

# Interim report on the 3rd quarter 2006



**mobilcom**   
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# mobilcom AG – Group Overview

Result	Q1–Q3 2006	Q1–Q3 2005	Q3 2006	Q3 2005	Q2 2006	Q2 2006
Third-party sales in € million	1,524.6	1,492.0	507.4	531.8	495.3	522.0
EBITDA in € million	122.3	164.6 <sup>2</sup>	42.7	55.7 <sup>2</sup>	41.5	38.1
EBIT in € million	89.4	123.3 <sup>2</sup>	32.5	42.6 <sup>2</sup>	29.9	27.0
EBT in € million	99.2	110.8	36.3	26.4	33.1	29.7
Group result in € million	75.7	69.6	38.0	16.0	19.8	18.0
Earnings per share in € <sup>1</sup>	0.98	0.82	0.53	0.20	0.26	0.19
<b>As percentage of revenue</b>						
EBITDA	8.0	11.0 <sup>2</sup>	8.4	10.5 <sup>2</sup>	8.4	7.3
EBIT	5.9	8.3 <sup>2</sup>	6.4	8.0 <sup>2</sup>	6.0	5.2
EBT	6.5	7.4	7.2	5.0	6.7	5.7
Group result	5.0	4.7	7.5	3.0	4.0	3.5
<b>Balance sheet</b>						
Balance sheet total in € million	1,136.8	1,053.4	1,136.8	1,053.4	1,113.3	1,124.9
Shareholder's equity in € million	752.0	655.2	752.0	655.2	714.0	694.3
Equity ratio in percent	66.1	62.2	66.1	62.2	64.1	61.7
<b>Finances and investments</b>						
Cash flow from operating activities in € million	116.6	168.2	48.1	49.5	19.9	48.6
Depreciation and amortisation in € million	32.8	41.3	10.1	13.1	11.6	11.1
Investments in € million	25.3	86.3	5.8	8.1	10.6	8.8
Net financial assets in € million	516.3	403.5	516.3	403.5	470.6	458.5
<b>Customers</b>						
Mobile telephony customers in million	5.01	4.65	5.01	4.65	4.97	5.00
Monthly average revenue per user in €	17.0	18.6	17.6	18.9	17.0	16.3
Active telephony customers in million	3.4	5.3	3.4	5.3	4.0	5.0
Active Internet access customers in million	3.2	3.6	3.2	3.6	3.3	3.5
<b>Employees</b>						
At end of quarter	3,603	3,585	3,603	3,585	3,635	3,594

1 Earnings per share are calculated by dividing the net group results attributable to the shareholders by the weighted average number of ordinary shares in circulation during the period.

2 Adjusted by €18.4 million non-recurring expenses.

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# 1. To our shareholders

## 1.1 Editorial

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

In recent months and quarters, our company has co-operated closely with the works' council and has undergone a comprehensive restructuring programme designed to ensure that mobilcom returns to its former strength in terms of growth. This programme has involved administrative procedures being simplified, departments and IT structures being streamlined as well as sales and marketing being restructured.

Our work, which has demanded a lot of commitment from everybody, courage to rethink existing ideas and openness for new solutions, is now bearing initial fruit: Although we have been forced to shed approx. 180 jobs, the efficiency of mobilcom has improved considerably. This is impressively demonstrated by the figures for the third quarter, although recent months have had a negative impact on customer growth as a result of the FIFA World Cup and the extremely hot weather:

- In mobile telephony, we have attracted approx. 40,000 new customers, and the total number of customers has now exceeded the figure of 5 million.
- We are again setting standards in the sector with innovative products and services – for instance with the first mobile flat rate in the valuable D-network.
- We have met our aim of expanding the chain of mobilcom shops to approx. 300 before the originally planned deadline (end of 2006); we have simultaneously established new sales-channels and relaunched our online shop in a much improved version.
- Although the level of prices on the mobile telephony market has continued to decline sharply in recent months as a result of competition which is becoming more and more fierce, we have boosted mobile telephony sales compared with previous quarters to more than €340 million in the 3rd quarter 2006; for the first three quarters, we have reported revenues of €981 million, which is only just below the figure generated last year despite the negative price trend in the sector.
- Profitability in the mobile telephony is also performing well. Despite the stronger growth, with additional marketing costs of approx. €3 million, overhead costs in the mobile telephony segment were lower than in the corresponding previous year quarter.
- Innovation and growth are also to be found in the Fixed Network/Internet segment. Our subsidiary freenet has also achieved strong growth in the important field of broadband business; with 75,000 new DSL customers in the 3rd quarter, it now has more than 900,000 customers in this segment alone. This means that

the target of one million broadband customers by the end of 2006 is now realistic. The new contract model with Deutsche Telekom with regard to signing up new DSL customers has meant that customer growth is currently not yet reflected in revenues; however, this will boost margins and profitability in the segment in the long run.

- With *freenetKomplett*, we launched an innovative complete range of telephone and DSL services in August; this will make the user independent of a Deutsche Telekom connection and will enable him to telephone and surf with first class quality and on very favourable conditions.

Progress can also be reported with regard to the merger of mobilcom and freenet. The shareholders' meetings of the two companies again approved our merger plans in August with an overwhelming majority, and again expressed confidence in management, and settlements have now been agreed with almost all shareholders who have initiated legal action. At the same time, the district courts in Hamburg and Kiel approved in the first instance the accelerated process of agreeing to lift the register restriction. The remaining plaintiffs have appealed against the judgement of the district courts.

The increasing consolidation trends and market developments in the field of telecommunication/Internet have confirmed our conviction that the planned merger is right and important. Accordingly, we (staff and management) at mobilcom are continuing to work with full conviction on developing convergence products from the fields of mobile telephony, fixed network telephony and Internet. We are doing this in the interests of our customers, whom we intend to continue to convince with innovative and efficient products which meet the needs of customers. And also in the interests of our employees, to whom we have to offer attractive jobs which are secure in the long term. And also not least in the interests of our shareholders, who – justifiably – continue to expect first class figures and appropriate returns on their investments.



Eckhard Spoerr



Axel Krieger



Stephan Esch

## 2. Operational development

### 2.1 Operational development: group

Result	Q1–Q3 2006	Q1–Q3 2005	Q3 2006	Q3 2005	Q2 2006	Q1 2006
Third-party revenue in € million	1,524.6	1,492.0	507.4	531.8	495.3	522.0
EBITDA in € million	122.3	164.6 <sup>1</sup>	42.7	55.7 <sup>1</sup>	41.5	38.1
EBITDA as a percentage of revenue	8.0	11.0 <sup>1</sup>	8.4	10.5 <sup>1</sup>	8.4	7.3
EBIT in € million	89.4	123.3 <sup>1</sup>	32.5	42.6 <sup>1</sup>	29.9	27.0
EBIT as a percentage of revenue	5.9	8.3 <sup>1</sup>	6.4	8.0 <sup>1</sup>	6.0	5.2
Group result in € million	75.7	69.6	38.0	16.0	19.8	18.0
Earnings per share in €	0.98	0.82	0.53	0.20	0.26	0.19

1 Adjusted by €18.4 million non-recurring expenses.

Despite falling prices in the mobile telephony market and the fact that competition in the Fixed Network/Internet segment is becoming increasingly fierce, revenues at the mobilcom group in the first nine months increased by 2.2 percent to €1,542 million. This is attributable to growth in revenues in the Fixed Network/Internet segment from approx. €502 million to around €544 million. However, gross profit in the group declined by approx. 8 percent to approx. €353 million due to the changing market climate, for instance the arrival of mobile telephony discounters. This is equivalent to a gross profit margin of more than 23 percent. EBITDA for the first nine months amounted to €122.3 million, compared with €164.6 million in the corresponding previous year period. Depreciation in the group in the first nine months declined by €8.5 million compared with the equivalent previous year period to around €33 million. Accordingly, group EBIT is now stated at €89.4 million. After deducting taxes on income of €23.4 million and the financial result, consolidated net income is stated at €75.7 million for the first nine months of the year. Liquid assets are reported as approx. €518 million compared with approx. €406 million (end of September 2005), and again confirm the cash flow strength of the mobilcom group.

## 2.2 Operational development: Mobile Telephony Service Provider

Result	Q1–Q3 2006	Q1–Q3 2005	Q3 2006	Q3 2005	Q2 2006	Q1 2006
Third-party revenue in € million	981.0	990.1	340.2	348.2	315.5	325.4
EBITDA in € million	52.6	63.7 <sup>1</sup>	20.2	23.2 <sup>1</sup>	21.4	11.0
EBITDA as a percentage of revenue	5.3	6.4 <sup>1</sup>	5.9	6.6 <sup>1</sup>	6.8	3.4
EBIT in € million	44.0	52.5 <sup>1</sup>	17.5	19.2 <sup>1</sup>	18.4	8.1
EBIT as a percentage of revenue	4.5	5.3 <sup>1</sup>	5.1	5.5 <sup>1</sup>	5.8	2.5
Mobile telephony customers in million	5.01	4.65	5.01	4.65	4.97	5.00
Of which contract customers in million	2.70	2.54	2.70	2.54	2.70	2.68
Of which prepaid customers in million	2.31	2.12	2.31	2.12	2.27	2.32
Gross new customers in million	1.11	0.98	0.37	0.41	0.29	0.45
Net-additions in million	0.19	0.09	0.04	0.10	-0.03	0.18
Monthly average revenue per user in €	17.0	18.6	17.6	18.9	17.0	16.3
Of which contract customers in million	26.9	28.9	28.1	29.6	27.3	25.4
Of which prepaid customers in million	5.1	6.1	5.2	6.0	4.9	5.2

<sup>1</sup> Adjusted by €6.7 million non-recurring expenses.

In the Mobile Telephony Service Provider segment, mobilcom generated revenues of €981.0 million in the first nine months of 2006, which is roughly equivalent to the figure for the equivalent period in 2005 despite the considerable price cuts for mobile telephony tariffs. Of the total figure stated for revenues, €340.2 million was attributable to the 3rd quarter, representing considerable growth compared with the previous quarter (€315.5 million). Despite the negative trend in tariffs on the German mobile telephony market, mobilcom succeeded in further boosting average revenue per user (ARPU) is now stated as €17.6 in Q3 compared with €16.3 in Q1 and €17.0 in Q2. This success has been achieved despite the fact that the figure stated for ARPU also includes the very cheap klarmobil.de tariffs of mobilcom. With the increased number of new customers who have been signed up, customer acquisition costs in the third quarter increased by more than €4 million compared with the previous quarter. This has resulted in a slight downturn in gross profits, namely €52.8 million compared with €54.5 million in the 2nd quarter of 2006. Compared with the previous year quarter, EBITDA has decreased by approx. 13 percent to €20.2 million. Liquid assets in the mobile telephony segment increased to €331.8 million at the end of the 3rd quarter of 2006.

In recent quarters, mobilcom has consistently restructured its Mobile Telephony Service Provider segment, it has also reduced costs and thus made the company leaner and more efficient; the success of these measures and the changed strategy is now becoming more evident. Accordingly, personnel costs, postage costs as well as consultancy costs have been reduced within the third quarter 2006. Although mobilcom invested almost €2.9 million more in marketing and thus in successful market growth in the same period, overhead costs in the third quarter of 2006 further declined compared with the previous year.

### Customer development

Although overall costs declined, the number of mobile telephony customers at mobilcom increased again. In the 3rd quarter, the company signed up approx. 40,000 new customers, thus exceeding the figure of 5 million customers. Compared with the equivalent previous year quarter, growth amounted to 340,000 new customers (+7.3 percent). This is due to a large extent to growth in the high value segment of contract customers, as well as the success of the klarmobil.de tariff which continues to be very attractive and very much in demand. Accordingly, mobilcom reported approx. 2.70 million fixed contract customers and 2.31 million prepaid customers as of 30 September 2006.

### New tariffs, new services



mobilcom has set the scene for further growth with the launch of the first mobile flat rate in the D-network. Since mid-August, customers have been able to pay a monthly flat rate of €29.90 for unlimited calls with more than 30 million mobile users in the T-Mobile network and also the German landline network, calls to the mobilbox are also included for no additional charge. The cost of calls to external networks and text messages are also low and transparent. The launch of the new mobile flat rate "Big Flat" was accompanied by a wide-ranging TV campaign mainly in the major private stations and the ARD. The campaign also consistently continued the positioning strategy and the process of establishing the brand of mobilcom.



At the same time, mobilcom has further expanded its services for customers. With the "m-limit" tariff which was launched specifically for youngsters in 2004, which provides full cost control with a limited amount of monthly spending, mobilcom offers a standard facility for barring expensive service numbers and also access to adult-rated contents. The company has thus also taken account of current discussions concerning over-indebtedness and the protection of minors.



### **Strengthening online sales**

Since mid-July, the online shop of mobilcom has again been fully operational following a temporary closure, and complements the stationary shop and retail partners of the company. The online shop with a first class IT-platform which has been developed in-house has had its technical performance very much improved, and is very convincing as a result of simple navigation, shorter download times, useful advise tools, modern and clear design as well as the TÜV-quality seal "S@fer Shopping".

At the same time, mobilcom very much improved its conditions for its registered online partners in August. In future, they will receive a very much improved package of services as well as attractive and competitive products. In addition, particularly active online sales partners will also receive a much improved sliding-scale volume bonus.

## 2.3 Operational development: Fixed Network/Internet

Result	Q1–Q3 2006	Q1–Q3 2005	Q3 2006	Q3 2005	Q2 2006	Q1 2006
Third-party revenue in € million	543.6	501.8	167.1	183.6	179.8	196.6
EBITDA in € million	69.7	100.9 <sup>1</sup>	22.5	32.5 <sup>1</sup>	20.1	27.1
EBITDA as a percentage of revenue	12.7	19.8 <sup>1</sup>	13.4	17.5 <sup>1</sup>	11.0	13.6
EBIT in € million	45.5	70.7 <sup>1</sup>	15.0	23.4 <sup>1</sup>	11.6	18.9
EBIT as a percentage of revenue	8.3	13.9 <sup>1</sup>	9.0	12.6 <sup>1</sup>	6.3	9.5
Active Telephony customers in million	3.4	5.3	3.4	5.3	4.0	5.0
Active Internet access customers in million	3.2	3.6	3.2	3.6	3.3	3.5
Thereof DSL customers in thousand	905	605	905	605	830	775
Fixed network minutes sold, incl. Internet, in billion	15.7	18.2	4.4	5.8	5.1	6.1

<sup>1</sup> Adjusted by €11.7 million non-recurring expenses.

In the first nine months of 2006, revenues in the Fixed Network/Internet segment increased by €41.8 million (+8 percent) compared with last year, namely to €543.6 million. At the same time, the company generated operating result (EBITDA) of €69.7 million.

Our subsidiary freenet in the 3rd quarter had to cope with seasonal effects with a low level of Internet use as a result of the FIFA World Cup in Germany and the unusually hot weather in July. A further aspect was the new contract model with Deutsche Telekom in the broadband segment – an exceptional effect which also had a negative impact on revenues: the former premiums for signing up new customers will now no longer be applicable. There will be an increase in the margins of the current income generated by existing customers and thus also the long-term gross profits of freenet. In consequence, revenues in the third quarter declined compared with the previous quarter and the equivalent previous year quarter, namely to €167.1 million.

In the field of Internet access, freenet benefited from the more fair competitive conditions in the important broadband market following the prohibition of the so-called net-rental tariff model of Deutsche Telekom. freenet was able to add 75,000 new customers during the 3rd quarter, increasing its total DSL customer base to 905,000 (following the start of freenet*Komplett*, this figure now comprises customers based on the infrastructure of Deutsche Telekom AG as well as direct line customers). A further highlight in the segment was the launch of freenet*Komplett* at the end of August: This complete connection offers top quality telephone and high speed DSL, independently of a traditional telephone connection of Deutsche Telekom, for

extremely attractive conditions. The customer does not have to pay the monthly charge for the telephone line, is able to use his old telephone number and can also select optional, also very inexpensive, flat rates for unlimited surfing and telephone calls. freenet also offered the advantages of inexpensive Internet telephony to customers who are still contractually tied to another DSL provider: With new tariffs, they are able to save money on calls into the German fixed network and the main European neighbouring countries. And in "pure" DSL business, freenet has also boosted the market with new, simple and very inexpensive flat rate and speed packages.

In the field of fixed network telephony, freenet was also successful with its strategy of signing up new customers. The number of preselection customers last quarter increased to 567,000. One of the main reasons for this success is the now much more efficient use of the common sales channels of freenet and mobilcom.

In portal business, products and services related to telecommunication/Internet are increasingly merging. freenet is actively shaping this development with user-friendly services covering all networks and terminals and which serve the personal communication needs of customers. For instance, in September, a new complete solution for digital photography was launched (*freenetFoto*), providing an intelligent combination of all major features of digital photo management, processing and presentation. And at the end of the quarter, freenet extended its range of products to include so-called podcasting, the production and presentation of media files/contributions, usually in the form of audio or video via the Internet.

The Strato-Group which was acquired at the beginning of last year also continued its success at the European level in the 3rd quarter of 2006. In July, Germany's second largest provider of web-hosting recorded the two millionth .eu domain. And by the end of the quarter, the company had established itself as the number one in terms of inexpensive web-hosting in Great Britain – Europe's second most important web-hosting market after Germany.

Most revenues in B2B services are generated by Next-ID GmbH, a subsidiary acquired in 2005 which offers added value services related to service numbers and call-in services of television stations. At the beginning of July, freenet stepped up its activities in its core corporate client segment under the brand *freenetBusiness*. With "VoiceFlat", companies are now able to call numbers in the German fixed network for a fixed price round the clock without any additional costs and with excellent voice quality – and for transparent and low charges, this facility is also available for calls to the mobile networks as well as abroad. Existing numbers and telecommunication infrastructure can continue to be used. This was followed in mid-July by *freenetBusiness* DSL Connect + Voice Flat, Germany's first genuine data and telephony flat rate for demanding business customers, also based on existing telecommunication structure with existing numbers. The package also comprises a fixed IP address as well as L2TP encryption and the option of a shared firewall for customer IT security.

With the new contract model with Deutsche Telekom in broadband business, the gross profit margins in the Internet access segment – the most important segment

of freenet, accounting for approx. 50 percent of overall revenues – have improved, whereas the result is impacted by costs for growth. In consequence, EBITDA in the Fixed Network/Internet segment improved by 12 percent compared with the previous quarter, namely to €22.5 million; however, it was €10.0 million lower than the adjusted figure for the third quarter of 2003. For the first three quarters of 2006, EBITDA amounts to €69.7 million.

### 3. Consolidated financial statement for the period ending 30 September 2006

#### 3.1 Consolidated income statement from 1 January to 30 September 2006

In € thousand	Interim report Q1–Q3 2006 1.1.2006 – 30.9.2006	Interim report Q1–Q3 2005 1.1.2005 – 30.9.2005	Interim report Q3 2006 1.7.2006 – 30.9.2006	Interim report Q3 2005 1.7.2005 – 30.9.2005
Revenues	1,524,605	1,491,967	507,352	531,753
Other operating income	49,358	52,119	14,753	11,773
Other own work capitalised	520	1,394	145	313
Costs of materials	-1,171,257	-1,108,215	-386,935	-398,281
Personnel expenses	-93,729	-106,136	-31,367	-42,146
Depreciation and impairment write-downs on prop- erty, plant and equipment and intangible assets	-32,808	-41,293	-10,145	-13,076
Other operating expenses	-187,944	-186,436	-61,652	-66,625
Share of results of associates	699	1,483	359	513
Interest receivable and similar income	10,121	6,214	3,884	2,228
Interest payable and similar expenses	-405	-317	-92	-91
<b>Result before taxes on income</b>	<b>99,160</b>	<b>110,780</b>	<b>36,302</b>	<b>26,361</b>
Taxes on income	-23,431	-41,160	1,648	-10,338
<b>Group result</b>	<b>75,729</b>	<b>69,620</b>	<b>37,950</b>	<b>16,023</b>
Group result attributable to shareholders of mobilcom AG	60,943	51,249	32,803	12,327
Group result attributable to minority interest	14,786	18,371	5,147	3,696
Earnings per share (undiluted) in €	0.98	0.82	0.53	0.20
Earnings per share (diluted) in €	0.98	0.82	0.53	0.20
Weighted average number of shares in circulation (undiluted) in thousand	62.417	62,509	62.417	62,522
Weighted average number of shares in circulation (diluted) in thousand	62.421	62,522	62.422	62,534

### 3.2 Consolidated balance sheet as of 30 September 2006

Assets in € thousand	30. 9. 2006	31.12. 2005	30. 9. 2005
<b>Non-current assets</b>			
Intangible assets	98,038	104,459	117,241
Goodwill	110,223	110,223	110,009
Property, plant and equipment	61,634	63,614	64,875
Investments accounted for using the equity method	3,055	3,512	3,095
Other investments	304	304	304
Deferred income tax assets	47,197	43,000	25,647
Trade accounts receivable	698	597	732
Other receivables and other assets	8,118	7,690	7,432
	<b>329,267</b>	<b>333,399</b>	<b>329,335</b>
<b>Current assets</b>			
Inventories	21,957	20,750	22,266
Current income tax claims	1,756	2,942	1,029
Trade accounts receivable	200,387	237,767	231,805
Other receivables and other assets	65,548	171,436	63,428
Cash and cash equivalents	517,925	333,101	405,569
Non-current assets hold for sale	0	225	0
	<b>807,573</b>	<b>766,221</b>	<b>724,097</b>
	<b>1,136,840</b>	<b>1,099,620</b>	<b>1,053,432</b>

Equity and liabilities in € thousand	30. 9. 2006	31.12. 2005	30. 9. 2005
<b>Equity</b>			
Share capital	65,702	65,702	65,702
Capital reserves	254,446	255,648	255,475
Statutory revenue reserves	36	36	36
Retained earnings	287,494	226,551	210,963
<b>Capital and reserves attributable to shareholders of mobilcom AG</b>	<b>607,678</b>	<b>547,937</b>	<b>532,176</b>
Minority interest in shareholders' equity	144,318	129,532	123,071
	<b>751,996</b>	<b>677,469</b>	<b>655,247</b>
<b>Non-current liabilities</b>			
Other payables and accruals	2,327	1,147	1,012
Borrowings	741	896	832
Deferred income tax liabilities	28,742	30,743	36,006
Retirement benefit obligations	761	539	579
Provisions for other liabilities and charges	1,413	1,027	1,082
	<b>33,984</b>	<b>34,352</b>	<b>39,511</b>
<b>Current liabilities</b>			
Trade accounts payable	106,635	110,563	114,258
Other payables and accruals	182,500	205,197	178,780
Current income tax liabilities	29,462	41,807	40,729
Borrowings	91	89	673
Provisions for other liabilities and charges	32,172	30,143	24,234
	<b>350,860</b>	<b>387,799</b>	<b>358,674</b>
	<b>1,136,840</b>	<b>1,099,620</b>	<b>1,053,432</b>

### 3.3 Consolidated statement of changes in shareholders' equity for the period from 1 January to 30 September 2006

In € thousand	Share capital	Capital reserves	Treasury shares	Revenue reserves	Retained earnings	mobilcom AG shareholders' interest in shareholders' equity	Minority interest in shareholders' equity	Shareholders' equity
As at 1.1.2006	65,702	255,648	0	36	226,551	547,937	129,532	677,469
Stock-based compensation	0	-1,202	0	0	0	-1,202	0	-1,202
Group result	0	0	0	0	60,943	60,943	14,786	75,729
As at 30.9.2006	65,702	254,446	0	36	287,494	607,678	144,318	751,996
As at 1.1.2005	65,702	287,835	-27,441	36	175,615	501,747	83,795	585,542
Acquisition of own shares	0	0	-23,930	0	0	-23,930	0	-23,930
Redemption of own shares	0	-51,371	51,371	0	0	0	0	0
Results of share-transfers in connection with acquisition of Strato-Group	0	18,496	0	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
Dividend payment 2004	0	0	0	0	-15,604	-15,604	0	-15,604
Stock-based compensation	0	515	0	0	-297	218	297	515
Increase in share-capital	174,692	-174,692	0	0	0	0	0	0
Reduction of share-capital	-174,692	174,692	0	0	0	0	0	0
Group result	0	0	0	0	51,249	51,249	18,371	69,620
As at 30.9.2005	65,702	255,475	0	36	210,963	532,176	123,071	655,247



### 3.4 Consolidated statement of cash flows from 1 January to 30 September 2006

In € thousand	1.1.2006 – 30.9.2006	1.1.2005 – 30.9.2005
<b>Result before taxes on income</b>	<b>99,160</b>	<b>110,780</b>
<b>Adjustments</b>		
+ Depreciation and impairment on items of fixed assets	32,808	41,293
+/- Increase/Decrease in provisions	2,637	-3,316
./ Interest income	-10,121	-6,214
+ Interest expenses	405	317
./ Other non-payment components	-745	-2,251
+ Loss on disposals of fixed assets	621	456
+ Decrease of inventories, trade receivables and other assets not attributed to investing or financing activities	58,081	50,344
./ Decrease of trade payables and other liabilities not attributed to investing or financing activities	-25,445	-13,734
./ Taxes paid	-40,788	-9,525
<b>= Cash flow from operating activities</b>	<b>116,613</b>	<b>168,150</b>
./ Purchase of tangible fixed assets	-19,172	-17,005
./ Purchase of intangible assets	-6,126	-5,776
+ Cash-proceeds from disposals of intangible and tangible fixed assets	270	932
./ Cash-payments for the acquisition of subsidiaries	0	-63,499
+ Interest received	8,557	5,882
<b>= Cash flow from investing activities</b>	<b>-16,471</b>	<b>-79,466</b>
./ Cash-payments to company owners and minority shareholders	0	-15,604
./ Cash-payments for the acquisition of treasury shares	0	-23,930
./ Cash-payments by subsidiaries to minority shareholders	0	-9,402
+ Cash-proceeds from disposals of promissory notes	85,000	0
./ Cash repayments of bonds/loans and short or long-term borrowings	-153	-966
./ Interest paid	-165	-275
<b>= Cashflow from financing activities</b>	<b>84,682</b>	<b>-50,177</b>
<b>Σ Change in Cash and Cash equivalents</b>	<b>184,824</b>	<b>38,507</b>
Cash funds at the beginning of the period	333,101	367,062
Cash funds at the end of the period	517,925	405,569

### 3.5 Segment report from 1 January to 30 September 2006

In € thousand	Fixed Network/ Internet	Mobile telephony	Group
Third party sales	543,569	981,036	1,524,605
Segment results	68,982	52,571	121,553
Share of result of companies included in accordance with the equity method	699	0	699
<b>EBITDA Segment result</b>	<b>69,681</b>	<b>52,571</b>	
Expenses/earnings not assigned			0
<b>EBITDA Group result</b>			<b>122,252</b>
Depreciation	-24,225	-8,583	-32,808
<b>EBIT Segment result</b>	<b>45,456</b>	<b>43,988</b>	
<b>EBIT Group result</b>			<b>89,444</b>
Net interest income			9,716
<b>Result before taxes on income</b>			<b>99,160</b>
Taxes on income			-23,431
<b>Group result</b>			<b>75,729</b>
mobilcom AG shareholders' share in consolidated result			60,943
Minority interests in consolidated result			14,786
Segment assets	538,315	546,211	1,084,526
Participations	304	0	304
Associated companies/Joint ventures	3,055	0	3,055
Assets, not assigned			48,955
<b>Group assets</b>			<b>1,136,840</b>
Segment liabilities	168,315	157,493	325,808
Liabilities, not assigned			59,036
<b>Group liabilities</b>			<b>384,844</b>
Additions to fixed assets	18,512	6,786	25,298
Additions to fixed assets from acquisitions	0	0	0
Additions to fixed assets, not assigned			0
<b>Group additions to fixed assets</b>			<b>25,298</b>

## Segment report from 1 January to 30 September 2005

In € thousand	Fixed Network/ Internet	Mobile telephony	Group
Third party sales	501,835	990,132	1,491,967
Segment results	87,690	57,003	144,693
Share of result of companies included in accordance with the equity method	1,483	0	1,483
<b>EBITDA Segment result</b>	<b>89,173</b>	<b>57,003</b>	
Expenses/earnings not assigned			0
<b>EBITDA Group result</b>			<b>146,176</b>
Depreciation	-30,132	-11,161	-41,293
<b>EBIT Segment result</b>	<b>59,041</b>	<b>45,842</b>	
<b>EBIT Group result</b>			<b>104,883</b>
Net interest income			5,897
<b>Result before taxes on income</b>			<b>110,780</b>
Taxes on income			-41,160
<b>Group result</b>			<b>69,620</b>
mobilcom AG shareholders' share in consolidated result			51,249
Minority interests in consolidated result			18,371
Segment assets	521,148	502,209	1,023,357
Participations	304	0	304
Associated companies/Joint ventures	3,095	0	3,095
Assets, not assigned			26,676
<b>Group assets</b>			<b>1,053,432</b>
Segment liabilities	180,024	140,038	320,062
Liabilities, not assigned			78,123
<b>Group liabilities</b>			<b>398,185</b>
Additions to fixed assets	11,765	11,015	22,780
Additions to fixed assets from acquisitions	170,346	0	170,346
Additions to fixed assets, not assigned			0
<b>Group additions to fixed assets</b>			<b>193,126</b>

### 3.6 Additional information

Order situation	See business development page 6 et seq.
Development of costs and prices	See business development page 6 et seq.
Research and development activities	See business development page 6 et seq.
Investments	See Group overview page 2

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

Stock option schemes				
Stock options	Term	Additional payment per share in €	Maximum possible number of shares from option rights	
			30.9.2006	31.12.2005
Tranche 2001	November 2008	24.40	47,400	54,400
Tranche 2004	March 2011	20.51	339,104	400,778
			386,504	455,178

Revenue breakdown	See Segment report page 18/19
Number of employees	As of 30.9.2006: 3,603
Personnel changes on the Executive Board and Supervisory Board	None
Events of particular significance, which could effect business operations	None
Interim dividends	None
Dividends paid	None

### 3.7 Supplementary explanations in accordance with IAS 34

1. The accounting and evaluation methods as well as the calculation methods used for the annual accounts of 31 December 2005 were also applied as of 30 September 2006, subject to the following exceptions.
  - Any and all share-based payments subject to the provisions of IFRS 2 are measured in accordance with IFRS 2.30 as payments for which redemption for cash may be requested.
  - In the 3rd quarter of 2006, freenet.de AG concluded a contract with Deutsche Telekom AG, Bonn, regarding Wholesale DSL; this contract supersedes the previously effective contract for Resale DSL. Thus, the effects of the terms and conditions going into effective on the balance sheet are taken into consideration in the closing accounts of this quarter. In comparison with the Resale DSL contract, the settlement of the commissions for acquisition of new customers, previously shown in Sales, no longer appears on the one side. The one-time installation and the monthly provision of the connections at more favourable terms and conditions are procured on the other side, with the corresponding effects on expenses for purchased services.
2. The business relationships to related persons and companies did not undergo any unusual developments during the first nine months of fiscal year 2006.
3. The interim report from the mobilcom Group is in conformity with the provisions of the International Financial Reporting Standards (IAS 34).

## 4. Additional information

### 4.1 Contacts

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## 4.2 Publications

You can also find our annual and quarterly reports in the internet under:  
[www.mobilcom.de](http://www.mobilcom.de), Section: Investor Relations, Archive

In case of doubt, the German language version of this quarterly report shall prevail.

Up-to-date information on mobilcom AG and on the mobilcom share are available to you on our website. You can also register for our E-mail subscription service in the Investor Relations section.

### 4.3 Financial calendar

**9th May 2006**

Interim Report I/2006

**8th August 2006**

Interim Report II/2006

**28th/29th August 2006**

Annual General Meeting

**8th November 2006**

Interim Report III/2006





**mobilcom**   

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Wir haben sie alle.

mobilcom AG  
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