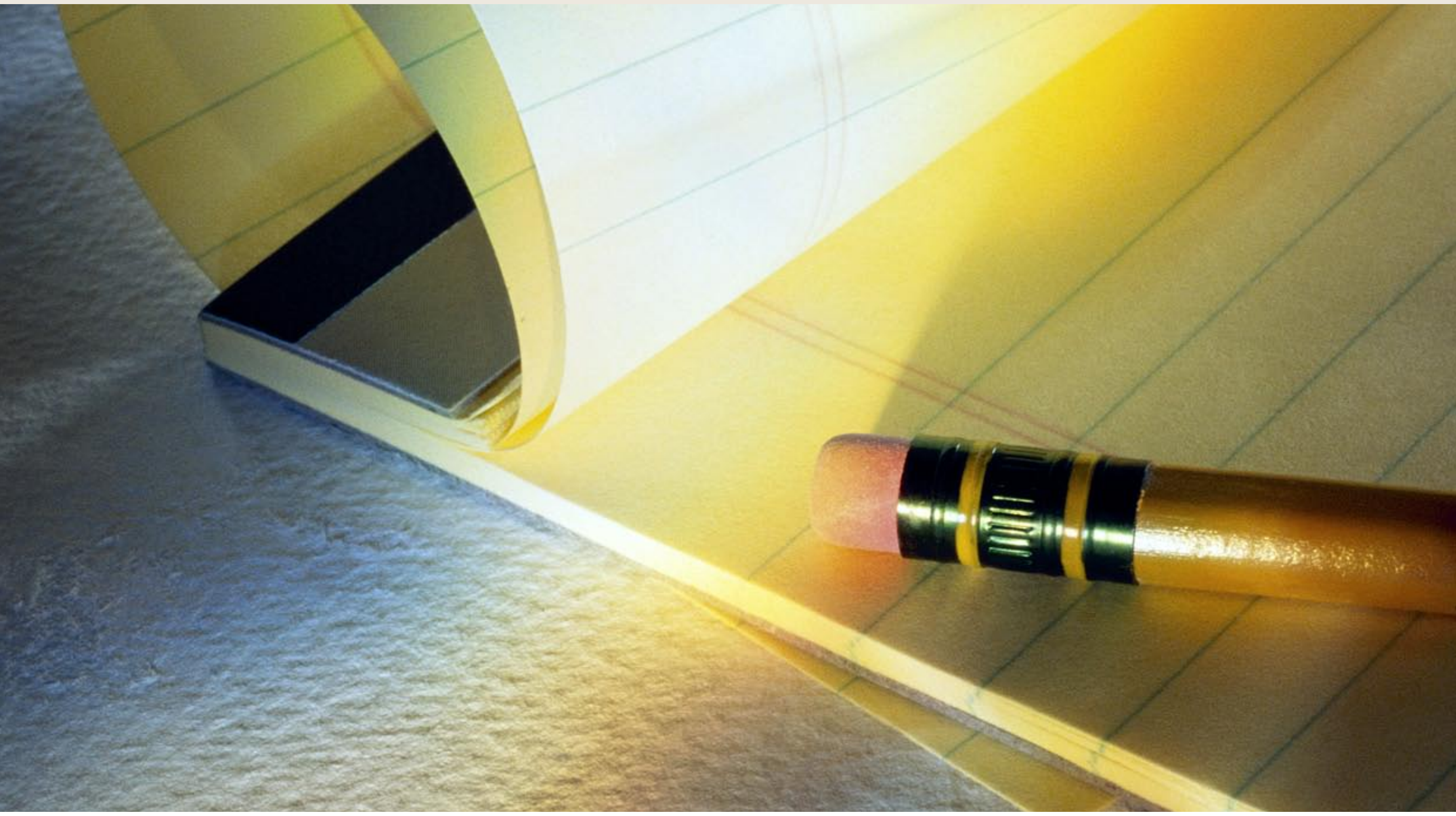
Interim report on the 3rd quarter 2004
mobilcom AG



mobilcom

mobilcom AG – Group Overview

	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q2 2004	Q3 2003	Q2 2003
Result						
Revenues in € million	1,411.8	1,350.7	477.5	466.6	450.9	446.9
EBITDA in € million	136.8	89.3*	40.1	43.6	37.4**	33.1
EBITDA (excl. UMTS) in € million		87.3*				31.1
EBIT in € million	87.4	33.7*	23.9	26.9	19.5**	14.1
EBIT (excl. UMTS) in € million		31.7*				12.1
EBIT in € million	92.9	30.7**	26.3	28.7	19.2**	12.6
Consolidated result in € million	37.4	18.9**	11.0	10.3	14.8**	3.6
Earnings per share in €	0.57	2.49	0.17	0.16	2.43	0.05
As a percentage of revenues						
EBITDA	9.7	6.6	8.4	9.3	8.3	7.4
EBITDA (excl. UMTS)		6.5				7.0
EBIT	6.2	2.5	5.0	5.8	4.3	3.1
EBIT (excl. UMTS)		2.3				2.7
EBT	6.6	2.3	5.5	6.1	4.2	2.8
Group result	2.6	1.4	2.3	2.2	3.3	0.8
Balance sheet						
Balance sheet total in € million	906.0	979.6	906.0	868.4	979.6	934.6
Equity in € million	525.0	523.4	525.0	520.4	523.4	325.3
Equity ratio	57.9 %	53.4 %	57.9 %	59.9 %	53.4 %	34.8 %
Return on equity	7.2 %	5.9 %	2.0 %	1.9 %	4.6 %	1.1 %
Return on Capital Employed (ROCE)	4.4 %	0.3 %	1.3 %	1.2 %	1.8 %	0.5 %
Finances and investments						
Cash flow from operating activities in € million	199.2	29.5	44.5	54.9	6.4	40.6
Liquid funds on balance sheet date in € million	403.8	281.3	403.8	378.4	281.3	246.7
Depreciation & amortisation (excl. goodwill) in € million	40.5	48.8	13.2	13.7	15.5	16.7
Investments in € million	21.4	24.1	11.0	5.5	7.9	11.8
Net financial assets in € million	400.0	260.0	400.0	372.5	260.0	77.9
Customers						
Mobile telephony customers in millions	4.3	4.1	4.3	4.2	4.1	4.2
Active internet access customers in millions	3.8	3.7	3.8	3.7	3.7	3.8
Monthly average revenue per user in €	20.6	21.7	20.4	20.8	23.2	22.0
of which per contract customer in €	31.4	29.8	32.5	31.5	31.9	30.1
of which per prepaid customer in €	6.9	6.6	6.4	7.4	7.9	6.6
EBITDA per mobile telephony customer in €	9.8	5.9	2.5	3.7	4.2	3.0
EBIT per mobile telephony customer in €	5.2	0.2	1.0	2.1	2.5	1.1
Employees						
At end of period	2,970	2,617	2,970	2,916	2,617	2,905

* When calculating EBITDA and EBIT, the interest payments (€84.8 million) underwritten by France Télécom in the first quarter of 2003 and listed under “other operating revenues” were balanced against each other. Without this administratively expedient adjustment, EBITDA and EBIT would correspondingly be €84.8 million higher.

** Adjusted to exclude €145 million in profits from the sale of 3.75 million freenet shares.

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Letter to the shareholders

Dear Shareholders,

mobilcom has achieved the best nine-monthly results in the group's history, once again demonstrating in impressive fashion that we are delivering profitable and sustained growth. Sales and profits have risen sharply, and at €26.4 million the consolidated result alone has virtually doubled since the previous year. It should further be noted that this was despite major initial outlay by both segments during the 3rd quarter in preparation for planned revenue growth during 2005.

The 4.5 per cent rise in consolidated turnover to €1,411.8 million was based on the strong performance by the mobile telephony service provider, whose robust growth of 8.3 per cent more than compensated for the 5.6 per cent fall in fixed network/Internet sales. However, atypical seasonal growth from €109.2 million in the 2nd quarter of 2004 to €115.6 million in the 3rd quarter appears to indicate that there too the tide is turning. The growth in the mobile telephony service provider segment is the outcome of the encouraging sustained rises in monthly average revenue per user (ARPU) as well as the value-oriented increases in the size of the customer base. For the fourth quarter in a row we exceeded the 400,000 new customers mark, and our total of 1.268 million to 30 September 2004 represents more than 2 times as many new customers as during the first nine months of 2003. During the third quarter our sales efforts focused on contract customers, and here our 10.2 per cent new business market share is the highest figure since the 2nd quarter of 2002. Furthermore, for the first time this year the number of new contract customers (237,000) was greater than the number of departing contract customers (192,000). This success can also be put down to increasingly successful customer retention measures plus increasing customer loyalty, as a result of which the mobile telephony service provider segment has registered its lowest customer fluctuation during the current financial year, and the total customer base thus rose from 4.2 to 4.3 million.

Customer and result targets reaffirmed

More intensive customer retention efforts and sustained high levels of marketing success have reaffirmed out goal of ending 2004 with 4.5 million customers – without jeopardising our profitability target. Despite the costs of acquiring and retaining new customers we are expecting annual earnings before interest and tax of between € 8 and 10 million. We have backed up our growth strategy through the development of our sales network, which will provide an even broader base for 2005. Meanwhile, during the 3rd quarter we significantly expanded our retail presence with the opening of 200 new retail outlets. These include over 100 new outlets as a result of partnerships with Foto-Radio Wegert and dug in the Berlin metropolitan area, giving us one of the biggest retail presences there alongside the network operators. In addition we have opened two flagship stores, one in Berlin and the other in Düsseldorf. The outstanding locations of these stores make them ideally placed to present our customers with a comprehensive product range in attractive settings. Step by step we aim to transfer the basic philosophy behind the flagship stores to the entire mobilcom chain.

Promoting service competition

Quarter after quarter, mobilcom's innovative products demonstrate that the customer benefits significantly from service competition: the amendment to the Telecommunications Act (Telekommunikationsgesetz, TKG) whereby service competition and infrastructural competition were put on an equal footing represents fair and forward-looking corrective action which has reinforced the long-term strength of the service provider business model. Thus, for instance, we have registered sharply growing demand for 'm-limit', one of the price plans developed by mobilcom to protect younger customers in particular from unexpectedly high mobile phone bills. At the same time mobilcom is the first provider to prepare for the launch of an exciting new service which will allow people to also use their mobile phones like walkie-talkies. These 'push-to-talk' services have already attracted millions of users in the US. mobilcom is now also launching this service in Germany.

Business segment fixed network/Internet confirms positive development
The business segment fixed network/Internet, managed by freenet.de AG, Hamburg, grew in all essential business areas in the third quarter and continued its positive development as a leading Internet telecommunications company in the third quarter 2004 as well. Despite the outlays involved, results before interest and taxes more than doubled to €19.5 million in the third quarter alone – an impressive achievement.

The mobilcom group is well-positioned in its two business areas, and the positive development is solidifying. For us, our success is also a motivation to confirm this upward course in the fourth quarter and to continue it in the business year 2005.

Dr. Thorsten Grenz
Chief Executive Officer

Michael Grodd
Member of the Executive Board

Consolidated Management Report

The Industry

Worldwide growth in the mobile telephony industry greater than forecast
In 2004 the number of worldwide mobile telephony users again grew faster than forecast by market researchers, passing the 1.5 billion mark in June this year. The market research firm EMC, which is part of the Informa Telecom Group, has predicted that by 2006 more than two billion people will use mobile phones. Previously experts had not expected this figure to be reached until 2008. Similarly, in September 2004 the market research institute Gartner raised its own forecast for total mobile telephone sales in 2004 from 620 million to 650 million. According to Gartner, in the 2nd quarter of 2004 alone global sales of mobile phones reached 156 million – 35 per cent more than in the same quarter of 2003.

Seven per cent German market growth to September
In Germany too the mobile telephony industry's dynamic growth continued. In the first nine months of 2004, the number of users nationwide rose by 7.0 per cent, from 64.8 million at the end of 2003 to 69.3 million by the end of September 2004. A good 49 per cent of these were contract customers, with just 50.3 per cent using prepaid cards. The high figure for gross new customers (13.2 million) chiefly reflects the number of customers changing their service provider. Given this readiness on mobile telephony users' part to change providers, ever more intensive customer retention efforts remain a high priority for all market participants. Experts are predicting continued rapid growth during the 4th quarter which could lead to the 70 million user mark being surpassed.

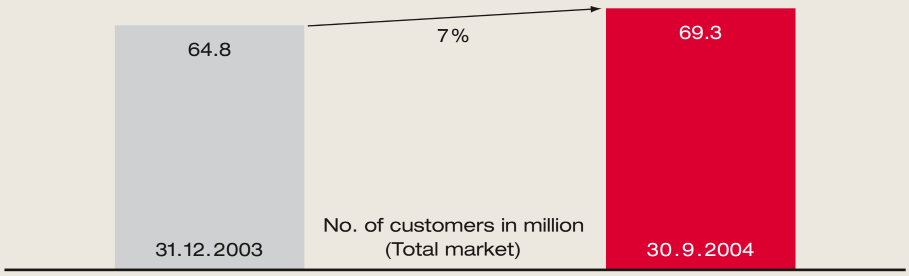
Not only user numbers but also turnovers are growing fast: a recent study by Dialog Consult GmbH, commissioned by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten, VATM), is expecting growth of almost ten per cent. The study, which was published on 7 October 2004, is forecasting 2004 mobile telephony services industry turnover of € 27.6 billion (2003: € 25.1 billion; survey by the Regulatory Authority for Telecommunications and Post (Regulierungsbehörde für Telekommunikation und Post). [Anm.: Auf ihrer Webseite nennt diese Behörde sich “Regulatory Authority for Telecommunications and Posts”, aber “Posts” ist inkorrekt.]

mobilcom market share of new contract customers rises to 10.2 per cent
In the first nine months of 2004 mobilcom significantly increased its market share, particularly of new customer business. At 9.6 per cent, our market share was more than twice as high as during the same period last year. Even compared to the seasonally strong 4th quarter of 2003, during which mobilcom registered 8.4 per cent of all new customers, the mobile telephony service provider gained further ground on its rivals. Particularly noteworthy is the rise to 10.2 per cent in the share of new contract customers gained

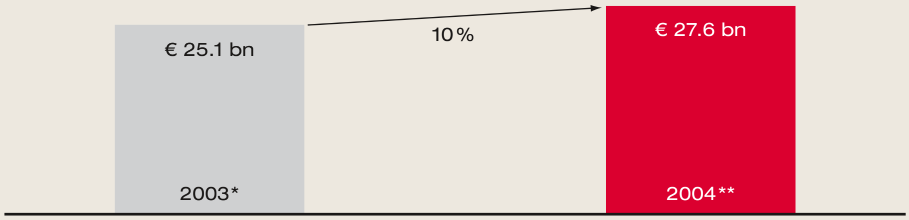
by mobilcom in the 3rd quarter of 2004. This is the highest figure since the 2nd quarter of 2002 and significantly exceeds our overall contract customers market share of 6.7 per cent. In prepaid business too mobilcom's market share of gross new customers exceeded the overall market share, at 7.3 per cent and 5.8 per cent respectively.

In the 4th quarter of 2004 mobilcom aims to achieve a market share of 9 to 10 per cent of overall new customer business.

Mobile market grows: Number of customers rises significantly



Revenue growth continues



* Source: Regulierungsbehörde für Telekommunikation und Post
** Source: VATM-estimates

Operational development: Group

Result	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q2 2004	Q3 2003	Q2 2003
Revenues in € million	1,411.8	1,350.7	477.5	466.6	450.9	446.9
EBITDA in € million	136.8	89.3*	40.1	43.6	37.4**	33.1
EBITDA (excl. UMTS) in € million		87.3*				31.1
EBIT in € million	87.4	33.7*	23.9	26.9	19.5**	14.1
EBIT (excl. UMTS) in € million		31.7**				12.1
EBT in € million	92.9	30.7**	26.3	28.7	19.2**	12.6
Consolidated result in € million	37.4	18.9*	11.0	10.3	14.8**	3.6
Earnings per share in €	0.57	2.49	0.17	0.16	2.43	0.05

The mobilcom group has achieved the best nine-monthly results in its history, despite major advance outlay by both the mobile telephony service provider and fixed network/Internet segments in preparation for strong revenue growth in 2005.

Nine-monthly comparison: best result in the mobilcom group's history

The mobilcom group registered a further rise in turnover to €1,411.8 million – 4.5 per cent higher than a year ago. The group's growth is due to a significant increase in sales in the mobile telephony service provider segment, which contributes 76% of mobilcom consolidated turnover and whose success more than compensated for a slight fall in fixed network/Internet turnover. Particularly encouraging is the marked improvement in all the key indicators: mobilcom's EBITDA of €136.8 million (Q1–Q3 2003: €87.3 million) represents the best nine-month result in the mobilcom group's history, while EBIT of €87.4 million left last year's figure of €31.7 million far behind, and the consolidated result virtually doubled to €37.4 million (Q1–Q3 2003: €18.9 million).

Nine-monthly comparison: revenue and cost structures further improved

As before, a vital success factor alongside turnover growth is the improved cost structure. The gross profit margin was 23.3 per cent, as against 22.1 per cent the previous year, while the material ratio has fallen correspondingly from 77.9 per cent to 76.7 per cent. At 11.7 per cent, other operating costs are slightly below last year's figure of 12.5 per cent (adjusted for the one-off effect of selling the UMTS infrastructure). The improvements in productivity also continued, with the personnel costs ratio falling to 5.3 per cent from a mean figure of 6.6 per cent the previous year. Meanwhile, personnel numbers in the fixed network/Internet segment rose as a result of expansion

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** Adjusted to exclude €145 million in profits from the sale of 3.75 million freenet shares.

there, but there were contrasting falls in the mobile telephony service provider segment as a consequence of the job cuts in this segment which took effect during the course of the previous year. At the end of the 3rd quarter of 2004, then, the mobilcom group employed a workforce of 2,970 – 353 more than at the end of the 3rd quarter of 2003. Thanks to productivity gains, the personnel costs ratio in the mobile telephony service provider segment fell from 5.2 to 4.4 per cent despite an 8.3 per cent increase in turnover.

Quarter on quarter comparison: increased turnover and improved results

The quarter on quarter comparison confirms the positive turnover and results trend, with consolidated sales reaching € 477.5 million in the 3rd quarter of 2004 as against € 450.9 million during the 3rd quarter of 2003. At € 361.9 million, the mobile telephony service provider segment accounted for roughly 76 per cent of consolidated turnover, as stable growth added € 25.5 million to the previous year's 3rd quarter figure, while fixed network/Internet turnover rose by €1.1 million. The mobilcom group thus surpassed the 3rd quarter of 2003, itself the best of that year, with EBITDA of € 40.1 million (Q3 2003: € 37.4 million), despite the high outlay on new business in the mobile telephony service provider segment and for DSL broadband customers in the fixed network/Internet segment. Quarter on quarter consolidated EBIT also rose, to € 23.9 million in 2004 (Q 3 2003: €19,5 million).

Strong financial position

At the end of the first nine months of 2004 the mobilcom group remains in an extremely strong financial position. Thanks to the sales proceeds from the previous year, the release of liquidity from the working capital and enduringly strong cash flow from current business activities of €199.2 million, the mobilcom group has healthy reserves of liquid funds totalling € 403.8 million (30 September 2003: € 281.3 million) despite distributing to shareholders a total dividend of € 26.3 million. Since the start of the year the mobilcom group has reduced its working capital by € 85.4 million, with the mobile telephony service provider contributing a disproportionate € 50.9 million to this improvement. At the end of the quarter our consolidated net financial assets totalled € 400.0 million (30 September 2003: € 260.0 million), and despite the dividend distribution of € 26.3 million, our equity ratio had reached the exceptionally high level of 57.9 per cent (30 September 2003: 53.4 per cent).

Mobile telephony service provider

Result	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q2 2004	Q3 2003	Q2 2003
Revenues in € million	1,067.7	986.3	361.9	357.4	336.4	328.6
EBITDA in € million	40.9	25.7	10.5	15.2	17.4	13.5
EBITDA as a percentage of sales	3.8 %	2.6 %	2.9 %	4.2 %	5.2 %	4.1 %
EBIT in € million	21.9	0.9	4.4	8.8	10.3	4.8
EBIT as a percentage of sales	2.1 %	0.1 %	1.2 %	2.5 %	3.1 %	1.5 %
Mobile telephony customers in million	4.3	4.1	4.3	4.2	4.1	4.2
of which contract customers in million	2.3	2.6	2.3	2.3	2.6	2.7
of which prepaid customers in million	2.0	1.5	2.0	1.9	1.5	1.5
Gross new customers in million	1.27	0.48	0.41	0.44	0.19	0.13
Monthly average revenue per user in €	20.6	21.7	20.4	20.8	23.2	22.0
of which per contract customers in €	31.4	29.8	32.5	31.5	31.9	30.1
of which per prepaid customers in €	6.9	6.6	6.4	7.4	7.9	6.6
EBITDA per mobile telephony customer in €	9.8	5.9	2.5	3.7	4.2	3.0
EBIT per mobile telephony customer in €	5.2	0.2	1.0	2.1	2.5	1.1

Growth in customer base: forecast for 2004 vindicated

The mobile telephony service provider segment has continued its positive progress and become increasingly dynamic. During the first nine months of 2004 both turnover and results were well up on the previous year, new customer business significantly surpassed last year's level and customer loyalty has steadily increased during the course of the year. As a result the customer base to the end of the 3rd quarter grew from 4.2 million to 4.3 million. The successful expansion of the distribution network coupled with new product launches has given business extra impetus, and as a result mobilcom is expecting the high rate of growth to persist during the 4th quarter, thus vindicating the upward revision during the 3rd quarter of our customer base forecast to 4.5 million, or around 300,000 more than the previous year. Despite the extra customer acquisition and retention costs inevitably associated with a stronger new business performance, mobilcom is continuing to forecast EBIT in the eight to €10 million range for the mobile telephony service provider segment. The growing customer base coupled with rising revenues provides a sound basis for continued growth and profitability in 2005.

Nine-monthly comparison: turnover up 8.3 per cent

At €1,068 billion, turnover during the first nine months was 8.3 per cent up on the previous year's figure of € 986 million. Turnover growth resulted both from the continuing growth in monthly average revenue per user (ARPU) plus the value-oriented expansion of the customer base. A comparison with the first nine months of 2003 shows a clear 5.4 per cent increase in contract customer ARPU to € 31.4 (Q1–Q3 2003: € 29.8), while prepaid customer ARPU was up 4.5 per cent on last year, from € 6.6 to € 6.9. Due to faster growth in the prepaid customer base than among contract customers, overall ARPU was € 20.6 (Q1–Q3 2003: € 21.70). However, high volumes and associated improvements in purchase conditions for prepaid bundles mean that prepaid business has become more attractive for mobilcom and should continue to grow in future, with the proportion of contract customers in our customer base stabilising at over 50 per cent.

Nine-monthly comparison: result sharply up despite major outlay on new business

All the key indicators demonstrate the profitability of the mobile telephony service provider segment. This is particularly impressive in view of the extra outlay on customer acquisition and retention. To 30 September 2004 mobilcom had registered 1,268 million new customers, more than 2 times as many as the 478,000 gained during the same period of 2003. Despite this excellent sales performance and the effect on the result of the associated customer acquisition costs, the gross profit of €151.0 million was just € 31.9 million down on the previous year. These noticeably higher contract customer acquisition costs with increasing volume represent an outlay which, coupled with the streamlined cost structure, has boosted our future profit potential. Our sound cost position, now well entrenched, has played a major part in improving mobilcom's nine-monthly results: at €110.1 million (Q1 – Q3 2003: €157.3 million), our overhead costs are 30.0 per cent down on last year. As a result, during the first nine months 2004 mobilcom spent just 10.3 per cent of turnover on overheads (Q1 – Q3 2003: 16 per cent). Another encouraging development has been the reduction in write-offs of customer debts: in 2003 mobilcom had to write off around three per cent, but during the first nine months of 2004 the figure fell to roughly two per cent. Also impressive is the progress mobilcom has made in improving its capital efficiency. Net working capital has fallen markedly by € 50.p million on 31 December 2003 to € 38.6 million today, and thanks to the excellent cost position EBITDA has risen to € 40.9 million, around 59 per cent up on last year's figure (Q1 – Q3 2003: € 25.7 million). EBIT has risen to € 21.9 million, as against just € 0.9 million for the same period last year, and the EBITDA and EBIT margins have both risen to respectable levels of 3.8 per cent and 2.1 per cent respectively.

Quarter on quarter comparison: new customer acquisition more than doubles

At € 361.9 million, turnover in the 3rd quarter of 2004 was 7.6 per cent higher than the previous year's figure of € 336.4 million, and year on year turnover trends are unswervingly positive: in what is traditionally the strongest quarter of the year, turnover per contract customer grew to € 32.5 from € 31.9 the previous year. However, turnover per prepaid customer was €6.4, down from €7.9 the previous year. This is due to the fact that, as a consequence of volume-related improvements in the price of prepaid bundles, lower-ARPU customers became attractive to mobilcom as well – without having to sacrifice contribution margin. The dynamic growth of new business continued in the 3rd quarter, as mobilcom registered 407,000 new customers, more than twice as many as in the same period of 2003 (189,000) and breaking the 400,000 mark for the fourth quarter in a row. Also impressive was the high number of new contract customers: 237,000 as against 88,000 in the 3rd quarter of 2003. Furthermore, for the first time this year the number of new contract customers was greater than the number of terminated contracts contract (192,000). mobilcom also increased its customer retention levels: after fluctuation of 411,000 customers in the 1st quarter and 391,000 customers in the 2nd quarter, in the 3rd quarter the mobile telephony service provider registered a figure of 286,000, the lowest for the current year. Due to increased investments in customer acquisition and retention, i.e., in our future profitability, the gross margin of €46.9 million was €21.9 million down on last year's figure of €68.8 million. Meanwhile, mobilcom has made further improvements to the cost structure: in the 3rd quarter of 2004 overheads were 29 per cent down, at €36.4 million as against €51.4 million in 2003. This helped to compensate for the expansion-related fall in gross margin. EBITDA was €10.5 million (Q3 2003: €17.4 million), and EBIT €4.4 million (Q3 2003: €10.3 million).

Contract customers: new business market shares reaches 10.2 per cent
In the 3rd quarter the mobilcom's new contract customers market share exceeded 10 per cent for the first time since the 2nd quarter of 2002. At 10.2 per cent, the figure not only eclipsed the contract customer market share in the 3rd quarter of 2003 (4.2 per cent), but was also well above our shares in the 1st and 2nd quarters of 2004 (8.0 per cent and 7.5 per cent respectively). Taken together with our prepaid business (7.3 per cent), overall 8.8 per cent of new customers chose mobilcom, as against our existing customer base's market share of 6.3 per cent. In the 3rd quarter of 2003 mobilcom registered an overall new business market share of just 4.7 per cent. This recent progress highlights the mobile telephony service provider segment's marketing strength, especially as mobilcom has achieved this impressive market success without having to compromise our new business profit expectations. For the first time in 2004, during the 3rd quarter the high number of new customers had a positive net effect on overall customer numbers. This is chiefly due to the increased emphasis on targeted customer retention measures which cut in at an early stage, leading to the lowest fluctuation levels for the current year. During the first half year mobilcom concentrated on reducing fluctuation in the important frequent caller segment, and these measures are now being extended to other user segments. Falling numbers of contract customers during the course of the

year have now stabilised at the 2.3 million mark, while numbers of prepaid customers have increased by 500,000 to two million since the 3rd quarter of 2003. This progress on the customer retention front will be sustained during the 4th quarter, allowing mobilcom to enter 2005 with a strengthened customer base of around 4.5 million.

Positive impetus through product innovation

Our progress in the fields of new business and customer retention is due not least to the success of a series of innovative offers. One example is the 'm-limit' price plan developed by mobilcom to protect customers, especially younger ones, from unexpectedly high mobile phone bills. The plan, which was presented at CeBIT in March 2004, meets the consumer protection groups' call for greater mobile phone billing transparency and control. m-limit combines the benefits of long-term contracts with lower standing charges with the full cost control of a prepaid contract, as well as an attractive range of phones. The plan involves a preset monthly payment limit of €15, 30 or 50 which cannot be exceeded. After reaching this limit the user will still be able to receive calls but not make them. This mobilcom price plan appeals to customers interested in rigid cost controls while also making an important contribution to consumer protection.

Elsewhere too our mobile telephony service provider segment is setting the pace: mobilcom is pioneering the German launch of a new and attractive service which will enable people to use their mobile phones as walkie-talkies. This service, known as 'Push-to-Talk', already has millions of users elsewhere in the world: in the USA alone, US market leader Nextel reports that Push-to-Talk services are used over 190 million times a day by its 12 million customers. In Germany, a wide-ranging mobilcom trial involving 200 mobile phone users tested the functionality and quality of the new service with highly promising results. Push-to-Talk allows the user to reach several recipients quickly and reliably. One push on the speak button and a message can be recorded. A 'Buddylist' then allows the user to select one or more recipients, and the spoken message is sent to them at the push of a button. A glance at the display before sending the message tells the user whether the recipients have their phones switched on. If desired, text can be added to the speech message, and at a later date it will be possible to add images and video sequences. The recipient of this kind of message immediately sees who else has received it and can send his or her answer to everyone in the group at the push of a button. Push-to-Talk will be a useful and economical alternative to expensive special radio services not only for private users but also for road haulier and courier service fleet management, taxi firms, on construction sites and for security and rescue services.

Expanding the sales network

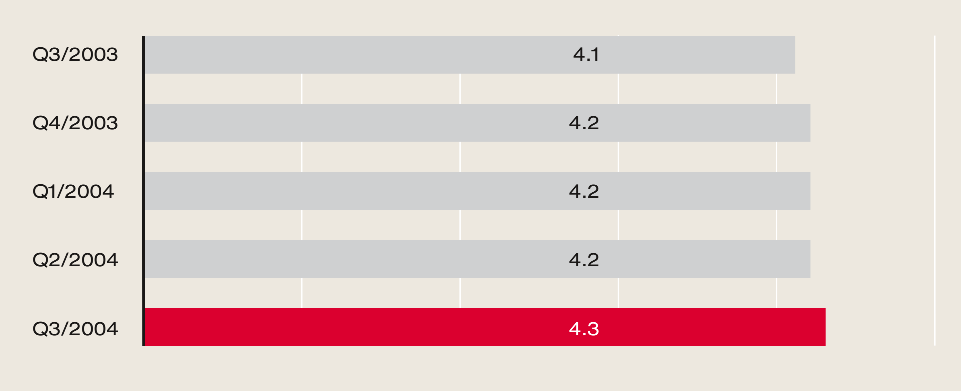
Customers acquired by mobilcom via our own store or the specialist retail trade make more phone calls on average than customers acquired via other sales channels. Accordingly mobilcom is expanding these sales channels, and by the turn of the year the service provider is planning to open up to 20 more stores (on top of the 204 trading as of 30 September 2004) while also further reinforcing sales via our retail partners (1,200 outlets to 30 September 2004). On top of this, in November mobilcom will be launching a new and considerably more user-friendly online shop (see page 24, Risk Report).

In the 3rd quarter mobilcom's retail presence was significantly strengthened via the addition of around 200 new outlets. Here the partnerships with two major speciality retail chains with altogether over 170 stores are important milestones. In the Berlin metropolitan area alone, mobilcom has become a major retail player with by now over 100 sales outlets. In addition we have opened two flagship stores, one in Berlin and the other in Düsseldorf. The outstanding locations of these stores make them ideally placed to present our customers with a comprehensive product range in attractive settings. When prospective customers pick up the model of their choice from the test counter in the stores, product information is automatically projected onto a screen, enabling mobilcom to present the mobile phone features quickly and clearly. All the sets and services can be tested, and with seating corners for individual advice plus several expert in-store consultants we are setting new standards in the mobile telephony industry. This is in line with mobilcom's new philosophy of focusing more sharply on customer needs and on delivering service and advisory expertise. A survey commissioned by mobilcom and conducted in July 2004 by the market research institute forsa found that 93 per cent of those asked value expert advice and 86 per cent value a vendor who devotes more time to them. Seventy-eight per cent expect to be able to test products and services in-store and that the vendor can provide them with expert advice on pricing. This flagship store philosophy of strict orientation to customer need is now transformed step by step to the entire mobilcom chain.

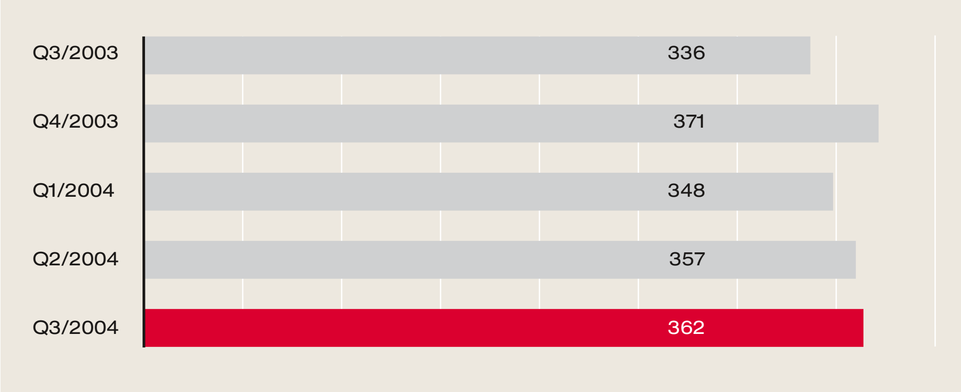
Outlook: growth forecast vindicated

Thanks to our sustained sales performance and the tangible success of our customer retention projects, mobilcom's customer base can be expected to grow strongly during the 4th quarter from 4.3 to 4.5 million customers (31 December 2003: 4,2 million customers). The high customer acquisition and retention costs associated with the profit-oriented growth strategy will be offset by strict cost discipline, and as a result mobilcom's forecast annual EBIT of between € 8 and 10 million (2003: € –19.3 million) remains unchanged. In conjunction with the streamlined cost structure, the significant increase in the customer base by the turn of the year will open up outstanding prospects for further mobile telephony service provider revenue increases during 2005.

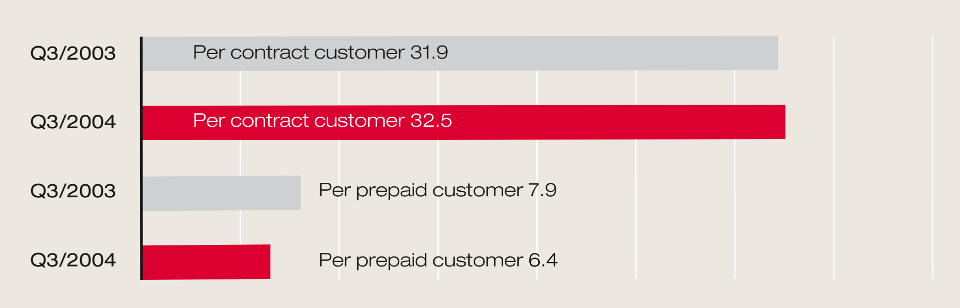
Mobile telephony service provider user numbers in million



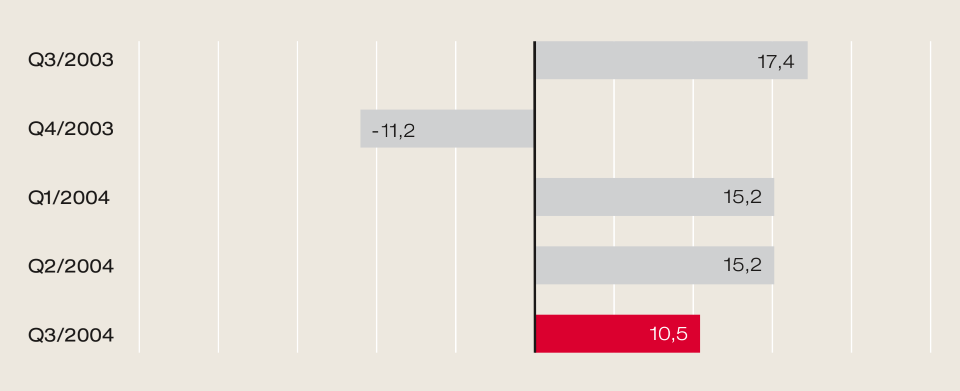
Mobile telephony service provider turnover in € million



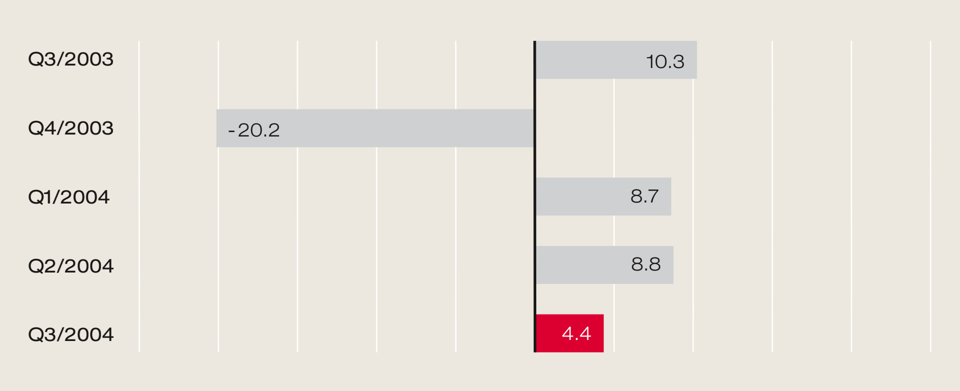
Monthly average revenue per user in €



EBITDA mobile service provider in € million



EBIT mobile service provider in € million



Fixed-line and Internet

Result	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q2 2004	Q3 2003	Q2 2003
Revenues in € million	344.0	364.4	115.6	109.2	114.5	118.3
EBITDA in € million	95.9	61.6	29.6	28.4	20.0	17.6
EBITDA of sales	27.9 %	16.9 %	25.6 %	26.0 %	17.5 %	14.9 %
EBIT in € million	65.5	30.8	19.5	18.1	9.2	7.3
EBIT of sales	19.0 %	8.5 %	16.9 %	16.6 %	8.1 %	6.2 %
Fixed network customers in million	3.6	1.9	3.6	4.3	1.9	0.9
Active internet households in million	3.8	3.7	3.8	3.7	3.7	3.8
Fixed network minutes sold, including internet, in billions	19.2	20.6	6.2	6.1	6.5	7.1

The fixed network/Internet segment, operated by freenet.de AG, Hamburg, experienced growth during the 3rd quarter in all its main lines of business, with DSL broadband, speech telephony and paid services now on the brink of the one million contract customer threshold. During the same period freenet has also made gains in the field of traditional narrowband Internet access. Meanwhile, Internet telephony and portal business, which bundles revenues from e-commerce and advertising, have also made positive progress.

Nine-monthly comparison: EBIT more than double

During the 3rd quarter of 2004 the fixed network/Internet segment confirmed its position as the leading Internet telecommunications enterprise. Though turnover fell slightly from € 364.4 million to 344.0 million, operating result (EBITDA) of the fixed-line/Internet operations rose by almost 56 per cent to € 95.9 million (Q1–Q3 2003: € 61.6 million), while EBIT more than doubled to €65.5 million (Q1–Q3 2003: € 30.8 million). Meanwhile, the EBITDA margin was an impressive 27.9 per cent, as against 16.9 per cent after the first three quarters of 2003.

Quarter on quarter comparison: turnover growth and improved margins

During the 3rd quarter of 2004 the segment registered slight quarter on quarter growth of € 1.1 million to € 115.6 million (Q3 2003: € 114.5 million), as well as achieving seasonally atypical turnover growth from the 2nd quarter of € 6.4 million. The EBITDA operating result was € 29.6 million, as against € 20.0 million in the 3rd quarter of 2003, while EBIT doubled to 19.5 million (Q3 2003: € 9.2 million). This is all the more noteworthy in view of the advance outlay made in connection with planned major growth in the customer base, which analogical led to increased sales and marketing costs. freenet is holding its own comfortably despite extremely fierce competition and correspondingly aggressive pricing in all segments. This is demonstrated by the improved margins compared to previous year's achieved by freenet on a total volume of fixed network minutes (including Internet) which is 1.4 billion down at 19.2 billion.

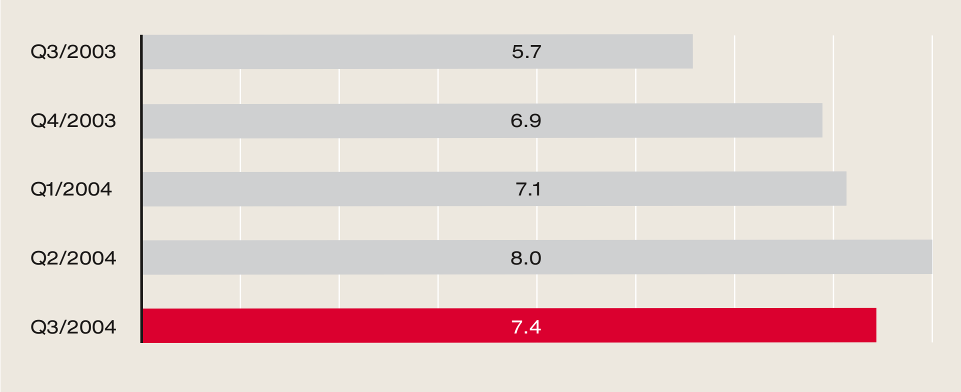
Further acceleration of growth

The broadband DSL market of the future has done particularly well, with accelerating growth. The telephony business has once again registered a new record turnover of €38.6 million (Q3 2003: € 33.7 million). Internet business also grew during the 3rd quarter by € 4.3 million to € 68.7 million (Q3 2003: € 73.7 million). In the third major field, portal business, freenet's turnover was € 8.2 million (Q3 2003: € 6.8 million), a figure which represents stabilisation at the high level registered in the 2nd quarter.

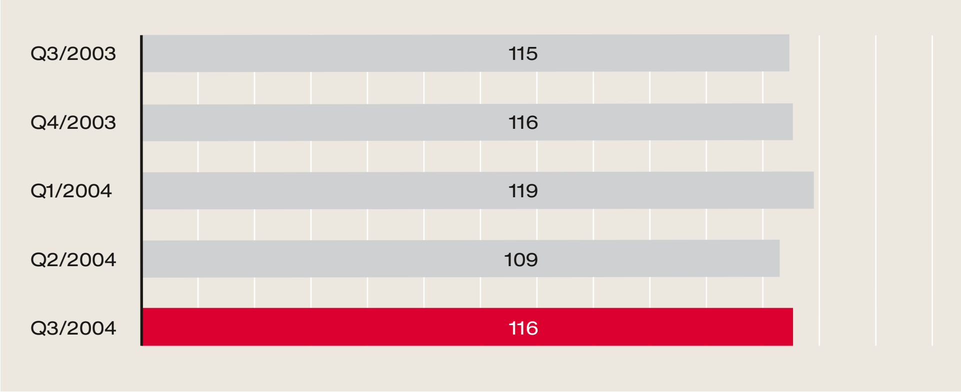
Freenet raised earnings forecast

mobilcom subsidiary freenet.de AG raised their earnings forecast for 2004 and now anticipates EBT between € 93 – 95 million .

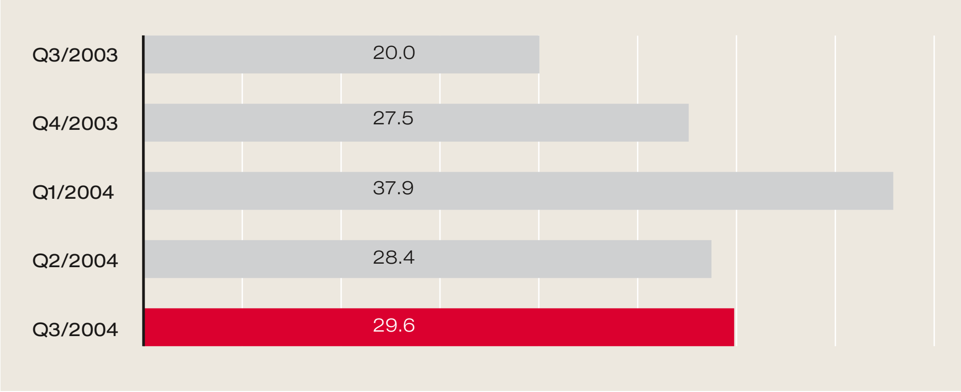
Fixed Network/Internet customer numbers in million



Fixed Network/Internet revenues in € million



Fixed Network/Internet EBITDA in € million



Analysis of the assets situation

To 30 September 2004 the mobilcom group's net financial assets rose to € 400.0 million (30 September 2003: € 260.0 million). These funds will be available to accelerate the growth of both our core lines of business, the mobile telephony service provider and fixed network/Internet. With an equity ratio of 57.9 per cent (30 September 2003: 53.4 per cent) and cash and cash equivalents of € 403.8 million (30 September 2003: € 281.3 million), mobilcom has improved its assets structure still further.

In comparison to 30 September 2003 the balance sheet total fell from € 979.6 million to € 906.0 million. On the assets side, the balance sheet value of the current assets to 30 September 2004 totalled € 720.0 million (30 September 2003: € 746.7 million). The fall in this balance sheet item as compared to 30th September 2003 is due to a major increase in the cash and cash equivalents (€ +122.5 million) and a € 32.5 million reduction in trade receivables due to improved accounts receivable management. This is a noteworthy success given that it has been achieved despite a significant increase in new business. The balance sheet value of the non-current assets on 30 September 2004 was € 186.0 million (30 September 2003: € 232.9 million). This change was chiefly due to use-related write-downs of property, plant and equipment (€ –35.7 million) and a reduction in deferred tax assets (€ –12.0 million).

On the liabilities side the reduction in the balance sheet total is chiefly due to the sharp fall in current liabilities to € 288.5 million (30 September 2003: € 375.6 million). Other current liabilities have fallen since last year by € 70.7 million to € 144.4 million, a reduction of 32.9 per cent, which was largely the result of a special effect in connection with the sale of the UMTS infrastructure. With a modest rise in trade payables to € 68.4 million (30 September 2003: € 41.5 million), provisions and accruals could be reduced by virtually 45 per cent, from € 76.7 million on 30 September 2003 to € 42.4 million. To the end of the third quarter 2003, the accrued liabilities were impacted by items related to the termination of the UTMS business. These accrued liabilities have meanwhile been completely discharged. The non-current liabilities fell by almost half to € 12.4 million (30 September 2003: € 25 million). This was due both to the reduction in deferred taxes (€ –8.4 million) and also the almost complete discharge of all our capital lease obligations (€ –4.0 million).

A comparison of non-current assets (€ 720.0 million) and non-current liabilities (€ 288.5 million) on 30 September 2004 reveals more than 2-fold excess cover. This sound assets situation is also manifest in the ratio of non-current assets (€ 186.0 million) to long-term capital (€ 617.6 million), representing more than three-fold excess cover.

Analysis of the financial situation

During the first nine months of 2004 the mobilcom group registered cash flow from current activities of € 199.2 million, up from € 29.5 million during the same period of 2003 and continuing the positive trend of the first six months of 2004 (€ +154.7 million). At € –16.0 million, cash flow from investment activities during the first nine months of 2004 confirms mobilcom's unchanged, revenue-oriented, balanced expansion policy. During the equivalent period of 2003 (€ +155.5 million), the gross proceeds of € 170.8 million from the sale of 3.75 million freenet shares had a distorting effect on the evaluation of operationally relevant investment activities, which remain virtually unaltered once the figures are adjusted to allow for this effect. Cash flow from financing activities was € –41.7 million, a negative figure which reflects the dividend payment of € 26.3 million, the € 8.4 million share buyback by freenet plus the repayment of capital leases to a value of € 6.4 million. In 2003 mobilcom paid off all its loans, thus registering a negative balance of €103.5 million. All in all, net cash flow of € 141.5 million during the first nine months of 2004 contrasts with an € 81.5 million change in cash and cash equivalents the previous year. The reason for the sharp rise in cash and cash equivalents is the impressive inflow from current activities, while all 2003 figures are influenced by net proceeds of € 145 million from the sale of 3.75 million freenet shares. On 30 September 2004 the mobilcom group had liquidity of € 403.8 million, as against € 281.3 million on 30 September 2003.

Analysis of the earnings situation

Analysis of the earnings situation in percentage of turnover	Q1–Q3 2004	Q1–Q3 2003	Q3 2004	Q2 2004	Q3 2003	Q2 2003
Gross profit	23.3 %	22.1 %	21.9 %	22.9 %	23.6 %	23.2 %
Material ratio	76.7 %	77.9 %	78.1 %	77.1 %	76.4 %	76.8 %
Personnel costs ratio	5.3 %	6.6 %	5.7 %	5.2 %	7.0 %	5.1 %
Other operating expenditure	11.7 %	22.7 %	11.4 %	10.9 %	13.2 %	40.6 %

While revenues grew compared to the same period of 2003 by 4.5 per cent to € 1,411.8 million, the trend towards strongly disproportionate growth in operating profits continued thanks to improved margins and across-the-board cost savings. As compared to the first nine months of 2003, the gross profit rose by € 30.8 million to € 328.7 million, representing a 1.2 per cent improvement in the gross profit margin to 23.3 per cent. Meanwhile, the personnel costs ratio fell to 5.3 per cent (Q1–Q3 2003: 6.6 per cent), and the portion of other operating expenses attributable to revenues fell to 11.7 per cent (Q1–Q3 2003, 12.5 per cent*). EBIT was € 87.4 million (Q1–Q3 2003: € 31.7 million**). After a positive interest result of €5.5 million, the pre-tax result improved to € 92.9 million (Q1–Q3 2003: € 30.7 million), and after the deduction of € 37.7 million taxes on income the net result was € 55.3 million (Q1–Q3 2003: € 20.1 million**). After taking minority and independent freenet shareholder interests into account, the consolidated result for the first nine months of 2004 was € 37.4 million (Q1–Q3 2003: € 16.9 million**).

* Adjusted to exclude one-time effects from the sale of UMTS infrastructure to E-Plus.

** Adjusted to exclude one-time UMTS effect and revenue of € 145 million from the sale of 3.75 million freenet shares.

Risk report

mobilcom has implemented an efficient risk management system as an integral part of its corporate governance systems. Following mobilcom's corporate risk management principles, commercial risks at mobilcom are identified and evaluated at the level of the individual operational units, and all risks are then incorporated into a global reporting system and classified according to their probability of occurrence and damage potential. The reporting system also covers the initiation and monitoring of countermeasures as well as their control and effectiveness.

The coordination and control of mobilcom's operational risks is the task of the Group's Controlling Department, while major projects and processes are monitored by special risk-oriented Controlling Units, supported by the relevant departments. This ensures that risk management is fully intermeshed with the controlling process. The ongoing development of the risk management system is an essential prerequisite for its effectiveness, and has been promoted by the appointment of a specific risk manager at mobilcom who regularly monitors both systems and individual risks to ensure compliance with our risk management policies and principles. The operational units frequently update the risk inventory, taking particular care to check whether risk expectations have changed and whether any loss or damage has occurred. Meanwhile, the Executive Board receives regular reports on developments in the risk situation and ensures that the Group's risk management system is continually adapted to changing circumstances. In addition, the risk manager delivers regular reports to the Supervisory Board, specifically the Control Board established by the Supervisory Board. This basic procedure goes beyond the requirements of the Corporate Control and Transparency Act (Gesetz über Kontrolle and Transparenz im Unternehmensbereich, KonTraG) and has been documented in a directive which lays down not only basic risk management principles but also reporting channels, responsibilities and boundaries for the classification of risks and also for ad-hoc reports to the Executive Board.

Risk profile typical for the sector

After the completion last year of the reorganisation and realignment process, essentially mobilcom is faced by the typical risks to which an established core business is subject, such as those relating to changes in the customer base and monitoring its creditworthiness. These also includes cost developments, the need for highly specialised personnel in certain positions, the efficiency of the technological infrastructure and general market risks such as the nature of the competition. In this respect the Executive Board does not currently foresee any risks developing which go beyond those inherent in normal business operations. The Group's liquidity remains excellent, and as a result mobilcom is well-placed to respond to changing market conditions, as well as being capable of absorbing unexpected risks.

Market and regulation

Currently, all network operators in Germany are obliged to enter into service provision contracts with service providers. This applies not only to the currently predominant GSM network but also to UMTS technology. Should this state of affairs change, for instance due to an EU directive, this could have a negative impact on the mobilcom Group's economic circumstances. However, the Executive Board currently sees no signs of any impending changes in the regulatory framework.

Tax risks

mobilcom companies have been subjected to tax audits unto 1999 onwards. However, for the years since 2002 taxes have been assessed, and additional tax payments could be required if the financial authorities arrive at different interpretations of tax regulations. Additional tax costs for the unaudited periods could arise if payments to Herr Gerhard Schmid or to enterprises controlled by him are classified in part as hidden profit distributions. Although the capital gains tax which would then accrue would actually be payable by the recipient of these payments, the worst possible case scenario is that mobilcom could be held liable. However, mobilcom is confident that all the tax declarations it has made are in conformity with the legal provisions in this respect. The same applies to restructuring measures not affecting the result, and in particular the mergers undertaken during the integration of the service provider business.

Residual risks from the Group's realignment

The realignment of the mobilcom group has involved huge changes, and it is impressive how the main challenges have been overcome. However, the winding up of the UMTS network operator business and the restructuring of service provider business mean that the risk report includes residual risks, but in the Executive Board's view these will not have any long-term effect on the group's assets, financial or revenue situation. These risks include legal disputes in relation to alleged claims under the MC Settlement Agreement, the contesting of AGM resolutions and Supervisory Board decisions and residual risks from the winding up of the Comtech companies.

The EU Commission's decision on the guarantees

The EU Commission has classified the federal and state guarantees of a €112 million loan granted in December 2002 as 'restructuring aid', and approved them accordingly. However, the EU Commission linked this approval to an order to close the online shop for seven months, and as mobilcom is taking legal action to contest this decision the legal validity of the EU order remains unresolved.

Employees

No. of employees at the end of the period	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Mobile telephony service provider	1,568	1,580	1,595	1,603	1,652
Fixed network/Internet	1,402	1,336	1,195	1,087	923
UMTS	0	0	0	3	42
	2,970	2,916	2,790	2,693	2,617
Average for period	2,948	2,890	2,772	2,653	2,669

The group: decreasing personnel costs

Despite expansion-related personnel increases at freenet.de AG, personnel costs within the mobilcom group in the first nine months of 2004 fell compared to the same period of 2003, from € 88.8 million to € 75.4 million, and during this same period the personnel costs ratio fell from the mean 2003 figure of 6.6 per cent to 5.3 per cent, a testament to the mobilcom group's high productivity. Considering the 3rd quarter of 2004 in isolation, quarter on quarter personnel costs fell from € 31.5 million to € 27.2 million and the personnel costs ratio from 7.0 per cent to 5.7 per cent. As a result of expansion-related job creation within the fixed network/Internet segment, at the end of the 3rd quarter of 2004 mobilcom employed a workforce of 2,970 – 353 more than on 30 September 2003.

Mobile telephony service provider: big productivity increases

In the mobile telephony service provider segment, more efficient working practices have led to increased productivity and reduced personnel requirements. As a result, on 30 September 2004 the mobile telephony service provider employed 1,568 personnel, 84 less than a year previously, and the mean number of people employed during the first nine months of 2004 was 1,581 – 418 less than the figure for the same period of 2003. As a result, during the first nine months of 2004 the segment registered significantly lower personnel costs of € 47.1 million (Q1 – Q3 2003: € 51.2 million). Thanks to improved productivity, an 8.3 per cent rise in turnover was accompanied by a fall in the personnel costs ratio from 5.2 auf 4.4 per cent, and mobilcom will endeavour to maintain the personnel costs ratio at the level now reached. During the third quarter personnel costs were € 16.8 million (Q3 2003: € 16.6 million), while the personnel costs ratio had fallen to 4.7 per cent (Q3 2003: 4.9 per cent).

Fixed Network/Internet: new personnel for growth drive

Due to expansion, freenet.de AG has significantly increased personnel numbers. On 30 September 2004 the company employed a workforce of 1,402 – 479 more than on 30 September 2003. On average during the first nine months, 1,289 people worked for freenet, 380 more than the figure for the same period of 2003. Despite this, personnel costs during the first nine months of 2004 fell to € 28.3 million (Q1 – Q3 2003: € 36.9 million). With a 5.6 per cent reduction in turnover, the personnel costs ratio fell from 10.1 to 8.2 per cent. Absolute personnel costs during the third quarter reached their highest level of 2004 at €10.4 million (Q3 2003: €14.8 million), while the personnel costs ratio was 9.0 per cent (Q3 2003: 12.4 per cent). Both the 2003 and 2004 figures are affected by provisions for the share option scheme and also by premium and bonus payments to employees.

Strategy

Group strategy

mobilcom is ever-present in the German telecommunications market thanks to its twin pillars of mobile telephony and fixed network/Internet. The mobile telephony services are provided by mobilcom itself, while the fixed network speech telephony and Internet access segment is managed by our subsidiary freenet.de AG. mobilcom concentrates on the private user market and also selectively on sole traders and small to medium-sized businesses. The mobilcom group has a very sound financial base allowing it to make the necessary investments when attractive growth opportunities in the telecommunications market present themselves. However, the available funds will only be invested when the investment opportunity stands up to the most stringent scrutiny of its potential profitability.

Mobile telephony service provider business strategy

The mobile telephony service provider segment is pursuing a profit-oriented growth strategy, with long-term profit growth being given priority over short-term maximisation of results. The most important factors in the development of a successful mobile telephony business are targeted customer acquisition and retention measures coupled with the stabilisation of average revenue per user.

Against a background of intense competition and the readiness of mobile telephony users to change providers, active customer retention is becoming ever more important. In response mobilcom has developed a comprehensive philosophy for the long-term retention of the customer base known as customer lifecycle management. On top of this mobilcom is expanding its range of services and differentiating itself from its rivals via innovative services and products such as m-limit, pure and Push-to-Talk. One advantage of the new Telecommunications Act is its acknowledgement of the fact that service and infrastructure competition are equally important for the promotion of competition and innovation, thus reinforcing the long-term sustainability of the service provider business model. Mobile telephony service providers can benefit from this acceptance of service competition by developing simple and user-friendly products. Products such as UMTS data cards, which are attractive but require explaining, need to be brought to the customer via a network of specialist stores and retailers employing suitably qualified staff, all the more so given that the average monthly revenue yielded by this user group is enticingly high. This realisation is borne out by a survey commissioned by mobilcom and conducted by the market research institute forsa: what people want is expert advice, sales staff who take time over their customers, and the chance to test products in-store. Enterprises wishing to succeed in future as service providers will have to satisfy these demands. Accordingly mobilcom is busily expanding its network of stores and retail partners, especially in view of the fact that new customers acquired via this sales channel make more telephone calls and show greater customer loyalty than direct marketing customers. The newly opened mobilcom flagship stores in Berlin and Düsseldorf will serve as models in which new philosophies are tested and transferred step by step to the entire mobilcom chain.

Alongside the qualitative and quantitative expansion of the customer base, another pillar of our profit-oriented growth strategy is the continuous boosting of productivity: internal organisational structures must be further optimised, costs reduced and risk management refined still further in order to allow the individual lines of business to concentrate ever more intensively on their own growth opportunities. By applying this strategy mobilcom aims to achieve continuous, sustainable revenue growth.

Fixed network/Internet strategy

The takeover and expansion of mobilcom's fixed-line network has made freenet.de AG one of the leading Internet telecommunications enterprises and put in place all the preconditions for it to profit from the anticipated merging of data and speech communication via IP-based networks. IP technology offers more than just broadband Internet access, it also opens up the opportunity of making phone calls over the Internet, not only delivering the desired growth in the fields of fixed-network telephony and DSL broadband Internet access but also extra profit potential. On top of this, the cost advantages to freenet of having its own fully-developed network infrastructure mean that the company is in an outstanding competitive position in an environment where cut-throat pricing prevails. In this connection the strategic importance of new broadband business must not be underestimated, for it is here that freenet.de AG is currently investing in its future revenue growth.

Outlook

Growth forecast vindicated

In 2004 balancing growth and profitability remained the order of the day. In the mobile telephony service provider segment, mobilcom expanded its customer base and sales network along profit-oriented lines. In view of the sustained high level of sales performance, coupled with the tangible success of our customer retention projects, during the 4th quarter further growth is planned from 4.3 to 4.5 million customers (31 December 2003: 4.2 million). The customer acquisition and retention outlay associated with this profit-oriented growth strategy has been offset by strict cost discipline, and as a result mobilcom's annual EBIT forecast remains unchanged at between € 8 and 10 million (2003: € –19.3 million). Combined with the streamlined cost structure, this significant increase in the customer base by the end of the year will give mobilcom outstanding prospects for further revenue growth during 2005.

The fixed network/Internet segment's revenues have progressed according to plan, and accordingly the Executive Board is expecting a positive consolidated result clearly exceeding the 2003 level (EBIT before extraordinary items: € 41.6 million) – especially in view of the fact that mobilcom's subsidiary freenet.de AG has just raised its own result forecast for EBIT by € 3–5 million to € 93–95 million.

Supplementary Report

Admission to trading for France Télécom's mobilcom shares
Six-month lockup period

On 22 October 2004 mobilcom AG, Schleswig, was notified by the German Stock Exchange of the admission to trading of the mobilcom shares held by France Télécom. France Télécom holds 18.6 million shares, or 28.3 per cent of mobilcom's total share capital. These shares were not previously admitted for trading. France Télécom has undertaken to meet the costs associated with the admission, and is also bound by contract with mobilcom AG to observe a six-month lockup period after admission to trading before sales over the stock exchange will actually be permitted. The lockup period applies to France Télécom's entire holding. The shares have been listed since 25 October 2004 under the new ISIN DE 000A0A8F89.

Consolidated interim financial statement to 30 September 2004
Consolidated balance sheet

Assets In €' 000s	30.09.2004	31.12.2003	30.09.2003
Current assets			
Cash and Cash Equivalents	403,756	262,287	281,267
Short-term Investments/Marketable securities	0	0	0
Trade account receivables	166,823	205,512	199,357
Accounts receivable due from related parties	0	0	0
Inventories	18,066	29,639	18,978
Deferred tax assets	n/a*	n/a*	n/a*
Prepaid expenses and other current assets	131,360	156,736	247,076
Total current assets	**720,005**	**654,174**	**746,678**
Non currrent assets			
Property, plant and equipment	70,236	90,866	105,945
Intangible assets	51,176	50,304	49,887
Goodwill	35,376	43,815	36,902
Investments	319	319	319
Investments disclosed according to the equity method	1,141	387	0
Notes receivables/loans	1	1	11
Deferred taxes	27,793	45,453	39,822
Other assets	0	0	0
Total non current assets	**186,042**	**231,145**	**232,886**
Total assets	906,047	885,319	979,564

* n/a: In accordance with the structured quarterly reporting standards related to IFRS, no figures to be given for short-term deferred tax assets.

Liabilities and shareholder's equity in €' 000s	30.09.2004	31.12.2003	30.09.2003
Current liabilities			
Current portion of capital lease obligation	2,829	8,518	13,026
Short term dept and current portion of long-term debt	111	42	3,314
Trade account payable	68,405	93,448	41,519
Accounts payable due to related parties	0	0	0
Advanced payments received	15,699	16,186	11,114
Accrued expenses	42,385	21,720	76,745
Deferred revenues	14,013	11,102	13,821
Income tax payable	0	0	0
Deferred taxes	n/a*	n/a*	n/a*
Other current liabilities	144,421	132,472	215,126
Prepaid expenses	616	847	935
Total current liabilities	**288,479**	**284,335**	**375,600**
Non current liabilities			
Long-term debt, less current portion	520	622	623
Capital lease obligations, less current portion	233	933	4,281
Deferred revenues	0	0	0
Deferred taxes	11,628	16,372	20,035
Pension accrual	25	25	25
Total non current liabilities	**12,406**	**17,952**	**24,964**
Minority interest	80,167	62,713	55,575
Shareholders' equity			
Share capital	65,702	65,702	65,702
Additional paid-in capital	287,730	294,146	294,146
Revenue reserve	36	36	36
Treasury Stock	0	0	0
Foreign currency conversion differences	0	0	-359
Retained earnings	171,527	160,435	163,900
Accumulated other comprehensive income/loss	0	0	0
Total Shareholders' equity	**524,995**	**520,319**	**523,425**
Total Liabilities and Shareholders' equity	906,047	885,319	979,564

* n/a: In accordance with the structured quarterly reporting standards related to IFRS, no figures to be given for short-term deferred tax assets.

Consolidated income statement
to 30 September 2004

In €' 000s	9-month-report I–III/2004 01. 01. 2004– 30. 09. 2004	9-month-report I–III/2003 01. 01. 2003– 30. 09. 2003	Quarterly report III/2004 01. 07. 2004– 30. 09. 2004	Quarterly report III/2003 01. 07. 2003– 30. 09. 2003
Revenues	1,411,784	1,350,700	477,462	450,919
Other operating income	46,226	416,767	15,612	166,950
Changes in inventories of finished goods and work in progress	0	0	20	0
Production for own fixed assets capitalized	2,717	218	1,113	86
Cost of purchased materials and services	- 1,083,127	- 1,052,810	- 372,802	- 344,512
Personnel expenses	- 75,408	- 88,814	- 27,190	- 31,518
Depreciation and amortization of tangible and intangible assets	- 40,525	- 48,827	- 13,174	- 15,453
Depreciation and amortization of goodwill	- 8,864	- 6,813	- 2,955	- 2,458
Other operating expenses	- 165,850	- 306,908	- 54,403	- 59,455
Other taxes	- 70	- 65	- 45	- 63
Operating result	**86,883**	**263,448**	**23,638**	**164,496**
Interest income	6,742	3,636	3,068	1,612
Interest expenditure	- 1,210	- 91,349	- 697	- 1,955
Income from investments and participations	0	0	0	0
Share of result from investments accounted for using the equity method	497	0	307	0
Foreign currency exchange profits/losses	0	0	0	0
Other income/expenditure	0	0	0	0
Result before income taxes (and minority interest)	**92,912**	**175,735**	**26,316**	**164,153**
Income taxes	- 37,659	- 8,659	- 8,992	- 3,255
Extraordinary income/expenditure	0	0	0	0
Result before minority interest	**55,253**	**167,076**	**17,324**	**160,898**
Minority interest	- 17,880	- 3,176	- 6,302	- 1,094
Net income	**37,373**	**163,900**	**11,022**	**159,804**
Net income per share (basic) in €	0.57	2.49	0.17	2.43
Net income per share (diluted) in €	0.57	2.49	0.17	2.43
Weighted average shares outstanding (basic)	65,702	65,702	65,702	65,702
Weighted average shares outstanding (diluted)	65,703	65,702	65,703	65,702

Consolidated statement of cashflows to 30 September 2004

In €' 000s		9-month-report I–III/2004 01.01.-30.09.2004	9-month-report I–III/2003 01.01.-30.09.2003
Result before income taxes		92,912	175,735
Adjustments:			
+	Depreciation on items of fixed assets	49,389	55,640
+/-	Increase/Decrease in provisions	20,665	- 223,172
./.	Interest income	- 6,742	- 3,636
+	Interest expenses	1,210	91,349
./.	Non-payment addition to taxes provisions	-21,336	-355
+	Other non-payment income	353	25,976
+/-	Loss/Profit on disposals of fixed assets	448	- 1,906
+	Decrease of inventories, trade receivables and other assets not attributed to investing or financing activities	77,116	315,908
./.	Decrease of trade payables and other liabilities not attributed to investing or financing activities	- 11,552	- 286,763
./.	Profit from the disposals of states in subsidiaries	0	- 144,992
+	Receipts from the clearing of options	0	25,650
./.	Taxes paid	- 3,266	90
=	Cashflow from operating activities	199,197	29,524
+	Cash proceeds from disposals of tangible fixed assets	34	3,809
./.	Investments in tangible fixed assets	- 9,065	- 10,032
+	Cash proceeds from disposals of intangible assets	191	2,070
./.	Investments in intangible assets	- 12,377	- 14,046
+	Cash proceeds on disposals of non-current financial assets	0	46
+	Receipts from the disposals of subsidiaries	0	170,771
+	Interest receipted	5,264	2,893
=	Cashflow from investing activities	- 15,953	155,511
./.	Cash payments to company owners and minority shareholders	- 26,281	0
./.	Cash payments for acquisition of own shares by subsidiaries	- 8,372	0
+	Cash proceeds from issuing bonds/loans and short or long-term borrowings	0	50,502
./.	Cash repayments of bonds/loans and short or long-term borrowings	- 6,389	- 147,770
./.	Interest paid	- 700	- 6,254
=	Cashflow from financing activities	- 41,742	- 103,522
∑	Change in Cash and Cash equivalents	141,502	81,513
	Cash funds as of January, 1st	262,254	199,753
	Cash funds as of September, 30th	403,756	281,266

Segment reporting
1 January 2004 to 30 September 2004

	9-month-report (01.01.2004 – 30.09.2004)		
In €' 000s	Fixed Net-work/Internet	Cellular	Group
Third party sales	344,035	1,067,749	1,411,784
Segment results	95,402	40,870	136,272
Share of result of companies included in accordance with the equity method	497	0	497
Segment results EBITDA	**95,899**	**40,870**	**136,769**
Expenses/earnings not assigned			0
EBIT Segment result			136,769
Depreciation (excluding goodwill amortisation)	-24,762	-15,763	-40,525
Goodwill amortisation	-5,659	-3,205	-8,864
Segment results EBIT	**65,478**	**21,902**	
EBIT Group result			87,380
Net interest income			5,532
Profits or losses of ordinary operating activities/profits or losses before taxes			92,912
Taxes on income			-37,659
Group result			55,253
Minority interest			-17,880
Net result			**37,373**
Segment assets	332,458	542,433	874,891
Participations	319	0	319
Associated companies/Joint ventures	1,141	0	1,141
Assets, not assigned			29,696
Group assets			**906,047**
Segment liabilities	81,942	181,846	263,788
Minority interest			80,167
Liabilities, not assigned			37,097
Group liabilities			**381,052**
Additions to fixed assets	11,768	9,673	21,441
Additions to fixed assets, acquisitions	0	0	0
Additions to fixed assets, not assigned			0
Group additions to fixed assets			**21,441**

Segment reporting
1 January 2003 to 30 September 2003

In €' 000s	9-month-report (01.01.2003 – 30.09.2003) Fixed Net-work/Internet	Cellular	UMTS	Group
Third party sales	364,400	986,300	0	1,350,700
Segment results	61,595	25,717	86,784	174,096
Share of result of companies included in accordance with the equity method	0	0	0	0
Segment results EBITDA	**61,595**	**25,717**	**86,784**	**174,096**
Expenses/earnings not assigned				144,992
EBIT Segment result				319,088
Depreciation (excluding goodwill amortisation)	-27,168	-21,659	0	-48,827
Goodwill amortisation	-3,608	-3,205	0	-6,813
Segment results EBIT	**30,819**	**853**	**86,784**	
EBIT Group result				263,448
Net interest income				-87,713
Profits or losses of ordinary operating activities/profits or losses before taxes				175,735
Taxes on income				-8,659
Group result				167,076
Minority interest				-3,176
Net result				**163,900**
Segment assets	304,857	512,659	120,985	985,501
Participations	0	0	0	0
Associated companies/Joint ventures	0	0	0	0
Assets, not assigned				41,063
Group assets				**979,564**
Segment liabilities	75,028	164,478	120,051	359,557
Minority interest				55,575
Liabilities, not assigned				41,007
Group liabilities				**456,139**
Additions to fixed assets	21,680	2,399	0	24,079
Additions to fixed assets, acquisitions	8	0	0	8
Additions to fixed assets, not assigned				0
Group additions to fixed assets				24,087

Statement of changes in shareholders's equity to 30 September 2004

In €'000s	Share capital	Options on own shares	Capital-reserve	Revenue-reserves	Foreign currency conversion difference	Accu-mulated profit	Total
Balance as of 01.01.04	65,702	0	294,146	36	0	160,435	520,319
Dividends for 2003	0	0	0	0	0	-26,281	-26,281
Acquisition of own shares by subsidiaries	0	0	-6,416	0	0	0	-6,416
Group result	0	0	0	0	0	37,373	37,373
Balance as of 30.09.04	65,702	0	287.730	36	0	171,527	524,995
Balance as of 01.01.03	65.702	-64.890	320.762	36	-359	0	321,251
Clearing of options on own shares	0	64.890	-26.616	0	0	0	38,274
Group result	0	0	0	0	0	163,900	163,900
Balance as of 30.09.03	65.702	0	294.146	36	-359	163,900	523,425

Additional information

Order situation	See “Consolidated Management report” page 7ff.
Development of costs and prices	See “Consolidated Management report” page 7ff.
Research and development activities	See “Consolidated Management report” page 7ff.
Investments	See “Consolidated Management report” page 7ff.
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. 09. 2004	31. 12. 2003
Tranche V	4.00 %	15.05.2005	122.25	20,600	22,100
Tranche VI	4.00 %	15.05.2005	16.70	232,720	240,980
				253,320	263,080

Share options

	Duration	Additional payment per share in €	Maximum possible number of shares from conversions	
			30.09.2004	31.12.2003
Tranche 2001	11.11.2008	24.40	68,000	78,900
Tranche 2004	30.03.2011	20.51	460,705	0
			528,705	78,900

Revenue breakdown	See “Segment report” page 34	
Number of employees	To 30.09.2004	2,916 employees
Personnel changes on the Executive Board and Supervisory Board	Executive board: no changes Supervisory board: no changes	
Events of particular significance, which could effect business operations	See “Consolidated Management report” page 7ff.	
Interim dividends	No distribution	
Dividends paid	0,20 € dividend per share + 0,20 € special dividend per share	

Supplementary Notes in Accordance with IAS 34

1. The accounting policies used in the financial statements for the year ended December 31, 2003 were retained unchanged in the interim financial statements for the nine months ended September 30, 2004.
   A detailed description is given in the notes to the consolidated financial statements to December 31, 2003.

2. During the first nine months 2004, there were no unusual developments in relationship with associated persons and companies.

3. On May 19, 2004 the shareholders decided at the Annual General Meeting to grant a dividend of € 0.20 plus a bonus-dividend of € 0.20 per share. The dividends were paid on May 21, 2004.

4. By the partnership agreement of 24 August 2004, freenet.de AG, Hamburg, and RapidSolution Software AG, Karlsruhe, jointly founded air2mp3 GmbH, Karlsruhe. freenet.de AG holds 51 percent of the shares in air2mp3 GmbH. The purpose of this company is primarily the development, usage, licensing and marketing of software programmes for the recording and processing of image and sound data.

5. The interim financial report complies with International Financial Reporting Standards (IAS 34).

Corporate Bodies

Supervisory Board

Members

The members of the supervisory board are as follows:

- **Prof. Dr.-Ing. Dieter H. Vogel, Düsseldorf, businessman (Chairman)**
  Bertelsmann AG, Gütersloh (Chairman)
  Gerling Industrie Service AG, Cologne (Deputy Chairman)
  Wacker Construction Equipment AG, Munich (Chairman)
  WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main (Chairman)

- **Thorsten Delling, Büdelsdorf**
  mobilcom Communicationstechnik GmbH, Schleswig
  (Key Account Service Manager)

- **Dr.-Ing. Horst Dietz, Berlin**
  The Industrial Investment Council GmbH (IIC), Berlin
  (Chairman of the Management Board)
  ABB AG, Mannheim
  Bilfinger Berger AG, Mannheim

- **Ulf Gänger, Hamburg, businessman**
  Hela Gewürzwerk Hermann Laue GmbH & Co. KG, Ahrensburg
  (Deputy Chairman)
  Helm AG, Hamburg (Chairman)
  Navis Schiffahrts- und Speditions-Aktiengesellschaft, Hamburg
  (Chairman)
  Norddeutsche Affinerie AG, Hamburg
  Peter Cremer Holding GmbH & Co., Hamburg (Chairman)
  VON ESSEN KG BANKGESELLSCHAFT, Essen (Chairman)

- **Gabriele Hanrieder, Finsing**
  Christliche Gewerkschaft Postservice und Telekommunikation (CGPT)
  ('Christian Trade Union for the Postal Service and Telecommunications')

- **Helmut Holzer, Bessenbach**
  Christliche Gewerkschaft Postservice und Telekommunikation (CGPT)
  ('Christian Trade Union for the Postal Service and Telecommunications')

- **Ulrich Kalthoff, Neumünster, lawyer (Deputy Chairman)**
  mobilcom AG, Manager of the Legal Department

- **Dr. Hans-Peter Kohlhammer, Kulmbach**
  SITA SC, Cointrin-Geneva, Switzerland (CEO and Director General)
  Equant N.V., Amsterdam, Netherlands
  Fraunhofer-Gesellschaft zur Förderung der angewandten
  Forschung e.V.
  (‘Fraunhofer Society for the Promotion of Applied Research’)
  Munich (Member of the Senate)
  Fraunhofer Institut für Graphische Datenverarbeitung
  (‘Fraunhofer Institute for Graphics Data Processing’) (IGD),
  Darmstadt (Committee Chairman)

- **Andreas Neumann, Hamburg**
  freenet.de AG, Hamburg (Manager of Controlling and Investor Relations)
  Tourismus Agentur Schleswig-Holstein GmbH, Kiel

- **Christian Teufel, Kronshagen**
  mobilcom Communicationstechnik GmbH,
  Schleswig (Manager of Corporate IT Billing)

- **Klaus Thiemann, Düsseldorf, corporate consultant**

- **Prof. Dr. Helmut Thoma, Cologne, independent media consultant**
  Ad’LINK Internet Media AG, Montabaur
  freenet.de AG, Hamburg (Chairman)
  pepper technologies AG, Munich
  PrimaCom AG, Mainz, Deputy Chairman of the Supervisory Board
  Q1 Deutschland AG, Düsseldorf
  typhoon networks AG, Hürth (Chairman)
  Vemag Verlags- und Medien AG, Cologne

Supervisory Board

Committees

- **Members of the Arbitration Committee in accordance with § 27 Par. 3 of the Co-determination Law**
  Prof. Dr.-Ing. Dieter H. Vogel (Chairman)
  Ulrich Kalthoff
  Christian Teufel
  Prof. Dr. Helmut Thoma

- **Members of the Main Committee**
  Prof. Dr.-Ing. Dieter H. Vogel (Chairman)
  Ulrich Kalthoff
  Christian Teufel
  Prof. Dr. Helmut Thoma

- **Members of the Audit Committee**
  Ulf Gänger (Chairman)
  Gabriele Hanrieder
  Dr. Hans-Peter Kohlhammer
  Andreas Neumann
  The Executive Board

Executive Board

Members

- **Dr. Thorsten Grenz, Strande (Chairman)**
  Dr. Schmidt AG & Co., Berlin
  freenet.de AG, Hamburg

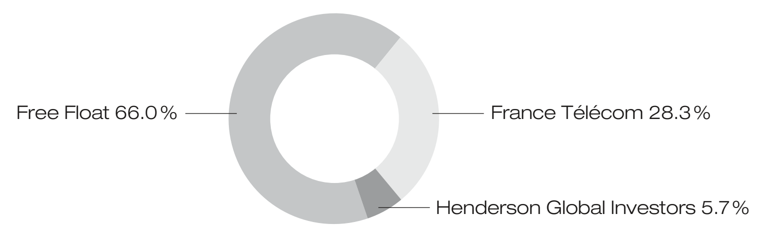
- **Michael Grodd, Munich (Sales and Marketing)**

Investor Relations Report

Quarter	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Number of shares	65,701,800	65,701,800	65,701,800	65,701,800	65,701,800
Listed shares	47,101,800	47,101,800	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 Cap at end of quarter	766,740,006	1,097,220,060	1,088,678,826	840,983,040	761,483,862
Average turnover per tracking day in XETRA	514,823	368,662	670,168	407,512	918,581
Order book turnover in XETRA	398,226,545	377,418,547	706,209,644	299,602,166	632,254,687
Earnings per share	€ 0.17	€ 0.16	€ 0.25	€ -0.05	€ 2.43
High	€ 16.67	€ 17.58	€ 19.55	€ 12.92	€ 13.25
Low	€ 8.90	€ 14.22	€ 13.29	€ 10.35	€ 7.10
Price on accounting date	€ 11.67	€ 16.70	€ 16.57	€ 12.80	€ 11.59

After the publication of the report on the first half year, mobilcom's management visited more than 20 British investors in London to discuss the business model, current topics and mobilcom's corporate strategy in face-to-face meetings with current and potential future investors. Then in September the management met more than ten US investors in New York to get to know them and increase direct contacts in the world's largest capital market. In both regions the investor response was very positive. Mobilcom's management does not regard relationships with the group's shareholders as a one-way street but rather as an opportunity to integrate the judgement of capital market experts into the continuing development of our corporate policies. Accordingly, management intends to further intensify its contacts with shareholders and regularly discuss current topics and developments.

Shareholder structure (30. Oktober 2004)



The mobilcom share's progress

In the 3rd quarter 2004 the mobilcom share was adversely affected by the sharp fall in the freenet.de share price from €23.50 to €14.37 (–39 per cent), itself falling 30 per cent from €16.70 at the end of June 2004 to €11.67 on 30 September 2004. Taking the price on 1 January 2004 (€13.29) as the starting point, the fall was 12.2 per cent. On 30 September 2004 the mobilcom group's market capitalisation was €767 million, and on the same day mobilcom subsidiary freenet.de AG's market capitalisation was just under €810 million.

Development of the share price index

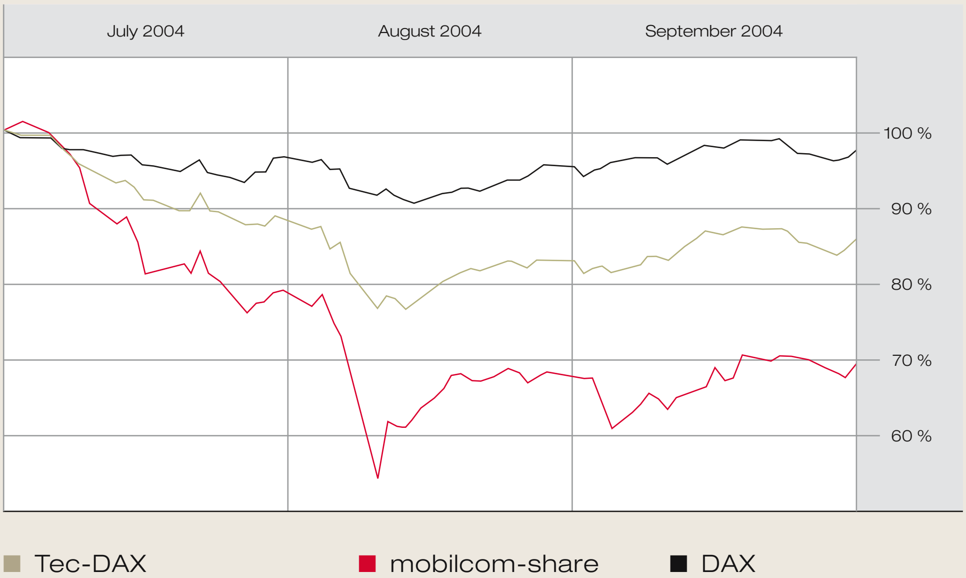
During the 3rd quarter the TecDAX fell by almost 14 per cent to 496 points, and during the same period the DAX fell by almost four per cent to close at 3,892 points.

Current analyst's recommendations as of 30th September 2004

Institution:	Recommendation:	Upside target:
Berenberg Bank	"Buy" (unchanged)	€ 16.0
Deutsche Bank	"Buy" (previously: "Hold")	€ 12.2
Dresdner Kleinwort Wasserstein	"Buy" (previously: "Add")	€ 14.0
DZ Bank	"Buy" (unchanged)	€ 21.0
ING BHF Bank AG	"Buy" (unchanged)	€ 16.0
Kepler Equities	"Buy" (unchanged)	€ 24.0
Landesbank Baden-Württemberg	"Buy" (unchanged)	N/A
Midas Research	"Hold" (unchanged)	€ 20.0
Sal. Oppenheim	"Neutral" (unchanged)	€ 18.0
SES Research	"Outperform" (unchanged)	€ 14.7
West LB	"Outperform" (unchanged)	€ 14.5

Share price development

Securities Identification Number: 662 240
ISIN-Code: DE 0006622400
Bloomberg/Reuters: MOB/MOBG.DE



TecDAX	mobilcom AG	DAX
High: 574,70 points	High: € 16,17	High: 4.035,02 points
Low: 438,92 points	Low: € 8,90	Low: 3.646,99 points

Financial Calender/Publications

Financial Calendar

23 May 2005
Annual General Meeting

17 March 2005
2004 Annual Report

Publications

This quarterly report is also available in German.

You will also find mobilcom annual and interim reports and all the latest information on the mobilcom AG website at www.mobilcom.de

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