

Interim report on the 3rd quarter 2005



mobilcom AG – Group Overview

Result	Q1–Q3 2005	Q1–Q3 2004 (adjusted ¹)	Q3 2005	Q3 2004 (adjusted ¹)	Q2 2005	Q1 2005
Third-party sales in € million	1,492.0	1,411.8	531.8	477.5	509.6	450.6
EBITDA in € million	146.2	138.0	37.3	49.8	51.7	57.2
EBITDA in € million (adjusted ²)	164.6		55.7			
EBIT in € million	104.9	88.6	24.2	33.7	36.6	44.1
EBIT in € million (adjusted ²)	123.3		42.6			
EBT in € million	110.8	94.1	26.4	36.1	38.5	45.9
Consolidated result in € million	69.6	55.9	16.0	23.1	25.3	28.3
Earnings per share in € ³	0.82	0.57	0.20	0.21	0.30	0.32
Balance sheet						
Balance sheet total in € million	1,053.4	909.3	1,053.4	909.3	1,040.9	974.1
Shareholder's equity in € million	655.2	600.2	655.2	600.2	648.7	638.9
Equity ratio in percent	62.2	66.0	62.2	66.0	62.3	65.6
Return on equity in percent	11.2	10.0	2.5	3.9	3.9	4.6
Return on capital employment in percent	11.5	10.6	2.5	4.1	3.8	5.0
Finances and investments						
Cash flow from operating activities in € million	168.2	199.2	49.5	44.5	63.2	55.4
Liquid funds on balance sheet date in € million	405.6	403.8	405.6	403.8	371.2	338.2
Depreciation and amortisation in € million	41.3	40.5	13.1	13.2	15.2	13.1
Investitionen in Mio. €	86.3	21.4	8.1	11.0	16.4	61.8
Net financial assets in € million	403.5	400.0	403.5	400.0	369.1	336.0
Customers						
Mobile telephony customers in million	4.65	4.33	4.65	4.33	4.55	4.51
Monthly average revenue per user in €	18.6	20.6	18.9	20.4	18.8	18.0
Active telephony customers in million	5.33	3.62	5.33	3.62	4.77	4.36
Active Internet access customers in million	3.64	3.80	3.64	3.80	3.71	3.87
Employees						
At end of quarter	3,585	2,970	3,585	2,970	3,519	3,429

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

2 Adjusted by €18.4 million one-off costs in Q3 2005.

3 Earnings per share are calculated by dividing the net profits/loss attributable to the shareholders by the weighted average number of ordinary shares in circulation during the period.

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1 Editorial

1.1 To our shareholders, business partners and customers

Dear shareholders, business partners,
customers and friends of mobilcom,

rarely in recent years has the German telecommunications market been so characterised by increasing movement and momentum. There is for instance a wave of consolidation evident throughout Europe, with company takeovers which will not avoid the German market. At the same time, more and more no-frills operators have been forcing their way onto the market with discount tariffs in recent months; they have not only been stirring up the existing tariff structure in the mobile telecommunications business and thus opening up new market segments, but have also been declaring war on fixed network telephony with low rates per minute.

In this context, the merger between mobilcom and freenet which was decided in the summer – and which has already commenced in management and in co-operation – is a vital step for assuring the future growth of our company:

- We offer all major telecommunications-related products and services from a single source to our more than 13 million customers – mobile telephony and fixed network telephony, broadband and narrowband web access, portal business and B2B solutions for the internet.
- We can achieve optimum pooling of our portfolio of products and services and bring them to our customers even more efficiently via our combined sales platforms and cross-selling.
- Through the merger we will create synergy effects for developing and selling new ranges of products and services, in administration, purchasing and the use of IT systems.
- After the merger we are concentrating available liquid assets and can take better advantage of the loss carry-forwards of mobilcom as an overall company.
- We are strengthening our position in the expected consolidation of the sector and, after completion of the merger, will become one of the heavyweights in the TecDax.

The current earnings situation in the group and in mobile telephony is increasingly positive – despite the one-off costs of €18.4 million which burdened our group net income last quarter and which will also burden overall net income in 2005. With total consolidated revenues of €531.8 million in Q3, EBITDA of €37.3 million failed to meet the corresponding previous-quarter figure of €51.7 million as a result of the merger related one-off costs in Q3 2005. As a result the EBIT also declined to €24.2 million from the previous quarter figure of €36.6 million. The Mobile Telephony Service Provider generated revenue of €350.2 million, EBITDA of €16.5 million and EBIT of €12.5 million. For the first nine months of this year, consolidated revenue amounted to approx. €1.5 billion, consolidated EBITDA was stated as €146.2 million and EBIT was reported as €104.9 million. The liquid assets in the mobilcom group of €405.6 million at the end of September enable us to continue to actively shape the growth market of telecommunications with forward-looking investments and acquisitions designed to boost value.

On the other hand, the current growth rates in the traditional core area of the business of mobilcom, namely mobile telephony, are not satisfactory yet. Although in the third quarter we saw the number of existing customers – after netting new customer gains with the corresponding customer losses – increase by approx. 0.1 million compared with previous quarters, we are currently still lagging behind the general market growth. During the past 18 months, we have seen our market share decline by approx. 10 percent. Without sufficient impact on the market, the profitability of our company is also at risk in the medium term. A company which is successful in the long term is characterised by the fact that it achieves a sustainable balance between growth and income.

Whereas in recent months and years the profitability of mobilcom enjoyed maximum priority – for understandable reasons – the aim in the next few weeks and months will be to achieve strong growth again. However, we will not have to excessively neglect the rediscovered profitability of our company. Customer acquisition costs money – particularly in the mobile telephony field. For this purpose, we shall have to make even more effective use of the skills and experience of our highly qualified employees in our profitable and high-margin contract customer business, and we will have to further streamline work procedures at mobilcom. We will also have to address the expanding discount segment with simple and inexpensive tariff models without extensive service and high sales costs. The fact that such commitment is profitable is demonstrated by the initial very positive sales figures of our discount tariff “klarmobil.de”, which we have been distributing since the end of September, also via the freenet.de portal. It is thus indeed possible for synergy to be generated by our merged companies.

We, the employees and management of mobilcom, will have to face major challenges in the course of the next few months; however, we will also be able to take advantage of major opportunities. We shall do our utmost to develop the major growth opportunities in the market and meet our planned earnings objectives. We are convinced that we shall again be successful. Because success, as Sophocles originally said, is the reward for hard work.



Eckhard Spoerr
Chief Executive Officer



Michael Grodd
Executive for Sales & Marketing

1.2 Investor Relations report

Data of mobilcom shares

ISIN	DE0006622400		
WKN	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	Q3 2005	Q2 2005	Q1 2005
Outstanding shares	62,416,710	62,416,710	62,416,710
Admitted shares	62,416,710	62,416,710	65,701,800
Share capital	65,701,800	65,701,800	65,701,800
Market value at end of quarter in € thousand	1,195	1,120	1,113
Average turnover of shares per trading day	373,488	419,823	414,891
Order book turnover XETRA in €	470,997,825	472,592,154	439,412,570
Earnings per share in € ¹	0.20	0.30	0.32
Year's high in €	21.00	18.90	18.55
Year's low in €	17.48	15.30	15.82
Price on reference date in €	19.15	17.95	17.84

¹ 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.

Performance of the share price

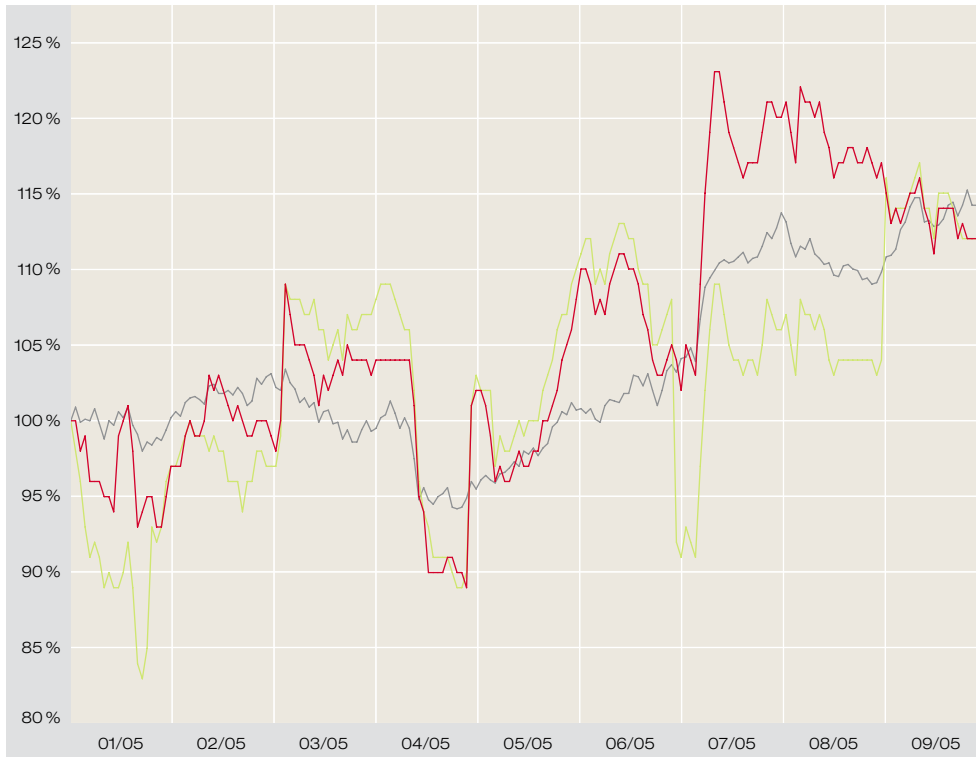
This year, mobilcom shares have benefited from the planned merger between mobilcom and freenet.de, and also from the success in meeting major milestones: Since the beginning of the year, the share price has risen from €16.70 (30 December 2004) to €19.15 at the end of Q3 2005 – a gain of more than 14 percent; most of the gain was achieved in the third quarter. The market capitalisation has consequently risen from approx. €1.1 billion to €1.2 billion.

Shareholders' meeting approved merger of mobilcom and freenet.de – actions for annulment of minority shareholders prevent the merger being registered

In July of this year, the Executive Boards of mobilcom and freenet.de supported by the Supervisory Boards agreed to develop into an even more powerful and competitive telecommunications provider. The new company is to offer all communications products in future from a single source, and will thus be able to better overcome the challenges of the market and take optimum advantage of growth opportunities. Approval of the shareholders of mobilcom and freenet.de at the corresponding shareholders' meetings were essential for the merger. This milestone was achieved on 24 and 25 August of this year respectively, with shareholder approval of almost 100 percent.

The next most important steps will be to prepare the listing prospectus of telunico holding AG as a newly formed umbrella company and to achieve subsequent approval for the company report by Deutsche Börse AG. The merger still has to be entered in the commercial register by the corresponding authorities before the prospectus is prepared and submitted to Deutsche Börse. Because mobilcom as well as freenet.de have received and nullity suits against the EGM resolutions which have been adopted, they will initially have to be clarified. We expect that the merger of mobilcom and freenet.de will have been entered in the commercial register within the 1st half of 2006.

Share price performance from 1 January to 30 September 2005



■ TecDAX

■ mobilcom

■ freenet

TecDAX performance index

High: 611.07 points

Low: 498.71 points

mobilcom AG

High: € 21.00

Low: € 15.28

freenet.de AG

High: € 23.98

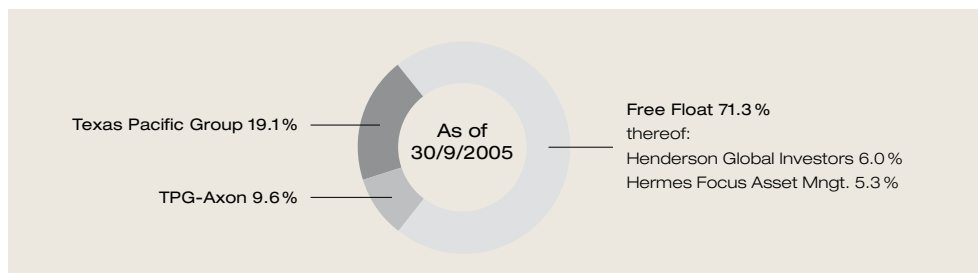
Low: € 15.95

Analyst forecast

Current analyst forecasts and target prices:

Bank/broker	Recommendation	Target price
Berenberg Bank	"Buy"	€ 25.00
BHF Bank	"Hold"	€ 17.30
Chevreux	"Outperform"	€ 17.80
Citigroup	"Buy"	€ 23.00
Deutsche Bank	"Buy"	€ 19.50
Dresdner Kleinwort Wasserstein	"Add"	€ 20.50
DZ Bank AG	"Buy"	€ 30.00
HypoVereinsbank	"Neutral"	€ 22.00
Kepler Equities	"Buy"	€ 29.00
Landesbank Baden-Württemberg	"Buy"	€ 25.00
Landesbank Rheinland-Pfalz	"Outperform"	€ 22.00
Metzler Equities	"Buy"	€ 22.50
Sal. Oppenheim	"Buy"	€ 23.00
SES Research	"Market performer"	€ 18.80
UBS AG	"Buy"	€ 20.60
West LB	"Outperform"	€ 21.50

Shareholder structure



2 Management report: financial report

2.1 The market

World-wide growth for mobile telephony

The mobile telephone is and will continue to be a major growth driver in modern industrial society. Throughout the world, more than two billion people are now using mobile telephones for conducting telephone calls, accessing multimedia and value added services, exchanging messages and images or as a constantly available digital camera. According to estimates of Nokia, this figure is expected to rise to three billion by the year 2010. The penetration rate is rising continuously. Approximately 80 percent of western Europeans already own a mobile telephone. For mobile telephony providers, this means growth in revenues: In the current year, the companies will generate revenues of around €150 billion in Europe alone – approximately 10 percent more than the corresponding previous year figure and more than twice as much as was the case in the year 2000.

Rising market shares also in Germany

This triumphant march of the mobile telephone is also demonstrated by a glance at the overall market of telecommunications in Germany. Whereas mobile telephony in 1998 accounted for €9.5 billion (21.5 percent of the overall telecommunications market), these figures have risen to €22.1 billion (approx. 35 percent) in 2004 – with total telecommunications revenues of €63.4 billion. Mobile telephony is likely to become even more attractive in future in view of the discount tariffs of the various operators which have commenced in recent months.

According to a current market analysis of VATM (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V.) and Dialog Consult GmbH, around 118 million connection minutes are sent from the mobile telephony networks every day this year – to the same or an external mobile network, to the German fixed network and abroad as well as to service-numbers (for instance 0137, 0180, 0190, 0700, etc.). Last year, this figure was still running at 102 million minutes per day, and the corresponding figure in 1998 was 22 million minutes. The share of data services (SMS, MMS and other data) in relation to service revenues continued to rise in 2005; MMS and data transmissions accounted for an above-average amount of overall growth. The number of mobile telephony connections or network users will considerably exceed 70 million this year, which is equivalent to market penetration of between 85 and 90 percent.

There is still enormous growth potential for mobile telephony even with such a high penetration rate; this is confirmed by a current study of the network operator O₂ concerning mobile phone use: According to this study, Germans occupy the penultimate position compared with other European countries, namely 75 voice minutes per month, just ahead of Poland with 74 telephony minutes. The leaders in this respect are the French with 215 call minutes per month, followed by the Danes with 156 minutes.

mobilcom market share: 6.7 percent

The number of existing customers at mobilcom increased in Q3 by 0.1 million to 4.65 million at the end of September. This is equivalent to a market share of 6.7 percent – compared with 6.9 percent in Q1 and 6.8 percent in Q2 2005. This means that the company has confirmed its position as the second largest Mobile Telephony Service Provider in Germany; however, it has continued to lose market share at present within the fiercely competitive environment. The aim in future will be to increase market share by boosting customer loyalty and further strengthening mobile telephony sales.

2.2 Company situation and development of business

2.2.1 Operational development: group

Result	Q1–Q3 2005	Q1–Q3 2004 (adjusted ¹)	Q3 2005	Q3 2004 (adjusted ¹)	Q2 2005	Q1 2005
Third-party sales in € million	1,492.0	1,411.8	531.8	477.5	509.6	450.6
EBITDA in € million	146.2	138.0	37.3	49.8	51.7	57.2
EBITDA in € million (adjusted ²)	164.6		55.7			
EBIT in € million	104.9	88.6	24.2	33.7	36.6	44.1
EBIT in € million (adjusted ²)	123.3		42.6			
EBT in € million	110.8	94.1	26.4	36.1	38.5	45.9
Consolidated result in € million	69.6	55.9	16.0	23.1	25.3	28.3
Earnings per share in € ³	0.82	0.57	0.20	0.21	0.30	0.32

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

2 Adjusted by € 18.4 million one-off costs in Q3 2005.

3 Earnings per share are calculated by dividing the net profits/loss attributable to the shareholders by the weighted average number of ordinary shares in circulation during the period.

Total revenues have continued to rise at the group level during the past nine months compared with the corresponding previous year period: Revenues have increased by 5.7 percent compared with 2004 to €1.49 billion, EBITDA has improved by 5.9 percent to €146.2 million and EBIT has risen by 18.4 percent to €104.9 million. With regard to the results, it has to be borne in mind that they were depressed by €18.4 million as a result of merger related one-off costs in Q3 2005.

Quarterly comparison: earnings depressed as a result of merger

Despite the increasingly fierce competition in all business segments with declining call and online charges, mobilcom was able to boost consolidated revenues in Q3 to €531.8 million – a gain of 4.3 percent compared with the previous quarter and 11.4 percent compared with the previous year quarter. The group is still very profitable with its operations: an EBITDA of €37.3 million (Q3 2004: €49.8 million) and EBIT of €24.2 million (Q3 2004: €33.7 million). It has to be borne in mind that one-off costs totalling €18.4 million were incurred in Q3 2005 in connection with the merger of mobilcom and freenet.de which depressed the earnings significantly. Without consideration of these one-off costs the underlying operating result (EBITDA) is €55.7 million and the operating EBIT €42.6 million.

Margin development

The consolidated gross profit margin in the first nine months of the year was 25.7 percent. Compared with the previous year, the gross profit margin has improved by 2.4 percent. The cost-of-materials ratio has declined accordingly from 76.7 percent to 74.3 percent. Other operating expense has risen from €165.9 million to €186.4 million mainly as a result of the acquisition of STRATO AG in the 1st half of 2005 and one-off costs in the 3rd quarter of 2005. The personnel expense ratio has increased from 5.3 percent to 7.1 percent. In Q3, personnel expenses increased additionally as a result of the valuation of stock options of freenet.de employees and management and also as a result of the severance payments made to Dr. Thorsten Grenz who stepped down from the Executive Board. The cash settlement of the freenet.de management stock options will be paid after registration of the merger according to the merger contract but was already expensed in the Q3 2005.

Liquid assets

At the end of September 2005, mobilcom had liquid assets of €405.6 million; an increase compared with the previous quarter by €34.4 million. Accordingly, the company is in a very strong position to expand its strong market position by investing in new products and also by way of further growth, and is also in an excellent position to actively participate in the consolidation process in the sector by way of acquisitions. The cash flow from operating activities declined by €13.7 million compared with the previous quarter to €49.5 million, but is thus higher than the corresponding figure for Q3 2004. A major part of the severance payment to Dr. Grenz resulted in an outflow of resources in Q3 2005. Working capital in the group improved since beginning of 2005 by €84.2 million to €39.5 million as per end of September 2005. Net financial assets amounted to €403.5 million at the end of September 2005, and were thus considerably higher than the corresponding figure for the previous quarter and also for Q3 2004. Shareholders' equity of €655.2 million has increased further compared with 30 June 2005 (€648.7 million) and 30 September 2005 (€600.2 million). The equity ratio of 62.2 percent is running at the level seen in the previous quarter.

2.2.2 Operational development: Mobile Telephony Service Provider

Result	Q1–Q3 2005	Q1–Q3 2004 (adjusted ¹)	Q3 2005	Q3 2004 (adjusted ¹)	Q2 2005	Q1 2005
Revenues in € million	995.4	1,067.7	350.2	361.9	333.8	311.5
Third-party sales in € million	990.1	1,067.7	348.2	361.9	333.0	308.9
EBITDA in € million	57.0	40.5	16.5	10.3	20.2	20.3
EBITDA as percentage of sales	5.7	3.8	4.7	2.8	6.0	6.5
EBITDA in € million (adjusted ²)	63.7		23.2			
EBITDA as percentage of sales (adjusted ²)	6.4		6.6			
EBIT in € million	45.8	21.6	12.5	4.2	16.7	16.6
EBIT as percentage of sales	4.6	2.0	3.6	1.2	5.0	5.3
EBIT in € million (adjusted ²)	52.5		19.2			
EBIT as percentage of sales (adjusted ²)	5.3		5.5			
Mobile telephony customers in million	4.65	4.33	4.65	4.33	4.55	4.51
of which contract customers in million	2.54	2.32	2.54	2.32	2.51	2.48
of which prepaid customers in million	2.12	2.02	2.12	2.02	2.05	2.03
Gross new customers in million	0.98	1.27	0.41	0.41	0.30	0.27
Monthly average revenue per user in €	18.6	20.6	18.9	20.4	18.8	18.0
of which per contract customers in €	28.9	31.4	29.6	32.5	29.1	27.9
of which per prepaid customers in €	6.1	6.9	6.0	6.4	6.1	6.1

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

2 Adjusted by €6.7 million one-off costs in Q3 2005.

In Q3 2005, mobilcom further boosted Mobile Telephony Service Provider revenues compared with the previous quarters: As a result of the increase in ARPU (Average revenue per User) in the contract customer segment and customer growth, these revenues increased by approx. 5 percent compared with Q2 2005 to €350.2 million. Exceptional costs of €6.7 million incurred in connection with the merger with freenet.de AG depressed the excellent earnings to a level below the high level seen in previous quarters. However, the adjusted operating results were impressive: EBITDA is €23.2 million (+125.2 percent compared with Q3 2004), EBIT is €19.2 million (+357.1 percent compared with the corresponding previous year quarter). For the first nine months of the year, cumulative revenues amounted to €995.4 million (-6.8 percent compared with the previous year period), EBITDA is stated as €63.7 million (+57.3 percent) and EBIT amounted to €52.5 million (+143.1 percent compared with the first three quarters of 2004).

Number of customers boosted by new products and tariffs

This year and increasingly in the course of recent weeks and months, the German mobile telephony market has been characterised by an increasing number of “no-frills” providers and discount tariffs. These “no-frills” offers involve virtually no subsidised mobile telephone purchases, and also do not provide any advice and service for the customer. The price erosion for call charges triggered off by the “no-frills” offers is increasingly addresses up a customer and market segment which has previously tended to avoid intensive mobile telephone use for cost considerations and instead preferred to use the fixed network for telephone calls.

In the first half of 2005, mobilcom has actively joined the more intense competition with its “price breaker” tariff family – for instance the “Discount-13 tariff” for normal-volume users and the “Discount-9.9 tariff” for high-volume users. In addition, the “always-one-price tariffs” which were also introduced in the spring provide not only an attractive new mobile phone but also excellent transparency with regard to the call charges which are incurred over 24 hours, irrespective of whether the customer telephones into the mobile or fixed network.

At the same time, mobilcom has in recent months further improved its products, service and added value services for demanding contract customers.

Some examples:

- “E-mail TO GO” permits a push-service with incoming emails equivalent to the Blackberry via many recent mobile phones; however, the charges are only half as high as is the case with the Blackberry.
- A new SMS info service provides extensive information concerning the current statement status of the customer in response to an SMS query.
- At www.mobilcom.de, almost all commercially available mobile phone models can be configured automatically for current mobile services such as MMS, WAP, email or internet access free-of-charge and at the click of a mouse.
- Since July 2005, the “activepilot” – the less expensive solution for low-volume navigators via mobile phones – which was started last year had been complemented by the “mobilcom navigator”. The “navigator” provides a low monthly flat rate as well as a so-called “offboard system” with high quality route details, pedestrian mode and integrated SMS and direct-dial function. For high volume users, mobilcom is now offering the MobileNavigator15, an onboard navigation system of the European market leader Navigon.

In the second half of September, mobilcom started “klarmobil.de”, a transparent and simple tariff which combines the advantages of a contract and prepaid product and with its call charges, it is one of the least expensive of the so-called discount tariffs.

In addition, the company has continued to expand its local customer presence: At the end of September, the numbers of mobile telephony shops have risen to 256. The opening of the 250th shop at the end of June meant that the company has already met its full-year target for 2005.

On this basis, mobilcom considerably boosted the number of new customers in the third quarter, namely by 115 thsd. to 412 thsd. at the end of September. This growth is broken down into 143 thsd. contract customers and 269 thsd. prepaid customers. However, 314 thsd. customers were lost at the same time, mainly because the prepaid packages acquired in the previous year were not recharged by the customers.

Quarterly result: increasing margins and high one-off costs due to the merger with freenet.de

In Q3 2005, revenues of €350.2 million declined compared with the previous year quarter (€361.9 million), namely by 3.2 percent. This is due to declining commission sales from signing up new customers. On the other hand, the trend in revenues continues to be positive in the current year: Compared with the previous quarter of €333.8 million, growth is running at 4.9 percent. Gross profit is also continuing to perform positively: It increased in Q3 2005 to €55.3 million, which is equivalent to a margin of 15.8 percent; the corresponding figures for the previous quarter were €48.5 million (14.5 percent), and the figures for Q3 2004 were €46.9 million (13 percent). Average revenue per user increased by €0.1 compared with the previous quarter to €18.9, although it declined by €1.5 compared with the equivalent previous year quarter. Contract customer ARPU increased to €29.6 (Q2 2005: €29.1) due to seasonal factors, whereas the average ARPU for prepaid customers declined to €6 (€6.1 in the previous quarter).

In Q3 2005, overhead costs increased appreciably to €39.4 million compared with €20.4 million in the previous quarter and €36.6 million in Q3 2004. This is due to the exceptional costs of €6.7 million incurred for the merger of mobilcom and freenet.de. In consequence, EBITDA has declined from €20.2 million in the previous quarter to the current figure of €16.5 million, although it has risen by approx. 60 percent compared with the equivalent quarter in 2004. EBIT has also declined compared with Q2 2005 from €16.7 million to €12.5 million, which is equivalent to a margin of 3.6 percent; compared with the previous quarter of 5 percent.

Nine-month comparison: declining revenues but increasing results

The current developments in Q3 2005 can be transferred to the previous performance so far this year: The number of customers is increased slightly, although the rate of growth is still slower than overall market growth. Total revenues and average revenues per user were lower than the corresponding figures for 2004 due to the lower level of new business and the decline in mobile telephony prices, whereas margins and earnings have increased due to further optimisation of overhead costs.

For the first three quarters, total revenues are stated as €995.4 million, a decline of 6.8 percent compared with the previous year. This is due to lower commission income as well as the discount tariffs which have been introduced during the year. Average revenues per user have declined from €20.6 to €18.6. This particularly re-

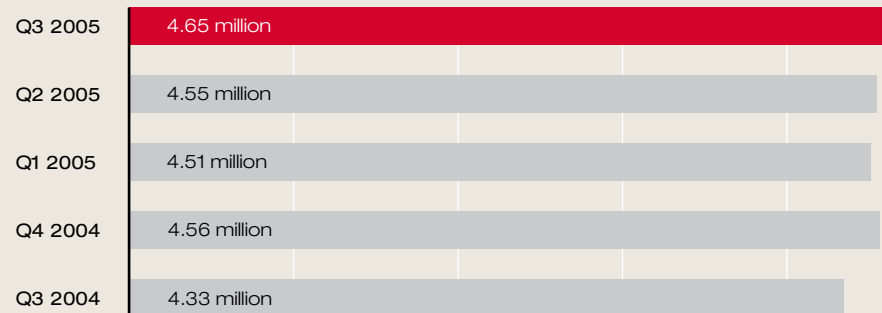
flects the decline in contract customer ARPU from €31.4 to €28.9, whereas ARPU for prepaid users has also declined, namely from €6.9 to €6.1.

Despite the increase in the third quarter, overhead costs this year have declined by approx. 11 percent from €110.4 million to €98.1 million despite the one-off costs of €6.7 million. EBITDA for the first nine months has also increased by 40.7 percent from €40.5 million to €57 million. At the same time, EBIT has improved by 112.6 percent from €21.6 million to €45.8 million.

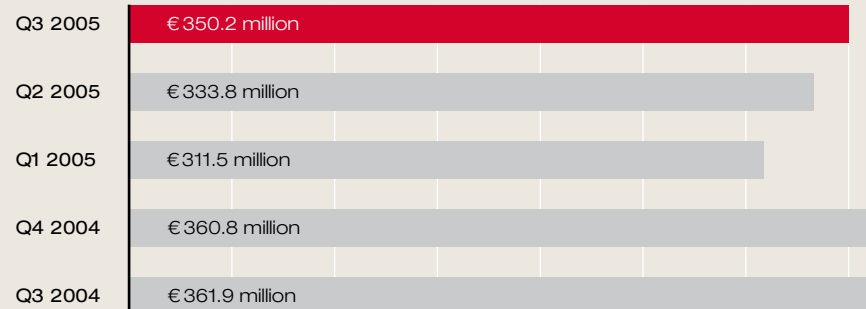
Outlook: stronger growth necessary

The main task of the next few months will have to be to achieve further strong growth in profitable contract customer business without significantly increasing customer acquisition costs at the same time. This is the way in which it will be possible to meet the EBITDA target of €66 million originally planned for the full year – although without taking account for the merger of mobilcom and freenet.de. This in turn means that considerable efforts and restructuring measures with rapid results will be essential in the course of the next few months.

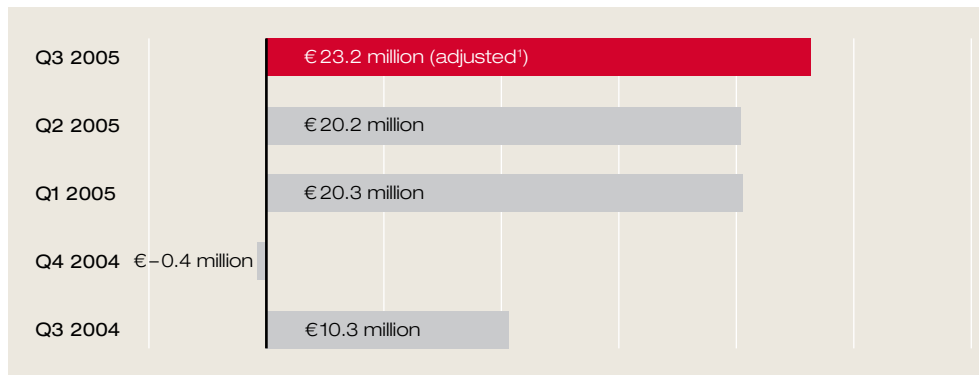
Number of Mobile Telephony Service Provider customers



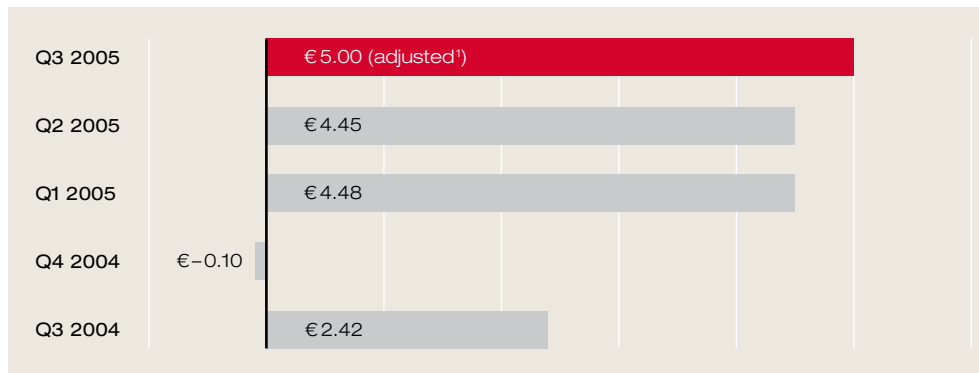
Mobile Telephony Service Provider sales



Mobile Telephony Service Provider EBITDA



EBITDA per customer



¹ Adjusted by €6.7 million one-off costs in Q3 2005.

2.2.3 Operational development: Fixed Line/Internet

Ergebnis	Q1–Q3 2005	Q1–Q3 2004 (adjusted ¹)	Q3 2005	Q3 2004 (adjusted ¹)	Q2 2005	Q1 2005
Revenues in € million	509.7	344.0	185.6	115.6	178.1	146.0
Third-party sales in € million	501.8	344.0	183.6	115.6	176.6	141.7
EBITDA in € million	89.2	97.5	20.8	39.5	31.6	36.8
EBITDA as a percentage of sales	17.5	28.3	11.2	34.2	17.7	25.2
EBITDA in € million (adjusted ²)	100.9		32.5			
EBITDA as a percentage of sales (adjusted ²)	19.8		17.5			
EBIT in € million	59.0	67.1	11.7	29.5	19.9	27.5
EBIT as a percentage of sales	11.6	19.5	6.3	25.5	11.2	18.8
EBIT in € million (adjusted ²)	70.7		23.4			
EBIT as a percentage of sales (adjusted ²)	13.9		12.6			
Fixed Line customers in million	5.33	3.62	5.33	3.62	4.77	4.36
Active Internet access customers in million	3.64	3.80	3.64	3.80	3.71	3.87
thereof DSL customers in thousand	605	265	605	265	525	465
Fixed network minutes sold, incl. Internet, in billion	18.22	19.12	5.84	6.15	5.93	6.45

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

2 Adjusted for one-off costs by € 11.7 million in Q3 2005.

The Fixed Line/Internet segment which is managed by freenet.de, has continued to expand in Q3 2005, and has been accompanied by still high profitability. Revenues again posted a record at €185.6 million in an environment which is becoming much more competitive. Before merger costs, EBITDA of €32.5 million is slightly higher than the corresponding previous quarter figure, despite the stronger DSL growth. A particularly positive aspect is that growth in DSL customers has been much better than originally planned at the beginning of the year. The continuous growth is also reflected in the number of employees of freenet.de, with an increase of 85 people to 2.048 in the third quarter.

Record revenues, excellent profitability

In Q3 2005, freenet.de generated record revenues of €185.6 million with its Fixed Line/Internet activities – a gain of 60.6 percent compared with the corresponding previous year quarter. Internet access accounts for most of these revenues (€77 million), followed by fixed network telephony and B2B services with €39.4 million and €39.9 million respectively and portal activities with €29.3 million. The two

latter segments in particular have benefited very much from the acquisitions of the STRATO group and Next ID GmbH (formerly: Talkline ID GmbH) which were completed in the first half of 2005: Portal activities have more than tripled compared with Q3 2004, and B2B services have expanded more than thirty times compared with the previous year quarter.

Gross profit has also increased, to €78.2 million; this is equivalent to a gross profit margin of approx. 42 percent. Despite the previous policy of achieving growth in an increasingly competitive environment characterised by falling online and call charges and reduced margins, freenet.de is still operating at a profit. This is confirmed by EBITDA of €32.5 million before exceptional costs of €11.7 million. After these costs have been deducted, EBITDA is stated as €20.8 million. For the first nine months, revenues of freenet.de amounted to €509.7 million, a gain of 48.2 percent compared with the equivalent previous year period.

EBITDA for the first nine months is €89.2 million, after deduction of the one-off costs in the third quarter. Without these one-off costs freenet.de has achieved operating EBITDA of €100.9 million. For the whole of 2005, freenet.de had predicted a target range of between €125 and €140 million for EBITDA before merger related one-off costs. The segment result is accordingly fully on track with earnings before interest, taxes, depreciation and amortisation and after the one-off costs after nine months.

Customer development: growth in DSL and telephony customers

In the field of internet access, the major players are facing the challenge of migrating existing users of the narrow band segment, which is declining throughout the country, to the rapidly expanding broadband segment, in other words to sign them up as permanent DSL customers. Freenet.de has so far been equal to this challenge – and indeed it has done so better than originally planned at the beginning of the year. At the end of September, 605 thsd. customers have decided to sign up with freenet.de, 80 thsd. of whom signed up in the third quarter alone; compared with the previous quarter with 60 thsd. new customers, this is equivalent to growth of one third. This performance has been achieved despite fierce price competition and high migration rates throughout the sector which also affected freenet.de in the third quarter. The acceleration rate of signing up new customers will also be a result of the more intense sales co-operation between mobilcom and freenet.de: the number of DSL new contracts increased six-fold in September compared with previous months in the company's own shop chain of mobilcom alone and will firstly support the DSL growth in Q4 2005. On the other hand, there has been a corresponding decline in the number of narrowband users to approx. 3 million as of the end of September.

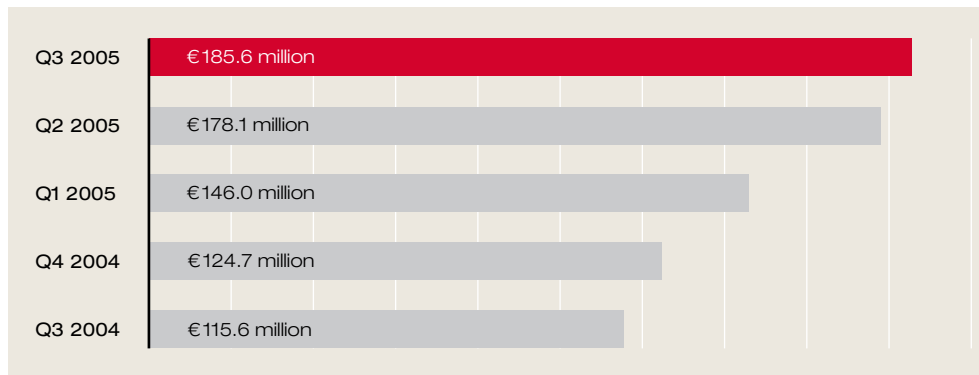
In fixed network telephony, the number of active telephony customers has increased by 565 thsd. to the current level of 5.33 million – a gain of 12 percent compared with the previous quarter and a gain of 47 percent compared with Q3 2004. This positive performance has been achieved as a result of call-by-call business as well as new pre-selection customers who have been signed up: The number of such

new customers is now more than 570 thsd. Despite falling call charges, revenues in the first three quarters increased by approx. 10 percent compared with last year, to a total of €120.1 million.

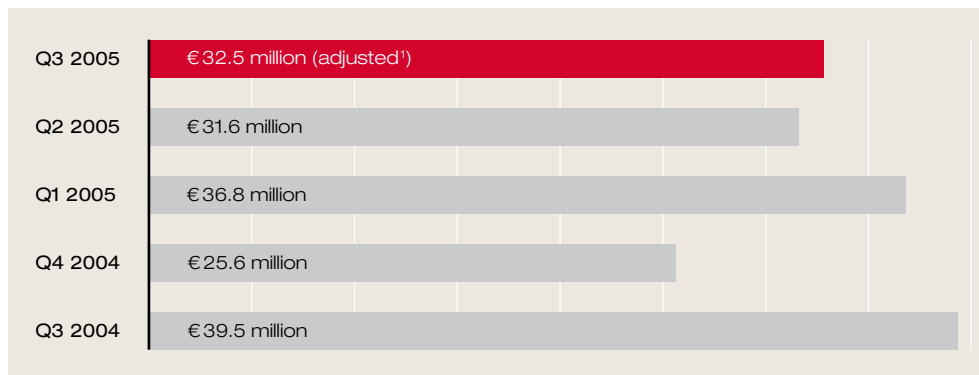
In the segment of B2B services, the freenet.de subsidiary Next ID GmbH has succeeded in breaking the previous predominance of Deutsche Telekom in the field of telephone added value services in TV programmes; Next ID is now working with almost all major German TV stations. In the field of portal business, the new acquisition of the STRATO group is an excellent addition to the previous growth drivers e-commerce, advertising and paid services of freenet.de, particularly with its professional hosting solutions.

The total number of customers of freenet.de broke through the 10 million barrier for the first time in Q3. This figure includes approx. 2.5 million fixed contract customers – mainly from the segments of DSL, Preselection Telephony, Domain Hosting and Paid Services.

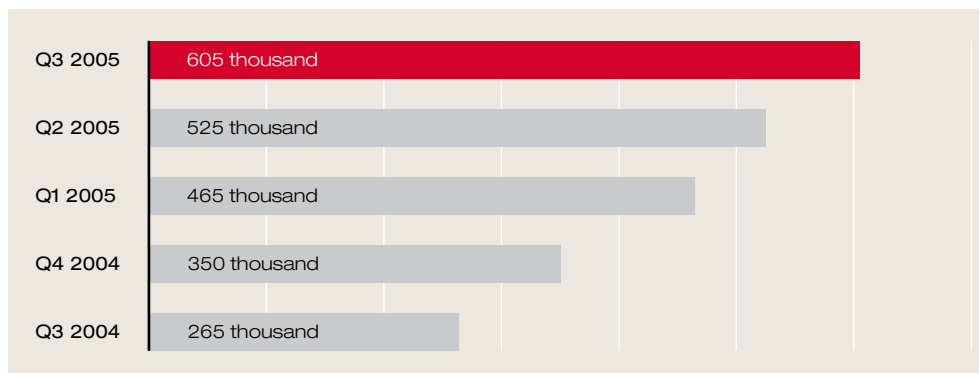
Fixed Line/Internet sales



Fixed Line/Internet EBITDA



DSL customers



1 Adjusted by €11.7 million one-off costs in Q3 2005.

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 in the interim report for Q1 2005 are those relating to disclosure in the balance sheet and the income statement and a corresponding adjustment of previous year comparison figures. With the revision of IAS 1, one of the new aspects is that the structure of the balance sheet has been changed to reflect maturities. Assets and liabilities are presented according to the criteria of 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 initial application of this standard has resulted in higher personnel expenses in Q1 2005. Shareholders' equity is correspondingly lower, and the provisions are correspondingly higher.

The following adjustments to personnel expenses in 2004 have resulted:

In € thousand	Fixed Line/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 (now trading as: 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 in the first three quarters of 2005 as a result of these regulations in Q1 2005.

2.2.5 Analysis of net worth

The total assets of the mobilcom group have increased by 15.8 percent or €144.1 million to €1,053.4 million compared with 30 September 2004 (€909.3 million).

On the assets' side of the balance sheet, these changes were due mainly to the increase in non-current assets. Compared with the end of Q3 2004, non-current assets increased by 69.6 percent or €135.2 million to €329.3 million (30 September 2004: €194.1 million). This is due mainly to the increase in intangible assets (€+66.1 million compared with 30 September 2004) and goodwill (€+74.6 million compared with 30 September 2004). This is due mainly to the acquisition of the STRATO group and Talkline ID GmbH (now trading as: Next ID GmbH) within the first half of 2005. Property, plant and equipment declined by only €5.3 million to €64.9 million (30 September 2004: €70.2 million) due to depreciation and amortisation, and also as a result of high levels of investment in the Fixed Line/Internet segment, which almost compensated for the adjustments. Current assets increased only slightly compared with the previous year, by 1.2 percent or €8.9 million to €724.1 million (30 September 2004: €715.2 million). Despite the outflow of funds during the past 12 months as a result of acquisitions (€63.5 million), share buy-back programmes (€51.4 million) and dividend payments (€25.0 million), liquid assets increased slightly as a result of strong operating cash flow by €1.8 million to €405.6 million (30 September 2004: €403.8 million).

On the liabilities' side of the balance sheet, the increase in the balance sheet total is attributable to the 67.1 percent increase (€+45.9 million to €114.3 million) in trade liabilities (30 September 2004: €68.4 million) in short-term liabilities. The increase in this item is attributable to the initial consolidation of the STRATO group and Talkline ID GmbH in the first half of the current year. Accompanying the improved earnings situation, the corresponding increase in income taxes under current and non-current liabilities by a total of 129 percent or €43.2 million to €76.7 million (30 September 2004: €33.5 million) resulted in an increase in the balance sheet total on the liabilities' side. Minorities shown under shareholders' equity increased in this respect by 56.2 percent compared with the end of Q3 2004, namely by €44.3 million to €123.1 million (30 September 2004: €78.8 million).

The fact that there is more than two-fold cover for current as well as non-current assets compared with liabilities also illustrates that the net worth of the group is still sound at the end of the third quarter.

2.2.6 Analysis of the financial position

In the nine month period from 1 January to 30 September 2005, the group generated cash flow from operating activities of €168.2 million. A comparison with the corresponding previous year period shows that the figure has declined by €31 million, and the €16.7 million growth in earnings before taxes on income to €110.8 million (30 September 2004: €94.1 million) has not fully compensated for this aspect. The cash flow from investing activities in the first three quarters of this year amounted to €-79.5 million, and is attributable mainly to the acquisitions of the freenet group (30 September 2004: €-16 million). In the 1st half of 2005, the programme of buying-back mobilcom shares was completed (€-23.9 million), and dividends were paid out to mobilcom shareholders for financial 2004 (€-15.6 million). The cash flow from financing activities of €50.2 million (30 September 2004: €-41.7 million) is attributable mainly to these two payments.

Following a slight increase of €4.1 million in fund assets in the first half of this year, fund assets increased by €34.4 million in Q3 2005.

At the end of Q3 2005, the mobilcom group still had strong cash and cash equivalents of €405.6 million (30 September 2004: €403.8 million). Current and non-current borrowings are very low as of the reference date, and are stated as €1.5 million. The group has accordingly demonstrated impressively that it is able to generate sufficient liquidity to finance its day-to-day operations and investment projects, thus providing the necessary flexibility for taking advantage of growth potential in accordance with the major challenges and opportunities of the market. The strong financial position is also reflected in the equity ratio of 62.2 percent (30 September 2004: 66 percent).

2.2.7 Analysis of the earnings position

In the period under review, mobilcom generated overall revenues of €1.49 billion throughout the group (previous year period: €1.41 billion), thus achieving revenue growth of 5.7 percent compared with the previous year period. The success is also reflected in the increase in the group's gross profit: Compared with the first three quarters of last year, gross profit increased by 16.8 percent from €328.7 million to €383.8 million. The gross profit margin has improved compared with the first nine months of 2004 from 23.3 percent to 25.7 percent. Personnel expenses have risen by 43.1 percent compared with the equivalent previous year period, due mainly to two factors: Personnel recruitment in the Fixed Line/Internet segment and the valuation of stock options for management and employees of freenet.de in accordance with the merger agreement. The personnel expense ratio has risen to 7.1 percent compared with 5.3 percent in the equivalent previous year period. Under other operating expenses, the expenses of €18.4 million incurred for the merger of mobilcom AG and freenet.de AG are a major one-off effect in the period under re-

view. Compared with the equivalent previous year period, earnings before interest, taxes, depreciation and amortisation (EBITDA) have improved from €138 million to €146.2 million. The depreciation on property, plant and equipment and intangible assets was almost equivalent to the corresponding figure for the first three quarters of the previous year. Earnings before interest and taxes (EBIT) accordingly improved to €104.9 million (previous year period: €88.6 million). Following positive net interest income of €5.9 million (previous year period: €5.5 million), earnings before taxes also improved by 17.7 percent to €110.8 million (previous year period: €94.1 million). After taxes on income of €41.2 million, consolidated earnings are stated as €69.6 million (previous year period: €55.9 million) – this is equivalent to growth of €13.8 million. Compared with €37.5 million in the equivalent previous year period, minority interests in consolidated earnings at mobilcom AG are stated as €51.2 million.

2.2.8 Employees

		Q3 2005	Q2 2005	Q1 2005	Q1–Q3 2005	Q1–Q3 2004 ¹
Employees (incl. temporary staff)		3,585	3,519	3,429	3,585	2,970
Mobile Telephony Service Provider		1,537	1,556	1,569	1,537	1,568
Fixed Line/Internet		2,048	1,963	1,860	2,048	1,402
Average number employees (incl. temporary staff)		3,547	3,529	3,312	3,463	2,870
Mobile Telephony Service Provider		1,538	1,553	1,571	1,554	1,581
Fixed Line/Internet		2,009	1,976	1,741	1,909	1,311
Personnel expenses/ratio	in € million	42.2	32.7	32.7	106.1	74.2
	in percent	7.9	6.9	6.9	7.1	8.3
Mobile Telephony Service Provider	in € million	18.4	15.7	17.7	50.4	47.4
	in percent	5.3	5.7	5.7	5.1	4.4
Fixed Line/Internet	in € million	23.8	17.0	15.0	55.8	26.7
	in percent	13.0	10.6	10.6	11.1	7.8

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

Group: number of employees continues to rise

The mobilcom group employed 3,585 persons as of 30 September of this year (30 September 2004: 2,970) – representing growth of 615 persons. Of this figure, 1,357 persons worked at the Mobile Telephony Service Provider segment and 2,048 persons worked at the Fixed Line/Internet segment. The more than 20 percent increase in the number of employees also resulted in higher personnel expenses, which rose by €31.9 million to €106.1 million (previous year period: €74.2 million). In addition, the increase in personnel expenses is attributable mainly to the valuation of stock options for management and employees of freenet.de AG.

Mobile Telephony Service Provider: constant improvement in efficiency

At the end of the reporting quarter, 1,537 persons were employed at the Mobile Telephony Service Provider segment (previous year period: 1,568 persons). Continuing process optimisation and constant improvement in the efficiency of workflows at the Mobile Telephony Service Provider were the main reasons behind this lower personnel requirement. The increase in personnel expenses, from €47.7 million in the first nine months of the previous year to €51.8 million at the end of Q3 2005, is mainly attributable to the severance payments made as a result of the merger. The 8.6 percent increase in personnel expenses in conjunction with the only slight increase in revenues has meant that the personnel expense ratio has increased to 5.3 percent compared with 4.4 percent in the corresponding previous year period.

Fixed Line/Internet: rising personnel expenses

As of 30 September 2005, the number of employees at freenet.de AG increased to 2,048, compared with 1,402 persons at the end of Q3 2004. This means that, as at the end of Q3, the Fixed Line/Internet segment employed 646 persons more than was the case as of 30 September 2004. The growth in personnel and the valuation of stock options of freenet.de in accordance with the merger agreement were the main reasons behind a considerable increase in personnel expenses as of 30 September 2005: €55.8 million – more than twice as high as the figure applicable for the corresponding previous year period (€26.7 million). Despite the strong increase in revenues compared with the first nine months of the previous year, the personnel expense ratio has risen from 7.8 percent to 13 percent.

2.2.9 Corporate body

The Managing Board consists of two persons, namely the Chief Executive Officer and the Executive for Sales & 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

Eckhard Spoerr, Hamburg
Chief Executive Officer

Michael Grodd, Munich
Executive for Sales & Marketing

Members of the Supervisory Board

Prof. Dr.-Ing. Dieter H. Vogel, Düsseldorf
(Chairman of the Supervisory Board)
Managing partner, LGB & Vogel GmbH, Düsseldorf

Further mandates:

- Bertelsmann AG, Gütersloh
Chairman of the Supervisory Board
- Ernst + Young AG, Stuttgart
Member of the Advisory Board
- Gerling-Konzern Versicherungs-Beteiligungs AG, Köln
Member of the Supervisory Board
- HSBC Trinkaus & Burkhardt KgaA, Düsseldorf
Member of the Administrative Board
- Klöckner + Co. GmbH, Duisburg
Chairman of the Supervisory Board
- Wacker Construction Equipment AG, München
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)
Managing partner, Texas Pacific Group
Member of the Board/Supervisory Board of

- CoStar Group, Inc., USA, Director
- Ducati Motor Holding, S.p.A., Italy, member of the Board of Directors
- Gemplus International S.A., France, Vice Chairman of the Board of Directors
- Ryanair Holdings, plc., Ireland, Chairman of the Board of Directors

Andrew John Dechet, London, United Kingdom (since 31 May 2005)
Managing Director, Texas Pacific Group Europe LLP, USA
Member of the Board/Supervisory Board of

- Gate Gourmet Holding AG, Switzerland, member of the Administrative Board
- BallyInternational AG, Switzerland, member of the Administrative Board
- Gemplus International S.A., Frankreich, Vice Chairman of the Board of Directors
- Differentis Limited, United Kingdom, member of the Board of Directors
- Eutelsat S.A., France, member of the Board of Directors

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 Kingdom (since 1 June 2005)
Managing Director, partner, Texas Pacific Group Europe LLP, USA
Member of the Board/Supervisory Board of

- Isola Group S. á. r. l., Luxembourg, member of the Board of Directors
- Bally International AG, Switzerland, member of the Administrative Board

Andreas Neumann, Hamburg
Head of 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:

- freenet.de AG, Hamburg
Chairman of the Supervisory Board
- PrimaCom AG, Mainz
Deputy Chairman of the Supervisory Board
- typhoon networks AG, Hürth
Chairman of the Supervisory Board
- VEMAG Verlags- und Medien AG, Cologne
Member of the Supervisory Board

Committees 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

Continuation of the multi-brand strategy

Following the approval of the merger of the two companies mobilcom AG and freenet.de AG at the corresponding shareholders' meetings in August, the new company will to a large extent continue the previous successful strategies of mobilcom and freenet.de, albeit with minor changes of accentuation and additions in certain cases. The company uses a multi-brand strategy in order to serve the market segments mobile telephony, fixed network telephony and internet/broadband. The two strong brands which have established an excellent reputation of the market for several years, namely mobilcom and freenet.de, will be retained. The existing sales platforms – the excellent dealer network and shop chain of mobilcom on the one hand and the excellent online sales and direct marketing of freenet.de on the other – will be combined even more closely with each other and optimised. Initial very good results are already evident – for instance with the mobilcom tariff “klarmobil.de” which has been sold e.g. via the freenet.de portal since September or mobilcom's own shops which now also place greater optical emphasis on the two-brand strategy.

Mobile telephony: stronger growth

Mobile telephony is still an attractive growth market – world-wide and also in Germany. In recent months, an increasing number of no-frills providers with discount tariffs have opened up a new market and customer segment which is price-sensitive, very much focused on the internet and which is continuously expanding. These no-frills offers are provided virtually without any subsidised mobile telephone, advice and service.

Whereas economic consolidation and profitability tended to be the priority at mobilcom during the past two to three years, the company is now and in future focusing on stronger growth without neglecting the profitability of operations. In the first half of 2005, mobilcom was actively shaping the more intensive competition in the discount segment with its “price breaker” tariff family – for instance with the “Discount-13 tariff” for normal volume users and the “Discount-9.9 tariff” for high-volume users. A further step in this direction was the above-mentioned savings tariff “klarmobil.de” which started in September. The company will continue this strategy – with simple and transparent tariff models, low charges and a basic service with minimum sales costs.

In the high-revenue Premium segment of contract customers, mobilcom intends and will have to also achieve further strong growth in future. In the course of the next few months, the company will carry out extensive activities and restructuring measures in order to still be in a position to offer competitive products with high quality service. The aim is to achieve leaner and more efficient processes and a reduction in the number of products and procedures which have previously been relatively complex. In parallel with this process, mobilcom will carry out a internal

project for cost benchmarking with activities and functions which can be compared with each other – with the aim of achieving and assuring cost leadership within the competition. In addition, the company will continue to focus on developing mobile internet solutions as well as innovative data services, combining its existing mobile telephony and internet skills.

Fixed Line/Internet: growth in DSL and preselection customers

Narrowband use is tending to decline and the broad band market is expanding rapidly, and providers of internet access facilities are now facing the challenge of signing up volatile call-by-call customers as fixed DSL contract customers. Despite the fierce competition in this market segment, freenet.de has so far been very successful in this migration process. The aim in the course of the next few months will be to further accelerate DSL growth by optimising use of its existing sales platforms – dealer network, direct marketing and online sales. For its narrowband activities, freenet.de will continue to focus on optimising the cost of network technology and low access charges with good margins. The quality of the company's DSL product and VoIP telephony, which has received numerous awards, are to be further upgraded and the company's position as one of the lowest-price providers on the market is to be strengthened.

In fixed network telephony, the company will continue its strategy of transparent and aggressive prices in order to continue its existing growth among preselection customers and direct lines.

3 Management report: risk report

3.1 Risks

Normal risk profiles

The risk situation has not changed appreciably in the course 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. The Managing Board does not consider that there are any risk developments which exceed the risks of a normal business. With € 655.2 million (end of 2004: € 585.5 million), the group has an equity ratio of 62.2 percent (end of 2004: 67.1 percent). This is an extremely reassuring figure. The liquidity situation of the company is still excellent (€ 405.6 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 60.8 percent (end of 2004: 49 percent) is lower than the average for the sector. Cash flow from current activities is again very positive, namely € 168.2 million compared with € 199.2 million as of 30 September 2004. Net financial assets are stated as € 403.5 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/internet business. If the costs of signing up new customers or retaining existing customers prove to be higher than originally anticipated, this can have a considerably negative impact on the earnings of mobilcom. Market developments are constantly observed and analysed by sales and the central functions, which means that adjustments, e.g. to distribution channels or the so-called sales channel mix, can be planned and carried out in plenty of time.

Bad debts with customers and sales partners

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

Need for highly specialised personnel

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

Efficiency of technical infrastructure

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 a decline in the market for narrowband internet access. This trend will probably continue. 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 earnings position.

Tax risks

Additional tax payments may be necessary if the fiscal authorities arrive at different interpretations of tax regulations. Additional tax costs may be incurred for 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. If mobilcom sales channels have been abused by fraudulent third parties, this may result in commissions being reclaimed by the network operators. This could have a considerably negative impact on the company's earnings position. So far as this claims are founded they were taken into account within the financial statement.

Delay of mobilcom and freenet.de merger due to legal challenges

Actually mobilcom and freenet.de co-operate "at arms length". For this reason a couple of potential synergies are not yet deducible as e.g.:

- the realization of synergies through the development and distribution of new offers, administration, central buying and assignment of IT-systems,
- concentration of the available liquid assets and usage of tax loss carried forward for the whole group,
- strengthening our position within the coming consolidation in the telecommunications industry.

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.

The key elements of the risk management system are risk identification, measurement, monitoring, handling and the organisation of risk management as well as the nature and extent of documentation.

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.

The risk owners group the risks in risk classes, which are calculated on the basis of probability of occurrence and the expected damages. They are also responsible for risk observation, analysis and evaluation. However, staff are required to analyse their area of responsibility for risks.

Large projects and processes are monitored additionally by special risk-oriented controlling committees. This ensures that risk recognition and management is intermeshed with the controlling process.

The risk manager collects the risk memoranda and is responsible for ensuring a standardised reporting system; he also heads the Internal Audit department of mobilcom.

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.

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. The individual risks are maintained in a central database. This database is used for producing reports for the Managing Board. Evaluations for special questions can be carried out at any time.

4 Consolidated financial statement for the period ending 30 September 2005

4.1 Consolidated balance sheet as of 30 September 2005

Assets in € thousand	30. 9. 2005	31.12. 2004 (adjusted ¹)	30. 9. 2004 (adjusted ¹)
Long-term assets			
Intangible assets	117,241	47,257	51,176
Goodwill	110,009	32,605	35,376
Property, plant and equipment	64,875	61,818	70,236
Investments accounted for using the equity method	3,095	1,612	1,141
Other investments	304	304	320
Deferred income tax assets	25,647	41,303	31,088
Trade accounts receivable	732	913	507
Other receivables and other assets	7,432	4,386	4,302
	329,335	190,198	194,146
Short-term assets			
Inventories	22,266	25,802	18,066
Current income tax claims	1,029	2,821	2,343
Trade accounts receivable	231,805	203,846	166,316
Other receivables and other assets	63,428	82,655	124,715
Cash and cash equivalents	405,569	367,062	403,756
	724,097	682,186	715,196
	1.053,432	872,384	909,342

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

Liabilities in € thousand	30. 9. 2005	31.12. 2004 (adjusted ¹)	30. 9. 2004 (adjusted ¹)
Shareholder's equity			
Share capital	65,702	65,702	65,702
Capital reserves	255,475	287,835	288,074
Treasury shares	0	-27,441	0
Statutory revenue reserves	36	36	36
Retained earnings	210,963	175,318	167,563
mobilcom AG shareholders' interest in shareholders' equity	532,176	501,450	521,375
Minority interest in shareholders equity	123,071	84,092	78,783
	655,247	585,542	600,158
Long-term liabilities			
Trade accounts payable	0	26	33
Other liabilities	1,012	0	0
Debt	832	0	753
Deferred income tax liabilities	36,006	9,611	11,628
Pension provisions	579	389	25
Other provisions	1,082	4,822	2,316
	39,511	14,848	14,755
Short-term liabilities			
Trade-accounts payable	114,258	59,745	68,372
Other liabilities	178,780	163,457	174,749
Current income tax liabilities	40,729	23,836	21,878
Debt	673	1,563	2,940
Other provisions	24,234	23,393	26,490
	358,674	271,994	294,429
	1,053,432	872,384	909,342

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

4.2 Consolidated income statement from 1 January to 30 September 2005

In € thousand	Interim report Q1–Q3 2005 1.1.2005– 30.9.2005	Interim report Q1–Q3 2004 1.1.2004– 30.9.2004 (adjusted ¹)	Interim report Q3 2005 1.7.2005– 30.9.2005	Interim report Q3 2004 1.7.2004– 30.9.2004 (adjusted ¹)
Revenues	1,491,967	1,411,784	531,753	477,462
Other operating income	52,119	46,226	11,773	15,612
Changes in inventories of finished goods and work in progress	0	0	0	20
Other own work capitalised	1,394	2,717	313	1,113
Costs of materials	-1,108,215	-1,083,127	-398,281	-372,802
Personnel expenses	-106,136	-74,175	-42,146	-17,442
Depreciation and impairment write-downs on property, plant and equipment and intangible assets	-41,293	-40,525	-13,076	-13,174
Depreciation and impairment write-downs on goodwill	0	-8,864	0	-2,955
Other operating expenses	-186,436	-165,920	-66,625	-54,448
Share of results of associates	1,483	497	513	307
Interest receivable and similar income	6,214	6,742	2,228	3,068
Interest payable and similar expenses	-317	-1,210	-91	-697
Result before taxes on income	110,780	94,145	26,361	36,064
Taxes on income	-41,160	-38,285	-10,338	-12,930
Group result	69,620	55,860	16,023	23,134
Group result attributable to shareholders of mobilcom AG	51,249	37,535	12,327	14,012
Group result attributable to minority interest	18,371	18,325	3,696	9,122
Earnings per share (undiluted) in €	0.82	0.57	0.20	0.21
Earnings per share (diluted) in €	0.82	0.57	0.20	0.21
Weighted average number of ordinary shares in circulation (undiluted) in thousand	62,509	65,702	62,522	65,702
Weighted average number of ordinary shares in circulation (diluted) in thousand	62,522	65,708	62,534	65,707

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

4.3 Consolidated statement of changes in shareholders' equity for the period ending 30 September 2005

In € thousand (adjusted ¹)	Share capital	Treasury Stock	Capital reserve	Revenue reserve	Retained earnings	mobilcom AG share- holders' interest in share- holders' equity	Other share- holders' interest in share- holders' equity	Share- holders' equity
Balance as of 1.1.2005								
As reported	65,702	-27,441	287,320	36	180,894	506,511	86,743	593,254
Retroactive adjust- ment 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 trans- fers in connection with acquisitions	0	0	18,496	0	0	18,496	30,266	48,762
Changes in minority interest	0	0	0	0	0	0	-256	-256
Payments in minority interest	0	0	0	0	0	0	-9,402	-9,402
Stock-based compensation	0	0	515	0	0	515	0	515
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	51,249	51,249	18,371	69,620
Balance as of 30.9.2005	65,702	0	255,475	36	210,963	532,176	123,071	655,247

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

In € thousand (adjusted ¹)	Share capital	Treasury Stock	Capital reserve	Revenue reserve	Retained earnings	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
Purchase of treasury shares by subsidiary	0	0	-6,416	0	0	-6,416	-1,956	-8,372
Changes in minority interest	0	0	0	0	0	0	1,530	1,530
Stock-based compensation	0	0	344	0	0	344	0	344
Consolidated result	0	0	0	0	37,535	37,535	18,325	55,860
Balance as of 30.9.2004	65,702	0	288,074	36	167,563	521,375	78,783	600,158

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

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

In € thousand	1.1.2005 – 30.9.2005	1.1.2004 – 30.9.2004 (adjusted ¹)
Result before income taxes	110,780	94,145
Adjustments		
+ Depreciation on fixed assets	41,293	49,389
-/+ Decrease/Increase in provisions	-3,316	7,629
./ Interest and similar income	-6,214	-6,742
+ Interest and similar expenses	317	1,210
./ Other non-cash-effective components	-2,251	-5,258
+ Losses from the disposal on fixed assets	456	448
+ Decrease in inventories, receivables and other assets not classified as investing and financing activities	50,344	78,949
./ Decrease in payables and other liabilities not classified as investing for financing activities	-13,734	-10,901
./ Temporary differences from income taxes	-9,525	-9,672
= Cash flow from operating activities	168,150	199,197
./ Outflows for investments in property, plant and equipment	-17,005	-9,065
./ Outflows for investments in intangible assets	-5,776	-12,377
+ Inflows from disposals of intangible assets and property, plant and equipment	932	225
./ Investments in subsidiaries	-63,499	0
+ Interest income	5,882	5,264
= Cash flow from investing activities	-79,466	-15,953
./ Payments to shareholders	-15,604	-26,281
./ Outflows for acquisition of own shares	-23,930	0
./ Payments by subsidiaries to minority shareholders	-9,402	0
./ Payments for the purchase of treasury shares by subsidiaries	0	-8,372
./ Outflows for repayments of bonds and borrowings	-966	-6,389
./ Interest payments	-275	-700
= Cash flow from financing activities	-50,177	-41,742
∑ Change in cash and cash equivalents	38,507	141,502
Cash and cash equivalents as of 1 January	367,062	262,254
Cash and cash equivalents as of 30 September	405,569	403,756

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see “Effects of new accounting standards”, page 25).

4.5 Segment report

1 January to 30 September 2005

In € thousand	Fixed Line/ Internet	Mobile Telephony	Group
Third party sales	501,835	990,132	1,491,967
Segment results	87,690	57,003	144,693
Results of companies stated at equity	1,483	0	1,483
Segment results EBITDA	89,173	57,003	
Expenses/earnings not assigned			0
Consolidated EBITDA			146,176
Depreciation (excluding goodwill amortisation)	-30,132	-11,161	-41,293
Goodwill amortisation	0	0	0
Segment results EBIT	59,041	45,842	
Consolidated result EBIT			104,883
Net interest income			5,897
Result before taxes on income			110,780
Taxes on income			-41,160
Consolidated result			69,620
mobilcom AG shareholders' interest in consolidated result			51,249
Minority interest in consolidated result			18,371

Segment assets	521,148	502,209	1,023,357
Investments	304	0	304
Associated companies/joint ventures	3,095	0	3,095
Assets, not assigned			26,676
Consolidated assets			1,053,432
Segment liabilities	180,024	140,038	320,062
Liabilities, not assigned			78,123
Consolidated liabilities			398,185
Additions to fixed assets	11,765	11,015	22,780
Additions to fixed assets, acquisitions	170,346	0	170,346
Additions to fixed assets, not assigned			0
Additions to consolidated fixed assets			193,126

1 January to 30 September 2004

In € thousand (adjusted ¹)	Fixed Line/ Internet	Mobile Telephony	Group
Third party sales	344,035	1,067,749	1,411,784
Segment results	96,979	40,526	137,505
Results of companies stated at equity	497	0	497
Segment results EBITDA	97,476	40,526	
Expenses/earnings not assigned			0
Consolidated EBITDA			138,002
Depreciation (excluding goodwill amortisation)	-24,762	-15,763	-40,525
Goodwill amortisation	-5,659	-3,205	-8,864
Segment results EBIT	67,055	21,558	
Consolidated result EBIT			88,613
Net interest income			5,532
Result before taxes on income			94,145
Taxes on income			-38,285
Consolidated result			55,860
mobilcom AG shareholders' interest in consolidated result			37,535
Minority interest in consolidated result			18,325

Segment assets	332,458	542,433	874,891
Investments	319	0	319
Associated companies/joint ventures	1,141	0	1,141
Assets, not assigned			32,991
Consolidated assets			909,342
Segment liabilities	90,241	181,846	272,087
Liabilities, not assigned			37,097
Consolidated liabilities			309,184
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
Additions to consolidated fixed assets			21,441

1 Adjusted in accordance with IAS 1 and IFRS 2 (for further explanations, see "Effects of new accounting standards", page 25).

4.6 Additional information

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

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

Employees share ownership programmes					
Convertible securities	Interest	Duration	Additional payment per share in €	Maximum possible number of shares from conversions	
				30.9.2005	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	
			30.9.2005	31.12.2004
Tranche 2001	11.11.2008	24.40	54,400	61,400
Tranche 2004	30.3.2011	20.51	408,502	441,640
			462,902	503,040

Revenue breakdown	See Segment report, page 46/47
Number of employees	As of 30.9.2005: 3,585
Personnel changes on the Executive Board and Supervisory Board	See Management report, page 11
Events of particular significance which could affect business operations	See Management report, page 11
Interim dividend	N. a.
Dividend paid	€0.25 dividend per share

4.7 Supplementary explanations in accordance with IAS 34

1. The accounting policies and calculation methods used in the financial statements for the period ending 31 December 2004 have been used unchanged in the financial statements for the period ending 30 September 2005, with the exception of the changes specified in the chapter 2.2.4 "Effects of new accounting standards".
2. There have been no exceptional developments in business relations with related companies and persons during the first nine months of financial 2005.
3. On 25 January 2005, freenet.de AG, Hamburg, acquired all shares of the STRATO group. In return for the acquisition, there was a cash payment of €80 million, 750,167 treasury shares were transferred and also 2,349,833 new no-par value shares of freenet.de AG were also transferred. In addition, freenet.de AG also agreed to purchase technical equipment and services worth €10 million by 31 December 2007. The purchase price components paid in the form of freenet shares were valued at €15.76, the share price on 25 January 2005, the reference date of the purchase. The STRATO group was initially consolidated in the company's consolidated financial statements as of 31 January 2005.
 On 7 April 2005, freenet.de AG, Hamburg, acquired all shares in Talkline ID GmbH (now renamed: Next ID GmbH) as well as the call-by-call and network activities of the Talkline group. In return for the purchase, a total of €7 million in cash plus ancillary purchase costs was paid. Talkline ID GmbH was initially consolidated on 7 April 2005, the reference date of the acquisition.
 freenet.de AG spent a total of €23k in cash for further company acquisitions during the financial year, which however are of minor significance for the net assets, financial position and results of operations of the group.
4. On 25 April 2005, a dividend of €0.25 per no-par value share was paid pursuant to the resolution of the ordinary shareholders' meeting of 22 April 2005.
5. A merger agreement was signed between mobilcom AG, freenet.de AG and telunico Holding AG, Büdelsdorf, on 8 July 2004. With this agreement, the managing boards of the above companies agreed to merge mobilcom AG and freenet.de AG to form telunico Holding AG. The reference date of the merger is 1 January 2005.
6. With articles of incorporation from 8th August 2005 mobilcom AG as the sole shareholder founded klarmobil GmbH. The business of klarmobil is to provide communication services within the discount market. klarmobil started its operations on 13th September 2005. The first consolidation started with foundation of klarmobil.
7. The interim report of the mobilcom group complies with the regulations of the International Financial Reporting Standards (IAS 34).

5 Additional information

5.1 Contacts

mobilcom AG
Investor Relations
Hollerstraße 126
24782 Büdelsdorf

Patrick Möller
Telephone: 0 43 31/69-1173
Telefax: 0 43 31/4 34 40 30
Email: ir@mobilcom.de

5.2 Publications

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

The interim report is available in German. 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

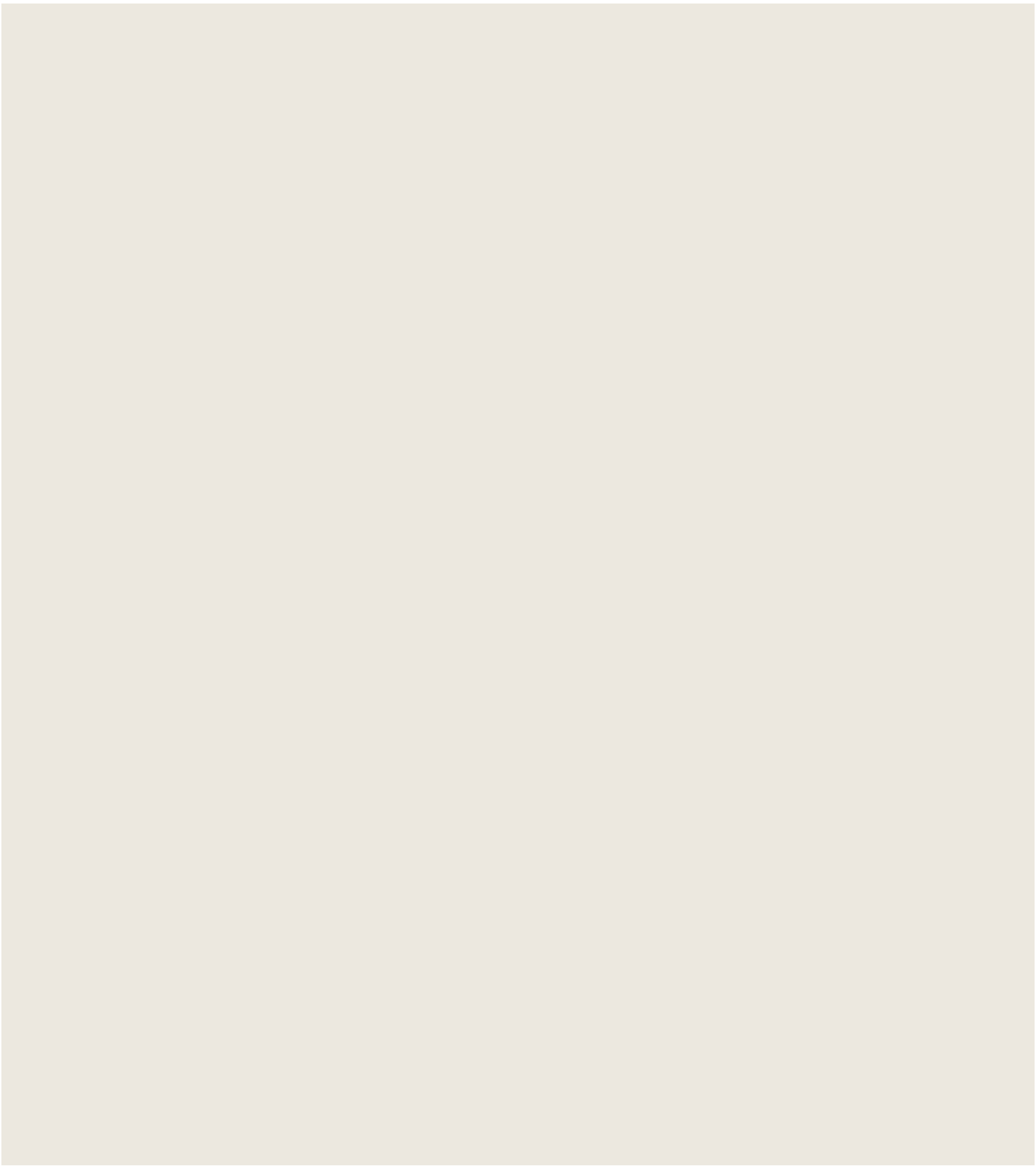
23/24 August 2005

Extraordinary shareholders' meeting

8 November 2005

Publication of the interim report for Q3 2005





6101204
mobilcom AG
Hollerstraße 126
24782 Büdelsdorf

mobilcom 