Mid-year report   mobilezone holding ltd.

2005
30 June

Mid-year report

mobilezone®
the best for communication

Dear Shareholders, Ladies and Gentlemen:

The mid-year result of mobilezone Group is marked by a difficult first quarter. The decrease in gross sales of continued operations by 13.6 % to CHF 119.9 million is due to lower wholesale volume and to price reductions in the fixed-line telecommunications division. In the core business of retail sales about as many customer contracts as in the previous year could be procured for the three network operators Swisscom mobile, Sunrise, and Orange. Compared to the previous reporting year the number of outlets increased by seven to 101. Due to the higher costs, the operating profit (EBIT) fell by CHF 3.1 million to CHF 7.2 million. The total Group profit fell by CHF 2.0 million to CHF 6.2 million. As of June 30, 2005, shareholders' equity amounts to CHF 36.4 million (59.6 % of the balance sheet total) and net cash totals CHF 8.6 million. During the previous year, a total of CHF 22.8 million was paid out to shareholders as part of two share repurchase programs.

Forecast

It is expected that mobilezone will continue to expand on a moderate scale in the second half of the year and will optimize additional outlets. In this context the outlets in the shopping center Seedamm-Center Pfäffikon (opened already), on Multergasse in St. Gallen (flagstore), and in the shopping center Letzi-park in Zurich must be mentioned particularly. Moreover, beginning January 1, 2006, mobilezone will take over five Merkur locations in Brugg and Bulle (new locations) and in Neuchâtel, Fribourg, and Chur (location optimizations).

On the whole, mobilezone expects that service providing or MVO (Mobile Virtual Operator) will also become an issue in Switzerland, just as it has in neighboring countries. Since mobilezone has the necessary know-how (billing, call centers), the sales infrastructure (more than one hundred outlets), and the financial resources, mobilezone will explore its options with the three network operators Swisscom mobile, Orange, and Sunrise in the coming months.

Sales volume began rising again during the second quarter and grew even more significantly in the third quarter. This is undoubtedly due to new products, mainly cell phones featuring integrated cameras with two and more megapixels, higher memory capacity (up to four gigabytes), and improved functions for music (iPod functions). Therefore, mobilezone is confident that the positive result of the previous year can be repeated in 2005.

Regensdorf, August 23, 2005

Charles Gebhard
Chairman of the Board

Ruedi Baer
Delegate and CEO

Key figures Group

(million CHF)

Total Group:		30/06/2005	30/06/2004
Revenues		119,9	159,3
Net sales		111,5	148,0
EBITDA		9,3	12,4
EBIT		7,2	10,3
Net profit		6,2	8,2
Continued operations (Switzerland):			
Revenues		119,9	138,7
Net sales		111,5	129,7
EBITDA		9,3	12,6
EBIT		7,2	10,5
Net profit		6,2	8,4
Total Group:	**30/06/2005**	**31/12/2004**	**30/06/2004**
Shareholders' equity	36,4	41,8	36,7
as a percentage of total assets	*59,6%*	*51,2%*	*54,6%*
Net cash	8,6	24,6	13,6
Number of employees (FTE)	312	309	289
Number of shops	101	101	94

1 January to 30 June	2005	2004	2005	2004	2005	2004
(in CHF 000)	Total Group		Continued operations		Discontinued operations	
Revenues	119 898	159 346	119 898	138 730	–	20 616
Sales deductions including VAT	– 8 411	– 11 381	– 8 411	– 9 025	–	– 2 356
Net sales	**111 487**	**147 965**	**111 487**	**129 705**	**–**	**18 260**
Cost of materials and merchandise	– 84 348	– 117 652	– 84 348	– 101 952	–	– 15 700
Personnel costs	– 12 201	– 12 521	– 12 201	– 10 837	–	– 1 684
Other operating costs (net)	– 5 682	– 5 353	– 5 682	– 4 309	–	– 1 044
Operating profit before depreciation and amortization (EBITDA)	**9 256**	**12 439**	**9 256**	**12 607**	**–**	**– 168**
Depreciation of property, plant and equipment	– 1 375	– 1 488	– 1 375	– 1 391	–	– 97
Amortization of intangible assets	– 681	– 763	– 681	– 763	–	0
Net result from termination of activities	0	158	0	0	–	158
Operating profit (EBIT)	**7 200**	**10 346**	**7 200**	**10 453**	**–**	**– 107**
Financial expenses	– 83	– 256	– 83	– 182	–	– 74
Financial income	450	792	450	790	–	2
Profit before income taxes	**7 567**	**10 882**	**7 567**	**11 061**	**–**	**– 179**
Income tax expense	– 1 382	– 2 667	– 1 382	– 2 667	–	0
Net profit	**6 185**	**8 215**	**6 185**	**8 394**	**–**	**– 179**

	(in CHF)	(in CHF)
Earnings per share – basic	0.17	0.23
Earnings per share – dilutedt	0.17	0.23

(in CHF 000)	30/06/2005	31/12/2004
ASSETS		
Property, plant and equipment	4 948	5 385
Intangible assets	2 118	2 413
Deferred tax assets	266	303
Other financial assets	1 631	72
Non-current assets	**8 963**	**8 173**
Inventories	17 568	21 796
Trade accounts receivable	20 481	22 030
Other accounts receivable	5 518	5 078
Cash & cash equivalents	8 604	24 593
Current assets	**52 171**	**73 497**
Total assets	**61 134**	**81 670**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	358	369
Additional paid-in capital (share premium)	9 118	20 628
Retained earnings	26 971	20 786
Shareholders' equity	**36 447**	**41 783**
Deferred tax liabilities	2 817	2 206
Advances recieved	292	376
Non-current liabilities	**3 109**	**2 582**
Trade accounts payable	14 811	27 285
Current tax liabilities	3 113	5 366
Current provisions	100	850
Other current liabilities	3 554	3 804
Current liabilities	**21 578**	**37 305**
Total liabilities and shareholders' equity	**61 134**	**81 670**

1 January to 30 June	*2005*	*2004*
(in CHF 000)		
Net cash used in / provided by operating activities	**– 1 534**	**4 442**
Disposal of Kleen companies	0	– 1 535
Investment in financial assets	– 1 559	0
Other investing activities	– 1 294	– 1 359
Net cash used in investing activities	**– 2 853**	**– 2 894**
Issuance of new shares	644	176
Purchase of treasury shares	– 12 163	0
Other financing activities	– 83	– 22
Net cash provided by / used in financing activities	**– 11 602**	**154**
Translation adjustments on cash & cash equivalents	**0**	**– 31**
Net decrease / increase in cash & cash equivalents	**– 15 989**	**1 671**
Cash & cash equivalents as at 1 January	24 593	11 941
Cash & cash equivalents as at 30 June	**8 604**	**13 612**

The negative cash flow from operating activities was mainly due to the decrease of trade accounts payable by CHF 12.5 million to CHF 14.8 million. This decrease is the result of a change in the buying patterns during the reporting period. Increasingly, mobile phones were imported on a "payment on delivery" basis.

The issuance of new shares concerns excercised employee stock options.

Movements of shareholders' equity

(in CHF 000)	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Total
31/12/2003	**3 560**	**21 317**	**3 467**	**– 75**	**28 269**
Net profit			8 140	75	8 215
Translation adjustments	14	162			176
30/06/2004	**3 574**	**21 479**	**11 607**	**0**	**36 660**
31/12/2004	**369**	**20 628**	**20 786**	**0**	**41 783**
Net profit			6 185		6 185
Translation adjustments	7	637			644
Purchase of treasury shares	– 18	– 12 147			– 12 165
30/06/2005	**358**	**9 118**	**26 971**	**0**	**36 447**

1 January to 30 June

(in CHF 000)	***mobilezone Group***		***Commerce***		***Fixed Line Tele-communication***		***Discontinuing operations***		***Others / Eliminations***	
	2005	***2004***	***2005***	***2004***	***2005***	***2004***	***2005***	***2004***	***2005***	***2004***
Revenues	119 898	159 346	112 894	130 529	7 083	8 274	–	20 616	– 79	– 73
Net sales	111 487	147 965	104 949	122 156	6 617	7 622	–	18 260	– 79	– 73
EBITDA	9 256	12 439	7 726	11 118	1 619	1 416	–	– 168	– 89	73
EBIT	7 200	10 346	5 804	9 215	1 485	1 165	–	– 107	– 89	73

1 Accounting policies

The unaudited mid-year financial statement was prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting principles applied in preparing the mid-year report correspond to the Company's accounting policies as set forth in the Annual Statement 2004, except for the new and amended International Financial Reporting Standards (IFRS) that became effective on January 1, 2005. The new or amended standards did not have any significant impact on mobilezone's financial reporting.

2 Changes in the scope of consolidation

There were no changes in the scope of consolidation during the reporting period.

3 Other disclosures in accordance with IAS 34

Changes in equity

(Bearer shares of nominally CHF 0.01 par value):

Number of shares outstanding on December 31, 2004	38,634,744
Number of shares destroyed (from share repurchase 2004 and 2005)	- 3,537,948
Capital increase from employee options exercised	676,200
Number of shares issued on June 30, 2005	**35,772,996**
Held for trading purposes	-13,416
Number of shares issued and outstanding on June 30, 2005	**35,759,580**

On March 11, 2005, the Company started a share repurchase program with tradable put options to the extent of 5% maximum or approx. 1.9 million of the shares outstanding. Until the end of the tender period on March 30, 2005, the Company was offered 1,761,622 shares for the repurchase price of CHF 6.81 per share (share repurchase 2004: 1,776,326 shares at CHF 5.70).

On April 14, 2005, the Annual General Meeting agreed to a capital reduction in the amount of the volume repurchased in 2004 and 2005 of 3,537,948 shares in total.

Dividend distribution

The Company refrained from a dividend distribution in the reporting year due to the repurchase program.

Contingent liabilities

There are no significant contingent liabilities known that require disclosure.

4 Events after balance sheet date

No events occurring after the balance sheet date that would have a significant impact on the annual financial statement or would have to be disclosed here are known. The Board of Directors approved this report on August 17, 2005.

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