QUARTERLY REPORT 3/2005

3U TELECOM

3U TELECOM

SUMMARY OF GROUP RESULTS

3U GROUP (IFRS)		9-MONTH COMPARISON	
		1 JAN.–30 SEP. 2005	1 JAN.–30 SEP. 2004
Sales	(in € million)	89.13	71.86
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(in € million)	9.73*	4.89
EBIT (earnings before interest and taxes)	(in € million)	-1.35*	-17.20
EBT (earnings before taxes)	(in € million)	5.17*	-17.44
Net income/loss for the period	(in € million)	4.17*	-18.73
Earnings per share (basic)	(in €)	0.09*	-0.40
Earnings per share (diluted)	(in €)	0.09*	-0.39
Equity ratio	(in %)	36.87	27.83

3U GROUP (IFRS)		QUARTERLY COMPARISON	
		Q3 2005	Q3 2004
Sales	(in € million)	31.12	27.44
EBITDA (earnings before interest, taxes, depreciation and amortisation)	(in € million)	7.27*	1.73
EBIT (earnings before interest and taxes)	(in € million)	5.28*	-3.27
EBT (earnings before taxes)	(in € million)	14.85*	-4.90
Net income/loss for the period	(in € million)	14.40*	-4.63
Earnings per share (basic)	(in €)	0.31*	-0.10
Earnings per share (diluted)	(in €)	0.30*	-0.10
Equity ratio	(in %)	36.87	27.83

*The non-recurring effects of the deconsolidation of carrier24 GmbH are included in the earnings amount at € 5.02 million. EBITDA and earnings for Q3 2005 have been adjusted in the tables in the "Report on business development" chapter to improve the comparability of this non-recurring item.

02

CONTENT

QUARTERLY REPORT 3/2005

LETTER TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS,

The 3U Group recorded positive earnings for the first nine months of the 2005 financial year.
Consolidated sales for the 3U Group totalled € 89.13 million. Consolidated earnings were € 4.17 million as of 30 September 2005. This significant improvement in the fundamental data was largely the result of three developments:

1. CONSIDERABLE INCREASE IN OPERATIONS

Positive effects were felt from the sales and marketing activities that were strengthened at the start of the year. The 3U Group was able to achieve sales of € 22.33 million in the fixed-line network telephony segment in Q3 2005, thus exceeding expectations. This almost equalled total sales for the previous year (€ 65.44 million) in this segment already after nine months (€ 61.66 million). Due to rigorous rate management, the now fully integrated subsidiary OneTel Telecommunication GmbH almost doubled sales compared to the same period in the previous year.
The "white label partnerships", which have already been implemented successfully, also contributed to a steadily growing number of customers. Through the co-operation with the QUELLE mail order company, the number of customers has tripled since the start of the year.
The innovative sales co-operation between fon4U and a media partner led to a significant increase in call-by-call sales in the 3U Group.

However, the number of customers acquired for DSL and VoIP products to date has not met expectations. This is due to the changes in the market. While the margins for Internet flat rate provision have decreased considerably due to strong price competition, customer acquisition costs have increased. The 3U Group is now concentrating on increased marketing of these products through "white-label partnerships". The technological expertise and flexibility of the Group as a whole, combined with the market access enjoyed by established partners, will improve efficiency and cost structures in the mid-term. In this context, 3U TELECOM AG concluded a co-operation contract with The Phone House, one of the largest European mobile telephone service providers, in November.

Sales in the broadband/IP segment were in line with expectations at € 27.47 million after nine months, largely due to contributions from the carrier services segment.
As the tender periods in the business customers sales segment for VPN products have exceeded the expected six to nine months at currently twelve to fifteen months, the number of new business customers gained for VPN solutions remains below expectations. Organisational measures have therefore been introduced to strengthen and restructure Business Customer Sales to be able to achieve the targets planned in this segment for the 2006 financial year.

2. NEW SALES RELATIONS WITH GASLINE HAVE POSITIVE EFFECTS

As announced in an ad-hoc release on 28 July 2005, the ongoing network lease expense to 2011 have been considerably reduced due to the new regulations in contractual relations with GasLINE. This resulted in a € 12.1 million improvement in earnings in Q3, also due to the fibre-optic supplier GasLINE's partial waiver of the convertible bond at the LambdaNet subsidiary, which took effect in Q3 2005. The creditor banks gave their approval as expected.

3. DECONSOLIDATION OF CARRIER24 GMBH

Insolvency proceedings for carrier24 GmbH began on 28 September 2005. This company is therefore no longer part of the 3U Group. The deconsolidation led to a non-recurring positive effect on earnings of € 5.0 million in Q3 2005. The LambdaNet subsidiary now provides the network infrastructure for the 3U Group's fixed-line segment, through which the 3U Group can now exploit further synergies.

4. SUMMARY

Overall, the developments outlined above contributed to a significant improvement in the Group balance sheet structure. The balance sheet total decreased through the reduction of capitalised lease assets and the corresponding lease liabilities in the course of the new regulation of long-term network lease costs at LambdaNet and the deconsolidation of carrier24 GmbH. As a result of the non-recurring items in Q3 2005, the equity ratio increased from 23.06 % in the previous quarter to 36.87 % at the end of the quarter. At the same time, cash and cash equivalents increased from € 36.72 million in Q2 2005 to € 43.43 million.

The 3U Group Management Board believes that it has chosen the right course. Important contributions were made to the further growth of the 3U Group in the current financial year, even though there was no corresponding development in the share price despite improved fundamental data.

The 3U Group Management Board

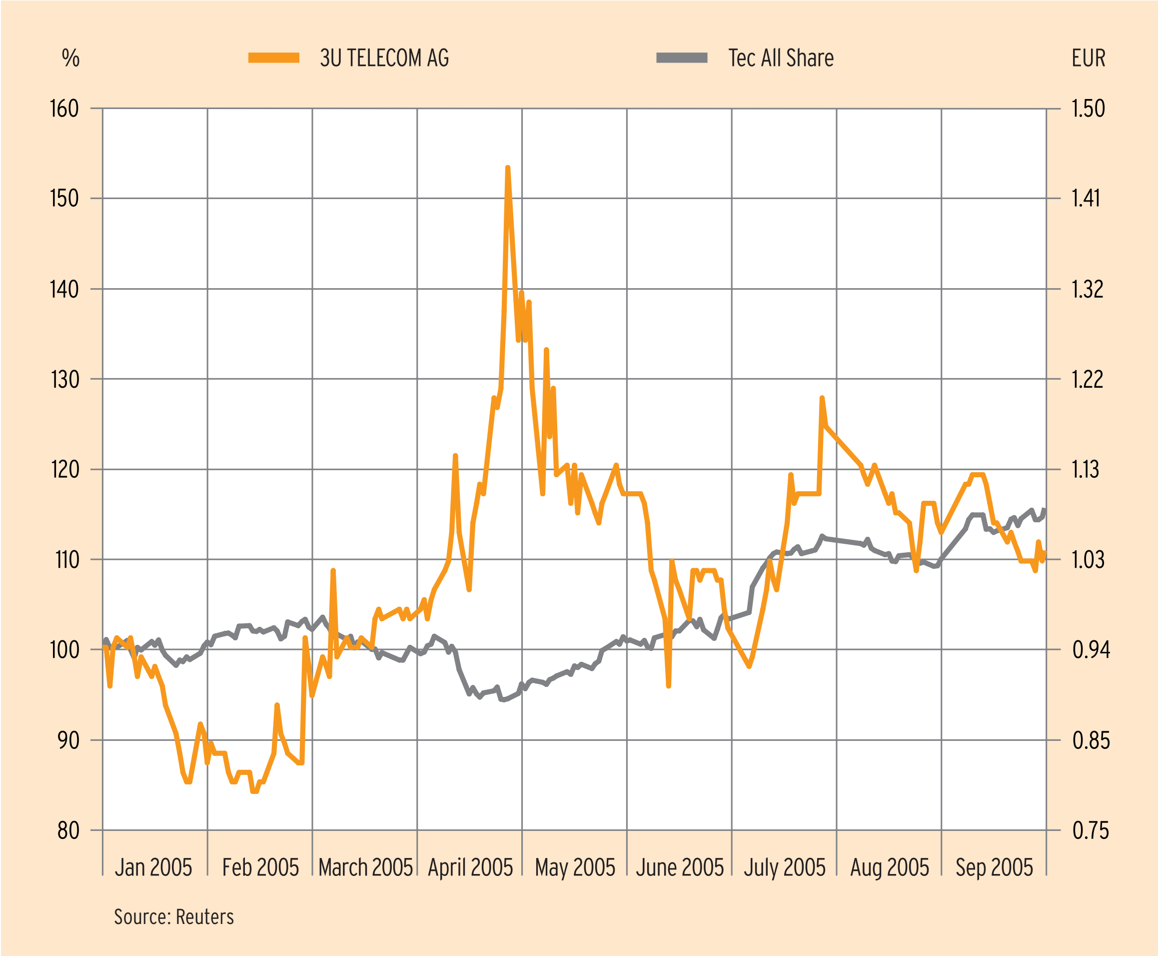
3U SHARES

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 September 2005*	(in €)	1.04
High in the first nine months of 2005*	(in €)	1.44 (29 April 2005)
Low in the first nine months of 2005*	(in €)	0.79 (15 February 2005)
Number of shares		46,842,240
Market capitalisation on 30 September 2005	(in Mio. €)	48.72
Earnings per share (basic)	(in €)	0.31

*Daily closing price Xetra

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



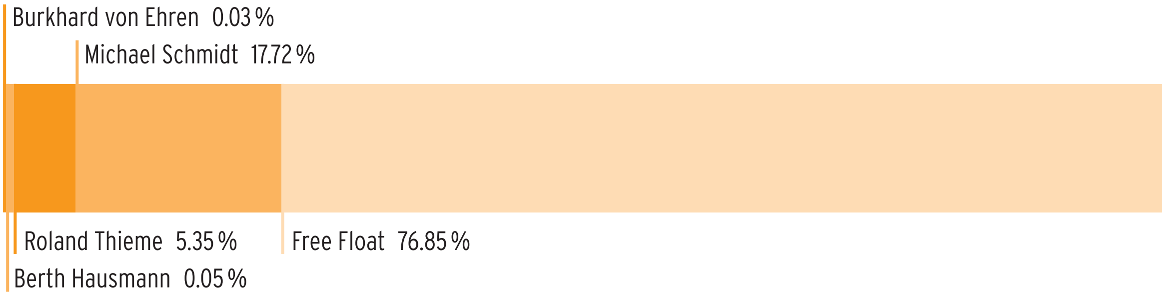
The 3U TELECOM AG share price rose by 6.1 % from € 0.98 at the close of Q2 2005 to € 1.04 as of 30 September 2005. The 3U TELECOM AG share price gained in value by over 18 % compared to the close of 2004 (€ 0.88). The company's market capitalisation was thus € 48.7 million at the end of Q3 2005.

The share price for 3U TELECOM AG slightly underperformed the technology all share index. However, trading volume remained high. Thus over 17.1 million 3U TELECOM AG shares were traded in July 2005, the strongest trading month, which indicates strong interest from private investors in particular. This high level of liquidity is also a good prerequisite for gaining more investors in the company in the future.

INVESTOR STRUCTURE

As of 30 September 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

Following the conclusion of negotiations with GasLINE and the cost savings achieved through this, analyst ratings have also improved. Discussions were held on a regular basis with analysts and investors during the last quarter to explain the financial effects of the new contractural agreement. The potential value of 3U TELECOM AG will also be clarified during this year's Equity Forum in Frankfurt am Main in November and in further discussions with institutional investors.

THE FIRST NINE MONTHS OF 2005

REPORT ON BUSINESS DEVELOPMENT

SALES DEVELOPMENT

3U Group sales increased year-on-year by 13.4 % from € 27.44 million to € 31.12 million in Q3 2005 (Q2 2005: € 31.34 million). Consolidated sales for the 3U Group totalled € 89.13 million after the first nine months of the 2005 financial year, an increase of 24.0 % compared to the first nine months of the previous financial year.

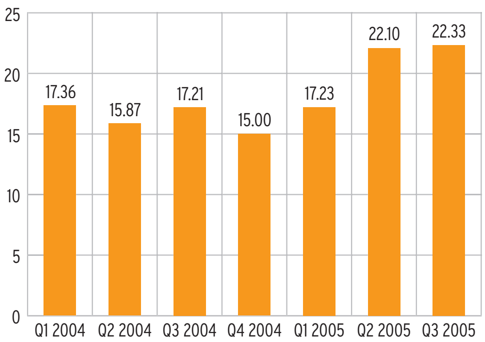
There has been a clear growth trend in the fixed-line network telephony segment since the start of the year, which was triggered by rigorous implementation of the sales and marketing strategy. Following record sales in the previous quarter (€ 22.10 million), sales increased further to a total of € 22.33 million. Sales in the "fixed-line network telephony" segment totalled € 61.66 million after nine months. Sales are driven by call-by-call sales, particularly at the One Tel subsidiary.

The 3U Group recorded a slight decline in the wholesale business in the past three months compared to Q2 2005, but sales remain high. A recently completed direct connection between our network and the mobile telephone operator E-Plus also allows for further growth with increasing margins in this area. Fixed-line customers are enjoying more attractive call-by-call offers for telephone calls to the E-Plus network and capacity from this direct connection can also be provided to third-party voice service providers. The wholesale business can thus be optimised and expanded due to the advantageous purchasing conditions.

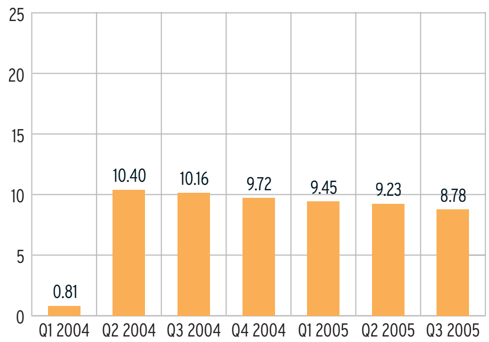
Sales in the Broadband/IP segment totalled € 8.78 million in Q3 2005 (Q2 2005: € 9.23 million). Consolidated sales amounted to € 27.47 million after nine months, representing a year-on-year increase of 28.6 %. The deconsolidation of carrier24 on 23 August 2005 must be taken into consideration in these figures. Consequently, total sales in the "Broadband/IP" segment for Q3 2005 include sales from carrier24 totalling € 0.36 million only. Total sales for the current financial year from carrier24 to the deconsolidation date amount to € 1.57 million.

Note on comparability in the Broadband/IP segment:
Total sales and earnings of carrier24 GmbH were given in the 2004 Annual Report. To improve the comparability of the individual quarterly reports, sales and earnings of carrier24 GmbH are now distributed between the individual quarters of the 2004 financial year. Thus the carrier24 GmbH figures from the 2004 Annual Report and the figures given in the quarterly reports are not identical. carrier24 was divested on 23 August 2005 in Q3 2005. The subsidiary LambdaNet was also consolidated as of Q2 2004. Q1 2004 sales and earnings are thus not included in the 2004 comparative figures.

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



SALES DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION

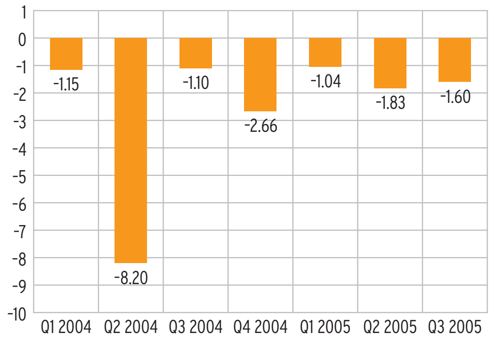


EARNINGS DEVELOPMENT

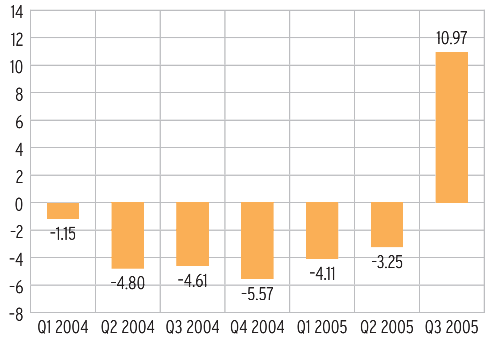
Consolidated earnings have been very positive following the agreement with GasLINE and the deconsolidation of carrier24. The 3U Group reported consolidated earnings of € 14.4 million for Q3 2005 (Q2 2005: minus € 5.09 million). Consolidated earnings after the first nine months of the current financial year thus amount to € 4.17 million. The Group's EBITDA (earnings before interest, taxes, depreciation and amortisation) rose by 94.0 % from € 1.16 million in the previous quarter to € 2.25 million in Q3 2005. Alongside the non-recurring items, this reflects the improvement in the operating business margins, one of the fundamental targets for the future. Total Group EBITDA amounts to € 4.71 million for the current financial year.

Net Group income in Q3 2005 corresponds to earnings per share (basic) of € 0.31. Without the non-recurring item of the deconsolidation of carrier24 GmbH, this results in total earnings per share of minus € 0.02. 3U TELECOM AG posted positive earnings of € 0.09 per share for the first nine months of the 2005 financial year.

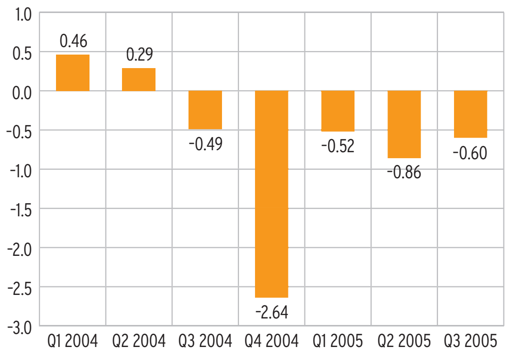
EARNINGS DEVELOPMENT – FIXED-LINE NETWORK TELEPHONY SEGMENT IN € MILLION



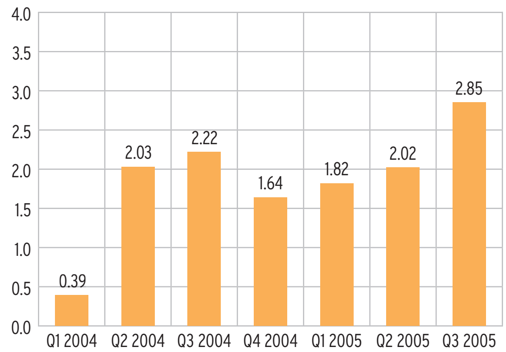
EARNINGS DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION



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



EBITDA DEVELOPMENT – BROADBAND/IP SEGMENT IN € MILLION



SEGMENT REPORT

The fixed-line network telephony segment reported earnings of minus € 1.60 million in Q3 2005. Earnings totalled € 4.47 million after nine months. This includes tax provisions of almost € 1 million. Tax provisions could be reduced in Q4 2005 with the anticipated approval of the control and profit transfer agreements in the extraordinary Annual General Meeting. In Q3 2005, EBITDA improved slightly in this segment to minus € 0.60 million compared to the previous quarter (minus € 0.86 million). The 3U Group has thus moved closer to the target of profitable EBITDA in the fixed-line network telephony segment.

Adjusted for non-recurring items (write-off of several provisions for carrier24 GmbH on the deconsolidation date, 23 August 2005), the Broadband/IP segment proved to be profitable, achieving earnings of € 10.97 million in Q3 2005.
A large share of this income came from the non-recurring items described for the LambdaNet subsidiary (partial waiver of convertible bonds and modified fibre-optic lease expense), which are not part of the operating result. Segment earnings therefore amount to € 3.60 million after nine months. This includes consolidated earnings from carrier24 GmbH totalling minus € 0.42 million.
EBITDA in the Broadband/IP segment amounted to € 2.85 million in Q3 2005. The subsidiary LambdaNet achieved EBITDA of € 2.18 million. This represents an increase of € 0.42 million compared to the previous quarter. The EBITDA margin of LambdaNet could thus be increased to 25.9 % in Q3 2005 (Q2 2005: 20.7 %). Important carrier contracts were extended so that LambdaNet can operate profitably based on this solid foundation. An increase in the number of business customers in the "VPN products" area is expected due to the restructuring of sales.

INVESTMENTS

Investments across the Group amounted to € 0.65 million in Q3 2005. These were primarily re-investments in the existing network infrastructure and new investments in customer projects that will strengthen the 3U Group's earnings situation further in the mid-term.

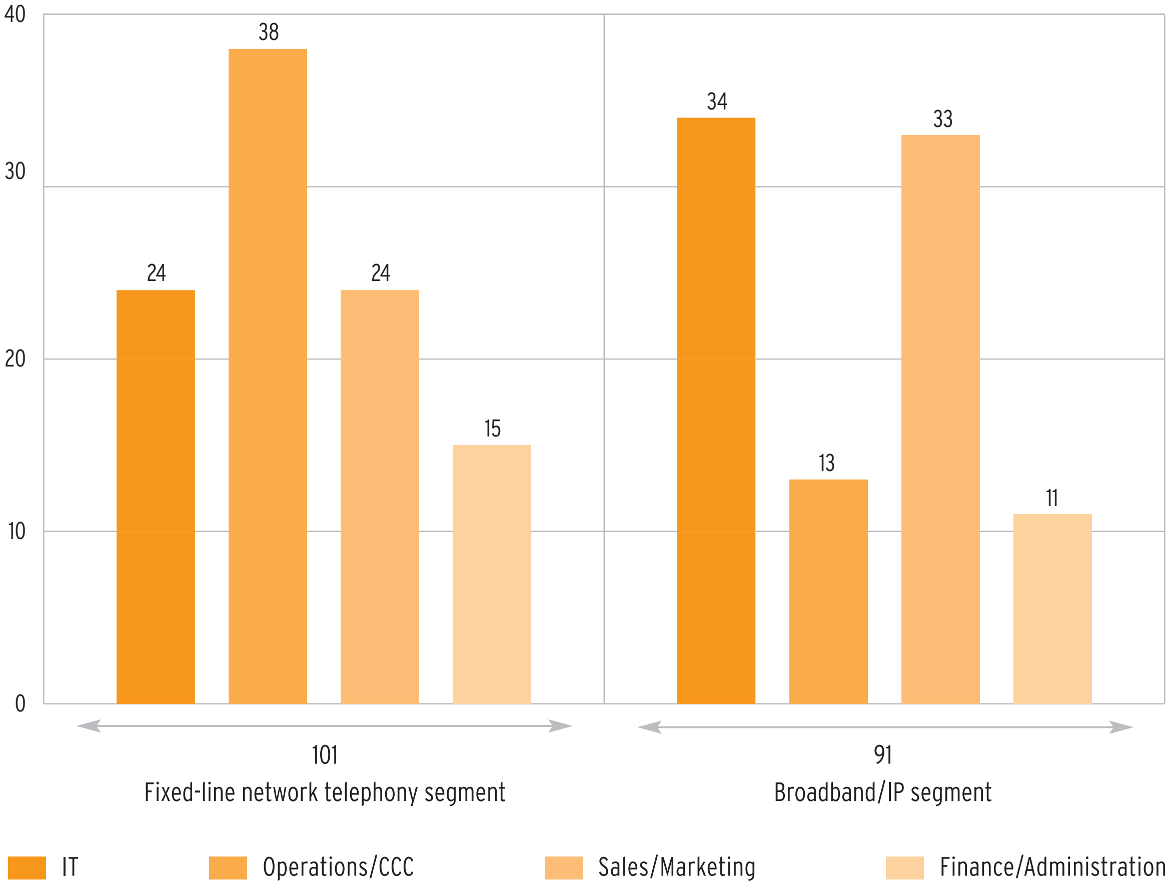
FINANCIAL POSITION

The 3U Group's total assets declined by € 25.62 million from € 158.84 million to € 133.22 million compared to the previous quarter. This is due to the deconsolidation of carrier24, through which long-term capitalised lease goods and the corresponding lease liabilities are no longer included in the total assets (asset reduction). The reduced fibre-optic cable lease also had positive effects on the balance sheet. Thus there was a € 7.8 million decrease in LambdaNet's long-term lease items. The effect on the liabilities side of the balance sheet is even more significant. There was a € 17.5 million reduction in long-term liabilities following the reduced lease liabilities and the supplier's partial waiver of a convertible bond.
A significant improvement in the total assets structure can be seen as a result. The equity ratio rose from 23.06 % to 36.87 % due to positive earnings and the reduction of liabilities.
Cash and cash equivalents rose to € 43.43 million as of 30 September 2005 compared to Q2 2005 (€ 36.72 million). Despite partial payment of the convertible bond to GasLINE in 2006 and the start of repayment of the bank loan in instalments, the 3U Group will also have sufficient liquid funds available in the future to complete restructuring successfully and to invest in strategically important market segments.

EMPLOYEES

In comparison to the end of the previous quarter (193 employees), the number of employees has almost remained constant at 192. While some employees left the company through redundancy programmes at OneTel, new members of staff were employed in the System Development and Customer Care divisions.

EMPLOYEE STRUCTURE AS OF 30 SEPTEMBER 2005*



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

THE 3U GROUP'S MARKET SITUATION

Growth rates in the German telecommunications industry continue to be above the percentage growth in gross domestic product. Personal spending for telecommunication services is also lower in Germany in comparison to the rest of Europe, which means that there are good prospects for the market volume to continue to increase. In addition, there will be technological innovations that will bring fixed-line networks, the Internet and mobile telephones together. This calls for new, flexible business models, which can also be adapted quickly in line with changes in regulations.
3U TELECOM AG responded to these developments in good time with the takeover of LambdaNet to be able to offer integrated voice and IP products on a uniform, high-quality technology platform in the future.
The fixed-line network segment has been shaped by decreasing market volume in the past few years, which is likely to continue in the future due to substitution products (e. g. VoIP) and ongoing price pressure. However, alternative providers were able to increase their market share compared to Deutsche Telekom AG in the fixed-line network segment from 25.6 % in 2002 to 28.3 % in 2004, thanks to attractive and innovative price models. Rigorous rate management and the various sales co-operations of the 3U Group aim to gain additional market share in a highly competitive environment.
The Management Board believes that an attractive business model can be also be implemented for the core business in the next few years, despite this potentially going against the market trend.

The broadband market in particular presents opportunities for expansion in Germany. The number of broadband connections increased by around 49 % in the private customer segment last year, with the total number of DSL connections amounting to approximately 6.7 million at the end of 2004. However, competition for end customers is becoming more intense every year. For example, the average monthly costs for end customers for an Internet flat rate have fallen from around € 15 at the start of the year to € 6. Falling prices for end customers and rising costs for new customer acquisition for DSL or VoIP products result in a decreasing return on investment. As a result of this market development and the subsequently higher initial investments, the 3U Group plans to increase the customer base for DSL and VoIP products through co-operations. A cooperation agreement was concluded with The Phone House (formerly Hutchison), one of the largest European mobile telephone service providers, in November. The Phone House will offer a DSL product under its own name starting in November 2005; the 3U Group will supply the technology and be responsible for customer support. Thanks to more than 100 The Phone House shops and 25 franchise stores in Germany, the 3U Group has access to a manageable sales channel which can be used to tap into cross selling potential (e. g. pre-selection products).
The LambdaNet subsidiary will reorganise sales and increase human resources in this area with regards to increasing the number of customers in the business customers segment, e. g. company-specific VPN solutions. As the tender periods are longer than the expected nine months, sales in this segment are still below expectations. The company expects to increase sales and earnings contributions from the business customer segment in the mid-term through the relevant sales measures.
Overcapacity and falling prices continue to characterise the carrier market in Germany. However, LambdaNet believes that it can gain market share in this area with its top quality technology platform.

EVENTS OF PARTICULAR IMPORTANCE AFTER THE END OF THE REPORTING PERIOD

EXTRAORDINARY ANNUAL GENERAL MEETING CONVENED FOR 15 NOVEMBER 2005

3U TELECOM AG has called an extraordinary Annual General Meeting for 15 November 2005. The aim is the adoption of company contracts with the subsidiaries OneTel, LineCall and fon4U to be able to offset profit and losses within the Group in future, thereby enabling us to generate positive liquidity effects.

OUTLOOK

3U has set the course for the future by strengthening core operating business, with the new contract with the fibre-optic cable supplier GasLINE and through the rigorous use of synergies.

EXPANDING ORGANIC GROWTH THROUGH CO-OPERATIONS AND STRENGTHENING CORE BUSINESS

The aim is to promote further organic growth, thereby increasing sales and earnings in the 3U Group whilst reducing high customer acquisition costs. This is to be achieved by rigorously expanding the "white label partnership" in the fixed-line network telephony segment, the wholesale business and continuing to strengthen the call-by-call business.
3U Group has the opportunity to grow faster than the competitors in the call-by-call core business and in pre-selection due to the technological infrastructure. This is reflected in increased sales at the subsidiaries OneTel and fon4U. This business will be expanded with additional codes and new cooperation partners to strengthen our competitive position in the future.
3U Group's customer base will be expanded further through the joint marketing of pre-selection and future DSL and VoIP products resulting from "white label partnerships". Own marketing for DSL products will continue through the 3U Group's telesales department, together with pre-selection contract marketing.
The wholesale business target is to maintain the high business volumes achieved to date at a stable level and to improve its own purchasing conditions at the same time. The 3U Group has taken an important step to improve profitability through the direct connection with E-Plus achieved recently in particular. This also applies to the scheduling of calls to E-Plus for own call-by-call and pre-selection business and the wholesale business.
Plans are also being made to close or dispose of foreign subsidiaries in deficit, some of which is provisionally scheduled to take place this year.
In the Broadband/IP segment, the 3U Group plans to significantly increase market share for VPN products for business customers with the LambdaNet subsidiary. This will be achieved by expanding the business customers sales team, thereby expanding sales and margins. Despite going against the market trend, long-term contractural relations in the carrier sales area will be expanded further in parallel to this, thereby improving the profitability of the Group as a whole.

OUTLOOK

The Management Board anticipates consolidated Group sales of € 118 to € 120 million with a balanced result for the 2005 financial year, not least due to the non-recurring items in Q3 2005.
Improved structural costs will result in an increase in the sales and cash margin in the fixed-line network telephony segment, in order to achieve a balanced operating result again in the mid-term. The LambdaNet subsidiary is expected to have an EBITDA margin of over 20 % to make significant contributions to increasing consolidated earnings. Overall, 3U TELECOM AG anticipates EBITDA of around € 6.0 million in the 2005 financial year.
The Group's liquidity continues to be good at € 43.43 million as of 30 September 2005, this should be maintained at a stable level in the future, despite starting to repay a bank loan and settling the remaining convertible bond in 2006.
Improvements in Group asset structure, equity ratio and available liquidity give the 3U Group the stability required in the mid-term to advance operations and to increase market share in the future. Combined with an optimal Group-wide

technology platform in terms of structure and costs, the 3U Group is well equipped to develop positively in a tough competitive environment.

In light of the improvements achieved in operations to date and the successful implementation of important, future-orientated topics, the Management Board is already optimistic about the forthcoming financial year.

THE CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET AS OF 30 SEPTEMBER 2005 (IFRS)

ASSETS 3U GROUP (IN € THOUSAND)	30 SEP. 2005	31 DEC. 2004
NON-CURRENT ASSETS	**92,410**	**123,537**
Intangible assets	15,838	17,800
Property, plant and equipment	49,587	78,579
Financial assets	24,916	23,310
Deferred taxes	365	455
Other non-current assets	867	2,103
Prepaid expenses	837	1,290
CURRENT ASSETS	**40,808**	**35,382**
Trade receivables	11,839	8,906
Other current assets	3,058	4,554
Cash and cash equivalents	18,618	16,499
Prepaid expenses	7,293	5,423
TOTAL ASSETS	**133,218**	**158,919**

SHAREHOLDERS' EQUITY AND LIABILITIES 3U GROUP (IN € THOUSAND)	30 SEP. 2005	31 DEC. 2004
SHAREHOLDERS' EQUITY	**49,120**	**44,220**
Issued capital	46,842	46,842
Capital reserve	20,781	20,322
Revaluation reserve	1,757	845
Retained earnings	-24,424	6,110
Net income/loss	4,166	-29,898
Minority interests	9	9
Adjustment item for currency difference	-11	-10
NON-CURRENT LIABILITIES	**38,746**	**78,642**
Non-current provisions	0	116
Non-current liabilities due to banks	16,277	16,467
Non-current lease liabilities	19,258	44,383
Other non-current liabilities	118	14,735
Liabilities from income taxes	1,088	0
Deferred taxes	1,421	973
Deferred income	584	1,968
CURRENT LIABILITIES	**45,352**	**36,057**
Current provisions	3,088	3,751
Trade payables	14,797	13,664
Current liabilities due to banks	0	0
Current lease liabilities	1,458	2,493
Other current liabilities	18,802	10,292
Deferred taxes	1,575	1,847
Deferred income	5,632	4,010
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**133,218**	**158,919**

INCOME STATEMENT (IFRS)

3U GROUP (IN € THOUSAND)		QUARTERLY REPORT – Q3		9-MONTH REPORT	
		1 JUL. 2005– 30 SEP. 2005	1 JUL. 2004– 30 SEP. 2004	1 JAN. 2005– 30 SEP. 2005	1 JAN. 2004– 30 SEP. 2004
Sales		31,117	27,439	89,131	71,864
Cost of sales		-27,546	-25,076	-82,569	-63,290
GROSS PROFIT		**3,571**	**2,363**	**6,562**	**8,574**
Selling expenses		-2,034	-1,781	-5,115	-4,229
General administrative expenses		-3,308	-4,372	-9,673	-11,548
Other operating income		8,856	2,707	11,427	3,100
Other operating expenses		-1,465	-2,184	-3,513	-2,292
Goodwill amortisation		-345	0	-1,034	-10,805
Other		0	-1	0	-2
EARNINGS BEFORE INTEREST AND TAXES		**5,275**	**-3,268**	**-1,346**	**-17,202**
Interest income/expenses		460	-1,635	-2,595	-3,424
Income from investments		0	845	0	846
Other income/expenses		0	-843	0	2,336
EARNINGS FROM NORMAL BUSINESS ACTIVITY		**5,735**	**-4,901**	**-3,941**	**-17,444**
Extraordinary earnings		9,111	0	9,111	0
EARNINGS BEFORE TAXES		**14,846**	**-4,901**	**5,170**	**-17,444**
Income tax expense		-449	-35	-1,004	-1,942
EARNINGS BEFORE MINORITY INTERESTS		**14,397**	**-4,936**	**4,166**	**-19,386**
Minority interests		0	311	0	652
NET INCOME/LOSS FOR THE PERIOD		**14,397**	**-4,625**	**4,166**	**-18,734**
EARNINGS PER SHARE					
Earnings per share (basic)	(in €)	0.31	-0.10	0.09	-0.40
Earnings per share (diluted)	(in €)	0.30	-0.10	0.09	-0.39
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.–30 SEP. 2005	1 JAN.–30 SEP. 2004
INCOME FOR THE PERIOD	**4,166**	**-17,496**
Minority interests	0	774
Amortisation and depreciation expense	11,078	22,096
Provisions	-779	8,733
Other non-cash expenses and income	734	2,387
Changes in receivables	-1,568	-11,663
Changes in other assets/liabilities	-29,822	81,557
CASH FLOW FROM OPERATING ACTIVITIES	**-16,191**	**86,388**
Acquisition/disposal of intangible assets and property, plant and equipment	19,916	-5,908
Acquisitions of consolidated companies/non-current assets	0	-102,325
CASH FLOW FROM INVESTING ACTIVITIES	**19,916**	**-108,233**
Increase in shareholders' equity	0	0
Proceeds from the borrowing of short- or long-term loans	0	11,467
Payment for the repayment of loans	0	0
Payment for finance lease	0	0
Other	-1,606	-1,117
CASH FLOW FROM FINANCING ACTIVITIES	**-1,606**	**10,350**
Foreign exchange rate effects on cash and cash equivalents	0	0
CHANGE IN CASH AND CASH EQUIVALENTS	**2,119**	**-11,495**
Cash and cash equivalents at the beginning of the period	16,499	35,827
Cash and cash equivalents at the end of the period	18,618	24,332

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 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	4,166	4,166
Adjustments for previous years	0	0	0	933	0	0	0	933
Stock options	0	459	0	0	0	0	0	459
Revaluation of securities	0	0	912	0	0	0	0	912
Currency changes taken directly to equity	0	0	0	0	0	-1	0	-1
Deconsolidation of carrier24 GmbH	0	0	0	-1,569	0	0	0	-1,569
AS OF 30 SEP. 2005	**46,842**	**20,781**	**1,757**	**-24,424**	**9**	**-11**	**4,166**	**49,120**

CONSOLIDATED NOTES AS OF 30 SEPTEMBER 2005 IN LINE WITH IFRS

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 September 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 %
Marburg	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 %
Marburg	Germany	010017 Telecom GmbH	25,000 EUR	100 %
Marburg	Germany	010060 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, which was consolidated in accordance with SIC 12, filed for insolvency on 22 August 2005. It was divested on 30 September 2005. This resulted in a non-recurring positive effect on earnings at a total of € 5 million, which is listed under other operating income.

3. NEW CONTRACT REGULATIONS WITH KEY FIBRE-OPTIC CABLE SUPPLIER

Ongoing network lease costs to 2011 were considerably reduced following the new contact regulations with the LambdaNet Communications Deutschland AG's key fibre-optic cable supplier. Together with the supplier's partial waiver of a convertible bond that came into effect in Q3 2005, this resulted in a € 12.1 million improvement in earnings in Q3 2005.

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

Please refer to page 16 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

STOCK OPTIONS	STOCK OPTION PLAN 2003	STOCK OPTION PLAN 2005
Term	5 years	5 years
Additional payment per share	€ 2.70	€ 1.06
Maximum possible number of shares from option rights as of 30 Sep. 2005	866,250 items	2,206,000 items
Maximum possible number of shares from option rights as of 31 Dec. 2004	866,250 items	0 items
Human resources expenses SOP in Q3 2005	€ 55,223	€ 119,538
Human resources expenses SOP from 1 Jan. 2005 to 30 Sep. 2005	€ 220,894	€ 239,075

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.

FURTHER INFORMATION

FINANCIAL CALENDER

- **ANALYSTS' CONFERENCE**
  21 November 2005
- **PUBLICATION OF 2005 ANNUAL REPORT**
  15 March 2006
- **ANNUAL GENERAL MEETING**
  Provisionally scheduled for Q2 2006
- **PUBLICATION OF FIGURES FOR Q1/2006**
  15 May 2006
- **PUBLICATION OF FIGURES FOR Q2/2006**
  15 August 2006

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PHOTOS
Photonica (page 2)
Zefa (title and page 32)

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

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