



QUARTERLY REPORT 2/2005

3U TELECOM 

SUMMARY OF GROUP RESULTS

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3U GROUP (IFRS)		HALF-YEAR COMPARISON	
		HY1 2005	HY1 2004
Sales	(in € million)	58.01	44.43
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(in € million)	2.46	3.17
EBIT (earnings before interest and taxes)	(in € million)	-6.62	-13.93
EBT (earnings before taxes)	(in € million)	-9.68	-12.54
Net income/loss for the period	(in € million)	-10.23	-14.11
Earnings per share (basic)	(in €)	-0.22	-0.30
Earnings per share (diluted)	(in €)	-0.21	-0.30
Equity ratio	(in %)	23.06	27.83

3U GROUP (IFRS)		QUARTERLY COMPARISON	
		Q2 2005	Q2 2004
Sales	(in € million)	31.34	26.26
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(in € million)	1.16	2.31
EBIT (earnings before interest and taxes)	(in € million)	-3.02	-9.51
EBT (earnings before taxes)	(in € million)	-4.54	-7.91
Net income/loss for the period	(in € million)	-5.09	-8.96
Earnings per share (basic)	(in €)	-0.11	-0.19
Earnings per share (diluted)	(in €)	-0.11	-0.19
Equity ratio	(in %)	23.06	27.83



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LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS,

We would like to thank you warmly for the trust you placed in us at this year's Annual General Meeting. Your support showed us that the strategic alignment of the 3U Group is correct – to concentrate increasingly on Internet services for private and business customers in addition to fixed-line network telephony and marketing bandwidth.

In July 2005, after months of negotiations, we realised the realignment of the contractual conditions with our fibre optic supplier at our LambdaNet subsidiary. The resulting significant cost savings in conjunction with the partial waiver of the creditor in respect to a convertible bond will result in an earnings improvement of approximately € 30 million to 2011. Already in the financial year 2005, we will be able to improve the annual consolidated result by approximately € 10 million. By reducing liabilities and generating higher margins as a result of lower costs, the 3U Group has created the framework for returning to profitability. Therefore the balance sheet structure and the group equity ratio will again improve over the next few years.

The agreement with our fibre optic supplier is thus an important basis for 3U TELECOM AG to further advance the Group's strategic and technological development. In the telecommunication industry, convergence between Internet and telephony is becoming increasingly tangible. Higher dissemination of broadband connections, faster data transmission speeds and declining costs for the end customer are leading to a dynamic and fierce competitive environment. With the high quality of our technology platform, we regard ourselves as well positioned to benefit from the changed market environment.

At the beginning of May, 3U TELECOM AG launched its own DSL and Voice over IP products. For the first time this was accompanied by extensive marketing measures in our new invigorating corporate identity. Orange posters on our DSL City Flat Rates in selected cities as well as marketing on cross-industry, highly frequented Internet portals generated a positive response. With this customer reaction, we are optimistically looking forward to establish our new products on the growing market of broadband Internet technology.

In the reporting quarter, the operating business developed in line with our expectations. In the fixed-line network telephony segment we considerably improved the quarterly result of our subsidiary OneTel due to strongly reinforced sales activities, aggressive price management and realised synergies. As a result we regained market share in the shrinking call-by-call market segment and posted the highest sales level in fixed-line network telephony in the history of the company. These successes are contributory factors to further improving awareness levels and acquiring additional cooperation partners. In the medium term, we will again be considerably more successful in the fixed-line area. Sales in the broadband/IP segment were as scheduled. Due to rigorous cost management, earnings were higher than expected.

With the positive development in recent months, management is expecting that the 3U Group will achieve the goals it has set itself. This should positively impact the stock price.

The 3U TELECOM AG Management Board

Michael Schmidt, Roland Thieme, Burkhard von Ehren and Berth Hausmann (from left)



OVERVIEW OF 3U SHARES

International Securities Identification Number (ISIN)	DE0005167902
Stock exchange symbol	uuu
Trading segment	Prime Standard
Industry key	Telecommunication
Designated Sponsors	Helaba Landesbank Hessen-Thüringen and Axxon Wertpapierhandelsbank AG
Initial listing	26 November 1999
Registered share capital (in €)	46,842,240.00
Share price on 30 June 2005* (in €)	0.98
High in the first six months of 2005* (in €)	1.44 (29 April 2005)
Low in the first six months of 2005* (in €)	0.79 (15 February 2005)
Number of shares	46,842,240
Market capitalisation on 30 June 2005 (in € million)	45.91
Earnings per share (basic) (in €)	-0.22

In the first six months of 2005, the trading volume was approximately 12 million shares a month, thus considerably higher than the average in previous years. As of 30 June 2005 the share price was € 0.98, virtually unchanged from the beginning of the quarter. This represents a market capitalisation of € 45.91 million.

*Daily closing price Xetra

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



The 3U share slightly outperformed the Tec All Share index in the first half-year. The price upturn before our Annual General Meeting on 19 May 2005 did not continue.

INVESTOR STRUCTURE

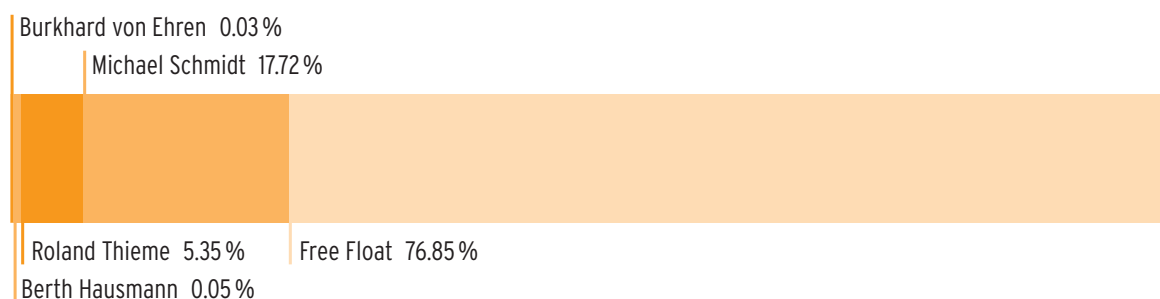
As of 30 June 2005, members of the governing bodies held the following shares with full voting and dividend rights:

MANAGEMENT BOARD

Burkhard von Ehren	14,500 shares
Berth Hausmann	22,000 shares
Michael Schmidt	8,299,995 shares
Roland Thieme	2,508,330 shares

SUPERVISORY BOARD

Hubertus Kestler (Chairman)	0 shares
Ralf Thoenes (Deputy Chairman)	0 shares
Gerd Simon	0 shares



INVESTOR RELATIONS

The course described by the management at the Annual General Meeting has met with a positive response from analysts. Assessments in the most recent analyst studies are considerably more positive than in recent months, not least due to the successful conclusion of the fibre optic lease negotiations. We are thus expecting increasing interest from analysts and fund managers, which is why we have intensified our Investor Relations activities. To re-position the 3U Group as an attractive investment, initial contact has been made with fund managers. We intend to continue these initiatives in the second half of the year. Participation in the 2005 Equity Forum is planned for November.

We attempt direct contact with our shareholders via our website in the near future. New publications on our Company can be viewed promptly on our homepage.

THE FIRST HALF-YEAR 2005

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REPORT ON BUSINESS DEVELOPMENT

SALES DEVELOPMENT

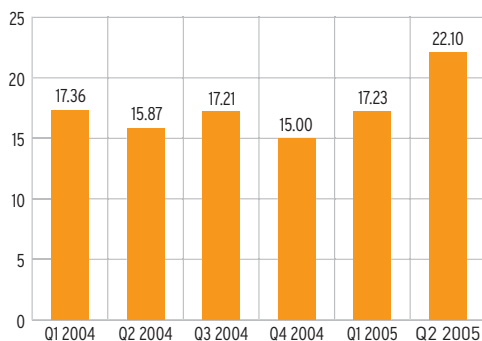
In order to improve prior-year comparability, especially in the broadband/IP segment, we allocated the figures for carrier24 GmbH, the subsidiary that was fully consolidated in the last quarter of 2004, to the individual quarters. Thus the comparative figures of 2004 are no longer identical with the figures from the quarterly reports and the 2004 annual report. The differences result from the sales and earning contributions of carrier24 GmbH in the individual quarters. In the charts, the business development of carrier24 GmbH is allocated to the individual quarters.

At the same time, it should be noted that LambdaNet was only included in the consolidation from the second quarter of 2004 onwards. In the fixed-line network telephony segment there were no changes that negatively impact on comparability.

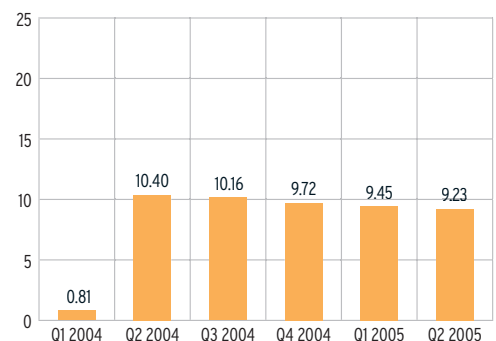
In the second quarter of 2005, total Group sales increased by 19.3 % year-on-year, from € 26.26 million to € 31.34 million. Compared to the first quarter of 2005, sales improved by € 4.66 million. The sales level of € 58.01 million in the first six months of 2005 is 30.6 % higher than in the equivalent period of the previous year (first half-year 2004: € 44.43 million).

In the fixed-line network telephony segment, sales were € 4.87 million higher than in the previous quarter (first quarter 2005: € 17.23 million). Sales also developed positively in comparison to the equivalent period in the previous year. At € 22.10 million in the second quarter, the segment posted the highest quarterly sales since the company was founded. This development is due to an increase in wholesale business, a considerable upturn of call-by-call sales at our subsidiary OneTel as well as our successful marketing cooperations, including those with Quelle. Here we are evidencing an ongoing upturn of customer figures and sales.

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



SALES DEVELOPMENT - BROADBAND/IP SEGMENT IN € MILLION



In the broadband/IP segment we generated sales of € 9.23 million in the second quarter of 2005 (first quarter 2005: € 9.45 million). As expected sales were down on the previous year (€ 9.59 million), due to the provisional insolvency phase at LambdaNet before being acquired by 3U TELECOM AG. This is primarily the result of LambdaNet customers terminating contracts during this period. Towards the end of the second quarter, we again registered increasing monthly sales at LambdaNet. While the development for the classical carrier products proves to be very satisfying, sales in the corporate clients business (ISP, VPN) are still lagging the targets. However, as we have a good position in several invitations to tender, we also expect sales to increase in this product area in the second half of the year. In the first six months of 2005, the carrier24 GmbH sales contribution was € 1.21 million.

EARNINGS DEVELOPMENT

For the second quarter of 2005, the 3U Group posted a loss of € 5.09 million. This is a slight improvement in comparison to the previous quarter (minus € 5.14 million). With the rejection of the control and profit transfer agreements at the Annual General Meeting, we are anticipating six-figure tax payments, which we had previously not accounted for. In the second quarter, we established provisions negatively impacting results. As a result of the changed shareholder structure the Management Board expects that the approval for the control and profit transfer agreements which are again to be proposed by the administration to the Extraordinary Meeting planned in the fourth quarter will be given and thus become effective for the current financial year.

The majority of the losses are still being incurred from the high, but not liquidity-related depreciation taken on the fibre optic network in the broadband/IP segment.

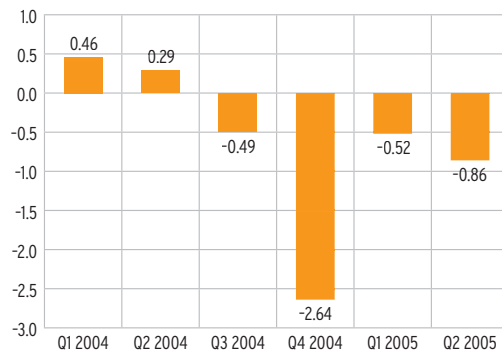
In the second quarter of 2005, Group EBITDA was € 1.16 million, a slight decline of € 0.14 million in comparison to the first quarter of 2005. On a cumulative basis, EBITDA for the first half-year 2005 is € 2.46 million (previous year: € 3.17 million).

In the second quarter of 2005, increasing sales and marketing expenses contributed to a decline in the EBITDA figure for the fixed-line network telephony segment of € 0.86 million in comparison to the previous quarter (minus € 0.52 million), even though the restructuring activities at our OneTel subsidiary show positive effects.

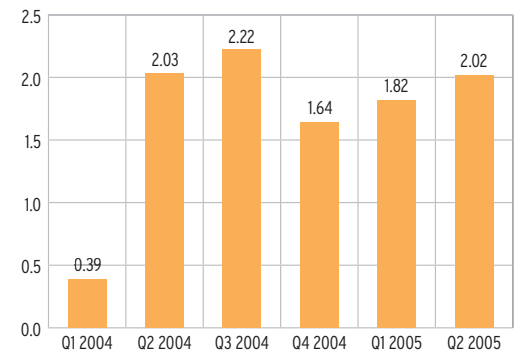
Our subsidiary in the USA posted a positive performance for both sales and income. The European subsidiaries are currently being examined. The Management Board will make a decision as to their continuation to the end of 2005. The comparable quarter in the previous year was negatively impacted by considerable restructuring charges. For this reason, it can be used for comparative purposes only to a very limited extent.

For the second half of the year, we are anticipating the first notable sales in the DSL/VoIP area as a result of product launches in May 2005. In addition to the increasing number of customers due to our market cooperation with Quelle, we want to make the call-by-call business and the wholesale business more profitable at high volumes.

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



EBITDA DEVELOPMENT - BROADBAND/IP SEGMENT IN € MILLION

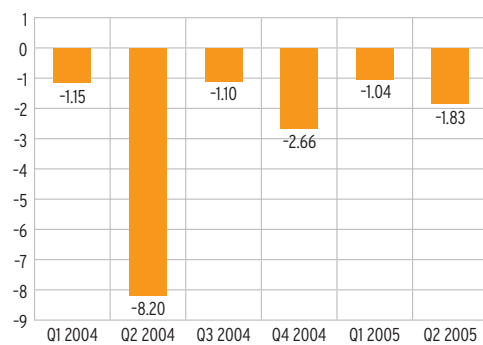


EBITDA developed more positively in the second quarter of 2005 at € 2.02 million in the broadband/IP segment after € 1.82 million in the previous quarter, despite lower sales. With the optimised cost management, the EBITDA margin improved to 20.6 % in the first six months of 2005 in this segment. Segment earnings were minus € 3.25 million, up 20.5 % on the first quarter (minus € 4.11 million).

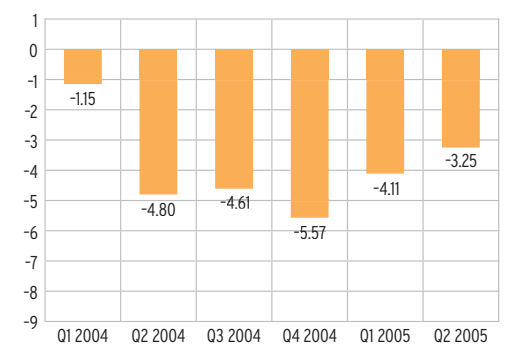
In the second quarter of 2005, earnings per share (basic) amounted to minus € 0.11, up on the previous-year figure of minus € 0.19.

For the first half-year, the earnings per share (basic) were minus € 0.22, an improvement of € 0.08 per share in comparison to the same period of the previous year.

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



EARNINGS DEVELOPMENT - BROADBAND/IP SEGMENT IN € MILLION



INVESTMENTS

Investments in the second quarter of 2005 were at the expected level of € 0.55 million, slightly up on the level of the previous quarter (€ 0.45 million). Investments were made primarily in network technology and software.

FINANCIAL POSITION

As of 30 June 2005, the Group's total assets amounted to € 158.84 million (previous quarter: € 162.74 million).

The ratio of non-current assets to total assets is 76.91% against 77.83 % at the end of the first quarter of 2005.

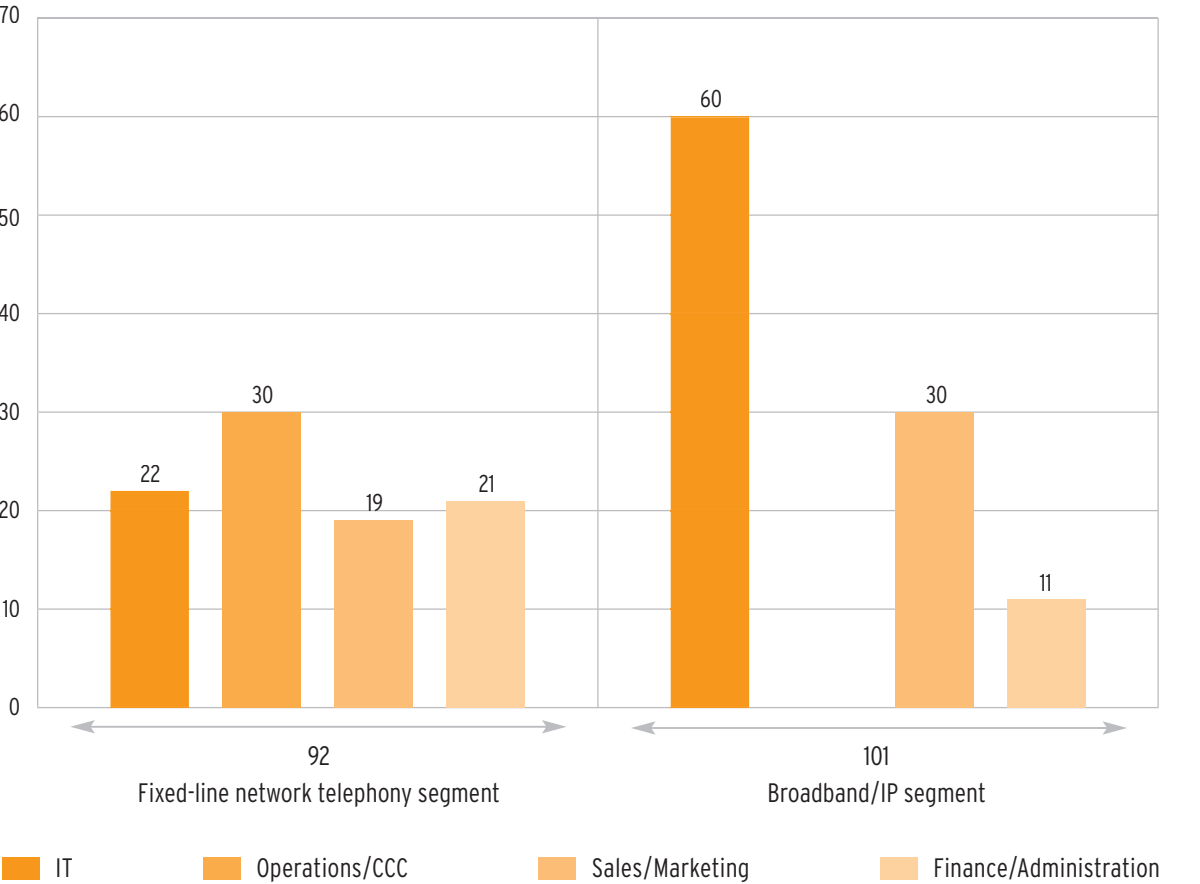
As at the end of the second quarter of 2005, cash and cash equivalents amounted to € 36.72 million, slightly lower than at the end of the previous quarter (€ 37.66 million) as expected. However, we expect an increase of cash and cash equivalents to the end of the next quarter.

To the end of the second quarter of 2005, shareholders' equity declined to € 36.63 million as a result of the net loss compared to the end of the previous quarter. The equity ratio amounted to 23.06 % (end of the previous quarter 24.03 %). With the reduction of fibre optic fees and a partial waiver of the convertible bond, the equity ratio will again increase.

EMPLOYEES

In comparison to the end of the previous quarter (191 employees), the number of employees increased by 2 to the end of the second quarter of 2005.* The key factors were employees at OneTel leaving the company as they did not accept the offer to move to Marburg. However, we employed new staff, particularly in the Customer Care area, at the same time reducing the number of temporary student workers.

EMPLOYEE STRUCTURE AS OF 30 JUNE 2005*



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

EVENTS OF PARTICULAR IMPORTANCE AFTER THE END OF THE REPORTING PERIOD

AGREEMENT WITH THE NETWORK PROVIDER OF LAMBDANET COMMUNICATIONS DEUTSCHLAND AG

After several rounds of negotiations with the most important network provider of our LambdaNet subsidiary, we succeeded in achieving a price adjustment of the fibre optics agreements on the basis of existing contracts. At the same time our supplier waived € 7.86 million of the convertible bond reported in the 31 December 2004 in the balance sheet at € 10.48 million. The remaining amount of € 2.62 million is to be paid by LambdaNet by the end of 2006.

To the end of the contractual period, the annual cost savings will be significant. As a result, in comparison to the medium-term planning, the Company's earnings and cash and cash equivalents will improve by over € 30 million to 2011. This includes the non-recurring effect described above resulting from the loan waiver of GasLINE which impacts the financial year 2005.

MOVE OF THE ONETEL TELECOMMUNICATION GMBH REGISTERED OFFICE

The registered office of OneTel Telecommunication GmbH is now in Marburg.

FOUNDING NEW COMPANIES

CleverDial Telecom GmbH (010060) and DialFux Telecom GmbH (010017) were founded to implement new cooperation models, thus strengthening our fixed-line business.

OUTLOOK FOR FINANCIAL YEAR 2005

After the close of the first half-year, the 3U Group is on the way to return to profitability.

The key economic ratios will show a further improvement. Long-term financial stability has been achieved with the agreement with our fibre optic supplier. The signature under the new agreement with our fibre optic supplier is a milestone in the development of the Company.

Long-term cost savings for fibre optic leases and the non-recurring impact of the loan waiver will have a significant effect on LambdaNet earnings and thus the consolidated result.

We have made considerable progress with our restructuring activities. Furthermore we will realise additional synergy potentials in order to operate profitably again in the fixed-line business.

We will strengthen our position on the telecommunications market. The media and our competition are already closely watching our new products, "Highspeed-DSL" and "Voice over IP". Attractive prices have resulted in top rankings in the relative tariff tables. At the same time, the new "orange" marketing positioning has been successful.

An important component is reinforcing our telesales activities in order to be able to grow with the "Preselection" product alongside the growing DSL market segment. This is supported by the well functioning cooperation with Quelle, resulting in a steady increase in customer numbers. Since June 2005, we have been marketing our DSL product together with this partner, and regard this distribution channel with its customer potential as a focus of our sales activities. In the future, we are targeting a healthy mix of end-customer relationships, cooperations, new partner models and wholesale business. Here, the key aspect is a profitable, individual customer relationship. We will extend the partner models with the foundation of CleverDial Telecom GmbH and DialFux Telecom GmbH.

In the fixed-line business we are expecting to return to profitability in the fourth quarter of 2005.

Concrete measures such as the optimisation of process flows at OneTel, exploiting synergies in administration and an aggressive sales strategy show the awareness levels for a brand can be increased and significant success achieved within a very short period of time, even in the price-sensitive call-by-call market. We want to move forward on this basis, strengthen the 3U TELECOM brand, improve the customer portfolio as well as strengthen both customer satisfaction and loyalty to the 3U TELECOM brand.

Within the Group, the broadband/IP segment will play an important role. We have established an excellent positioning in the carrier business, which is characterised by price adjustments. Indicators for a considerable improvement in the VPN/Corporates segment are the many projects in which we are involved as a result of our outstanding technological standards.

The positive sales development in the fixed-line network telephony segment allows us to make an upward revision to the annual guidance:

1. In 2005, consolidated sales will increase by at least 10 % in comparison to 2004 (€ 96.46 million):

Cumulative consolidated sales as of 30 June 2005: € 58.01 million

2. For the EBITDA we expect growth of 50 % in comparison to the previous year (€ 4.07 million). It should be noted, that the full-year EBITDA for the fixed-line network telephony segment will remain negative.

Cumulative consolidated EBITDA as of 30 June 2005: € 2.46 million

3. After a loss of € 29.15 million in 2004, for 2005 we expect a loss under € 10 million. We had initially expected the loss to be halved. The loss is largely due to depreciation expenses for the fibre optic network, which does not impact liquidity

Cumulative consolidated result as of 30 June 2005: minus € 10.23 million

4. The balance sheet structure will improve. Non-current lease liabilities will lower due to a reduction of fibre optic leases.

As a result of the waiver, the convertible bond on the balance sheet to the end of the year will decline to a figure of € 2.62 million. The amount will be repaid by the end of 2006 at the latest. This effect positively impacts the equity ratio.

5. There has been a dramatic improvement in the medium-term liquidity situation: the € 20.9 million payment of the convertible bond planned for 2009 no longer applies.

Over the next few years, the objective of the Group will be to further develop on a stable and profitable basis, participating in market growth on the telecommunications market.



THE CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEET AS OF 30 JUNE 2005 (IFRS)

ASSETS 3U GROUP (IN € THOUSAND)		
	30 JUNE 2005	31 DEC. 2004
NON-CURRENT ASSETS	122,165	123,537
Intangible assets	16,793	17,800
Property, plant and equipment	74,445	78,579
Financial assets	24,674	23,310
Deferred taxes	413	455
Other non-current assets	4,905	2,103
Prepaid expenses	935	1,290
CURRENT ASSETS	36,678	35,382
Trade receivables	13,853	8,906
Other current assets	4,460	4,554
Cash and cash equivalents	12,146	16,499
Prepaid expenses	6,219	5,423
TOTAL ASSETS	158,843	158,919

SHAREHOLDERS' EQUITY AND LIABILITIES		
3U GROUP (IN € THOUSAND)	30 JUNE 2005	31 DEC. 2004
SHAREHOLDERS' EQUITY	36,628	44,220
Issued capital	46,842	46,842
Capital reserve	20,487	20,322
Revaluation reserve	2,385	845
Retained earnings	-22,855	6,110
Net income/loss	-10,231	-29,898
Minority interests	9	9
Adjustment item for currency difference	-9	-10
NON-CURRENT LIABILITIES	77,993	78,642
Non-current provisions	817	116
Non-current liabilities due to banks	16,257	16,467
Non-current lease liabilities	43,812	44,383
Other non-current liabilities	14,989	14,735
Liabilities from income taxes	799	0
Deferred taxes	642	973
Deferred income	677	1,968
CURRENT LIABILITIES	44,222	36,057
Current provisions	5,218	3,751
Trade payables	18,067	13,664
Current liabilities due to banks	5	0
Current lease liabilities	2,612	2,493
Other current liabilities	13,092	10,292
Deferred taxes	1,524	1,847
Deferred income	3,704	4,010
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	158,843	158,919

INCOME STATEMENT (IFRS)

3U GROUP (IN € THOUSAND)		QUARTERLY REPORT - Q2		HALF-YEAR REPORT	
		1 APRIL 2005- 30 JUNE 2005	1 APRIL 2004- 30 JUNE 2004	1 JAN. 2005- 30 JUNE 2005	1 JAN. 2004- 30 JUNE 2004
Sales		31,337	26,259	58,014	44,425
Cost of sales		-30,381	-23,751	-55,023	-38,214
GROSS PROFIT		956	2,508	2,991	6,211
Selling expenses		-958	-1,612	-3,081	-2,448
General administrative expenses		-3,089	-3,724	-6,365	-7,176
Other operating income		1,302	332	2,571	393
Other operating expenses		-1,227	-6	-2,048	-108
Goodwill amortisation		0	-7,006	-689	-10,805
Other		0	-1	0	-1
EARNINGS BEFORE INTEREST AND TAXES		-3,016	-9,509	-6,621	-13,934
Interest income/expenses		-1,527	-1,576	-3,055	-1,789
Income from investments		0	1	0	1
Other income/expenses		0	3,179	0	3,179
EARNINGS BEFORE TAXES		-4,543	-7,905	-9,676	-12,543
Income tax expense		-550	-1,386	-555	-1,907
EARNINGS AFTER TAXES		-5,093	-9,291	-10,231	-14,450
Minority interests		0	327	0	341
CONSOLIDATED PROFIT		-5,093	-8,964	-10,231	-14,109
NET INCOME/LOSS FOR THE PERIOD		-5,093	-8,964	-10,231	-14,109
EARNINGS PER SHARE					
Earnings per share (basic)	(in €)	-0.11	-0.19	-0.22	-0.30
Earnings per share (diluted)	(in €)	-0.11	-0.19	-0.21	-0.30
Average shares					
outstanding (basic)	(per item)	46,842,240	46,842,240	46,842,240	46,842,240
Average shares					
outstanding (diluted)	(per item)	47,708,490	47,708,490	47,708,490	47,708,490

CASH FLOW STATEMENT (IFRS)

3U GROUP (IN € THOUSAND)	1 JAN. 2005- 30 JUNE 2005	1 JAN. 2004- 30 JUNE 2004
INCOME FOR THE HALF-YEAR	-10,232	-14,110
Minority interests	0	1,086
Amortisation and depreciation expense	8,394	12,524
Provisions	2,168	8,104
Changes in receivables	-8,047	-19,032
Changes in other assets/liabilities	5,348	76,174
CASH FLOW FROM OPERATING ACTIVITIES	-2,369	64,746
Acquisition/disposal of intangible assets and property, plant and equipment	-3,348	-1,307
Acquisitions of consolidated companies/non-current assets	0	-102,325
CASH FLOW FROM INVESTING ACTIVITIES	-3,348	-103,632
Increase in shareholders' equity	0	0
Proceeds from the borrowing of short- or long-term loans	0	16,483
Payment for the repayment of loans	0	0
Payment for finance lease	0	0
Other	1,364	1,816
CASH FLOW FROM FINANCING ACTIVITIES	1,364	18,299
Foreign exchange rate effects on cash and cash equivalents	0	0
CHANGE IN CASH AND CASH EQUIVALENTS	-4,353	-20,587
Cash and cash equivalents at the beginning of the period	16,499	35,827
Cash and cash equivalents at the end of the period	12,146	15,240

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2005 (IFRS)

3U GROUP (IN € THOUSAND)	ISSUED CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	MINORITY INTERESTS	CURRENCY	EARNINGS FOR THE PERIOD	TOTAL SHARE- HOLDERS' EQUITY
AS OF 1 JAN. 2004	9,333	57,225	2,760	3,866	0	0	0	73,184
Consolidated profit	0	0	0	0	0	0	-29,898	-29,898
Adjustments US-GAAP	0	0	0	2,244	0	0	0	2,244
Capital increase	37,473	-37,473	0	0	0	0	0	0
Own shares	36	206	0	0	0	0	0	242
Stock options	0	364	0	0	0	0	0	364
Revaluation of securities	0	0	-1,915	0	0	0	0	-1,915
Currency changes taken directly to equity	0	0	0	0	0	-10	0	-10
Minority interests	0	0	0	0	9	0	0	9
AS OF 31 DEC. 2004	46,842	20,322	845	6,110	9	-10	-29,898	44,220

3U GROUP (IN € THOUSAND)	ISSUED CAPITAL	CAPITAL RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	MINORITY INTERESTS	CURRENCY	EARNINGS FOR THE PERIOD	TOTAL SHARE- HOLDERS' EQUITY
AS OF 1 JAN. 2005	46,842	20,322	845	-23,788	9	-10	0	44,220
Consolidated profit	0	0	0	0	0	0	-10,231	-10,231
Adjustments for previous years	0	0	0	933	0	0	0	933
Stock options	0	165	0	0	0	0	0	165
Revaluation of securities	0	0	1,540	0	0	0	0	1,540
Currency changes taken directly to equity	0	0	0	0	0	1	0	1
Other changes	0	0	0	0	0	0	0	0
AS OF 30 JUNE 2005	46,842	20,487	2,385	-22,855	9	-9	-10,231	36,628

GENERAL INFORMATION

1. GENERAL INFORMATION ON THE COMPANY

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

2. ACCOUNTING PRINCIPLES

GENERAL INFORMATION

The quarterly financial statements of 3U TELECOM AG as of 30 June 2005 were prepared on the basis of the adoption of International Financial Reporting Standards (IFRS) in line with the provisions of IFRS 1 published on 19 June 2003 and taking into consideration the applicable guidelines of the International Accounting Standards Board (IASB), London. The term IFRS also includes the International Accounting Standards (IAS) that are still applicable.

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

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

In March 2004, the IASB published IFRS 3, thus stipulating new regulations for business combinations. As a result, the former regulations, IAS 22, no longer apply. In the process, the standards IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" were redrafted. Application of the new/changed standards is obligatory for business combinations which were or are closed on or after 31 March 2004. The implications for the 3U Group are that the new/changed accounting methods apply to the two companies founded in February 2005.

These are cash subscriptions with a share capital of € 25,000 as of 10 February 2005. The two companies were consolidated for the first time as of 1 April 2005.

The interim report of 3U TELECOM AG is in line with the regulations of the International Financial Reporting Standards (IAS 34).

FINANCIAL YEAR

The financial year of the Company is the calendar year.

METHOD OF PRESENTATION

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

REPORTING CURRENCY

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

CONSOLIDATED GROUP

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

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

In line with IAS 27, all subsidiaries directly or indirectly controlled by 3U TELECOM AG are included in the consolidated financial statements. carrier24 GmbH is included in the scope of consolidation as a result of SIC 12.

3. EVENTS OF PARTICULAR IMPORTANCE AFTER 30 JUNE 2005 NOT INCLUDED IN THE FINANCIAL STATEMENTS (IAS 34)

Please refer to page 15 of this quarterly report.

ACCOUNTING POLICIES

1. INTANGIBLE ASSETS

In line with IAS 38 (intangible assets), acquired and internally developed intangible assets are capitalised if it is likely that the use of the assets entails a future economic benefit and the costs of the asset can be reliably determined. They are recognised at cost, including development costs in line with IAS 38, and amortised on a straight-line basis over their useful life. Research costs are expensed directly. Intangible assets, with the exception of goodwill, are amortised over a useful life of between three and five years.

2. GOODWILL

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

3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

4. ACCOUNTING FOR LEASES

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

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

5. IMPAIRMENT OF ASSETS

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

6. FINANCIAL ASSETS

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

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

7. RECEIVABLES

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

Specific valuation allowances are charged on doubtful receivables.

8. OTHER CURRENT ASSETS

Other current assets are recognised at their nominal amount and, if subject to recognisable risks, specific valuation allowances are charged.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at nominal value.

10. DEFERRED TAXES

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

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

11. PROVISIONS

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

12. LIABILITIES

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

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

13. STOCK OPTION PROGRAM

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

The exercise price is € 2.70.

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

On 9 March 2005, the Management Board resolved to set up a second stock option program. The 2005 stock option program has a term of five years. The non-transferable option rights may be exercised after a two-year vesting period, not before 9 March 2007 and not after 9 March 2010. In total, 2,206,000 share options were issued.

The exercise price is € 1.06.

The fair value of the share options granted in 2003 has been estimated at € 0.51 per share option. This estimate is based on the Black-Scholes model. The model assumes a share price of € 0.98, an exercise price of € 1.06, expected volatility of 61 and a risk-free interest rate of 3.0 %.

14. SALES

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

15. COST OF SALES

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

16. INCOME TAXES

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

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

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



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15 November 2005

- ANALYSTS' CONFERENCE

21 November 2005

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PHOTOS

Dirk Meußling (page 5)
Photonica (page 2)
Zefa (title, page 18 and page 32)

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Printed in Germany

This quarterly report contains statements relating to the future which are subject to risks and uncertainties. They are assessments of the Management Board of 3U TELECOM AG and reflect its current opinions with regard to future events. Such predictive statements can be recognised by the use of terms such as "expect", "estimate", "intend", "can", "will" and similar expressions in relation to the company.

The following are - by no means exhaustive - examples of factors that may trigger or affect a deviation: the development of demand for our services, competitive factors - including price pressure -, technological changes, regulatory measures, risks in the integration of newly acquired companies. If any of these or other risks and uncertain factors occur, or if the assumptions on which the statements are based prove to be incorrect, the actual results of 3U TELECOM may differ materially from those outlined or implied in these statements.

The company does not undertake to update predictive statements of this nature.

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