3U TELECOM

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QUARTERLY REPORT 1/2005

3U TELECOM

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SUMMARY OF GROUP RESULTS

3U GROUP (IFRS)		QUARTERLY COMPARISON	
		Q1 2005	Q1 2004
Sales	(in € million)	26.68	18.17
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(in € million)	1.30	0.86
EBIT (earnings before interest and taxes)	(in € million)	-3.61	-4.43
EBT (earnings before taxes)	(in € million)	-5.13	-4.64
Net income/loss for the period	(in € million)	-5.14	-5.15
Earnings per share (basic)	(in €)	-0.11	-0.11*
Earnings per share (diluted)	(in €)	-0.11	-0.11*
Equity ratio	(in %)	24.27	64.01

In order to improve prior-year comparability in the broadband/IP segment in particular, we have allocated the figures for carrier24 GmbH, which was fully consolidated in the last quarter of 2004, to individual quarters in the report on business development. In the annual report 2004, all effects of first-time consolidation were shown in the fourth quarter only. As a result of this allocation, the comparative figures for 2004 are no longer identical to the figures presented in the quarterly financial statements as of 31 March 2004 or the annual report 2004. These adjustments were also implemented in the graphic presentations.

At the same time, it should be noted that LambdaNet was only included in consolidation from the second quarter of 2004 onwards. In the old Group (fixed-line network telephony segment), there were minor changes as a result of the transition from US GAAP to IFRS, which affected EBITDA in the amount of € -70 thousand and earnings in the amount of € -60 thousand in the first quarter of 2004.

*To improve comparability, the reference figures for the previous year have been adapted to the figures after the stock split.

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LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS,

In the 2005 financial year, 3U TELECOM AG will leverage its opportunities to profit from the growing telecommunications market. The continued spread of broadband services (DSL) and Internet telephony (VoIP) is having an increasing effect on the market as a whole. Thanks to our subsidiary LambdaNet Communications Deutschland AG, we are extremely well prepared for this market trend. The Company provides the necessary technological basis for the launch of new products, such as VPN, DSL or VoIP. At the same time, we can tap new customer segments with an extended Sales department. A growing market segment, combined with the realisation of intra-group synergies in product development form the foundation for further increasing the operating result of the 3U Group and thereby its enterprise value.

In the first quarter of 2005, sales and earnings of the 3U Group were up slightly on our forecasts. This makes us confident for the subsequent quarters that, at the end of the year, we will be able to present to you a 3U Group that has improved significantly in all business areas as against the previous year and that is well equipped for future market prospects. A positive trend is already emerging from the restructuring measures introduced and stepped-up sales and marketing activities.

Thus, we have laid a solid basis for further operative and strategic measures, which have been introduced since August 2004:

- In all segments, we are competing with a number of well-positioned and effective companies. Speed, new products and a smoothly running organisation are what we need to hold and extend our market share. The focus of all our activities is to strengthen our customer base in both segments.
- In the first quarter of 2005, we came closer to our goal of returning to profitability in the fixed network segment. As regards our sales structure, we intend to boost end-customer business, and thereby the number of registered customers.
- OneTel Telecommunication GmbH has now been completely integrated into our organisation in Marburg. This makes it possible for us to realize synergies in product management and the cost structure.
- In the broadband/IP segment, our sales activities are beginning to show results in attracting new customers in the high-margin VPN product segment.

We are confirming our financial and operating targets for the current financial year: The first quarter of 2005 shows that the sales decline in the fixed-line network telephony segment was stopped and we virtually stabilised the previous quarter's sales in the broadband/IP segment. As the sales cycles for VPN services take up to twelve months, we are anticipating significant growth for this product offering from the second half of the year onwards in particular.

In May 2005, we signed a term sheet with GasLINE, LambdaNet's fibre optics supplier. This term sheet defined the framework for a significant cost reduction and the redemption of the convertible bond reported in the balance sheet. After the agreements have been finally signed, which we expect to happen in the second quarter, we will adjust our forecasts for the year.

In future, we will continue working intensively to achieve our targets, and we thank you for the trust you have shown in us.

The Management Board of the 3U Group
Michael Schmidt, Roland Thieme, Burkhard von Ehren and Berth Hausmann (from left)

3U SHARES

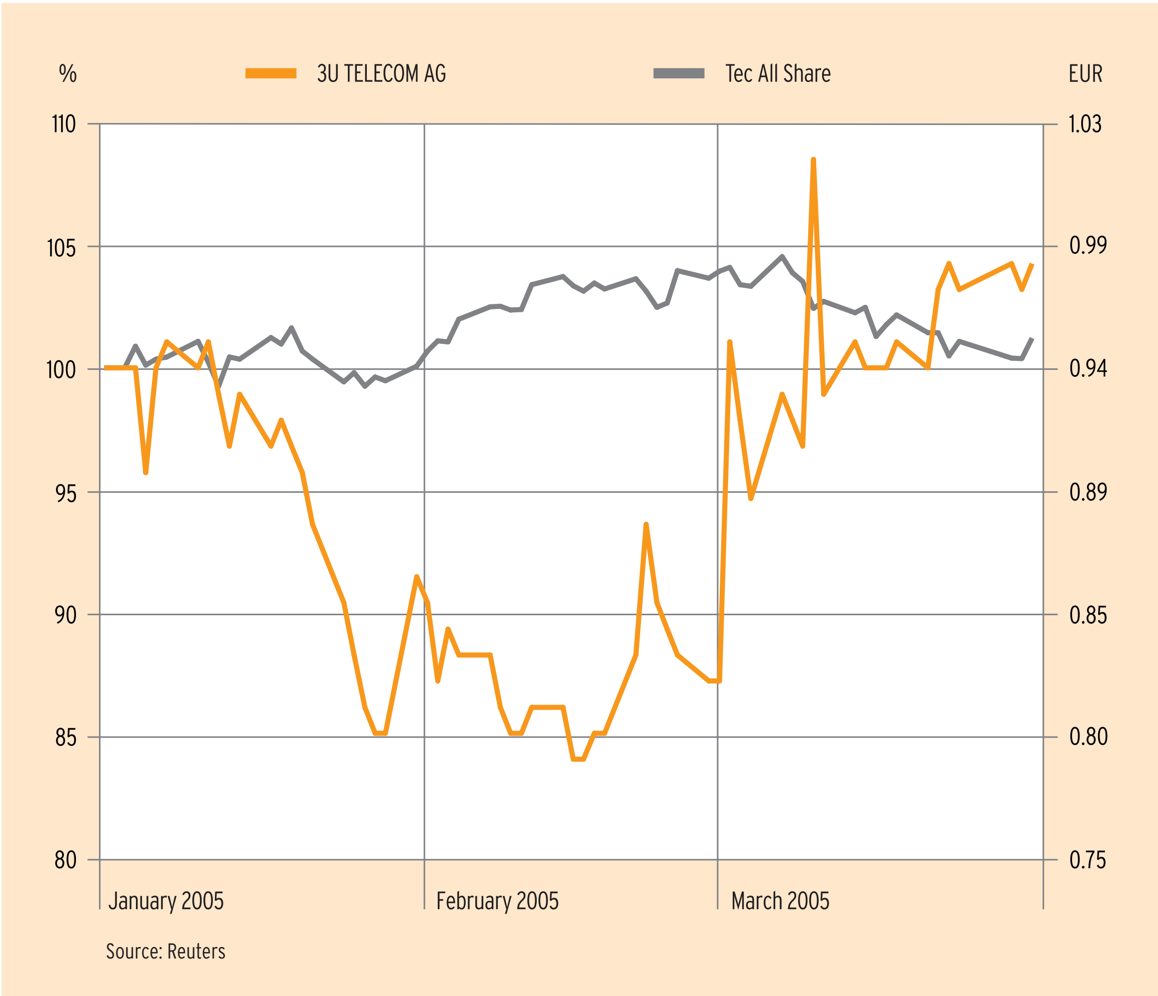
OVERVIEW OF 3U SHARES

International Securities Identification Number (ISIN)		DE0005167902
Stock exchange symbol		uuu
Trading segment		Prime Standard
Industry key		Telekommunication
Designated Sponsors		Helaba Landesbank Hessen-Thüringen and Axxon Wertpapierhandelsbank AG
Initial listing		26 November 1999
Registered share capital	(in €)	46,842,240.00
Share price on 31 March 2005*	(in €)	0.98
High in the first quarter of 2005*	(in €)	1.02 (10 March 2005)
Low in the first quarter of 2005*	(in €)	0.79 (15 February 2005)
Number of shares		46,842,240
Market capitalisation on 31 March 2005	(in € million)	45.91
Earnings per share (basic)	(in €)	-0.11

In the first quarter of 2005, the average trading volume of 3U shares was 4.76 million shares traded per month. As of the reporting date of 31 March 2005, the share price was € 0.98, corresponding to market capitalisation of € 45.91 million.

*Daily closing price Xetra

PRICE PERFORMANCE OF 3U SHARES AGAINST THE TEC ALL SHARE INDEX



In the first quarter of 2005, the price of 3U shares outperformed the Tec All Share index. However, the recovery in the price has not yet compensated for the considerable losses suffered in the previous year. In the medium term, the improved operating results should have a positive influence on price performance.

Since 3 January 2005, the shares of 3U TELECOM AG have been part of in the GEX (German Entrepreneurial Index).

INVESTOR STRUCTURE

As of 31 March 2005, members of the governing bodies held the following shares with full voting and dividend rights:

MANAGEMENT BOARD	
Burkhard von Ehren	14,500 shares
Berth Hausmann	0 shares
Michael Schmidt	8,299,995 shares
Roland Thieme	2,508,330 shares
SUPERVISORY BOARD	
Hubertus Kestler (Chairman)	0 shares
Ralf Thoenes (Deputy Chairman)	0 shares
Gerd Simon	0 shares

INVESTOR RELATIONS

Following the presentation of the business figures for 2004 and the outlook for 2005, analysts have taken more positive stance on the value of the 3U Group and its business prospects than was previously the case. As a result of the new management and the restructuring measures that have been introduced, independent analysts have begun to focus on 3U shares once again.

The Management Board of 3U TELECOM AG will now re-enter into significantly more proactive dialogue with institutional investors, analysts and the business media to report on the Company's ongoing business prospects and to further strengthen its investor base.

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REPORT ON BUSINESS DEVELOPMENT

In terms of its comparability with the quarterly report as of 31 March 2004 and the annual report as of 31 December 2004, the report on business development has been largely defined by the retroactive full consolidation of carrier24 GmbH and requires indepth explanation.

In order to improve prior-year comparability in the broadband/IP segment in particular, we have allocated the figures for carrier24 GmbH, which was fully consolidated in the last quarter of 2004, to individual quarters in the report on business development. In the annual report 2004, all effects of first-time consolidation were shown in the fourth quarter only. As a result of this allocation, the comparative figures for 2004 are no longer identical to the figures presented in the quarterly financial statements as of 31 March 2004 or the annual report 2004. These adjustments were also implemented in the graphic presentations.

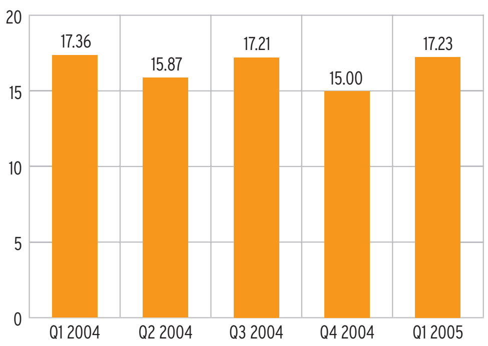
In the published version of the quarterly report as of 31 March 2004, carrier24 GmbH was not originally included in consolidation. In the context of the first-time consolidation as of 1 January 2004, there was goodwill of € 3.8 million, which was written off in full on account of IFRS.
The changes in earnings this entails affected the quarterly report as of 31 March 2004 directly and in full, as shown in the overview of Group results and the consolidated notes.

At the same time, it should be noted that LambdaNet was only included in consolidation from the second quarter of 2004 onwards. In the old Group (fixed-line network telephony segment), there were minor changes as a result of the transition from US GAAP to IFRS, which affected EBITDA in the amount of € –70 thousand and earnings in the amount of € –60 thousand in the first quarter of 2004.

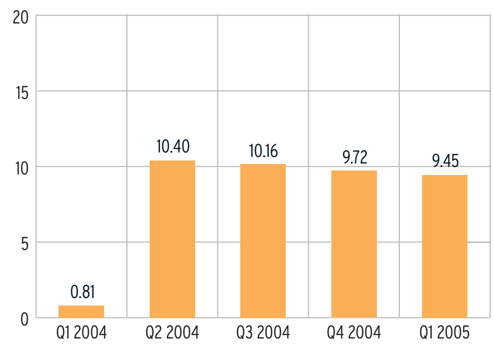
SALES DEVELOPMENT

Taking into consideration the effects of consolidation of the LambdaNet subsidiary, total Group sales increased from € 18.17 million by 46.8 % as against the prior-year period to € 26.68 million in the first quarter of 2005. Compared to the fourth quarter of 2004, sales improved by € 1.96 million or 7.9 %.
In the fixed-line network telephony segment, sales of € 17.23 million were generated in the first quarter of 2005. This corresponds to an increase of € 2.23 million as against the fourth quarter of 2004, though sales declined slightly as against the first quarter of 2004 (€ –0.13 million). The positive sales performance compared to the fourth quarter of 2004 is primarily due to a stabilisation of wholesale business, the rise in preselection customers at our cooperation partners and positive trends in the US. Sales also stabilised in the call-by-call business area in the OneTel and 3U companies.
A marketing cooperation by our fon4U subsidiary also generated a considerable sales increase in the first quarter of 2005 as against the previous quarter.
Measures have already been introduced to increase our customer base, and we are expecting further positive earnings contributions in the second half of 2005.

SALES DEVELOPMENT – FIXED-LINE NETWORK TELEPHONY SEGMENT IN € MILLION



SALES DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION



In the broadband/IP segment, we generated sales of € 9.45 million in the first quarter of 2005 (fourth quarter 2004: € 9.72 million). This cannot be compared to the same quarter of the previous year, as this only includes the sales of carrier24 (€ 0.81 million).

In the first quarter, sales by LambdaNet slightly exceeded our expectations. We expect that we will be feeling the after-effects of the customer agreements that were terminated in the provisional insolvency phase until the end of the second quarter of 2005. Being able to successfully attract new customers for our VPN services will be critical for further development. The projects launched here are promising, though the corresponding agreements must take into consideration the sales cycle, which can last up to twelve months.

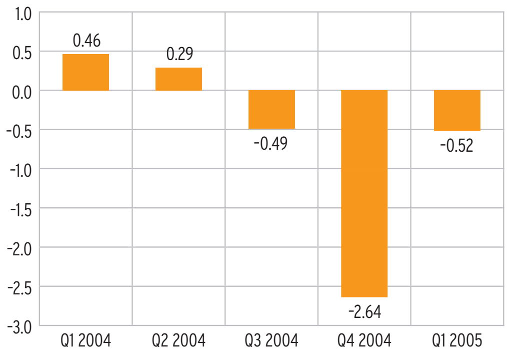
EARNINGS DEVELOPMENT

A comparison of earnings with the previous year is greatly limited by the provisions for restructuring expenses and the non-recurring effects of 2004. Earnings for the first quarter of 2005 result from normal operations. There were no new non-recurring effects in the period under review.
For the Group as a whole, we are reporting a loss of € 5.14 million for the first quarter of 2005, a considerable improvement on earnings in the fourth quarter of 2004, which were impacted by non-recurring effects (€ –8.23 million).
The majority of losses were incurred as a result of the high write-downs on the network infrastructure of the LambdaNet subsidiary, which was not yet included in consolidation in the first quarter of 2004.
In the first quarter of 2005, EBITDA for the Group as a whole was € 1.30 million. This corresponds to an increase of € 2.3 million as against the previous quarter and of € 0.44 million compared to the first quarter of 2004 (€ 0.86 million).

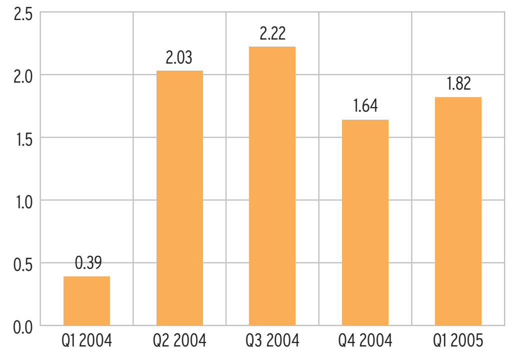
As anticipated, the loss in fixed-line network telephony in the first quarter of 2005 was € –1.04 million. This, too, was a significant improvement on the previous quarter (€ –2.66 million). Earnings have improved slightly as against the first quarter of 2004 (€ –1.15 million), though margins have decreased. Earnings in the quarterly report as of 31 March 2005 also include the expenses for extended marketing and sales activities. The purpose of these activities is to attract new customers and increase the Company's profitability in the medium term.

At € -0.52 million, EBITDA for the fixed-line network telephony segment exceed both our forecasts and the earnings for the previous quarter (€ -2.64 million). As against the first quarter of 2004 (€ 0.46 million), EBITDA declined by € 0.98 million. Increasing the base of registered customers will be a key factor for this segment. Despite the low margins, we also intend to expand wholesale business. However, in the second half of the year, the primary focus will be on strengthening call-by-call business and increasing the number of registered customers. This will have a direct, positive influence on the Group's financial performance.

EBITDA DEVELOPMENT – FIXED-LINE NETWORK TELEPHONY SEGMENT IN € MILLION



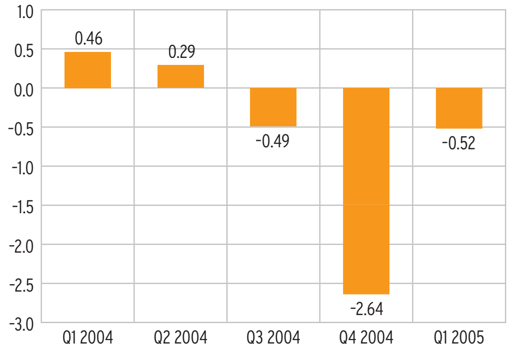
EBITDA DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION



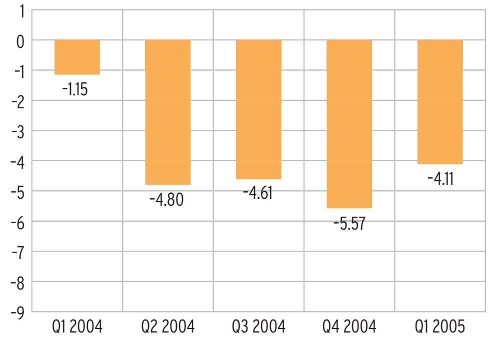
In the broadband/IP segment, the loss for the first quarter of 2005 was € -4.11 million, an increase of € 1.46 million as against the fourth quarter of 2004 (€ -5.57 million).
At € 1.82 million, EBITDA in this segment in the first quarter of 2005 improved by € 0.18 million as against the fourth quarter of 2004. The EBITDA margin is therefore 19.3 %, up 2.4 percentage points on the previous quarter. The earnings generated by this segment in the first quarter of 2005 also slightly exceeded our expectations.

In the first quarter of 2005, earnings per share (basic) amounted to € -0.11.

EARNINGS DEVELOPMENT – FIXED-LINE NETWORK TELEPHONY SEGMENT IN € MILLION



EARNINGS DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION



INVESTMENTS

The non-recurring effects relating to investments, triggered by acquisition activity, were described in detail in the annual report 2004. In the first quarter of 2005, investments declined in line with planning to a level of € 0.45 million. These investments were primarily made for technical equipment.

FINANCIAL POSITION

A detailed description of the reconciliation of our figures from US GAAP to IFRS is included in the notes. The Management Board opted for rapid implementation in order to guarantee the early comparability of figures required in the long term, and thereby transparency for our shareholders.

As of 31 March 2005, the Group's total assets amounted to € 162.74 million. The main reasons for this are the capitalisation of long-term rental agreements and the corresponding item on the shareholders' equity and liabilities side of the balance sheet (long-term lease liabilities). This balance sheet extension is also described in detail in the annual report 2004.

The share of non-current assets in total assets is therefore 72.2 %, as against 75.3 % at the end of 2004.

Cash and cash equivalents as of the end of the first quarter of 2005 amounted to € 37.66 million, down by € 2.15 million as against 31 December 2004 (€ 39.81 million). The Group's cash situation remains good, taking into consideration the accrued risks of previous financial years and the collateralisation of loans of the LambdaNet subsidiary by 3U TELECOM AG. The risks are described in detail in the annual report 2004.

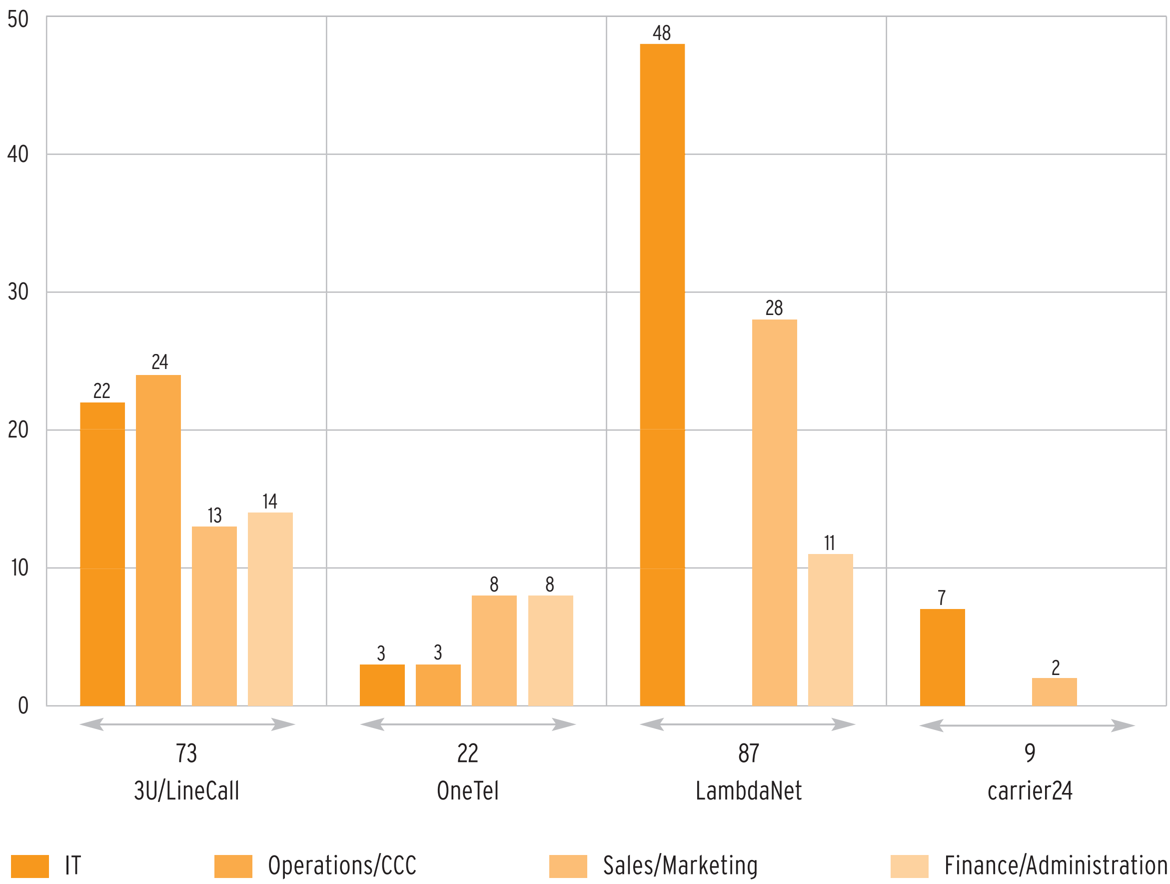
As a result of the loss, shareholders' equity in line with IFRS declined to € 39.49 million as against 31 December 2004 (€ 44.22 million). The equity ratio, significantly influenced by the above mentioned balance sheet extension, amounted to 24.3 % (end of the fourth quarter of 2004: 27.8 %).

The long-term liabilities primarily result from the capitalisation of fibre optic agreements at LambdaNet and carrier24 in the amount of € 44.68 million.

EMPLOYEES

As against the end of the previous quarter (174 employees), the number of employees increased by 17 as of 31 March 2005. It should be noted that we have recruited new employees at "interfaces to our customers" in sales, marketing and customer care, and have replaced some student helpers with full-time staff. The number of employees will decrease as a result of the departure of some OneTel employees after the end of the notice period in the second quarter of 2005.

EMPLOYEE STRUCTURE AS OF 31 MARCH 2005*



*Directly employed staff on the basis of full-time equivalents

EVENTS OF PARTICULAR IMPORTANCE AFTER THE END OF THE PERIOD UNDER REVIEW

AGREEMENT WITH THE NETWORK PROVIDERS OF LAMBDANET COMMUNICATIONS DEUTSCHLAND AG

Following intensive negotiations over several months with the main network provider of our LambdaNet subsidiary, we have succeeded in signing a term sheet for the adjustment of fibre optics agreements with the contracting party, which will allow a significant reduction in the cost of fibre optics in future. These would already become effective in financial year 2005. The convertible bond reported in the balance sheet of LambdaNet in the amount of € 10.48 million is to be repaid by way of a partial waiver by the creditor GasLINE and a one-off payment by LambdaNet. LambdaNet can pay the amounts required for this from its operating cash flow by the end of 2006, and therefore this would barely affect cash and cash equivalents. Overall, this will significantly improve the value of the LambdaNet subsidiary for the 3U Group.
The content of this term sheet will not be taken into consideration in our figures and outlook until it has been approved by all the necessary committees and the final agreements have been signed.

ISSUE OF NEW STOCK OPTIONS

By way of resolution dated 15 May 2003, the Annual General Meeting created contingent capital of up to € 4,560,000 (€ 912,000 before the stock split on 6 July 2004) to issue stock options to members of the Management Board, executives and employees as part of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board exercised this authorisation on 20 August 2003, establishing a stock option plan for 2003.
On 9 March 2005, the Supervisory Board resolved for the members of the Management Board, and the Management Board resolved for Group executives and employees, to issue 2,206,000 options on bearer stocks, 61 % of which to our employees. These options were issued on 4 April 2005 following the publication of the annual report.
The specific structure of the 3U stock option plan 2005 has been published on the homepage of 3U TELECOM AG (www.3utelecom.de) under the "Investor Relations" menu.

OUTLOOK FOR FINANCIAL YEAR 2005

Following the unsatisfactory results of the previous year, the Company is still undergoing a restructuring phase. In addition to organisational changes, this also includes stepping up and stabilising sales activities. The optimisation of cost structures is also a key component as the prerequirement for the return to profitability. Among other things, this relates to the final agreement with our fibre optics provider on the lowering of network costs, which is expected to be signed in the second quarter.

In recent months, our market presence has improved considerably as a result of our newly implemented sales and marketing strategy. This has been highlighted by the rise in sales figures in the first quarter. Nonetheless, there are still further challenges ahead in this area, which will have a significant impact on the attainment of our goals in financial year 2005. These challenges include increasing the call-by-call volume of the fixed-line network telephony segment and the number of customer contracts. This also serves the long-term stabilisation of our contribution margins and increasing our earnings power in this segment. For this reason, we launched our DSL product for end-customers on 2 May 2005. This is just one initial example of how we will leverage technology synergy potential with our LambdaNet subsidiary.

In the broadband/IP segment, we have made up for the sales decline for carrier services at our subsidiary LambdaNet. Our main task now will be to increase our customer base for higher-margin VPN services. Herein lies a key for the long-term success of the 3U Group. The customer projects in this area are highly promising and the sales team has been bolstered; as a result we are anticipating the first positive effects from the second half of the year onwards, taking the sales cycles into consideration.

Building on the results for the first quarter of 2005, the 3U Group is still forecasting a sales increase of at least 10 %. In terms of EBITDA as well, we are abiding by our forecast of increasing the operating result substantially year-on-year. A final agreement with our fibre optics provider would represent a further significant improvement in financial year 2005.

While we are still expecting, as reported previously, to generate negative EBITDA for 2005 as a whole in the fixed-line network telephony segment – we will not see a return to positive quarterly results here until the second half of the year – EBITDA for the broadband/IP segment will develop more positively than in the last financial year, thereby enhancing the earnings power of the Group as a whole. LambdaNet will therefore be the key component in the future operating success of the Company and thereby for the enterprise value of the 3U Group.

As regards the Group's earnings for the year, we are confirming our forecast that we can achieve a significant reduction of losses as against financial year 2004.

THE CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEET AS OF 31 MARCH 2005 (IFRS)

ASSETS 3U GROUP (IN € THOUSAND)	31 MAR. 2005	31 DEC. 2004
NON-CURRENT ASSETS	**123,265**	**123,537**
Intangible assets	16,220	17,800
Property, plant and equipment	77,694	78,579
Financial Assets	23,809	23,310
Deferred taxes	457	455
Other non-current assets	5,085	3,393
CURRENT ASSETS	**39,477**	**35,382**
Trade receivables	13,683	8,906
Other current assets	3,758	1,719
Cash and cash equivalents	13,849	16,499
Prepaid expenses	8,187	8,258
TOTAL ASSETS	**162,742**	**158,919**

STOCKHOLDERS' EQUITY AND LIABILITIES 3U GROUP (IN € THOUSAND)	31 MAR. 2005	31 DEC. 2004
STOCKHOLDERS' EQUITY	**39,492**	**44,220**
Issued capital	46,842	46,842
Capital reserve	20,404	20,322
Revaluation reserve	1,182	845
Retained earnings	-23,787	6,110
Unappropriated surplus/accumulated loss	-5,139	-29,898
Minority interests	9	9
Adjustment item for currency difference	-19	-10
NON-CURRENT LIABILITIES	**76,997**	**78,642**
Non-current provisions	117	116
Non-current liabilities due to banks	16,237	16,467
Non-current lease liabilities	44,683	44,383
Other non-current liabilities	14,803	16,703
Deferred taxes	1,157	973
CURRENT LIABILITIES	**46,253**	**36,057**
Current provisions	4,114	3,751
Current financial liabilities	2,771	2,493
Trade payables	17,429	13,664
Other current liabilities	15,271	12,139
Deferred income	6,668	4,010
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**162,742**	**158,919**

INCOME STATEMENT (IFRS)

3U GROUP (IN € THOUSAND)		3-MONTH REPORT	
		1 JAN 2005 – 31 MARCH 2005	1 JAN 2004 – 31 MARCH 2004
Sales		26,677	18,166
Cost of sales		-24,642	-14,463
GROSS PROFIT		**2,035**	**3,703**
Selling expenses		-2,123	-836
General administrative expenses		-3,276	-3,452
Other operating income/expenses		448	-26
Goodwill amortisation/write-downs on customer portfolio		-689	-3,799
EARNINGS BEFORE INTEREST AND TAXES		**-3,605**	**-4,410**
Interest and similar income		109	103
Interest and similar expenses		-1,638	-317
EARNINGS BEFORE TAXES		**-5,134**	**-4,624**
Income tax expense		-5	-521
EARNINGS AFTER TAXES		**-5,139**	**-5,145**
Minority interests		0	0
CONSOLIDATED PROFIT		**-5,139**	**-5,145**
NET INCOME/LOSS FOR THE YEAR		**-5,139**	**-5,145**
EARNINGS PER SHARE			
Earnings per share (basic)	(in €)	-0.11	-0.11
Earnings per share (diluted)	(in €)	-0.11	-0.11
Average shares outstanding (basic)	(per item)	46,842,240	46,842,240
Average shares outstanding (diluted)	(per item)	47,708,490	47,708,490

CASH FLOW STATEMENT (IFRS)

3U GROUP (IN € THOUSAND)	1 JAN. 2005 - 31 MAR. 2005	1 JAN. 2004 - 31 MAR. 2004
INCOME FOR THE QUARTER	**-5,139**	**-5,145**
Adjustments for minority interests	0	-15
Amortisation and depreciation expense	4,908	5,289
Changes in receivables	-2,031	1,049
Changes in inventories	0	0
Changes in other assets/liabilities	66	-11,884
Other non-cash expenses and income	0	-9
CASH FLOW FROM OPERATING ACTIVITIES	**-2,196**	**-10,715**
Acquisition/disposal of intangible assets and property, plant and equipment	-454	-267
Acquisition/disposal of non-current assets	0	519
CASH FLOW FROM INVESTING ACTIVITIES	**-454**	**-252**
Increase in shareholders' equity	0	0
Proceeds from the borrowing of short- or long-term loans	0	0
Payment for the repayment of loans	0	0
Payment for finance lease	0	0
CASH FLOW FROM FINANCING ACTIVITIES	**0**	**0**
Foreign exchange rate effects on cash and cash equivalents	0	0
CHANGE IN CASH AND CASH EQUIVALENTS	**-2,650**	**-10,463**
Cash and cash equivalents at the beginning of the period	16,499	37,745
Cash and cash equivalents at the end of the period	13,849	27,282

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2005 (IFRS)

3U GROUP (IN € THOUSAND)	ISSUED CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	MINORITY INTERESTS	CURRENCY	EARNINGS FOR THE QUARTER	TOTAL SHARE-HOLDERS' EQUITY
AS OF 1 JAN. 2004	**9,333**	**57,225**	**2,760**	**3,866**	**0**	**0**	**0**	**73,184**
Consolidated profit	0	0	0	0	0	0	-5,145	-5,145
Stock options	0	63	0	0	0	0	0	63
Revaluation of securities	0	0	624	0	0	0	0	624
Quaterly earnings	0	0	0	-5,145	0	0	5,145	0
Currency changes taken directly to equity	0	0	0	0	0	-3	0	-3
Other changes	0	0	0	-335	0	0	0	335
AS OF 31 MAR. 2004	**9,333**	**57,288**	**3,384**	**-1,614**	**0**	**-3**	**0**	**68,388**

3U GROUP (IN € THOUSAND)	ISSUED CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	MINORITY INTERESTS	CURRENCY	EARNINGS FOR THE QUARTER	TOTAL SHARE-HOLDERS' EQUITY
AS OF 1 JAN. 2005	**46,842**	**20,322**	**845**	**-23,788**	**9**	**-10**	**0**	**44,220**
Consolidated profit	0	0	0	0	0	0	-5,139	-5,139
Stock options	0	83	0	0	0	0	0	83
Revaluation of securities	0	0	337	0	0	0	0	337
Quarterly earnings	0	0	0	-5,139	0	0	5,139	0
Currency changes taken directly to equity	0	0	0	0	0	-9	0	-9
Other changes	0	0	0	0	0	0	0	0
AS OF 31 MAR. 2005	**46,842**	**20,405**	**1,182**	**-28,927**	**9**	**-19**	**0**	**39,492**

GENERAL INFORMATION

1. GENERAL INFORMATION ON THE COMPANY

The activities of 3U TELECOM AG comprise the offering of telecommunications services in the areas of fixed-line and broadband/IP.

2. ACCOUNTING PRINCIPLES

General information
The quarterly financial statements of 3U TELECOM AG as of 31 March 2005 were prepared on the basis of the first-time adoption of International Financial Reporting Standards (IFRS) in line with the provisions of IFRS 1 published on 19 June 2003 and taking into consideration the applicable guidelines of the International Accounting Standards Board (IASB), London. The term IFRS also includes the International Accounting Standards (IASs) that are still applicable.

These standards were partially revised by the IASB as part of its Improvements Project and published in December 2003. They must be applied bindingly from 1 January 2005 onwards. This relates to the following standards:

- IAS 1 (presentation of financial statements)
- IAS 2 (inventories)
- IAS 8 (accounting policies, changes in accounting estimates and errors)
- IAS 10 (events after the balance sheet date)
- IAS 16 (property, plant and equipment)
- IAS 17 (leases)
- IAS 21 (the effect of changes in foreign exchange rates)
- IAS 24 (related party disclosures)
- IAS 27 (consolidated and separate financial statements)
- IAS 28 (investments in associates)
- IAS 31 (interests in joint ventures)
- IAS 32 (financial instruments – disclosures and presentation)
- IAS 33 (earnings per share)
- IAS 39 (financial instruments – recognition and measurement)
- IAS 40 (investment property)
- IFRS 2 (share-based payments)
- IFRS 3 (business combinations)
- IFRS 4 (insurance contracts)
- IFRS 5 (non-current assets held for sale and discontinued operations)

The new regulations, insofar as they apply to 3U TELECOM AG, were adopted voluntarily in the preparation of the opening balance sheet in line with IFRS. IFRS 3 has been applied to business combinations since 1 January 2004.

FINANCIAL YEAR
The financial year of the Company is the calendar year.

METHOD OF PRESENTATION
The basis of measurement for assets and liabilities is the historical cost. Assets are capitalised if substantially all the risks and rewards incident to their use lie with 3U TELECOM AG. The accounting policies are explained under the corresponding balance sheet items.

REPORTING CURRENCY
The annual financial statements were prepared in Euro (EUR/€).

CONSOLIDATED GROUP
The following companies were included in the consolidated financial statements of 3U TELECOM AG:

REGISTERED OFFICE	COUNTRY	COMPANY	SUBSCRIBED SHARE CAPITAL	SHARE OF 3U TELECOM AG
Bolzano	Italy	3U TELECOM S.R.L.	100,000 EUR	99 %
Zurich	Switzerland	3U TELECOM AG	500,000 CHF	99.996 %
Paris	France	3U TELECOM SARL	1,000,000 EUR	100 %
Vienna	Austria	3U TELECOM GmbH	250,000 EUR	99.97 %
Hilversum	Netherlands	3U TELECOM B.V.	100,000 EUR	100 %
Brussels	Belgium	3U TELECOM S.P.R.L.	150,000 EUR	99.9 %
Henderson (NV)	USA	3U TELECOM INC.	0 USD	70 %
Luxembourg	Luxembourg	3U TELECOM SARL	15,000 EUR	100 %
London	UK	3U TELECOM Ltd.	150,000 GBP	100 %
Neu-Isenburg	Germany	OneTel Telecommunication GmbH	3,025,000 EUR	100 %
Marburg	Germany	fon4U Telecom GmbH	25,000 EUR	100 %
Marburg	Germany	LineCall Telecom GmbH	25,000 EUR	100 %
Meckenheim	Germany	CityDial GmbH	150,000 EUR	50 %
Hanover	Germany	LambdaNet Communications Deutschland AG	7,300,000 EUR	100 %
Unterschleissheim	Germany	carrier24 GmbH	25,000 EUR	15 %

All subsidiaries controlled by 3U TELECOM AG directly or indirectly in line with IAS 27 are included in the consolidated financial statements. carrier24 GmbH is included in the consolidated Group on account of SIC 12.

FIRST-TIME ADOPTION OF IASS/IFRS

1. RECONCILIATION OF SHAREHOLDERS' EQUITY

The method for the reconciliation from the accounting policies previously applied (US GAAP) to IFRS is regulated in IFRS 1, first-time adoption. This standard was published in June 2003 and must be adopted for reporting periods beginning on or after 1 January 2004.

Differences in valuation from the first-time changeover from US GAAP to IFRS are credited or charged directly to shareholders' equity (retained earnings or revaluation reserve for financial instruments) as of 1 January 2004 (restatement).

The reconciliation of consolidated shareholders' equity from US GAAP to IAS/IFRS is as follows:

3U GROUP (IN € THOUSANDS)	NOTE	1 JAN. 2004	31 MAR. 2004	31 DEC. 2004
SHAREHOLDERS' EQUITY IN LINE WITH US GAAP		**72,469**	**71,379**	**43,210***
US GAAP ADJUSTMENTS	(1)	**-110**	**-4,107**	**0**
ADJUSTED SHAREHOLDERS' EQUITY IN LINE WITH US GAAP		**72,359**	**67,272**	**43,210**
Reduction of impairment of fixed-line network licenses	(2)	1,566	1,566	1,566
Reduction of amortisation of fixed-line network licenses	(3)	9	9	9
Currency translation by foreign subsidiaries	(4)	-17	-23	-33
Reconversion obligations	(5)	-75	-74	-89
Consolidation of special funds	(6)	-191	164	403
Write-up of deferred tax assets	(7)	39	41	51
Write-up of deferred tax liabilities	(8)	-506	-567	-907
Minority interests	(9)	0	0	10
SHAREHOLDERS' EQUITY IN LINE WITH IFRS		**73,184**	**68,388**	**44,220**

(1) US GAAP ADJUSTMENTS

The adjustments made in line with US GAAP result from the measurement of investment securities as of 1 January 2004. In the published version of the quarterly report as of 31 March 2004, carrier24 GmbH, Munich, was not originally included in consolidation. This is a special purpose entity that was consolidated in the 2004 reporting year retroactively to 1 January 2004 in line with FIN 46. In the context of first-time consolidation, goodwill of € 3,799 thousand was generated, which was then amortised in full on account of IFRS 3 in conjunction with IAS 36. The basis for the write-down was the cash flow forecast based on the long-term business plan. In total, the first-time consolidation of carrier24 GmbH reduced consolidated shareholders' equity as of 31 March 2004 by € 3,994 thousand.

*In line with US GAAP, we published shareholders' equity as of 31 December 2004 of € 45,465 thousand. This shareholders equity was calculated on the basis of previous year figures. The shareholders' equity in line with US GAAP communicated at the beginning of the period on 1 January 2004 was € 2,255 thousand too high, and has now been adjusted.

(2) REDUCTION OF IMPAIRMENT OF FIXED-LINE NETWORK LICENSES

In 2002, the class 3 and 4 German telecommunications licenses were written down by € 1,566 thousand in line with US GAAP. In line with IAS 36.59, an asset must only be written down if its recoverable amount is less than the carrying amount. Under IAS 36.6, the recoverable amount is the higher of value in use and net realisable value.
The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset plus the proceeds from its disposal at a later date (IAS 36.5). The value in use was calculated on the basis of the cash flow forecast based on the long-term business plan. Cash flows were estimated and discounted before taxes and interest. As regards the discount rate, an interest rate was chosen in accordance with IAS 36.55 ff in conjunction with IAS 36.A15 ff. The impairment test came to the conclusion that no write-downs were required.

(3) REDUCTION OF AMORTISATION OF FIXED-LINE NETWORK LICENSES

Certain fixed-line network licenses were granted for an unlimited useful life. In line with US GAAP, intangible assets with an unlimited useful life are amortised over 40 years in line with APB 17. Under IFRS, however, assets with an unlimited useful life are not subject to amortisation (IAS 38.107). Rather, they are subject to an impairment test at least once a year. The impairment test came to the conclusion that no write-downs were required. Thus, the amortisation charged under US GAAP was reversed as part of the preparation of the IFRS opening balance sheet.

(4) CURRENCY TRANSLATION BY FOREIGN SUBSIDIARIES

Currency translation by the US subsidiary 3U TELECOM INC., Henderson (USA), was included in the US GAAP consolidated financial statements in line with the temporal method. In line with this, the tangible asset is translated at historical rates at the time of acquisition. Under IFRS, non-monetary items are translated and translation results (whether affecting income or taken directly to equity) are handled in line with the so-called functional theory of currency translation. Thus, currency translation depends on whether the foreign entity is largely independent or merely an "extended arm" of the parent company, on whether its functional currency is its own national currency or that of its parent company. The translation at balance sheet rates of assets held by 3U TELECOM INC. resulted in lower non-current assets.

Under IAS 21.30, currency differences from independent foreign subsidiaries are accumulated in a separate equity item without affecting income. In this context, IFRS 1.22 allows a fresh start without taking into consideration accrued differences. The accrued differences of € 17 thousand are therefore reported in retained earnings as of 1 January 2004.

(5) RECONVERSION OBLIGATIONS

There are reconversion obligations after the end of rental agreements for specific fixtures and equipment at technical locations (PoPs) capitalised under property, plant and equipment. These future reconversion obligations were expensed at present value under IFRS and included in the cost of property, plant and equipment without affecting income. They were then written down from the higher cost under IFRS.

(6) CONSOLIDATION OF SPECIAL FUNDS

In IFRS consolidated financial statements, all domestic and foreign subsidiaries are consolidated, irrespective of their legal form. Fund investments are treated as direct investments. Measurement of marketable securities at fair value as required by IAS 39 resulted in an increase in share assets and securities portfolios. The write-ups on marketable securities were recorded after offsetting the resulting deferred tax liabilities in the revaluation reserve. As of 1 January 2004 and 31 March 2004, fund assets include shares in 3U TELECOM AG. Under IAS 32.33, own shares cannot be capitalised. According to IAS 1.76, shareholders' equity must be reduced in the balance sheet. The nominal amount of the shares (€ 36 thousand) was deducted from issued capital in line with IFRS as of 1 January 2004 and 31 March 2004. The difference between the cost of own shares and the nominal value of these shares was taken into consideration by a reduction of retained earnings. In line with IFRS, the tax liabilities reported under fund assets as of 1 January 2004 and 31 March 2004 are reported under tax liabilities.

(7) WRITE-UP OF DEFERRED TAX ASSETS

The increase in provisions for reconversion provisions and currency translation by 3U TELECOM INC. at reporting date rates results in deferred tax assets, which are recognised in line with IFRS.

(8) WRITE-UP OF DEFERRED TAX LIABILITIES

The increase in deferred tax liabilities results from the write-up on marketable securities, the reduction of write-downs on fixed-line network licences and the increase in property, plant and equipment on account of reconversion obligations.

According to IAS 12, the applicable tax rate at the date of the expected reversal of the difference is used for the measurement of deferred taxes. This is normally the current tax rate as of the balance sheet date. As under US GAAP, deferred taxes were recognised using the combined Group tax rate of 38 %.

(9) MINORITY INTERESTS

Under IFRS, minority interests of € 10 thousand must be reported separately in the balance sheet under shareholders' equity (IAS 27.33). In contrast, under US GAAP this is reported under borrowings.

2. RECONCILIATION OF PROFIT OR LOSS FOR THE PERIOD

The effects of the transition to IFRS on the profit or loss for the period are shown in the table below:

3U GROUP (IN € THOUSAND)	NOTE	1 JAN. – 31 MAR. 2004	1 JAN. – 31 DEC. 2004
NET LOSS FOR THE PERIOD IN LINE WITH US GAAP		**–1,090**	**–29,148**
Adjustments	(10)	–3,994	113
NET LOSS FOR THE PERIOD IN LINE WITH US GAAP		**–5,084**	**–29,035**
Reduction of amortisation of fixed-line network licenses	(11)	1	3
Reconversion obligations	(12)	1	–14
Consolidation of special funds	(13)	0	–604
Write-up of deferred tax assets	(14)	0	4
Write-up of deferred tax liabilities	(15)	0	1
Share option programmes	(16)	–63	–253
NET LOSS FOR THE PERIOD IN LINE WITH IFRS	(17)	**–5,145**	**–29,898**

(10) ADJUSTMENTS

In the published version of the quarterly report as of 31 March 2004, carrier24 GmbH, Munich, was not originally included in consolidation. This is a special purpose entity that was consolidated in the 2004 reporting year retroactively to 1 January 2004 in line with FIN 46. In the context of first-time consolidation, goodwill of € 3,799 thousand was generated, which was then amortised in full on account of IFRS 3 in conjunction with IAS 36. The basis for the write-down was the cash flow forecast based on the long-term business plan. In total, the first-time consolidation of carrier24 GmbH reduced consolidated shareholders' equity as of 31 March 2004 by € 3,994 thousand.

In financial year 2004, deferred tax liabilities on the appreciation of shareholdings were capitalised in line with US GAAP, although 95 % of appreciation on shares is exempt from corporate income tax in line with Article 8 b of the Einkommensteuergesetz (EStG – German Income Tax Act). In the context of the changeover to IFRS, this was adjusted in the amount of € 113 thousand.

(11) REDUCTION OF AMORTISATION OF FIXED-LINE NETWORK LICENSES

As a result of the adjustment of amortisation on specific fixed-line network licenses, the net profit for the year increased by € 3 thousand.

(12) RECONVERSION OBLIGATIONS

The change in present value of reconversion obligations and higher write-downs on capitalised fixtures and equipment at technical locations (PoPs) in line with IFRS cause a result of € 14 thousand less than under US GAAP.

(13) CONSOLIDATION OF SPECIAL FUNDS

Under US GAAP, appreciation of the special fund was recognised in income at market value. In contrast, under IFRS, investments recognised in the special fund are classified as marketable securities. Appreciation is now recognised in the revaluation reserve without affecting income in line with IAS 39.55b.

(14) WRITE-UP OF DEFERRED TAX ASSETS

The different treatment of reconversion obligations under IFRS and US GAAP resulted in a tax refund.

(15) WRITE-UP OF DEFERRED TAX LIABILITIES

The adjustment of amortisation on fixed-line network licenses and the change in reconversion obligations resulted in an additional tax expense.

(16) STOCK OPTION PROGRAMMES

In contrast to US GAAP, IFRS 2.10 ff. provides for the accrual of assumed work in shareholders' equity for share-based remuneration based on contingent capital. Stock options for future work must be expensed over the assumed service period. This period is the vesting period, i.e. the period between the commitment and the earliest possible exercise (vesting date). Under IFRS 2, the counter entry is made under the capital reserve.

ACCOUNTING POLICIES

1. INTANGIBLE ASSETS

In line with IAS 38 (intangible assets), acquired and internally developed intangible assets are capitalised if it is likely that the use of the assets entails a future economic benefit and the costs of the asset can be reliably determined. They are recognised at cost, including development costs in line with IAS 38, and amortised on a straight-line basis over their useful life. Research costs are expensed directly. In the context of the first-time changeover, there were no changes as against US GAAP. Intangible assets, with the exception of goodwill, are amortised over a useful life of between three and five years.

2. GOODWILL

Differences on the assets side of the balance sheet arising from capital consolidation are capitalised and, in line with IFRS 3, are not subject to amortisation. Recognised goodwill is tested for economic benefit and impairment annually (impairment test); in the event of impairment, it is written down to fair value.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported in the IFRS opening balance sheet on the basis of cost less depreciation. If property, plant and equipment are disposed of or terminated, their cost and cumulative depreciation are removed from the balance sheet and the profit or loss from the disposal is reported in the income statement.

The original cost of property, plant and equipment is the purchase price including incidental costs of acquisition. Expenses incurred subsequently to the addition of the item of property, plant and equipment, such as repair and maintenance expenses and cost of overhauls are normally reported in income in the period in which the costs are incurred. In situations in which it is clear that the expenses result in an additional future economic benefit due to the expected use of the item of property, plant and equipment beyond its originally assessed standard of performance, these expenses are capitalised as additional costs of property, plant and equipment. Financing costs are not recognised.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	33 years
Operating equipment	4 years
Office equipment	3–8 years
Switching technology	5 years
Transmission technology	5 years

The useful lives and depreciation methods used are reviewed in each period to ensure that the depreciation period and method correspond to the expected economic benefit of items of property, plant and equipment.

Low-value assets are amortised in full in the year of acquisition and shown in the statement of changes in non-current assets as additions, disposals and depreciation of the current financial year.

4. ACCOUNTING FOR LEASES

A lease is classified as a finance lease if substantially all the risks and rewards incident to ownership are transferred to the lessee. The classification of leases is therefore dependent on the economic substance of the agreement rather than its form.

A lease is classified as an operating lease if substantially all the risks and rewards incident to ownership remain with the lessor. Lease payments within an operating lease are recorded as an expense in the income statement over the lease term on a straight-line basis.

5. IMPAIRMENT OF ASSETS

Property, plant and equipment and intangible assets are tested for impairment when there are indications that the carrying amount may not be recoverable as a result of events or changing circumstances. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment charge must be recorded in income for property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of net realisable value and value in use. The net realisable value is the amount recoverable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount should be estimated for an individual asset or, if this is not possible, for the parent cash-generating unit.

6. FINANCIAL ASSETS

This item includes securities intended for disposal. At the time of acquisition, securities are capitalised at cost. In the context of subsequent measurement, changes in value are recorded directly in equity. Permanent reductions are recorded in income.

In the disposal of investment securities, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

7. TRADE RECEIVABLES

Assets, including in particular trade receivables, are reported at their nominal value. Foreign currency receivables are translated as of the balance sheet date and changes in value as a result of translation are recorded in income in line with IAS 21.23.

Specific valuation allowances are charged on doubtful receivables.

8. OTHER CURRENT ASSETS

Other current assets in the balance sheet include the items other assets and prepaid expenses. Assets are recognised at their nominal amount and, if subject to recognisable risks, specific valuation allowances are charged.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at nominal value.

10. DEFERRED TAXES

Deferred tax assets and liabilities are recognised for all temporary differences between the financial and tax accounts in line with IAS 12 (Income taxes). Deferred tax assets also include tax reduction claims arising from the use of loss carry-forwards in subsequent years and the likelihood of their realisation is sufficiently guaranteed. The evaluation and measurement of deferred tax assets is reviewed on each balance sheet date taking into consideration current estimates in line with IAS 12.37 and IAS 12.56.

Deferred taxes are calculated on the basis of tax rates that are applicable or expected in line with the current legal situation as of the date of realisation. For the capitalisation of tax loss carryforwards, only the portion that would arise from knowledge on the basis of current tax planning is recognised.

11. PROVISIONS

Other provisions are recognised when an obligation to a third party is likely to be enforced and the amount of the expected provision can be reliably estimated. When measuring other provisions, all cost components that are also capitalised in inventories are included. Non-current provisions with a remaining term of more than one year are recognised at the discounted settlement amount at the balance sheet date.

12. LIABILITIES

Liabilities include lease liabilities, liabilities due to banks, trade payables, tax liabilities, interest liabilities, liabilities to employees and other liabilities. On first-time recognition they are carried at cost, which is the fair value of consideration received. Foreign currency liabilities are measured at the balance sheet date. Low-interest and non-interest-bearing receivables are discounted.

Liabilities arising from finance leases are recognised at the lower of present value of rent or lease instalments or the fair value of the rented or leased asset. In subsequent periods, repayments included in rent and lease instalments result in a reduction of the liability.

13. STOCK OPTION PROGRAMME

By way of resolution dated 15 May 2003, the Annual General Meeting created contingent capital of up to € 4,560,000 (€ 912,000 before the share split on 6 July 2004) to issue stock options to members of the Management Board, executives and employees as part of a share option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board exercised this authorisation on 20 August 2003, establishing a stock option plan for 2003. The stock option plan 2003 has a term of five years. The non-transferable option rights may be exercised after a two-year vesting period, not before 21 August 2005 and not after 20 August 2008. In total, 866,250 stock options (173,250 options before the split) were issued.

The exercise price is € 2.70.

The fair value of the stock option commitments made in 2003 has been estimated at € 0.90. This estimate is based on the Black-Scholes model. The model assumes a share price of € 2.23, an exercise price of € 2.70, expected volatility of 71 and a risk-free interest rate of 3.0 %.

14. SALES

Sales are recognised as soon as they are realised. This is the case when the service has been rendered. Sales result exclusively from the Company's activities as a carrier network operator and IP infrastructure provider.

15. COST OF SALES

The item cost of sales of services rendered to generate sales primarily consists of expenses for connection services, standing fees for interconnections and leased lines, pro rata staff costs, switching and transmission technology, sales IT and office equipment, write-downs on licenses, pro rata vehicle and travel expenses, rent for locations as well as maintenance and other costs.

16. INCOME TAXES

Income taxes paid or owed and deferred taxes are reported as income taxes.

As in the previous year, current taxes do not include backpayment of taxes (or refunds) for prior periods.

In line with IAS 12.81, the actual tax expense is compared with the notional tax expense were the applicable tax rates used for the reported net profit or loss for the year before taxes.

NOTES ON THE CASH FLOW STATEMENT

Cash and cash equivalents are reported as of 31 March 2005 and 31 March 2004, and comprise the Company's cash in hand and current bank balances.

In the context of the cash flow from operating activities, € 3,799 thousand of the adjusted write-downs for the period from 1 January 2004 to 31 December 2004 relate to the goodwill of carrier24 GmbH, which, on account of IFRS 3 in conjunction with IAS 36, was written off in full at the date of first-time consolidation as of 1 January 2004. This write-off was not included in the quarterly financial statements as of 31 March 2004 in line with US GAAP.

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FINANCIAL CALENDER

- **ANNUAL GENERAL MEETING**
  19 May 2005
- **PUBLICATION OF FIGURES FOR Q2/2005**
  15 August 2005
- **PUBLICATION OF FIGURES FOR Q3/2005**
  15 November 2005
- **ANALYSTS' CONFERENCE**
  November 2005

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PHOTOS
Dirk Meußling (page 5)
Photonica (page 2)
Zefa (title and page 36)

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This quarterly report contains statements relating to the future which are subject to risks and uncertainties. They are assessments of the Management Board of 3U TELECOM AG and reflect its current opinions with regard to future events.
Such predictive statements can be recognised by the use of terms such as "expect", "estimate", "intend", "can", "will" and similar expressions in relation to the company.
The following are – by no means exhaustive – examples of factors that may trigger or affect a deviation: the development of demand for our services, competitive factors – including price pressure –, technological changes, regulatory measures, risks in the integration of newly acquired companies. If any of these or other risks and uncertain factors occur, or if the assumptions on which the statements are based prove to be incorrect, the actual results of 3U TELECOM may differ materially from those outlined or implied in these statements.
The company does not undertake to update predictive statements of this nature.

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