



Summary of group results

3U Group (IFRS)		Year-on-year 1 Jan-31 Dec 2008	r comparison 1 Jan-31 Dec 2007
Sales from continued operations	(in EUR million)	107.46	108.45*
EBITDA from continued operations (earnings before interest, taxes and amortisation)	(in EUR million)	9.48	11.43*
EBIT from continued operations (earnings before interest and taxes)	(in EUR million)	-2.57	3.56*
EBT from continued operations (earnings before tax)	(in EUR million)	-3.86	1.80*
Net income/loss for the period from continued operations	(in EUR million)	-3.98	1.56*
Net income/loss for the period from discontinued operations	(in EUR million)	0.78	0.11*
Total earnings per share (basic)	(in EUR)	-0.07	0.04
Total earnings per share (diluted)	(in EUR)	-0.07	0.03
Equity ratio	(in %)	44.89	42.08

3U Group (IFRS)	Quarterly o	comparison	
		Q4 2008	Q4 2007
		2000	2001
Sales from continued operations	(in EUR million)	26.87	25.41*
EBITDA from continued operations			
(earnings before interest, taxes and amortisation)	(in EUR million)	1.00	3.94*
EBIT from continued operations (earnings before interest and taxes)	(in EUR million)	-1.23	6.71*
EBT from continued operations (earnings before tax)	(in EUR million)	-1.76	6.42*
Net income/loss for the period from continued operations	(in EUR million)	-0.97	6.27*
Net income/loss for the period from discontinued operations	(in EUR million)	0.25	-0.16*
Total earnings per share (basic)	(in EUR)	-0.02	0.13
Total earnings per share (diluted)	(in EUR)	-0.02	0.12
Equity ratio	(in %)	44.89	42.08

^{*}The figures for the previous year have been adjusted for discontinued operations.

Contents 1

3	Letter to our shareholders
6	Report of the Supervisory Board
9	Corporate governance report
10	The 3U share
15	Group Management Report
16	Introduction
17	General economic and industry-specific conditions
21	Report on Business Development
30	Remuneration report
38	Risk and opportunities management
44	Significant events following the end of the financial year
45	Outlook
49	Consolidated Financial Statements
50	Consolidated balance sheet as of 31 December 2008 (IFRS)
52	Consolidated income statement (IFRS)
54	Cash flow statement (IFRS)
56	Statement of changes in equity (IFRS)
58	Development of Group fixed assets 2008 (IFRS)
60	Development of Group fixed assets 2007 (IFRS)
62	Notes to the consolidated financial statements for the 2008 financial year
120	Responsibility statement
121	Auditor's report
123	Further Information
124	Financial calendar
125	Contact
126	Glossary
128	Imprint
128	Disclaimer
129	3U Group

3 To Our Shareholders



Letter to our shareholders

Dear Shareholders,

Despite the global financial crisis and the worldwide recession now setting in we stood our ground in the elapsed financial year. Even if we could not attain all our goals, we can nonetheless be satisfied with the progress achieved in the front-line business and in organizational implementation of our growth strategy.

2008 was a year of concentration – marked by targeted and extensive further development of 3U HOLDING AG. On the one side we divested ourselves of peripheral areas and have forgone low-margin business. On the other hand, we have concentrated on our strengths. Against the background of an increasingly murky economic environment, we have thus created the conditions to achieve profitable and sustainable growth in the future too.

3U HOLDING AG ends process of selling portfolio Companies

The financial crisis and the weak economic situation offer us more advantages than disadvantages. On the one hand advantageous opportunities to invest arise. On the other hand we were unable to bring the process of selling LambdaNet to a successful conclusion, as it became increasingly difficult for potential buyers to finance the purchase price because of the worsening banking and credit crisis. A reasonable purchase price that reflected the true value of the company could therefore not be realized. In recent quarters, LambdaNet has made significant progress and presents itself today as a very attractive partner in the broadband/IP area.

Fixed-line telephony – a crisis-resistant business segment

Our equity participations combined in the segment of fixed-line telephony are relatively crisis-resistant, which means that the general economic downturn will have only moderate effects on our present core business. The number of voice minutes rose again in Germany this year too, but that growth has weakened significantly. The price decay in the mobile telephony area, above all, plays a role here and is leading to fixed-line subscriptions being substituted by mobile subscriptions in increasing numbers. In addition there is the trend that voice minutes increase very strongly with full subscriptions, whilst they reduce massively with Call-by-Call and Preselection. In this shrinking total market, however, the 3U Subsidiaries have positioned themselves very successfully and were able to keep their sales almost constant while at the same time realizing the best results since the Company was founded.

Expansion of investment portfolio

Originally, we had planned to already enter into the first new equity participations during the course of financial year 2008. Although we feel the pressure, not least also from our shareholders, to turn the promised increase in the investment portfolio soon into action, we have resisted the temptation to invest in companies that only partly meet our stringent standards. Looking back, that restraint has certainly paid off, since valuations of capital-seeking companies have come down considerably. For the venture capital business, the presently very difficult economic environment is offering many opportunities to invest in interesting businesses at attractive terms. In our estimation, this buyers' market will remain so for a long time. We are at an advanced stage with a number of projects, so we are confident of being able to enter into financially lucrative investments over the coming quarters.

Earnings further improved

With sales of EUR 73.04 million and earnings of EUR 6.50 million, the fixed-line telephony division was able to exceed the plan figures significantly. Besides the highly profitable Call-by-Call business, the high-margin wholesale services, above all, contribute here.

Versus last year, LambdaNet recorded a revenue increase of 3.8 % to around EUR 34.42 million. Because of the continuing high depreciations on the network technology invested in during 2000, however, there was again a negative result in an amount of EUR 6.81 million.

At EUR 107.46 million (previous year: EUR 108.28 million), the consolidated Group sales are slightly below last year's level, but earnings – adjusted for the retrospective depreciations of LambdaNet from 2007 – improved significantly to EUR -0.31 million.

Share buyback programme

On 31 October 2008, based upon the authorization by the annual general meeting on 28 August 2007, the Company decided to buy back up to 4,684,224 3U HOLDING shares via the stock exchange. 3U HOLDING AG acquired the shares in the scope of the legal intentions, and used the historically depressed share price levels. The share buyback programme via the stock exchange began on 6 November 2008 and ended on 6 February 2009, because 3U HOLDING issued a public buyback offer on 7 February 2009.

A total of 846,141 shares were acquired via the stock exchange until 6 February 2009; a total of 2,398,573 individual share certificates were tendered within the context of the public share buyback offer. In total, 3U HOLDING now holds 3,244,714 of its own shares; this equates to 6.93 % of the Company's nominal capital.

The financial year 2009 will be marked by major challenges due to the very difficult economic conditions. We take up those challenges, however, with the optimism and self-confidence that we will cope with them successfully. Our liquidity buffer gives us the room we need to grasp the opportunities that come up.

We are especially grateful to you, our shareholders, for the trust that you place in our Company.

Marburg, March 2009

The Management Board

Michael Schmidt

Oliver Zimmermann

O-Jillely

Dear shareholders,

During the year under review, the Supervisory Board performed the tasks required of it by law, by the Articles of Association and by its internal rules of procedure. It regularly monitored and advised the Management Board on the management of the Company, exercising all due diligence. In oral and written reports, the Management Board informed the Supervisory Board regularly and timely on all issues relevant to the Company with respect to planning, business development, the risk situation and risk management. Business developments that deviated from the plans were explained in detail to the Supervisory Board. The Management Board consulted with the Supervisory Board on the Company's strategic orientation. The Supervisory Board approved the proposed resolutions of the Management Board after thoroughly reviewing and discussing them.

Focus of discussions in the Supervisory Board

In their deliberations, the Supervisory Board focussed on the negotiations concerning the sale of LambdaNet Communications Deutschland AG, which because of the global banking crisis was not realised during the year under review and parallel on the execution of activities to strengthen sales of the Subsidiary.

Further topics of discussion in Supervisory Board meetings were corporate governance, specifically the efficiency audit of the Supervisory Board in line with the principles of Corporate Governance, and questions regarding human resources, including the extension of appointments and employment contracts of the Management Board.

During the financial year, as in the past, the Supervisory Board gave intensive consideration to the Company's strategic development and orientation. The continued reporting of the Group's revenue, earnings and business development as well as the Company's financial position constituted a significant topic of discussion for the Supervisory Board. In particular, the Supervisory Board received explanations from the Management Board regarding business developments that deviated from prepared budgets and defined targets.

The risk monitoring system of the Company was subject of the statutory audit by the BDO Deutsche Warentreuhand AG appointed to audit the financial statements. This audit confirmed that the Management Board of the Company has taken the appropriate measures required according to Article 91 (2) of the German Stock Corporation Act and that the existing monitoring system is capable of identifying, on a timely basis, events and developments which might endanger the continuation of the Company's existence.

Meetings and participation

The Supervisory Board met for a total of six meetings (on 25 February 2008, 25 April 2008, 24 July 2008, 6 August 2008, 28 October 2008 and 19 December 2008). All members were present at each of these meetings. The Supervisory Board consists of three members and did not form any committees. Resolutions by the Supervisory Board were made in meetings and by written consent. All resolutions of the Supervisory Board were passed unanimously. The Supervisory Board maintained constant contact with the Management Board, outside Supervisory Board meetings as well, and gained information about business dealings and important events.

Corporate Governance

On 31 December 2008, the Management Board and Supervisory Board issued the declaration of conformity in accordance with Article 161 of the German Stock Corporation Act. The declaration of conformity can be viewed on the 3U HOLDING AG website (www.3u.net) under the path "Investor Relations/Corporate Governance".

Changes to the composition of the Supervisory Board

During the period under review, no changes occurred in the composition of the governing bodies. Peter Coch, Degree in Business Administration, was appointed as a new member of the Supervisory Board by the Marburg Local Court on 7 August 2007 in accordance with Section 104 (1) of the German Stock Corporation Act. Following the recommendation in Section 5.4.3 sentence 2 of the German Corporate Governance Code, a vote by the 2008 Annual General Meeting superseded the appointment by the court. The Annual General Meeting confirmed Mr. Coch in his office.

Audit of the 2008 annual and consolidated financial statements

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, was chosen as auditor by the Annual General Meeting on 6 August 2008 and was mandated by the Supervisory Board to audit the annual financial statements and consolidated financial statements. The auditor audited the annual financial statements and management report of 3U HOLDING AG prepared by the Management Board in line with the German Commercial Code, and the consolidated financial statements and group management report prepared in accordance with IFRS for the 2008 financial year. It awarded all reports an unqualified auditor's opinion. The aforementioned documents and the audit reports of the auditor were submitted to all members of the Supervisory Board in good time and were discussed in depth at the accounts meeting on 31 March 2009. At this meeting, the responsible auditor reported on the main results of its audit and was available for further information.

In accordance with Section 171 of the German Stock Corporation Act, the Supervisory Board thoroughly examined the annual financial statements of 3U HOLDING AG, the consolidated financial statements as well as the management reports for 3U HOLDING AG and the Group, and raised no objections. The Supervisory Board approved the results of the audits of both sets of financial statements by the auditor and also approved the annual financial statements of 3U HOLDING AG as well as the consolidated financial statements as at 31 December 2008; they are thus adopted.

The Supervisory Board would like to thank the Members of the Management Board and all employees for their performance and commitment in the past financial year.

Marburg, March 2009

The Supervisory Board

P. Phomy

Ralf Thoenes Chairman

Corporate governance report

The German Corporate Governance Code has been in existence in Germany since 2002. It was last updated in June 2008 and contains regulations, recommendations and suggestions for good and responsible corporate management. The purpose of the Code is to create greater transparency, thus increasing the confidence of investors, customers, employees and the public in the corporate management of German companies. 3U HOLDING AG welcomes the German Corporate Governance Code (GCGC). It serves the interests of the companies and its investors.

Declaration of conformity

In 2008, as in previous years, the Management and Supervisory Boards of 3U HOLDING AG discussed the contents of the Corporate Governance Code at length and decided that the recommendations are largely observed. 3U HOLDING AG submitted the declaration of conformity required according to the German Stock Corporation Act on 31 December 2008. It can be viewed on its website (www.3u.net) under the path "Investor Relations/Corporate Governance".

Deviations from the recommendations

D&O insurance

3U HOLDING AG waives the deductible for the D&O insurance (directors and officers liability insurance) recommended in Section 3.8 of the German Corporate Governance Code for members of the Management Board and Supervisory Board. 3U HOLDING AG does not believe that the motivation and sense of responsibility with which the members of the Management Board and Supervisory Board perform their duties will be improved by a deductible.

Composition of the Management Board

The Management Board of 3U HOLDING AG consists of two persons. 3U HOLDING AG believes that it is not necessary for the Management Board to have a Chairman or spokesman (see section 4.2.1 of the GCGC).

Age limits for members of the Management Board and Supervisory Board

In sections 5.1.2 and 5.4.1, the GCGC recommends the specification of age limits for members of the Management Board and Supervisory Board. This recommendation is not observed. It constitutes an inappropriate infringement of the right of shareholders to choose members of the Supervisory Board. The Supervisory Board would similarly be restricted in their choice of suitable members for the Management Board if an age limit were imposed for members of the Management Board. 3U HOLDING AG is of the opinion that the introduction of a rigid age limit is not an appropriate selection criterion for finding the most suitable applicants. The emphasis should instead be on the individual skills and experience of the applicant.

Interim report publication

In line with section 7.2.1, interim reports should be publicly accessible within 45 days after the end of the reporting period. Beginning with the interim report for the first quarter of 2007, 3U HOLDING AG deviates from this recommendation. It adheres to the provisions of the Frankfurt Stock Exchange, which regards a publication within two months after the end of the reporting period as sufficient and appropriate to inform company shareholders and investors about current business developments.

10 The 3U share

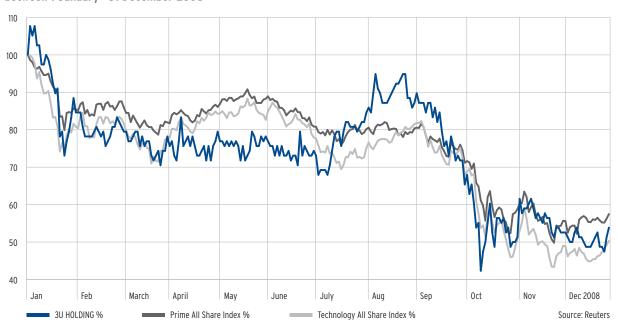
The 3U share at a glance

International Securities Identification Number (ISIN)	DE0005167902
Wertpapierkennnummer (WKN) [Securities Identification Number]	516790
Stock exchange symbol	UUU
Transparency level	Prime Standard
Designated sponsor	AXG Investmentbank AG
Initial listing	26 November 1999
Authorised capital in EUR	EUR 51,402,240.00
Authorised capital in shares	51,402,240
Registered share capital in EUR	EUR 46,842,240.00
Registered share capital in shares	46,842,240
Year end share price on XETRA at 30 December 2008	EUR 0.42
Highest share price during 2008	EUR 0.85 (4 and 7 January 2008)
Lowest share price during 2008	EUR 0.31 (8 October 2008)
Market capitalisation at year end 2008	EUR 19,673,740.80
Earnings per share (undiluted)	EUR -0.07

The global stock markets underwent a dramatic slide during 2008. The worsening of the US subprime dilemma to become a financial crisis on a global scale triggered massive sales on a broad front which, instead of remaining limited to the financial sector, gripped all sectors due to the ever stronger fears of recession. The consequence was serious losses across all segments. This is reflected, for example, in the Technology All Share Index, which fell 49.7 % over the course of the year. The 3U HOLDING share was unable to free itself from this environment and lost 47.5 % in value.

Share price

Share price performance of 3U shares* vs. Prime All Share Index and Technology All Share Index between 1 January - 31 December 2008



^{*}Daily closing price Xetra

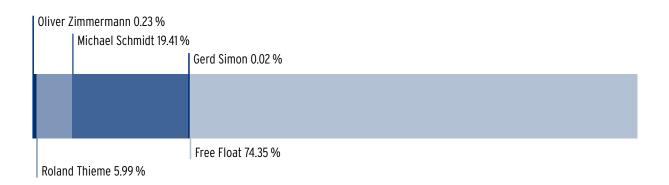
Shareholders

As of 31 December 2008, members of the governing bodies held the following shares with full voting and dividend rights:

Members of the Management Board	
Michael Schmidt	8,999,995 shares
Oliver Zimmermann	105,584 shares
Total Management Board	9,105,579 shares

Members of the Supe	rvisory Board	
Ralf Thoenes	(Chairman)	0 shares
Gerd Simon	(Vice Chairman)	10,000 shares
Peter Coch		0 shares
Total Supervisory Box	ard	10,000 shares

Associated persons		
Roland Thieme	(Director of the investments in the fixed-line telephony segment)	2,778,330 shares
Total associated persons		2,778,330 shares



Investor relations

An open dialog and transparent communication with our investors are a top priority for us. During the financial year the Annual General Meeting is the key platform for the dialog with our shareholders. In addition, we provide our investors with information in the form of quarterly, semi-annual and annual reports on developments in the Group.

As a micro-cap, we were known to only few investors and financial analysts. Last year, however, we undertook efforts to strengthen our investor relations activities successfully. Also in the current financial year 2009, too, we will do whatever we can to provide our shareholders with transparent information and awaken further interest amongst investors and analysts. We will increasingly present ourselves to investors and media representatives. These activities are aimed at making the market look closer at the fundamental valuation of 3U HOLDING, thus leading to a significantly higher price level at least in the medium term.

In the interest of our shareholders we used the historically depressed share price to start a share buyback programme. A total of 846,141 of our own shares were acquired via the share buyback started in November 2008; overall, some 2,398,573 shares were tendered within the context of the public buyback offer. In total, 3U HOLDING AG has held 3,244,714 of its own shares since 27 February 2009; that equates to 6.93 % of the Company's nominal capital. The Management Board, senior management and Supervisory Board made no use of the share buyback offer and surrendered no shares.



Group Management Report

- **16** Introduction
- 17 General economic and industry-specific conditions
- 21 Report on Business Development
- **30** Remuneration report
- **38** Risk and opportunities management
- 44 Significant events following the end of the financial year
- 45 Outlook

16 Introduction

During financial year 2008 we completed our transformation from a pure telecommunications company into a management and investment capital company. 3U HOLDING AG is now ideally positioned to continue successfully developing the present business segments on the one hand and, on the other hand, to penetrate new growth areas through investments in the fields of innovative technologies and corporate restructurings.

The bewildering situation on the financial markets represents an extraordinary challenge for all market players. Even though 3U HOLDING's core business was largely unaffected by the ramifications of the financial markets crisis, the restrictive lending practice operated by the banks meant that we were unable to realize an appropriate selling price for LambdaNet Communications Deutschland AG (LambdaNet) and 3U TELECOM GmbH, Austria. The sale process intensively pursued up to the third quarter was therefore ended; following that – and in line with the accounting rules of the International Financial Reporting Standards (IFRS) – the "held for sale" status for LambdaNet and 3U TELECOM GmbH, Austria, was lifted. The Group's results suffered a massive impact through the reintegration, as the depreciations for the entire period of the "held for sale company" status needed to be taken retrospectively during financial year 2008, thus also those for 2007 in an amount of EUR 2.90 million. In total, the retrospective depreciations amounted to EUR 7.24 million.

General economic and industry-specific conditions

Developments in the overall business environment

The economic environment deteriorated significantly over the course of the reporting period. The weakening of the global economy turned out to be substantially stronger than assumed at the beginning of the year. The situation on the international financial markets remains very tense. The risks to business development emanating from the financial markets remain virulent. The prospects for the world economy therefore remain seriously dampened. With that in mind, the outlook for Germany's strongly export-dependent economy is still murky.

After a good start, the macro-economic performance of German industry softened noticeably during the course of 2008. In the second half of the year, the gross domestic product dropped in two consecutive quarters, thus meeting the criteria for the existence of a recession. The weaker international demand also had a negative impact on investment activity over the course of 2008. Private consumer spending turned out to be surprisingly robust, but was unable to compensate for that development.

The economic weakening is becoming increasingly apparent on the employment market. Whilst employment increased during the year – in November unemployment even dropped below the three million mark and the unemployment rate reached 7.1% – the prospects for the employment market have since then clouded significantly, as also shown by the "ifo employment barometer".

Developments on the market for fixed-line telephony

Also for 2008, the price index for telecommunication services in Germany issued by the Federal Statistical Office shows a further decline in consumer prices. The consumer price index for fixed-line networks and Internet as well as mobile communications dropped in 2008 to 93.4 versus 96.6 in 2007 (baseline 100 in 2005).

According to a study by the industry association VATM on the telecommunications market in 2008, sales realized with telecommunication services in Germany will have dropped to around EUR 60.6 billion during 2008. That represents a decline of 4.1 % when compared with the previous year, which is attributable in the first instance to competition-related price decay both in fixed-line and in mobile telephony. Based on information from BITKOM, the market for telecommunication services in 2008 reached a volume of around EUR 56 billion. That equates to a minus of 1.9 % when compared with the previous year. BITKOM also expects the sales in the telecommunication market to be at last year's level at best. Neither VATM nor BITKOM, however, expect the financial market crisis to impact the telecommunications industry in their studies.

With a market volume in the fixed-line segment of around EUR 35 billion, Deutsche Telekom AG (DTAG) continues to dominate the market with a share of approx. 60.3 % (EUR 21.1 billion).

The value creation (share of fixed-line network sales of the competitors – corrected by the wholesale sales of DTAG – in total fixed network sales) of DTAG's competitors in the fixed-line area rose continuously according to information from VTAM and Dialog Consult GmbH. Where the value creation rate of the competitors in 2006 had still been around 23.8 %, it increased to 25.6 % in 2007 and 26.3 % in 2008. But this means that almost three quarters of the value creation are still with DTAG. The reason for that is the enormous volume of services that the competitors source from DTAG.

The amounts invested by the telecommunication service providers in network technology and network infrastructure have been between EUR 6.4 billion and EUR 6.6 billion per annum since 2005. For last year, the study is predicting investments of EUR 6.5 billion, whereby significantly more than half of those investments can be attributed to companies competing with DTAG.

The headcount at DTAG has dropped by approx. 19 % over the last five years; at the same time, headcounts at competitors have risen by approx. 9 % to now around 53,500.

Whilst with the alternative competitors one can, according to VATM and Dialog Consult GmbH, expect a substantial increase in the voice minutes for full subscriptions (physical connection at a competitor), the voice minutes in the Call-by-Call area and in Preselection had to put up with a reduction of around 20 %. At around 381 million voice minutes per day, the market shares look as follows: With 231 million voice minutes, full subscriptions come to a market share of 60.6 % (previous year: 48.6 %), the Call-by-Call area comes to a market share of 28.1 % (previous year: 36.8 %) with 107 million voice minutes, whilst Preselection now arrives at a market share of only 11.3 % (previous year: 14.6 %) with 43 million voice minutes.

The 3U Group and its Subsidiaries have outperformed the market in this shrinking market niche. Sales in the fixed network telephony segment fell only slightly (-3.5 %) with EUR 73.04 million in total (previous year: EUR 75.70 million); but we the margin was increased significantly. In the future too, the focus will be less on absolute sales numbers, but much more on increasing the profitability still further. The competition will remain intensive in the fixed-line telephony area. Thanks to the measures implemented in recent years and their continuous evolution, the 3U Companies are in a position to stand their ground successfully amongst the competition.

Developments on the broadband/IP market

Like in the preceding quarters, the broadband data service products remain the growth engine on the German market for telecommunication services. Penetration of broadband connections has risen to approx. 56 % of German households.

The broadband boom in Germany continued in 2008: the number of direct broadband connections had increased by year-end to 23.9 million. With 57.3 %, Deutsche Telekom still holds more than half of all broadband connections in its network.

The number of Germans downloading data with broadband connections at speeds over six megabits per second has more than doubled to 4.5 million. Two thirds of Germans are surfing at download rates between two and six Mb/s. Because of higher user numbers and higher individual usage, annual broadband traffic volume rose in 2008 from 1,800 million to 2,397 million gigabytes. The average data volume per user and month increased from 8.6 to 9.2 gigabytes.

As part of its second economic stimulus programme, the German government plans to adopt a comprehensive broadband strategy. This includes a massive expansion of broadband networks and support in the building of cable-based and wireless-supported high-performance networks. Especially those areas not supplied in rural regions should be covered by the end of 2010. By 2014 at the latest, there should be connections with transfer rates of at least 50 megabits per second available to 75 % of households, and to all households by 2018.

In this market, the 3U Group operates in three customer segments with LambdaNet:

- Network operators, i. e. providers of mobile and fixed-line-based voice services, and local, national and international rental line providers
- Internet service providers
- Business customers

In the customer segment of network operators one can still detect stagnation. The ongoing consolidation on this market has resulted in a fall in the demand for bandwidth. In addition, very large network operators have invested in their own fibre-optic infrastructure. Apart from that, price decay still prevails in this segment. But in this area there are also complementary products, such as collocation, where growth and high customer loyalty can be generated.

Internet service providers use the services of LambdaNet to provide data communication services to end-customers. The ever greater coverage with high-bit-rate technologies, such as DSL, WIMAX and UMTS, in the consumer market is causing the data volumes handled to continue growing strongly. More recent applications like Voice-over-IP and IP-TV are contributing to this trend. That is countered by price decay in consumer products, which ultimately influences the upstream product prices. Overall, one can expect revenue potential to rise slightly.

In the area of data communication solutions for business customers, we expect the market volumes to increase strongly. Business customers are increasingly converting their conventional communication solutions to modern, IP-based virtual private networks (VPN). From the customer perspective, the benefits of this technology lie in the global reachability, scalability, cost efficiency and expandability. LambdaNet has addressed this trend by rigorously developing and marketing its VPN services. The strong marketing of complementary Internet and Voice-over-IP products will produce additional potential.

Whilst the massive rise in data volumes persists, the sales generated with them are increasing only under-proportionally. The sales at LambdaNet should thus rise moderately in line with the developments on the market as a whole.

Developments on the future market of regenerative energies

Regenerative energies or alternative energies remain, measured in human time periods in contrast to fossil energy sources and nuclear fuels, continuously available. They are available everywhere and can be used as part of an energy mix adjusted specifically to the respective situation. This makes sense ecologically, is socially compatible and economically essential.

At the moment, up to about 80 % of electricity generated in Germany comes from coal, gas and nuclear energy. The share of renewable energies in gross power consumption has risen from 3 % (1990) to over 14 % (2007). The German government has set itself a target to achieve a share of 25 % to 30 % by 2020 and to continue building further on that share. The political efforts in Germany are in line with the goal of European energy policy to increase the share of renewable energies in total consumer energy consumption from approx. 6.5 % (in 2007) to 20 % in 2020. A rise in energy consumption of 5 % implies a growth on the market for renewable energies of around 15 %. A significantly higher growth is assumed for individual forms of generating, such as photo-

voltaic for example, whilst energy generation from hydropower, for instance, will practically stagnate. The 3U Group has founded a new company in this area. Different projects are in the preparation phase, but sales have not been generated so far.

Developments on the financial market

The battering suffered by the global financial system has significantly accelerated the weakening of the expansion in the world economy – which had already been marked by the corrections on key real estate markets, the high global inflation pressure since the summer of 2007 and growing international trading imbalances in a number of emerging economies.

This is a serious trial of strength for the global financial system. Against the background of that scenario and the uncertainties on the stock markets, 3U HOLDING AG has since November 2007 invested its liquid funds only in fixed-interest investments and, thanks to that foresighted conservative investment strategy, has been spared damage through the capital market crisis.

Whilst companies with lower credit ratings are having serious difficulties getting financing commitments from banks that does less apply to companies with comfortable equity capitalization and liquidity like 3U HOLDING AG. We plan to finance investments in new business segments partly with borrowed capital. To obtain attractive financing terms from the banks, we will attempt to work together only with partners of high resp. maximum credit ratings.

In addition, with SEGAL Systems GmbH, we have founded a subsidiary to provide all IT services for the Companies of 3U HOLDING AG; we also envisage placing the know-how of SEGAL Systems GmbH on the market.

Report on Business Development

The key events during financial year 2008 at a glance

• Termination of the sale process for Group subsidiaries

In June 2007, we had decided to dispose of LambdaNet Communications Deutschland AG and 3U TELECOM GmbH, Austria, as part of our repositioning as a management and investment capital company. After taking over LambdaNet in April 2004 and building it up to become one of the leading providers of transmission network solutions for telecommunication companies, Internet service providers and business customers, the plan was to sell the shares in LambdaNet. The intention was to invest the funds thus freed up in new participations, primarily in the field of regenerative energies and corporate restructurings. On 30 September 2008, 3U HOLDING AG published its decision to end the ongoing sale process for the Group subsidiaries. As the result of the further worsening of the banking crisis and credit crunch, potential buyers had still more difficulty in financing the purchase price. In the opinion of the Management Board, a reasonable purchase price appropriate to the actual value of the interest could not be realized. Also at 3U TELECOM GmbH, Austria, the sale negotiations could not be brought to a successful conclusion and, here too, the "held for sale" status was lifted.

• SEGAL Systems GmbH founded

SEGAL Systems GmbH was set up on 1 October 2008 by a spin-off to found a new 100 % subsidiary. Because of the higher market requirements and demand from many customers and partners for professional IT services from a single source in cooperation with the 3U HOLDING Group, SEGAL Systems was spun off out of the telecommunications segment of 3U HOLDING in order to better address those aspirations. SEGAL Systems focuses thereby on development and sales of standard and individual software. Many years of experience and the extensive know-how of its staff form the framework for successful operation on the market.

• Special purpose entity founded

The special purpose entity, 3U Solarkraft Friedrichstraße GmbH, was founded with articles of association dated 18 September 2008; its purpose of business is the generation, acquisition, transport and sales of energy, primarily from renewable sources of energy, in particular solar energy, the erection and operation of facilities to abstract energy, operation of all associated auxiliary businesses and provision of services and other activities in the area of the energy industry and climate protection. The company was entered in the commercial register on 17 November 2008. The company was not yet operational during the reporting period. In the future, 3U HOLDING AG plans to conclude contracts for project development, erection and financing of solar heating power plants together with reputable and competent partners, primarily for cities and municipalities.

• Sale of the American subsidiary

In contrast to the efforts to sell LambdaNet and 3U TELEKOM GmbH, Austria, the negotiations to sell the US subsidiary came to a successful conclusion. With effect on 23 December 2008, 3U HOLDING AG sold its Subsidiary 3U TELECOM INC. as part of a management buyout. The parties agreed confidentiality surrounding the precise selling price. With the sale of 3U TELECOM INC. we have taken a further step in the realignment decided upon for our investment portfolio.

• Execution of share buyback

The share buyback via the stock exchange started on 6 November 2008. In total, 480,251 of own shares were acquired by 31 December 2008. The share buyback programme via the stock exchange ended on 6 February 2009 as a public buyback offer on 7 February 2009 was issued. In total, 846,141 individual share certificates had been acquired via the stock exchange by 6 February 2009. A further 2,398,573 shares were acquired via the public buyback offer, which ended on 20 February 2009, so that on termination of the share buyback programme, 3,244,714 shares, equating to 6.93 % of the nominal capital, were acquired.

Earnings

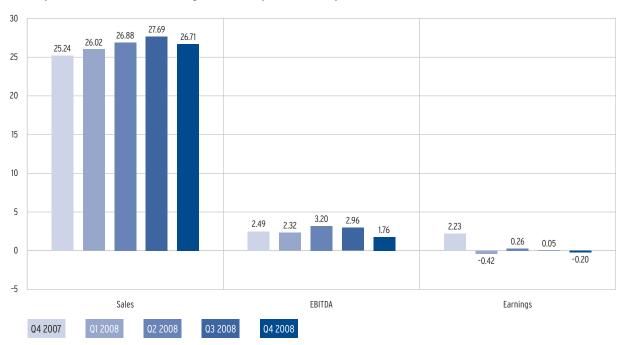
Because LambdaNet Communications Deutschland AG and 3U TELECOM GmbH, Austria, had been recognized as "held for sale" companies until the third quarter of 2008, the figures reported as of 31 December 2008 can be compared with those reported for previous periods only to a limited extent. For the presentation of the course of business, therefore, the figures have been adjusted as if a "held for sale" status had never existed. Thus the figures of the respective periods are made more comparable and the actual course of business is more transparently shown. In particular, the depreciations suspended during the "held for sale" phase at LambdaNet Communications Deutschland AG and 3U TELECOM, Austria, were allocated to those periods to which they are attributable in financial terms. The figures of the company sold at year-end, 3U TELECOM INC., USA, are not included as that company was held as "held for sale" until its disposal.

At EUR 107.30 million, Group sales declined slightly during financial year 2008 versus the previous year (EUR 108.28 million). Activities were focused on a rigorous profit-orientation.

At EUR 10.24 million, the EBITDA for financial year 2008 was 2.5 % higher than in the preceding year at EUR 9.99 million. The result has improved versus 2007 by EUR 2.40 million to EUR -0.31 million.

Group sales exceeded planned sales (EUR 104.0 million) by 3.2 %. The EBITDA was 20.5 % above the plan (EUR 8.50 million), whilst earnings EUR -0.31 million were also significantly higher than the plan result of EUR -1.70 million after correction for the effect of the retrospective depreciation.

Development (sales, EBITDA, earnings) - 3U Group (continued operations) in EUR millions*



The key factors influencing the development in earnings will be explained in the following presentations of segment results.

^{*}The comparative figures (sales, EBITDA and earnings) of the previous periods were adjusted to account for the discontinued operations.

The Earnings figures were adjusted for 2007 to take into account the non-recurring positive effects of EUR 1.38 million in income from investment securities (Q4 2007).

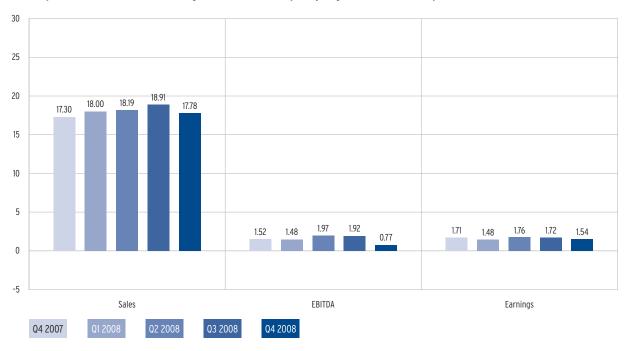
Fixed-line telephony segment

The development of the portfolio companies in the segment of fixed-line telephony shows that the decision to keep those companies and realign them with a strict focus on profits was the right one. The focus thereby is on profitability rather than sales and market share maximization. Operations remained focused on the areas of Call-by-Call and wholesale. The wholesale division, for instance, was able to benefit from the merging and gain of new, high-volume customers.

Sales in the fixed-line telephony segment dropped in financial year 2008 when compared with 2007 by EUR 2.23 million from EUR 75.11 million to EUR 72.88 million. The EBITDA, however, rose significantly by EUR 3.00 million from EUR 3.14 million to EUR 6.14 million. That equates to an increase of 95.5 %. Earnings improved by 128.1 % during the same period from EUR 2.85 million to EUR 6.50 million.

A series of cost optimization measures contributed to the improvement of EBITDA. The direct costs of sales, for instance, could be reduced from 81.4 % of sales to 78.2 % of sales. At the same time network costs were reduced by around one third. Furthermore additional cost reducing potential was opened up; amongst others, consultancy fees were reduced substantially.





^{*}The comparative figures (sales, EBITDA and earnings) of the previous periods were adjusted to account for the discontinued operations.

Broadband/IP segment

The broadband/IP segment represented by LambdaNet Deutschland AG and its subsidiaries has a share of 32.1% in Group sales. The focus at LambdaNet was also on further optimization and profits. Because of the rising demand for virtual private network services, the Corporate Sales unit was considerably strengthened, thus improving its market presence. As part of that optimization, the efficiency in the offer process was increased by use of CRM and offer systems, process optimizations were successfully implemented to improve efficiency and quality in order processing and operation of services, the purchasing process was optimized and costs were reduced in the area of product input costs and the network infrastructure.

LambdaNet realised sales of EUR 34.42 million during financial year 2008, whereby sales improved slightly versus the previous year's EUR 33.17 million. EBITDA dropped last year from EUR 6.86 million to EUR 4.10 million, as did the earnings: from EUR -5.57 million to EUR -6.81 million. The cause for that reduction was to a large extent the lead costs for new customer orders and the build-up of personnel to realise the planned sales growth. In addition, higher advisory costs were incurred within the context of a performance improvement project.





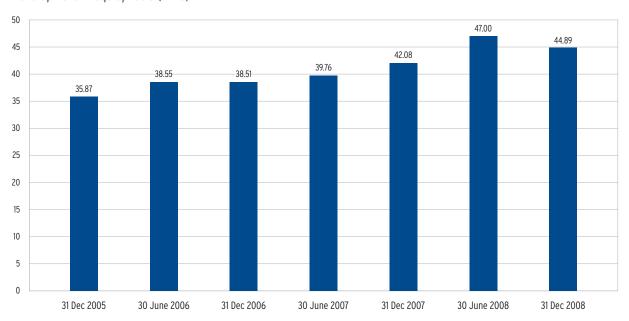
Financial and assets position

The financial portfolio of 3U HOLDING AG had already been redeployed in November 2007 and due to this foresighted portfolio strategy wasn't harmed by the capital market crisis. Since then, the liquid funds have been invested in day money and short-term fixed term deposits with the Baden-Württembergische Bank, Commerzbank AG and Bayerische Hypo- und Vereinsbank AG.

On 31 December 2008, cash and cash equivalents have reduced versus 31 December 2007 from EUR 38.54 million, taking into account the liquid funds (incl. bonded loan in the amount of EUR 2.00 million), which were attributed to discontinued operations in the financial statements 2007, to EUR 35.47. Whereby one should consider that a total of EUR 7.80 million flowed out in 2008 as repayments for bank and leasing liabilities for LambdaNet.

The share of equity in the balance sheet total has increased since 2005 because of the declining balance sheet total and is meanwhile sustainably at over 40 %. As of 31 December 2008, the equity ratio was 44.89 %.

Development in equity ratio (in %)



	31 Dec 20	08	31 Dec 20	07
	TEUR	%	TEUR	%
Fixed assets	32,750	38.1	2,954	3.0
Other long-term assets	313	0.4	0	0.0
Prepaid network rents – long-term	1,238	1.4	852	0.8
Non-current assets	34,301	39.9	3,806	3.8
Working capital	49,972	58.1	44,766	44.8
Prepaid network rents – short-term	1,641	1.9	0	0.0
Assets "held for sale" and				
assets under liquidation	43	0.1	51,349	51.4
Current assets	51,656	60.1	96,115	96.2
Assets	85,957	100.0	99,921	100.0
Equity	38,590	44.9	42,043	42.1
Long-term provisions and liabilities	15,404	17.9	103	0.1
Current provisions and liabilities	31,963	37.2	14,832	14.8
Liabilities "held for sale"	0	0.0	42,943	43.0
Liabilities	85,957	100.0	99,921	100.0

The balance sheet total on 31 December 2008 amounted to EUR 85.96 million (previous year: EUR 99.92 million). The cause for this was mainly the depreciation of fixed assets as well as the repayment of bank and leasing liabilities.

Long-term assets as of 31 December 2008 amounted to EUR 34.30 million (previous year: EUR 3.81 million). The share of long-term assets in the balance sheet total thus rose to around 40 % (previous year: 3.8 %).

The share of current assets in the balance sheet total as of 31 December 2008 amounted to 60.1% and is thus much lower than the share as of 31 December 2007 (96.2%). This largely has to do with the assets of LambdaNet, which were combined during the "held for sale" status under the balance sheet item "Assets held for sale" and are allocated to the individual items of fixed and current assets now that the "held for sale" status has been lifted again.

The long-term provisions and liabilities as of 31 December 2008 have increased to EUR 15.40 million, in particular in the item "Long-term leasing liabilities" in an amount of around EUR 13 million. This involves the leasing liabilities of LambdaNet, which were previously included in the balance sheet item "Liabilities held for sale".

The current provisions and liabilities reduced versus 31 December 2007 (EUR 57.78 million) to EUR 31.96 million. The share in the balance sheet total dropped to 37.2 % (31 December 2007: 57.8 %) therewith.

The 3U Group was in a position to live up to its payment obligations at all times during the reporting year.

At EUR 8.04 million, the cash flow from operations was EUR 0.26 million lower than in the previous year.

Cash flow statement (in TEUR)	2008	2007
Cash flow	-1,075	22,649
Cash flows from continued operations	8,044	8,303
Cash flows from investments	-1,118	19,776
Cash flow from financing	-8,001	-5,430
Changes in cash and cash equivalents	-1,075	22,491
Changes in consolidated group	0	-79
Cash and cash equivalents at beginning of period	36,549	13,979
Cash and cash equivalents at end of period	35,474	36,549

Statement on financial position

The Management Board regards the Company's financial position at the time of preparing the Group Management Report as positive overall. We have not only met our income targets in the fixed-line telephony segment in financial year 2008, but exceeded them significantly. In the broadband/IP segment, however, we missed the income goals, but organisational measures have been set in motion to right the course. Because of its solid financial and assets position, however, the 3U Group is in a strong position to continue its development successfully.

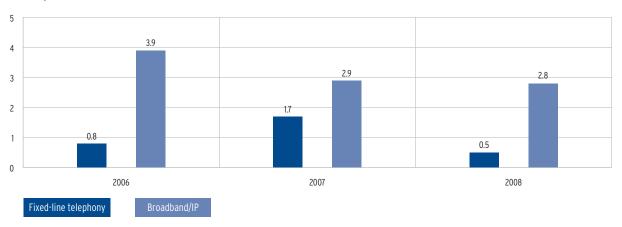
Investments/disinvestments

Investments of EUR 3.36 million (previous year: EUR 4.54 million) were made within the Group during the 2008 reporting year.

In the fixed-line segment, EUR 0.52 million (previous year: EUR 1.66 million) were invested, whereby the focus was on the network and switching technology. Investments of EUR 2.84 million (previous year: EUR 2.88 million) were made at LambdaNet Communications Deutschland AG. The focal point of investments there was on expanding the technical sites and connecting new customers. With it all necessary maintenance and expansion investments were executed.

For financial year 2009, investments on a scale of around EUR 3.30 million in the existing business segments are planned. To predict the scale of investments in new equity participations is very difficult as these will depend entirely on the opportunities that come up.

Developments in investments in EUR millions



Personnel

As of the balance sheet date, the 3U Group employed 156 staff (previous year: 158). On average for the year the headcount rose slightly from 154 to 157.

The headcount in the fixed-line telephony segment on 31 December 2008, at 66, was 4 employees higher than on 31 December 2007 (62). On average for the year the headcount rose from 60 to 63.

In the broadband/IP segment, the headcount as of 31 December 2007 dropped by 6 positions from 96 to now 90 employees as of 31 December 2008. On average for the year, 94 persons were employed (previous year: 94 employees).

The remuneration system is broken down into fixed and variable elements. Share options were issued to employees within the context of a share option programme for the last time in 2005.

Non-financial performance indicators

It is above all the men and women that work for 3U HOLDING AG and its portfolio companies that are responsible for our business success. Their identification with the Company and commitment to its goals are therefore a top priority.

The potential of our personnel is promoted and fostered, among other things, through a high degree of own responsibility. Our employees have the opportunity to take part in a large number of internal and external training and development programmes. Their bond with the Company is reinforced by a series of measures in which social aspects are at centre-stage. In addition, the Company supports health care for its employees with appropriate programmes.

30 Remuneration report

The remuneration report summarises the principles determining the remuneration of the Management Board at 3U HOLDING AG and explains the amount and structure of Management Board remuneration. The remuneration report is created on the basis of the recommendations of the German Corporate Governance Code, also containing the disclosures required in line with the German Commercial Code, supplemented by the Disclosure of Management Board Remuneration Act (VorstOG).

Management Board remuneration

All Members of the Management Board of 3U HOLDING AG receive a fixed basic salary (fixed component), which is paid in monthly instalments. In addition, all Members of the Management Board receive variable performance-based remuneration (performance-related components) on achieving specific performance targets which are set by the Supervisory Board. For variable remuneration, uniform Group targets such as the sales of the 3U Group and EBITDA as well as individual targets for the individual Management Board mandates are set as performance targets.

Furthermore, the Members of the Management Board were granted a specific number of stock options (component with long-term incentive effects) in the 2004/2005 stock option plan. The granting of stock options aims to honour the contribution of the Management Board (and the other employees of the 3U Group) to increasing the enterprise value and to encourage the long-term success of the Company. With regard to the actual structure of the stock option plan 2004/2005, we refer to the information in the following section "Detailed information on stock option programmes".

No pension commitments were given to the Members of the Management Board.

The remuneration of the Members of the Management Board, broken down into the fixed component and performance-related components, with individual details, are shown below:

Name		Fixed remuneration in TEUR		Variable remuneration in TEUR		Total remuneration in TEUR	
	2008	2007	2008	2007	2008	2007	
Michael Schmidt	340	231	340	53	680	284	
Oliver Zimmermann	340	226	320	80	660	306	
Roland Thieme (Board Member until 31 Dec 2007)	0	201	0	0	0	201	
Sum	680	658	660*	133	1,340	791	

The total remuneration granted to the Members of the Management Board in 2008 amounted to TEUR 1,340 (previous year: TEUR 791). Former Board Members received remuneration in the amount of TEUR 0 (previous year: TEUR 300) in the reporting year.

^{*}Thereof near term payable TEUR 450 (with maximum variable remuneration)

Included in the variable remuneration of 2008 are TEUR 40 (Michael Schmidt) and TEUR 20 (Oliver Zimmermann) for 2007 as well as the maximum possible variable remuneration for 2008 amounting to TEUR 300 for each Member of the Management Board.

Neither in 2007 nor 2008 did Members of the Management Board receive stock options.

All remuneration for Management Board activities was made by 3U HOLDING AG. The Subsidiaries did not pay any remuneration. With regard to the components with long-term incentive effects, we refer to the chapter "Detailed information on stock option programmes".

Remuneration of the Supervisory Board

Remuneration of the Supervisory Board is stipulated in Article 9 of the Company's Articles of Association. According to this, the Members of the Supervisory Board receive fixed basic remuneration of EUR 5,000.00 per year. The Chairman of the Supervisory Board and the Deputy Chairman receive twice and one and a half times the aforementioned remuneration respectively.

Furthermore, each Supervisory Board Member receives a bonus of EUR 1,000.00 per EUR 0.01 of the dividend in excess of EUR 0.05 per share distributed to shareholders for the past financial year as well as annual remuneration related to long-term company success of EUR 1,000.00 per EUR 100,000.00 earnings before taxes in the consolidated financial statements of the Company ("EBT") in excess of the average earnings before taxes in the consolidated financial statements ("EBT") for each of the three preceding financial years. However, total remuneration shall not exceed EUR 50,000.00 for the Chairman, EUR 37,500.00 for the Deputy Chairman and EUR 25,000.00 for the other Supervisory Board Members. In addition, all Supervisory Board Members receive a meeting fee of EUR 2,500.00 for each supervisory board or committee meeting that they attend. The Company reimburses the Supervisory Board Members for value added tax payable on their remuneration and expenses.

The remuneration for 2008 amounted to TEUR 66 (previous year: TEUR 111). In addition the Members of the Supervisory Board received performance related remuneration for the years 2005 until 2007 in the amount of TEUR 273 (previous year TEUR 0) in accordance with Article 9 sec. 1c of 3U HOLDING AG's Articles of Association.

Name	remuneration		Attend Fe in Ti	e	Performan remune in T	eration	Tot remune in TI	ration
	2008	2007	2008	2007	2008	2007	2008	2007
Ralf Thoenes								
(Chairman since 7 Aug 2007)	10	9	15	28	94	0	119	37
Gerd Simon	6	6	15	33	64	0	85	39
Peter Coch (since 7 Aug 2007)	5	2	15	13	8	0	28	15
Hubertus Kestler								
(Chairman until 6 Aug 2007)	0	7	0	13	107	0	107	20
Sum	21	24	45	87	273	0	339	111

In the past financial year, the law firm Altenburger Rechtsanwälte – of which Ralf Thoenes, the Chairman of the Supervisory Board, is a partner – received a total of TEUR 27 for its consultancy services for the 3U Group (previous year: TEUR 25). This figure is broken down as follows: 3U HOLDING AG TEUR 2 (previous year: TEUR 8), 3U TELECOM GmbH TEUR 20 (previous year: TEUR 8), 010017 Telecom GmbH TEUR 3 (previous year: TEUR 0), fon4U Telecom GmbH TEUR 0 (previous year: TEUR 5), LambdaNet Communications Deutschland AG TEUR 2 (previous year: TEUR 4).

The law firm KMO Kestler Mielert Otto – of which Hubertus Kestler, Member and Supervisory Board Chairman of 3U HOLDING AG until 6 August 2007, is a partner – received a total of TEUR 163 for its consultancy services for the 3U Group in the previous year. Hubertus Kestler was not a member of the Supervisory Board in the reporting year.

Detailed information on stock option programmes

2003 stock option plan

By way of resolution dated 15 May 2003, the Annual General Meeting authorised contingent capital of up to EUR 4,560,000.00 (EUR 912,000.00 before the stock split on 6 July 2004) for issuing stock options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board made use of this authorisation on 20 August 2003 and established a stock option plan for 2003.

Due to the fact that the share price was quoted substantially below the strike price during the exercise period 21 August 2005 – 20 August 2008, no stock options were exercised from the 2003 stock option plan. The options therewith have expired.

2004/2005 stock option plan

By way of resolution dated 15 May 2003, the Annual General Meeting authorised contingent capital of up to EUR 4,560,000.00 (EUR 912,000.00 before the stock split on 6 July 2004) for issuing stock options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board made use of this authorisation on 9 March 2005 and established a stock option plan for 2004/2005. The stock option plan has the following key areas:

The beneficiaries are:

- Group 1: Members of the Company's Management Board and all members of the management of affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act, AktG) if the members of the management of companies in Germany and abroad are not allocated to Group 2.
- Group 2: Employees of the Company and affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act, AktG) in key positions at the first and second level of management under the Management Board or the relevant management (managers and/or employees with key functions).
- Group 3: All other employees of the Company and of the affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act, AktG) if they are not allocated to Group 4,

Group 4: Trainees and/or part-time or comparable employees of the Company and of the affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act, AktG).

A total of 2,206,000 stock options were issued in the 2004/2005 stock option plan. The distribution between the individual groups is as follows:

Group 1: 870,000 stock options
Group 2: 765,000 stock options
Group 3: 546,000 stock options
Group 4: 25,000 stock options
Total: 2,206,000 stock options

The fair value of the stock options granted in 2005 has been fixed at EUR 0.51. This was calculated using the Black-Scholes model. The model assumptions correspond to a share price of EUR 0.98, an exercise price of EUR 1.06, anticipated volatility of 61 % and a risk-free interest rate of 3.0 %.

The 2004/2005 stock option plan has a term of five years. The non-transferable option rights can be exercised after a two-year qualifying period on 9 March 2007 at the earliest and no later than 9 March 2010. Due to the share price performance no options have been exercised so far.

The option rights may only be exercised within a period of fifteen banking days in Frankfurt am Main following the publication of the annual financial statements and/or consolidated financial statements, the Annual General Meeting or the publication of a quarterly report and/or the annual report. The option rights are non-transferable.

Each option right authorises the purchase of one share in the Company at the exercise price. The exercise price for the option rights corresponds to the strike price plus a 15 % premium as the performance target. The strike price is calculated as the average closing price for the Company's share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange during the last five trading days prior to the day on which the resolution to issue the option rights is passed. The exercise price is thus EUR 1.06 per share.

As a relative performance target, the Company's shares must have outperformed the TecDAX on ten consecutive days between the acquisition of the option rights and the exercise date. In addition, a cap was set at the amount of a gross annual salary.

The beneficiary may only sell shares received through the exercise of stock options within a month of the publication of the quarterly reports or after the publication of periodical reporting.

Shares held by the Management Board and the Supervisory Board as of 31 December 2008:

Name	Function	Number	Stock options 2004/2009	
		of shares	Number	Value in EUR*
Michael Schmidt	Member of the Management Board	8,999,995	165,000	84,150
Oliver Zimmermann	Member of the Management Board	105,584	0	0
Gerd Simon	Member of the Supervisory Board	10,000	0	0

^{*}Value when granted

All outstanding stock options are exercisable at 31 December 2008.

The stock options can only be exercised upon the expiry of the vesting period. Its value is allocated to the qualifying period and recognised as an expense in the respective financial year. The expense for the business years 2008 and 2007 financial year is shown in the following table.

Name	Function	Expense for components with long-term incentive in TEUR	
		2008	2007
Michael Schmidt	Member of the Management Board	0	7
Roland Thieme	Member of the Management Board until 31 Dec 2007	0	7
Sum		0	14

Disclosures in line with Section 315 (4) of the German Commercial Code in conjunction with Section 120 (3) sentence 2 of the German Stock Corporation Act

Appointment and dismissal of the Management Board and amendments to the Articles of Association:

The Management Board is appointed and dismissed in accordance with Articles 84 and 85 of the German Stock Corporation Act. All amendments to the Articles of Association conform to Articles 179 and 133 of the German Stock Corporation Act. However, according to Article 13 (2) of the Articles of Association in conjunction with Article 179 (2) sentence 2 of the German Stock Corporation Act, resolutions of the Annual General Meeting are passed with a simple majority of the votes cast unless another majority is prescribed by law. In addition, if the German Stock Corporation Act prescribes a majority of the share capital represented when the vote is taken, a simple majority of the capital represented is sufficient, if legally permissible.

Share capital and authority of the Management Board to issue or buy back shares:

The share capital consists of 46,842,240 no-par bearer shares. All shares grant the same rights. Each share carries one vote and is decisive for the share of the profits. The rights and obligations from the shares are derived from statutory provisions.

Shares in the capital of the Company are as follows:

Michael Schmidt	(Member of the Management Board)	8,999,995 shares	19.41 %
Oliver Zimmermann	(Member of the Management Board)	105,584 shares	0.23 %
Gerd Simon	(Member of the Supervisory Board)	10,000 shares	0.02 %

In the financial years 2007 and 2008, we did not receive any notifications with regard to direct and indirect participations on the capital of 3U HOLDING AG in excess of 10 %.

According to Article 3 (4) of the Articles of Association, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital on one or more occasions by a total of no more than EUR 23,421,120.00 by 12 May 2009 by issuing new shares in exchange for cash contributions and/or contributions in kind. With the approval of the Supervisory Board, the Management Board can fully or partially exclude the subscription right of shareholders in the following cases only: 1. In the event of capital increases against cash contributions provided that the par value of the new shares for which the subscription right is excluded does not exceed ten percent of the share capital existing on 13 May 2004 and that the issue amount of the new shares is not significantly below the stock exchange price as defined by Articles 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act; 2. Provided that the capital increases in exchange for contributions in kind are carried out in order to acquire companies or equity investments in companies; 3. For fractional amounts. With the approval of the Supervisory Board, the Management Board is authorised to stipulate the further details of the capital increase.

According to Article 3 (5) of the Articles of Association, the share capital of the Company is to be contingently increased by up to EUR 4,560,000.00, divided into 4,560,000 shares (Contingent Capital I). The contingent capital increase is only to be carried out insofar as holders of option rights that the Company issued on the basis of the authorisation of the Annual General Meeting on 15 May 2003 make use of their option rights. The new bearer shares carry dividend rights from the beginning of the financial year for which no Annual General Meeting resolution has been passed regarding the appropriation of profit when the option rights are

exercised. With the approval of the Supervisory Board, the Management Board is authorised to stipulate the further details of the contingent capital increase and its implementation.

With the approval of the Supervisory Board, the Management Board of 3U HOLDING AG decided on 31 October 2008, based upon the authorization of the Annual General Meeting of 28 August 2007, to buy back up to 4,684,224 shares in the Company via the stock exchange. The share buyback serves all the purposes provided for in the authorizing resolution of the Annual General Meeting of 28 August 2007.

The Landesbank Baden-Württemberg (LBBW) was engaged to buy back a maximum of 4,684,224 shares in the Company under the trading stipulations of articles 4 to 6 of regulation (EC) no. 2273/2003 (EC regulation). The LBBW makes its decisions concerning the point in time of acquisition of the shares independently of, and without influence by, the Company.

The LBBW was engaged to buy back the shares only on the stock exchange. The transaction value paid per share (without incidental buying costs) may not exceed the closing price of the share in XETRA trading on the Frankfurt Securities Exchange on the trading day preceding the buyback by more than 10 %, nor be more than 25 % below it. In addition, pursuant to article 5 (1) EC regulation, shares may not be acquired at a price exceeding that of the most recent independent close or (should that be higher) above the presently highest independent bid on the exchange at which the purchase takes place.

Pursuant to article 5 (2) EC regulation, no more than 25 % of the average daily turnover on the exchange at which the purchase takes place may be acquired per trading day. The average daily turnover must be derived from the average daily trading volumes of the last twenty trading days prior to the date of purchase.

The share buyback programme via the stock exchange began on 6 November 2008 and ended on 6 February 2009. As of 6 February 2009, 846,141 shares had been acquired at an average price of EUR 0.4182.

On 7 February 2009, the Management Board of 3U HOLDING AG decided, with the approval of the Supervisory Board, to stop the share buyback programme running via the stock exchange and to issue a public buyback offer in accordance with German law for up to 3,838,083 shares of 3U HOLDING AG with an offer price of EUR 0.45 per share.

The offer period ran from Monday, 9 February 2009, until 20 February 2009, 12:00 CET. As the volume tendered of 2,398,573 shares was below the maximum number to be taken over, the Company took over all the shares offered to it. In total, 3U HOLDING AG now holds 3,244,714 common shares as treasury stock; that equates to 6.93 % of the Company's nominal capital.

For Members of the Management Board, no agreements exist for the event of a takeover bid of 3U HOLDING AG.

Share transactions

According to Article 15a of the German Securities Trading Act, those people with management tasks at 3U HOLDING AG must report their own transactions with 3U HOLDING AG shares or any related financial instruments, particularly derivatives, to 3U HOLDING AG and the German Financial Supervisory Authority (BaFin). This obligation also applies to people who have a close relationship with one of the above-named people, where the total transactions of a person with management tasks and the person that has a close relationship with this person reaches or exceeds a total amount of EUR 5,000.00 by the end of a calendar year.

The following transactions were reported to 3U HOLDING AG in the past financial year:

Trading day	Name	Function	Purchase/ Sale	Number	Purchase price in EUR
13 June 2008	Michael Schmidt	Member of the Management Board	Purchase	700,000	1.26
2 Oct 2008	Oliver Zimmermann	Member of the Management Board	Purchase	6,000	0.48
6 Oct 2008	Oliver Zimmermann	Member of the Management Board	Purchase	20,000	0.46
8 Oct 2008	Oliver Zimmermann	Member of the Management Board	Purchase	20,000	0.38

All share transactions were published on the 3U HOLDING AG website (www.3u.net) under the path "Investor Relations/Directors' Dealings".

Shareholdings

The following Members of the Management and Supervisory Boards hold shares in 3U HOLDING AG (as of 31 December 2008):

Name	Function	Number of shares
Michael Schmidt	Member of the Management Board	8,999,995
Oliver Zimmermann	Member of the Management Board	105,584
Gerd Simon	Member of the Supervisory Board	10,000

Risk and opportunities management

The internal control system

The structure and organization of the 3U Group are subject to continuous review. Ongoing adjustments of the organization structure thereby guarantee clear responsibilities. The competencies within the monitoring, planning and control system are thus clearly defined. The monitoring and planning system mainly consists of the following components:

- Risk and opportunities management
- Management information reporting in a monthly cycle
- Regular meetings at Management Board level in a weekly cycle
- Regular department and team reports in a weekly cycle
- Rolling monthly planning/liquidity development

The control system is based around sales planning, the EBITDA goals and around budgeted, imputed cash flows in a month by month comparison for the past twelve months in each case. The planning for the two subsequent financial years is done based on percentage increase rates. The Sales & Marketing group at Company level delivers the assumptions for the revenue planning; regulatory plans, the capital market outlook and industry trends flow in at market level. Changes relevant to earnings within a component are communicated directly between the Management Board and heads of division in the form of immediate reporting. The organization structure and the elements of the control system thus form an integral mechanism between strategic and front-line business levels.

The 3U HOLDING AG business model

3U HOLDING AG is a listed management and investment company, whose current focal point is the holding of participating interests in the telecommunications industry. In the future we will focus more strongly on the areas of innovative technologies and corporate restructuring. The focal point is the German-speaking region.

Those innovative technologies must be outstanding and convincing and possess a substantial and defensible technology and competitive advantage. They must be able to develop a distinct customer benefit and demonstrate particularly unique selling propositions and a clearly identifiable market potential. In the case of investments in businesses requiring restructuring, the focus is on medium-sized companies in production-based environments and industry-related services.

Every investment must offer prospects of an above-average return on investment, which is in proportion to the estimated risk and based on a carefully researched and convincing business plan. All investments have in common that the target companies have an intact substance, such as products, customer base or know-how, at their disposal. They must demonstrate significant potential for improvement in their processes and organization and have the potential after realignment to achieve a secure market position and earn sustainable cash flows and profits. The exit perspective should be between four and five years. Alternatively, a more long-term "Buy-and-Build" strategy can also be considered. For fundamental reasons, no seed financing should be done.

"3U-RICH" system

Entrepreneurial dealings are always associated with risks. Consciously entering into risks in search of business success is unavoidable and makes sense. The 3U Group considers all risks systematically and in doing so pursues the goal, on the one hand, of detecting and controlling risks in a controlled and conscious manner and, on the other hand, grasping opportunities that present themselves. The 3U Group's risk policy defines the desired relationship between risks and opportunities and is thus closely linked with the strategic business goals. Risk management serves to secure the business goals, the Company's success and a reduction in risk costs. To achieve optimum control of the business and to meet the legal and regulatory requirements, the Management Board has at its disposal a risk and opportunities management system appropriate to the size of the Company by the name of "3U-RICH". As well as the parent company, this Group-wide risk management and early warning system covers all subsidiaries from which potentially existentially threatening developments for the Group may emanate. So our systematic dealing with potential risks and the risk-conscious handling of those risks are a central expression of how we secure and structure our future in this dynamic market environment.

The "3U-RICH" system meets the legal requirements.

Formulating a risk management strategy

Derived from the business targets, the Management Board defines a risk strategy outlining the fundamental basis for risk management. Strategic measures for goal attainment are developed based on that. The goal is not to avoid all potential risks, but to create room to act that lets us consciously enter into risks based on comprehensive awareness of those risks and their relationships. At the forefront is a balanced ratio between opportunities and risks.

Accountability and reporting concept

The overall accountability for the functioning and effectiveness of the risk management system lies with the Management Board of the 3U Group. The central risk manager regularly informs the Management Board of the current risk situation as part of the standardized reporting. The Management Board decides upon what is put forward by Risk Management and, where necessary, initiates measures based upon new risk assumptions. In addition, it regularly informs the Supervisory Board of the risks and the measures initiated.

As part of a consultation process, a report is made twice a year to the Supervisory Board concerning the efficiency of the processes in the "3U-RICH" system and compliance with the rules and regulations.

Methodology of the risk management system

Within the "3U-RICH" system, the risks faced by the 3U Group are captured in a manner as complete and financially sensible as possible, and as early as possible, in a risk inventory in order to detect developments that may jeopardize the development and existence of the business. The thus derived risk portfolio of the 3U Group is based on our assessment of the potential scale of damage and the likelihood of occurrence of very different scenarios. Risk indicators are established for the risks identified as part of the risk inventory which permit monitoring and evaluation of those risks. This constant observation and evaluation is handled by the decentred risk owner and the central risk manager based on operational and financial indicators.

As potential risks can arise in all business areas, thus also in the Subsidiaries of the 3U Group, the risk management system extends to all business units and departments.

The key current and future risks in the Group

From the entirety of the risks identified for the Group, those main risks in the individual business divisions are then named that could, from today's perspective, influence the 3U Group's financial, assets and earnings position should they materialize.

These risks will be of significance in the future, too. Our experience from past risk inventories confirms that trend. The only thing that varies is their potential scale of damage and likelihood of occurrence.

General business risks and opportunities

As the 3U Group has so far invested exclusively in the telecommunications and broadband/IP segment, financial year 2009 will also be marked by the specific risks of that industry.

The key sector thereby is the Call-by-Call market, whereby the very diverse flat rate products represent one general risk. Fixed-line flat rates could make Call-by-Call in the internal German fixed-line network unviable. A similar risk exists through flat rates in mobile telephony that, as a rule, include a flat rate for calls in both mobile and fixed-line networks. Substitution of the fixed-line network by mobile telephony may lead to declining yields. Prices for mobile to mobile under the fixed-line level also represent a risk for the Call-by-Call business. The Voice-over-IP (VoIP) and Triple Play technologies are creating an additional potential risk, as minute rates are coming under pressure from flat rate products.

Also in the area of broadband/IP, the 3U Group operates in a still very competitive market. The aggressive pricing policies of competitors could have a negative effect on the margins and market shares achievable. Major customers in this area could decide to build up their own network infrastructure for strategic or financial reasons. The risk of losing key customers in the network operator area should be compensated for by stronger revenue growth in other customer segments.

The segment broadband/IP remains in a restructuring phase. Numerous measures were taken in 2008 to position the segment appropriately to the market needs and strengthen its earning power sustainably. 3U HOLDING AG has issued a letter of comfort vis-à-vis LambdaNet (guaranteeing the equity and financing) and a letter of subordination (for the loans granted to LambdaNet) in order to stabilise and strengthen the company. The focus thereby is also on further optimization and profit orientation. Because of the rising demand for VPN services, the Corporate Sales unit has been strengthened, thus improving our market presence. Within the context of the optimization, the efficiency in the offer process was improved by using CRM and offer management systems. Process optimizations for efficiency gains and to improve the quality in order processing and service operations were successfully implemented, the purchasing process was optimized and expense in the area of product input costs and network infrastructure was reduced. By 2010, one expects significantly lower losses for LambdaNet and annual profits are planned for 2011.

As a system provider for software solutions in the area of handling and billing telephone data, our group Company, SEGAL Systems GmbH, operates in a market that is distinguished by a high number of competitors and products already in existence. But we see substantial market potential in the innovative applications developed in-house that have already been implemented successfully within the Group.

The general financial situation and economic developments have a significant influence on the venture capital business. With any deterioration in the economic framework or a recessionary trend, companies increasingly find themselves in a crisis. That creates opportunities for the 3U Group in that more companies with attractive valuations are available for sale and the selection of businesses undergoing radical change and extraordinary situations should thus be greater for the 3U Group. Sales of portfolio companies become more difficult, as companies and financial investors are more reluctant when it comes to buying.

The 3U Group focuses its investments on equity participations in the area of innovative technologies and corporate restructurings. The suitability of a company for restructuring and its future prospects are therefore the primary criteria when selecting potential acquisitions. The 3U Group strives to minimize the risk in the investment portfolio due to economic swings of individual companies, industries or regions by diversification. When supporting companies needing restructuring, the 3U Group reverts to experts with experience in the industry concerned.

One cannot rule out that the financial development of a future portfolio company may be negatively impacted by a deteriorating market situation in a certain industry, even up to a bankruptcy of that company, without the management of the portfolio company being able to prevent that.

According to all expectations, the renewable energies will expand significantly nationally and internationally. Rising energy prices and the increasingly apparent implications of climate change have made the need for greater use of renewable energies more than clear. The 3U Group plans to participate in that growth and invest in those technologies. Without doubt, the financial and economic crisis has not improved the conditions. We see no signs, however, of any fundamental decline in the demand for renewable energies.

Operational risks

Operational risks are more short-term by nature and in all business segments are concentrated on potential failure of, or damage to, technical systems, the personnel and the process capability.

The services of the present segments of the 3U Group are based on software applications and on information and telecommunication technologies. Key to upholding business operations and handling critical processes are thus the IT availability and the IT infrastructure. Appropriate system redundancies, timely replacement investments and regular maintenance keep that risk at the normal level on the market.

In all business units of the 3U Group we need highly qualified personnel. A lack or loss of the required know-how, skills and experience in the key positions of these companies could put attainment of the various business goals at risk. Observing the generally accepted principles of employee leadership forms the basis for a good working atmosphere. Employee leadership and employee development represent the foundations of a positive corporate culture. Beyond that we apply a performance-based compensa-

tion system, internal and external training & development programmes and a share option programme to ensure high levels of loyalty and bonding of our qualified men and women to the Company. Towards the outside world, the corporate culture represents the line we take with our customers and the credibility of, and the trust in, the Company.

If the corporate goals are to be achieved, they must be geared to the Group's business processes. The vertical and horizontal communication within the company must also be efficient and in harmony with the responsibilities assigned or measures defined. The basis aimed at ensuring that happens are working instructions and procedures, as well as job descriptions and policies, which are reviewed and updated where necessary on a regular basis, also within the context of quality management.

Financial risks

As a company present on the market, the 3U Group is exposed to diverse risks. So one core goal of the Management is to control and minimize financial risks in terms of achieving reliable planning.

One key financial risk is the risk of sales being concentrated on one main customer. This risk correlates with the default risk, i.e. the risk that a contract partner in a financial transaction is not in a position to meet its obligations, thus exposing the 3U Group to financial losses. In addition, the share price, purchasing and liquidity, as well as changes in the market and interest rates, are some of the main areas where financial risks can occur.

Possible materialization of these potential risks is counteracted by a receivables and liquidity management process implemented across the Group, which ensures that sufficient liquidity is available at any time for the front-line business.

As part of the realignment of the Group, the equity participations segment will gain significance in the future. Besides the risk areas mentioned in the telecommunications segment, the risks associated with investment decisions here are of major importance. Application of investment criteria will minimize the chance of this particular risk materializing.

- With investments in innovative technologies, they must be outstanding and possess a substantial and defensible technology and competitive advantage. They must be able to develop a distinct customer benefit and unique selling propositions and demonstrate a clearly identifiable market potential.
- In the case of investments in companies needing restructuring, the focus is on medium-sized businesses in production-oriented segments and industry-related services.
- Every investment must offer prospects of an above-average return on investment, which is in proportion to the estimated risk.
- Every investment must be based on a carefully researched and convincing business plan.
- All investments have in common that the target companies have an intact substance, such as products, customer base or knowhow, at their disposal. They must demonstrate significant potential for improvement in their processes and organization and have the potential after realignment to achieve a secure market position and earn sustainable cash flows and profits.
- The exit perspective should be between four and five years. Alternatively, a more long-term "Buy-and-Build" strategy can also be considered.
- With project financing, the credit rating, both at partner and at customer level, plays a decisive role and thus has a significant influence on our investment decisions.
- To avoid a clumping risk, investments in individual companies should be in the order of between TEUR 500 and TEUR 2,000.

Regulatory risks and those from changes in the legal framework

Regulatory risks and threats arising from changes in the legal framework in the telecommunications and energy supply areas will continue to exist in the present segments and future investments of the 3U Group. At the moment, we foresee no concrete risks however.

Opportunities for the 3U Group

With our strategic realignment, we have set the course for earning attractive returns and sustainably enhancing the value of the Company.

Rigorous profit-orientation combined with realization of potential earnings in the areas of wholesale and premium services, but especially in the Call-by-Call segment, is bearing fruit. The figures of the elapsed financial year underline that.

Over the coming few years, the 3U Group will be developed to become a high-profile and successful conglomerate with a corresponding diversified portfolio.

Overall assessment of the risk situation

The main risks presented can potentially cause significant harm, today and in the future, to the 3U Group's financial, assets and earnings position. But when considering all the facts and circumstances presently known of, there are presently no risks that could hamper development or threaten the existence of the 3U Group in the foreseeable future. Our "3U-RICH" system allows us to detect potential risks at an early stage and then supports risk control. False assumptions can nonetheless create risks in the future, which then deviate from the business expectations.

Significant events following the end of the financial year

Share buyback

With the approval of the Supervisory Board, the Management Board of 3U HOLDING AG decided on 31 October 2008, based upon the authorization of the Annual General Meeting of 28 August 2007, to buy back up to 4,684,224 shares in the company via the stock exchange. The share buyback serves all the purposes provided for in the authorizing resolution of the Annual General Meeting of 28 August 2007.

The Landesbank Baden-Württemberg (LBBW) was engaged to buy back a maximum of 4,684,224 shares in the company on the stock exchange under the trading stipulations of articles 4 to 6 of regulation (EC) no. 2273/2003 (EC regulation). The transaction value paid per share (without incidental buying costs) may not exceed the closing price of the share in XETRA trading on the Frankfurt Securities Exchange on the trading day preceding the buyback by more than 10 %, nor be more than 25 % below it. In addition, pursuant to article 5 (1) EC regulation, shares may not be acquired at a price exceeding that of the most recent independent close or (should that be higher) above the presently highest independent bid on the exchange at which the purchase takes place.

Pursuant to article 5 (2) EC regulation, no more than 25 % of the average daily turnover on the exchange at which the purchase takes place may be acquired per trading day. The average daily turnover must be derived from the average daily trading volumes of the last twenty trading days prior to the date of purchase.

The share buyback programme via the stock exchange began on 6 November 2008 and ended on 6 February 2009. As of 6 February 2009, 846,141 shares had been acquired at an average price of EUR 0.4182.

On 7 February 2009, the Management Board of 3U HOLDING AG decided, with the approval of the Supervisory Board, to stop the share buyback programme running via the stock exchange and to issue a public buyback offer in accordance with German law for up to 3,838,083 shares of 3U HOLDING AG with an offer price of EUR 0.45 per share.

The offer period ran from Monday, 9 February 2009, until 20 February 2009, 12:00 CET. As the volume tendered of 2,398,573 shares was below the maximum number to be taken over, the Company took over all the shares offered to it. In total, 3U HOLDING AG now holds 3,244,714 common shares as treasury stock; that equates to 6.93 % of the Company's nominal capital.

Outlook 45

Economic outlook

The global economy is undergoing a massive downturn. The severe crisis on the international financial markets, which began in the USA with the collapse of the subprime mortgage market at the end of 2007, has meanwhile taken all areas of the economy in its grip. For businesses and private households, the financing conditions have worsened and asset losses and murky earnings prospects are dampening the economy. Now that the economy has taken a serious turn for the worse in the fourth quarter of 2008, everything points to a global recession in 2009. Leading economists are at loggerheads about the economic outlook for 2010. Whilst some expect the bottom of the economic curve to be reached in the middle of the current year, others fear that the downturn will persist into 2010.

In Germany, the economic trends have been clearly downwards since the middle of 2008. In the first half of the year, the economy had still undergone a strong, temporary high, but the massive downturn in the export environment had more and more of an effect from the summer onward. The financial crisis also worsened significantly. The economic signals in 2009 are on red. The German economy, which had previously benefited to a major extent from the strong global upturn, is now being sucked into the maelstrom triggered by the financial crisis worldwide. Total industrial production will thus slump. On average for the year, one expects a drop in real GDP of 2.4 % (IFO) to 2.5 % (IMF).

Outlook for telecommunications

Market growth continued to slow down during 2008 and the telecommunications industry is increasingly turning from a growth market into a displacement market. The developments on the market remain dynamic; industry experts expect consolidation. Further price decay can be expected because of the strong competitive situation on the German market.

The 3U Group continues to pursue the strategy in its traditional core business of forgoing sales if it will not produce an appropriate earnings contribution. The 3U Group has successfully introduced processes aimed at cost reduction and efficiency improvement and is thus stronger going into the highly competitive 2009 financial year. That is clearly apparent in the over-proportional rise in profit contribution in the fixed-line telephony segment in the year under review.

Future growth potential through strategic realignment

With our realignment as a management and investment capital holding company, the strategy of the 3U Group has changed fundamentally. Sustainable operating profitability is at the forefront both in future potential business areas and in the existing segments of fixed line telecommunications and broadband/IP.

In the high-growth but also intensely competitive management and investment capital business, the company will always set its focus on the areas of innovative technologies and corporate restructurings. Also thanks to the experience in the restructuring and optimization measures taken within the 3U Group, the Company is very well positioned for the investment capital business. Future investments will be identified via the Management Board's own contacts and possibilities, as well as the connections to a broad network of experts. Originally planned in 2008, the first equity participations will now be acquired during the current 2009 financial year. The existing assets situation and the lean costs structure create the financial background needed to operate successfully in the investment capital business.

In the area of corporate restructuring, the 3U Group's sights are on distressed companies with potential for a better development. By restructuring such businesses and leading them back into profitability, there are outstanding opportunities for significant value enhancement.

Within the next three to five years, the 3U Group will be developed to become a successful investment company with a corresponding portfolio of equity participations with scattered risks.

Outlook for the 3U Group

One look at the business developments shows that the 3U Group has been able to improve its operating results significantly thanks to rigorous earnings orientation.

Against the background of the trends already described on the Call-by-Call market, the Management Board expects external sales of EUR 60 million in 2009 for the portfolio companies of the 3U Group currently combined in the fixed-line telephony segment and an EBITDA of EUR 1.5 million. This development is marked by a continuing decline in sales in the Call-by-Call area with a rise at the same time in sales in the wholesale and value-added services areas. For the broadband/IP segment, we expect sales of EUR 36 million and an EBITDA of EUR 5 million.

The volatility of the Call-by-Call market makes any medium-term forecast difficult. For financial years 2009 and 2010, the Management Board expects a slightly declining development and increased volatility in the relevant market overall.

With our focus on innovative technology and corporate restructurings, we will acquire the first equity participations in financial year 2009. Where they cannot be allocated to telecommunications, these will be reported in separate segments in the future. Issuing a forecast here is difficult as there are no concrete investments in the decision-making phase at the moment.

The goal of all activities is to enhance the value of the 3U Group sustainably for the shareholders, but also for our employees. The success of those efforts will be reflected in a positive price trend for the 3U share. Building on the meanwhile stabilized front-line business of the Subsidiaries in the fixed-line telephony segment, acquisition of further equity participations will produce good opportunities to realize an above-average share price performance.

With regard to the estimates and expectations presented here, we would point out that the actual future events can differ significantly from our expectations concerning the probable development.

Marburg, March 2009

The Management Board

Michael Schmidt

Oliver Zimmermann



Consolidated Financial Statements

- Consolidated balance sheet as of 31 December 2008 (IFRS)
- Consolidated income statement (IFRS)
- Cash flow statement (IFRS)
- Statement of changes in equity (IFRS)
- Development of Group fixed assets 2008 (IFRS)
- Development of Group fixed assets 2007 (IFRS)
- 62 Notes to the consolidated financial statements for the 2008 financial year
- Responsibility statement
- 121 Auditor's report

Consolidated balance sheet as of 31 December 2008 (IFRS)

Assets 3U Group (in TEUR)	Notes to the consolidated financial statements	31 Dec 2008	31 Dec 2007
Long-term assets		34,301	3,806
Intangible assets	[2.3.7] [2.3.8] [6.1.1]	3,735	950
Property, plant and equipment	[2.3.9] [6.1.2]	29,015	1,940
Financial assets*	[6.1.3]	0	64
Deffered tax assets	[2.3.14] [6.2]	66	0
Other non-current assets		247	0
Prepaid network rentals – long-term		1,238	852
Current assets		51,656	96,115
Inventories		102	0
Trade receivables	[2.3.10] [6.3] [6.12]	12,952	9,305
Other current assets	[6.4]	1,444	1,015
Current financial assets	[2.3.10] [6.12]	0	2,000
Cash and cash equivalents	[2.3.10] [6.5] [6.12]	35,474	32,446
Prepaid network rentals – current		1,641	0
Assets "held for sale" and assets in liquidation* (disposal groups)	[6.1.3]	43	51,349
Total assets		85,957	99,921

^{*}These include CityDial GmbH (associated company in liquidation) with TEUR 43 (under financial assets in the previous year at TEUR 64)

Shareholders' equity and liabilities 3U Group (in TEUR)	Notes to the consolidated financial statements	31 Dec 2008	31 Dec 2007
Shareholders' equity	[6.6]	38,590	42,043
Issued capital	0) [((1]	46.042	46.040
(conditional capital TEUR 4,560; previous year: TEUR 4,56	0) [6.6.1]	46,842	46,842
Capital reserve	12 2 17 1 7 7 2 2 2	21,499	21,499
Own shares	[2.3.16] [6.6.2]	-203	0
Retained earnings		-26,331	-27,989
Net income/loss		-3,205	1,641
Adjustment item for currency difference		-12	-9
Total shareholders' equity attributable to the shareholders of 3U HOLDING AG		38,590	41,984
Minority interests	[6.6.5]	0	59
Long-term provisions and liabilities		15,404	103
Long-term provisions	[2.3.13] [6.10]	103	103
Long-term lease liabilities	[2.3.11] [6.1.4] [6.7]	13,181	0
Network rentals received – long-term		2,120	0
Current provisions and liabilities		31,963	57,775
Current provisions	[2.3.13] [6.10]	1,999	1,416
Current tax provisions relating to income tax	[6.10]	1,329	2,150
Current liabilities due to banks	[6.7]	5,343	0
Trade payables	[2.3.10] [6.8] [6.12]	15,219	9,998
Current lease liabilities	[2.3.11] [6.1.4] [6.7]	2,179	0
Other current liabilities	[2.3.10] [6.9] [6.12]	5,679	1,268
Network rentals received – current		215	0
Liabilities "held for sale" (disposal groups)		0	42,943
Total shareholders' equity and liabilities		85,957	99,921

52 Consolidated income statement (IFRS)

3U Group (in TEUR)	U Group (in TEUR) Notes to the consolidated financial statements		ial year 1 Jan-31 Dec 2007*
Sales	[2.3.1] [5.1]	107,459	108,453
Cost of sales	[2.3.2] [5.2]	-92,144	-90,818
Gross profit		15,315	17,635
Selling expenses	[5.3]	-5,886	-4,838
General and administrative expenses	[5.4]	-10,913	-11,358
Other operating income	[5.5]	2,296	3,893
Other operating expenses	[5.5]	-2,001	-773
Depreciation and amortisation on customer portfolios/goodwill	[2.3.7]	-1,385	-1,004
Earnings from continued operations before interest and taxes		-2,574	3,555
Interest income	[2.3.1] [5.7]	1,518	909
Interest expenses	[2.3.5] [5.7]	-2,786	-2,638
Income from investments (equity method)	[2.2.1] [6.1.3]	-22	-31
Earnings from continued operations before income tax		-3,864	1,795
Income tax expense	[2.3.6] [5.8]	-117	-232
Earnings from continued operations before minority interests		-3,981	1,563
Earnings from discontinued operations		776	111
Net income/loss for the period		-3,205	1,674
Share of net income/loss for the period attributable to minority interests		0	33
Share of net income/loss for the period attributable to 3U HOLDING AG shareholders		-3,205	1,641

^{*}Previous year's figures were adjusted due to the reclassification "held for sale"; please refer to explanations in 5.10.

3U Group (in EUR)	Notes to the consolidated	Financial year	
	financial statements	1 Jan-31 Dec 2008	1 Jan-31 Dec 2007*
Earnings per share from continued operations			
Earnings per share, undiluted (in EUR)	[5.9]	-0.09	0.09
Earnings per share, diluted (in EUR)	[5.9]	-0.09	0.08
Earnings per share total			
Earnings per share, undiluted (in EUR)	[5.9]	-0.07	0.04
Earnings per share, diluted (in EUR)	[5.9]	-0.07	0.03
Earnings per share from discontinued operations			
Earnings per share, undiluted (in EUR)	[5.9]	0.02	-0.05
Earnings per share, diluted (in EUR)	[5.9]	0.02	-0.05

^{*}Previous year's figures were adjusted due to the reclassification "held for sale"; please refer to explanations in 5.10.

54 Cash flow statement (IFRS)

3U Group (in TEUR)	Notes to the consolidated financial statements [Section 2.2.3 and 7]	1 Jan-31 Dec 2008*	1 Jan-31 Dec 2007
Net income/loss for the period		-3,205	1,641
			4-11
+/- Depreciation/write-ups of fixe	d assets	12,056	7,878
+/- Increase/decrease of provisio	ns	-514	199
-/+ Profit/loss on disposal of long	ı-term assets	-536	-1,668
-/+ Increase/decrease in inventor	ies and trade receivables	-282	932
+/- Increase/decrease in trade pa	yables	-1,941	-1,264
+ Changes to other receivables		1,737	1,543
- Changes to other payables		-220	-1,236
+ Change in network rentals prep	aid and received	1,390	294
- Income tax payments		-986	-39
- Tax revenue		-66	0
+ Tax expenditure		868	0
-/+ Other non-cash changes		-257	23
Cash flows from operating activit	ies	8,044	8,303
+ Inflows from disposals of prope	rty, plant and equipment	1,281	29
- Outflows for investments in pro	perty, plant and equipment	-3,228	-4,398
+ Inflows from disposals of intang	gible assets	30	0
- Outflows for investments in inta	ingible assets	-131	-203
+ Inflows from disposals of finance	cial assets	0	26,078
- Outflows from additions to final	ncial assets	0	-1,730
+ Cash inflow from the disposition of consolidated companies and		930	0
Cash flows from investing activiti	es	-1,118	19,776
Sum carried forward		6,926	28,079

^{*}To calculate cash flows, figures were adjusted due to the reclassification "held for sale".

3U Group (in TEUR) Notes to the consolidated financial statements [Section 2.2.3 and 7]	1 Jan-31 Dec 2008*	1 Jan-31 Dec 2007
Sum carried forward	6,926	28,079
- Cash outflow to companies' owner and minority partners (dividends, purchase of own shares, equity capital payback,	204	
other disbursements)	-206	0
- Outflows from the repayment of bonds and (finance) loans	-4,986	-3,678
- Repayment of lease liabilities	-2,809	-1,752
Cash flows from financing activities	-8,001	-5,430
Increase/reduction in cash and cash equivalents	-1,075	22,649
+/- Changes in cash and cash equivalents due to exchange rates, scope of consolidation and valuation	0	-79
Cash and cash equivalents at beginning of period	36,549	13,979
Cash and cash equivalents at end of period	35,474	36,549

^{*}To calculate cash flows, figures were adjusted due to the reclassification "held for sale".

56 Statement of changes in equity (IFRS)

3U Group (in TEUR)	Issued capital	Capital reserve	Reserve for currency differences	Revaluation reserve	
As of 1 Jan 2007	46,842	21,379	- 7	1,115	
Consolidated profit*	0	0	0	0	
Stock options	0	120	0	0	
Revaluation securities	0	0	0	593	
Income from the disposal of securities	0	0	0	-1,708	
Changes taken directly to equity	0	0	-2	0	
As of 31 Dec 2007	46,842	21,499	-9	0	

3U Group (in TEUR)	Issued capital	Capital reserve	Reserve for currency differences	Revaluation reserve	
As of 1 Jan 2008	46,842	21,499	-9	0	
Consolidated profit**	0	0	0	0	
Adjustment previous years	0	0	0	0	
Reserves for own shares	0	-203	0	0	
Changes taken directly to equity	0	0	-3	0	
Alteration basis of consolidation	0	0	0	0	
As of 31 Dec 2008	46,842	21,296	-12	0	

^{*}Thereof TEUR -2,501 from discontinued operations

^{**}Thereof TEUR 776 from discontinued operations

Retained earnings	Net income/loss attributable to 3U HOLDING AG shareholders	Shareholders' equity attributable to 3U HOLDING AG shareholders	Minority interests	Total shareholders' equity
-27,989	0	41,340	25	41,365
0	1,641	1,641	34	1,675
0	0	120	0	120
0	0	593	0	593
0	0	-1,708	0	-1,708
0	0	-2	0	-2
-27,989	1,641	41,984	59	42,043

Retained earnings	Net income/loss attributable to 3U HOLDING AG shareholders	Shareholders' equity attributable to 3U HOLDING AG shareholders	Minority interests	Total shareholders' equity
-26,348	0	41,984	59	42,043
0	-3,205	-3,205	0	-3,205
17	0	17	0	17
0	0	-203	0	-203
0	0	-3	0	-3
0	0	0	-59	-59
-26,331	-3,205	38,590	0	38,590

3U Group (in TEUR)	Historical acquisition and production cost							
	As of 1 Jan 2008	Additions "held for sale"	Additions	Disposals	Disposals "held for sale"	Reclassi- fications	As of 31 Dec 2008	
I. Intangible assets								
 Concessions, industrial property rights and similar rights and assets and licences to such rights and assets 	3,747	11,840	131	823	0	0	14,895	
2. Customer base	2,959	11,031	0	0	0	0	13,990	
3. Goodwill	8,636	334	0	0	0	0	8,970	
Total intangible assets	15,342	23,205	131	823	0	0	37,855	
II. Property, plant and equipment								
 Land and buildings including buildings on third party land 	1,080	6	10	925	0	0	171	
Technical equipment and machines	5,122	115,297	2,950	284	0	331	123,416	
Other equipment, plant and office equipment	1,045	2,401	268	205	0	76	3,585	
4. Constructions in progress	0	683	0	190	0	-407	86	
Total property, plant and equipment	7,247	118,387	3,228	1,604	0	0	127,258	
III. Financial assets								
1. Investments	64	0	0	4	60	0	0	
Total financial assets	64	0	0	4	60	0	0	
Total fixed assets	22,653	141,592	3,359	2,431	60	0	165,113	

	Accumulated depreciation							Carrying	amounts
As of 1 Jan 2008	Depre- ciations "held for sale"	Made up Deprecia- tions "held for sale"	Deprecia- tions of the financial year	Disposals	Disposals "held for sale"	Reclassi- fications	As of 31 Dec 2008	As of 31 Dec 2008	As of 31 Dec 2007 (without "held for sale")
3,347	10,696	574	579	793	0	0	14,403	492	400
2,959	6,953	467	918	0	0	0	11,297	2,693	0
8,086	334	0	0	0	0	0	8,420	550	550
14,392	17,983	1,041	1,497	793	0	0	34,120	3,735	950
272	1	0	13	153	0	0	133	38	808
4,202	81,567	1,776	7,537	88	0	-69	94,925	28,491	920
833	2,191	79	95	82	0	69	3,185	400	212
0	0	0	0	0	0	0	0	86	0
5,307	83,759	1,855	7,645	323	0	0	98,243	29,015	1,940
0	0	0	18	0	18	0	0	0	64
0	0	0	18	0	18	0	0	0	64
	404 = 10		0.440	,			400.040		
19,699	101,742	2,896	9,160	1,116	18	0	132,363	32,750	2,954

Development of Group fixed assets 2007 (IFRS)

3U Group (in TEUR)	Acquisition and production cost						
	As of 1 Jan 2007	Additions	Disposals*	Reclassi- fications	As of 31 Dec 2007		
I. Intangible assets							
Concessions, industrial property rights and similar rights and assets and licences to such rights and assets	8,987	190	5,457	28	3,747		
2. Customer base	13,990	0	11,031	0	2,959		
3. Goodwill	8,970	0	334	0	8,636		
Total intangible assets	31,947	190	16,822	28	15,342		
II. Property, plant and equipment							
 Land and buildings including buildings on third party land 	976	8	9	105	1,080		
Technical equipment and machines	68,575	1,809	65,249	-13	5,122		
Other equipment, plant and office equipment	1,981	95	984	-47	1,045		
4. Constructions in progress	1,563	70	1,560	-73	0		
Total property, plant and equipment	73,095	1,982	67,802	-28	7,247		
III. Financial assets							
1. Investments	96	0	32	0	64		
2. Investment securities	16,852	0	16,852	0	0		
3. Other loans	8,000	0	8,000	0	0		
Total financial assets	24,948	0	24,884	0	64		
Total fixed assets	129,990	2,172	109,508	0	22,653		

 $^{{}^{*}}$ Assets "held for sale" and other disposals

	Accu	mulated depreciation		Carrying a	mounts	
As of 1 Jan 2007	Additions*	Disposals**	Reclassi- fications	As of 31 Dec 2007	As of 31 Dec 2007	As of 31 Dec 2006
6,609	924	4,196	10	3,347	400	2,378
8,908	1,004	6,953	0	2,959	0	5,082
8,420	0	334	0	8,086	550	550
23,937	1,928	11,483	10	14,392	950	8,010
142	29	1	102	272	808	834
32,630	5,702	34,053	-77	4,202	920	35,945
32,000	J,10L	34,033	11	7,202	720	33,743
1,443	219	794	-35	833	212	538
0	0	0	0	0	0	1,563
34,215	5,950	34,848	-10	5,307	1,940	38,880
0	0	0	0	0	64	96
0	0	0	0	0	0	16,852
0	0	0	0	0	0	8,000
0	0	0	0	0	64	24,948
58,152	7,878	46,331	0	19,699	2,954	71,838

^{*}Depreciation for the period

^{**}Depreciation on assets "held for sale" and other disposals

Notes to the consolidated financial statements for the 2008 financial year

1 General information about the Group

3U HOLDING AG (subsequently also referred to as 3U or Company), headquartered in Marburg, was founded in 1999 as a result of the change in the form of 3U Telekommunikation GmbH, Eschborn (formerly registered with the Frankfurt am Main District Court, HRB number 47870). The Company's registered office was relocated to Marburg in the 2003 financial year. It has since been registered in the Register of Companies there, under HRB number 4680.

On 31 October 2007, the name of the Company was changed from 3U TELECOM AG to 3U HOLDING AG on the basis of a resolution by the Annual General Meeting on 28 August 2007. In accordance with the resolution by the extraordinary General Meeting on 15 January 2007, the object of the Company was changed to the management of its own assets, the acquisition, management and sale of investments in German and foreign companies as well as the supply of management and advisory services and other services for Subsidiaries and associated companies and third parties.

The business activities of 3U HOLDING AG and its Subsidiaries are asset management and the provision of telecommunication services in the fixed-line and broadband/IP segments.

The address of the registered office of the Company is: Neue Kasseler Straße 62F 35039 Marburg

2 Accounting and valuation methods

2.1 Accounting principles

These consolidated annual financial statements relate to 3U HOLDING AG and its Subsidiary companies. Consolidated financial statements of 3U HOLDING AG for the 2008 financial year were compiled in accordance with the accounting standard of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS), as adopted by the EU Commission. The IFRS valid on 31 December 2008 were observed and the interpretations of the International Financial Reporting Committee (IFRIC) were also applied. The consolidated financial statements contain all the information required by the IFRS as endorsed by the European Union (EU) and based upon the additional requirements pursuant to section 315a (1) German Commercial Code (HGB). Inasmuch as certain standards have been applied prematurely, that will be pointed out separately.

In addition to the income statement, the balance sheet and the cash flow statement, changes in shareholders' equity were also shown. The income statement is compiled in accordance with the cost of sales method.

Consolidated financial statements of 3U HOLDING AG present a true and fair view of the net assets, financial position and results of operations.

Consolidated financial statements of 3U HOLDING AG were compiled in accordance with Article 315a of the HGB (German Commercial Code) and will be published in the electronic German Federal Gazette.

Consolidated financial statements were compiled in Euros. The figures are stated in the consolidated financial statements in thousand Euros (TEUR) and were rounded to whole TEUR. For reasons related to the calculations, rounding differences amounting to +/- one unit (EUR, % etc.) may occur.

The German Group companies prepare their accounts and documents in accordance with the International Financial Reporting Standards (IFRS). The foreign Subsidiaries prepare their accounts in accordance with the relevant local regulations. They differ from the International Financial Reporting Standards (IFRS) in considerable respects. All modifications were carried out that were required to present the annual financial statements in accordance with IFRS as of 31 December 2008.

The financial year of the Company and all Subsidiaries included in the consolidated financial statements is the calendar year.

Newly applied standards

3U took account of all standards and interpretations issued by the IASB, which were in force as of 31 December 2008.

In November 2006, the IFRIC published the interpretation IFRIC 11 Group and Treasury Share Transactions. IFRIC 11 deals with specific forms of share-based remuneration and discusses their respective allocation to equity-settled or cash-settled transactions. According to IFRIC 11, the granting of options to shares in the parent company to employees of a subsidiary is to be viewed as a cash-settled transaction in the annual financial statements of this subsidiary, if it is not the parent company but the subsidiary which grants the share options. IFRIC 11 is to be applied retrospectively to financial years beginning on or after 1 March 2007. Application is intended for the first time for the year it comes into effect. Application of this interpretation will not have any implications for the net assets, financial position and results of operations or cash flow of 3U.

In November 2006, the IFRIC published the interpretation IFRIC 12 Service Concession Arrangements. The scope of IFRIC 12 is limited to accounting for service licences and deals solely with agreements with public sector licensors. Application of IFRIC 12 is compulsory for financial years beginning on or after 1 January 2008. Application is intended for the first time for the year it comes into effect. Application of this interpretation will not have any implications for the net assets, financial position and results of operations or cash flow of 3U.

Recently published accounting standards - not yet implemented

On 13 October 2008, the International Accounting Standards Board (IASB) decided upon amendments to the International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement, and to International Financial Reporting Standard (IFRS) 7 Financial Instruments: Disclosures. These changes to IAS 39 and IFRS 7 permit certain financial instruments to be reclassified under exceptional circumstances out of the "available for sale" category into another category. The present financial crisis is regarded as such an exceptional circumstance that would justify companies availing themselves of this option. Because of the current financial crisis, the EU also endorsed these changes without delay and put them into immediate effect. Application of this standard has had no effects on the assets, financial and earnings position or cash flow of 3U.

The following accounting standards have been published by the IASB and endorsed by the EU. 3U has not yet applied these accounting standards, but has assessed them in terms of their effects on the consolidated annual financial statements.

In September 2007, the IASB issued a revised version of IAS 1, Presentation of Financial Statements. The EU adopted that standard into the law of the European Union in December 2008. The revision is aimed at improving users' ability to analyze and compare the information given in financial statements. Under the new rules, all non-shareholder-related changes in equity must be presented either in a single statement of comprehensive income or in two separate reporting components with an income statement previously separated out of the statement of comprehensive income. The new version of IAS 1 must be applied to annual periods beginning on or after 1 January 2009. Application is envisaged for the first time in the year it goes into force. Application of this standard will have no effects on the assets, financial, earnings position and cash flows of 3U.

In March 2007, the IASB published the revised IAS 23, Borrowing Costs. The EU endorsed this standard in December 2008. The main difference from the previous version of IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The new version of IAS 23 needs to be applied to annual periods beginning on or after 1 January 2009. Application of this standard will have no effects on the assets, financial, earnings position and cash flows of 3U.

In January 2008, the IASB published the revised standards IFRS 3, Business Combinations (IFRS 3 [2008]), and IAS 27, Consolidated and Separate Financial Statements per IFRS (IAS 27 [2008]).

IFRS 3 changes any application of the acquisition method in the event of business combinations. Key changes relate to measurement of minority interests, recognition of successive acquisitions and treatment of conditional purchase price components and incidental acquisition costs.

The main changes to IAS 27 (2008) relate to the accounting for transactions in which a company retains control and of transactions in which control is lost.

The revised standards must be applied to annual periods beginning on or after 1 July 2009. Application of this standard will have no effects on the assets, financial and earnings position of 3U.

On 17 January 2008, the International Accounting Standards Board (IASB) published changes to International Financial Reporting Standard (IFRS) 2, Share-based Payment. The EU adopted this standard in December 2008. The change to IFRS 2 defines what is meant by "vesting conditions", how non-vesting conditions are to be accounted for and how cancellations of share-based payment agreements by the entity or the counterparty are to be accounted for. The new version of IFRS 2 must be applied to annual periods beginning on or after 1 January 2009. Application of this standard will have no effects on the assets, financial and earnings position of 3U.

IASB published IFRS 8 "Operating Segments" in November 2006 to be applied to financial years beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 "Segment Reporting". 3U has opted not to apply IFRS 8 prematurely and continues to apply IAS 14.

On 5 July 2007, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation 13 – Customer Loyalty Programmes. IFRIC 13 eliminates the inconsistencies presently existing in practice in the accounting for free or discounted goods or services offered, resp. rendered, within the context of customer loyalty programmes with which companies reward their customers in the form of bonus points, air miles or other forms of favourable treatment. The provisions of IFRIC 13 are applicable to annual periods beginning after 31 December 2008. Application of this standard will have no effects on the assets, financial and earnings position of 3U.

On 5 July 2007, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation to IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, below called "IFRIC 14". IFRIC 14 clarifies provisions of International Accounting Standard (IAS) 19 to do with how an asset should be measured in defined benefit retirement pension plans where a minimum funding requirement exists. A defined benefit asset value is given if the fair value of the plan assets exceeds the present value of the defined benefit obligation. IAS 19 limits the measurement of a defined benefit asset to the present value of any economic benefit available in the form of refunds from the plan or reduction of future contributions that may be influenced by minimum funding requirements. The rulings of IFRIC 14 are applicable to annual periods beginning after 31 December 2008. Application of this standard will have no effects on the assets, financial and earnings position of 3U.

2.2 Consolidation principles

2.2.1 Scope and method of consolidation

The consolidated financial statements of 3U HOLDING AG for the 2008 financial year include 13 (previous year: 12) German and foreign Subsidiaries, in which 3U directly or indirectly holds the majority of the voting rights.

The capital consolidation is based on the acquisition method (revaluation method). The parent company's acquisition costs are offset against the pro rata fair value of the subsidiary's equity at the time of acquisition. The assets and liabilities and contingent liabilities of the subsidiary, which are recognised at their fair values, take the place of the acquisition costs. Any surplus acquisition costs above the share in the fair values of the identified assets and liabilities acquired by the parent company are recognised as goodwill.

Initial consolidation takes place with effect from the day on which 3U HOLDING AG indirectly or directly enters into a controlling relationship with the Subsidiary. Any amounts allocated to minority interests are reported separately under equity on the consolidated balance sheet.

Subsidiaries are deconsolidated from the date on which they are no longer controlled. Please refer to "3 Scope of consolidation".

Internal sales, expenses and income within the Group and receivables and liabilities between the consolidated companies are eliminated. The income tax effects and deferred taxes are taken into account for consolidation procedures in income. The 3U Group does not have any interim earnings requiring elimination.

In the event of the sale of a Subsidiary and any other events which result in deconsolidation, the assets and liabilities included until this event and existing goodwill are offset against the proceeds from the disposal.

The earnings of associated companies are included by using the equity method. Shares in associated companies are posted on the balance sheet at historical cost, adapted in line with any changes in the Group share in the net assets of the associated company following the acquisition and reduced in line with the decline in value of the individual shares.

An associated company is a company over which the Group has a considerable influence through the option of participating in the decision-making processes with regard to its financial and business policy and which is not a subsidiary or a joint venture of the Group.

CityDial GmbH, Germany, is the only associated company included in the consolidated financial statements. CityDial GmbH, Germany, is presently in liquidation.

During the elapsed financial year, the Management Board of 3U withdrew its intention to sell the participating interests in LambdaNet Communications Deutschland AG (hereinafter also referred to as LambdaNet) and in 3U TELECOM GmbH, Austria (hereinafter also 3U Austria). The reason for this was the further worsening of the banking and credit crisis, which made it still more difficult for potential buyers to finance the purchase price, so that from the perspective of 3U an appropriate purchase price could not be realized. Under the accounting rules of the International Financial Reporting Standards (IFRS), therefore, the "held for sale" status for LambdaNet and for 3U Austria had to be lifted. In accordance with these IFRS rulings, the sales of the "held for sale" companies in recent quarters did not flow into the income statement for the continued operations, but only the period results. The depreciations of these companies were neutralized at Group level. With the lifting of the "held for sale" status, the companies concerned were fully consolidated again as of 30 September 2008, depreciations were made up in the financial year.

2.2.2 Foreign currency changes

The assets and liabilities of foreign companies included are converted into Euro in accordance with the functional currency concept. The functional currency of the Subsidiaries is the local currency of the country in which the relevant company is head-quartered. Consequently, assets and liabilities posted in foreign currency on the balance sheets of foreign Subsidiaries are converted into Euro at the relevant rate on the reporting date. Income and expenditure are converted at the average rate for the year. The difference between the historical rate and the rate on the reporting date resulting from the measurement of equity is taken directly to equity in accordance with IAS 21.

The conversion rates for foreign currencies are as follows:

	•	Exchange rate on the reporting date (EUR 1 in foreign currency units)		
	2008	2007	2008	2007
Currency USD	1.4095 1	.4762	1.4713	1.3703
Currency CZK	26.930 2	5.620	24.960	27.803

2.2.3 Cash flow statement

The cash flow statement shows how the cash of the 3U Group changed during the reporting year as a result of inflows and outflows. In the first-time inclusion of Subsidiaries, only actual cash flows are reported in the cash flow statement. The cash amount from the purchase or sale of companies is reported as cash flow from investing activities. Aggregate cash flows from the purchase and sale of Subsidiaries or other business units are reported separately and classified as investing activities. In accordance with IAS 7, a distinction is made between cash flows from operating, investing activities and financing activities.

2.2.4 Use of estimates and assumptions

The compilation of the annual financial statements in accordance with the International Financial Reporting Standards requires estimates and assumptions which influence asset and liability amounts, information in the notes and the income statement. Assumptions and estimates are mainly applied in stipulating the useful lives of fixed assets, in measuring receivables, in calculating discounted cash flows as part of impairment tests and in creating provisions. Management's estimates are based on experience and other assumptions, which are considered appropriate under the circumstances given. Estimates and assumptions are reviewed on an ongoing basis.

The actual amounts may deviate from these estimates and assumptions.

The operations of 3U Group result in various legal disputes. These are regularly examined to measure the provisions for any probable claims including estimated legal costs. With regard to the uncertainty of the outcome of these proceedings, there is the possibility of a negative impact on future operating results.

On each balance sheet date, 3U establishes whether there are any indications that non-financial assets are impaired. Goodwill is reviewed at least once a year and if there are any indications of impairment. To estimate the useful life, management must estimate the likely future cash flow from the asset or cash-generating unit and select an appropriate discount rate to calculate the present value of this cash flow.

During the 2007 financial year the Management changed its previous estimate of useful life of property, plant and equipment. Previously, an average useful life of eight years was established for infrastructure and systems engineering in the broadband/IP segment. For the most part, use ended in the 2008 financial year. However, because the asset has an economic benefit extending well beyond the 2008 financial year, the underlying useful lives were increased to match the longer useful economic life. In 2007, the impact from the extension of the useful life would have generated a positive effect of TEUR 3,176 as a result of lower depreciation. As LambdaNet was accounted for in line with IFRS 5 as "held for sale", no depreciation was taken since the second half of 2007.

With the cancellation of the plan to dispose of LambdaNet and 3U Austria during financial year 2008, the companies concerned were fully consolidated again as of 30 September 2008 and the suspended depreciations were taken retrospectively. The amount of the retrospective depreciations at LambdaNet runs to EUR 7.24 million. This produces a negative profit contribution of EUR 2.90 million for the suspended depreciations for financial year 2007 that were taken retrospectively. In accordance with IFRS 5.27, the lower of the adjusted carrying amount and a recoverable amount per IAS 36 was checked and the lower adjusted carrying amount was recognized accordingly.

2.3 Principles of balancing and accounting

2.3.1 Basic principles of sales realisation

Sales result from activities as a fixed-line provider with its own carrier network and its own switching technology and from transport, internet and VPN solutions.

Sales of SEGAL Systems GmbH with third parties result from IT services in the segment telecommunication. 3U Solarkraft Friedrichstraße GmbH has generated no sales at the balance sheet day.

Sales are calculated and reported without value-added tax and after deduction of discounts granted on performance of the service or acceptance by the customer.

Fees from services are recognised as soon as the service is supplied and it is sufficiently probable that economic benefit from the transaction will accrue to the company. Sales, which are not connected with operational business, are reported under other operating income.

In the value-added services business area, telecommunication services are supplemented by another service and both services are invoiced to the end customer. The most common are telephone value-added services supplied by third parties where a telephone call is connected using special service numbers. The additional service is invoiced via the connection fees. These numbers are particularly suitable for services that can be supplied by telephone and charged according to the length of the call such as support, information or advisory services. In the 3U Group, (special) numbers of this kind can be connected, operated and referred as part of value-added services and the resulting fees invoiced to the customer and supplier monthly on the basis of the minutes spent. In addition, bilateral business models are established with suppliers with the business volume generated from call-by-call (purchase and sale of telephone minutes). Sales are realised on the basis of invoices issued to Deutsche Telekom AG (DTAG) for calls. DTAG invoices the end customer for the calls. With other providers of value-added services, 3U has in most cases arranged minute based reimbursements that are also credited as they were invoiced to DTAG.

Interest income is recognised using the effective interest rate method at the time it accrues. The effective interest rate is the interest rate with which anticipated future inflows are discounted over the term of the financial asset to the net carrying amount of this asset.

2.3.2 Cost of sales

The cost of sales encompasses the total cost of acquisition or manufacture of the products and services sold in the reporting year. In addition to the direct costs such as material and staff costs, it also comprises the attributable overheads, including depreciation.

2.3.3 Borrowing costs

Interest expenses are posted as expenses in the period in which they incurred, in accordance with the regulations of IAS 23.

2.3.4 Research and development costs

Research costs are recognised as expenses in the income statement when they are incurred. Development costs are capitalised, if the development costs can be reliably established, the product or process is technically and economically feasible and future economic benefit is probable. In addition, 3U must have the intention and sufficient resources to complete the development and to use or sell the asset. No development costs have accrued to date.

2.3.5 Interest expenses

Interest expenses are recognised using the effective interest rate method at the time they are incurred. The effective interest rate is the interest rate with which the expected future outflows are discounted over the term of financial liabilities to the net carrying amount of these liabilities.

2.3.6 Income taxes

Income taxes paid or due and deferred taxes are reported as income taxes. Current taxes also include back payments of taxes and rebates attributable to prior periods.

2.3.7 Goodwill

Goodwill resulting from capital consolidation is not amortised in accordance with IFRS 3. Goodwill recognised on the balance sheet is assessed once a year for its economic benefit and for declines in value and more frequently if there are indications of declines in value (impairment test) and in the event of a decline in value is written down to its recoverable amount.

Please refer to the comments under 2.3.12.

2.3.8 Other intangible assets

Intangible assets are capitalised in accordance with IAS 38 (Intangible Assets) if it is likely that a future economic benefit relating to the use of the asset and costs of the asset can be reliably determined. Intangible assets are measured at cost less scheduled depreciation and impairments.

Depreciating intangible assets are written down over a useful life of three to five years.

Customer bases reported under intangible assets are written down on a straight-line basis over eight years.

Telecommunication licenses shown under intangible assets are not written down, if they have an unlimited usage.

Again, please refer to the comments under 2.3.12.

2.3.9 Property, plant and equipment

Property, plant and equipment are reported in the IFRS balance sheet at depreciated cost. If property, plant or equipment are sold or retired, their acquisition cost and cumulated depreciation are eliminated from the balance sheet and the profit or loss resulting from their sale is posted in the income statement.

The original cost of property, plant and equipment includes the purchase price plus additional acquisition costs and subsequent acquisition costs as well as the present value of restoration obligations. Finance costs are not capitalised.

Depreciation is calculated based on the following estimated useful lives:

Buildings 33 years
Operating equipment 4 years
Office Equipment 3-8 years
Switching Technology 5 years
Transfer Technology 5-8 years

Leasehold improvements Duration of the lease agreement

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

The costs of restoration obligations are individually assessed per location when the obligation arises on conclusion of the contract and capitalised; they are checked to see whether they are up-to-date very year and adjusted if necessary.

Please refer to the comments under 2.3.11.

2.3.10 Financial instruments – Financial assets

For the purposes of IAS 39, financial assets are classified as loans and receivables and as available-for-sale financial assets. On initial recognition, available-for-sale financial assets are measured at fair value. The Company stipulates the classification of its financial assets when they are initially recognised and reviews this allocation at the end of each financial year. Following initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being posted to the revaluation reserve in equity. At the time the financial asset is derecognised or at which impairment in the financial asset is identified, the cumulative gain or loss posted in equity is recognised as profit or loss in the income statement.

In the case of standard sales and purchases of financial assets, they are reported on the trading date, i. e. the date on which the Company entered into the commitment to buy the asset. Standard purchases or sales are sales or purchases of financial assets, which prescribe delivery of the assets within a period, set by market rules or conventions.

Financial assets, which were classified as loans or receivables, are measured at amortised cost less impairments whereby the Company uses the effective interest rate method. Impairments of trade receivables and other receivables are recognised on separate value adjustment accounts.

The fair value of financial investments traded on organised markets is established by reference to the bid price listed on the stock exchange on the balance sheet date.

Current financial assets included on the balance sheet comprise other current receivables. Assets are recognized at par value and, where they are associated with apparent risks, are adjusted individually. Lump-sum individual value adjustments are made based on uniform age structuring for the Group. Receivables in foreign currencies are translated at the exchange rate on the closing date.

In line with IAS 21.23, value adjustments based on exchange rates are recognized in profit or loss.

Cash and cash equivalents

This item includes all cash and cash equivalents that have a residual term of fewer than three months at the time of acquisition or investment. Cash and cash equivalents are measured at amortised cost.

This includes time deposits, which are partly lodged as security.

Impairments to financial instruments

If there are objective and substantial indications of impairment in relation to financial assets classified as loans and receivables and financial investments held to maturity, an impairment test is made as to whether the carrying value of the expected future cash flows exceeds the present value of a comparable financial asset discounted at the current market yield. Should this be the case, the asset will be written down by the difference. Indications of impairment include a material deterioration in credit-worthiness, a particular breach of contract, the substantial probability of insolvency or another form of financial restructuring on the part of the debtor or the disappearance of an active market.

If the reasons for unscheduled depreciation previously undertaken no longer apply, the assets will be written up accordingly – but not beyond the cost of acquisition.

Derecognition

The Group will only derecognise a financial asset if the contractual rights to cash flows from a financial asset expire or it assigns the financial asset and all risks and opportunities associated with title to the financial asset to a third party.

Financial liabilities

Financial liabilities relate to original liabilities. Original liabilities are stated in the consolidated balance sheet if 3U has a contractual obligation to assign cash and cash equivalents or other financial assets to another party. An original liability is initially recognised at the fair value of the consideration received or at the value of the cash and cash equivalents less transaction costs incurred. Liabilities are subsequently measured at amortised cost using the effective interest rate method.

Liabilities under finance leases are stated at the present value of the rental or lease instalments at the time the lease is concluded. In subsequent periods, the principle repaid in the rental and lease instalments lead to a reduction of the liability.

Financial liabilities are derecognised if the contractual obligations are settled, cancelled or expire.

2.3.11 Leases

According to IAS 17, a lease is classified as a finance lease if all opportunities and risks relating to the ownership are transferred to the lessee. The classification of leases thus depends on the economic substance of the agreement and not on a specific formal contractual form.

Assets held within the framework of a finance lease are initially recognised as the Group's assets at their fair value at the beginning of the lease, or if this is lower, at the present value of the minimum lease payments. The assets are depreciated over the term of the lease or the shorter useful life of the leased asset. The matching liability to the lessor is to be shown within the balance sheet as a commitment under a lease.

Lease payments are divided into interest expense and repayment of the lease commitment in such a way that the interest on the remaining liability remains constant. Interest expenses are recognised directly in the income statement.

Lease payments under operating leases are recognised as expenses on a straight-line basis over the term of the lease unless another systematic basis corresponds more closely to the temporal consumption of benefits for the lessee.

2.3.12 Impairment of non-financial assets

3U checks goodwill for possible impairment in accordance with the Group's accounting regulations at least once a year. Determination of the recoverable amount of a line of business to which goodwill was allocated is associated with estimates by Management. The Company determines these figures using valuation methods based on discounted cash flows. These discounted cash flows are based on three-year forecasts, which build on financial plans approved by the management. The cash flow forecasts take account of past experience and are based on management's best estimate of future developments. Cash flows beyond the planning period are extrapolated without growth rates. The calculation of fair value less the cost of sales and the useful value is based, in essence, on the following assumptions:

Risk-free interest rate: 3.19 %

Market risk premium: 8.40 %

Beta factor: 0.807

Capitalisation interest rate: 7.405 %

These premises and the underlying methodology can have a considerable impact on the respective figures and finally on the amount of a possible impairment in goodwill.

The property, plant and equipment and other intangible assets of the Company are subject to an impairment test at least on each balance sheet date to ascertain whether there are any indications of impairment. In the event of such indications, the recoverable amount for the asset is determined in order to calculate the amount of any appropriate impairment charge. If the assets do not generate any cash flows independently of other assets, the recoverable amount for the individual asset value is calculated based on the cash generating unit to which the asset belongs.

If the recoverable amount of an asset (or of a cash-generating unit) is below its carrying amount, the carrying amount is reduced to the recoverable amount. The impairment amount must be recognised in income immediately. If write-ups are required in accordance with IAS 36, they are recognised in income.

The newly established recoverable amount is written up. However, it is not to be written up beyond the amount that would have been its carrying amount if it had not declined in value previously.

Long-term assets classified as available-for-sale are stated at the lower of their carrying amount or fair value less sales costs.

2.3.13 Provisions

Other provisions are recognised if there is a liability to a third party arising from a past event which is likely to be utilised and if the future expected outflow can be reliably estimated. The amount of provisions for litigation is determined on the basis of the outcome of the dispute as assessed by the Management Board to the best of its knowledge and in line with the facts known at the balance sheet date. Long-term provisions with a remaining term of more than one year are reported at their provisional discounted settlement amount as of the balance sheet date.

2.3.14 Deferred tax assets

Deferred tax assets and liabilities are calculated in accordance with IAS 12 ("Income Taxes") for all temporary differences between the tax values of assets, equity and liabilities and the values in the consolidated balance sheet. Deferred tax assets are recognised to the extent that it is likely that there will be taxable earnings available against which the deductible temporary difference can be applied. The assessment and measurement of deferred tax assets is examined on each balance sheet date, taking the current estimates into account in accordance with IAS 12.37 and IAS 12.56.

Deferred tax assets on benefits from unused tax loss carry forwards are capitalised to the extent that it can be assumed with sufficient probability that the respective company can generate sufficient taxable income in future.

In accordance with IAS 12.47, deferred taxes are calculated on the basis of tax rates which are valid at the time of realisation or will apply in future. Deferred taxes are recognised as tax income or expense in the income statement unless they relate to items recognised directly in equity without any impact on profit or loss.

Deferred tax assets and liabilities are netted off, if they relate to income taxes collected from the same tax office and the Group intends to settle its current tax assets and liabilities on a net basis.

2.3.15 Other non-financial liabilities

Other non-financial liabilities encompass tax liabilities, liabilities to employees and other miscellaneous liabilities. At first-time recognition they are reported at the repayment amount, discounted if applicable. Foreign currency liabilities are measured at the exchange rate on the reporting date. Trade payables do not bear interest.

2.3.16 Acquisition of own shares

Own shares are recognized as a deduction from equity. On buying back own shares, the entire acquisition costs of those own shares are deducted as one amount from equity (one-line-adjustment).

2.3.17 Employee participation programme

The Group grants the Management Board and employees share-based remuneration through equity instruments. Remuneration with equity instruments is measured at fair value at the commitment date. The fair value of the share-based payments using equity instruments at the commitment date is recognised as an expense on a straight-line basis throughout the blocking or vesting period and recognised in capital reserves. This is based on the internal Group estimate of the number of shares, which provide entitlement to additional remuneration.

On every balance sheet date, the Group reviews its estimates regarding the number of equity instruments that become non-for-feitable. The effects of any changes of estimates, where such exist, are recognized as profit or loss over the remaining time until non-forfeitability.

The fair value was established using the Black-Scholes model for the determination of option prices. The term was assessed on the basis of the best possible estimate by the Management Board in order to accommodate the particularities of the employee options, non-transferability, issue restrictions and performance-related payments in measurement.

2.3.18 Comparative figures

Where necessary, comparative figures are adapted to ensure that they are comparable with the current year due to changes in reporting.

3 Scope of consolidation

Includes Subsidiaries in the full consolidation:

Company	Registered office	Country	Issued capital		Share held by 3U HOLDING AG
010017 Telecom GmbH	Marburg	Germany	25,000	EUR	100 %
010060 Telecom GmbH	Marburg	Germany	25,000	EUR	100 %
3U Solarkraft Friedrichstraβe GmbH	Marburg	Germany	25,000	EUR	100 %
3U TELECOM GmbH	Marburg	Germany	1,000,000	EUR	100 %
3U TELECOM GmbH	Vienna	Austria	250,000	EUR	100 %
Discount Telecom S&V GmbH	Marburg	Germany	25,000	EUR	100 %
fon4U Telecom GmbH	Marburg	Germany	25,000	EUR	100 %
LambdaNet Communications Deutschland AG*	Hannover	Germany	7,300,000	EUR	100 %
LambdaNet Communications Austria GmbH	Vienna	Austria	35,000	EUR	100 %
LambdaNet Communications s.r.o.	Městec Králové	Czech Republic	100,000	CZK	100 %
LineCall Telecom GmbH	Marburg	Germany	25,000	EUR	100 %
OneTel Telecommunication GmbH*	Marburg	Germany	3,025,000	EUR	100 %
SEGAL Systems GmbH	Marburg	Germany	25,000	EUR	100 %

Additions to the consolidated group

With effect on 28 August 2008, SEGAL Systems GmbH, Marburg, was spun off from 3U TELECOM GmbH by way of founding a new company. The spin off took place in such a way that 3U TELECOM GmbH transferred its "System Development" operation in its entirety to SEGAL Systems GmbH. The transfer took place against the granting of a new share in SEGAL Systems GmbH in an amount of EUR 25,000.00 to 3U HOLDING AG.

With articles of association dated 18 September 2008, 3U Solarkraft Friedrichstraße GmbH, Marburg, was founded as a 100 % subsidiary of 3U HOLDING AG with nominal capital of EUR 25,000.00. Its purpose of business is the generation, acquisition, transport and sales of energy, primarily from renewable sources of energy, in particular solar energy, the erection and operation of facilities to abstract energy, operation of all associated auxiliary businesses and provision of services and other activities in the area of the energy industry and climate protection.

^{*}There are restrictions with regard to repayment of loans due to a subordination agreement and a letter of comfort on the part of the parent company.

Deconsolidation of 3U TELECOM INC., Henderson, USA

With effect on 23 December 2008, 3U HOLDING AG disposed of its 70 % share in the Subsidiary 3U TELECOM INC., Henderson, USA, as part of a management buyout. The disposal was conducted in connection with the fundamental restructuring of the Group.

The results of 3U TELECOM INC. included in the consolidated annual financial statements look as follows:

(In TEUR)	1 Jan 2008-31 Dec 2008
Earnings	5,708
Operating expenses	-5,276
Interest income	1
Profit/loss from ordinary operations before taxes	433
Attributable income tax	-48
Annual profit	385
Group apportioned annual profit	270

The net cash flows of 3U TELECOM INC. during 2008 until its deconsolidation amount to TEUR 421.

The deconsolidation of 3U TELECOM INC. resulted in a book gain of TEUR 506, which is calculated as follows:

(In TEUR)	31 Dec 2008	70 %
Intangible assets	57	40
Tangible fixed assets	82	57
Accounts receivable	516	361
Other assets	3	2
Cash with banks and cash on hand	774	542
Assets of the Subsidiary at the time of separation	1,432	1,002
Accruals	79	55
Trade payables	418	292
Other liabilities and accruals	330	231
Debts of the Subsidiary at the time of separation	827	578
Net assets of the Subsidiary	605	424
Sale proceeds		930
Deconsolidation profit		506

Earnings from discontinued operations therefore amounted to a total of TEUR 776.

Lifting of "held for sale" status

During the elapsed financial year the Management Board of 3U withdrew its intention to sell the participating interests in LambdaNet Communications Deutschland AG and in 3U TELECOM GmbH, Austria. Under the accounting rules of the International Financial Reporting Standards (IFRS), therefore, the "held for sale" status for LambdaNet and for 3U Austria was lifted. In accordance with those IFRS rulings, the sales of these "held for sale" companies did not flow into the consolidated financial statements up to the date of that decision, but only into the period results. With the lifting of the "held for sale" status, the companies concerned were fully consolidated again and the suspended depreciations were taken retrospectively.

Associated companies

Company included valued at equity:

Company	Registered office	Country	Issued capital	Share held by 3U HOLDING AG
CityDial GmbH	Meckenheim	Germany	150,000 EUR	50 %

A resolution was adopted on 12 March 2008 to liquidate this company. That process had not yet been completed on the balance sheet date.

With regard to further comments regarding the summarized financial information on CityDial GmbH we would refer to point 6.1.3.

4 Segment reporting

In its consolidated annual financial statements as of 31 December 2008, 3U recognizes the segment of fixed-line telephony. This comprises the Call-by-Call, Preselection, value-added and scheduling services in the wholesale area.

In addition, 3U also operates the segment of Broadband/IP, legally combined under LambdaNet. After it was decided not to dispose of the company during financial year 2008, the segment of Broadband/IP is now recognized under the continued operations.

SEGAL Systems GmbH, which operates in the area of IT services, and 3U Solarkraft Friedrichstraße GmbH, which operates in the field of renewable energies, are not subject to segment reporting per IFRS 8.13.

Segment reporting 2008 (in TEUR)	Fixed-line telephony	Broadband/IP	Group
Total sales	99,903	35,454	
Intercompany sales (inter-segment sales)	-26,862	-1,036	
External sales	73,041	34,418	
Cost of sales	-59,102	-33,042	
Gross margin	13,939	1,376	
Sales costs	-2,108	-3,778	
General and administrative costs	-8,430	-2,483	
Other operating income	2,038	258	
Other operating expense	-778	-1,223	
Write-down, LambdaNet customer base	0	-1,385	
Segment earnings	4,661	-7,235	-2,574
Profit/loss of companies included at equity			-22
Consolidated profit/loss before financial result and taxes on income			-2,596
Financial result			-1,268
Taxes on income			-117
Consolidated profit/loss from continued operations			-3,981
Earnings from discontinued operations			776
Consolidated profit/loss			-3,205
Share of the shareholders of 3U HOLDING AG in the consolidated pro	fit/loss		-3,205
Share of other shareholders in the consolidated profit/loss			0

Segment reporting 2007* (in TEUR)	Fixed-line telephony	Broadband/IP	Group
Total sales	105,441	34,371	
Intercompany sales (inter-segment sales)	-30,163	-1,196	
External sales	75,278	33,175	
Cost of sales	-63,477	-27,341	
Gross margin	11,801	5,834	
Sales costs	-1,823	-3,015	
General and administrative costs	-8,704	-2,654	
Other operating income	2,673	1,220	
Other operating expense	-589	-184	
Write-down, LambdaNet customer base	0	-1,004	
Segment earnings	3,358	197	3,555
Profit/loss of companies included at equity			-31
Consolidated profit/loss before financial result and taxes on income			3,665
Financial result			-1,729
Taxes on income			-111
Consolidated profit/loss			1,674
Share of the shareholders of 3U HOLDING AG in the consolidated pro	fit/loss		1,641
Share of other shareholders in the consolidated profit/loss			33

The Management Board of 3U stipulates sales and the consolidated segment result before financing and income taxes as major performance indicators for a segment's business success, since it considers them crucial to a sector's success.

The intercompany sales represent the sales between the segments. These are eliminated. All other business transactions between the segments were already eliminated within the items concerned and only the consolidated values are thus presented there.

In the column Group, the 3U Group recognizes items that by definition are not elements of the segment result. The net interest income is made up of interest income and interest expense. The interest income is the result of investments of liquidity that are not allocated to the segments. The interest expense is largely based upon financing in the Broadband/IP segment. The taxes on income are also not included in the segment result, as the tax expense may only be allocated to legal entities. The taxes on income also include the taxes on income of the discontinued operations in the USA.

^{*} Adjustment of previous year's numbers due to reclassification.

The following cash flow data were produced for the 3U Group (all amounts in TEUR):

Cash flow data 2008 (in TEUR)	Fixed-line telephony	Broadband/IP
Cash flows from operating activities	5,377	2,667
Cash flows from investing activities	1,476	-2,594
Cash flows from financing activities	-206	-7,795

Cash flow data 2007 (in TEUR)	Fixed-line telephony	Broadband/IP
Cash flows from operating activities	2,626	5,581
Cash flows from investing activities	22,128	-2,288
Cash flows from financing activities	0	-5,430

For the purposes of monitoring earnings power and allocating resources between the segments, the Management Board scrutinises the material, intangible and financial assets allocated to the individual segment. Goodwill was allocated to the segments subject to reporting requirements.

(In TEUR)	31 Dec 2008	31 Dec 2007
Assets		
Fixed-line telephony segment	14,539	16,308
Broadband/IP segment	35,901	46,485
Operations in the fixed-line telephony segment "held for sale"		
Discontinued operations in the fixed-line telephony segment	0	865
Total assument assista	F0.440	(2.450
Total segment assets	50,440	63,658
Assets not allocated	35,517	36,263
Total consolidated assets	05.057	00.031
lotal consolidated assets	85,957	99,921
Liabilities		
Fixed-line telephony segment	14,542	15,278
Broadband/IP segment	32,825	41,930
Operations in the fixed-line telephony segment "held for sale"		
Discontinued operations in the fixed-line telephony segment	0	670
	40.040	
Total segment liabilities	47,367	57,878
Decembration (characteristics)	20.500	42.0.42
Reconciliation (shareholder's equity)	38,590	42,043
Total consolidated liabilities/shareholder's equity	85,957	99,921

The investment in City Dial GmbH valued at equity and the liquid funds are not allocated to any segment.

The uniform Group accounting policies and methods of calculation were applied in the segment reporting. Telecom services between segments are subject to adherence of the arm's length principle and therefore Group wide calculated at prices that would be agreed with third parties. Administrative services are calculated as cost allocations.

(In TEUR)	Depreciati	Depreciation and amortisation		vestments
	2008	2007	2008	2007
Fixed-line telephony segment	503	926	523	1,659
Broadband/IP segment	11,553	6,896	2,836	2,878

Sales of principal services

(In TEUR)	2008	2007
Areas within the continued fixed-line telephony segment		
Of which open-call-by-call	47,213	47,922
Of which reg. call-by-call/pre-selection	2,821	5,225
Of which wholesale/value-added services	22,909	21,714
Other Other	98	417
Total fixed-line telephony segment	73,041	75,278
Areas within the continued broadband/IP segment		
Of which bandwidth/wavelength	12,030	13,166
Of which colocation	5,844	6,526
Of which InternetTransit/DSL-Gate	6,786	6,465
Of which DataLink/ViPNet	8,959	6,036
Other Other	799	982
Total broadband/IP segment	34,418	33,175

In the past financial year, the 3U Group realised sales with one single customer amounting to 13.3 % of total sales. These sales were generated in the fixed-line telephony segment. There are also other customers in the fixed-line telephony segment with which substantial sales are realised. However, in each case the respective sales are well below 10 % of total sales.

Geographical information

(In TEUR)	2008	2007
Fixed-line telephony	73,041	75,278
Of which in Germany	72,576	74,638
Of which in Europe	465	640
Broadband/IP	34,418	33,175
Of which in Germany	31,690	30,529
Of which in Europe	2,728	2,646

5 Notes on the consolidated income statement

5.1 Sales

Sales generated from activities as a provider of telecommunications are reported without sales tax and net of discounts granted. The income is recognised by way of invoicing after performance of telecommunications services.

5.2 Cost of sales

In essence, cost of sales comprise expenses for origination and termination services, supply charges for interconnection points and leased lines, pro rata staff costs, costs for switching and transmission technology, IT and office equipment used in the sales process, amortisation on licences, pro rata vehicle and travel costs, rental costs for the sites (PoP, Pol or technical sites), telephone expenses and expenses for repairs and other costs.

5.3 Selling expenses

In addition to staff costs, marketing and selling costs also include advertising expenses, such as printed advertisements, expenses for trade fairs, corporate presentations and losses on receivables.

5.4 General and administrative expenses

General and administrative expenses include the costs of administrative personnel, pro rata staff costs for the Management Board, legal and consultancy costs, invoicing and collection costs, software maintenance and office space rental costs.

5.5 Other operating income and expenses

Other operating income includes the following items:

(In TEUR)	2008	2007
Reversal of provisions	756	764
Income for other accounting periods	611	0
Income from receivables written down	30	9
Earnings from minimisation of unidentified loss reserve	203	24
Income from reminder fees	0	204
Income from the disposal of investment securities	0	1,381
Realised capital assets gains	250	288
Other income	368	1,126
Income from benefits in kind	78	97
Total	2,296	3,893

Other operating expenses include the following items:

(In TEUR)	2008	2007
Retrospective depreciations	1,292	0
Expenses in other accounting periods	574	66
Provisions not allocated to functional expenses	0	172
Other expenses	135	365
Losses on receivables	0	170
Total	2,001	773

No research and development costs were incurred.

5.6 Additional notes on the consolidated income statement

Staff costs

The average number of employees was:

	2008	2007
Sales	47	45
Administration	23	23
Technology/system development	87	86
Total	157	154

Staff costs comprise the following:

(In TEUR)	2008	2007
Salaries and wages	10,213	9,447
Social security contributions	1,365	1,326
Expenditure on pensions/support	27	54
Total	11,605	10,827

Social security contributions include not only employer payments into legal pension and health insurance schemes but also expenditure for equalisation tax and for fees paid to the employers' liability insurance association. The cost of employers' payments to legally required pension schemes in the fixed-line network telephony segment totalled TEUR 270 (previous year: TEUR 258); the cost for the segment broadband/IP was TEUR 438 (previous year: TEUR 425).

Depreciation and amortisation

Amortisation of intangible assets and depreciation on property, plant and equipment amounted to TEUR 12,057 (previous year: TEUR 7,878) and are reported under cost of sales. The increase in depreciation and amortisation compared with the previous year is the result of the renouncement of the abandonment of the broadband/IP segment and the activities in the fixed-line telephony segment in Austria.

5.7 Interest income, similar income and expenses

This item relates to current and loan accounts as well as receipt of the gain on the disposal of financial assets "held for sale" recognised in equity (TEUR 0, previous year: TEUR 327).

(In TEUR)	2008	2007
Income from investment securities	0	327
Other financial income	1,518	582
Interest income	1,518	909
Interest expense on loans	-2,125	-2,510
Interest expenses for restoration costs	0	-2
Interest expenses for current account	-36	-6
Other financial expenses	-625	-120
Interest expenses	-2,786	-2,638
Total	-1,268	-1,729

5.8 Income taxes

Taxes paid or due on income and deferred taxes are reported as taxes on income.

(In TEUR)	2008	2007
Current income tax expenses	183	232
Deferred tax assets	-66	0
Total (previous year: profit)	117	232

3U HOLDING AG and its German subsidiaries are subject to corporation and trade tax. In the business year 2008, income was subject to corporation tax of 15 % (2007: effective approx. 21 %) plus a 5.5 % solidarity surcharge. Trade tax in 2008 amounted to around 13 % (2007: approx. 16 %) of taxable income in 2008. As a result, a combined income tax rate of 29 % (2007: approx. 38 %) was applied for Germany.

The reduction of the above mentioned combined German income tax rate from 38 % to 29 % is largely the outcome of the German company tax reform, which came into effect from 2008. Within the context of that reform, the nominal rate of corporation tax, on the one hand, was reduced from 25 % to 15 % and, on the other hand, the trade tax assessment factor for the purposes of determining the trade tax was lowered from 5 % to 3.5 %. Moreover, the trade tax has since then no longer been deductible as a business expense.

The tax rate used for foreign companies is 25 %.

Effective 1 January 2005, 3U HOLDING AG concluded profit transfer agreements with OneTel Telecommunication GmbH, LineCall Telecom GmbH and fon4U Telecom GmbH. The profit transfer agreements were approved in the Extraordinary General Meeting of 15 November 2005 and registered in the commercial register in December 2005.

Effective 1 January 2007, 3U HOLDING AG, as the controlling company, entered into a control and profit transfer agreement with 3U TELECOM GmbH, 010017 Telecom GmbH and Discount Telecom S&V GmbH. After being approved by the Annual General Meeting, these profit transfer agreements were recorded in the commercial register at the end of 2007.

In accordance with IAS 12.81, the following overview contains a reconciliation of tax expenses resulting from the calculation using German tax rates on earnings before taxes and the actual tax expenses reported in these annual financial statements:

	2008 TEUR	2008 %	2007 TEUR	2007 %
EBT from continued operations	-3,864	100.0	1,795	100.0
Earnings tax rate (29 %; previous year: 38 %)				
National tax income/expense	-1,121	29.0	682	38.0
Tax-exempt income/non-deductible expenses	-117	3.0	-729	-40.6
Effects of allowance of deferred taxes/ Non-inclusion of deferred taxes from loss carry forwards	2,284	-59.1	274	15.3
Lowering of current tax expenses due to the usage of loss carry forwards				
so far not accounted for	-705	18.2	0	0
Effect from the tax change	-56	1.4	4	0
Aperiodic tax revenue	-222	5.7	-17	-0.9
Miscellaneous	54	-1.4	18	1.0
Total (profit)	117	-3.0	232	12.9

5.9 Earnings per share

Earnings per share correspond with the profit from continued operations and the profit from discontinued operations, which can be apportioned to the ordinary shareholders of 3U HOLDING AG, or the profit (after tax), divided by the weighted average number of shares outstanding during the financial year. 3U calculates earnings per share (fully diluted) on the assumption that all share options are exercised.

Undiluted and diluted earnings per share are calculated based on the following data:

	2008	2007
Earnings from continued activities (in TEUR)	-3,981	1,563
Earnings from discontinued activities (in TEUR)	776	111
Earnings (in TEUR)	-3,205	1,674
Basis for basic earnings per share (share in net profit for period		
of parent company's shareholders in TEUR)	-3,205	1,641
Basis for diluted earnings per share (in TEUR)	-3,205	1,641
Number of shares	46,842,240	46,842,240
Buyback of own shares in November	-208,872	0
Buyback of own shares in December	-271,379	0
Weighted average number of ordinary shares for basic earnings per share	46,784,813	46,842,240
Effect of dilutive potential ordinary shares: options*	1,732,500	2,520,750
Weighted average number of ordinary shares for diluted earnings	46,784,813	49,362,990
Earnings per share (in EUR)		
Earnings per share, undiluted (in EUR)	-0.07	0.04
Earnings per share, diluted (in EUR)	-0.07	0.03
Earnings per share from continued operations		
Earnings per share, undiluted (in EUR)	-0.09	0.09
Earnings per share, diluted (in EUR)	-0.09	0.08
Earnings per share from discontinued operations		
Earnings per share, undiluted (in EUR)	0.02	-0.05
Earnings per share, diluted (in EUR)	0.02	-0.05

^{*}The strike price of the options lied well above the stock price in 2008 and therefore the options have no deluting effect in 2008.

5.10 Bridging to the income statement 2007

(In TEUR)	3U Group income statement as of 31 Dec 2007 – as reported in 2007	Adjustment due to the reclassi- fication "held for sale"	3U Group income statement as of 31 Dec 2007 – as reported in 2008
Sales	75,703	32,750	108,453
Cost of sales	-64,125	-26,693	-90,818
Gross profit	11,578	6,057	17,635
Selling expenses	-1,828	-3,010	-4,838
General and administrative expenses	-8,474	-2,884	-11,358
Other operating income	2,971	922	3,893
Other operating expenses	-721	-52	-773
Depreciation and amortisation on customer portfolios/goodwill	0	-1,004	-1,004
Earnings from continued operations before interest and taxes	3,526	29	3,555
Interest income	840	69	909
Interest expenses	-177	-2,461	-2,638
Income from investments (equity method)	-31	0	-31
Earnings from continued operations before income tax	4,158	-2,363	1,795
Income tax expense	17	-249	-232
Earnings from continued operations before minority interests	4,175	-2,612	1,563
Earnings from discontinued operations	-2,501	2,612	111
Net income/loss for the period	1,674	0	1,674
Share of net income/loss for the period attributable to minority interests	33	0	33
Share of net income/loss for the period attributable to 3U HOLDING AG shareholders	1,641	0	1,641

6 Notes on the consolidated balance sheet

6.1 Non-current assets

The development of individual non-current items and depreciation and impairment for the current financial year are presented separately in the consolidated statement of changes in assets.

6.1.1 Intangible assets

The carrying amounts of intangible assets are as follows:

(In TEUR)	31 Dec 2008	31 Dec 2007
Concessions, industrial property rights and similar rights and assets and licences to such rights and assets	492	400
Customer base	2,693	0
Goodwill	550	550
Total	3,735	950

Intangible assets acquired for a consideration were measured at cost less straight-line amortisation. This relates primarily to software licenses for transfer and IT technology. Amortisation of intangible assets is recognised in the cost of sales.

The first-time consolidation of the 90 % investment in LambdaNet on 1 April 2004 resulted in goodwill of TEUR 8,746, which was capitalised as the customer base and is being written down over eight years. The total customer base of LambdaNet was measured using multiples based on comparable transactions. 3U HOLDING AG acquired the remaining shares in LambdaNet on 31 December 2004. The goodwill resulting from first-time consolidation is TEUR 1,624. This was also classified as a customer base and is being written down over eight years.

The recognition of LambdaNet as "Assets held for sale" (disposal groups) caused the lower carrying amount of the customer base to be reclassified at 1 July 2007. As from this date, the customer base is no longer amortised on a straight-line basis. With the decision to forgo selling LambdaNet, the carrying amount of the customer base was reclassified. The depreciations on the customer base not applied because of the intended sale in an amount of TEUR 927 were taken in full retrospectively as of 30 September 2008.

The capitalized customer base from the acquisition of LambdaNet Communications Deutschland AG was allocated to the cash generating unit Broadband/IP for the purposes of the impairment test.

The 30 biggest customers were used to value the customer base. At that point in time, these represented approx. 80 % of the total sales. The valuation was performed based upon multipliers and was limited to the hidden reserves realized within the context of the acquisition of LambdaNet. The customer base thus determined will be depreciated on a straight-line basis over an economic useful life of eight years.

An impairment test of the customer base is performed once annually. The customer base is valued based on the expected income from those customer relationships. The net cash flows thus determined are then discounted with a risk-adjusted discount rate of 7.4 %. We would refer to our comments under 2.3.12.

The goodwill from the acquisition of OneTel Telecommunication GmbH was allocated to OneTel Telecommunication GmbH for the purpose of the impairment test of the cash-generating unit.

The recoverable amount of this unit was determined with the help of the value in use calculation based on cash flow forecasts from the budget approved by the management for a period of three years and a discount rate of 7.1 % p. a. (2007: 9.2 % p. a.). No growth rates were assumed in this connection. The Management Board carried out a sensitivity analysis; it is of the opinion that even if the basic assumptions change within the framework of realistic scenarios, the cumulative carrying amount of the cash-generating unit will exceed its cumulative recoverable amount. Accordingly the recoverable amount corresponds to its value in use. Please refer to our comments under 2.3.14.

6.1.2 Property, plant and equipment

Please refer to the consolidated statement of changes in assets for the carrying amounts of property, plant and equipment.

6.1.3 Financial assets

Investments accounted for using the equity method:

As of 31 December 2007, CityDial GmbH, Meckenheim, was the only company accounted for using the equity method. The summarized financial information for this investment accounted for using the equity method is as follows:

(In TEUR)	31 Dec 2008	31 Dec 2007
Total assets	97	110
Total liabilities	12	18
Sales	11	41
Profit/loss after tax	7	-62

The carrying amount has evolved as follows:

As of 1 January 2008: TEUR 64
Pro rata share of net result for the year: TEUR -3
Asset write-down: TEUR -18
As of 31 December 2008: TEUR 43

CityDial GmbH's balance sheet date is 31 December 2008.

There are no unrecognised shares in the losses of CityDial GmbH. There are no restrictions on the associated company's ability to transfer financial resources in the form of cash dividends or repayments of loans or subsidies to the shareholders.

With a resolution dated 12 March 2008, the shareholders of CityDial GmbH decided to liquidate that company. The liquidation process is ongoing.

The investment was reclassified on the balance sheet under the item "Assets under liquidation".

6.1.4 Financial leasing

Within the 3U Group, long-term leasing contracts for fibre-optic networks in an amount of TEUR 13,776 (previous year: TEUR 17,697) have been capitalized within the Broadband/IP segment. Those leasing contracts are based on a normal operational service life of, on average, 10 to 15 years. The underlying interest rates range from 6.53 % to 8.58 %. All leasing relationships are based on agreed fixed rates. No agreements concerning contingency rent payments have been made. All leasing obligations are in Euros.

The liabilities from financial leasing are recognized on the balance sheet as current resp. non-current liabilities. The times to maturity of the liabilities from financial leasing agreements look as follows:

(In TEUR)	Nominal value	31 Dec 2008 Less discount amount	Present value minimum lease instalments
Remaining term of up to 1 year	3,292	1,113	2,179
Remaining term of 1-5 years	10,445	2,895	7,550
Remaining term of more than 5 years	6,504	873	5,631
Total	20,241	4,881	15,360

(In TEUR)	31 Dec 2007			
	Nominal value	Less discount amount	Present value minimum lease instalments	
Remaining term of up to 1 year	3,207	1,049	2,158	
Remaining term of 1-5 years	11,872	2,881	8,991	
Remaining term of more than 5 years	8,371	1,352	7,019	
Total	23,450	5,282	18,168	

The fair value of the liabilities from financial leasing is practically equal to the carrying amount.

The leasing contracts in some cases include renewal options and price adjustment clauses.

The fibre-optic rental contracts with the supplier, GasLINE, include price adjustment clauses. On the six-monthly due dates the amounts are subjected to an escalation factor. In the case of rent payments, these are calculated based on the producer price index for industrial goods, and in the case of maintenance fees based on a wage cost index. The expenses in financial year 2008 amount to TEUR 2,504 (previous year: TEUR 2,776).

With regard to the sum of future minimum leasing payments and the corresponding present values, we would refer to point 6.13 "Liabilities and other financial obligations".

6.2 Deferred taxes

Deferred taxes are calculated after accounting for temporary differences under the liability method per IAS 12. For Germany, the combined income tax rate of 29 % (previous year: 32 %) was applied; the reduction versus last year is the result, among other things, of the reduction in the basic trade tax rate of the City of Marburg. The tax rate used for Austria is 25 %.

The deferred tax assets and liabilities as of the balance sheet dates are made up as follows:

(In TEUR)	31	Dec 2008	31 D	31 Dec 2007*		
	Active deferred taxes	Passive deferred taxes	Active deferred taxes	Passive deferred taxes		
Intangible assets	0	781	0	1,156		
Property, plant and equipment	13	137	35	219		
Receivables	28	0	0	0		
Other assets	0	148	324	14		
Provisions	256	5	110	912		
Liabilities	0	2	0	16		
Other liabilities	19	0	172	393		
Loss carry forwards	824	0	2,116	0		
Total	1,139	1,073	2,757	2,709		

In financial year 2008, the future realisation of existing tax loss carryforwards was reassessed based on revised business plans. On the basis of anticipated future profits in individual subsidiaries with which a tax group has been created, the Company assumes that it will be able to make full use of the tax loss carryforwards. For this reason, deferred tax assets were formed for the loss carryforwards remaining with the parent company.

^{*}Including deferred taxes, apportionable to "held for sale"

3U HOLDING AG utilises the netting option provided for by IAS 12, whereby deferred tax assets and liabilities are reported net if they relate to the same tax authority (for the relevant taxable entity). In the reporting year, deferred tax liabilities were offset against deferred tax assets on loss carryforwards in the amount of TEUR 1,073 (previous year: TEUR 2,709).

Under the provisions of local tax law, the loss carryforwards for which no deferred tax assets were reported in the consolidated balance sheet amounted to a total of TEUR 62,413 (previous year: TEUR 59,280) for corporation tax and TEUR 52,898 (previous year: TEUR 50,964) for trade tax and primarily relate to LambdaNet. Tax loss carryforwards relate to Germany. On deductible temporary differences in the amount of TEUR 1,314 (previous year: TEUR 1,853) deferred taxes were not activated due to recoverability reasons.

6.3 Trade receivables

Trade receivables are composed as follows:

(In TEUR)	31 Dec 2008	31 Dec 2007
Trade receivables from third parties	19,912	11,850
Valuation allowances	-6,960	-2,545
Total	12,952	9,305

Depending on the age structure of the receivables, uniform valuation allowances are recognised within the Group for the receivables.

The Group writes off trade receivables, which have been outstanding for more than two years or where a debt collection agency has stated that they are unrecoverable. The procedure is supported by past experience, which indicates that, in principle, no payment can be expected if trade receivables have been outstanding for more than two years. In addition, lump-sum value adjustments were formed within the context of provision for risks.

In determining the value of trade receivables, account is taken of every change in creditworthiness from the time the credit period was granted until the balance sheet date. There is no significant concentration of credit risk since the customer base is broad. Accordingly, the Management Board is convinced that no provisions above and beyond the impairment charges already recognised are required.

The impairment charges include individual write-downs on trade receivables amounting to TEUR 4,780 (previous year: TEUR 276) where insolvency proceedings have been instigated against the debtors, respectively which are older than one year. The recognised impairment is the result of the difference between the carrying amount of the receivable and the present value of the anticipated liquidation proceeds. The Group has no collateral for these balances.

The carrying amount of trade receivables is the fair value.

The most important financial assets of the Group are bank balances and cash in hand, trade and other receivables. The default risk for the Group mainly results from trade receivables. The balance sheet amounts include the valuation allowance for expected uncollectible receivables, based on management experience and the estimates of the current economic environment of the Company. The risk of default for cash and cash equivalents is limited as these are held by banks which have high credit ratings from international rating agencies.

6.4 Other current assets

Other current assets comprise the following:

(In TEUR)	31 Dec 2008	31 Dec 2007
Receivables from tax refunds	996	696
Deposits	61	32
Loans to former employees	381	381
Valuation allowances on loans	-219	-219
Others	225	125
Total	1,444	1,015

The carrying amount of other assets is the fair value.

Please see Section 6.3 for information about default risk.

6.5 Cash and cash equivalents

The item cash and cash equivalents contains cash and short term deposits with an original term of three months or less. The carrying amount of these assets is their fair value.

Please see Section 6.3 for information about default risk.

6.6 Shareholders' equity

6.6.1 Issued capital

The issued capital consists of 46,842,240 no-par value bearer shares with a notional value of EUR 1.00 per share. The total share capital is fully paid. The total number of shares outstanding did not change during the reporting year.

The Company has only one class of shares. These do not grant entitlement to a fixed dividend. Each share confers one vote at the Annual General Meeting and is definitive to the share of the shareholders in the Company's profit. An exception here is treasury shares held by the Company, from which the Company derives no rights. Details of the rights and duties of the shareholders can be derived from the provisions of the German Stock Corporation Act (Aktiengesetz – AktG) and in particular sections 12, 53a ff., 118 ff. and 186 AktG.

Authorised capital

At the Annual General Meeting on 13 May 2004, the Management Board was authorised, subject to approval by the Supervisory Board, to increase the share capital by up to EUR 23,421,120.00 in return for contributions in cash or in kind on one or more occasions up to 12 May 2009, whereby shareholders' subscription rights may be excluded. Thereof EUR 21,499,000.00 have been entered in the capital reserves.

Contingent capital

The Company has contingent capital of EUR 4,560,000.00. The contingent capital is to be used to grant subscription rights to members of the Management Board, executives and employees of the Company.

6.6.2 Share buyback programme

With the approval of the Supervisory Board, the Management Board of 3U HOLDING AG decided on 31 October 2008, based upon the authorization of the Annual General Meeting of 28 August 2007, to buy back up to 4,684,224 shares in the company via the stock exchange. The share buyback serves all the purposes provided for in the authorizing resolution of the Annual General Meeting of 28 August 2007.

The Landesbank Baden-Württemberg (LBBW) was engaged to buy back a maximum of 4,684,224 shares in the company under the trading stipulations of articles 4 to 6 of regulation (EC) no. 2273/2003 (EC regulation). The LBBW was engaged to buy back the shares only on the stock exchange. The transaction value paid per share (without incidental buying costs) may not exceed the closing price of the share in XETRA trading on the Frankfurt Securities Exchange on the trading day preceding the buyback by more than 10 %, nor be more than 25 % below it. In addition, pursuant to article 5 (1) EC regulation, shares may not be acquired at a price exceeding that of the most recent independent close or (should that be higher) above the presently highest independent bid on the exchange at which the purchase takes place.

Pursuant to article 5 (2) EC regulation, no more than 25 % of the average daily turnover on the exchange at which the purchase takes place may be acquired per trading day. The average daily turnover must be derived from the average daily trading volumes of the last twenty trading days prior to the date of purchase.

The share buyback programme via the stock exchange began on 6 November 2008 and ended on 6 February 2009.

In total, 480.251 of own shares were aguired by 31 December 2008 at an average share price of EUR 0.429.

As of 6 February 2009, 846,141 shares had been acquired at an average price of EUR 0.4182.

On 7 February 2009, the Management Board of 3U HOLDING AG decided, with the approval of the Supervisory Board, to stop the share buyback programme running via the stock exchange and to issue a public buyback offer in accordance with German law for up to 3,838,083 shares of 3U HOLDING AG with an offer price of EUR 0.45 per share.

The offer period ran from Monday, 9 February 2009, until 20 February 2009, 12:00 CET. As the volume tendered of 2,398,573 shares was below the maximum number to be taken over, the Company took over all the shares offered to it at a price of EUR 0.45 per share. In total, 3U HOLDING AG now holds 3,244,714 common shares as treasury stock; that equates to 6.93 % of the Company's nominal capital.

6.6.3 Employee participation programmes

2003 stock option plan

By way of resolution dated 15 May 2003, the Annual General Meeting authorised contingent capital of up to EUR 4,560,000.00 (EUR 912,000.00 before the stock split on 6 July 2004) for issuing stock options to members of the Management Board, executives and employees in the context of a stock option plan and authorised the Management Board accordingly. With the approval of the Supervisory Board, the Management Board made use of this authorisation on 20 August 2003 and established a stock option plan for 2003. The 2003 stock option plan has a term of five years. The non-transferable option rights can be exercised after a two-year qualifying period on 21 August 2005 at the earliest and no later than 20 August 2008.

Due to the fact that the share price was quoted substantially below the strike price during the exercise period 21 August 2005 til 20 August 2008 no stock options from the stock option plan 2003 were exercised.

2004/2005 stock option plan

On 9 March 2005, the Management Board had resolved to launch a second stock option programme.

The stock option plan 2004/2005 has the following key details:

The following are beneficiaries:

Group 1: Members of the Company's Management Board and all members of the management of affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act), where the members of the management of companies in Germany and abroad are not allocated to Group 2.

Group 2: Employees of the Company and affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act) in key positions at the first and second level of management below the Management Board or the relevant management (managers and/or employees with key functions),

- Group 3: All other employees of the Company and of the affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act), where they are not allocated to Group 4,
- Group 4: Trainees and/or part-time or comparable employees of the Company and of the affiliated companies in Germany and abroad (Article 15 of the German Stock Corporation Act).

A total of 2,206,000 stock options were issued in the 2004/2005 stock option plan. The distribution between the individual groups is as follows:

Group 1: 870,000 stock options
Group 2: 765,000 stock options
Group 3: 546,000 stock options
Group 4: 25,000 stock options
Total: 2,206,000 stock options

The exercise price is EUR 1.06.

The fair value of the stock options granted in 2005 has been fixed at EUR 0.51. This was calculated using the Black-Scholes model. The model assumptions are based on a share price of EUR 0.98, an exercise price of EUR 1.06, anticipated volatility of 61 % (source: Bloomberg) and a risk-free interest rate of 3.0 %.

The 2004/2005 stock option plan has a term of five years. The non-transferable option rights can be exercised after a two-year qualifying period on 9 March 2007 at the earliest and no later than 9 March 2010. Due to the share price performance no option rights have been exercised.

The option rights may only be exercised within a period of fifteen banking days in Frankfurt am Main following the publication of the annual financial statements and/or consolidated financial statements, the Annual General Meeting or the publication of a quarterly report and/or the Annual Report.

Each option right authorises the purchase of a share in the company at the exercise price. The exercise price for the option rights corresponds to the strike price plus a 15 % premium as the profit target. The strike price is calculated as the average closing price for the company share in XETRA trading (or a comparable subsequent system) on the Frankfurt stock exchange during the last five trading days prior to the day on which the resolution to issue the option rights is passed. The exercise price is thus EUR 1.06 per share.

As a relative performance target, the company share must have outperformed the TecDAX on ten consecutive days between the acquisition of the option rights and the exercise day. In addition, a cap was set at the amount of a gross annual salary.

The beneficiary may only sell shares received through the exercise of stock options within a month of the publication of the quarterly reports or after the publication of periodical reporting.

In total, TEUR 0 (previous year: TEUR 120) was recognised as staff costs for the 2004/2005 stock option plan for the 2008 financial year. This includes a fluctuation rate of 15 %.

The exercise prices range from EUR 1.06 to EUR 2.70. The weighted exercise price is EUR 1.52.

Of the 2,206,000 options issued within the framework of this programme, a total of 146,500 options had lapsed on 31 December 2006, a total of 344,500 options on 31 December 2007 and 473,500 options on 31 December 2008. No new commitments were made within the framework of this programme.

In the 2008 financial year, no options were exercised from this programme.

6.6.4 Revaluation reserve

The revaluation reserve resulted from the measurement of funds at fair value and the deferred tax liabilities from additions to securities taken directly to equity. When revalued financial investments are sold, the portion of the revaluation reserve attributable to these is realised and recognised in the income statement. Funds were sold in the previous year.

(In TEUR)	31 Dec 2008	31 Dec 2007
As of the beginning of the year	0	1,115
Increase/reduction from the revaluation of available-for-sale financial assets	0	593
Profit transferred to the income statement following sale	0	-1,708
As of the end of the year	0	0

6.6.5 Minority interests

The minority interests amount to TEUR 0 (previous year: TEUR 59).

6.7 Financial liabilities

Financial liabilities of the previous year generally refer to overdraft facilities and lease liabilities.

Financial liabilities comprise the following:

(In TEUR)	31 Dec 2008	31 Dec 2007
Liabilities due to banks	5,343	0
Lease liabilities	15,360	0
Total	20,703	0

The interest rate is 3M Euribor +2.5 % with a term until 1 October 2009. The loan's collateral consists of a pledged fixed-term deposit with a loan value of EUR 3.0 million. It is to be repaid as follows: TEUR 5,343 (2009). Furthermore there is a guarantee for the total outstanding credit by 3U HOLDING AG.

Liabilities to banks are all near term payable. Leasing liabilities in the amount of TEUR 13,181 are long term payable and TEUR 2,179 near term payable.

In the prior year, the financial obligations attributable exclusively to LambdaNet Communications Deutschland AG were reclassified through the classification of the assets and liabilities of LambdaNet as "held for sale" into the balance sheet item "Liabilities held for sale".

In addition, intercompany credit lines for the fixed-line telephony network, which had not been used as of 31 December 2008, are secured by EUR 4.3 million in fixed term deposits.

6.8 Trade payables

The carrying amount of trade payables is their fair value. Trade payables are due within one year.

6.9 Other current liabilities

Other current liabilities comprise the following:

(In TEUR)	31 Dec 2008	31 Dec 2007
Social security contributions	98	0
Other taxes	235	661
Provisions of a liability nature	129	525
Payroll	9	26
Other liabilities	5,208	56
Total	5,679	1,268

Provisions of a liability nature primarily comprise staffing obligations.

6.10 Provisions

Provisions comprise the following:

(In TEUR)	31 Dec 2008	31 Dec 2008	31 Dec 2007	31 Dec 2007
	Current	Long-term	Current	Long-term
Tax provisions	1,329	0	2,150	0
Restoration obligations	0	103	0	103
Litigation risks	1,457	0	1,223	0
Staff provisions	44	0	28	0
Other	498	0	165	0
Total	3,328	103	3,566	103

The development is presented as follows:

(In TEUR)	As of 1 Jan 2008	"Held for sale"	Utilisation	Allocation	Reversal	As of 31 Dec 2008
Tax provisions	2,150	187	1,137	862	733	1,329
Restoration obligations	103	0	0	0	0	103
Litigation risks	1,223	0	161	411	16	1,457
Staff provisions	28	170	193	44	5	44
Other	165	183	150	399	99	498
Total	3,669	540	1,641	1,716	853	3,431

The provisions for taxes were formed for current payments on taxes of 2008 as well as provisions for risks for the current audit by the fiscal authorities for the years 2003 - 2006. The outflow is expected for the financial year 2009.

Provisions for risks of litigation mainly apply to law suits with the former owners of OneTel Telecommunication GmbH. The availment is expected in the current financial year 2009.

The provisions in the personnel area were formed to cover redundancy compensation payments. They are expected to be used during the first half of 2009.

The other provisions largely cover reserves for invoices not yet received and retrospective expenses in connection with subsidiaries sold. Expenditure can be expected during the first half of 2009.

The provisions for demolition obligations are long-term by nature and were formed to cover restoration of the original condition of various technical sites.

6.11 Network rentals received

The item relates to deferred sales from the receipt of network rentals.

6.12 Reporting on financial instruments

Breakdown of carrying amounts in the balance sheet according to the measurement categories of IAS 39/IFRS 7.8

2007 (in TEUR)	Cash and cash equivalents	Trade receivables	Other financial assets	Liabilities
Loans and receivables	32,446	9,305	0	0
Held-to-maturity assets	0	0	2,000	0
Financial liabilities measured at their residual carrying amount	0	0	0	11,266
Total	32,466	9,305	2,000	11,266

2008 (in TEUR)	Cash and cash equivalents	Trade receivables	Other financial assets	Liabilities
Loans and receivables	35,474	12,952	162	0
Financial liabilities measured at their residual carrying amount	0	0	0	41,237
Total	35,474	12,952	162	41,237

The fair value of cash and cash equivalents, current receivables and liabilities corresponds approximately to the carrying amount. This is primarily because of the short term of instruments of this kind.

6.13 Contingent liabilities and other financial obligations

As at 31 December the following financial obligations remain:

(In TEUR)	31 Dec 2008	31 Dec 2007
Within one year	7,110	3,865
Between one and five years	9,744	7,831
After five years	1,393	906
Total	18,247	12,602

The purchase commitments included in the other financial obligations occurring within a year amount to TEUR 532 (previous year: TEUR 145).

Lease agreements relate to offices, technical space and cars. The agreements concerned have a remaining term of 1 to 10 years. Rental lease payments in 2008 amounted to TEUR 4,834 (previous year: TEUR 3,290).

Fixed-term deposits in the amount of EUR 3.00 million have been pledged as collateral for credit lines of LambdaNet. Moreover, a letter of credit from 3U HOLDING AG is available for the entire outstanding amount of the loan. As at 31 December 2008, the loan amount equals EUR 5.25 million. Internal credit lines of 3U are subject to a EUR 4.3 million restriction on disposal because they are pledged as collateral.

6.14 Legal disputes and contingent liabilities

The operations of 3U Group result in various legal disputes. With regard to the uncertainty of the outcome of these proceedings, there is the possibility of a negative impact on future operating results. This is why provisions for unsettled legal disputes totalling TEUR 1,457 were created for existing legal disputes entailing a maximum total risk of TEUR 3,824 as at 31 December 2008.

For call delivery to German mobile networks, 3U TELECOM GmbH pays what are known as termination fees. These are to be paid either to the mobile network operator itself or to other operators over whose networks calls are delivered. Until 2006, the fees due for this were not regulated and were contractually agreed.

With the regulatory orders of 30 August 2006, the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Rail (BNetzA) determined that the German mobile network operators T-Mobile Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH & Co. KG and O_2 (Germany) GmbH & Co. OHG were market powers with respect to termination in their own networks and that the termination fees were subject to the ex ante approval requirement. On the basis of this decision, the BNetzA subsequently ordered termination fees that were lower than those the mobile network operators had previously agreed upon with their contracting parties.

The mobile network carriers took legal action against the regulatory orders of 30 August 2006. The Management Board had accounted for this risk appropriately through recognition of contingent liabilities; in the lack of other reliable estimates as to the amount of any obligation, the maximum risk was used as the basis. On 2 April 2008, the German Federal Administrative Court (Bundesverwaltungsgericht) confirmed the regulatory orders of 30 August 2006. The risk mentioned no longer exists following the decision of the Federal Administrative Court. The Management Board therefore no longer expects retroactive billing of higher, contractually agreed, charges on the part of the meanwhile regulated contract partner.

7 Notes to the cash flow statement

Cash and cash equivalents comprise bank balances and cash in hand.

Cash and cash equivalents as of 31 December 2007 comprise the following:

(In TEUR)	31 Dec 2007
Cash and cash equivalents according to the consolidated balance sheet	32,446
Cash and cash equivalents from discontinued activities	4,103
Total cash and cash equivalents	36,549

Cash flows are broken down into operating, investment and financing activities. The indirect calculation method was used for the presentation of cash flows from operating activities.

After adjustment for non-cash income and expenses (essentially depreciation and interest expenses) and consideration of the changes in working capital, the 3U Group generated a cash inflow of TEUR 8,044 (previous year: TEUR 8,303) from operating activities in continued operations.

Cash flow from investing activities amounted to TEUR -1,118 (previous year: TEUR 19,776) and cash flow from financing activities in continued operations amounted to TEUR -8,001 (previous year: TEUR -5,430).

In total, cash and cash equivalents declined by TEUR 1,075.

Of the cash and cash equivalents reported at the end of the period amounting to TEUR 35,474, there is a restriction on the disposal of a total of TEUR 7,300.

8 Other information

8.1 Capital management

The Group manages its capital with the aim of maximising the earnings of those involved in the Company by optimising the ratio of equity to borrowed funds. In so doing, it ensures that all Group companies can operate as going concerns.

As of 31 December 2008 and 2007, reported equity and total assets amounted to:

	31 Dec 2008	31 Dec 2007	Change
Equity in TEUR	38,590	42,043	-3,453
Equity in % of total capital	44.89 %	42.08 %	2.81 %-points
Borrowed capital in TEUR	47,367	57,878	-10,511
Borrowed capital in % of total capital	55.11 %	57.92 %	-2.81 %-points
Total capital (equity plus borrowed capital) in TEUR	85,957	99,921	-13,964

Equity comprises total capital, the Group's reserves and minority interests. Borrowed capital is defined as non-current and current financial liabilities, provisions and miscellaneous liabilities.

8.2 Financial risks

On the basis of its normal business activities, the 3U Group is exposed to only minor foreign currency, interest rate and credit risks, which could have an impact on its net assets, financial position and results of operations. Where necessary, it also uses derivative financial instruments to manage these risks. No derivative financial instruments were used in the 3U Group in the past financial year.

The following sections examine the individual risks and risk management.

Foreign currency risk

Foreign currency risks exist, in particular, if receivables, liabilities, cash and cash equivalents and planned transactions exist or occur in a currency other than the Company's local currency.

The 3U Group primarily conducts its business operations in Germany and invoices in Euro. Trade payables in foreign currency are of subordinate importance for the Group, thus there is no significant foreign currency risk. In the reporting year, derivatives did not have to be used to hedge foreign currency risks.

On the balance sheet date, 31 December 2008, the carrying amount of the Group's monetary assets and liabilities in foreign currencies were attributable to discontinued activities in the fixed-line telephony segment and comprised the following:

Assets: TEUR 131 Liabilities: TEUR 110

Default risk

3U is exposed to a credit risk to the effect that assets could be impaired if counterparties fail to comply with their obligations. To minimise credit risk, transactions are only concluded with debtors of undoubted creditworthiness and only up to a maximum of a preset risk limit.

Default risks are in line with the normal market risks and appropriate valuation allowances are made. The Group is not exposed to any major credit risk from one counterparty or a group of counterparties with similar characteristics. The Group defines counterparties as having similar characteristics if related companies are involved.

The differing rates by which overdue receivables are written down are primarily dependent on how long they have been outstanding and the degree of success in recovering them. Experience has shown that receivables that are outstanding for more than 365 days are irrecoverable and they are written off.

Liquidity/refinancing risk

In essence, the 3U Group's liquidity risk remains the same as in the previous year, namely that it might not be able to comply with its financial obligations. Financial planning instruments are implemented throughout the Group to monitor and control liquidity. The planning horizon is one year.

The Group may make use of credit lines. As of the balance sheet date, the total amount of unused credit at its disposal stood at EUR 5.3 million (previous year: EUR 5.3 million). 3U expects that it will be able to fulfil its other obligations from operating cash flow and from the inflow of maturing financial assets. Furthermore, 3U assumes that it will be able to maintain its present ratio of borrowed funds to equity.

Interest risk

Most of 3U's interests bearing liabilities carry fixed rates. Changes to market interest rates would only have an impact here if these financial instruments were accounted for at fair value. Since this is not the case, fixed rate financial instruments are not exposed to any interest rate risks for the purposes of IFRS 7.

The risk of rising interest on bank loans is monitored on a timely basis.

8.3 Related parties

The following persons were appointed members of the Management Board of the Company in the reporting year:

Michael Schmidt Lahntal

Chief Technology Officer of 3U HOLDING AG

Oliver Zimmermann Berlin

Chief Financial Officer of 3U HOLDING AG

Total remuneration of the Management Board granted in 2008 amounted to TEUR 1,340 (previous year: TEUR 791). In the reporting year, former members of the Management Board received remuneration amounting to TEUR 0 (previous year: TEUR 300).

In the variable remuneration for 2008 are included TEUR 40 (Michael Schmidt) and TEUR 20 (Oliver Zimmermann) for 2007 as well as the maximum possible variable remuneration for 2008 in the amount of TEUR 300 for each Member of the Management Board.

Name	Fixed remuneration in TEUR			Variable remuneration in TEUR		Total remuneration in TEUR	
	2008	2007	2008	2007	2008	2007	
Michael Schmidt	340	231	340	53	680	284	
Oliver Zimmermann	340	226	320	80	660	306	
Roland Thieme (Board Member until 31 Dec 2007)	0	201	0	0	0	201	
Sum	680	658	660*	133	1,340	791	

No stock options were issued to members of the Management Board in the 2008 and 2007 financial years.

In addition expenses for remuneration offering long term incentive of TEUR 0 (previous year: TEUR 14) were incurred.

All remuneration for Management Board activities was made by 3U HOLDING AG. The subsidiaries did not pay any remuneration.

There is a non-interest bearing loan agreement of TEUR 17 for the Member of the Management Board Michael Schmidt, which previously had a fixed term until 31 December 2007, but which has now been prolonged until 31 December 2009.

^{*}Thereof near term payable TEUR 450 (with maximum variable remuneration)

Shares held by the Management Board and the Supervisory Board as of 31 December 2008:

Name	Function	Number	Stock options 2004/2005	
		of shares	Number	Value in EUR*
Michael Schmidt	Member of the Management Board	8,999,995	165,000	84,150
Oliver Zimmermann	Member of the Management Board	105,584	0	0
Gerd Simon	Member of the Supervisory Board	10,000	0	0

^{*}Value when granted

As of 31 December 2008, all outstanding options are exercisable.

The stock options may only be exercised after the expiry of set blocking periods (vesting period). Their value is spread over the vesting periods and recognised as expense in the respective financial year. The expenses attributable to the 2008 and 2007 financial years are shown in the following table.

Name	Function	Expense for components with long-term incentive in TEUR	
		2008	2007
Michael Schmidt	Member of the Management Board	0	7
Roland Thieme	Member of the Management Board until 31 Dec 2007	0	7
Sum		0	14

In the reporting year, the following persons were members of the Supervisory Board:

Ralf Thoenes Düsseldorf

Lawyer in the partnership Altenburger in Düsseldorf Chairman of the Supervisory Board of 3U HOLDING AG Other Supervisory Board or Advisory Board mandates:

Chairman of the Supervisory Board of LambdaNet Communications Deutschland AG, Hannover

Gerd Simon Bad Homburg vor der Höhe

Industrial Engineer

Deputy Chairman of the Supervisory Board of 3U HOLDING AG

Other Supervisory Board or Advisory Board mandates:

Member of the Supervisory Board of Elabs AG, Frankfurt am Main

Deputy Chairman of the Supervisory Board of LambdaNet Communications Deutschland AG, Hannover

Peter Coch Frankfurt am Main

Business Economist

Member of the Supervisory Board

The Supervisory Board remuneration for 2008 amounted to TEUR 66 (previous year: TEUR 111). In addition, the members of the Supervisory Board received success-based remuneration for the years 2005 to 2007 per Article 9 (1c) of the articles of association of 3U HOLDING AG in an amount of TEUR 273 (previous year: TEUR 0).

Name	Fixed remuneration in TEUR		Attend Fe in TI	e	Performance related remuneration in TEUR		Total remuneration in TEUR	
	2008	2007	2008	2007	2008	2007	2008	2007
Ralf Thoenes								
(Chairman since 7 Aug 2007)	10	9	15	28	94	0	119	37
Gerd Simon	6	6	15	33	64	0	85	39
Peter Coch (since 7 Aug 2007)	5	2	15	13	8	0	28	15
Hubertus Kestler								
(Chairman until 6 Aug 2007)	0	7	0	13	107	0	107	20
Sum	21	24	45	87	273	0	339	111

In the past financial year, the law firm Altenburger Rechtsanwälte – of which Ralf Thoenes, the Chairman of the Supervisory Board, is a partner – received a total of TEUR 27 for its consultancy services for the 3U Group (previous year: TEUR 25). This figure is broken down as follows: 3U HOLDING AG TEUR 2 (previous year: TEUR 8), 3U TELECOM GmbH TEUR 20 (previous year: TEUR 8), 010017 Telecom GmbH TEUR 3 (previous year: TEUR 0), fon4U Telecom GmbH TEUR 0 (previous year: TEUR 5), LambdaNet Communications Deutschland AG TEUR 2 (previous year: TEUR 4).

The law firm KMO Kestler Mielert Otto – of which Hubertus Kestler, Member and Supervisory Board Chairman of 3U HOLDING AG until 6 August 2007, is a partner – received a total of TEUR 163 for its consultancy services for the 3U Group in the previous year. Hubertus Kestler was not a member of the Supervisory Board in the reporting year.

Details of the remuneration system for the Management Board and the Supervisory Board are presented in the management report.

8.4 Events after the balance sheet date

With the approval of the Supervisory Board, the Management Board of 3U HOLDING AG decided on 31 October 2008, based upon the authorization of the Annual General Meeting of 28 August 2007, to buy back up to 4,684,224 shares in the Company via the stock exchange. The share buyback serves all the purposes provided for in the authorizing resolution of the Annual General Meeting of 28 August 2007.

The Landesbank Baden-Württemberg (LBBW) was engaged to buy back a maximum of 4,684,224 shares in the Company under the trading stipulations of articles 4 to 6 of regulation (EC) no. 2273/2003 (EC regulation). The LBBW was engaged to buy back the shares only on the stock exchange. The transaction value paid per share (without incidental buying costs) may not exceed the closing price of the share in XETRA trading on the Frankfurt Securities Exchange on the trading day preceding the buyback by more than 10 %, nor be more than 25 % below it. In addition, pursuant to article 5 (1) EC regulation, shares may not be acquired at a price exceeding that of the most recent independent close or (should that be higher) above the presently highest independent bid on the exchange at which the purchase takes place.

Pursuant to article 5 (2) EC regulation, no more than 25 % of the average daily turnover on the exchange at which the purchase takes place may be acquired per trading day. The average daily turnover must be derived from the average daily trading volumes of the last twenty trading days prior to the date of purchase.

The share buyback programme via the stock exchange began on 6 November 2008 and ended on 6 February 2009. As of 6 February 2009, 846,141 shares had been acquired at an average price of EUR 0.4182.

On 7 February 2009, the Management Board of 3U HOLDING AG decided, with the approval of the Supervisory Board, to stop the share buyback programme running via the stock exchange and to issue a public buyback offer in accordance with German law for up to 3,838,083 shares of 3U HOLDING AG with an offer price of EUR 0.45 per share.

The offer period ran from Monday, 9 February 2009, until 20 February 2009, 12:00 CET. As the volume tendered of 2,398,573 shares was below the maximum number to be taken over, the Company took over all the shares offered to it at a price of EUR 0.45 per share. In total, 3U HOLDING AG now holds 3,244,714 common shares as treasury stock; that equates to 6.93 % of the Company's nominal capital.

8.5 Auditor's fees

The fees for the auditor BDO Deutsche Warentreuhand AG (previous year: KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft) in the financial year 2008 are:

Statutory audit of the annual financial statements	TEUR 150	(previous year: TEUR 170)
Other services	TEUR 4	(previous year: TEUR 2)
Total	TEUR 154	(previous year: TEUR 172)

8.6 Declaration on the Corporate Governance Code in accordance with Article 161 AktG

The Management Board and Supervisory Board of 3U HOLDING AG have submitted the declarations prescribed by Article 161 of the German Stock Corporation Act (AktG) and have made them available to their shareholders.

8.7 Information in accordance with Article 160 (1) No. 8 AktG

In accordance with Article 41 (2) sentence 1 WpHG, by way of a letter dated 4 April 2002, Michael Schmidt, Flachspfuhl 11, 35094 Lahntal, notified the Company that he held a total of 19.19 % and therefore more than 15 % of the voting rights of 3U HOLDING AG (SCN 516790) as of 1 April 2002.

In accordance with Article 41 (2) sentence 1 WpHG, by way of a letter dated 4 April 2002, Roland Thieme, Alte Hute 2-4, 35094 Lahntal, notified the Company that he held a total of 7.68 % and therefore more than 5 % of the voting rights of 3U HOLDING AG (SCN 516790) as of 1 April 2002.

Additional information

The following companies owned by 3U HOLDING AG are making use of the exemptions permitted in Article 264 (3) HGB:

- 010017 Telecom GmbH, Marburg
- 3U TELECOM GmbH, Marburg
- Discount Telecom S&V GmbH, Marburg
- fon4U Telecom GmbH, Marburg
- LineCall Telecom GmbH, Marburg
- OneTel Telecommunication GmbH, Marburg

Date of approval of the financial statements for publication

The Management Board of 3U HOLDING AG approved the consolidated financial statements to be forwarded to the Supervisory Board on 27 March 2009. The Supervisory Board is responsible for examining the consolidated financial statements and for declaring that it approves the consolidated financial statements.

Marburg, 27 March 2008

The Management Board

Michael Schmidt

Oliver Zimmermann

120 Responsibility statement

Responsibility statement according to § 37y WpHG i. V. m. § 37w Abs. 2 Nr. 3 WpHG

We warrant that to the best of our knowledge that, in accordance with the accounting principles to be applied, the consolidated financial statements convey a true and accurate picture of the Group's net assets, financial position and results of operations and that the Group's business development including its results and its position including the major risks and opportunities inherent in its probable development are described truthfully and accurately in the Group Management Report.

Marburg, 27 March 2009

The Management Board

Michael Schmidt

Oliver Zimmermann

Auditor's report

We have audited the consolidated financial statements prepared by 3U HOLDING AG, Marburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) HGB (German Commercial Code) are the responsibility of the management board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Article 315a (1) HGB as well as the additional provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 27 March 2009

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Rittmann Theis Auditor Auditor



- 124 Financial calendar
- 125 Contact
- 126 Glossary
- 128 Imprint
- 128 Disclaimer
- **129** 3U Group

124 Financial calendar

- Publication of report on Q1 2009 26 May 2009
- Publication of report on Q2 2009 26 August 2009
- 2009 Annual General Meeting 28 August 2009
- Analysts' conference
 At the Eigenkapital-Forum, 9-11 November 2009
- Publication of report on Q3 2009 25 November 2009

Contact 125

Company address 3U HOLDING AG Neue Kasseler Straβe 62 F 35039 Marburg Postal address 3U HOLDING AG Postfach 22 60 35010 Marburg **Investor relations**

Peter Alex

Tel.: +49 (0) 6421 999-1200 Fax: +49 (0) 6421 999-1222

ir@3u.net www.3u.net

126 Glossary

Break even

Profit threshold.

Cash flow

Key ratio for assessing the financial strength and earnings power of a company.

The cash flow is calculated from the inflow and outflow of payments (cash or cash equivalents) from current operations (see cash flow statement).

Cash flow from financing activities

Includes inflows from borrowing or outflows from repayment of a loan, other liabilities to banks and interest liabilities from finance leases as well as outflows of funds for dividend payments and inflows/outflows arising from capital increases/ decreases.

Cash flow from investment activities

Outflows for the acquisition or inflows from the disposal of intangible assets, property, plant and equipment and investment assets, and of subsidiaries

Cash flow from operating activities

Change in liquid funds from the company's actual business operations (for example, the sale of products, the purchase of materials and of goods and services, and other moneys paid out in operations) and from other operations not classifiable as investment or financing activities.

Cash flow statement

The cash flow statement is the cash-based component of accounting.

It is a record of the values of cash flows within a financial year. To this end, inflows and outflows in the respective reporting period are offset, thus indicating the change in cash and cash equivalents.

Consolidation

Addition of sub-accounts to an overall account, e. g. of the single-entity balance sheets of individual companies in the Group to the consolidated balance sheet.

Corporate governance

The German Corporate Governance Code represents important legal provisions for the management and monitoring of German companies listed on stock exchanges (corporate governance) and contains internationally and nationally recognised standards for good and responsible corporate management. The Code is intended to ensure that the German corporate governance system is transparent and enforceable. It is intended to build the confidence of international and national investors, customers, employees and the public in the management and monitoring of German companies listed and publicly traded on stock exchanges.

Declaration of conformity

Declaration by the Management Board and The Supervisory Board, in line with Article 161 of the German Stock Corporation Act, that the recommendations of the Government Commission of the German Corporate governance Code have been implemented.

Deferred tax assets

Future tax relief or tax burdens resulting when the recognition of asset and liability positions in the commercial and tax balance sheets diverge, but the difference is reversed over time (temporary differences). When deferred taxes are recognised, the effective tax expense resulting from the tax balance sheet is adjusted to the divergent net income according to commercial law. In addition, deferred taxes are recognised for future utilisation of tax loss carryforwards to the extent that there is a good likelihood of offsetting.

Earnings per share

This key ratio indicates the share of consolidated net income or loss generated that is attributable to one share. This key ratio is calculated by dividing the net result for the year (consolidated net income/loss) by the average weighted number of ordinary shares outstanding.

FRIT

Earnings before interest and taxes.

FRITDA

Earnings before interest, taxes, depreciation and amortisation.

EBT

Earnings before taxes.

Equity ratio

The equity reported in the balance sheet divided by the total assets (the higher this key ratio is, the lower the level of debt).

Free Float

Shares which are publicly traded.

Holding

The term "holding" (short for holding company or organisation) does not describe a legal form per se, but an organisational form of the parent company of affiliated companies established in practice.

IFRS

International Financial Reporting Standards.

Market capitalisation

Term for the current market value of a company. It is calculated by multiplying the number of shares by the share price. Market capitalisation provides an indication of the price to be paid or realised for all shares of a company that are in circulation. However, it must be noted that large-scale acquisitions/disposals of shares can lead to an upwards or downwards trend in share prices.

Return on equity (ROE)

Ratio of net profit for the year to capital utilised.

Return on investment (ROI)

Management ratio for investment decisions. It takes into account both the acquisition value and the returns to be expected from the acquisition in the future.

Return on salesFinancial ratio indicating the relation of the consolidated result to sales.

Risk managementSystematic method for identifying and assessing potential risks and for selecting and implementing measures to deal with risk.

Scope of consolidation
Group of subsidiaries in a group which are included in the consolidated financial statements.

128 Imprint

Published by 3U HOLDING AG Neue Kasseler Straβe 62F 35039 Marburg

Photographs
Shutterstock (title, page 14, 48, 122)
fr financial relations (page 2)

Font Interstate by Tobias Frere-Jones (manufacturer: The Font Bureau)

© 2009 3U HOLDING AG, Marburg Printed in Germany

Disclaimer

The English translation of the German 3U annual report is provided for your convenience. Only the German version is audited by the auditor.

This annual report contains statements relating to the future which are subject to risks and uncertainties and which are assessments of the management of 3U HOLDING 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", "assume", "estimate", "anticipate", "intend", "can", "plan", "project", "will" and similar expressions. Statements relating to the future are based on current and valid plans, estimates and expectations. Such statements are subject to risks and uncertainties, most of which are difficult to estimate and which are generally beyond the control of 3U HOLDING AG.

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 HOLDING AG may differ materially from those outlined or implied in these statements. The company does not undertake to update predictive statements of this nature.

This annual report contains a range of figures which are not part of commercial regulations and the International Financial Reporting Standards (IFRS), such as EBT, EBIT, EBITDA and EBITDA adjusted for special influences, adjusted EBITDA margin, investments (capex). These figures are not intended to substitute the information for 3U HOLDING AG in accordance with the German Commercial Code (HGB) or IFRS. It should be noted that the figures for 3U HOLDING AG which are not part of commercial regulations and the IFRS, can only be compared to the corresponding figures of other companies to a certain extent.

3U Group

3U HOLDING AG

Fixed-line telephony

010017 Telecom GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

3U TELECOM GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

Discount Telecom S&V GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

fon4U Telecom GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

LineCall Telecom GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

OneTel

Telecommunication GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

3U TELECOM GmbH

Mariahilfer Straße 123/3 1060 Vienna Austria

IT

SEGAL Systems GmbH

Neue Kasseler Straße 62 F 35039 Marburg Germany

Broadband/IP

LambdaNet Communications Deutschland AG

Günther-Wagner-Allee 13 30177 Hannover Germany

LambdaNet Communications Austria GmbH

Simmeringer Hauptstraße 24 1110 Vienna Austria

LambdaNet Communications s. r. o.

Třešňová 912 289 03 Městec Králové Czech Republic

Renewable energies

3U Solarkraft Friedrichstraße GmbH

Neue Kasseler Straße 62F 35039 Marburg Germany



3U HOLDING AG Neue Kasseler Straße 62 F 35039 Marburg

Tel.: +49 (0) 6421 999-1200 Fax: +49 (0) 6421 999-1222

ir@3u.net www.3u.net