vogel GmbH, Düsseldorf
Further mandates:
- Bertelsmann AG, Gütersloh
  Chairman of the Supervisory Board
- Ernst + Young AG, Stuttgart
  Member of the Advisory Board
- Gerling Konzern Versicherungs-Beteiligungs AG, Cologne
  Member of the Administrative Board
- HSBC Trinkaus & Burkhardt KGaA, Düsseldorf
  Member of the Administrative Board
- Klöckner + Co. AG, Duisburg
  Member of the Supervisory Board
- Wacker Construction Equipment AG, Munich
  Chairman of the Supervisory Board
- WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main
  Chairman of the Supervisory Board

Ulrich Kalthoff, Neumünster
(Deputy Chairman of the Supervisory Board)
Lawyer, mobilcom AG, Schleswig

Thorsten Delling, Büdelsdorf
Key Account Service Manager, mobilcom Communicationstechnik GmbH, Schleswig

Dr.-Ing. Horst Dietz, Berlin
Chairman of the Executive Board, The Industrial Investment Council GmbH (IIC), Berlin

Further mandates:
- ABB AG, Mannheim
  Member of the Supervisory Board
- Bilfinger Berger AG, Mannheim
  Member of the Supervisory Board

Ulf Gänger, Hamburg
Member of the Executive Board (retired) of Hamburgische Landesbank, (now trading as HSH Nordbank AG), Hamburg und Kiel

Further mandates:
- Hela Gewürzwerk Hermann Laue GmbH & Co. KG, Ahrensburg
  Deputy Chairman of the Advisory Board
- Navis Schiffahrts- und Speditions-Aktiengesellschaft, Hamburg
  Chairman of the Supervisory Board
- Norddeutsche Affinerie AG, Hamburg
  Member of the Supervisory Board
- Peter Cremer Holding GmbH & Co., Hamburg
  Chairman of the Advisory Board
- VON ESSEN KG BANKGESELLSCHAFT, Essen
  Chairman of the Administrative Board

Gabriele Hanrieder, Finsing
Finance Manager Accounting, AVNET Logistics GmbH, Poing
Representative of the “Christian Trade Union for the Postal Service and Telecommunications”

Helmut Holzer, Bessenbach
Wholesale businessman
Representative of the “Christian Trade Union for the Postal Service and Telecommunications”

Dr. Hans-Peter Kohlhammer, Kulmbach
CEO & Director General, SITA SC, Cointrin-Geneva, Switzerland
Further mandates:
- Equant N. V., Amsterdam, the Netherlands
  Member of the Supervisory Board
- Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e. V., Munich
  Member of the Senate
- Fraunhofer Institut für Graphische Datenverarbeitung (IGD), Darmstadt
  Chairman of the Board of Trustees

Andreas Neumann, Hamburg
Head of Controlling and Investor Relations, freenet.de AG, Hamburg

Christian Teufel, Kronshagen
Head of IT Services Central Function, mobilcom Communicationstechnik GmbH, Schleswig

Klaus Thiemann, Düsseldorf
Self-employed management consultant
Further mandates
- BBDO Consult GmbH, Düsseldorf
  Member of the Advisory Board
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
  Member of the Advisory Board

Prof. Dr. Helmut Thoma, Cologne
Self-employed media consultant
Further mandates:
- Ad'LINK Internet Media AG, Montabaur
  Member of the Supervisory Board
- freenet.de AG, Hamburg
  Chairman of the Supervisory Board
- PrimaCom AG, Mainz
  Deputy Chairman of the Supervisory Board
- Q1 Deutschland AG, Düsseldorf
  Member of the Supervisory Board
- typhoon AG, Cologne
  Chairman of the Supervisory Board
- VEMAG Verlags- und Medien AG, Cologne
  Member of the Supervisory Board

2.2.10 Strategy

Group strategy

mobilcom has two segments, namely the Mobile Telephony Service Provider segment and the Fixed Network/Internet segment. As a mobile telephony service provider, mobilcom markets mobile telephony services in Germany under its own name and for its own account. mobilcom operates in the Fixed Network/Internet segment with its subsidiary freenet.de AG, and owns a 50.4 per cent stake in freenet. mobilcom and freenet concentrate on the private customer market, and also concentrate selectively on self-employed persons as well as small and midsize enterprises. The mobilcom group enjoys a broad financial base, which enables it to invest in attractive growth opportunities on the telecommunications market.

mobilcom AG aims to achieve a merger with its subsidiary freenet.de AG, Hamburg. An appropriate resolution was adopted by the Executive Board on 4 March 2005 with the approval of the Supervisory Board. The aim is for both companies to be merged to form a new company. It is not necessary for freenet shares to be purchased or for a prior cash offer to be made to the freenet shareholders. After the reintegration of freenet, forces can be combined and the joint resources can be used more quickly and with the emphasis being placed on earnings in order to develop the most attractive growth potential. More efficient use of resources will considerably boost additional earnings potential. The utilisation of existing loss carry-forwards, which could be offset against future earnings, would also benefit the existing freenet shareholders in the form of a higher distribution potential. The operations and strategy of the new company are expected to assume a new dimension as a result of the liquidity and future cash flows which can be used jointly, and its competitive position would accordingly be strengthened. Apart from Deutsche Telekom, the new company would be the only national player offering the entire range of products and services on the German telecommunications market. This is in particular a considerable strengthening of the company's starting position in the event of a possible consolidation process.

Both companies have commenced constructive discussions with regard to the planned merger and have set up working parties. In addition, both companies have each appointed an auditor to establish an exchange ratio for both shares. These exchange ratios will also be checked by a court-appointed merger auditor. A range for the exchange ratios will probably be published at the end of May, and the final results are expected to be available in June. Appropriate resolutions are expected to be submitted for approval to the shareholders' meetings of both companies in August 2005. mobilcom aims to ensure that the merger will become effective in 2005.

Strategy of the Mobile Telephony Service Provider segment

The Mobile Telephony Service Provider segment follows a growth strategy based on earnings. Long-term and constant earnings growth enjoys priority over short-term profit maximisation and pure volume growth. Specific measures designed to retain existing customers and attract new customers as well as further expansion of sales which focuses consistently on quality are major factors for successful expansion of mobile telephony business. Customer retention is increasingly becoming a major factor of success in view of the fiercely competitive nature of the mobile telephony market and also the extent to which customers are prepared to change provider. mobilcom is therefore implementing concepts which ensure that existing customers are retained by the company in the long term. These concepts are based on a comprehensive perception of the customer (“customer life cycle management”). In addition, mobilcom continues to strengthen customer service and differentiate itself from the competition with innovative tariffs and services, such as the “13-Cents Tariff”, the “Always-One-Price Tariff” as well as “m-limit” or the navigation system for the mobile phone.

mobilcom in this respect is taking advantage of the situation created by the new Telecommunications Act: service and infrastructure competition have been recognised to be equally important. The business model of the mobile telephony service provider has accordingly been significantly strengthened. Mobile telephony service providers can benefit from this acceptance of service competition by developing simple and easy-to-use products. A suitably qualified and specialist retailer network is required to sell attractive products which however require explanation, such as the UMTS data card, to customers. mobilcom is accordingly consistently expanding its network of shops and specialist retailers. The aim in this respect is to sign up partners in order to cooperate with mobilcom. However, the investments are worthwhile, because shops and specialist retailers attract customers who are more profitable than the average. The mobilcom flagship stores which have opened in Berlin, Düsseldorf, Cologne and Stuttgart and which present a particularly comprehensive range of products are exemplary. A constant improvement in productivity within the company is part of the earnings-oriented growth strategy apart from the strategy of expanding the quality and quantity of the customer base. The aim is to further optimise the internal organisation structure, reduce costs and further expand risk management. In this way, the company is able to concentrate to an even greater extent on the corresponding growth opportunities in the individual segments.

Fixed Network/Internet segment strategy

freenet.de AG is one of the leading Internet and telecommunications companies, and is in an excellent position to take advantage of the expected merger between data and voice communication via IP-based networks. IP technology not only provides broadband access to the Internet; it also provides a facility for routing calls via the Internet. This will result in additional sales potential apart from the intended growth in the Fixed Network/Internet segment and the broadband Internet access (DSL) segment. Moreover, the cost advantages attributable to the company’s own expanded network infrastructure mean that freenet.de enjoys a good competitive position in an environment which is characterised by particularly aggressive pricing. In this respect, the strategic value of DSL new business is extremely important:

freenet.de AG is investing in future earnings growth in this respect. Where organic growth is not possible or is too expensive, freenet utilises the disposable funds in order to develop future growth potential via acquisitions. With the acquisition of the Strato group, Berlin, freenet has now become the second largest player in the web-hosting services market, with a market share of around 25 per cent. In this way, and also as a result of the acquisition of Talkline ID, Bonn, which occupies a leading position in the field of fixed network added-value services, freenet.de is consistently pursuing the aim of providing a complete range of fixed network and Internet products and services, and is also strengthening its presence among business customers.

2.2.11 Outlook

The Executive Board is forecasting EBITDA of between €185 and €200 million for the mobilcom group in 2005 (EBITDA 2004[1]: €163.2 million).

In view of the earnings generated in the first quarter, mobilcom is confirming its forecast of strong earnings growth in 2005 for the mobilcom telephony service provider, namely growth of 50 per cent to EBITDA of €60 million (2004[1]: €40.1 million). EBIT is expected to more than triple to €32 million (2004[1]: €8.7 million). Because of the recognisable success of the customer retention projects and the expansion of the distribution network, mobilcom has also confirmed its growth objective of 4.8 million customers by the end of financial year 2005, despite its selective policy of signing up new customers. The medium-term target of an EBITDA margin of 6 per cent was attained in the first quarter of 2005. For Fixed Network/Internet activities, mobilcom expects to see a stable contribution to earnings in financial year 2005 (EBITDA 2004[1]: €126.0 million; EBIT 2004: €85.0 million).

1 Consolidated results adjusted retroactively in accordance with IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

2.3 Supplementary report

The ordinary shareholders' meeting of mobilcom AG elected the Supervisory Board in Berlin on 22 April 2005, thereby following the proposals of the Supervisory Board in office. The shareholders' meeting also approved the dividend proposed by the Administrative Board, and authorised the Executive Board to buy back shares in the company. In addition, a majority of shareholders present at the shareholders' meeting agreed that the claims for damages against France Télécom assumed by applicants should be enforced so long as they do not result in any risk to the continuing existence of the company as a going concern. Prof. Dr. Wilhelm Haarmann, Frankfurt a. M., who has been appointed as the "special representative", will now have to take account of this aspect in particular. The Schutzgemeinschaft der Kapitalanleger which submitted the proposal as well as other shareholders emphasised in their speeches that the proposals are not directed against the Executive Board and Supervisory Board. On the contrary, the restructuring performance as well as operational management deserved respect. France Télécom did not have any voting rights with regard to this resolution. On the other hand, the appointment of a special auditor was rejected, as was the case last year. The Executive Board and Supervisory Board of mobilcom consider that the legal action against France Télécom still does not have any prospects of success. This assessment is also confirmed by a further legal report prepared by Prof. Dr. Knut Werner Lange (Professor at Witten-Herdecke University) on behalf of mobilcom. This report is available in full and also in the form of German and English summaries on the website of mobilcom.

Dividend boosted by 25 per cent – paid tax-free

With an overwhelming majority, the shareholders' meeting has approved the proposal of the Executive Board and Supervisory Board for a dividend of €0.25 per share to be paid for 2004. An increase of 25 per cent compared with last year has accordingly been adopted. The distribution rate is 34 per cent. In 2003, mobilcom paid a bonus dividend of €0.20 in addition to the normal dividend of €0.20. Indeed, the dividend is tax-free for retail shareholders with unlimited liability to income tax who do not have a major stake in mobilcom AG and who hold their shares in their private assets. This is because mobilcom is paying the dividend out of additional paid-in capital (tax deposit account; formerly: "EK04") in order to enable its shareholders to enjoy this tax benefit. The dividend was paid on 25 April 2005.

mobilcom authorised to buy back shares

The shareholders' meeting authorised the company by a large majority to buy back up to 10 per cent of the company's share capital before 30 September 2006.

Supervisory Board confirmed in office

By a large majority, the shareholders' meeting elected Dr.-Ing. Horst Dietz, Berlin, Ulf Gänger, Hamburg, Dr. Hans-Peter Kohlhammer, Kulmbach, Klaus Thiemann, Düsseldorf, Prof. Dr. Helmut Thoma, Cologne, and Prof. Dr.-Ing. Dieter H. Vogel, Düsseldorf as members of the Supervisory Board. Their period of office is due to expire in 2010. Dr. Thomas Ingelmann, Hamburg, and Klaus Kleinfeld, Berlin, have been elected as deputy members.

Strong financial investor has acquired a stake in mobilcom

On 15 April 2005, the financial investor Hermes Focus Asset Management notified the company that it had exceeded the notifiable limit of 5 per cent of the company's capital with voting rights, and that it now held 5.1 per cent of the share capital of mobilcom.

France Télécom sold 27.3 per cent to Texas Pacific Group

Private equity fund Texas Pacific Group ("TPG") and TPG-Axon, a global investment firm, have agreed to acquire shareholdings of 18.2 per cent and 9.1 per cent respectively in mobilcom AG from France Télécom as announced by France Télécom and TPG to the mobilcom management on 2 May 2005.

3. Management report: risk report

3.1 Risks

Normal risk profiles

There have again not been any major changes to the risk situation at the beginning of 2005. The main risks facing mobilcom are still those which are normal for an established core business, such as the development of the customer base and monitoring of creditworthiness. Further risks are inherent in the need for highly specialised personnel in selected positions, the efficiency of technical infrastructure and general market risks, such as the structure of competition. The Executive Board does not consider that there are any risk developments which exceed the risks of a normal business.

The total risk situation of mobilcom is the result of the completed economic activity and the economic measures which have been initiated or which are planned. The Executive Board has not identified any indications which might pose a risk to the continued existence of the company as a going concern. With €638.9 million (end of 2004: €585.5 million), the group has an equity ratio of 65.6 per cent (end of 2004: 67.1 per cent). This is an extremely reassuring figure. The liquidity situation of the company is still excellent (€338.2 million; end of 2004: €367.1 million), which means that mobilcom is able to respond quickly to changes on the market, and can also absorb unforeseen risks. Gearing of 52.5 per cent (end of 2004: 49 per cent) is lower than the average for the sector. Cash flow from current activities is again very positive, namely €55.4 million compared with €99.9 million as of 31 March 2004. Net financial assets are stated as €336.0 million (end of 2004: €365.1 million) and underline the strong market position enjoyed by mobilcom.

Development of the customer base

mobilcom has set itself ambitious targets with regard to the development in its customer base. New customer business as well as customer retention are major cost parameters in the service provider segment. If the costs of signing up new customers or retaining existing customers prove to be higher than originally anticipated, this can have a considerably negative impact on the earnings of mobilcom. Market developments are constantly observed and analysed by sales and the central functions, which means that adjustments, e.g. to distribution channels or the so-called sales channel mix, can be planned and carried out in plenty of time.

Bad debts with customers and sales partners

Particular attention must be devoted to the creditworthiness of customers and sales partners in the mass business of a service provider. It is inevitable that a certain percentage of receivables will have to be written down. For the purpose of effective management, mobilcom operates a comprehensive system of creditworthiness checks, credit limits and debt collection processes so that such risks can be recognised and diminished in plenty of time. Such charges are already included in earnings forecasts for 2005.

Need for highly specialised personnel

mobilcom requires highly specialised personnel in many areas. This is applicable for technical as well as for commercial applications. Fluctuation may result in shortages in certain areas. mobilcom estimates that a medium level of risk is attached to the probability of such problems. Compliance with principles of staff management and staff development is only one instrument which can be used for boosting motivation and staff loyalty.

Efficiency of technical infrastructure

Technical progress and constant changes to the requirements applicable for technical infrastructure are reasons enough for permanent renewal and further development. The focus is on ensuring business continuity and the security of customer and company data. For instance, if the billing system were to fail for a lengthy period of time, this would have a considerable impact on the earnings situation of mobilcom. We consider that the probability is not very high. Redundant systems and concepts of business continuity also assure the efficiency of the systems.

Changes in Internet access technologies

The increasing presence of DSL as an Internet access technology has resulted in recent months in a decline in the market for narrowband Internet access. It is therefore extremely important that the group continues to increase its share of the DSL market. If it is not able to do so, the long-term earnings prospects of the group would probably be affected. However, depending on the development of the market, even if implementation of the DSL strategy continues to be successful, it has to be expected that the increase in sales and earnings in the DSL market will temporarily not be able to compensate for the downturn in narrowband business; this would have a temporarily negative impact on the company's earnings position.

Market and regulation

At present, all network operators in Germany are required to sign service provider contracts with service providers. This is applicable for the GSM network which is predominant at present and also for the UMTS technology. If this situation changes, e.g. as a result of EU requirements, this might have a negative impact on the company's financial position. The Executive Board at present has not identified any indications of imminent changes about to take place in the regulatory environment.

Tax risks

The mobilcom companies have been subjected to tax audits for the years up to and including 1999. Taxes have been assessed for the years up to 2002; the tax returns have been submitted for 2003. Additional tax payments may be necessary if the fiscal authorities arrive at different interpretations of tax regulations.

Additional tax costs may be incurred for the unaudited periods if the fiscal authorities arrive at a different interpretation of the restructuring which is neutral in its impact on profits, and in particular the company law mergers due to take place as part of the combination of service provider activities. This is also applicable for the sale of fixed network activities to freenet.de AG. However, the company is assuming that all tax returns are consistent with the legal regulations.

Reclaims of commissions by network operators

mobilcom receives commissions from the network operators for providing names of potential customers. At present, mobilcom is in dispute with network operators regarding the question as to whether some of the commissions can be reclaimed if mobilcom sales channels have been abused by fraudulent third parties. If the legal opinion of some network operators proves to be correct, this could have a considerably negative impact on the company's earnings position. mobilcom is assuming that there is no justification for the claims of the network operators.

Residual risks from restructuring of the group

The restructuring of the group has involved tremendous changes. In relation to the winding up of UMTS activities and the restructuring of the service provider, the risk report sets out only a small number of residual risks; in the opinion of the Executive Board, these residual risks will not have any significant impact on the company's net worth, financial and earnings situation.

This includes litigation regarding alleged claims arising from the MC settlement agreement, the contesting of resolutions adopted by the shareholders' meeting and the Supervisory Board and remaining risks attributable to the winding up of the Comtech companies.

Decision of the EU Commission regarding the guarantee

The EU Commission classified the Federal and State guarantees for a loan of €112 million extended in December 2002 as "restructuring aid", and approved the loan. The EU Commission attached a covenant to this approval, and mobilcom is now taking legal action against this covenant. The effectiveness of the covenant has accordingly not yet been clarified.

Shareholders' meeting of mobilcom AG on 22 April 2005

An appraisal of the voting results and the resultant threat of litigation between mobilcom and France Télécom are set out in the supplementary report (chapter 2.3).

3.2 Risk management system

mobilcom has implemented a powerful risk management system as an integral component of corporate management. mobilcom takes the continuous development of the risk management system very seriously and assures such continuous development by the function of a risk manager who reports directly to the Executive Board.

Risk identification: at mobilcom, the local operational entities are responsible for taking decisions with regard to the methods of recording risk. For instance, the department and project discussions are routinely used for updating the relevant risk situation.

Risk measurement: the risk owners group the risks in risk classes. The expected damage is calculated specifically – where possible and meaningful. The probability of occurrence is mainly assessed on an individual basis.

Risk analysis and evaluation: the risk owner is responsible for risk observation, analysis and evaluation. However, all employees are required to carry out a risk analysis with regard to their own area of responsibility. The risk potential is measured by an assessment of probability of occurrence and expected damage. mobilcom makes a distinction between low, medium and high probabilities of occurrence and low, medium and high expected damages. The probability of occurrence is considered to be high if it is more than 75 per cent likely that an event will occur; a probability of occurrence is considered to be low if the likelihood of an event occurring is less than 25 per cent. Large damages are considered to be those which would result in a net impact on assets of more than €5 million; minor damages are deemed to be those with an impact of up to €0.5 million.

Risk monitoring: risk owners are responsible for coordinating and monitoring operational risks; major projects and processes are monitored by special risk-oriented controlling bodies – with the support of specialists. This arrangement ensures that risk recording and management is closely linked with the controlling process.

Risk handling: the Executive Board receives regular reports indicating the risk situation. The risk manager also regularly reports to the Supervisory Board, namely to the audit committee set up by the Supervisory Board. The Executive Board and other management regularly discuss risks and adopt resolutions with regard to management measures. These measures should either contribute towards minimising/avoiding risk, or they should ensure that the risks attributable to decisions which have been taken have indeed been deliberately taken on in order to enable financial opportunities to be utilised.

Organisation of risk management: the risk manager reports directly to the Executive Board. The risk owners are organised locally via the company's operational entities. They actively report new risks or changes in existing risk expectations. The risk manager collects the risk memoranda and is responsible for ensuring a standardised reporting system. He is also responsible for the internal audit system of mobilcom.

Nature and extent of documentation: the Executive Board has issued an appropriate guideline for defining aims, principles and organisation of the risk management system. This guideline also documents the duties, responsibilities and thresholds for classification in risk classes as well as requirements for ad hoc reports to the Executive Board. Every individual risk is recorded via so-called risk memoranda which are kept in a central database. This database is used for producing reports for the Executive Board. In addition, a separate risk inventory is maintained for the freenet sub-group. Evaluations for special questions can be carried out at any time.

4. Consolidated financial statements for the period ending 31 March 2005

4.1 Consolidated income statement from 1 January to 31 March 2005

In thousand €	Quarterly report I/2005 1.1.2005 – 31.3.2005	Quarterly report I/2004 1.1.2004 – 31.3.2004 (adjusted[1])
Revenues	450,591	467,726
Other operating income	16,623	20,431
Changes in inventories of finished goods and work in progress	0	–20
Production for own fixed assets capitalised	686	409
Cost of purchased materials and services	–326,321	–350,741
Personnel expenses	–31,281	–31,310
Depreciation and amortisation of property, plant and equipment and intangible assets	–13,067	–13,667
Depreciation and amortisation of goodwill	0	–2,955
Other operating expenses	–53,584	–60,713
Result from companies stated at equity	452	0
Interest and similar income	1,867	1,720
Interest and similar expenditure	–83	–330
Result before income taxes	**45,883**	**30,550**
Income taxes	–17,548	–13,567
Consolidated net income	**28,335**	**16,983**
mobilcom AG shareholders' interest in consolidated net income	19,841	13,757
Minority interest in consolidated net income	8,494	3,226

Earnings per share (undiluted) in €	0.45	0.26
Earnings per share (diluted) in €	0.45	0.26
Weighted average number of shares in circulation (undiluted) in thousand	62,907	65,702
Weighted average of number of shares in circulation (diluted) in thousand	62,910	65,703

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).

4.2 Consolidated balance sheet as of 31 March 2005

Assets in thousand €	31.3.2005	31.12.2004 (adjusted[1])	31.3.2004 (adjusted[1])
Long-term assets			
Intangible assets	119,941	47,257	47,981
Goodwill	109,728	32,605	41,007
Property, plant and equipment	68,954	61,818	84,344
Companies stated at equity	2,063	1,612	387
Other financial assets	305	304	320
Deferred tax assets	37,475	41,303	41,598
Trade accounts receivable	1,073	913	697
Other receivables and other assets	6,937	4,386	4,851
	346,476	190,198	221,185
Short-term assets			
Inventories	24,681	25,802	24,508
Current income tax claims	1,899	2,821	2,275
Trade accounts receivable	197,047	203,846	169,280
Other receivables and other assets	65,725	82,655	112,260
Liquid assets	338,244	367,062	356,102
	627,596	682,186	664,425
	974,072	872,384	885,610

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

Liabilities in thousand €	31.3.2005	31.12.2004 (adjusted[1])	31.3.2004 (adjusted[1])
Shareholders' equity			
Share capital	65,702	65,702	65,702
Additional paid-in capital	306,503	287,835	294,146
Treasury stock	–51,371	–27,441	0
Revenue reserve	36	36	36
Retained earnings	194,336	175,318	170,066
mobilcom AG shareholders' interest in shareholders' equity	**515,206**	**501,450**	**529,950**
Minority interests in shareholders' equity	123,674	84,092	64,480
	638,880	**585,542**	**594,430**
Long-term liabilities			
Trade accounts payable	19	26	3,489
Debt	866	0	1,322
Deferred income tax liabilities	37,674	9,611	15,192
Pension provisions	483	389	25
Other provisions	7,462	4,822	9,079
	46,504	**14,848**	**29,107**
Short-term liabilities			
Trade accounts payable	52,382	59,745	39,492
Other liabilities	176,820	163,457	179,404
Current income tax liabilities	38,030	23,836	7,105
Debt	938	1,563	6,636
Other provisions	20,518	23,393	29,436
	288,688	**271,994**	**262,073**
	974,072	**872,384**	**885,610**

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).

4.3 Consolidated statement of changes in shareholders' equity for the period ending 31 March 2005

In thousand € (adjusted[1])	Share capital	Treasury stock	Capital reserve	Revenue reserve	Cumulative profit	mobilcom AG shareholders' interest in shareholders' equity	Other shareholders' interest in shareholders' equity	Shareholders' equity
Balance as of 1.1.2005								
As reported	65,702	–27,441	287,320	36	180,894	506,511	86,743	593,254
Retroactive adjustment related to the implementation of IFRS 2	0	0	515	0	–5,576	–5,061	–2,651	–7,712
Balance adjusted	**65,702**	**–27,441**	**287,835**	**36**	**175,318**	**501,450**	**84,092**	**585,542**
Acquisition of own shares	0	–23,930	0	0	0	–23,930	0	–23,930
Result of share transfers in connection with acquisitions	0	0	18,496	0	0	18,496	30,266	48,762
Stock-based compensation	0	0	172	0	–823	–651	822	171
Consolidated result	0	0	0	0	19,841	19,841	8,494	28,335
Balance as of 31.3.2005	**65,702**	**–51,371**	**306,503**	**36**	**194,336**	**515,206**	**123,674**	**638,880**
Balance as of 1.1.2004								
As reported	65,702	0	294,146	36	160,435	520,319	62,713	583,032
Retroactive adjustment related to the implementation of IFRS 2	0	0	0	0	–4,126	–4,126	–1,829	–5,955
Balance adjusted	**65,702**	**0**	**294,146**	**36**	**156,309**	**516,193**	**60,884**	**577,077**
Change in minority interests	0	0	0	0	0	0	370	370
Consolidated result	0	0	0	0	13,757	13,757	3,226	16,983
Balance as of 31.3.2004	**65,702**	**0**	**294,146**	**36**	**170,066**	**529,950**	**64,480**	**594,430**

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Impact of new accounting standards", page 24).

4.4 Consolidated cash flow statement in accordance with IFRS from 1 January to 31 March 2005

In thousand €		1.1.–31.3.2005	1.1.–31.3.2004 (adjusted[1])
Result before income taxes		45,883	30,550
Adjustments			
+	Depreciation on fixed assets	13,067	16,622
–/+	Decrease/increase in provisions	–748	17,338
./.	Interest and similar income	–1,867	–1,720
+	Interest and similar expenses	83	330
./.	Other non-cash-effective components	–697	–5,732
–/+	Profits/losses from the disposal of fixed assets	–376	86
+	Decrease in inventories, receivables and other assets not classified as investing and financing activities	30,851	80,655
./.	Decrease in payables and other liabilities not classified as investing for financing activities	–30,572	–31,670
./.	Temporary differences from income taxes	–194	–6,605
=	**Cash flow from operating activities**	**55,430**	**99,854**
./.	Outflows for investments in property, plant and equipment	–3,737	–3,326
./.	Outflows for investments in intangible assets	–1,654	–1,628
+	Inflows from disposals of intangible assets and property, plant and equipment	748	46
./.	Investments in subsidiaries	–55,372	0
+	Interest income	1,381	1,279
=	**Cash flow from investing activities**	**–59,634**	**–3,629**
./.	Outflows for acquisition of own shares	–23,930	0
./.	Outflows for repayments of bonds and borrowings	–667	–2,124
./.	Interest payments	–17	–253
=	**Cash flow for financing activities**	**–24,614**	**–2,377**
∑	**Change in cash and cash equivalents**	**–28,818**	**93,848**
	Cash and cash equivalents as of 1 January	**367,062**	**262,254**
	Cash and cash equivalents as of 31 March	**338,244**	**356,102**

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

4.5 Segment report 1 January to 31 March 2005

In thousand €	Fixed Network/Internet	Mobile Telephony	Group
Third-party sales	141,680	308,911	450,591
Segment results	36,374	20,340	56,714
Results of companies stated at equity	452	0	452
Segment results EBITDA	**36,826**	**20,340**	**57,166**
Earnings/expenses not assigned			0
Consolidated EBITDA			**57,166**
Depreciation (excl. goodwill depreciation)	–9,357	–3,710	–13,067
Goodwill depreciation	0	0	0
Segment results EBIT	**27,469**	**16,630**	
Consolidated result EBIT			44,099
Financial result			1,784
Result before taxes on income			**45,883**
Taxes on income			–17,548
Consolidated result			**28,335**
mobilcom AG shareholder interest in consolidated result			19,841
Minority interest in consolidated result			8,494

Segment assets	457,199	475,132	932,331
Investments	304	0	304
Associated companies/joint ventures	2,063	0	2,063
Assets, not assigned			39,374
Consolidated assets			**974,072**
Segment liabilities	124,319	133,365	257,684
Liabilities, not assigned			77,508
Consolidated liabilities			**335,192**
Additions to fixed assets	3,116	2,275	5,391
Additions to fixed assets, acquisitions	164,990	0	164,990
Additions to fixed assets, not assigned			0
Additions to consolidated fixed assets			**170,381**

1 January to 31 March 2004

In thousand € (adjusted[1])	Fixed Network/Internet	Mobile Telephony	Group
Third-party sales	119,229	348,497	467,726
Segment results	30,553	15,229	45,782
Results of companies stated at equity	0	0	0
Segment results EBITDA	**30,553**	**15,229**	**45,782**
Earnings/expenses not assigned			0
Consolidated EBITDA			**45,782**
Depreciation excl. goodwill depreciation)	–8,186	–5,481	–13,667
Goodwill depreciation	–1,886	–1,069	–2,955
Segment results EBIT	**20,481**	**8,679**	
Consolidated result EBIT			29,160
Financial result			1,390
Result before taxes on income			**30,550**
Taxes on income			–13,567
Consolidated result			**16,983**
mobilcom AG shareholder interest in consolidated result			13,757
Minority interest in consolidated result			3,226

Segment assets	338,423	502,927	841,350
Investments	319	0	319
Associated companies/joint ventures	387	0	387
Assets, not assigned			43,554
Consolidated assets			**885,610**
Segment liabilities	92,437	168,590	261,027
Liabilities, not assigned			30,153
Consolidated liabilities			**291,180**
Additions to fixed assets	3,467	1,487	4,954
Additions to fixed assets, acquisitions	0	0	0
Additions to fixed assets, acquisitions			0
Additions to consolidated fixed assets			**4,954**

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Impact of new accounting standards”, page 24).

4.6 Additional information

Order situation	See Management report, page 11
Development of costs and prices	See Management report, page 11
Research and development activities	See Management report, page 11
Investments	See Management report, page 11

Explanatory notes concerning shares held by the company and subscription rights of officers and employees according to §160 para. 1 nos. 2 and 5 of the German Stock Corporation Act

Employees share ownership programmes

Convertible securities	Interest	Duration	Additional payment per share in €	Maximum possible number of shares from conversions 31.3.2005	31.12.2004
Tranche V	4.00 %	15.5.2005	122.25	20,600	20,600
Tranche VI	4.00 %	15.5.2005	16.70	231,920	232,420
				252,520	253,020

Share options		Duration	Additional payment per share in €	Maximum possible number of shares from conversions 31.3.2005	31.12.2004
Tranche 2001		11.11.2008	24.40	61,400	61,400
Tranche 2004		30.3.2011	20.51	433,808	441,640
				495,208	503,040

Revenue breakdown	See Segment report, page 48/49
Number of employees	As of 30.9.2004: 2,970 employees
Personnel changes on the Executive Board and Supervisory Board	Executive Board: no changes Supervisory Board: no changes
Events of particular significance which could affect business operations	See Supplementary report, page 36
Interim dividend	N.a.
Dividend paid	€0.25 dividend per share

4.7 Supplementary notes in accordance with IAS 34

1. The accounting and valuation methods as well as the calculation methods applied in the financial statements for the period ending 31 December 2004 have been retained unchanged for the financial statements for the period ending 31 March 2005, with the exception of the changes specified in chapter 2.2.4 "Impact of new accounting standards".
2. During the first three months of 2005, there were no unusual developments in the relations with associated persons and companies.
3. On 25 January 2005, freenet.de AG, Hamburg, purchased all shares of the Strato group. The consideration paid for acquiring the shares was provided in the form of cash of €80.0 million, the transfer of 750,167 own shares as well as the transfer of 2,349,833 new no-par value shares of freenet.de AG. In addition, it was also agreed that freenet.de AG would provide a commitment to purchase technical equipment and services worth €10 million by 31 December 2007. The Strato group was initially consolidated in the consolidated financial statements of the company as of 31 January 2005. freenet.de AG incurred total cash expenses of €0.48 million for further company acquisitions in the first quarter of the financial year, which however were of minor significance for the net worth, financial and earnings situation of the group.
4. On 24 April 2005, a dividend of €0.25 per share was paid to our shareholders in accordance with a resolution of the shareholders' meeting on 22 April 2005.
5. The interim financial report of the mobilcom group complies with International Financial Reporting Standards (IAS 34).

5. Additional information

5.1 Contacts

mobilcom AG
Corporate Communications
Hollerstrasse 126
24782 Büdelsdorf

Tobias M. Weitzel

Tel:	04331 693 058
Fax:	04331 692 888
E-mail:	pr@mobilcom.de
Internet:	www.mobilcom.de

Investor Relations
Patrick Möller

Tel:	04331 691 173
Fax:	04331 434 4030
E-mail:	ir@mobilcom.de

5.2 Publications

The interim report can also be viewed on the Internet at:
www.mobilcom.de, heading: Investor Relations

The interim report is also available in English. In the case of any doubt, the German version shall prevail.

Current information concerning mobilcom AG and the shares are available for you on our website. You can also register for our e-mail subscription service under the heading “Investor Relations”.

5.3 Financial calendar

9 May 2005
Publication of the interim report for Q1 2005

8 August 2005
Publication of the interim report for Q2 2005

8 November 2005
Publication of the interim report for Q3 2005

mobilcom AG
Hollerstrasse 126
24782 Büdelsdorf

mobilcom

6100931