Interim report on the 1st half 2005

mobilcom

mobilcom AG – Group Overview

Result	1st half 2005	1st half 2004 (adjusted[1])	Q2 2005	Q2 2004 (adjusted[1])	Q1 2005	Q1 2004 (adjusted[1])
Third-party sales in € million	960.2	934.3	509.6	466.6	450.6	467.7
EBITDA in € million	108.9	88.2	51.7	42.4	57.2	45.8
EBIT in € million	80.7	54.9	36.6	25.8	44.1	29.2
EBT in € million	84.4	58.1	38.5	27.5	45.9	30.6
Consolidated result in € million	53.6	32.7	25.3	15.7	28.3	17.0
Earnings per share in €[2]	0.62	0.36	0.30	0.15	0.32	0.21
As a percentage of sales						
EBITDA	11.3	9.4	10.1	9.1	12.7	9.8
EBIT	8.4	5.9	7.2	5.5	9.8	6.2
EBT	8.8	6.2	7.6	5.9	10.2	6.5
Consolidated result	5.6	3.5	5.0	3.4	6.3	3.6
Balance sheet						
Balance sheet total in € million	1,040.9	875.6	1,040.9	875.6	974.1	885.6
Shareholders' equity in € million	648.7	584.1	648.7	584.1	638.9	594.4
Equity ratio in per cent	62.3	66.7	62.3	66.7	65.6	67.1
Return on equity in per cent	8.7	5.9	3.9	2.7	4.6	3.0
Return on capital employment in per cent	8.8	6.7	3.8	3.1	5.0	3.5
Finanzen und Investitionen						
Cash flow from operating activities in € million	118.6	154.7	63.2	54.9	55.4	99.9
Liquid funds on balance sheet date in € million	371.2	378.4	371.2	378.4	338.2	356.1
Depreciation and amortisation (excl. goodwill) in € million	28.2	27.4	15.2	13.7	13.1	13.7
Investments in € million	78.1	10.4	16.4	5.5	61.8	5.0
Net financial assets in € million	369.1	372.5	369.1	372.5	336.0	348.1
Customers						
Mobile telephony customers in million	4.55	4.21	4.55	4.21	4.51	4.16
Active Internet access customers in million	3.7	3.7	3.7	3.7	3.9	3.8
Monthly average revenue per user in €	18.4	20.8	18.8	20.8	18.0	20.7
of which per contract customer in €	28.5	30.8	29.1	31.5	27.9	30.1
of which per prepaid customer in €	6.1	7.2	6.1	7.4	6.1	7.0
EBITDA per mobile telephony customer in €	8.9	7.2	4.4	3.6	4.5	3.7
EBIT per mobile telephony customer in €	7.3	4.1	3.7	2.1	3.7	2.1
Employees						
At end of quarter	3,519	2,916	3,519	2,916	3,429	2,790

1 Adjusted in accordance with IAS 1 und IFRS 2 (for further explanations, see "Effects of new accounting standards", page 24).
2 Earnings per share are calculated by dividing the net profits/loss attributable to the shareholders 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 taken a major step forward in the first half of 2005: With the agreement regarding the merger of mobilcom with our subsidiary freenet.de AG which we initiated, your company is about to expand into a new dimension. This is an excellent starting point from which to benefit from the expected consolidation of the mobile, fixed network and internet market. The new company will mean that the vision of a telecommunications solution from a single source can become reality: The customer selects one telecommunications partner, who optimises quality and costs for him, for all applications which the customer desires – a mobile telephone with network capability is an initial step in this respect. Customers are interested in solutions. And the new company will be able to provide all of the solutions from a single source – one contact, one invoice and a high degree of transparency. This will boost customer loyalty and will create added-value – for the customer and also for you as shareholders. Our aim is now to fully utilise this competitive advantage. The strategic resource of liquidity, with which the new company will be able to actively shape the consolidation process in the market, is in place. The new company will accordingly be able to cope with any infrastructure investments and also take-overs of attractive competitors from its own resources. This is because, unlike the situation with a cash settlement offer, no cash will be paid to freenet shareholders, nor has any take-over premium been granted. We have calculated a ratio with the assistance of auditors, we have established a ratio, the adequacy of which has been confirmed by an independent court-appointed merger auditor: 1.15 shares of the new company are to be granted for each freenet.de share. One mobilcom share entitles the owner to receive one share of the new company. This ratio is at the lower end of the range of 1.14 to 1.19 new shares for one freenet share, which we agreed at the beginning of July.

Your company's operations have established an excellent position in both divisions:

- With an EBITDA of € 108.9 million, we have considerably exceeded the previous year figure of € 88.2 million.
- EBIT has expanded by 47.0 percent to € 80.7 million.
- Consolidated net income has increased by 63.9 percent to € 53.6 million.
- In the second quarter, your company has expanded its customer base in both divisions.

The strongest earnings momentum has been generated by the Mobile Telephony Service Provider:

- With EBITDA of € 40.5 million in H1 2005, mobilcom has exceeded last year's figure by 34.1 percent. This means that the company has already attained more than two thirds of the original figure budgeted for the whole of 2005 (€ 60 million).
- Our medium-term aim of an EBITDA margin of 6.0 percent has been met in the first half.
- Compared with the first half of last year, EBIT has increased by 92.5 percent to € 33.3 million. This means that the company has already exceeded its figure budgeted for the whole of 2005, namely € 32 million (2004: € 9 million).
- The Mobile Telephony Service Provider has contributed 45.6 percent to consolidated EBIT in the second quarter – compared with 33.7 percent in the same previous year quarter.
- The number of mobile telephony customers, namely 4.55 million, is 0.34 million higher than the corresponding figure at the end of Q2 2004.
- For the Mobile Telephony Service Provider segment, we have raised our EBITDA forecast for 2005 to € 66 million (2004: € 40.1 million) and are also predicting further growth to 4.8 million customers.
- EBIT is expected to come in at € 40 million in 2005, a five-fold increase compared with last year (€ 8.7 million).

Our focus on the quality of sales is increasingly becoming a vital factor of success: We have made considerable gains in the first half of 2005 in this respect, and have expanded the number of mobilcom shops from 219 to 251. Our original plan was to have met this target by the end of the financial year. At the same time, we are also expanding our network of specialist retail partners. The main advantage of both sales channels is that they enable us to sign up particularly valuable and loyal customers. The new company will benefit considerably from this aspect, because freenet has so far not had a comparable distribution facility. However, we are now already offering freenet products in numerous shops, and the range of products of these shops will thus become more attractive. This direct access to customers as well as the potential for cross-selling into the base of 4.55 million customers of the

Mobile Telephony Service Provider will become more important, particularly in the field of DSL business – especially in an environment which will continue to be characterised by aggressive pricing. On the other hand, the Mobile Telephony Service Provider will without doubt benefit from the wide ranging experience of freenet in online sales and also from improved access to freenet customers. The challenges facing our company are the declining number of customers in the narrowband field and also the slower growth momentum in new-customer business at freenet, as well as the environment in the mobile telephony market which will be characterised by increasingly aggressive pricing as a result of new competitors. We have so far defended our position very well. At the same time, the merger will enable us to continue to exist in a more competitive climate – not only by way of price differentiation but also by way of product differentiation and sales which are tailored to meet the needs of specific customer segments. We are convinced that the new company will take advantage of the combined forces.

I myself, Thorsten Grenz, will leave the company at the end of August. After the shareholders' meeting, which is due to be held on 23/24 August, and at which I shall request your approval for the merger, have reached a milestone which is very important for me. With effect from 1 September 2005, Eckhard Spoerr will assume the office of Chairman of the Managing Board of mobilcom at the same time as exercising his function as Chairman of the Managing Board of freenet.de. After the merger has been properly recorded, it is envisaged that the Chairman of the Managing Board of the overall company will be Eckhard Spoerr, for whose management skills I have great respect.

I should like to thank you for your confidence and request that you also show the same confidence to my successor.

Yours

Dr. Thorsten Grenz
Chief Executive Officer

Yours

Michael Grodd
Executive for Sales and Marketing

1.2 Investor Relations report

Data of mobilcom shares

ISIN WKN	DE6622400 662240		
Designated sponsor	DZ BANK AG, Frankfurt a. M.		
Codes			
	Reuters	Stock exchange Frankfurt a. M.	MOBG.F
		XETRA trading	MOBG.DE
	Bloomberg		MOB

Figures for mobilcom shares

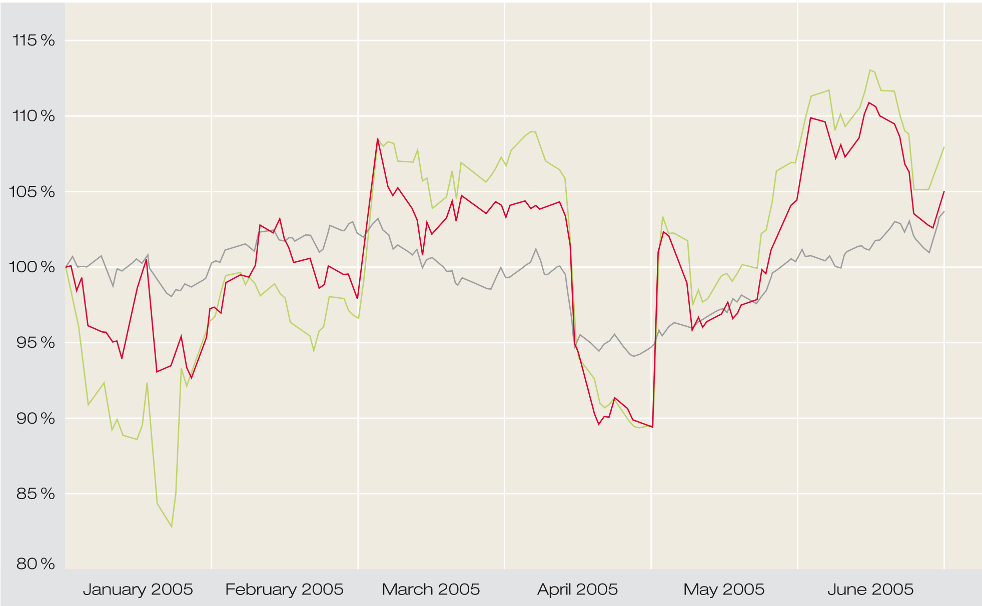
Period	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Outstanding shares	62,416,710	62,416,710	63,865,424	65,701,800	65,701,800
Admitted shares	62,416,710	65,701,800	65,701,800	47,101,800	47,101,800
Share capital	65,701,800	65,701,800	65,701,800	65,701,800	65,701,800
Market value at end of quarter in € thousand	1,120	1,113	1,066	766	1,097
Average turnover of shares per trading day	419,823	414,891	383,953	514,823	368,662
Order book turnover XETRA in €	472,592,154	439,412,570	344,175,899	398,226,545	377,418,547
Earnings per share in € [1]	0.30	0.32	0.12	0.21	0.15
Year's high in €	18.90	18.55	16.85	16.67	17.58
Year's low in €	15.30	15.82	12.02	8.90	14.22
Price on reference date in €	17.95	17.84	16.70	11.67	16.70

1 Earnings per share are calculated by dividing the result attributable to the shareholders of mobilcom AG by the weighted average number of shares in circulation during the period.

The first half of 2005

All major indices advanced strongly in the first half. The TecDax improved by 5.5 percent to 548.84 points, and the Dax put on 7.8 percent to 4,586.28 points. The shares of mobilcom and freenet also achieved a positive performance, after mobilcom announced at the beginning of March that it intended to merge both companies. Whereas mobilcom shares advanced by 7.5 percent in the first half of 2005, the shares of freenet.de AG rose by almost 10.0 percent. The market value of mobilcom as of 30 June 2005 was €1.12 billion.

Share price performance between 1 January and 30 June 2005



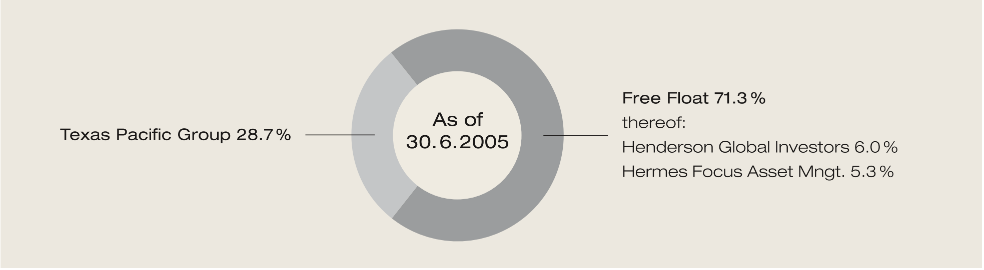
■ TecDAX ■ mobilcom ■ freenet

TecDAX performance index	mobilcom AG	freenet.de AG
High: 548.80 points	High: €18.90	High: €21.80
Low: 498.70 points	Low: €15.30	Low: €16.00

Investor relations activities in the first half of 2005

In addition to numerous discussions with investors and conference calls in the first quarter of 2005, we announced our intention to merger with freenet.de AG and adapted our information policy which is normally open, proactive and very comprehensive to meet the needs of the current situation and the agreed non-disclosure agreement between mobilcom and freenet. We have communicated extremely cautiously with our investors in order to avoid any information that might be capable of being misinterpreted.

Shareholder structure



2. Management report: financial report

2.1 Market

World-wide growth forecast has been upgraded

For 2005, the market research institute Gartner in July 2005 again considerably upgraded its growth forecast for the world market, and is now predicting growth of 15.6 percent to 779 million mobile telephones sold. In Q1, Gartner had been predicting growth of 8.0 percent. A total of 674 million mobile telephones were delivered in 2004, 29.6 percent more than the corresponding figure for 2003. According to Gartner, market growth last year was due mainly to the strong sales figures in the emerging markets such as China, Brazil and India and also unexpectedly strong replacement sales in the industrialised countries.

Number of customers in Germany up by 8.5 percent

The German mobile telephony market also experienced strong growth in 2004: The annual report of the Bundesnetzagentur indicates that the number of customers increased by 10.0 percent to 71.3 million in 2004, and that the volume of connection minutes increased by 9.0 percent to 37.2 billion. The number of text messages sent from mobile networks (SMS) increased by a further 4.0 percent to 20.6 billion. The number of messages sent via the multi-media messaging service (MMS) has tripled to 91 million. In Q2 2005, the number of customers in the overall market increased by 8.5 percent compared with the equivalent previous year quarter to 74.0 million (Q2 2004: 68.2 million). Net growth in Germany in Q2 2005 alone was 1.5 million – and was thus 0.3 million higher than was the case in Q1 2005. The number of gross new customers amounted to approx. 4.6 million. This figure is due 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 6.0 percent (2004: 10.0 percent). The first half, which is already showing a gain of 3.8 percent as of 30 June 2005, shows that this assessment is relatively conservative – particularly as experience has shown that most growth is achieved in the second half. Growth of 6.0 percent, would achieve a penetration rate of around 91.0 percent (2004: 87.0 percent). The mobile telephony market was also becoming more competitive in the second quarter as a result of new players entering the telecommunications market; this will continue to be the case in future. The increasing presence of so-called low-cost providers will probably mean that the overall situation will become even more competitive. 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. Quality-based sales focusing on expansion of the company's own chain of shops is a further major factor of success for mobilcom. An additional factor is a constantly expanding network of specialist retail partners, which also enables valuable new customers to be signed up.

mobilcom market share stable at 6.8 percent

With 4.55 million customers (31 March 2005: 4.51 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 (2.71 million customers as of 31 March 2005). In Q2 2005, mobilcom's share of the market for new customers was 6.4 percent, compared with 10.1 percent in the same previous year period. mobilcom's share among new contract customers was 6.5 percent in Q2 (Q2 2004: 7.5 percent). Because customer retention has been much higher than was the case last year, the company's share of the contract customer market remained stable at 6.8 percent compared with Q2 2004. mobilcom is thus in a position to expand its share of the new customer market at little expense. It will benefit mainly from this aspect in the second half of the year which has traditionally enjoyed strong growth. mobilcom has also experienced a positive trend in the prepaid segment. In Q2 2005, the company's share of new prepaid customers amounted to 6.3 percent compared with 4.8 percent in Q1 2005. If this trend continues to be stable, mobilcom's share of the prepaid market, which is currently running at 5.5 percent (Q2 2004: 5.7 percent), will rise again in the near future.

2.2 Company situation and development of business

2.2.1 Operational development: group

Result	1st half 2005	1st half 2004 (adjusted[1])	Q2 2005	Q2 2004 (adjusted[1])	Q1 2005	Q1 2004 (adjusted[1])
Third-party sales in € million	960.2	934.3	509.6	466.6	450.6	467.7
EBITDA in € million	108.9	88.2	51.7	42.4	57.2	45.8
EBIT in € million	80.7	54.9	36.6	25.8	44.1	29.2
EBT in € million	84.4	58.1	38.5	27.5	45.9	30.6
Consolidated result in € million	53.6	32.7	25.3	15.7	28.3	17.0
Earnings per share in €[2]	0.62	0.36	0.30	0.15	0.32	0.21
As a percentage of sales						
EBITDA	11.3	9.4	10.1	9.1	12.7	9.8
EBIT	8.4	5.9	7.2	5.5	9.8	6.2
EBT	8.8	6.2	7.6	5.9	10.2	6.5
Consolidated result	5.6	3.5	5.0	3.4	6.3	3.6

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 24).
2 Earnings per share are calculated by dividing the result attributable to the shareholders of mobilcom AG by the weighted average number of shares in circulation during the period.

On the back of slightly higher revenues of € 960.2 million (H1 2004: € 934.3 million), the mobilcom group has seen its profitability expand to a much greater extent: With EBITDA of € 108.9 million, the telecommunications group increased its performance by 23.5 percent compared with the corresponding previous year figure of 88.2 million. The EBITDA margin accordingly increased from 9.4 percent to 11.3 percent. EBIT improved by 47.0 percent to € 80.7 million (H1 2004: € 54.9 million). The EBIT margin improved from 5.9 percent to 8.4 percent. Consolidated result increased by 63.9 percent to € 53.6 million (H1 2004: € 32.7 million).

Half-year comparison: Higher gross profit margin

The gross profit margin in H1 2005 was higher than the corresponding previous year figure, namely 26.1 percent compared with 24.0 percent. The materials ratio declined from 76.0 percent to 73.9 percent. The group accordingly more than compensated for the increase in other operating expenses and personnel expenses. Other operating expenses of 12.5 percent were higher than the corresponding previous year figure of 11.9 percent. The personnel expense ratio increased in the period under review to 6.7 percent compared with 6.1 percent in H1 2004. This is mainly due to recruitment in the Fixed Network/Internet segment following the acquisition of the STRATO group and Talkline ID GmbH (after change of name: Next ID GmbH); as of 30 June 2005, this segment employed 1,963 persons, namely 669 more than was the case one year ago. In the Mobile Telephony Service Provider segment, the number of employees as of the reference date declined by 24 to 1,556.

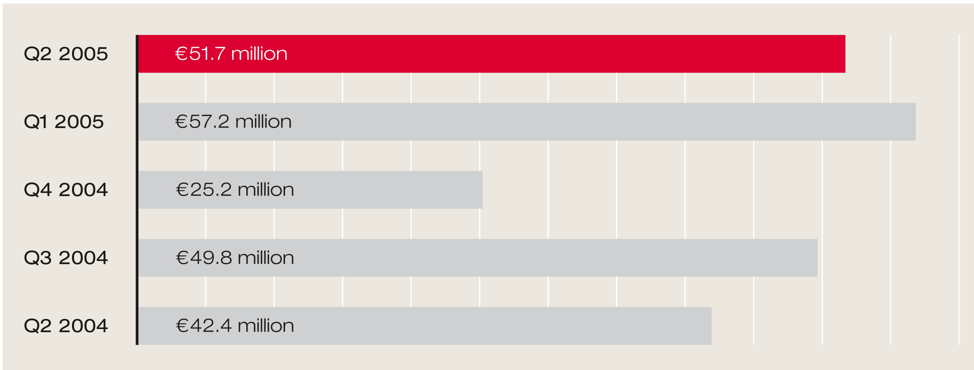
Quarterly comparison: Strong earnings momentum at the Mobile Telephony Service Provider

The mobilcom group also continued its positive development in earnings in 2005 on a quarterly basis. Revenues were up by 9.2 percent to € 509.6 million (Q2 2004: € 466.6 million), and EBITDA increased by 21.9 percent from € 42.4 million in Q2 2004 to € 51.7 million. EBIT improved by 41.9 percent, namely to € 36.6 million in Q2 2005 (Q2 2004: € 25.8 million). The Mobile Telephony Service Provider, which had become considerably more important in terms of consolidated result, reported the strongest growth in earnings: Whereas this segment which generates most revenues within the group accounted for 35.4 percent of consolidated EBITDA last year, the corresponding figure in Q2 2005 was 39.0 percent. The corresponding figure in relation to consolidated EBIT was 45.6 percent, up from 33.6 percent.

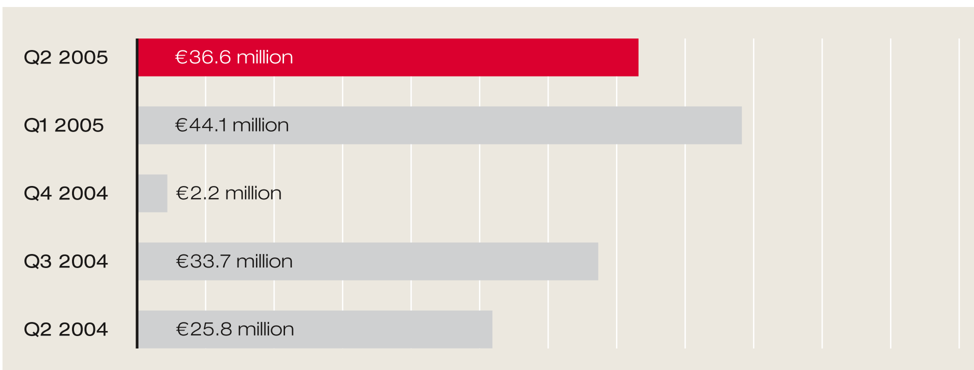
Liquidity is providing scope for action

mobilcom has cash and cash equivalents of € 371.2 million. The group is accordingly in an excellent position to actively participate in the consolidation and restructuring of the German telecommunications market and thus to achieve a forward-looking strategic position. Thanks to still strong cash flow from operating activities of € 118.6 million (H1 2004: € 154.7 million), the mobilcom group has a strong cash position – although the group has had to cope with a considerable outflow of funds as a result of acquisitions in the Fixed Network/Internet segment. Since the start of the year, the group has reduced working capital by € 66.2 million – the Mobile Telephony Service Provider segment has accounted for € 17.9 million of this figure – and this performance has to be viewed within the context of the considerable improvements achieved last year. Net financial assets of the group amounted to € 369.1 million at the end of the quarter (30 June 2004: € 372.5 million). Shareholders' equity of € 648.7 million was € 64.6 million higher than the corresponding figure as of 30 June 2004, despite the share buy-back programme (€ 51.4 million) and dividend payments (€ 15.6 million). The equity ratio – during the increase of total assets by € 165.3 million – amounted to an impressive 62.3 percent (30 June 2004: 66.7 percent).

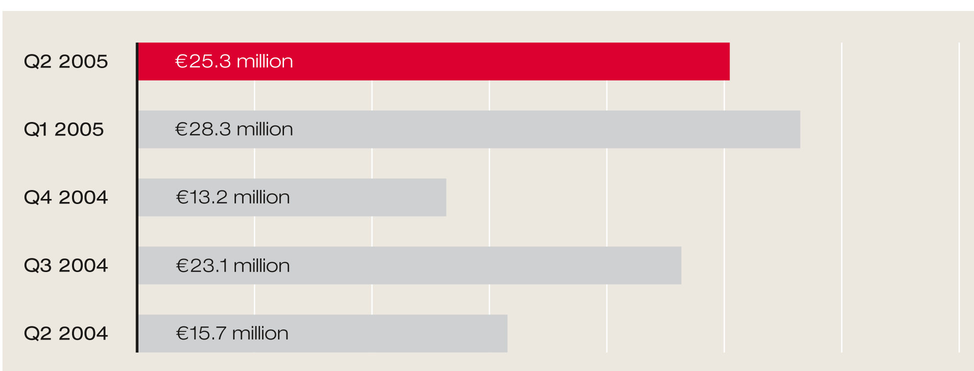
EBITDA group



EBIT group



Consolidated result



2.2.2 Operational development: Mobile Telephony Service Provider

Result	1st half 2005	1st half 2004 (adjusted[1])	Q2 2005	Q2 2004 (adjusted[1])	Q1 2005	Q1 2004 (adjusted[1])
Revenues in € million	645.2	705.9	333.8	357.4	311.5	348.5
Third-party sales in € million	641.9	705.9	333.0	357.4	308.9	348.5
EBITDA in € million	40.5	30.2	20.2	15.0	20.3	15.2
EBITDA as percentage of sales	6.3	4.3	6.0	4.2	6.5	4.4
EBIT in € million	33.3	17.3	16.7	8.7	16.6	8.7
EBIT as percentage of sales	5.2	2.5	5.0	2.4	5.3	2.5
Mobile telephony customers in million	4.55	4.21	4.55	4.21	4.51	4.16
of which contract customers in million	2.51	2.27	2.51	2.27	2.49	2.40
of which prepaid customers in million	2.05	1.94	2.05	1.94	2.03	1.77
Gross new customers in million	0.57	0.86	0.30	0.44	0.27	0.42
Monthly average revenue per user in €	18.4	20.8	18.8	20.8	18.0	20.7
of which per contract customer in €	28.5	30.8	29.1	31.5	27.9	30.1
of which per prepaid customer in €	6.1	7.2	6.1	7.4	6.1	7.0
EBITDA per mobile telephony customer in €	8.9	7.2	4.4	3.6	4.5	3.7
EBIT per mobile telephony customer in €	7.3	4.1	3.7	2.1	3.7	2.1

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

In H1 2005, mobilcom considerably increased its profitability in the Mobile Telephony Service Provider segment, and is now upgrading its earnings targets for the whole of 2005: With EBITDA of €40.5 million (H1 2004: €30.2 million) in H1 2005, mobilcom has not only exceeded the corresponding previous year figure by 34.1 percent; it has already attained more than two thirds of the original figure forecast for the whole of 2005 (€60 million). Compared with H1 of the previous year, EBIT has improved by 92.5 percent to €33.3 million (H1 2004: €17.3 million). At the six-month point, the company has accordingly already exceeded the figure of €32 million budgeted for the whole of 2205 (2004: €9 million). A value-oriented policy of signing up new customers and retaining existing customers as well as the improved gross profit margin and low overhead costs are still having a positive impact in this respect. Further aspects behind the success are the company’s own rapidly expanding chain of shops and sales via specialist retail partners: The number of customers, namely 4.55 million, was 0.34 million higher than the corresponding figure at the end of Q2 2004. As a result of the current level of earnings which has been attained, mobilcom considers that there is adequate scope to achieve even greater momentum in the second half in terms of signing up new customers. This is the context within which mobilcom has confirmed its aim of boosting the number of its customers to 4.8 million. For the Mobile Telephony Service Provider segment, the company has also upgraded its EBITDA target for 2005 from € 60 million to € 66 million (2004: € 40 million), and it has also upgraded its EBIT target from € 32 million to € 40 million.

Above-average increase in the number of contract customers

Due to stronger new customer business, more intensive customer retention and lower levels of customer fluctuation, mobilcom has increased the overall number of customers and has also increased the percentage of contract customers. The total number of customers increased by 0.34 million compared with H1 2004 to 4.55 million, and the percentage increase in the number of contract customers was higher, namely 0.24 million to 2.51 million. With a share of contract customers accounting for 55.0 percent of overall customers, mobilcom is now 2.0 percentage points ahead of the corresponding previous year figure, and approx. 5.0 percentage points higher than the average for the market. The number of prepaid customers, namely 2.05 million, was 0.11 million higher than the figure at the end of Q2 2004. In addition, mobilcom has sold a further 150,000 prepaid bundles; however, these have not yet been capitalised. The resultant expenses are not yet opposed by any income. mobilcom is assuming that the cards will be capitalised in the subsequent period. In the contract customer segment, only 0.26 million customers failed to extend their mobilcom contract in H1 2005, whereas the corresponding figure last year was around 0.60 million. mobilcom has been able to continue its more selective policy of signing up new customers in the entire first half. As part of this refocusing process, the company has dramatically reduced its direct marketing activities (incl. e-commerce) which mobilcom uses mainly to sign up customers with relatively low revenues. Compared with last year, the percentage of direct marketing has declined from approx. 60.0 percent to only one third. The Mobile Telephony Service Provider is now also adopting a more selective policy for its prepaid activities. Because a small percentage of top customers in this segment is responsible for a significant proportion of overall revenues, and because mobilcom is now stepping up its strategy of addressing this target group, it is expected that average revenue per prepaid user will increase in the medium term.

Half-year comparison: Considerable increase in earnings per customer

Revenues in H1 2005 of € 645.2 million were 8.6 percent lower than the corresponding previous year figure of € 705.9 million. This is due mainly to lower commission income for signing up new customers and is also attributable to new tariffs, which result in lower revenues but which ensure stable contributions to earnings: This is primarily an optical effect, and is due mainly to the so-called „SIM only“ tariffs. With these very transparent offers, the customer is not given a mobile telephone and mobilcom passes on the subsidy which would otherwise be necessary to the customer in the form of lower rates per minute.

The second quarter also saw a continuation of the trend whereby the value-oriented growth in the customer base last year results in lower average monthly revenues per user (ARPU), although it produces a higher result overall and also per user: EBITDA per mobile telephony customer increased from €7.2 in H1 2004 to €8.9 in H1 2005. In the period under review, mobilcom has reported a contract ARPU of €28.5 (H1 2004: €30.8). Prepaid ARPU was €6.1 (H1 2004: €7.2). ARPU for the entire customer base amounted to €18.4 (H1 2004: €20.8).

Half year comparison: EBITDA margin up to 6.3 percent

The gross profit margin 15.4 percent is higher than the corresponding figure last year (H1 2004: 14.7 percent), and overheads have declined by 20.5 percent to €58.7 million; these have had a significantly positive impact on the earnings of the Mobile Telephony Service Provider. The reduction in overhead costs – despite comparatively high costs incurred for the advertising campaign for introducing the „Discount-13 tariff" – is due mainly to the considerably improved base of specialist retail and franchise partners. Accordingly, the ratio of bad debt adjustments relating to dealer and customer receivables is considerably lower than the previous year figures. Capital employed has again become more efficient: Net working capital has declined by €12.2 million as of 30 June 2004 to €30.8 million. EBITDA of €40.5 million is approx. 34.1 percent higher than last year's figure (H1 2004: €30.2 million) as a result of the excellent cost position and the high gross profit margin. With an EBITDA margin of 6.3 percent, the medium-term target of 6.0 percent has already been attained. The EBITDA margin in H1 2004 was still running at 4.3 percent. EBIT has improved even more strongly, namely by 92.5 percent to €33.3 million, compared with the figure of €17.3 million generated by mobilcom with its Mobile Telephony Service Provider activities in the same previous year period. The EBIT margin has doubled to 5.2 percent compared with the corresponding previous year period (H1 2004: 2.5 percent).

Quarterly comparison: EBIT margin has more than doubled from 2.4 to 5.0 percent

Revenues in Q2 2005 came in at €333.8 million, 6.6 percent lower than the corresponding previous year figure of €357.4 million. This is due to lower commission income for signing up new customers and new tariffs (for instance „SIM only" tariffs) with lower revenues but with stable contributions to earnings. On the other hand, the trend in revenues is positive during the current year: Compared with Q1 2005, revenues have increased by 7.1 percent. This effect is also evident in terms of ARPU, which increased by €1.2 to €29.1 for contract customers compared with Q1 2005 (Q2 2004: €31.5). Compared with Q1 2005, prepaid ARPU was constant at €6.1 (Q2 2004: €7.4). ARPU for the entire customer base amounted to €18.8, compared with €18.0 in Q1 2005 (Q2 2004: €20.8). The gross profit margin of 14.5 percent (Q2 2004: 15.1 percent) was slightly lower than the corresponding previous year figure, and overheads declined by 26.5 percent from €39.0 million to €28.4 million. As a result of the excellent cost position and strong gross profit margin, EBITDA of € 20.2 million was 35.0 percent higher than the strong previous year figure of € 15.0 million. The EBITDA margin in Q2 2005 increased by 1.8 percentage points compared with the previous year to 6.0 percent. EBIT has expanded by more than 90.0 percent: Whereas mobilcom generated EBIT of € 8.7 million with its Mobile Telephony Service Provider activities in the same previous year period, EBIT in Q2 2005 amounted to € 16.6 million. The EBIT margin of 5.0 percent was more than double the corresponding previous year figure.

Shops are being more strongly frequented due to tariff innovations

The new "Price Breaker" tariff family has resulted in a lot of attention and a noticeable increase in the extent to which mobilcom shops are being frequented: The "Discount-13 tariff" for normal users, which was presented on the occasion of the CeBIT, and the "Discount-9.9 tariff" for high-volume users which was introduced at the end of 2005. With both tariffs, mobilcom now offers one of the lowest rates per minute in the German market. With this tariff family, the Mobile Telephony Service Provider forwards the subsidy for the mobile telephone, which is otherwise still typical in the mobile telephony market, to the customer by way of lower rates per minute – without lowering its margin quality. For customers who decide to use a modern and attractive mobile telephone, the "Always-One-Price Tariffs" are particularly attractive for low-volume, normal and high-volume users. The "Always-One-Price Tariffs" satisfy the wish of numerous customers for complete transparency: 24 hours per day, every day of the week, the customer accordingly pays the same charge per minute – irrespective of whether he calls into the German fixed network or uses any national mobile network.

Since the end of May, mobilcom has also been the first service provider to have all four networks in its programme for contract customers. In November 2004, mobilcom was the first service provider to commence sales of prepaid products of O_2.

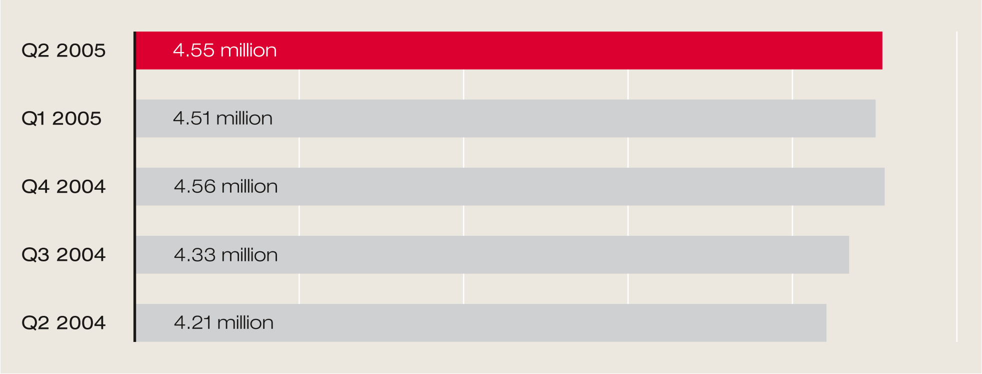
Full-year target for shop network has already been attained

In the second quarter, mobilcom has rapidly expanded its own distribution channels of shops and specialist retail partners, and had 251 mobilcom shops as of 30 June 2005 (30 June 2004: 199 shops) – including four flagship stores in Berlin, Cologne, Düsseldorf and Stuttgart. This means that the company has attained its original objective for the full 12-month period at the end of the first half: Since the beginning of the year, mobilcom has opened 33 shops and has also redesigned 27 locations. As a result of the rapid pace of expansion, ten further shops are expected to be opened by the end of October, and they will then be available for Christmas trading which has traditionally been strong. mobilcom is already operating the largest independent sales organisation in Germany specialising in mobile telephony. The mobilcom shops mainly target demanding and high-spending customer segments, and are able to sign them up as customers for mobilcom. This significant success strengthens our aim to further expand our chain of shops – even beyond the existing rate of growth.

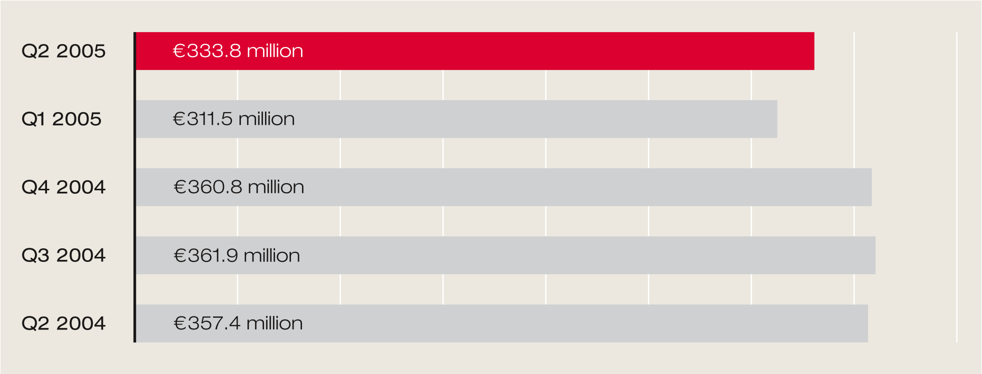
Outlook: mobilcom is expecting higher earnings growth

Because of the strong earnings achieved in Q2, mobilcom is upgrading its earnings target for the whole of 2005: The Mobile Telephony Service Provider is now forecasting EBITDA to increase by 65 percent to € 66 million (2004: € 40 million). This compares with the company's previous EBITDA forecast of € 60 million. At the end of the first half, mobilcom has already achieved more than two thirds of this objective. The EBIT objective for 2005 has already been exceeded by mobilcom. This is the reason why the original target of € 32 million has been raised to € 40 million (2004: € 9 million). Because of the significant success of the projects designed to retain customers and also the success of new business, the attractive product portfolio and the expansion of the sales network, mobilcom despite its more selective policy of signing up new customers has also confirmed the growth target of 4.8 million customers by the end of financial 2005.

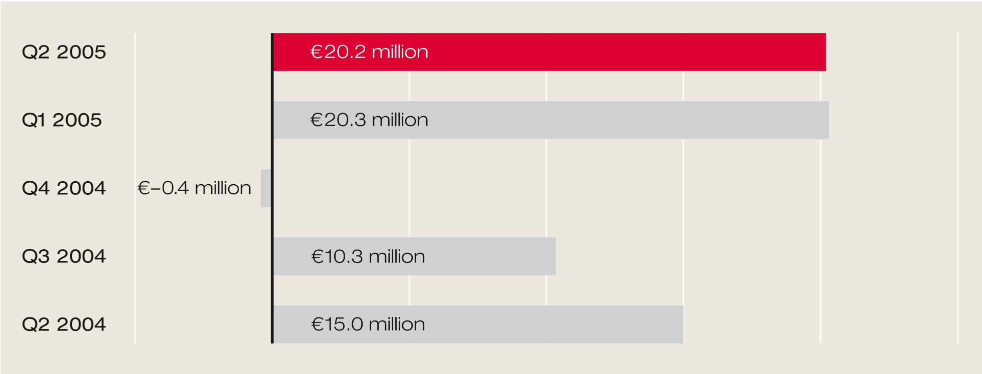
Number of Mobile Telephony Service Provider customers



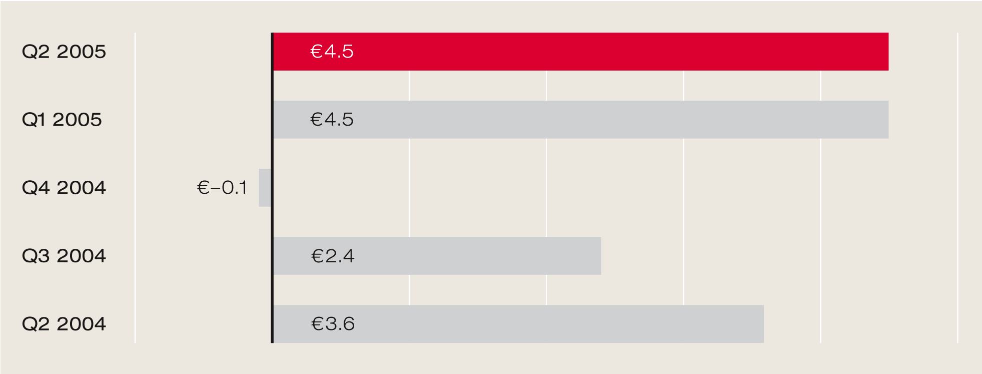
Mobile Telephony Service Provider sales



Mobile Telephony Service Provider EBITDA



EBITDA per customer



2.2.3 Operational development: Fixed Network/Internet

Result	1st half 2005	1st half 2004 (adjusted[1])	Q2 2005	Q2 2004 (adjusted[1])	Q1 2005	Q1 2004 (adjusted[1])
Revenues in € million	324.1	228.5	178.1	109.2	146.0	119.2
Third-party sales in € million	318.3	228.5	176.6	109.2	141.7	119.2
EBITDA in € million	68.4	58.0	31.6	27.4	36.8	30.6
EBITDA as a percentage of sales	21.1	25.4	17.7	25.1	25.2	25.6
EBIT in € million	47.4	37.6	19.9	17.1	27.5	20.5
EBIT as a percentage of sales	14.6	16.5	11.2	15.7	18.8	17.2
Fixed network customers in million	4.6	4.3	4.6	4.3	3.9	3.2
Active internet households in million	3.7	3.7	3.7	3.7	3.9	3.8
Fixed network minutes sold, incl. internet, in billion	12.1	13.0	5.7	6.1	6.4	6.9

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

In the first half of 2005, the Fixed Network/Internet segment run by freenet.de AG, Hamburg, reported a strong increase in revenues, by almost 42 percent to € 324.1 million, due mainly to acquisitions. EBITDA improved by 17.9 percent to € 68.4 million, and EBIT has also risen by 26.1 percent to € 47.4 million. The revenues and result of the STRATO group acquired as of 1 February 2005 have been fully included in the financial statements. The acquisition of Talkline ID GmbH (after change of name: Next ID GmbH), which was completed on 7 April, has been consolidated since the second quarter. The main existing and future challenge in this segment is to expand DSL operations. In this fiercely competitive market, freenet increased the number of customers by 0.06 million in the second quarter, compared with growth of 0.1 million in the first quarter. Marketing also required significantly higher advertising expenses.

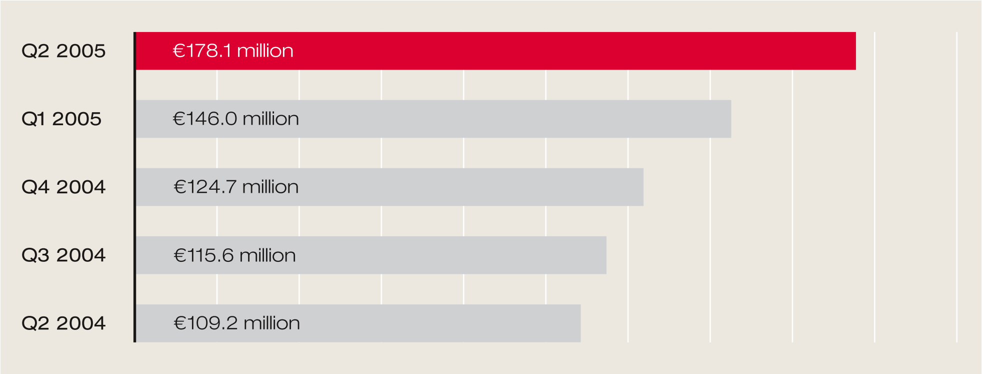
Quarterly comparison: Strong increase in revenues, falling margins

In the Fixed Network/Internet segment, revenues increased by 63.1 percent to € 178.1 million after the acquisition of the STRATO group and Talkline ID GmbH (after change of name: Next ID GmbH). Whereas telephony sales came in at € 39.8 million (Q2 2004: € 36.6 million), internet access sales amounted to € 77.0 million (Q2 2004: € 63.6 million). B2B services reported strong sales growth, up from € 0.9 million to € 34.4 million due to the initial incorporation of the newly acquired companies. Sales additionally expanded by € 18.4 million due to new portal business. Gross profit increased by € 24.4 million to € 77.5 million, and the gross profit margin declined to 43.5 percent (Q2 2004: 48.6 percent). Overhead costs in Q2 increased by 78.6 percent to € 45.9 million (Q2 2004: € 25.7 million). This is due to higher personnel expenses of €18.0 million, compared with €10.8 million in Q2 2004, as well as higher advertising expenses of €14.6 million (an increase of €9.0 million). EBITDA amounted to €31.6 million (Q2 2004: €27.4 million). This is equivalent to an EBITDA margin of 17.7 percent (Q2 2004: 25.1 percent). EBIT increased to €19.9 million compared with €17.1 million in the same previous year quarter. The EBIT margin declined simultaneously from 15.7 percent to 11.2 percent.

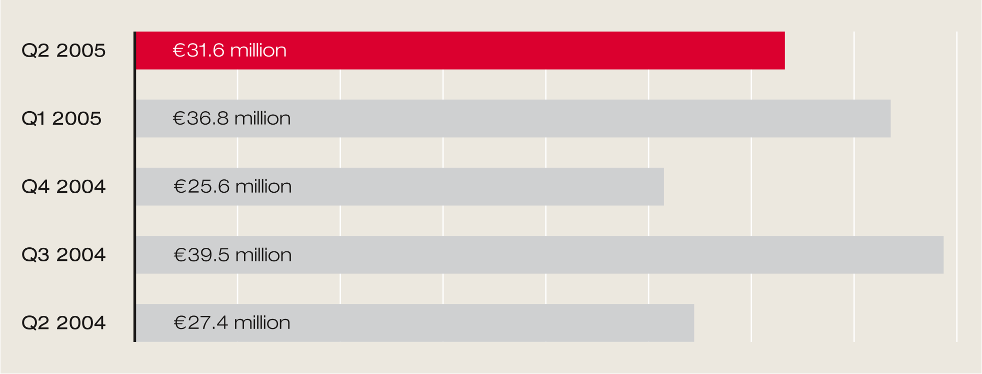
Customer development: The rate of DSL growth is declining – strong gain with call-by-call customers

In the market of the future DSL, the Fixed Network/Internet segment was not able to repeat the strong rate of growth seen in previous quarters, with approx. 0.06 million new customers in Q2 2005. However, as a result of the previous quarters with stronger growth, the number of existing DSL customers as of 30 June 2005, namely 0.52 million, was more than double the corresponding figure at the end of Q2 2004. The number of telephony customers increased from 4.26 million at the end of Q2 2004 to 4.60 million (of whom 0.53 million preselection) – mainly due to strong growth among call-by-call customers. The number of internet access customers (incl. narrowband and broadband) increased slightly compared with last year, namely from 3.69 to 3.72 million customers.

Fixed Network/Internet sales



Fixed Network/Internet EBITDA



2.2.4 Effects 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 relate primarily 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 current or non-current. 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 application of this standard has resulted in higher personnel expenses. Shareholders’ equity is correspondingly lower, and the provisions are correspondingly higher. Out of this the personell expenses for 2004 were adjusted respectively as shown in the table below:

In € thousand	Fixed Network/Internet			Mobile Telephony Service Provider			Group		
	Originally reported	IFRS 2 adjustments	Adjusted figure	Originally reported	IFRS 2 adjustments	Adjusted figure	Originally reported	IFRS 2 adjustments	Adjusted figure
Q1	8.894	7.358	16.252	15.058	–	15.058	23.952	7.358	31.310
Q2	9.059	985	10.044	15.207	172	15.379	24.266	1.157	25.423
Q3	10.372	–9.920	452	16.818	172	16.990	27.190	–9.748	17.442
Q4	12.503	4.490	16.993	14.805	171	14.976	27.308	4.661	31.969

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 and Talkline ID GmbH (after change of name: Next ID GmbH). 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 H1 2005.

2.2.5 Analysis of net worth

The total assets of the mobilcom group increased by 18.9 percent or €165.3 million to €1,040.9 million compared with 30 June 2004 (€875.6 million). On the assets side of the balance sheet, non-current assets increased by €139.5 million to €345.2 million. Intangible assets were up by €72.8 million to €120.9 million, and goodwill increased by €71.8 million to €110.0 million. The changes are due mainly to the acquisition of the STRATO group and Talkline ID GmbH (after change of name: Next ID GmbH). Property, plant and equipment declined as a result of depreciation and impairment losses and high investments in fixed network operations by only €8.9 million to €67.1 million. Current assets increased by €25.8 million to €695.7 million (30 June 2004: €669.9 million). Despite the outflow of funds due to the acquisitions in Fixed Network/Internet operations, the share buy-back programme and the dividend payment of mobilcom AG, the group reported cash and cash equivalents of €371.2 million, which was only €7.1 million lower than the corresponding previous year figure as a result of the strong operating cash flow. On the liabilities side of the balance sheet, the increase in the balance sheet total is attributable mainly to the increase of €70.8 million in current trade payables, namely to €111.0 million (30 June 2004: €40.2 million). The increase of liabilities is mainly due to the first consolidation of STRATO-Group and Talkline ID GmbH (after change of name: Next ID GmbH) in the 1st half 2005. In addition, current income tax liabilities have more than doubled, namely by €32.8 million to €47.7 million, as a result of earnings; this has had a significant impact on the increase in the balance sheet total. The sound net worth of the group is also demonstrated by the comparison of assets and liabilities: There is more than two-fold cover for non-current as well as current assets.

2.2.6 Analysis of the financial position

At the end of H1 2005, the mobilcom group reported strong cash and cash equivalents of € 371.2 million (30 June 2004: € 378.4 million). As a result of the very low debt of €1.6 million, net financial assets of € 369.1 million (30 June 2004: € 372.5 million) are almost exactly equivalent to cash and cash equivalents. The strong financial position and the equity ratio of 62.3 percent (30 June 2004: 66.7 percent) show that the company is in an excellent position to meet the challenges posed by the market. The group has generated cash flow of € 118.6 million out of operating activities in the first six months of 2005 (H1 2004: € 154.7 million). Cash flow from investing activities mainly reflects the acquisitions of the freenet group; in H1 2005, it is far below the corresponding figure for the previous year period (namely € –73.9 million compared with € –7.6 million in H1 2004). The cash flow from financing activities of € 40.5 million (H1 2004: € –31.0 million) is mainly attributable to the buy-back of mobilcom shares completed in Q1 2005 (€ –23.9 million) and the payment of dividends (€ –15.6 million). Overall, cash and cash equivalents in H1 2005 increased by € 4.2 million, whereas they had declined by € 28.8 million in the first three months of the year.

2.2.7 Analysis of the earnings position

Whereas revenues improved slightly by 2.8 percent to € 960.2 million compared with the corresponding previous year period, the trend of strong earnings growth continued: gross profit increased by € 26.3 million compared with the first six months of 2004 to € 250.3 million. This has resulted in a 2.1 percentage point increase in the gross profit margin, namely to 26.1 percent. The increase in the personnel expenses ratio to € 64.0 million (H1 2004: € 56.7 million) is attributable mainly to recruitment in the Fixed Network/Internet segment. Despite the increase of other operating expenses to € 119.8 million (H1 2004: € 111.5 million) the earnings before interest, taxes, depreciation and amortisation (EBITDA) increased to € 108.9 million (H1 2004: € 88.2 million). The positive trend is also confirmed by the increase in earnings before interest and taxes (EBIT) to € 80.7 million (H1 2004: € 54.9 million). Following a positive financial result of € 3.8 million and taxes on income of € 30.8 million, earnings improved by € 20.9 million to € 53.6 million (H1 2004: € 32.7 million). The interest of shareholders of mobilcom AG in group net income is € 38.9 million, compared with € 23.5 million in the corresponding previous year period.

2.2.8 Employees

		Q2 2005	Q1 2005	1st half 2005	1st half 2004[1]
Employees (incl. temporary staff)		**3,519**	**3,429**	**3,519**	**2,916**
Mobile Telephony Service Provider		1,556	1,569	1,556	1,580
Fixed Network/Internet		1,963	1,860	1,963	1,336
Average number of employees		**3,529**	**3,312**	**3,421**	**2,831**
Mobile Telephony Service Provider		1,553	1,571	1,562	1,588
Fixed Network/Internet		1,976	1,741	1,859	1,243
Personnel expenses/ratio	in € million	**32.7**	**31.3**	**64.0**	**56.7**
	in percent	**6.4**	**6.8**	**6.6**	**6.1**
Mobile Telephony Service Provider	in € million	15.7	16.3	32.0	30.4
	in percent	4.7	5.2	5.0	4.3
Fixed Network/Internet	in € million	17.0	15.0	32.0	26.3
	in percent	9.5	10.3	9.9	11.5

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

Group: Number of employees has risen to 3,519

As a result of the higher number of persons employed at freenet.de AG, personnel expenses in the mobilcom group increased by 12.9 percent in the first half to €64.0 million (H1 2004: €56.7 million). The personnel expense ratio also increased in the first half from 6.1 percent to 6.7 percent. On a quarterly basis, the mobilcom group also reported much higher personnel expenses, namely €32.7 million in Q2 2005 compared with €25.4 million in the previous year quarter, mainly as a result of recruitment in the Fixed Network/Internet segment. Overall, the group employed 3,519 persons at the end of Q2 2005, which was 603 men and women more than was the case on 30 June 2004 (2,916).

Mobile Telephony Service Provider: Lower personnel expenses

In the Mobile Telephony Service Provider segment, the number of persons employed declined by 24 to 1,556 as of 30 June 2005 compared with the previous year. On average for the first six months of the current year, 1,562 persons worked for the service provider – eleven fewer than was the case in the same previous year period. At the same time, personnel expenses in H1 2005 increased to €32.0 million compared with €30.4 million in the corresponding previous year period. On a quarterly basis, personnel expenses increased slightly: Compared with €15.4 million in Q2 2004, the corresponding figure this year was €15.7 million.

Fixed Network/Internet: Rising personnel expenses

The Fixed Network/Internet segment run by freenet.de AG has reported strong growth in personnel: As of 30 June 2005, the company employed 1,963 persons, 627 more than was the case on 30 June 2004 (1,336). On average during the first six months, this segment employed 1,859 persons – 616 more than in the corresponding previous year period. Accordingly, personnel expenses in H1 2005 increased from € 26.3 million to € 32.0 million.

2.2.9 Corporate bodies

The Managing Board consists of two persons, namely the Chairman of the Managing 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 Managing Board

Dr. Thorsten Grenz, Strande
Chairman
Further mandates:
- Dr. J. 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
  Mitglied des Beirats
- Gerling Konzern Versicherungs-Beteiligungs AG, Cologne
  Member of the Advisory 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

Birgit Geffke, Breunsberg (since 22 April 2005)
(Deputy Chairperson of the Supervisory Board)
Manager Existing Customer Management
mobilcom Communicationstechnik GmbH, Büdelsdorf

David Bonderman, Fort Worth, Texas, USA (since 31 May 2005)
Founding partner of the Texas Pacific Group

Andrew John Dechet, London, United Kingdom (since 31 May 2005)
Partner, Texas Pacific Group

Sascha Lucht, Klausdorf (since 22 April 2005)
Personnel Spokesman, mobilcom Communicationstechnik GmbH, Büdelsdorf
Representative of the Christian Trade-Union Metall

Bastian Frederik Lueken, London, United Kingom (since 1 June 2005)
Partner, Texas Pacific Group

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

Franziska Oelte, Hamburg (since 22 April 2005)
Head of Legal Department, freenet.de AG, Hamburg

Kai Petersen, Loose (since 22 April 2005)
First authorised representative of IG Metall – Rendsburg section
Representative of the Industry Trade-Union Metall

Ulrike Scharlach, Erfurt (since 22 April 2005)
Chairperson of the Works Council Erfurt, mobilcom Communicationstechnik GmbH,
Büdelsdorf

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 networks AG, Hürth
  Chairman of the Supervisory Board
- VEMAG Verlags- und Medien AG, Cologne
  Member of the Supervisory Board

The following persons no longer serve on the Supervisory Board:

Thorsten Delling, Büdelsdorf (up to 22 April 2005)
Dr.-Ing. Horst Dietz, Berlin (up to 20 May 2005)
Gabriele Hanrieder, Finsing (up to 22 April 2005)
Helmut Holzer, Bessenbach (up to 22 April 2005)
Ulrich Kalthoff, Neumünster (up to 22 April 2005)
Dr. Hans-Peter Kohlhammer, Kulmbach (up to 20 May 2005)
Ulf Gänger, Hamburg (up to 31 May 2005)
Christian Teufel, Kronshagen (up to 22 April 2005)

Committes of the Supervisory Board

Members of the mediation committee in accordance with section 27 (3) MitbestG
Prof. Dr.-Ing. Dieter H. Vogel (Chairman)
Andrew Dechet
Birgit Geffke
Ulrike Scharlach

Members of main committee
Prof. Dr.-Ing. Dieter H. Vogel (Chairman)
Andrew Dechet
Birgit Geffke
Franziska Oelte

Members of the audit committee
Sascha Lucht
Bastian Lueken
Andreas Neumann
Klaus Thiemann

2.2.10 Strategy

The strategic focus in the second quarter was the preparatory work for the merger with the subsidiary freenet.de AG. Following the approval of the Supervisory Boards of both companies (see supplementary report), the aim is now to gain the approval of the shareholders' meetings of both companies. The extraordinary shareholders' meeting of mobilcom AG will be held on 23/24 August 2005, and the shareholders' meeting of freenet.de AG will be held on 25/26 August. The merged company will continue the successful strategy of mobilcom and freenet.de. It is therefore intended that the company will be transferred into a holding structure and that telunico – or another name until the holding structure has been set up – will be run as a holding company (mobilcom-freenet).

In addition, the joint company will take advantage of complementary products, sales channels and brand positionings in order to further expand its strategic positioning on the telecommunications market.

In the Mobile Telephony segment, the aim is still to achieve profitable and sustainable growth. The new company will accordingly continue to strategically focus on introducing innovative products and tariffs and boosting efficiency in the fields of signing up new customers and retaining existing customers. Further expansion of the company's own shop chain is extremely important. In addition to continuing to achieve organic growth of this distribution channel, the company will also give due consideration to attractive acquisition opportunities. The image of the mobilcom shop chain will ensure that these shops will also be recognised as sales and service points of freenet.de.

An additional strategic focus will be to further enhance innovative data services. Data traffic will continue to be the main growth driver in the mobile telephony market, particularly as a result of the increasing nationwide coverage of UMTS. In this connection, multi-media services such as the facility to download ring tones, music or videos will become more important, and mobile video telephony will open up new communication opportunities. The joint company in this respect intends to achieve closer intermeshing of the mobile portal of mobilcom and the internet portal of freenet.de. The company is also assuming that a broadband mobile internet access based on UMTS will be increasingly accepted by the market, and this might very well develop as a significant enhancement to the broadband internet access in the fixed network via DSL.

The current situation in the mobile telephony market is characterised by increasing levels of fragmentation. Providers with an efficient sales and service structure are particularly good at providing a differentiated approach to the price-sensitive online segment (approx. 10.0 to 20.0 percent of the overall market). New providers as well as alliances are focusing on this segment with new brands in the Mobile Telephony segment. The new company aims to take advantage of the opportunities presented by this market segment more effectively. This can be achieved with the brands mobilcom, freenet or a new brand (single-brand strategy, multi-brand strategy, umbrella brand strategy). Distribution via freenet, with its strong online and direct-marketing expertise, will permit rapid market penetration.

In the Internet segment, the company aims to achieve further expansion of its market share in the growth segment DSL. The company will be able to achieve this aim by bundling its sales structures. For instance, the increased use of mobilcom shops will mean that it will for the first time also be possible for a physical retail presence for freenet products to be established; this is a useful aspect for products which require a certain amount of explanation, such as DSL, and is also likely to improve the company's performance in terms of signing up new customers and retaining existing customers.

In the segment of Narrowband Internet Access, the focus will continue to be on optimising the costs of network technology and migrating the customer base to the broadband segment.

In the Fixed Network Telephony segment, the company plans to further increase the number of preselection customers by means of combined products and greater use of the sales structures of mobilcom. In addition, the new technology voice-over-IP provides a variety of opportunities for significantly boosting the company's position in the telephony field and for responding to the trend towards combining fixed network and mobile telephony. In addition, the merged company will aim to develop and offer joint convergence and combined products in conjunction with existing mobile telephony know how and fixed network and internet expertise.

According to the current state of knowledge, it can be assumed that various functions can be provided more efficiently and less expensively as a result of the merger, and that corporate management can thus be optimised. As a result of the company's better positioning due to the merger and the associated operational and financial resources, the company will be able to take advantage in a flexible and efficient manner of the market opportunities which become available.

2.2.11 Outlook

The Managing Board is forecasting EBITDA of between € 185 and 200 million for the mobilcom group in 2005 (EBITDA 2004: € 163.2 million; EBIT 2004: € 90.8 million). In view of the strong result achieved in the first half, mobilcom is increasing its forecast for the Mobile Telephony Service Provider: EBITDA is now expected to increase by 65.0 percent to € 66 million for the whole of 2005 (2004: € 40.1 million). The company had previously been forecasting EBITDA of € 60 million. EBIT is expected to increase more than four-fold to € 40 million (2004: € 8.7 million). mobilcom had previously been predicting EBIT of € 32 million for the Mobile Telephony Service Provider segment. 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 2005, despite its selective policy of signing up new customers. The medium-term target of an EBITDA margin of 6.0 percent is still realistic – particularly as mobilcom has already met this target in the first half of 2005. For Fixed Network/Internet activities, mobilcom is forecasting EBITDA of € 125 to 140 million and EBT of € 93 to 95 million for the whole of 2005. The group's EBITDA is accordingly expected to come in at the upper end of the existing range of earnings forecasts.

2.3 Supplementary report

freenet.de AG and mobilcom AG have agreed to merge

On 8 July 2005, the managing boards of mobilcom AG and freenet.de AG agreed to the merger of both companies. The agreed exchange ratio for freenet.de shares and mobilcom shares is as follows: 1.15 shares of the new company are to be granted for each freenet.de share, and one share of the new company is to be granted for one mobilcom share. The new company will have its registered offices in Büdelsdorf, Schleswig-Holstein.

The parties have agreed that Eckhard Spoerr, the Chairman of the Managing Board of freenet.de AG, will also be the Chairman of the Managing Board of mobilcom AG with effect from 1 September 2005 and, before the merger becomes effective, is also expected to become the Chairman of the Managing Board of the new company. As a result of mutual agreement, Dr. Thorsten Grenz will stand down from the Managing Board of mobilcom AG as of 31 August 2005 after the merger shareholders' meetings. As a result of the merger which he initiated, he considers that his work has been done.

The Supervisory Board of mobilcom AG and also the Supervisory Board of freenet.de AG provided their agreement in their meetings on 8 July. The adequacy of the agreed exchange ratio has been confirmed by the court-appointed merger auditor.

The merger agreement between mobilcom AG and freenet.de AG was also notarially certified on 8 July.

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 Managing 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 Managing Board has not identified any factors which might pose a risk to the continued existence of the company as a going concern. With € 648.7 million (end of 2004: € 585.5 million), the group has an equity ratio of 62.3 percent (end of 2004: 67.1 percent). This is an extremely reassuring figure. The liquidity situation of the company is still excellent (€ 371.2 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 60.0 percent (end of 2004: 49.0 percent) is lower than the average for the sector. Cash flow from current activities is again very positive, namely € 118.6 million compared with € 154.7 million as of 30 June 2004. Net financial assets are stated as € 369.1 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 departments, 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 sufficient reasons 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 Managing 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 to a large extent been assessed for the years up to 2003; 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 the names of potential customers. At present, mobilcom is in dispute with network operators regarding the question as to whether 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 Managing 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.

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 Managing 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 75.0 percent 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 25.0 percent. 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 Managing 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 Managing 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 Managing 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 Managing 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 Managing 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 Managing 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 statement for the period ending 30 June 2005

4.1 Consolidated balance sheet as of 30 June 2005

Assets in € thousand	30.6.2005	31.12.2004 (adjusted[1])	30.6.2004 (adjusted[1])
Long-term assets			
Intangible assets	120,925	47,257	48,089
Goodwill	109,954	32,605	38,191
Property, plant and equipment	67,120	61,818	76,051
Investments accounted for using the equity method	2,582	1,612	834
Other investments	304	304	320
Deferred income tax assets	36,249	41,303	37,545
Trade accounts receivable	909	913	530
Other receivables and other assets	7,149	4,386	4,144
	345,192	190,198	205,704
Short-term assets			
Inventories	18,982	25,802	20,949
Current income tax claims	993	2,821	2,189
Trade accounts receivable	232,091	203,846	162,102
Other receivables and other assets	72,375	82,655	106,285
Cash and cash equivalents	371,247	367,062	378,390
	695,688	682,186	669,915
	1,040,880	872,384	875,619

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

Liabilities in € thousand	30.6.2005	31.12.2004 (adjusted[1])	30.6.2004 (adjusted[1])
Shareholders' equity			
Share capital	65,702	65,702	65,702
Capital reserves	255,304	287,835	294,318
Treasury shares	0	–27,441	0
Statutory revenue reserves	36	36	36
Retained earnings	198,636	175,318	153,551
mobilcom AG shareholders' interest in shareholders' equity	**519,678**	**501,450**	**513,607**
Minority interest in shareholders equity	129,033	84,092	70,457
	648,711	**585,542**	**584,064**
Long-term liabilities			
Trade accounts payable	12	26	2,875
Debt	849	0	986
Deferred income tax liabilities	37,461	9,611	13,304
Pension provisions	531	389	25
Other provisions	6,570	4,822	4,568
	45,423	**14,848**	**21,758**
Short-term liabilities			
Trade accounts payable	111,013	59,745	40,211
Other liabilities	167,024	163,457	173,649
Current income tax liabilities	47,719	23,836	14,910
Debt	779	1,563	4,836
Other provisions	20,211	23,393	36,191
	346,746	**271,994**	**269,797**
	1,040,880	**872,384**	**875,619**

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

4.2 Consolidated income statement from 1 January to 30 June 2005

In € thousand	Interim report 1st half 2005 1.1.2005 – 30.6.2005	Interim report 1st half 2004 1.1.2004 – 30.6.2004 (adjusted[1])	Interim report Q2 2005 1.4.2005 – 30.6.2005	Interim report Q2 2004 1.4.2004 – 30.6.2004 (adjusted[1])
Revenues	960,214	934,322	509,623	466,596
Other operating income	40,346	30,614	23,723	10,183
Changes in inventories of finished goods and work in progress	0	–20	0	0
Other own work capitalised	1,081	1,604	395	1,195
Costs of materials	–709,934	–710,325	–383,613	–359,584
Personnel expenses	–63,990	–56,733	–32,709	–25,423
Depreciation and impairment write-downs on property, plant and equipment and intangible assets	–28,217	–27,351	-15,150	–13,684
Depreciation and impairment write-downs on goodwill	0	–5,909	0	–2,954
Other operating expenses	–119,811	–111,472	–66,227	–50,759
Share of results of associates	970	190	518	190
Interest receivable and similar income	3,986	3,674	2,119	1,954
Interest payable and similar expenses	–226	–513	–143	–183
Result before taxes on income	**84,419**	**58,081**	**38,536**	**27,531**
Taxes on income	–30,822	–25,355	–13,274	–11,788
Group result	**53,597**	**32,726**	**25,262**	**15,743**
Group result attributable to shareholders of mobilcom AG	38,922	23,523	19,081	9,766
Group result attributable to minority interest	14,675	9,203	6,181	5,977
Earnings per share (undiluted) in €	0.62	0.36	0.30	0.15
Earnings per share (diluted) in €	0.62	0.36	0.30	0.15
Weighted average number of shares in circulation (undiluted) in thousand	62,555	65,702	62,587	65,702
Weighted average number of shares in circulation (undiluted) in thousand	62,567	65,707	62,598	65,706

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

4.3 Consolidated statement of changes in shareholders' equity for the period ending 30 June 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**
Dividend payment 2004	0	0	0	0	–15.604	–15.604	0	–15.604
Acquisition of own shares	0	–23.930	0	0	0	–23.930	0	–23.930
Redemption of own shares	0	51.371	–51.371	0	0	0	0	0
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	344	0	0	344	0	344
Increase in share capital	174.692	0	–174.692	0	0	0	0	0
Reduction of share capital	–174.692	0	174.692	0	0	0	0	0
Consolidated result	0	0	0	0	38.922	38.922	14.675	53.597
Balance as of 30.6.2005	**65.702**	**0**	**255.304**	**36**	**198.636**	**519.678**	**129.033**	**648.711**

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

In € thousand (adjusted[1])	Share capital	Treasury Stock	Capital reserve	Revenue reserve	Cumu-lative profit	mobilcom AG share-holders' interest in share-holders' equity	Other share-holders' interest in share-holders' equity	Share-holders' equity
Balance as of 1.1.2004								
As reported	65.702	0	294.146	36	160.435	520.319	62.713	583.032
Retroactive adjust-ment 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**
Dividend payment 2003	0	0	0	0	–26.281	–26.281	0	–26.281
Changes in minority interest	0	0	0	0	0	0	370	370
Stock-based com-pensation	0	0	172	0	0	172	0	172
Consolidated result	0	0	0	0	23.523	23.523	9.203	32.726
Balance as of 30. 6. 2004	**65.702**	**0**	**294.318**	**36**	**153.551**	**513.607**	**70.457**	**584.064**

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

4.4 Consolidated cash flow statement from 1 January to 30 June 2005

In € thousand		Interim report 1st half 2005 1.1.2005 – 30.6.2005	Interim report 1st half 2004 1.1.2004 – 30.6.2004 (adjusted[1])
Result before income taxes		84.419	58.081
Adjustments			
+	Depreciation on fixed assets	28.217	33.260
–/+	Decrease/increase in provisions	–1.899	19.582
./.	Interest and similar income	–3.986	–3.674
+	Interest and similar expenses	226	513
./.	Other non-cash-effective components	–1.799	–6.145
–/+	Profits/losses from the disposal of fixed assets	–244	104
+	Decrease in inventories, receivables and other assets not classified as investing and financing activities	44.732	98.658
./.	Decrease in payables and other liabilities not classified as investing for financing activities	–29.735	–37.320
./.	Temporary differences from income taxes	–1.308	–8.337
=	Cash flow from operating activities	118.623	154.722
./.	Outflows for investments in property, plant and equipment	–10.381	–4.990
./.	Outflows for investments in intangible assets	–4.463	–5.459
+	Inflows from disposals of intangible assets and property, plant and equipment	843	24
./.	Investments in subsidiaries	–63.299	0
+	Interest income	3.357	2.876
=	Cash flow from investing activities	–73.943	–7.549
./.	Auszahlungen an Unternehmenseigner und Minderheiten-gesellschafter	–15.604	–26.281
./.	Outflows for acquisition of own shares	–23.930	0
./.	Outflows for repayments of bonds and borrowings	–843	–4.260
./.	Interest payments	–118	–496
=	Cash flow for financing activities	–40.495	–31.037
Σ	Change in cash and cash equivalents	4.185	116.136
	Cash and cash equivalents as of 1 January	367.062	262.254
	Cash and cash equivalents as of 30 June	371.247	378.390

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

4.5 Segment report from 1 January to 30 June 2005

In € thousand	Fixed Network/Internet	Mobile Telephony	Group
Third party sales	318,275	641,939	960,214
Segment results	67,413	40,493	107,906
Results of companies stated at equity	970	0	970
Segment results EBITDA	**68,383**	**40,493**	**108,876**
Expenses/earnings not assigned			0
Consolidated EBITDA			**108,876**
Depreciation (excluding goodwill amortisation)	–21,022	–7,195	–28,217
Goodwill amortisation	0	0	0
Segment results EBIT	**47,361**	**33,298**	
Consolidated result EBIT			80,659
Net interest income			3,760
Result before taxes on income			**84,419**
Taxes on income			–30,822
Consolidated result			**53,597**
mobilcom AG shareholders' interest in consolidated result			38,922
Minority interest in consolidated result			14,675

Segment assets	509,660	491,092	1,000,752
Investments	304	0	304
Associated companies/joint ventures	2,582	0	2,582
Assets, not assigned			37,242
Consolidated assets			**1,040,880**
Segment liabilities	159,150	146,211	305,361
Liabilities, not assigned			86,808
Consolidated liabilities			**392,169**
Additions to fixed assets	7,872	6,972	14,844
Additions to fixed assets, acquisitions	170,291	0	170,291
Additions to fixed assets, not assigned			0
Additions to consolidated fixed assets			**185,135**

from 1 January to 30 June 2004

In € thousand (adjusted[1])	Fixed Net-work/Internet	Mobile Telephony	Group
Third party sales	228,467	705,855	934,322
Segment results	57,762	30,228	87,990
Results of companies stated at equity	190	0	190
Segment results EBITDA	**57,952**	**30,228**	**88,180**
Expenses/earnings not assigned			0
Consolidated EBITDA			**88,180**
Depreciation (excluding goodwill amortisation)	–16,593	–10,758	–27,351
Goodwill amortisation	–3,772	–2,137	–5,909
Segment results EBIT	**37,587**	**17,333**	
Consolidated result EBIT			54,920
Net interest income			3,161
Result before taxes on income			**58,081**
Taxes on income			–25,355
Consolidated result			**32,726**
mobilcom AG shareholders' interest in consolidated result			23,523
Minority interest in consolidated result			9,203

Segment assets	334,622	500,396	835,018
Investments	319	0	319
Associated companies/joint ventures	834	0	834
Assets, not assigned			39,448
Consolidated assets			**875,619**
Segment liabilities	92,406	165,215	257,621
Liabilities, not assigned			33,934
Consolidated liabilities			**291,555**
Additions to fixed assets	6,151	4,297	10,448
Additions to fixed assets, acquisitions	0	0	0
Additions to fixed assets, not assigned			0
Additions to consolidated fixed assets			**10,448**

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

4.6 Additional information

Order situation	See Management report, page 10
Development of costs and prices	See Management report, page 10
Research and development activities	See Management report, page 10
Investments	See Management report, page 10

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 30.6.2005	31.12.2004
Tranche V	4.00%	15.5.2005	122.25	0	20,600
Tranche VI	4.00%	15.5.2005	16.70	0	232,420
				0	253,020

Share options		Duration	Additional payment per share in €	Maximum possible number of shares from conversions 30.6.2005	31.12.2004
Tranche 2001		11.11.2008	24.40	58,400	61,400
Tranche 2004		30.3.2011	20.51	418,649	441,640
				477,049	503,040

Revenue breakdown	See Segment report, page 48/49
Number of employees	As of 30.6.2005: 3,519
Personnel changes on the Executive Board and Supervisory Board	See Management report, page 29
Events of particular significance which could affect business operations	See Management report, page 37
Interim dividend	N.a.
Dividend paid	€0.25 dividend per share

4.7 Supplementary information in accordance with IAS 34

1. The accounting and valuation methods and calculation procedures used with the December 31, 2004 annual financial statement were applied without variation to the June 30, 2005 date, excepting the changes noted in section 2.2.4 “Impact of New Accounting Standards”.
2. Business relationships with affiliated companies and individuals proceeded in a normal fashion during the first six months of fiscal year 2005.
3. On January 25, 2005 freenet.de AG of Hamburg acquired all shares of the STRATO Group. A cash payment of € 80 million was remitted as part of the deal along with 750,167 shares of company stock and 2,349,833 newly issued freenet.de AG shares. In addition, freenet.de AG committed to purchase technical equipment and services valued at €10.0 million net through December 31, 2007. The initial consolidation of the STRATO Group took place as of January 31, 2005 as reported in the consolidated financial statements.
   On April 7, 2005 freenet.de AG of Hamburg acquired all shares of Talkline ID GmbH (now reorganized as Next ID GmbH) as well as the call-by-call and network businesses of the Talkline Group. A cash payment of € 7.0 million plus transaction costs was remitted as consideration in the deal. Talkline ID GmbH was initially consolidated on the acquisition date of April 7, 2005.
   freenet.de AG spent an additional € 230,000 total for other corporate acquisitions during the first quarter of the fiscal year that were of minor significance to the corporation’s balance sheet and earnings.
4. On April 25, 2005, a dividend of € 0.25 per share was distributed to our shareholders in accordance with the resolution passed at the April 22, 2005 shareholders meeting.
5. On July 8, 2005 a merger agreement was concluded between mobilcom AG, Büdelsdorf, freenet.de AG, Hamburg, and telunico holding AG of Büdelsdorf. In this agreement the management of the above companies mutually determined that mobilcom AG and freenet.de AG were to be merged into telunico holding AG. The date for the merger is January 1, 2005. Additional reference is made to statements provided in section 1.1, “Letter to Shareholders”.
6. The interim financial report of the mobilcom Group is in compliance with International Financial Reporting Standards (IAS).

5. Additional information

5.1 Contacts

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5.2 Publications

The interim report can also be viewed in the internet at:
www.mobilcom.de/geschaeftsberichte

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

Up-to-date information concerning mobilcom AG and the company's shares is also available on our website. You can also register for our email information service under the heading “Investor Relations”.

5.3 Financial calender

22 April 2005
Ordinary shareholders' meeting, Berlin

9 May 2005
Publication of the interim report for Q1 2005

8 August 2005
Publication of the interim report for Q2 2005

23/24 August 2005
Extraordinary shareholders' meeting, Hamburg

8 November 2005
Publication of the interim report for Q3 2005

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