



**3U HOLDING AG**  
**Annual Report 2009**

3U  HOLDING

# Summary of group results

3U Group (IFRS)		Year-on-year comparison	
		1 Jan-31 Dec 2009	1 Jan-31 Dec 2008
Sales	(in EUR million)	92.08	107.46*
EBITDA (earnings before interest, taxes and amortisation)	(in EUR million)	13.24	9.55*
EBIT (earnings before interest and taxes)	(in EUR million)	4.03	-2.57*
EBT (earnings before taxes)	(in EUR million)	3.02	-3.86*
Net income/loss for the period	(in EUR million)	0.04	-3.98*
Earnings per share (basic)	(in EUR)	0.00	-0.07
Earnings per share (diluted)	(in EUR)	0.00	-0.07
Equity ratio	(in %)	47.75	44.89

3U Group (IFRS)		Quarterly comparison	
		1 Oct-31 Dec 2009	1 Oct-31 Dec 2008
Sales	(in EUR million)	21.31	26.71*
EBITDA (earnings before interest, taxes and amortisation)	(in EUR million)	2.53	1.00*
EBIT (earnings before interest and taxes)	(in EUR million)	0.10	-1.23*
EBT (earnings before taxes)	(in EUR million)	-0.01	-1.76*
Net income/loss for the period	(in EUR million)	-1.05	-0.97*
Earnings per share (basic)	(in EUR)	-0.02	-0.02
Earnings per share (diluted)	(in EUR)	-0.02	-0.02
Equity ratio	(in %)	47.75	44.89

\*Results of the 2008 disposed company 3U TELECOM INC., USA are not included anymore.

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## Letter to our shareholders

### Dear Shareholders,

The German economy seems to have bottomed out, even if uncertainty about further development continues. The overall economic performance has recovered in the second half of the year compared to the first, but in total 2009 stayed about 5% below the previous year's level. Thereby Germany experienced the strongest economic crisis since the 1930s.

Since well before the onset of the global financial crisis and the recession going along with it, our strategy has been aimed at strengthening our earnings and financial power. We consistently followed up on our priority objective to increase operating earnings and the value of the Company. All our efforts have led to a positive development in the current financial year in which essential success figures have reached record level.

The 2009 financial year has undoubtedly presented us with big challenges. Within the context of the biggest economic crisis of our country, we are deeply contented with our overall business development. Despite the altogether positive development we were able to achieve at Group level, we continue to have a striking divergence in both of our core segments. The segment of fixed-line telephony continues to be strong, even as the market declines. Those combined holdings are comparatively non-cyclical which means the economic downturn affects our previous core business only very moderately. Things are different in the segment Broadband/IP. Not least because of the difficult economic situation it has again produced a deficit.

### Important investment in own Group Headquarters

A financially very attractive opportunity to buy a low-priced Company site in Marburg was seized in the third quarter. A new Group Headquarters equipped with advanced technology is being constructed there as from the fourth quarter. Here the new concept of a "Solar-Energie-Kraftwerk (SEKW) (Solar Energy Power Plant)" shall be realised for the first time.

The SEKW concept includes maximum efficiency in the use of solar energy for the climatisation of buildings (heating and cooling) and for generating electrical energy. Such a reference object is virtually a *conditio sine qua non* for a successful application for many SHKW/SEKW projects. Furthermore it is planned to construct test-, trial- and storage facilities for the business segment of renewable energies on the site.

Because of its innovative and trend-setting low energy construction, the usage of energy will be reduced drastically. This will not only result in financial savings for 3U, especially regarding energy cost planning security, but will also have a positive effect on the CO<sub>2</sub>-balance of the 3U Group.

Furthermore the site offers many different possibilities of utilisation and a future-oriented flexibility, which is very helpful for the development of the new business areas in the field of renewable energies.



The Management Board of 3U HOLDING AG (from left): Michael Schmidt and Michael Göbel

## Investment strategy

3U HOLDING AG is committed to both organic growth and selective acquisitions.

Since 3U HOLDING AG has positioned itself as management and holding company in 2007, many companies failed, trying to push forward in new business areas and destroyed significant values. 3U HOLDING AG has consciously avoided larger investments in new business areas in spite of many opportunities because potential investments could not hold up in an assessment of chances and risks.

With 3U SOLAR Systemhandel AG a company was founded in the fourth quarter of 2009 which is operational since the first quarter of 2010. In recent years 3U HOLDING AG has invested substantial resources to gain the necessary know-how and is going to use it profitably within the renewable energies strategy. According to our plans, 3U SOLAR Systemhandel AG is to achieve expected sales of EUR 5-7 million already in the first financial year, which makes up a significant percentage of the total sales of the Group.

3U MOBILE GmbH, in which 3U HOLDING AG currently owns a share of 25 %, was founded in October 2009 and operates on the market of application-based mass-SMS-messaging since the first quarter of 2010.

Within our continuing review of investment inquiries, the opportunity opened up to take on a minority holding in a new business, which has been opportunistically embraced in the fourth quarter of 2009. myFairPartner Limited, in which we own a 15 % share, is a placement service portal for temporary personnel with focus on Great Britain where an innovative automated concept for mediation and communication has been realised. This portal has been launched in the first quarter of 2010 and takes up on services of the 3U Group, of SEGAL Systems GmbH among others.

In the next 12 to 24 months we will focus on the further development of the newly founded companies respectively those on the starting blocks. 3U HOLDING AG continues to be a strategic and long-term oriented investor. Company reorganisations will not be pursued anymore until further notice. Rather than that, upcoming opportunities shall be embraced opportunistically. With that both majority holdings and (strategic) minority holdings could be taken on as required or possible. The investing focus regarding the life cycle of companies especially lies on young and innovative growth companies with emphasis on the field of renewable energies.

## Improving profit despite liabilities from LambdaNet

The business sector fixed-line telephony was able to surpass the high level of the previous year significantly with an EBITDA of EUR 13.16 million. The still very profitable Call-by-Call business as well as high-margin wholesale services contributed to compensate losses from the declining sales volume.

Compared to the previous year, LambdaNet recorded a sales increase of 2.4 % amounting to EUR 35.25 million. In 2009, the result was still strongly burdened with the high depreciations on the network investments of 2000. Furthermore one-time extraordinary liabilities in the amount of EUR 1.17 million occurred relating to the planned restructuring, which has been implemented since the fourth quarter of 2009 and can already be considered as very successful. These effects produce yet another negative result in the amount of EUR -6.09 million. With the initiated restructuring measures, synergies are hoisted, the efficiency of the work processes is increased and the costs are reduced to a great degree. As a result of the restructuring the EBITDA of LambdaNet shall be more than doubled in the current financial year and a considerably positive result shall be generated in 2011.

The consolidated sales stayed significantly below the level of the previous year with EUR 92.08 million (previous year: EUR 107.46 million) whereas in the segment of fixed-line telephony low-margin sales were waived specifically. Because of this, the result could be improved to EUR 0.04 million despite the high extraordinary liabilities within the restructuring of LambdaNet.

The financial year 2010 as well 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. The liquidity buffer we compiled over the past years gives us the necessary scope of action 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 2010

The Management Board



Michael Schmidt



Michael Göbel

# Report of the Supervisory Board

## 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

One focus of the deliberations of the Supervisory Board was on the future development of LambdaNet Communications Deutschland AG, which led to a set of restructuring measurements, amongst others staff cuts, in the reporting year.

In addition, the Supervisory Board was intensely integrated into the plans for the new group headquarters and the accompanying realisation of the first SEKW project as well as the construction of system trade in the future segment Renewable Energies.

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 sales, 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.

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## Meetings and participation

The Supervisory Board met for a total of eight meetings (on February 9, 2009; March 31, 2009; May 6, 2009; June 15, 2009; August 28, 2009; September 28, 2009, December 4, 2009 as well as December 18, 2009). 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 March 23, 2010, 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](http://www.3u.net)) under the path "Investor Relations/Corporate Governance". The declaration of corporate governance according to § 289a German Commercial Code (HGB) can be viewed there as well.

## Changes in the composition of the governing bodies

During the period under review, no changes occurred in the composition of the governing bodies

On March 1, 2010 the Company announced that the Supervisory Board of the Company had decided to revoke the appointment of Oliver Zimmermann to the Management Board with immediate effect.

As successor the Supervisory Board appointed the Head of the Finance and Controlling division of 3U HOLDING AG, Mr. Michael Göbel.

## Audit of the 2009 annual and consolidated financial statements

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, was chosen as auditor by the Annual General Meeting on August 28, 2009 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 2009 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 March 31, 2010. 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 2009; the consolidated financial statements 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 2010

The Supervisory Board

A handwritten signature in blue ink, appearing to read 'R. Thoenes', is written over a faint, light blue grid background.

Ralf Thoenes  
Chairman

# 8 Corporate governance report

The German Corporate Governance Code has been in existence in Germany since 2002. It was last updated in June 2009 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 2009, 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 March 23, 2010. It can be viewed on its website ([www.3u.net](http://www.3u.net)) under the path "Investor Relations/Corporate Governance".

## Deviations from the recommendations

### D&O insurance

There is currently no deductible for the D&O insurance as recommended in Section 3.8 of the German Corporate Governance Code for members of the Supervisory Board. However it is planned that a deductible will be stipulated in the upcoming insurance period (see section 3.8 of the GCGC).

### 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.

## Remuneration Report

The remuneration report is part of the Group Management Report at the same time.

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.

The total remuneration granted to the Members of the Management Board in 2009 amounted to TEUR 1,118 (previous year: TEUR 1,340). Included in the variable remuneration of 2009 are the maximum possible variable remuneration for 2009 amounting to TEUR 300 for each Member of the Management Board as well as releases of provisions of previous years.

Name	Fixed remuneration in TEUR		Variable remuneration in TEUR		Total remuneration in TEUR	
	2009	2008	2009	2008	2009	2008
Michael Schmidt	330	340	275	340	605	680
Oliver Zimmermann	345	340	168	320	513	660
<b>Sum</b>	<b>675</b>	<b>680</b>	<b>443*</b>	<b>660</b>	<b>1,118</b>	<b>1,340</b>

\*Near-term payable (with maximum variable remuneration)

Neither in 2008 nor 2009 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 2009 amounted to TEUR 83 (previous year: TEUR 66). In addition the Members of the Supervisory Board received performance related remuneration for the years 2005 until 2007 in the amount of TEUR 0 (previous year TEUR 273) in accordance with Article 9 sec. 1c of 3U HOLDING AG's Articles of Association. A performance based remuneration of TEUR 90 was accrued for 2009.

Name	Fixed remuneration in TEUR		Attendance Fee in TEUR		Performance related remuneration in TEUR		Total remuneration in TEUR	
	2009	2008	2009	2008	2009	2008	2009	2008
Ralf Thoenes (Chairman)	10	10	20	15	40	94	70	119
Gerd Simon	8	6	20	15	30	64	58	85
Peter Coch	5	5	20	15	20	8	45	28
Hubertus Kestler (Chairman until 6 Aug 2007)	0	0	0	0	0	107	0	107
<b>Sum</b>	<b>23</b>	<b>21</b>	<b>60</b>	<b>45</b>	<b>90</b>	<b>273</b>	<b>173</b>	<b>339</b>

In addition, no stocks-based reimbursement components exist for the Members of the Supervisory Board. Neither from the 3U Group nor from third parties are promises made concerning pensions, compensations or other accommodating benefits for Members of the Supervisory Board.

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 27) plus VAT. This figure is broken down as follows: 3U HOLDING AG TEUR 14 (previous year: TEUR 2), 3U TELECOM GmbH TEUR 1 (previous year: TEUR 20), 010017 Telecom GmbH TEUR 7 (previous year: TEUR 3), LambdaNet Communications Deutschland AG TEUR 5 (previous year: TEUR 2).

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## The 3U share

### The 3U share at a glance

International Securities Identification Number (ISIN)	DE0005167902
Wertpapierkennnummer (WKN) [ <i>Securities Identification Number</i> ]	516790
Stock exchange symbol	UUU
Transparency level	Prime Standard
Designated sponsor	F.I.B. Frankfurter 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
Share price at 30 December 2009*	EUR 0.77
Share price high in period from 1 January to 31 December 2009*	EUR 0.85 (21 December 2009)
Share price low in period from 1 January to 31 December 2009*	EUR 0.35 (9 March 2009)
Market capitalisation at 31 December 2009	EUR 36,068,524.80
Earnings per share (undiluted) at 31 December 2009	EUR 0.00

The downturn of stock markets of the year 2008 continued seamlessly in the first quarter of 2009. But national and international capital markets were able to recover across the board over the course of the year because the various monetary and fiscal measures for the stabilisation of the global finance system and of the economic cycle produced first positive results. Supported by positive economic and corporate news, all international benchmark indexes were able to look back on a very successful year for the stock market at the end of 2009. For example the Prime All Share Index was able to recover completely in the second quarter, after a decline of 15.7 % in the first quarter of 2009. At the end of the year the Prime All Share Index showed an annual performance of about 25 %.

The stock of 3U HOLDING AG developed even better in the same timeframe. The stock price was able to gain extensively after a low in the first quarter and was listed at EUR 0.77 by 31 December 2009, which was about 83 % above the level of the beginning of the year. With that the 3U stock developed significantly better in this timeframe than most other German stocks.

\*Xetra

## Share price

Share price performance of 3U shares\* vs. Prime All Share Index between 1 January - 31 December 2009



\*Daily closing price Xetra

## Shareholders

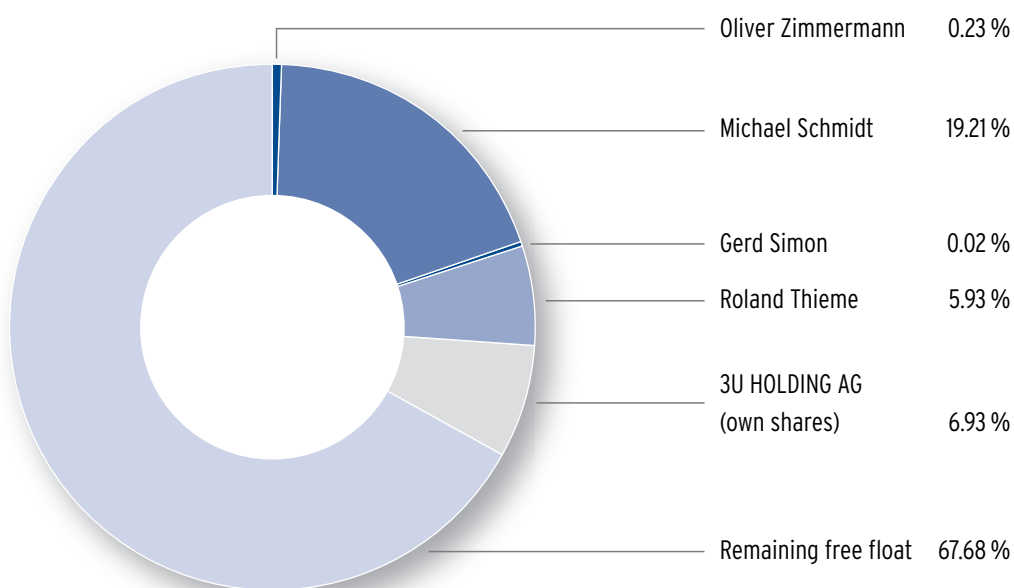
As of 31 December 2009, members of the governing bodies held the following shares with full voting and dividend rights:

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

<b>Members of the Supervisory Board</b>		
Ralf Thoenes	(Chairman)	0 shares
Gerd Simon	(Vice Chairman)	10,000 shares
Peter Coch		0 shares
<b>Total Supervisory Board</b>		<b>10,000 shares</b>

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

<b>Own shares of 3U HOLDING AG</b>	
<b>Number of own shares</b>	<b>3,244,714 shares</b>





## 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.

Due to our Company's size, we are known to only few investors. Last year, however, we undertook efforts to strengthen our investor relations activities successfully. Also in the current financial year 2010, 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.



# Group Management Report

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# 18 General economic and industry-specific conditions

## Developments in the overall business environment

The recovery of the German economy has stalled at by the end of 2009 according to the Federal Office of Statistics (Destatis): The gross domestic product (GDP) stagnated on the level of the previous quarter (+0.0 %) in the fourth quarter of 2009 after adjustments for price, seasonal and calendar effects. Thus the slight uptrend of the economy of the second (+0.4 %) and third quarter 2009 (+0.7 %) did not continue.

According to calculations of Destatis, for 2009 the price-adjusted gross domestic product (GDP) is about 4.8 % lower than in the previous year. With that, the German economy has shrunk for the first time in six years, in fact as much as never before during the post-war era. The economic downturn happened mostly in the winter half year 2008/2009. Over the course of the year a slight stabilisation of the economic development on a new and lower level began to show. In 2008 the GDP had increased slightly by 1.3 %.

The growth forecasts for 2009 were afflicted with extraordinary high estimation uncertainties. While they were between +1.0 % and -2.7 % at the turn of the year from 2008 to 2009, the IFO (Institute for Economic Research) and the IMF for example predicted a decrease of the real gross domestic product of 2.4 % (IFO) and 2.5 % (IMF) respectively. Over the course of the year forecasters scaled down their estimates quite drastically and settled on values between -4.5 % and -5.3 % by the end of the year.

The German economic output was rendered by a working population of 40.6 million on average for the year 2009. Those were 156,000 less people (or 0.4 %) than in the previous year. Despite the economic crisis the employment figures from 2008, which were the highest since the German reunification, remained nearly stable. However, this was achieved especially due to the massive expansion of short-time work which reached a level of 1.1 million people on average for the year 2009 according to first estimates by the Federal Employment Agency.

The number of unemployed increased in 2009 according to preliminary estimates by 5.6 % to reach 3.3 million. The percentage of unemployed in the total working population was 7.6 % on average for the year 2009; in the previous year that percentage had been at 7.2 %.

While the number of the national working population stayed relatively stable and only in scattered economic areas staff was scaled down, the number of working hours plummeted in nearly all areas of the economy. In the economy as a whole each employed person worked on average 2.8 % less in 2009 than in 2008.

## Development of the telecommunications market

In 2009 prices for telecommunications services for fixed-line telephony, internet and mobile communications stayed on average below those of the previous year for private households in Germany. According to information from the Federal Office for Statistics (Destatis), the 2009 yearly average consumer price index for telecommunications services was 2.4 % lower than 2008.

The price index for fixed-line telephone and internet services was down by 2.3 % compared to 2008. Hereby, the competition among the complete packages consisting of telephone and DSL-connection as well as telephone and internet flat rate was noticeable. Mobile communications in 2009 was an average 2.5 % cheaper than 2008. Prices for mobile data services on the cell phone decreased along with net charges for calls.

According to a study of the Association of Telecommunications and Value-added Service Providers (VATM) and Dialog Consult regarding the telecommunications market of 2009, the telecom sector has mostly been spared by the general economic crisis. Nevertheless, the times of big sales increases are over. The sales of telecommunications services in Germany are down by 3.6 % in 2009. Sales of about EUR 62.0 billion (previous year: EUR 64.3 billion) are allotted to EUR 34.2 billion (EUR -1.1 billion) for fixed-line telephony and to EUR 23.6 billion (EUR -1.8 billion) for mobile communications. The reason for this, despite increasing market penetration and significant rise of the use of mobile communications, are steadily falling retail prices which are quite beneficial for the end customer.

Deutsche Telekom remains the dominating provider with a market share of 58 % in the market of fixed-line telephony, which has declined by about 3.1%, and holds a strong position on the market of mobile communications as well. Through customer growth the competitors have been able to increase their sales of fixed telephony by EUR 0.4 billion and about 2.9 % respectively, to a total EUR 14.4 billion. Furthermore the cable network operators have continued to advance in 2009 (EUR +0.6 billion).

The investments of the telecom sector in tangible assets remain below the level of the previous year with about EUR 5.9 billion (2008: EUR 6.5 billion). The competitors of Deutsche Telekom again carried more than half of total investments in 2009 with 58 % (EUR 3.4 billion). The alternative providers have invested almost EUR 45 billion since the market liberalisation began.

After the decline of the past years VATM expects the sales on the total market in 2010 to continue to shrink but at a lesser degree than 2009. The decline is expected to be two or three percent.

### Development of the fixed-line telephony market

As in previous years the competitors of Deutsche Telekom were able to take over market shares and reached 42.1 % in 2009 after 37.8 % in 2007 and 39.7 % in 2008. The fixed-line telephony minutes of the competitors further increased to 389 million voice minutes daily. The growth in the range of 8 million voice minutes was driven above average by the increase of complete connection packages. Both Call-by-Call-minutes (83 million voice minutes; 21.3 % share) and Preselection-minutes (31 million minutes; 8 % share) recorded a steep decline compared to the previous year. Call-by-Call-minutes declined by 22.4 % and Preselection-minutes even by 27.9 %. This decline can be ascribed to the fact that Telekom and its subsidiaries increasingly offer All-IP-connections without the option to choose an operator and furthermore switch old PSTN-/ISDN-connections.

Deutsche Telekom remains again unchallenged in the market of complete access in fixed-line telephony telecommunications in 2009 with 78.9 % (26.2 million connections). The overall sum of complete accesses is declining further because of the discontinuation of voice telephony due to Voice-over-IP and the substitution of fixed-line telephony with mobile communications.

The 3U Group and its subsidiaries were not able to elude this shrinking market niche. The sales in the segment fixed-line telephony shows a steep decline (-22.18 %) with a total of EUR 56.83 million (previous year: EUR 73.03 million); the margin however increased significantly. As in previous years the future focus does not lie on absolute sales figures but rather in securing and improving the contributions to earnings. The intensity of competition will continue to be high in the area of fixed-line telephony. The 3U companies are able to successfully hold their ground in the competition because of the optimisation measures implemented in the previous years and their continuous further development.

### Development of the market for Broadband/IP

The supply of fast internet connections is of prime importance to the economic position of Germany and the knowledge and information society of the 21st century. Broadband enables new business models and therefore leads to growth and new jobs – even and especially in times of economic crisis.

Policy makers have recognised the importance and necessity to expand Broadband for the future. The previous Federal Government has published its Broadband strategy in March 2009, setting ambitious goals for the expansion of Broadband. According to this, nationwide efficient Broadband connections shall be available by the end of 2010 at the latest. By the end of 2014 connections with transfer ratios of at least 50 Mbit/s shall be available for 75 % of households with the aim of making such high-performance Broadband connections available across the board as soon as possible. The new Federal Government has also paid special attention to the topic of Broadband expansion in their coalition contract and pledges itself to the aim of comprehensive Broadband supply.

The figure of directly connected Broadband connections in Germany has increased by 2.1 million to reach 24.9 million in 2009. Compared to the rapid growth of previous years (2006: +42.5 %, 2007: +30.5 %, 2008: +15.7 %) the market shows symptoms of saturation with a growth rate of 9.2 %. Deutsche Telekom with 52.7 % continues to hold more than half of all Broadband connections in its network.

The number of users who download data via Broadband connection with speeds of over six Mbit/s has almost doubled to 11.6 million. Over 90 % of DSL connections have a download streaming speed of at least two Mbit/s. The annual Broadband traffic volume increased from 2,400 million Gigabytes to 3,300 million Gigabytes in 2009 because of a higher number of users as well as increased single use. The average data volume per user and month increased from 9.4 to 11.5 Gigabytes.

With LambdaNet the 3U group is active in three customer segments of this market. LambdaNet is a highly efficient provider of telecommunications and internet services in Europe. Its service portfolio contains provision of conventional transfer services (bandwidth, wavelength and colocation) as well as services for IP (Internet Protocol) data transfer, like high-performance connections to the internet (IP-Transit), private company communication networks based on Internet and Ethernet Protocols (Virtual

Private Networks, VPN). For this purpose LambdaNet runs a trans-European optical transmission network which can provide transfer capacities of several Terabit per second because of combined use of technologies like DWDM (Dense Wavelength Division Multiplexing) und SDH (Synchronous Digital Hierarchy). Based on this transmission network, LambdaNet has one of the most efficient IP- and Ethernet-Networks in Europe at its disposal. It is linked with the most important peering points in Europe and the USA via rented capacities.

Prominent providers of mobile and fixed-line telephony-based voice services are among the customers of LambdaNet as well as Internet Service Providers who offer communication services to end users with services of LambdaNet as pre-product. Equally, companies with extensive internal communication needs, for example companies with a widespread network of branches, belong to their customer base.

In order to adapt to the changing requirements of the market and to permanently improve the results of the Company on the short and medium term, the Company has scheduled and started to implement a comprehensive restructuring concept. It is the aim of this restructuring concept to more than double the EBITDA of LambdaNet in the 2010 financial year and to generate a significant positive result in 2011.

The restructuring concept comprises a multitude of measures for result improvements. By refocusing of sales and distribution, the response to the demands of the customer can be improved in the future, and because of centralising functions in the Company, potentials for result improvements are increased. Furthermore, the areas of NOC and technical field service will be outsourced, realising further synergy potentials and improving the service level for the customers. In addition to that a broad array of cost reduction measures will take effect which in part is closely connected to the cutting of staff. At present date a majority of the restructuring measures have already been implemented and LambdaNet is on the right track to improve its result significantly in 2010.

Thereby the Company creates conditions to submit competitive future offers to its customers and to continue to convince in all fields.

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 sales potential to stay stable.

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 net-

works (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. With the expansion of the product portfolio through ethernet products especially, new market segments were created. The strong marketing of complementary Internet and Voice-over-IP products will produce additional potential.

LambdaNet was able to hold its ground in the competition on this challenging market environment and gained a moderate increase of sales of 2.4 % to EUR 35.25 million.

### **Development of the future market of renewable energies**

Wind, water, geothermal heat, bio-energy and the sun are nearly infinite energy sources. In contrast to the energy sources oil, coal, natural gas and uranium, the use of renewable energy sources is climate-friendly, safe and protects environment and resources. This leads to a higher independence from energy imports, better supply security and strengthens the national economy. Renewable energies contribute to sustainable energy supply, strengthen innovation and steadily create new jobs.

The use of renewable energy sources has increased again in 2008. According to calculations of the Working Group on Energy Balances (AGEB), the percentage of renewable energies has reached about 9 % of the total national primary energy consumption in 2008.

The percentage of renewable energy sources in the gross electricity consumption increased to 15 % in 2008. In 1991 that percentage was a mere 3 %.

The Renewable Energy Sources Act (EEG) is essential for development in the area of electricity consumption, because a major part of electricity from renewable energies is fed into the general grid and is compensated. Thanks to the extremely generous parameters for the funding of electricity generation from renewable energy sources established since 2004, Germany already has surpassed the aim predefined by the EU and fixed by EEG to increase the percentage of electricity from renewable energies to 13 % in 2010. With the EEG, in 2009 additional conditions were created to expand the percentage of renewable energy in the electricity sector. The Federal Government aims to increase the percentage of renewable energy in the total electricity consumption to at least 30 % by 2020.

With 3U SOLAR Systemhandel AG, a company has been founded that is operative in this future market as from the first quarter of 2010. The company is expected to generate a share of up to 8 % of the consolidated sales already in 2010.



## Development of the financial market

After stock prices developed several year all-time lows in the first quarter and even interest rates marked historic lows, global stock markets have been able to gain significantly since then. At the same time, the volatility of the markets decreased. The interest rates, which had increased temporarily and significantly over the course of the year, were listed near their lowest rate at the end of the year because the recovery of the real economy did not occur at the speed which many experts expected, especially in Europe and the USA.

Since November 2007, 3U HOLDING AG has invested its liquid assets exclusively in fixed-income assets, and because of this anticipatory conservative investment strategy sustained no damage because of the capital market crisis. The low income from interest is closely linked to this because of the current low level of interest rates.

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.

# 24 Report on business development

## The key events during financial year 2009 at a glance

- **Successful 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.

- **Important investments in own Group Headquarters and realisation of SEKW project**

A financially very attractive opportunity to buy a low-priced company site in Marburg was seized in the third quarter. A new Group Headquarters equipped with advanced technology is being constructed there since the fourth quarter. Here the new concept of a "SEKW (Solar Energy Power Plant)" shall be realised for the first time.

The SEKW concept includes effective and efficient conversion of solar energy directly into thermal and electric energy for heating, and indirectly into cooling energy for partial air conditioning of offices, conference and meeting rooms as well as server racks.

A thermal energy collecting and distributing centre (WSVZ) will be the centrepiece of the SEKW. Various thermal and cooling energy streams with different temperature levels will be collected, respectively stored or distributed, in different temperature zones of the functional WSVZ.

In dependence of the supply, the collected thermal and cooling energy streams originate of direct sunlight through vacuum-tube collectors, from thermal energy increase through a water-water-heat-pump and/or air-water-heat pump, from heat recovery of server rack air-conditioning, from discharge of the latent heat accumulators as well as from indirect sunlight through an adsorption chiller and a heat exchanger.

The SEKW concept is highly innovative and will be accompanied scientifically by a centre of excellence from a university of applied sciences in Middle Hesse.

- **Foundation of 3U SOLAR Systemhandel AG**

3U HOLDING AG is continuously expanding its activities in the Renewable Energies sector. A further business venture, the 3U SOLAR Systemhandel AG, was entered into in the fourth quarter 2009 and is operating since the first quarter 2010. The organic growth in this area will be supported by further joint ventures, company start-ups and investments in the coming quarters.

- **Restructuring of LambdaNet**

Based on the continuing unsatisfying results and considering the difficult conditions in the Broadband/IP-market, the management of LambdaNet has planned extensive restructuring measures for a trend reversal and implemented them in a timely manner. It is the aim of the restructuring concept to more than double the EBITDA of LambdaNet in the 2010 financial year and to generate a significantly positive result in 2011. The restructuring concept is comprised of a multitude of measures for result improvement. By refocusing distribution and sales, the response to the demands of the customer can be improved in the future, and because of centralising of functions in the company, potentials for result improvements are increased.

- **Foundation of 3U MOBILE GmbH**

At present, 3U HOLDING AG owns a 25 % share of 3U MOBILE GmbH, after 75 % of shares were given to the founding partners after the balance sheet date. The company was established in October 2009 together with partners and operates on the market of application-based mass-SMS-messaging since the first quarter of 2010. The existing technology platform throughout the Group and the network infrastructure in connection with competent partners present a solid foundation.

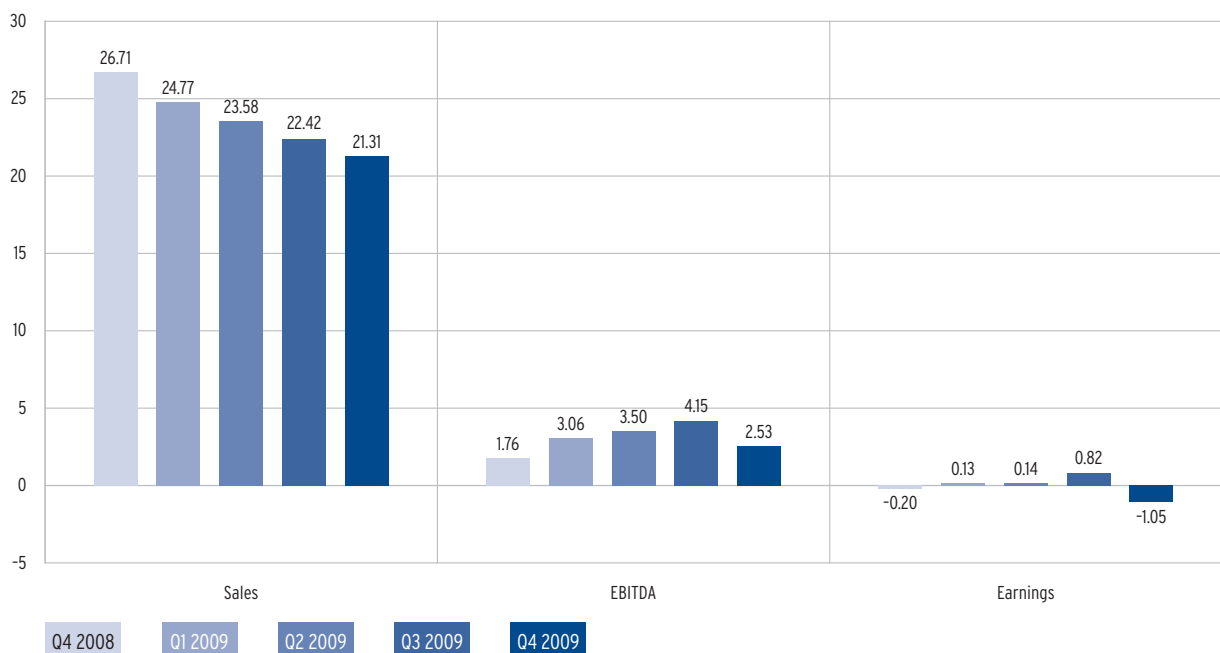
## Earnings

Because LambdaNet Communications Deutschland AG and 3U TELECOM GmbH, Austria, had been recognised as “held for sale” companies until the third quarter of 2008. For the following presentation of the course of business, 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.

Consolidated sales decreased significantly with EUR 92.08 million in the 2009 financial year, in comparison to the previous year (EUR 107.46 million). Especially the sector of fixed-line telephony is responsible for this development, although it was able to hold its ground in a surprisingly fast shrinking market and was also able to generate a positive result thanks to consistent profit orientation.

The EBITDA with EUR 13.24 million was about 29.3 % above the adjusted EBITDA of 2008 financial year (EUR 10.24 million), whereas the result with EUR 0.04 million only moderately exceeded the adjusted result of the previous year (EUR -0.31 million). Particularly extraordinary liabilities within the restructuring of LambdaNet are responsible for this, which single-handedly amount to EUR 1.17 million. Furthermore, tax loss carried forward was used up in the financial year 2008, leading to a significantly higher tax burden.

Development (sales, EBITDA, earnings) – 3U Group in EUR millions\*



\*Results of the 2008 disposed company 3U TELECOM INC., USA are not included anymore.

The new business segments have not generated substantial sales in 2009 and therefore do not count as stand-alone segments within the framework of IFRS. Due to the planned increased relevance of the new business segments and the massive distortion of the profit situation in the segment of fixed-line telephony in which the HOLDING-activities were incorporated exclusively until now, there will be a third segment "Others" reported on in the profit situation in addition to the previous business segments Fixed-line telephony and Broadband/IP.

The substantial influences on the development of earnings will subsequently be elucidated in the presentation of the segment earnings.

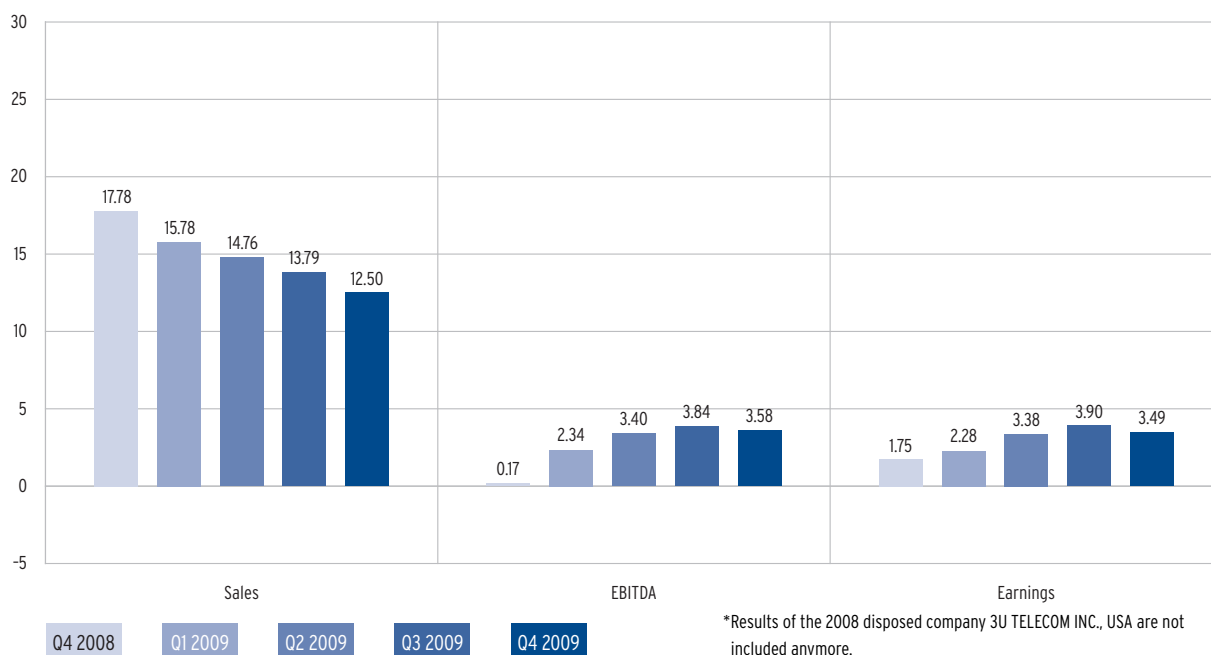
**Fixed-line telephony segment**

The development of investments in the segment of fixed-line telephony continues to be very satisfactory. Our consistent profit orientation led to an increased profitability. The emphasis of our activities continued to be on the sectors Call-by-Call and wholesale.

Sales in the fixed-line telephony segment dropped in financial year 2009 when compared with 2008 by EUR 16.20 million from EUR 73.03 million to EUR 56.83 million. The EBITDA, however, rose significantly by EUR 5.86 million from EUR 7.30 million to EUR 13.16 million. That equates to an increase of 80.3 %. Earnings improved significantly to EUR 13.05 million. It is to be noted that the income taxes are carried by the parent company 3U HOLDING AG.

A series of cost optimisation measures have contributed to the improvement of the EBITDA. Furthermore, an ongoing optimisation process contributes to identify cost reduction potential and to take appropriate measures.

**Development (sales, EBITDA, earnings) – fixed-line telephony segment in EUR millions\***



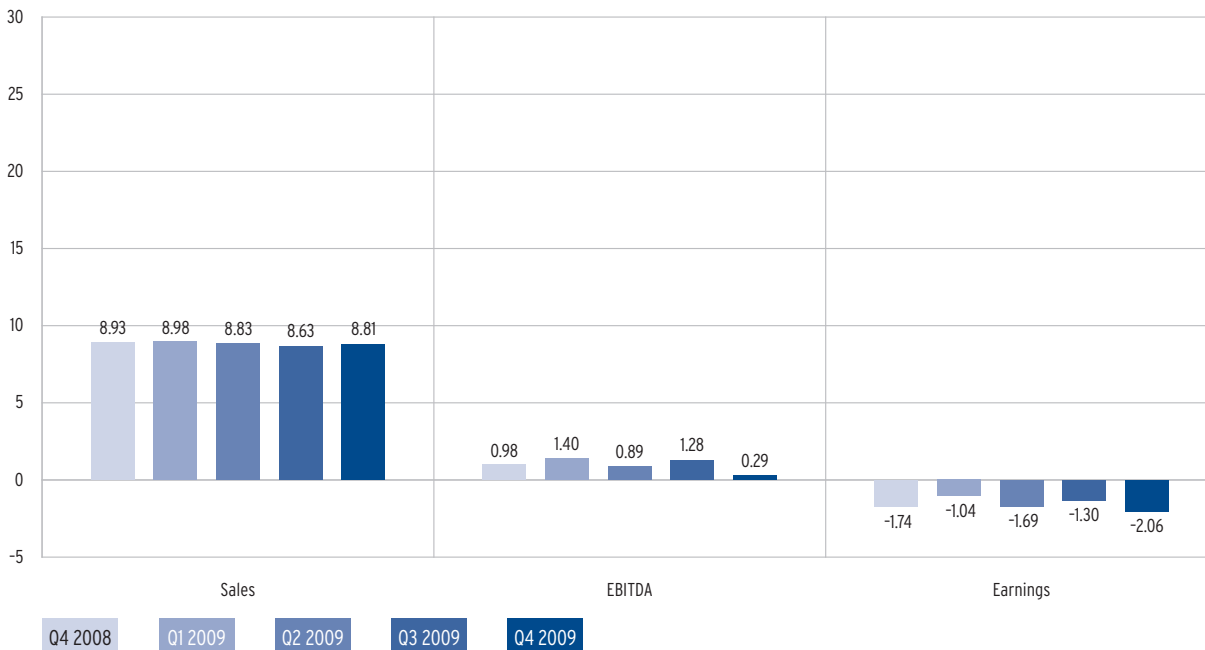
**Broadband/IP segment**

The broadband/IP segment represented by LambdaNet Deutschland AG and its subsidiaries has a share of 38.3 % in Group sales. The focus at LambdaNet was also on further optimisation and profits. As part of that optimisation, the efficiency in the offer process was increased by use of CRM and offer systems, process optimisations were successfully implemented to improve efficiency and quality in order processing and operation of services, the purchasing process was optimised and costs were reduced in the area of product input costs and the network infrastructure.

Despite the various optimisations implemented in the previous quarters, LambdaNet has been unable to access its full potential. Because of this, a series of synergetic measures were decided, like for example pooling of administrative duties, accounting and distribution, which will be implemented mostly in the 2010 financial year. In addition to that, a broad array of cost reduction measures will take effect, which in part are closely related to the cutting of staff.

LambdaNet realised sales of EUR 35.25 million during financial year 2009, whereby sales improved slightly by 2.4 % versus the previous year's EUR 34.42 million. EBITDA at EUR 3.86 million nearly matched last year's of EUR 4.32 million. Earnings improved by EUR 1.11 million, respectively 10.6 %, but stayed significantly in the red with a deficit of EUR 6.09 million, not the least due to the non-recurrent expenses in the amount of EUR 1.17 million in connection with the reorganisation measures, which were decided on and executed in the fourth quarter 2009.

**Development (sales, EBITDA, earnings) – broadband/IP segment in EUR millions**

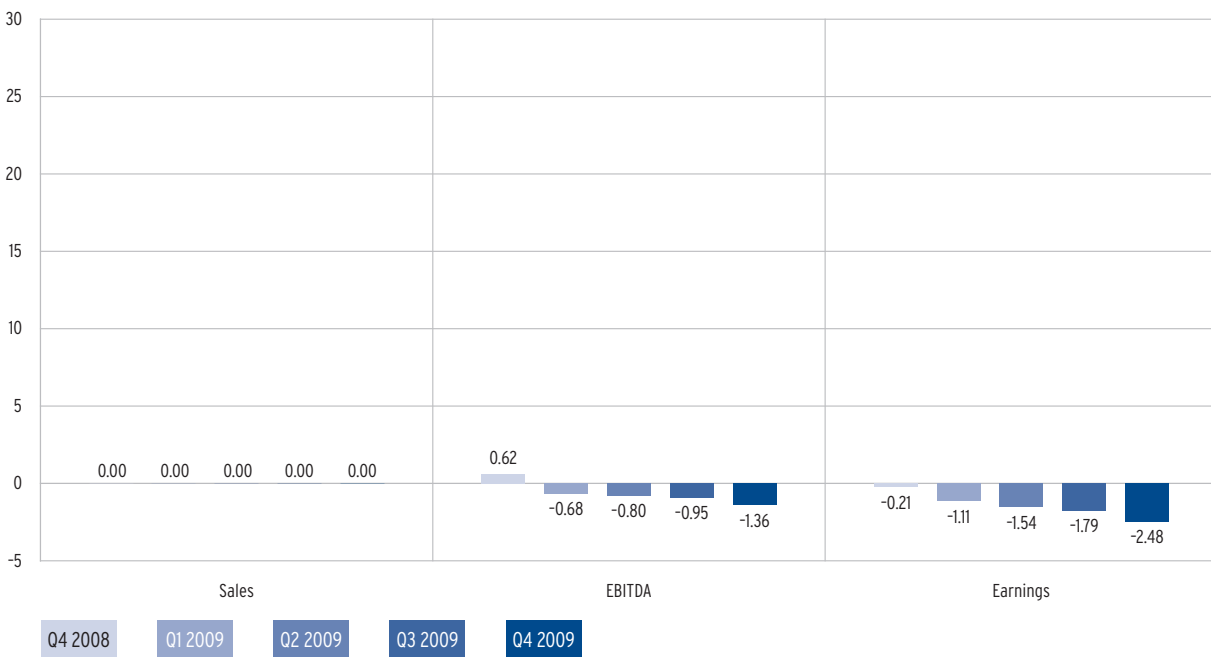


**Segment Others**

Segment Others includes 3U HOLDING AG, SEGAL Systems GmbH and the activities of 3U in the area of renewable energies. 3U HOLDING AG and SEGAL Systems GmbH provided their services almost exclusively within the consolidated Group. Moreover, the activities in the area of renewable energies were mostly aimed at implementing the SEKW project at the new Group Headquarters and the formation of 3U SOLAR Systemhandel AG. Therefore the segment Others did not generate substantial external sales (EUR 2,400) in the 2009 financial year. The EBITDA and the result are correspondingly negative for this segment with TEUR -3,786 (EBITDA) and TEUR -6,918.

The EBITDA and the result are mainly influenced by the personnel costs of TEUR 3,063 (previous year: TEUR 2,356)

**Development (sales, EBITDA, earnings) – Segment Others in EUR million**



## 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.

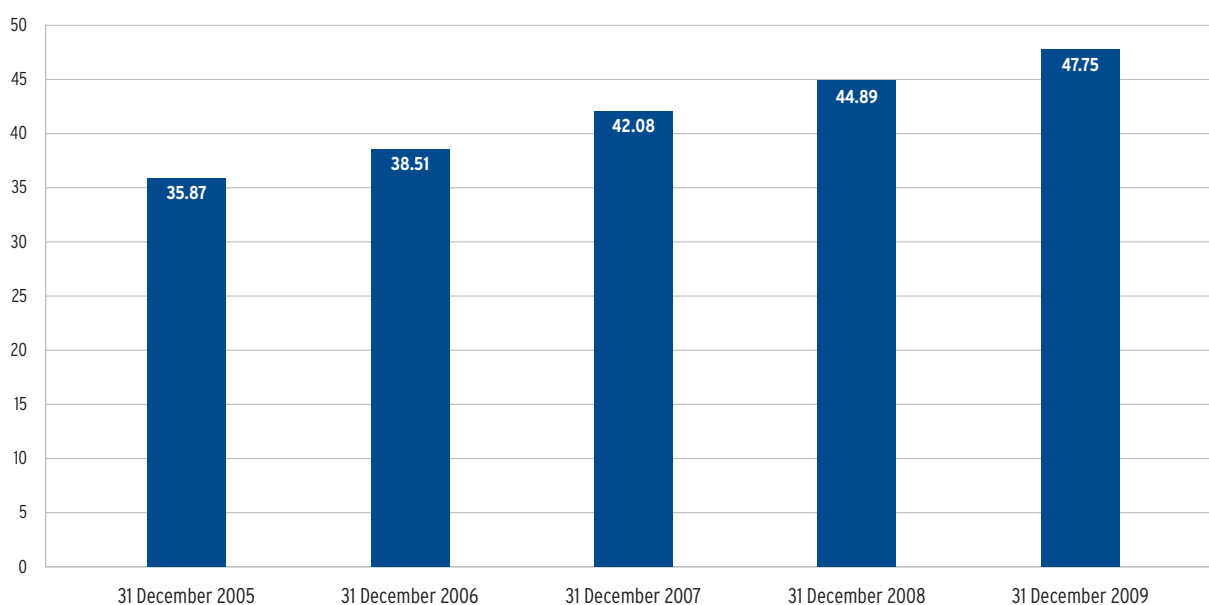
On 31 December 2009, cash and cash equivalents have reduced versus 31 December 2008 from EUR 35.47 million to EUR 33.29 million. Whereby one should consider that a total of TEUR 7,664 flowed out in 2009 as repayments for bank and leasing liabilities for LambdaNet.

Whilst repayment of the leasing liabilities at LambdaNet amounted to TEUR 2,321, some TEUR 5,343 stems from the reduction in loan liabilities at LambdaNet. LambdaNet's bank liabilities have thus been fully repaid by the end of the third quarter 2009.

Within the context of the share buyback program, an amount of TEUR 1,233 was spent during the business year 2009 and an additional amount of TEUR 1,000 for the purchase of .the new premises and the construction of the new Company's Headquarters.

The stability of 3U HOLDING AG is demonstrated by the evolving very solid equity ratio. This has improved continuously since 2005 and approaches the 50 % mark. Per year end 2009, the equity ratio was 47.8 % after 44.9 % as of 31 December 2008.

### Development in the equity ratio (in %)





Overview balance sheet items	31 Dec 2009		31 Dec 2008	
	TEUR	%	TEUR	%
Fixed assets	27,805	35.5	32,750	38.1
Other long-term assets	507	0.7	313	0.4
Prepaid network rents – long-term	1,269	1.6	1,238	1.4
<b>Non-current assets</b>	<b>29,581</b>	<b>37.8</b>	<b>34,301</b>	<b>39.9</b>
Working capital	47,395	60.5	49,972	58.1
Prepaid network rents – short-term	1,340	1.7	1,641	1.9
Assets "held for sale" and assets under liquidation	4	0.0	43	0.1
<b>Current assets</b>	<b>48,739</b>	<b>62.2</b>	<b>51,656</b>	<b>60.1</b>
<b>Assets</b>	<b>78,320</b>	<b>100.0</b>	<b>85,957</b>	<b>100.0</b>
Equity	37,394	47.8	38,590	44.9
Minority interests	14	0.0	0	0.0
Long-term provisions and liabilities	18,664	23.8	15,404	17.9
<b>Long-term liabilities</b>	<b>56,072</b>	<b>71.5</b>	<b>53,995</b>	<b>62.8</b>
Current provisions and liabilities	22,248	28.4	31,963	37.2
<b>Short-term liabilities</b>	<b>22,248</b>	<b>28.4</b>	<b>31,963</b>	<b>37.2</b>
<b>Liabilities</b>	<b>78,320</b>	<b>100.0</b>	<b>85,957</b>	<b>100.0</b>

The balance sheet total on 31 December 2009 amounted to EUR 78.32 million (previous year: EUR 85.96 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 2009 amounted to EUR 29.58 million (previous year: EUR 34.30 million). The share of long-term assets in the balance sheet total thus rose to around 37.8 % (previous year: 39.9 %). Crucial changes emerged regarding tangible assets, which decreased from 29.02 million by 31 December 2008 to EUR 25.07 million by 31 December 2009, based on depreciations carried out.

Short-term assets amounted to EUR 48.74 million by 31 December 2009 (previous year: EUR 51.66 million). Liquid assets, which fell from EUR 35.47 million by 31 December 2008 to EUR 33.29 million, had a major influence on this decrease. The percentage of short-term assets in the balance sheet was 62.2 % (previous year: 60.1 %) in all by 31 December 2009.

Equity has been slightly reduced since the beginning of the year despite a positive annual result. After EUR 38.59 million (by 31 December 2008), EUR 37.39 million are shown by 31 December 2009. This is mainly the result of the alteration of the position "Own Shares" to the amount of EUR 1.23 million. According to IFRS (International Accounting standards), own shares purchased within a share buyback are to be deducted from equity.

Long-term deferred liabilities and obligations increased in comparison to 31 December 2008 from EUR 3.26 million to EUR 18.66 million by 31 December 2009. Especially the change of presentation of deferred liabilities for restoration obligations (increase of EUR 0.10 million from EUR 4.94 million to EUR 5.04 million) and the decrease of lease liabilities by EUR 2.38 million to EUR 10.80 million contributed to this.

The short-term deferred liabilities and obligations decreased compared to 31 December 2008 from EUR 31.96 million to EUR 22.25 million. Mainly responsible for this is the complete repayment of short-term loans to banks amounting to EUR 5.3 million as well as the change of presentation of deferred liabilities for restoration obligations compared to the previous year.

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

The cash flow from operations was increased by 27.3 % and at EUR 10.24 million was EUR 2.20 million higher than in the previous year (EUR 8.04 million).

<b>Cash flow statement (in TEUR)</b>	<b>2009</b>	<b>2008</b>
<b>Cash flow</b>	<b>-2,185</b>	<b>-1,075</b>
Cash flows from continued operations	10,240	8,044
Cash flows from investments	-4,171	-1,118
Cash flow from financing	-8,254	-8,001
<b>Changes in cash and cash equivalents</b>	<b>-2,185</b>	<b>-1,075</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,474</b>	<b>36,549</b>
<b>Cash and cash equivalents at end of period</b>	<b>33,289</b>	<b>35,474</b>

## 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 earnings targets in the fixed-line telephony segment in financial year 2009, but exceeded them significantly. In the broadband/IP segment, however, we missed the earnings 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.

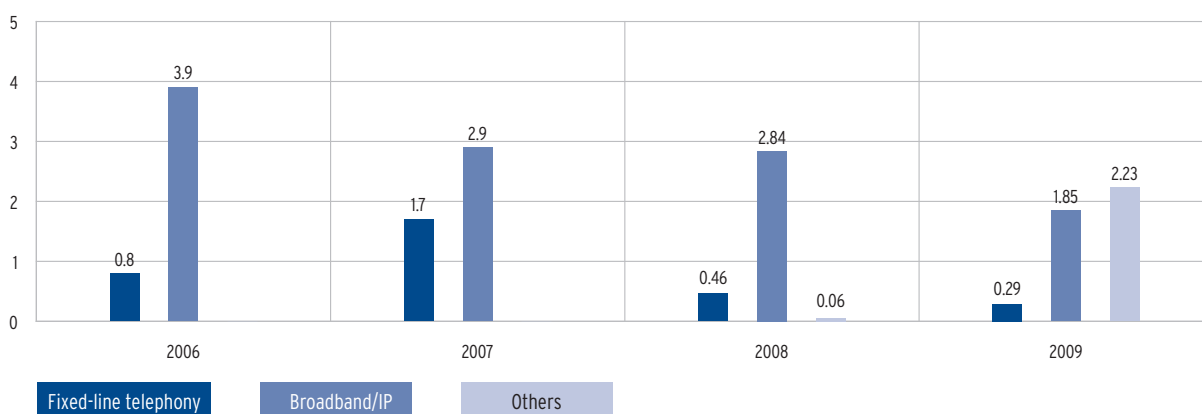
## Investments

Investments of EUR 4.37 million (previous year: EUR 3.36 million) were made within the Group during the 2009 reporting year.

In the fixed-line segment, EUR 0.29 million (previous year: EUR 0.46 million) were invested, whereby the focus was on the network and switching technology. Investments of EUR 1.85 million (previous year: EUR 2.84 million) were made at LambdaNet Communications Deutschland AG. The focal point of investments there was on expanding the technical sites and connecting new customers. All necessary maintenance and expansion investments were executed with it. Investments in the segment Others are mostly connected to the new Company's headquarter.

Investments of roughly EUR 5.30 million in the existing business segments are planned for the financial year 2010. To predict the scale of investments in new equity participations is very difficult as these will depend entirely on the opportunities that come up.

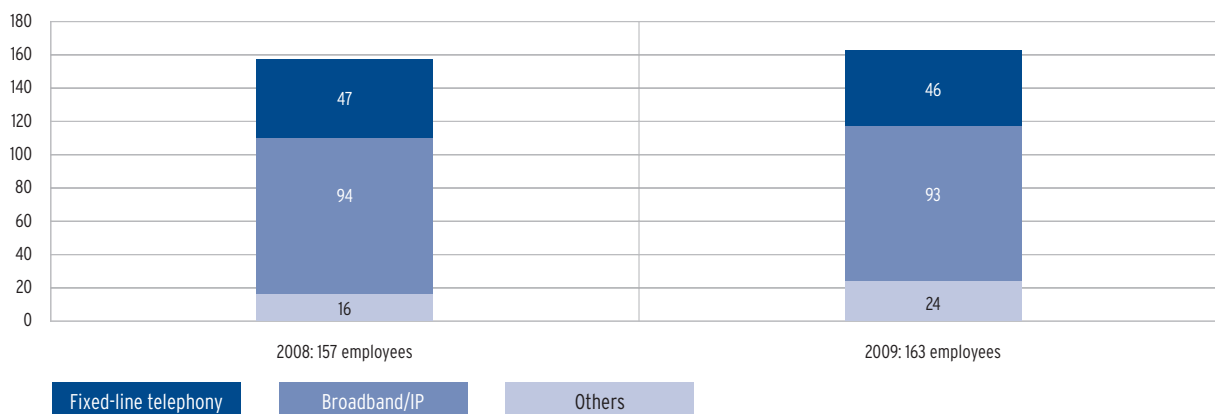
### Developments in investments in EUR millions\*



\*Until 2007 the segment Others was accounted for in the segment fixed-line telephony.

**Staff\***

As of the balance sheet date, the 3U Group employed 168 staff (previous year: 156). On average for the year the headcount rose slightly from 157 to 163. The average numbers of employees in the different areas break down as follows:



The staff cuts determined within the restructuring measures in the Broadband/IP segment will mostly be implemented by the end of the first quarter.

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.

\*Full-time equivalents

## Detailed information on stock option programmes

### 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.

Due to the fact that the share price was quoted well below the strike price during the exercise period 9 March 2007 till 9 March 2010 no stock options from the 2004/2005 stock option plan were exercised. All options expired worthless on 9 March 2010.

### Shares held by the Management Board and the Supervisory Board as of 31 December 2009:

Name	Function	Number of shares	Stock options 2004/2005	
			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 2009.

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.

There were no expenses in the business years 2009 and 2008 for components with long-term incentives.

## Disclosures in line with Section 315 (4) of the German Commercial Code

### 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 as at December 31, 2009. 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 owned as follows:

Name	Function	Number of shares	Percent
Michael Schmidt	(Member of the Management Board)	8,999,995 shares	19.21 %
Oliver Zimmermann	(Member of the Management Board)	105,584 shares	0.23 %
Gerd Simon	(Member of the Supervisory Board)	10,000 shares	0.02 %
Number of own shares		3,244,714 shares	6.93 %

In the financial years 2008 and 2009, 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 August 27, 2014 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 August 28, 2009 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 commissioned with the transaction.

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

In total, 3U HOLDING AG acquired 3,244,714 common shares as treasury stock in the scope of the share buyback programme; 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. 3U HOLDING AG has not received any according transactions.

## Annual Corporate Governance Statement according to § 289a HGB

The management of 3U HOLDING AG has delivered the Annual Corporate Governance Statement according to § 289a HGB on March 23, 2010 and has made it available to the public on the web page of 3U HOLDING AG under „[www.3u.net/Investor\\_Relations/Corporate\\_Governance/Corporate\\_Governance\\_Statement](http://www.3u.net/Investor_Relations/Corporate_Governance/Corporate_Governance_Statement)“.

## Compensation Report

Detailed information on management board remunerations deviating to the previous year are presented separately in the Compensation Report as part of the situation report in the Corporate Governance Statement.

# 38 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 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 organisation 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 especially renewable energies. 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.

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. The exit perspective should be between four and five years. Alternatively, a more long-term "Buy-and-Build" strategy can also be considered.



### **“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 is subject to continued improvements to ensure that both internal changes and external factors, for example changes in law, are taken into account.

The “3U-RICH” system meets the legal requirements for a risk management system

Within an ongoing improvement process, 3U Group has begun in 2009 to incorporate the topics Compliance and IKS more extensively into the risk management system, thereby increasing the company focus on Corporate Governance. The refocusing of 3U is based on the internationally accepted standard COSO ERM, insofar as management deems the approach as described there to be adequate. As an example, in this regard the implementation of a Compliance management system and comprehensive internal controlling system going beyond the accounting process need to be mentioned in the risk management system. Management and supervisory board of 3U Group emphasize the importance of Corporate Governance which stands for responsible leadership and company control geared towards long-term corporate success.

### **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 risk management system which has been introduced by the management of 3U Group for the whole Group has proven to be efficient. Each employee of the Group is compelled to behave risk-consciously within their assigned tasks and responsibilities. The respective operative superiors are immediately responsible for early recognition and supervision of risks. Periodic training events contribute to the fact that all employees are aware of the standards.

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 informs the Management Board of the current risk situation and its potential future development as part of the standardized reporting at least on a monthly basis. The Supervisory Board of the 3U Group receives the standardized reporting through the central risk manager directly as well since June 2009. 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. Those consultations have been broadened in the third and fourth quarter by assimilation of additional Compliance and IKS topics. The measures determined there will be implemented by the end of the second quarter of 2010 so that the supervisory board is able to execute its surveillance duties systematically according to § 107 Abs. 3, S. 2 AktG.

#### **Methodology of the risk management system**

Within the "3U-RICH" system, the risks faced by the 3U Group are captured in a manner down to the department level of the individual companies 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.

Moreover, at least once per year additional risk inventories with emphasis on information security will be carried out in the subsidiaries LambdaNet Communications Deutschland AG and SEGAL Systems GmbH, within the ISO 27001 standard according to which both companies are certified. Corresponding measures will be derived.

## 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, the financial year 2009 was also 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 segment Broadband/IP is currently still considered to be in the restructuring process. In the year 2009 various measures have been taken to position the segment corresponding to market requirements and to permanently strengthen profitability. 3U HOLDING AG has submitted a letter of responsibility (guarantee of equity and financing) towards LambdaNet and a declaration of subordination (for loans granted to LambdaNet) to further stabilize and strengthen the company. Moreover the focus was on further optimisation and results orientation. Significantly decreasing losses are expected of LambdaNet for 2010, positive annual results 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.

SEGAL Systems GmbH was able to prove its high technical know-how as well as experience regarding organisation and staff within the successful certification by TÜV Süd, according to the international standard ISO 27001.

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. The future prospects are 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.

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. Amongst others, the 3U group faces those IT-risks by consistently bringing the information security management systems of its subsidiaries LambdaNet and SEGAL Systems in line with ISO 27001 and having successfully certified these standards by TÜV Süd.

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 compensation 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 minimise 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 minimise 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.
- 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.
- 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.

**Crucial attributes of the internal control and risk management systems regarding the reporting process**

The internal control system regarding the reporting process serves the purpose to ensure with suitable principles, methods and measures the compliance with regulations, standards and legislation to guarantee the regularity, reliability and integrity in accounting and financial reporting. An important aspect in the 3U group is the organisational separation of functions and clearly defined responsibilities within the regular audits ("Four-eye principle"). The control mechanisms used proceed partially automated in order not to interfere with the efficiency of work flows. The auditor verifies IT-systems and their applications used within the annual financial statement.

New legal provisions as well as alterations of existing regulations regarding the accounting process and risks emerging thereof are under immediate examination regarding their repercussions for the 3U group to adopt appropriate measures if necessary.

The implemented internal controls result from the identification of a risk at this point of the accounting process. These risks can have different origins, among other things based on legal requirements. The interaction of risk and compliance management and internal control system is particularly evident in the accounting process and therefore continues to be optimised within the ongoing improvement process.

**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 next few years, the 3U Group will be developed into 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.

## 46 Significant events following the end of the financial year

On March 1, 2010 the Company announced that the Supervisory Board of the Company had decided to revoke the appointment of Oliver Zimmermann to the Management Board with immediate effect.

As successor the Supervisory Board appointed the Head of the Finance and Controlling division of 3U HOLDING AG, Mr. Michael Göbel.



# Outlook

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## Economic outlook

The global economy has overcome the biggest recession since World War II. Since spring 2009, production and trade are increasing, globally stimulated by multi-billion economic stimulus programs, a decisively expansive financial policy and the comparably low oil price. Furthermore, the turnabout of the global inventory cycle contributes to this.

The economic climate has improved in all major economic regions. The increase of the World economic climate index was especially pronounced in Asia. However, the pace of growth will remain at a low level. The weakening of the international financial markets, whose functionality in important segments still is limited, remains a core problem. In addition, the banking system had to deal with massive equity losses which arose from the need for a large value adjustment of structured securities. In important industrial countries there is also a crisis on the property market, which increases the depreciation requirements of banks.

Credit terms remain restrictive globally, massively influencing the financing of investments and new jobs. In addition, the credit-financed economic stimulus programs issued so far will expire in 2010/2011 and the need for recapitalisation of public budgets becomes more and more urgent. Finally the central banks will tighten the strings of monetary policy. All this will have a dampening effect on the development of supply and demand.

The German Institute for Economic Research (ifo) expects an increase of the global gross domestic product (GDP) by 3.1% in 2010 and by 2.6% in the year 2011. The world-wide price increase will be moderately accelerated. The number of unemployed will grow further, due to the weak economy.

Based on various pressures and one-time factors (expiring of economic stimulus programs, demand shortfall, results from made car acquisitions made forward in 2009 etc.) ifo expects a GDP-increase for Germany of 1.7% in 2010 and 1.2% in 2011.

As the job market is following the economic trend employment gradually adapts to the lower level of production. Short-time work will decrease, unemployment will increase. In the current year 2010 the number of employed people will decrease by about 350,000 on an average, the number of unemployed will increase only by about 180,000 to a 3.6 million average.

## Outlook telecommunications

In the year 2009 tendencies of saturation were increasingly noticeable on the market and thus the telecommunications sector transforms more and more from a growth market to a competitive market. The development of the market continues to be dynamic because of innovations and technical progress; a consolidation is expected by industry experts. Based on the distinctive competitive situation of the German market, a further price decline is expected.

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 2010 financial year.

### **Future factors driving growth**

As a management and holding company, sustainable operative profitability is the focus of both future business segments and existing segments of fixed-line telephony and Broadband/IP.

The group counts on organic development in the renewable energies sector as well as business mergers and takeovers which excel in innovation and attractive growth prospects. Here the group as an opportunistic investor will know how to use emerging chances. The existing financial situation and the slim cost structure create the financial background to act successfully in the investment business.

Within the next three to five years, the 3U Group will be developed to become a successful investment company in the areas of telecommunication/broadband as well as renewable energies and innovative technologies.

### **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 negative development on the Call-by-Call market and the growth of sales in the area of wholesale and value-added at the same time as well as the deep restructuring and the accompanying positive developments at LambdaNet, the Management Board expects external sales of EUR 85 million, EBITDA of EUR 13 million and earnings of EUR 3 million for 2010. For 2011 the Management Board expects external sales of EUR 82–90 million, EBITDA of EUR 12–14 million and earnings of EUR 3.5–5 million.

The volatility of the Call-by-Call market makes any medium-term forecast difficult. For financial years 2010 and 2011, the Management Board expects a further declining development and increased volatility in the relevant market overall.

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 point out that the actual future events can differ significantly from our expectations concerning the probable development.

Marburg, March 29, 2010

The Management Board

A handwritten signature in blue ink, consisting of a large, stylized 'M' followed by a smaller 'S' and a horizontal line.

Michael Schmidt

A handwritten signature in blue ink, featuring a large, stylized 'M' followed by a cursive 'Göbel'.

Michael Göbel



# Consolidated Financial Statements

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## Consolidated balance sheet as of 31 December 2009 (IFRS)

Assets 3U Group (in TEUR)	Notes to the consolidated financial statements	31 Dec 2009	31 Dec 2008	1 Jan 2008
<b>Long-term assets</b>		<b>29,581</b>	<b>34,301</b>	<b>3,806</b>
Intangible assets	[2.3.7] [2.3.8] [6.1.1]	2,551	3,735	950
Property, plant and equipment	[2.3.9] [6.1.2]	25,072	29,015	1,940
Financial assets	[6.1.3]	182	0	64
Deferred tax assets	[2.3.14] [6.2]	0	66	0
Other non-current assets		507	247	0
Prepaid network rentals – long-term		1,269	1,238	852
<b>Current assets</b>		<b>48,739</b>	<b>51,656</b>	<b>96,115</b>
Inventories		196	102	0
Trade receivables	[2.3.10] [6.3] [6.12]	11,502	12,952	9,305
Other current assets	[6.4]	2,408	1,444	1,015
Current financial assets	[2.3.10] [6.12]	0	0	2,000
Cash and cash equivalents	[2.3.10] [6.5] [6.12]	33,289	35,474	32,446
Prepaid network rentals – current		1,340	1,641	0
Assets “held for sale” and assets in liquidation* (disposal groups)	[6.1.3]	4	43	51,349
<b>Total assets</b>		<b>78,320</b>	<b>85,957</b>	<b>99,921</b>

\*These include CityDial GmbH (associated company in liquidation) with TEUR 4 (previous year: TEUR 43)

Shareholders' equity and liabilities 3U Group (in TEUR)	Notes to the consolidated financial statements	31 Dec 2009	31 Dec 2008	1 Jan 2008
<b>Shareholders' equity</b>	[6.6]	<b>37,408</b>	<b>38,590</b>	<b>42,043</b>
Issued capital (conditional capital TEUR 4,560; previous year: TEUR 4,560)	[6.6.1]	46,842	46,842	46,842
Capital reserve		21,499	21,499	21,499
Own shares	[2.3.16] [6.6.2]	-1,436	-203	0
Adjustment item for currency difference		-12	-12	-9
Retained earnings		-29,536	-26,331	-27,989
Net income/loss		37	-3,205	1,641
<b>Total shareholders' equity attributable to the shareholders of 3U HOLDING AG</b>		<b>37,394</b>	<b>38,590</b>	<b>41,984</b>
<b>Minority interests</b>	[6.6.5]	<b>14</b>	<b>0</b>	<b>59</b>
<b>Long-term provisions and liabilities</b>		<b>18,664</b>	<b>15,404</b>	<b>103</b>
Long-term provisions	[2.3.13] [6.10]	5,045	103	103
Long-term liabilities due to banks	[6.7]	513	0	0
Long-term lease liabilities	[2.3.11] [6.1.4] [6.7]	10,801	13,181	0
Network rentals received – long-term		2,038	2,120	0
Deferred taxes		267	0	0
<b>Current provisions and liabilities</b>		<b>22,248</b>	<b>31,963</b>	<b>57,775</b>
Current provisions	[2.3.13] [6.10]	825	1,999	1,416
Current tax provisions	[6.10]	3,987	1,329	2,150
Current liabilities due to banks	[6.7]	0	5,343	0
Trade payables	[2.3.10] [6.8] [6.12]	7,760	15,219	9,998
Current lease liabilities	[2.3.11] [6.1.4] [6.7]	2,367	2,179	0
Other current liabilities	[2.3.10] [6.9] [6.12]	7,283	5,679	1,268
Network rentals received – current		26	215	0
Liabilities "held for sale" (disposal groups)		0	0	42,943
<b>Total shareholders' equity and liabilities</b>		<b>78,320</b>	<b>85,957</b>	<b>99,921</b>

# 54 Consolidated income statement (IFRS)

3U Group (in TEUR)	Notes to the consolidated financial statements	Financial year	
		1 Jan-31 Dec 2009	1 Jan-31 Dec 2008
Sales	[2.3.1] [5.1]	92,079	107,459
Other earnings	[5.2]	5,852	2,296
Costs of materials	[5.3]	-59,336	-75,055
<b>Gross profit or loss</b>		<b>38,595</b>	<b>34,700</b>
Staff costs	[5.4]	-12,900	-11,521
Other operating expenses	[5.5]	-12,455	-13,626
<b>EBITDA</b>		<b>13,240</b>	<b>9,553</b>
Depreciation and amortisation	[2.3.9] [5.6]	-9,206	-12,127
<b>EBIT</b>		<b>4,034</b>	<b>-2,574</b>
Income from financial assets	[2.3.4] [2.3.5] [5.7]	-1,013	-1,290
<b>EBT</b>		<b>3,021</b>	<b>-3,864</b>
Income tax expense	[2.3.6] [5.8]	-2,983	-117
<b>Earnings from continued operations before minority interests</b>		<b>38</b>	<b>-3,981</b>
Earnings from discontinued operations before minority interests		0	776
<b>Net income/loss for the period</b>		<b>38</b>	<b>-3,205</b>
Attributable to minority interests		1	0
<b>Thereof Group earnings</b>		<b>37</b>	<b>-3,205</b>



3U Group (in TEUR)	Notes to the consolidated financial statements	Financial year	
		1 Jan-31 Dec 2009	1 Jan-31 Dec 2008
<b>Number of shares</b>		<b>46,842,240</b>	<b>46,842,240</b>
Buyback of own shares in November 2008		-208,872	-208,872
Buyback of own shares in December 2008		-271,379	-271,379
Buyback of own shares in January 2009		-327,813	0
Buyback of own shares in February 2009		-38,077	0
Buyback via public buyback offer		-2,398,573	0
Weighted average number of ordinary shares for basic earnings per share		44,030,952	46,784,813
Effect of dilutive potential of ordinary shares: options*		1,732,500	1,732,500
Weighted average number of ordinary shares for diluted earnings		44,030,952	46,784,813
<b>Earnings per share total</b>			
Earnings per share, undiluted (in EUR)	[5.9]	0.00	-0.07
Earnings per share, diluted (in EUR)	[5.9]	0.00	-0.07
<b>Earnings per share from continued operations</b>			
Earnings per share, undiluted (in EUR)	[5.9]	0.00	-0.09
Earnings per share, diluted (in EUR)	[5.9]	0.00	-0.09
<b>Earnings per share from discontinued operations</b>			
Earnings per share, undiluted (in EUR)	[5.9]	0.00	0.02
Earnings per share, diluted (in EUR)	[5.9]	0.00	0.02

\*In 2008 as well as in 2009 the strike price of the options lies well above the stock price and therefore the options have no diluting effect in 2008 as well as in 2009.

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## Statement of income and accumulated earn

1 January – 31 December 2009

3U Group (in TEUR)	1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
<b>Earnings after taxes</b>	<b>38</b>	<b>-3,205</b>
Attributable to 3U HOLDING AG shareholders	37	-3,205
Attributable to minority interests	1	0
<b>Directly in equity comprised changes</b>		
Exchange rate differences	0	-3
Tax on earnings	0	0
<b>Change of the value comprised in equity (Exchange rate differences)</b>	<b>0</b>	<b>0</b>
Earnings from derivative financial instruments	0	0
Income taxes	0	0
<b>Change of the value comprised in equity (derivative financial instruments)</b>	<b>0</b>	<b>0</b>
<b>Sum of the in equity comprised changes after taxes</b>	<b>0</b>	<b>0</b>
Attributable to 3U HOLDING AG shareholders	0	0
Attributable to minority interests	0	0
<b>Total earnings of the period</b>	<b>38</b>	<b>-3,208</b>
Attributable to 3U HOLDING AG shareholders	37	-3,208
Attributable to minority interests	1	0



# 58 Statement of changes in equity (IFRS)

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

3U Group (in TEUR)	Issued capital	Capital reserve	Reserve for currency differences
<b>As of 1 Jan 2009</b>	<b>46,842</b>	<b>21,296</b>	<b>-12</b>
Consolidated profit	0	0	0
Reserves for own shares	0	-1,233	0
Changes taken directly to equity	0	0	0
Alteration basis of consolidation	0	0	0
<b>As of 31 Dec 2009</b>	<b>46,842</b>	<b>20,063</b>	<b>-12</b>

\*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
<b>-26,348</b>	<b>0</b>	<b>41,984</b>	<b>59</b>	<b>42,043</b>
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
<b>-26,331</b>	<b>-3,205</b>	<b>38,590</b>	<b>0</b>	<b>38,590</b>

Retained earnings	Net income/loss attributable to 3U HOLDING AG shareholders	Shareholders' equity attributable to 3U HOLDING AG shareholders	Minority interests	Total shareholders' equity
<b>-29,536</b>	<b>0</b>	<b>38,590</b>	<b>0</b>	<b>38,590</b>
0	37	37	1	38
0	0	-1,233	0	-1,233
0	0	0	0	0
0	0	0	13	13
<b>-29,536</b>	<b>37</b>	<b>37,394</b>	<b>14</b>	<b>37,408</b>

# 60 Cash flow statement (IFRS)

3U Group (in TEUR)	Notes to the consolidated financial statements [Section 2.2.3 and 7]	1 Jan-31 Dec 2009	1 Jan-31 Dec 2008*
<b>Net income/loss for the period</b>		<b>38</b>	<b>-3,205</b>
+/- Depreciation/write-ups of fixed assets		9,206	12,056
+/- Increase/decrease of provisions		6,426	-514
-/+ Profit/loss on disposal of long-term assets		-90	-536
-/+ Increase/decrease in inventories and trade receivables		1,356	-282
+/- Increase/decrease in trade payables		-7,459	-1,941
+ Changes to other receivables		-1,185	1,737
- Changes to other payables		1,604	-220
+ Change in network rentals prepaid and received		-1	1,390
- Income tax payments		0	-986
- Tax revenue		0	-66
+ Tax expenditure		345	868
+/- Other non-cash changes		0	-257
<b>Cash flows from operating activities</b>		<b>10,240</b>	<b>8,044</b>
+ Inflows from disposals of property, plant and equipment		176	1,281
- Outflows for investments in property, plant and equipment		-4,046	-3,228
+ Inflows from disposals of intangible assets		0	30
- Outflows for investments in intangible assets		-119	-131
- Outflows from additions to financial assets		-182	0
+ Cash inflow from the disposition of consolidated companies and other business units		0	930
<b>Cash flows from investing activities</b>		<b>-4,171</b>	<b>-1,118</b>
<b>Sum carried forward</b>		<b>6,069</b>	<b>6,926</b>

\*Results of the 2008 disposed company 3U TELECOM INC., USA are not included anymore.

3U Group (in TEUR)	Notes to the consolidated financial statements [Section 2.2.3 and 7]	1 Jan-31 Dec 2009	1 Jan-31 Dec 2008*
<b>Sum carried forward</b>		<b>6,069</b>	<b>6,926</b>
- Cash outflow to companies' owner and minority partners (dividends, purchase of own shares, equity capital payback, other disbursements)		-1,233	-206
+ Cash inflow from the issuance of debit and borrowing of money		513	0
- Outflows from the repayment of bonds and (finance) loans		-5,343	-4,986
- Repayment of lease liabilities		-2,191	-2,809
<b>Cash flows from financing activities</b>		<b>-8,254</b>	<b>-8,001</b>
<b>Increase/reduction in cash and cash equivalents</b>		<b>-2,185</b>	<b>-1,075</b>
+/- Changes in cash and cash equivalents due to exchange rate changes, scope of consolidation and valuation		0	0
<b>Cash and cash equivalents at beginning of period</b>		<b>35,474</b>	<b>36,549</b>
<b>Cash and cash equivalents at end of period</b>		<b>33,289</b>	<b>35,474</b>

\*Results of the 2008 disposed company 3U TELECOM INC., USA are not included anymore.

# 62 Notes to the consolidated financial statements for the 2009 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 October 31, 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 August 28, 2007. In accordance with the resolution by the extraordinary General Meeting on January 15, 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.

Furthermore 3U has expanded its activities in the field of Renewable Energies.

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 2009 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 December 31, 2009 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 was compiled in accordance in total expenditure format. The switch from cost-of-sales method to total expenditure method took place for transparency reasons in the 2009 financial year. For better comparability the balance sheets of the previous years 2007 and 2008 have been reproduced and the income statement of 2008 has been adjusted accordingly.

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 December 31, 2009.

The financial year of the Company and all Subsidiaries included in the consolidated financial statements is the calendar year. The at-equity holding in CityDial GmbH i. L., represents an exception. In that case the closing liquidation balance sheet of liquidation was compiled as of December 9, 2009.

**Newly applied standards**

3U took account of all standards and interpretations issued by the IASB, which were in force as of December 31, 2009.

The following standards were applied for the first time:

- Improvements to IFRS (2008)
- Amendment of IAS 1 – presentation of the accounts
- Amendment of IAS 23 – borrowing costs
- Amendment of IFRS 7 – data about financial instruments
- IFRS 8 – business segments
- IFRIC 13 – customer loyalty programs

According to the assessment of the board the first-time application of these standards did not result in significant changes of the net assets, financial position and results of operations of the Group.

The following standards published by the IASB are not yet mandatory and have not been applied by 3U so far.

In January 2008 the IASB published the revised standards IFRS 3, mergers (IFRS 3 [2008]), and IAS 27, consolidated and separate individual financial statements according to IFRS (IAS 27 [2008]), which were adopted by the EU in the 2009 financial year. The revised standards are mandatory for financial years beginning on or after July 1, 2009.

In IFRS 3 (2008) the implementation of the purchase method regarding mergers is reorganised. Crucial reforms affect the valuation of minority interests, the registration of successive buyouts and handling of conditional purchase components and additional cost of acquisition. According to the reform, the valuation of minority interests can be made either by fair value (full-goodwill-method) or by proportionate share of identifiable net equity. Provision is made for income statement-related revaluation of fair value of shares held at the time of control transition regarding successive buyouts. Adjustments of conditional purchase components which are accounted as liabilities at the time of purchase are to be counted as affecting net-income. Additional costs of acquisition are to be counted as expenses at the time they occur.

The main changes to IAS 27 (2008) relate to the accounting of transactions in which a company retains control and of transaction in which control is lost. Transactions which do not lead to a loss of control are to be counted as equity transactions resulting in neither profit nor loss. Remaining interests are to be evaluated as fair value at the time of loss of control. According to the revised standard, the disclosure of negative balances regarding minority interests is valid, which means in the future, losses are to be ascribed without limit in proportion to the interests held.

In accordance with part II of the „Annual Improvement Project 2008“ of IASB, the company intends to feature a gross presentation of interest expenditures and revenues in the consolidated income statement.

The IASB has released a set of further standards. The recently implemented standards as well as standards which have not been implemented yet have no major influence on the consolidated financial statements of 3U.

## 2.2 Consolidation principles

### 2.2.1 Scope and method of consolidation

The consolidated financial statements of 3U HOLDING AG for the 2009 financial year include 14 (previous year: 13) 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.

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.

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. If the amount of losses of an associated company corresponds or surpasses the value of the full book value of equity held in the associated company, 3U will not record further shares of loss unless 3U has incurred respective obligations.

CityDial GmbH and Spider Telecom GmbH (formerly operating under the name of 010060 Telecom GmbH), both located in Germany, will be included in the consolidated income statement as associated companies. CityDial GmbH, Germany, is presently in liquidation.

### 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 headquartered. 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)		Average rate for the year (EUR 1 in foreign currency units)	
	2009	2008	2009	2008
	Currency USD	1.4406	1.4095	1.3948
Currency CZK	26.473	26.930	26.435	24.960
Currency DKK	7.4418	7.4506	7.4462	7.4560

### 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 accordance with IAS 7 cash flows from operating activities, investing activities and financing activities are differentiated.

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.

#### **2.2.5 Earnings per share**

The earnings per share correspond to the profit of ongoing and of discontinued activities, each of which can be seen as belonging to the shareholders of 3U, respectively the profit (after taxes) divided by the weighted average quantity of outstanding stock during a financial year. 3U calculates the result per share (fully diluted) under the assumption that all possibly dilutive securities and remuneration plans which are based on securities are transformed or exercised.

## 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 as well as 3U SOLAR Systemhandel AG have 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.

### 2.3.2 Total cost

Total cost comprises all arising costs in the year under review.

### 2.3.3 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.

#### 2.3.4 Interest earned

Interest earned is 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 inflows are discounted over the duration of financial assets to the net carrying amount of these assets.

#### 2.3.5 Interest expenses

In accordance with the regulations of IAS 23, interest payable for assets, of which are produced over a long period of time, is capitalised as part of production costs by 2009 financial year.

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 duration 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. Financing costs will be included in the cost of assets by the 2009 financial year.

Depreciation is calculated linear based on the following estimated useful lives:

Buildings	25-35 years
Operating equipment	4 years
Office Equipment	3-13 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.

If the acquisition costs of certain tangible assets are crucial, in relation to the overall acquisition and production costs, 3U assesses those components separately and writes them off.

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 recognised 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 recognised 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 lesser 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:	4.25 %
Market risk premium:	5.00 %
Beta factor:	1.15
Capitalisation interest rate:	9.70 %

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. In the opinion of the management no reasonable yet principally possible modification of a basic assumption, made to determine the attainable value of an operating area assigned with goodwill could lead to a book value which significantly exceeds the attainable value.

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 recognised 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-forfeitable. The effects of any changes of estimates, where such exist, are recognised as profit or loss over the remaining time until non-forfeatability.

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

Included 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 %
3U MOBILE GmbH	Marburg	Germany	25,000 EUR	100 %
3U SOLAR Systemhandel AG	Marburg	Germany	50,000 EUR	75 %
3U Solarkraft Friedrichstraße 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 %

#### Changes to the consolidated group

Compared to December 31, 2008, the following changes have occurred in the scope of consolidation:

With effect on May 19, 2009, 50 % of the shares held in 010060 Telecom GmbH were sold to an outside shareholder. The company was renamed to Spider Telecom GmbH and will from now on be included in the consolidated financial statements using the at-equity method.

In 2009, the following additions occurred within to the scope of consolidation:

With the partnership agreement of October 20, 2009, the 3U MOBILE GmbH was established in Marburg with a share capital of EUR 25,000.00 as a 100 % subsidiary of 3U HOLDING AG. The object of the company is the provision of telecommunication services of any kind, especially telecommunication services in the field of mobile communication as well as all related ancillary businesses. The entry of the company into the commercial registry took place on December 1, 2009.

\*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.

With the partnership agreement of October 20, 2009 the 3U SOLAR Systemhandel AG was established in Marburg with a share capital of EUR 50,000.00 as a 75 % subsidiary of 3U HOLDING AG. The object of the company is the development, production and trade with modules and components in the field of renewable energy and heat generation, storage and supply, furthermore planning, building and running of renewable energy projects as well as power trading and running of all related ancillary businesses.

### Associated companies

Companies included valued at equity:

Company	Registered office	Country	Issued capital	Share held by 3U HOLDING AG
CityDial GmbH i. L.	Meckenheim	Germany	5,050 EUR	50 %
Spider Telecom GmbH	Marburg	Germany	25,000 EUR	50 %

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

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

### Other investments in related companies

With the share purchase agreement of October 7, 2009, 15 % of the shares of myFairPartner Limited, London, were bought. myFairPartner Limited is a newly established company located in London in the field of personnel placement based on a WEB 2.0 online solution.

Company	Registered office	Country	Issued capital	Share held by 3U HOLDING AG
myFairPartner Limited	London	Great Britain	1,000,000 £	15 %

## 4 Segment reporting

In its consolidated annual financial statements as of December 31, 2009, 3U recognises 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.

SEGAL Systems GmbH, which operates in the area of IT services, and 3U Solarkraft Friedrichstraße GmbH as well as 3U SOLAR Systemhandel AG, which operate in the field of renewable energies, are not subject to segment reporting per IFRS 8.13 They will be featured together with 3U HOLDING AG under "Others".

Segment reporting 2009 (in TEUR)	Fixed-line telephony	Broadband/IP	Others	Group
Total sales	73,489	36,969	70	110,528
Intercompany sales (inter-/intra-segment sales)	-16,661	-1,720	-68	-18,449
External sales	56,828	35,249	2	92,079
Other operating income	4,357	833	662	5,852
Costs of materials	-39,008	-20,328	0	-59,336
<b>Gross profit or loss</b>	<b>22,177</b>	<b>15,754</b>	<b>664</b>	<b>38,595</b>
Staff costs	-3,141	-6,696	-3,063	-12,900
Other operating expense	-5,872	-5,196	-1,387	-12,455
<b>EBITDA</b>	<b>13,164</b>	<b>3,862</b>	<b>-3,786</b>	<b>13,240</b>
Depreciation	-314	-8,661	-231	-9,206
<b>EBIT</b>	<b>12,850</b>	<b>-4,799</b>	<b>-4,017</b>	<b>4,034</b>
<b>Group EBIT</b>				<b>4,034</b>
<b>Financial result</b>				<b>-1,013</b>
Thereof: Profit/loss of companies included at equity				-6
Taxes on income				-2,983
<b>Consolidated profit/loss from continued operations</b>				<b>38</b>
Earnings from discontinued operations				0
<b>Consolidated profit/loss</b>				<b>38</b>
<b>Share of the shareholders of 3U HOLDING AG in the consolidated profit/loss</b>				<b>37</b>
<b>Share of other shareholders in the consolidated profit/loss</b>				<b>1</b>

Segment reporting 2008 (in TEUR)	Fixed-line telephony	Broadband/IP	Others	Group
Total sales	99,865	35,454	38	135,357
Intercompany sales (inter-/intra-segment sales)	-26,832	-1,036	-30	-27,898
External sales	73,033	34,418	8	107,459
Other operating income	700	258	1,338	2,296
Costs of materials	-55,839	-19,216	0	-75,055
<b>Gross profit or loss</b>	<b>17,894</b>	<b>15,460</b>	<b>1,346</b>	<b>34,700</b>
Staff costs	-2,976	-6,189	-2,356	-11,521
Other operating expense	-7,617	-4,951	-1,058	-13,626
<b>EBITDA</b>	<b>7,301</b>	<b>4,320</b>	<b>-2,068</b>	<b>9,553</b>
Depreciation	-371	-11,553	-203	-12,127
<b>EBIT</b>	<b>6,930</b>	<b>-7,233</b>	<b>-2,271</b>	<b>-2,574</b>
<b>Group EBIT</b>				<b>-2,574</b>
<b>Financial result</b>				<b>-1,290</b>
Thereof: Profit/loss of companies included at equity				-22
Taxes on income				-117
<b>Consolidated profit/loss from continued operations</b>				<b>-3,981</b>
Earnings from discontinued operations				776
<b>Consolidated profit/loss</b>				<b>-3,205</b>
<b>Share of the shareholders of 3U HOLDING AG in the consolidated profit/loss</b>				<b>-3,205</b>
<b>Share of other shareholders in the consolidated profit/loss</b>				<b>0</b>

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 recognises items that by definition are not elements of the segment result. The financial result is composed of interest income and interest expenses as well as the income of companies included according to the at-equity method. 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 following cash flow data were produced for the 3U Group (all amounts in TEUR):

<b>Cash flow data 2009 (in TEUR)</b>	<b>Fixed-line telephony</b>	<b>Broadband/IP</b>	<b>Others</b>
Cash flows from operating activities	8,862	4,066	-2,687
Cash flows from investing activities	-291	-1,672	-2,208
Cash flows from financing activities	0	-7,534	-720

<b>Cash flow data 2008 (in TEUR)</b>	<b>Fixed-line telephony</b>	<b>Broadband/IP</b>	<b>Others</b>
Cash flows from operating activities	5,558	2,667	-181
Cash flows from investing activities	592	-2,594	884
Cash flows from financing activities	0	-7,795	-206

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 2009	31 Dec 2008
<b>Assets</b>		
Fixed-line telephony segment	12,521	13,263
Broadband/IP segment	29,100	35,901
Others	3,406	1,276
<b>Total segment assets</b>	<b>45,027</b>	<b>50,440</b>
Assets not allocated	33,293	35,517
<b>Total consolidated assets</b>	<b>78,320</b>	<b>85,957</b>
<b>Liabilities</b>		
Fixed-line telephony segment	7,052	12,238
Broadband/IP segment	26,981	32,825
Others	6,879	2,304
<b>Total segment liabilities</b>	<b>40,912</b>	<b>47,367</b>
Reconciliation (shareholder's equity/minority interests)	37,408	38,590
<b>Total consolidated liabilities/shareholder's equity</b>	<b>78,320</b>	<b>85,957</b>

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. Basically, the prize comparison method is applied and with Group specific effects added. Administrative services are calculated as cost allocations.

(In TEUR)	Depreciation and amortisation		Investments	
	2009	2008	2009	2008
Fixed-line telephony segment	314	371	292	463
Broadband/IP segment	8,661	11,553	1,848	2,836
Others	231	203	2,168	60

#### Sales of principal services

(In TEUR)	2009	2008
<b>Areas within the continued fixed-line telephony segment</b>		
Of which Open-Call-by-Call	32,166	47,213
Of which reg. Call-by-Call/Preselection	1,654	2,821
Of which wholesale/value-added services	23,002	22,909
Miscellaneous	6	90
<b>Total fixed-line telephony segment</b>	<b>56,828</b>	<b>73,033</b>
<b>Areas within the continued broadband/IP segment</b>		
Of which bandwidth/wavelength	9,759	12,030
Of which colocation	6,128	5,844
Of which InternetTransit/DSL-Gate	6,961	6,786
Of which DataLink/ViPNet	11,225	8,959
Miscellaneous	1,176	799
<b>Total broadband/IP segment</b>	<b>35,249</b>	<b>34,418</b>
<b>Others</b>	<b>2</b>	<b>8</b>

In the fixed-line telephony segment the 3U Group realised sales with the biggest customer amounting to 9.8 % of total sales in the past financial year. 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 of sales

<b>(In TEUR)</b>	<b>2009</b>	<b>2008</b>
<b>Fixed-line telephony</b>	<b>56,828</b>	<b>73,033</b>
Of which in Germany	55,984	72,568
Of which in Europe	844	465
<b>Broadband/IP</b>	<b>35,249</b>	<b>34,418</b>
Of which in Germany	32,349	31,690
Of which in Europe	2,900	2,728
<b>Others</b>	<b>2</b>	<b>8</b>
Of which in Germany	2	8
Of which in Europe	0	0

## 5 Notes on the consolidated income statement

The consolidated income statement will be compiled in accordance with the total expenditure method as from the 2009 financial year. The figures of the previous year were adjusted accordingly and are shown in the comparative figures in accordance with the total expenditure method as well.

### 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.

Sales generated in the function as IT-service provider are disclosed without value-added tax and after deduction of granted discounts. Revenue recognition is carried out through billing following the provision of services.

In the field of renewable energies, no sales have been generated so far. The consolidated sales with third parties are comprised of the segments featured in Segment reporting.

#### Sales of principal services

(In TEUR)	2009	2008
<b>Areas within the continued fixed-line telephony segment</b>		
Of which Open-Call-by-Call	32,166	47,213
Of which reg, Call-by-Call/Preselection	1,654	2,821
Of which Wholesale/ Value-added services	23,002	22,909
Miscellaneous	6	90
<b>Total fixed-line telephony segment</b>	<b>56,828</b>	<b>73,033</b>
<b>Areas within the continued broadband/IP segment</b>		
Of which Bandwidth/Wavelength	9,759	12,030
Of which Colocation	6,128	5,844
Of which InternetTransit/DSL-Gate	6,961	6,786
Of which DataLink/ViPNet	11,225	8,959
Of which other	1,176	799
<b>Total broadband/IP segment</b>	<b>35,249</b>	<b>34,418</b>
<b>Others</b>	<b>2</b>	<b>8</b>
<b>Total sales</b>	<b>92,079</b>	<b>107,459</b>

## 5.2 Other operating income

Other operating income includes the following items:

(In TEUR)	2009	2008
Income from reversal of provisions	1,601	756
Income from realised capital assets gains	90	250
Income from receivables written down	148	30
Earnings from minimisation of loss reserves	769	203
Income for other accounting periods	2,594	611
Other income	650	446
<b>Sum</b>	<b>5,852</b>	<b>2,296</b>

## 5.3 Costs of materials

Material costs are comprised mainly of connection services and network costs.

(In TEUR)	2009	2008
Connection services	35,897	53,737
Network costs	22,189	20,007
Costs for ICAS	1,212	1,267
Other costs of materials	38	44
<b>Sum</b>	<b>59,336</b>	<b>75,055</b>

## 5.4 Staff costs

Staff costs comprise the following:

(In TEUR)	2009	2008
Salaries and wages	11,251	9,945
Social security contributions	1,478	1,374
Other staff costs	171	202
<b>Total</b>	<b>12,900</b>	<b>11,521</b>

The average number of employees was:

Segment	2009	2008
Fixed-line telephony	46	47
Broadband/IP	93	94
Others	24	16
<b>Total</b>	<b>163</b>	<b>157</b>

Social security contributions include not only employer payments into legal pension and health insurance schemes but also expenses for equalisation tax and for fees paid to the employers' liability insurance association. Expenses for employers' payments to legally required pension schemes in the fixed-line network telephony segment totalled TEUR 204 (previous year: TEUR 176); the expenses for the segment broadband/IP were TEUR 444 (previous year: TEUR 438), for the segment Others TEUR 109 (previous year: TEUR 94).

## 5.5 Other operating expenses

Other operating expenses include the following items:

(In TEUR)	2009	2008
Rent expenses	1,052	992
Automobile and travel costs	985	956
Promotion and hospitality expenses as well as sales commissions	1,349	977
Insurances	233	240
Legal and consultancy fees	1,082	1,786
Maintenance	901	1,681
Loss of receivables	393	1,029
Allocation to specific provision/general allowance	1,536	670
Expenses for other accounting periods	373	769
Restructuring expenses	1,171	2
Other operating expenses	3,380	4,524
<b>Total</b>	<b>12,455</b>	<b>13,626</b>

No research and development costs were incurred.

## 5.6 Depreciation and amortisation

Amortisation of intangible assets and depreciation on property, plant and equipment amounted to TEUR 9,206 (previous year: TEUR 12,057) and are reported under cost of sales. The decrease 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. Because of this, additional depreciation in the amount of TEUR 2,896 were incurred in the previous year.

## 5.7 Income from financial assets

This item relates to current and loan accounts as well as earnings of companies included using the „at equity“-method.

(In TEUR)	2009	2008
Interest and similar income	502	1,518
<b>Interest income</b>	<b>502</b>	<b>1,518</b>
Interest expenses for loans receivable	-1,509	-2,786
<b>Interest expenses</b>	<b>-1,509</b>	<b>-2,786</b>
<b>Earnings of companies included using the „at equity“-method</b>	<b>-6</b>	<b>-22</b>
<b>Total</b>	<b>-1,013</b>	<b>-1,290</b>



## 5.8 Income taxes

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

(In TEUR)	2009	2008
Current income tax expenses	2,650	183
Deferred tax assets	333	-66
<b>Total</b>	<b>2,983</b>	<b>117</b>

3U HOLDING AG and its German subsidiaries are subject to corporation and trade tax. In the business year 2009, income was subject to corporation tax of 15 % plus a 5.5 % solidarity surcharge. Trade profits tax in Marburg amounted to around 13 % in 2009 and roughly 16 % of operating profits in Hannover.

The tax rate used for foreign companies is 25 %.

The current tax expenditures of the 2009 financial year include an amount of TEUR 47 for current taxes of previous financial years.

Effective January 1, 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 November 15, 2005 and registered in the commercial register in December 2005.

Effective January 1, 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:

	2009 TEUR	2009 %	2008 TEUR	2008 %
EBT from continued operations	3,021	100.0	-3,864	100.0
Earnings tax rate (29 %; previous year: 29 %)				
Calculated tax income/expenses	876	29.0	-1,121	29.0
Tax-exempt income/non-deductible expenses	100	3.3	-117	-3.0
Effects of allowance of deferred taxes / Non-inclusion of deferred taxes from loss carry forwards	1,863	61.6	2,284	-59.1
Effect of tax rate differences of foreign tax jurisdiction	-7	-0.2	0	0.0
Deviations due to different trade tax collection rates	158	5.2	0	0.0
Lowering of current tax expenses due to the usage of loss carry forwards so far not accounted for	-12	-0.4	705	18.2
Effect of tax rate change	0	0.0	-56	1.4
Aperiodic tax effects	47	1.6	-222	5.7
Miscellaneous	-42	-1.3	54	1.4
<b>Total</b>	<b>2,983</b>	<b>98.7</b>	<b>117</b>	<b>3.0</b>

In the area of non-deductible business expenses of the 2009 financial year, mainly the non-tax deductible business expense according to § 10 KStG and § 4 EStG takes effect.

## 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:

	2009	2008
Earnings from continued activities (in TEUR)	38	-3,981
Earnings from discontinued activities (in TEUR)	0	776
<b>Earnings (in TEUR)</b>	<b>38</b>	<b>-3,205</b>
<b>Basis for basic earnings per share (share in net profit for period of parent company's shareholders in TEUR)</b>	<b>37</b>	<b>-3,205</b>
<b>Basis for diluted earnings per share (in TEUR)</b>	<b>37</b>	<b>-3,205</b>
<b>Number of shares</b>	<b>46,842,240</b>	<b>46,842,240</b>
Buyback of own shares in November 2008	-208,872	-208,872
Buyback of own shares in December 2008	-271,379	-271,379
Buyback of own shares in January 2009	-327,813	0
Buyback of own shares in February 2009	-38,077	0
Buyback via public buyback offer	-2,398,573	0
Weighted average number of ordinary shares for basic earnings per share	44,030,952	46,784,813
Effect of dilutive potential ordinary shares: options*	1,732,500	1,732,500
Weighted average number of ordinary shares for diluted earnings	44,030,952	46,784,813
<b>Earnings per share (in EUR)</b>		
Earnings per share, undiluted (in EUR)	0.00	-0.07
Earnings per share, diluted (in EUR)	0.00	-0.07
<b>Earnings per share from continued operations</b>		
Earnings per share, undiluted (in EUR)	0.00	-0.09
Earnings per share, diluted (in EUR)	0.00	-0.09
<b>Earnings per share from discontinued operations</b>		
Earnings per share, undiluted (in EUR)	0.00	0.02
Earnings per share, diluted (in EUR)	0.00	0.02

\*The strike price of the options lied well above the stock price in 2009 and therefore the options have no diluting effect in 2009.

## 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 2009	31 Dec 2008
Concessions, industrial property rights and similar rights and assets and licences to such rights and assets	338	492
Customer base	1,663	2,693
Goodwill	550	550
<b>Total</b>	<b>2,551</b>	<b>3,735</b>

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.

The first-time consolidation of the 90 % investment in LambdaNet on April 1, 2004 resulted in goodwill of TEUR 8,746, which was capitalized 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 December 31, 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 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 9.7 %. 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 9.7 % p. a. (2008: 7.1 % 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 2.3.12.

### 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.

3U has started with the construction of a new corporate headquarters in the past financial year. As the building has not been completed yet, in 2009 the balancing was made as construction in progress.

### 6.1.3 Financial assets

Investments accounted for using the equity method:

As of December 31, 2009, CityDial GmbH, Meckenheim as well as Spider Telecom GmbH, Marburg were accounted for using the equity method. The summarised financial information for this investment accounted for using the equity method is as follows:

#### CityDial GmbH i. L.

CityDial GmbH i. L. (in TEUR)	9 Dec 2009	31 Dec 2008
Total assets	4	97
Total liabilities	-3	12
Sales	0	11
Profit after taxes	2	7

The carrying amount has evolved as follows:

As of January 1, 2009:	TEUR 43
Pro rata share of net result for the year:	TEUR 1
Capital payback:	TEUR -40
As of December 9, 2009:	TEUR 4

The liquidation closing balance sheet for CityDial GmbH i. L. was compiled by December 9, 2009.

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 March 12, 2008, the shareholders of CityDial GmbH decided to liquidate that company. The liquidation process is therefore concluded. Merely the cancellation of the company in the commercial register is still open.

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

### Spider Telecom GmbH

Spider Telecom GmbH (in TEUR)	31 Dec 2009	31 Dec 2008
Total assets	459	12
Total liabilities	501	0
Sales	58*	0
Profit/loss after taxes	-55*	-3

\*For the period July 1–December 31, 2009

The carrying amount has evolved as follows:

As of July 1, 2009:	TEUR 6
Pro rata share of net result for the year:	TEUR -6
As of December 31, 2009:	TEUR 0

Balance sheet day of Spider Telecom GmbH is December 31, 2009.

There are shares in the losses of Spider Telecom GmbH in the amount of TEUR 21 which have not been recorded. No restrictions whatsoever on the ability of the associated company to transfer financial resources in form of cash dividends, credit or advance repayment to the shareholder apply.

### Other holdings

#### myFairPartner Limited

With the share purchase agreement of October 7, 2009, 15 % of the shares of myFairPartner Limited, London, were bought. myFairPartner Limited is a newly established company located in London in the field of personnel placement based on a WEB 2.0 online solution.

#### 6.1.4 Financial leasing

Within the 3U Group, long-term leasing contracts for fibre-optic networks in an amount of TEUR 11,228 (previous year: TEUR 13,776) 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 recognised 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)	31 Dec 2009		
	Nominal value	Less discount-amount	Present value minimal lease instalments
Remaining term of up to 1 year	3,291	924	2,367
Remaining term of 1-5 years	8,951	2,154	6,797
Remaining term of more than 5 years	4,585	581	4,004
<b>Total</b>	<b>16,827</b>	<b>3,659</b>	<b>13,168</b>

(In TEUR)	31 Dec 2008		
	Nominal value	Less discount-amount	Present value minimal 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
<b>Total</b>	<b>20,241</b>	<b>4,881</b>	<b>15,360</b>

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 2009 amount to TEUR 2,527 (previous year: TEUR 2,504).

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.

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

(In TEUR)	31 Dec 2009		31 Dec 2008	
	Active deferred taxes	Passive deferred taxes	Active deferred taxes	Passive deferred taxes
Intangible assets	0	483	0	781
Property, plant and equipment	9	95	13	137
Receivables	46	0	28	0
Other assets	0	166	0	148
Provisions	148	290	256	5
Liabilities	0	0	0	2
Other liabilities	82	0	19	0
Loss carry forwards	482	0	824	0
<b>Total</b>	<b>767</b>	<b>1,034</b>	<b>1,139</b>	<b>1,073</b>

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 carry forwards in the amount of TEUR 284 (previous year: TEUR 1,073).

Under the provisions of local tax law, the loss carry forwards for which no deferred tax assets were reported in the consolidated balance sheet amounted to a total of TEUR 66,448 (previous year: TEUR 62,413) for corporation tax and TEUR 58,339 (previous year: TEUR 52,898) for trade tax and primarily relate to LambdaNet. Tax loss carry forwards relate to Germany. On deductible temporary differences in the amount of TEUR 1,096 (previous year: TEUR 1,314) deferred taxes were not activated due to recoverability reasons.



### 6.3 Trade receivables

Trade receivables are composed as follows:

(In TEUR)	31 Dec 2009	31 Dec 2008
Trade receivables from third parties	16,549	19,912
Valuation allowances	-5,047	-6,960
<b>Total</b>	<b>11,502</b>	<b>12,952</b>

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 3,291 (previous year: TEUR 4,780) 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 2009	31 Dec 2008
Receivables from tax refunds	545	996
Deposits	30	61
Loans to former employees	381	381
Valuation allowances on loans	-219	-219
Others	1,671	225
<b>Total</b>	<b>2,408</b>	<b>1,444</b>

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 an equivalent 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 May 13, 2004, the Management Board was authorized, 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 May 12, 2009, whereby shareholders' subscription rights may be excluded. Thereof EUR 21,499,000.00 has 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 October 31, 2008, based upon the authorization of the Annual General Meeting of August 28, 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 August 28, 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 November 6, 2008 and ended on February 6, 2009.

In total, 480,251 of own shares were acquired by December 31, 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 February 7, 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, February 9, 2009, until February 20, 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

#### 2004/2005 stock option plan

On March 9, 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 March 9, 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 authorizes 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 December 31, 2006, a total of 344,500 options on December 31, 2007, 473,500 options on December 31, 2008 and 521,000 options on December 31, 2009. No new commitments were made within the framework of this programme.

In the 2009 financial year, no options were exercised from this programme. All options expired worthless on March 9, 2010.

#### **6.6.5 Minority interests**

The minority interests amount to TEUR 14 (previous year: TEUR 0).

## 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 2009	31 Dec 2008
Liabilities due to banks	513	5,343
Lease liabilities	13,168	15,360
<b>Total</b>	<b>13,681</b>	<b>20,703</b>

The interest rate is 3.85 % with a term until December 30, 2029. The loan's collateral consists of the premises in an amount of EUR 2.25 million.

Liabilities to banks are all long term payable. Leasing liabilities in the amount of TEUR 10,801 are long term payable and TEUR 2,367 near-term payable.

In addition, intercompany credit lines for the fixed-line telephony network, which had not been used as of December 31, 2009, are secured by EUR 1.5 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 2009	31 Dec 2008
Social security contributions	9	98
Other taxes	882	235
Provisions of a liability nature	5,133	129
Payroll	5	9
Other liabilities	1,254	5,208
<b>Total</b>	<b>7,283</b>	<b>5,679</b>

Provisions of a liability nature primarily comprise staffing obligations.

## 6.10 Provisions

Provisions comprise the following:

(In TEUR)	31 Dec 2009		31 Dec 2008	
	Current	Long-term	Current	Long-term
Tax provisions	3,987	0	1,329	0
Restoration obligations	0	5,045	0	103
Litigation risks	457	0	1,457	0
Staff provisions	0	0	44	0
Other	368	0	498	0
<b>Total</b>	<b>4,812</b>	<b>5,045</b>	<b>3,328</b>	<b>103</b>

The development is presented as follows:

(In TEUR)	As of 1 Jan 2009	Utilisation	Reversal	Allocation	As of 31 Dec 2009
Tax provisions	1,329	0	182	2,840	3,987
Restoration obligations	103	0	0	4,942	5,045
Litigation risks	1,457	0	1,000	0	457
Staff provisions	44	44	0	0	0
Other	498	67	115	52	368
<b>Total</b>	<b>3,431</b>	<b>111</b>	<b>1,298</b>	<b>7,833</b>	<b>9,857</b>

The provisions for taxes were formed for current payments on taxes. The outflow is expected for the financial year 2010.

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 2010.

The provisions in the personnel area were formed to cover redundancy compensation payments. They are expected to be used during the first half of 2010.

The other provisions largely cover reserves for invoices not yet received. Expenditure can be expected during the first half of 2010.

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

Restoration obligations are obligations connected with the dismantling of executed renovation and expansion of rented technical sites. The rent contracts for those technical sites were primarily concluded in the years 1999 and 2000 with a fixed duration of five respectively ten years and a renewal option for five years once or twice. This resulted in a temporary end of the leasing term for most of the rent contracts in the financial years 2009 and 2010. For this reason, the restoration obligations of the previous year were collectively accounted as short-term.

In the 2009 financial year and in the beginning of 2010 rent contracts were renegotiated and concluded on a long-term basis. Other contracts have been renewed because of the existing options which resulted in a much longer contract period for the tenancies. For this reason the restoration obligations of the 2009 financial year are accounted under long-term obligations.



## 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

2009 (in TEUR)	Cash and cash equivalents	Trade receivables	Other financial assets	Liabilities
Loans and receivables	33,289	11,502	182	0
Financial liabilities measured at their residual carrying amount	0	0	0	28,724
<b>Total</b>	<b>33,289</b>	<b>11,502</b>	<b>182</b>	<b>28,724</b>

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
<b>Gesamt</b>	<b>35,474</b>	<b>12,952</b>	<b>162</b>	<b>41,237</b>

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 December 31 the following financial obligations remain:

(In TEUR)	31 Dec 2009	31 Dec 2008
Within one year	16,550	7,110
Between one and five years	5,719	9,744
After five years	365	1,393
<b>Total</b>	<b>22,634</b>	<b>18,247</b>

The purchase commitments included in the other financial obligations occurring within a year amount to TEUR 1,940 (previous year: TEUR 532).

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 2009 amounted to TEUR 7,083 (previous year: TEUR 4,834).

Fixed-term deposits in the amount of EUR 3.00 million have been pledged as collateral for credit lines of LambdaNet. The bank loan as of December 31, 2009 amounted to EUR 0.00 million. Internal credit lines of 3U are subject to a EUR 1.5 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 457 were created for existing legal disputes entailing a maximum total risk of TEUR 3,824 as at December 31, 2009.

#### Regulating risks and changes in the legal framework

Regulating risks and changes in the legal framework in the fields of telecommunication and energy supply will continue to exist for the current segments and future investments of the 3U Group. Concrete risks are not yet foreseeable.

## 7 Notes to the cash flow statement

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

Cash and cash equivalents comprise the following:

(In TEUR)	31 Dec 2009	31 Dec 2008
Fixed deposits	13,507	19,719
Credit with banks and cash	19,782	15,755
<b>Total cash and cash equivalents</b>	<b>33,289</b>	<b>35,474</b>

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 10,240 (previous year: TEUR 8,044) from operating activities in continued operations.

Cash flow from investing activities amounted to TEUR -4,171 (previous year: TEUR -1,118) and cash flow from financing activities in continued operations amounted to TEUR -8,254 (previous year: TEUR -8,001).

In total, cash and cash equivalents declined by TEUR 2,185.

Of the cash and cash equivalents reported at the end of the period amounting to TEUR 33,289 (previous year: TEUR 35,747), there is a restriction on the disposal of a total of TEUR 1,500 (previous year: TEUR 4,300).

## 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 December 31, 2009 and 2008, reported equity and total assets amounted to:

	31 Dec 2009	31 Dec 2008	Change
Equity in TEUR	37,394	38,590	-1,196
Equity in % of total capital	47.75 %	44.89 %	2.86 %-points
Borrowed capital in TEUR	40,926	47,367	-6,441
Borrowed capital in % of total capital	52.25 %	55.11 %	-2.86 %-points
<b>Total capital (equity plus borrowed capital) in TEUR)</b>	<b>78,320</b>	<b>85,957</b>	<b>-7,637</b>

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 2009, 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 37  
Liabilities: TEUR 86

#### **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 1.5 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 Other Supervisory Board or Advisory Board mandates: Deputy Chairman of the Supervisory Board of LambdaNet Communications Deutschland AG, Hannover (since April 1, 2009)
Oliver Zimmermann	Berlin Chief Financial Officer of 3U HOLDING AG

Total remuneration of the Management Board granted in 2009 amounted to TEUR 1,118 (previous year: TEUR 1,340).

In the variable bonus of 2009 the maximum possible variable remuneration for 2009 at TEUR 300 per board member as well as provisions from the previous years are included.

Name	Fixed remuneration in TEUR		Variable remuneration in TEUR		Total remuneration in TEUR	
	2009	2008	2009	2008	2009	2008
Michael Schmidt	330	340	275	340	605	680
Oliver Zimmermann	345	340	168	320	513	660
<b>Sum</b>	<b>675</b>	<b>680</b>	<b>443*</b>	<b>660</b>	<b>1,118</b>	<b>1,340</b>

No stock options were issued to members of the Management Board in the 2009 and 2008 financial years.

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 December 31, 2009, but which has been prolonged until December 31, 2010.

\*Near term payable (with maximum variable remuneration)

Shares held by the Management Board and the Supervisory Board as of December 31, 2009:

Name	Function	Number of shares	Stock options 2004/2005	
			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 December 31, 2009, 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.

In the 2009 and 2008 financial years no expenditures for long-term incentive components were accrued.

All options expired by March 9, 2010.

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 (until March 31, 2009)
Peter Coch	Frankfurt am Main Business Economist Member of the Supervisory Board Other Supervisory Board or Advisory Board mandates: Deputy Chairman of the Supervisory Board of DEVIL AG, Braunschweig (April 6 – August 7, 2009)

The Supervisory Board remuneration for 2009 amounted to TEUR 83 (previous year: TEUR 66). 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 0 (previous year: TEUR 273). A performance-related remuneration of TEUR 90 was deferred for 2009.

Name	Fixed remuneration in TEUR		Attendance-fee in TEUR		Performance related remuneration in TEUR		Total remuneration in TEUR	
	2009	2008	2009	2008	2009	2008	2009	2008
Ralf Thoenes (Chairman)	10	10	20	15	40	94	70	119
Gerd Simon	8	6	20	15	30	64	58	85
Peter Coch	5	5	20	15	20	8	45	28
Hubertus Kestler (Chairman until 6 Aug 2007)	0	0	0	0	0	107	0	107
<b>Sum</b>	<b>23</b>	<b>21</b>	<b>60</b>	<b>45</b>	<b>90</b>	<b>273</b>	<b>173</b>	<b>339</b>

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 27) plus VAT. This figure is broken down as follows: 3U HOLDING AG TEUR 14 (previous year: TEUR 2), 3U TELECOM GmbH TEUR 1 (previous year: TEUR 20), 010017 Telecom GmbH TEUR 7 (previous year: TEUR 3), LambdaNet Communications Deutschland AG TEUR 5 (previous year: TEUR 2).

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

On March 1, 2010 the Company announced that the Supervisory Board of the Company had decided to revoke the appointment of Oliver Zimmermann to the Management Board with immediate effect.

As successor the Supervisory Board appointed the Head of the Finance and Controlling division of 3U HOLDING AG, Mr. Michael Göbel.

## 8.5 Auditor's Fees

The fees for the auditor BDO Deutsche Warentreuhand AG in the financial year 2009 are:

Statutory audit of the annual financial statements	TEUR 150	(previous year: TEUR 150)
Other services	TEUR 51	(previous year: TEUR 4)
Total	TEUR 201	(previous year: TEUR 154)



## 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 permanently 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 April 4, 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 April 1, 2002.

In accordance with Article 41 (2) sentence 1 WpHG, by way of a letter dated April 4, 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 April 1, 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 March 29, 2010. The Supervisory Board is responsible for examining the consolidated financial statements and for declaring that it approves the consolidated financial statements.

Marburg, March 29, 2010

The Management Board



Michael Schmidt



Michael Göbel

# 112 Development of Group fixed assets 2009 (IFRS)

3U Group (in TEUR)	Historical acquisition and production cost				As of 31 Dec 2009
	As of 1 Jan 2009	Additions	Disposals	Reclassi- fications	
<b>I. Intangible assets</b>					
1. Concessions, industrial property rights and similar rights and assets and licences to such rights and assets	14,895	119	4	0	15,010
2. Customer base	13,990	0	2,959	0	11,031
3. Goodwill	8,970	0	0	0	8,970
<b>Total intangible assets</b>	<b>37,855</b>	<b>119</b>	<b>2,963</b>	<b>0</b>	<b>35,011</b>
<b>II. Property, plant and equipment</b>					
1. Land and buildings including buildings on third party land	171	524	0	0	695
2. Technical equipment and machines	123,416	1,983	1,325	26	124,100
3. Other equipment, plant and office equipment	3,585	195	240	0	3,540
4. Constructions in progress	86	1,344	0	-26	1,404
<b>Total property, plant and equipment</b>	<b>127,258</b>	<b>4,046</b>	<b>1,565</b>	<b>0</b>	<b>129,739</b>
<b>III. Financial assets</b>					
1. Investments	0	182	0	0	182
<b>Total financial assets</b>	<b>0</b>	<b>182</b>	<b>0</b>	<b>0</b>	<b>182</b>
<b>Total fixed assets</b>	<b>165,113</b>	<b>4,347</b>	<b>4,528</b>	<b>0</b>	<b>164,932</b>

As of 1 Jan 2009	Accumulated depreciation			As of 31 Dec 2009	Carrying amounts	
	Depreciations of the financial year	Disposals	Reclassi- fications		As of 31 Dec 2009	As of 31 Dec 2008
14,403	273	4	0	14,672	338	492
11,297	1,030	2,959	0	9,368	1,663	2,693
8,420	0	0	0	8,420	550	550
<b>34,120</b>	<b>1,303</b>	<b>2,963</b>	<b>0</b>	<b>32,460</b>	<b>2,551</b>	<b>3,735</b>
133	14	0	0	147	548	38
94,925	7,715	1,239	0	101,401	22,699	28,491
3,185	174	240	0	3,119	421	400
0	0	0	0	0	1,404	86
<b>98,243</b>	<b>7,903</b>	<b>1,479</b>	<b>0</b>	<b>104,667</b>	<b>25,072</b>	<b>29,015</b>
0	0	0	0	0	182	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>182</b>	<b>0</b>
<b>132,363</b>	<b>9,206</b>	<b>4,442</b>	<b>0</b>	<b>137,127</b>	<b>27,805</b>	<b>32,750</b>

## Development of Group fixed assets 2008 (IFRS)

3U Group (in TEUR)	Historical acquisition and production cost						As of 31 Dec 2008
	As of 1 Jan 2008	Additions "held for sale"	Additions	Disposals	Disposals "held for sale"	Reclassifications	
<b>I. Intangible assets</b>							
1. 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
<b>Total intangible assets</b>	<b>15,342</b>	<b>23,205</b>	<b>131</b>	<b>823</b>	<b>0</b>	<b>0</b>	<b>37,855</b>
<b>II. Property, plant and equipment</b>							
1. Land and buildings including buildings on third party land	1,080	6	10	925	0	0	171
2. Technical equipment and machines	5,122	115,297	2,950	284	0	331	123,416
3. 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
<b>Total property, plant and equipment</b>	<b>7,247</b>	<b>118,387</b>	<b>3,228</b>	<b>1,604</b>	<b>0</b>	<b>0</b>	<b>127,258</b>
<b>III. Financial assets</b>							
1. Investments	64	0	0	4	60	0	0
<b>Total financial assets</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>60</b>	<b>0</b>	<b>0</b>
<b>Total fixed assets</b>	<b>22,653</b>	<b>141,592</b>	<b>3,359</b>	<b>2,431</b>	<b>60</b>	<b>0</b>	<b>165,113</b>

As of 1 Jan 2008	Depre- ciations "held for sale"	Made up Deprecia- tions "held for sale"	Accumulated depreciation				Reclassi- fications	Carrying amounts		
			Deprecia- tions of the financial year	Disposals	Disposals "held for sale"	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	
<b>14,392</b>	<b>17,983</b>	<b>1,041</b>	<b>1,497</b>	<b>793</b>	<b>0</b>	<b>0</b>	<b>34,120</b>	<b>3,735</b>	<b>950</b>	
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	
<b>5,307</b>	<b>83,759</b>	<b>1,855</b>	<b>7,645</b>	<b>323</b>	<b>0</b>	<b>0</b>	<b>98,243</b>	<b>29,015</b>	<b>1,940</b>	
0	0	0	18	0	18	0	0	0	64	
<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	
<b>19,699</b>	<b>101,742</b>	<b>2,896</b>	<b>9,160</b>	<b>1,116</b>	<b>18</b>	<b>0</b>	<b>132,363</b>	<b>32,750</b>	<b>2,954</b>	

# 116 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, March 29, 2010

The Management Board



Michael Schmidt



Michael Göbel

## 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 income and accumulated earnings, cash flow statement, notes and the statement of changes in equity, together with the Group management report for the financial year from January 1 to December 31, 2009. 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, March 29, 2010

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rittmann  
Auditor

Theis  
Auditor





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<b>125</b>	3U Group

# 120 Financial calendar

- **Publication of report on Q1 2010**  
14 May 2010
- **Publication of report on Q2 2010**  
13 August 2010
- **Annual General Meeting**  
19 August 2010
- **Publication of report on Q3 2010**  
12 November 2010
- **Analysts' conference**  
December 2010

# Contact

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## Company address

3U HOLDING AG  
Neue Kasseler Straße 62F  
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

# 122 Glossary

## All IP

IP stands for Internet Protocol. All IP is a term used when describing a provider offering all services via Internet.

## 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.

## DSL

Digital Subscriber Line (DSL) is a family of technologies that provides digital data transmission over the wires of a local telephone network.

## 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.

## EBIT

Earnings before interest and taxes

## EBITDA

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.

## ICAS

Interconnection access

## IFRS

International Financial Reporting Standards

## ISDN

Integrated Services Digital Network (ISDN) is a set of communications standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network.

**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.

**NOC**

Network Operations Centre

**Renewable Energies**

Renewable energy is energy which comes from natural resources such as sunlight, wind, rain, tides, and geothermal heat, which are renewable (naturally replenished).

**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 sales**

Financial ratio indicating the relation of the consolidated result to sales

**Risk management**

Systematic method for identifying and assessing potential risks and for selecting and implementing measures to deal with risk

Risk management can be considered as the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

**Scope of consolidation**

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

**SEKW/SHKW (SEPP/SHPP)**

Solar-Energie-Kraftwerk/Solar-Heiz-Kraftwerk (Solar-Energy-Power plant / Solar-Heating Power plant)

**TK-Industry**

Telecommunications industry

**UMTS**

Universal Mobile Telecommunications System (UMTS) is one of the third-generation (3G) mobile telecommunications technologies

# 124 Imprint

## Published by

3U HOLDING AG  
Neue Kasseler Straße 62F  
35039 Marburg

## Photographs

J. Laackman, PSL-Studios-Marburg (Seite 3)  
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# 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**  
Marburg, Germany

**3U MOBILE GmbH**  
Marburg, Germany

**3U TELECOM GmbH**  
Marburg, Germany

**Discount Telecom  
S&V GmbH**  
Marburg, Germany

**fon4U Telecom GmbH**  
Marburg, Germany

**LineCall Telecom GmbH**  
Marburg, Germany

**OneTel  
Telecommunication GmbH**  
Marburg, Germany

**Spider Telecom GmbH**  
Marburg, Germany

**3U TELECOM GmbH**  
Vienna, Austria

### Broadband/IP

**LambdaNet  
Communications  
Deutschland AG**  
Hannover, Germany

**LambdaNet  
Communications  
Austria GmbH**  
Vienna, Austria

**LambdaNet  
Communications s. r. o.**  
Městec Králové,  
Czech Republic

### IT

**SEGAL Systems GmbH**  
Marburg, Germany

### Renewable energies

**3U SOLAR  
Systemhandel AG**  
Marburg, Germany

**3U Solarkraft  
Friedrichstraße GmbH**  
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**