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3U TELECOM AG

Quarterly Report 1/2002





Content



3U at a Glance	3
Business Development.....	5
3U Share	7
Outlook	9
Balance Sheet (US-GAAP) as of March 31, 2002	10
Income Statement (US-GAAP)	12
Cash Flow Statement (US-GAAP)	13
Statement of Changes in Equity (US-GAAP) as of March 31, 2002	14
Certification	16
Notes	17

3U at a Glance

Result (US-GAAP)		3U TELECOM AG		3U Group	
		1/2002	1/2001	1/2002	1/2001
Revenues	(€ in millions)	13.16	13.07	14.65	14.79
Earnings/losses before taxes and appreciation/amortization	(€ in millions)	2.02	1.29	1.30	0.86
Earnings/losses before taxes	(€ in millions)	1.81	1.13	0.97	0.66
Earnings for the period	(€ in millions)	1.10	0.69	0.02	0.38
Earnings per share	(in €)	0.12	0.08	0.00	0.04
Earnings yield (earnings/losses before taxes and appreciation/amortization)	(in %)	15.31	9.84	8.87	5.85
Equity ratio	(in %)	86.70	85.85	85.27	83.62
Return on equity (earnings/losses before taxes)	(in %)	2.58	1.67	1.46	0.99

3U-Markets 1/2002	3U-Markets 1/2001
Germany Switzerland Austria The Netherlands Italy France	Germany Switzerland Austria The Netherlands





The Management Board
of 3U TELECOM AG:
Michael Schmidt,
Udo Graul (Chairman),
Roland Thieme
(from left to right)

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Business Development

3U Group also in the black in the first quarter of 2002

From January to March 2002, the 3U Group increased earnings before profits and depreciation according to US GAAP by 51.16% compared to the first quarter of 2001, reaching a level of € 1.30 million (€ 0.86 million)*. Group revenues in the first three months of 2002 were € 14.65 million (€ 14.79 million)*.

Earnings before taxes improved in the first quarter of 2002 by 46.97% to € 0.97 million (€ 0.66 million)*.

Earnings after taxes in the first quarter were € 0.02 million (€ 0.38 million)*. Overall, the results show that 3U has also followed the principle of cost leadership in the context of the European expansion.

3U Germany: Quarterly earnings increased by 59.42%

In the first quarter of 2002, 3U Germany was able to significantly exceed the previous year's earnings. With revenues of € 13.16 million (€ 13.07 million)*, the Company achieved domestic earnings before taxes and depreciation of € 2.02 million (€ 1.29 million)* according to US GAAP. This is equivalent to an earnings yield of 15.31% (9.84%)*. The earnings before taxes improved by 60.18%, from € 1.13 million in the first quarter of 2001 to € 1.81 million in the first quarter of 2002, and even increased to € 2.64 million before extraordinary expenses. The earnings for that period for the Company in the first quarter of 2002 were € 1.10 million (€ 0.69 million)*, representing an increase of 59.42% compared to the first quarter of 2001. The figures are evidence of above average profitability and, in light of the expected revenues increase due to the "take-over" of the Talkline preselection customers, indicate a very positive future.

3U concludes agreement with Talkline for transfer of preselection customers

In January 2002, 3U TELECOM AG entered into an agreement with Talkline GmbH & Co. KG to transfer the Talkline preselection customers to the 3U subsidiary, LineTalk Telecom GmbH. It is expected that this will result in significant revenues increases in the second quarter of 2002.

3U France: Revenues increase by expanding the range of services offered to local calls

Since the beginning of the year 2002, it has been possible in France that alternative telephony suppliers can also offer local calls. Therefore 3U TELECOM SARL was able to extend its product range to local calls. The volume of minutes for domestic calls has more than tripled in the first quarter of 2002 compared to the fourth quarter of 2001. A comparison with the first quarter of 2001 is not possible, as operations in France were commenced only in mid-2001.

Investments

Total investments in the first three months of the year 2002 throughout the Group were € 3.12 million. In this respect, the focuses were on expanding transmission technology and the transfer agreement with Talkline.



3U continues to be liquid and debt-free

The asset and financial situation of 3U continues to provide a solid basis and provides sufficient flexibility in order to also be able to utilise additional strategic options to promote external growth. This is undoubtedly an exception in the telecommunications industry.

Personnel

Per 31 March 2002, 3U (including foreign subsidiaries) employed a total of 22 full-time employees, 12 part-time employees and 3 Management Board members (11 full-time employees, 7 part-time employees, 2 Management Board members)*.

Particularly significant events following the end of the first quarter of 2002

On 8 April 2002, the Supervisory Board of 3U TELECOM AG retired with effect upon expiry of the General Shareholders' Meeting scheduled for 17 May 2002. The retirement transpired in connection with the planned reduction of the Supervisory Board from six to three members, and the new appointment of the Supervisory Board planned to this extent.



* Comparative figure 1 January 2001–31 March 2001



3U Share

Share price development

The continuing general weakness of the stock market and the subdued situation in the telecommunications industry is continuing to affect the price of the 3U share. In February 2002, the share price had reached its lowest ever level of € 4.50, but subsequently recovered very quickly and again significantly increased at the end of the quarter. At the end of the first quarter, the price had again reached a level of € 6.00, as had been the case at the beginning of the quarter.

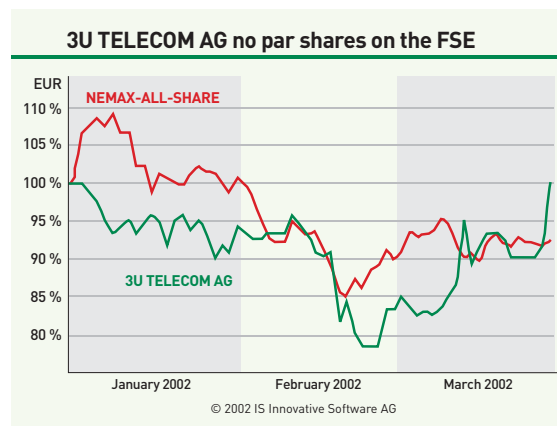
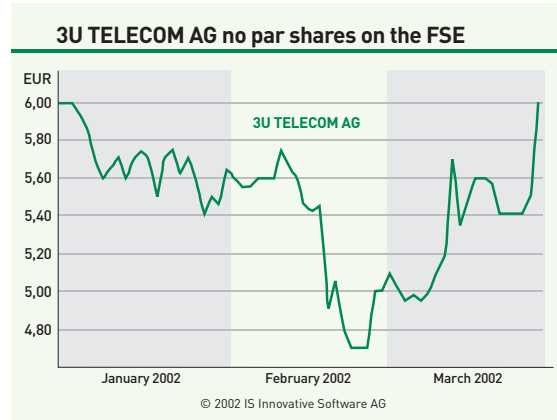
Regarded overall, the development of the share price stood out very positively compared to the NEMAX-ALL-SHARE reference index if regarded over the course of the year: the share performed better than 80 % of all other shares on the Neuer Markt segment of the Frankfurt Stock Exchange during the price changes over the twelve months preceding the end of the first quarter of 2002 (Source: Financial Times Deutschland dated 2 April 2002).

Valuation

The listed price of € 6.00 per 31 March 2002 is equivalent to market capitalisation of € 54.72 million. In the first quarter of 2002, the market capitalisation was therefore also close to the total liquid assets available and the near-liquidity investments in securities. The present potential and the growth dynamic of 3U are not reflected in this share price.

Causes and measures

The generally low revenues on the stock exchange and the relatively low market capitalisation of 3U have to date resulted in the 3U share not being focused on by analysts. The poor image against which the telecommunications industry has to fight is also detrimental. Intensive investor relations work and increasing the level of awareness of 3U by way of further growth (including external growth) should result in a solid company such as 3U attracting more attention in future.



Shareholder structure

The shares held by current members of the Company's corporate bodies as of 31 March 2002 remain unchanged in the recording period.

8

Management Board

Udo Graul (Management Board Chairman)	1,750,740 shares
Michael Schmidt (Deputy Chairman of the Management Board)	1,750,000 shares
Roland Thieme (Management Board member)	700,000 shares

Supervisory Board

Michael Leyener (Supervisory Board Chairman)	1,700 shares
Jürgen Roth (Deputy Chairman of the Supervisory Board)	1,050,000 shares
Jürgen Bockholt	900 shares
Dr. Michael Kußmann	0 shares
Bodo Rimpler	0 shares
Manfred Schwarz	1,750,000 shares

The shares carry full voting and dividend rights.



Outlook

3U is optimistic for the year 2002

In Germany, 3U has established a starting point for further growth by virtue of the take-over of the Talkline preselection customers, and sees new opportunities for strategic options and additional growth potential in the progressive market adjustments.

There have also been signs of the commencement of a market adjustment in European nations outside Germany. 3U is also constantly assessing potential for external growth in this respect.

The expansion in Europe in the 2002 fiscal year will be continued with the planned commencement of operations in Belgium and Great Britain.



Balance Sheet (US-GAAP) as of March 31, 2002

Assets	3U Group		3U TELECOM AG	
	31 March 2002 in €	31 Dec 2001 in €	31 March 2002 in €	31 Dec 2001 in €
Current assets				
Cash and cash equivalents	4,034,755.31	3,565,167.65	2,128,236.56	1,961,486.95
Short-term investments/marketable securities	25,513,464.87	25,513,464.87	25,513,464.87	25,513,464.87
Trade accounts receivable	9,716,368.35	10,203,088.76	7,066,936.00	7,942,496.68
Accounts receivable due from related parties	0.00	0.00	2,010,314.25	1,966,996.90
Inventories	23,296.06	23,296.06	23,296.06	23,296.06
Prepaid expenses and other current assets	9,809,598.92	10,247,430.11	8,123,920.70	8,917,286.48
Total current assets	49,097,483.51	49,552,447.45	44,866,168.44	46,325,027.94
Non current assets				
Property, plant and equipment	3,888,922.38	3,893,697.71	3,072,232.84	3,054,200.99
Intangible assets	2,044,344.93	2,051,057.42	1,570,130.25	1,577,090.33
Investments	19,595,758.34	19,096,558.34	30,297,327.52	26,209,312.01
Goodwill	2,503,218.15	195,005.19	0.00	0.00
Deferred taxes	1,415,634.97	1,491,858.28	950,261.28	779,703.73
Total non current assets	29,447,878.77	26,728,176.94	35,889,951.90	31,620,307.06
Total assets	78,545,362.28	76,280,624.39	80,756,120.33	77,945,335.00



Balance Sheet (US-GAAP) as of March 31, 2002

Liabilities and shareholders' equity	3U Group		3U TELECOM AG	
	31 March 2002 in €	31 Dec 2001 in €	31 March 2002 in €	31 Dec 2001 in €
Current liabilities				
Trade accounts payable	5,682,792.26	6,948,123.72	5,153,793.85	7,532,599.94
Accrued expenses	5,456,310.21	1,985,722.87	4,681,996.05	1,130,381.99
Other current liabilities	440,385.94	397,576.16	903,828.50	361,144.62
Total current liabilities	11,579,488.41	9,331,422.75	10,739,618.40	9,024,126.55
Minority interest	-7,192.81	-4,377.36		
Shareholders' equity				
Share capital	9,120,000.00	9,120,000.00	9,120,000.00	9,120,000.00
Additional paid-in capital	55,680,000.00	55,680,000.00	55,680,000.00	55,680,000.00
Retained earnings/accumulated deficit	2,173,066.68	2,153,579.00	5,216,501.93	4,121,208.45
Total shareholders' equity	66,973,066.68	66,953,579.00	70,016,501.93	68,921,208.45
Total liabilities and shareholders' equity	78,545,362.28	76,280,624.39	80,756,120.33	77,945,335.00



Income Statement (US-GAAP)

Income statement	3U Group		3U TELECOM AG	
	1 Jan 2002– 31 March 2002 in €	1 Jan 2001– 31 March 2001 in €	1 Jan 2002– 31 March 2002 in €	1 Jan 2001– 31 March 2001 in €
Revenues	14,653,431.44	14,788,226.56	13,161,274.52	13,066,175.89
Cost of revenues	-11,856,215.66	-13,086,225.17	-9,497,627.62	-11,375,448.02
Gross profit/loss	2,797,215.78	1,702,001.39	3,663,646.90	1,690,727.87
Selling and marketing expenses	-106,313.00	-93,043.64	-96,610.40	-73,429.90
General and administrative expenses	-1,498,279.46	-1,262,899.91	-1,345,611.00	-1,020,870.59
Other operating income	2,509.72	88,257.92	412,161.14	267,900.51
Other operating expenses	-456,512.00	-232,671.68	-395,979.00	-223,367.92
Operating income/loss	738,621.04	201,644.07	2,237,607.64	640,959.97
Interest income and expenses	237,464.06	458,666.63	395,940.51	491,631.79
Other income/expense	-1,550.00	0.00	-828,242.93	0.00
Result before income taxes (and minority interests)	974,535.10	660,310.70	1,805,305.22	1,132,591.76
Income tax	-958,012.96	-275,927.64	-710,011.74	-440,627.52
Result before minority interest	16,522.14	384,383.06	1,095,293.48	691,964.24
Minority interest	-2,965.54			
Earnings for the period	19,487.68	384,383.06	1,095,293.48	691,964.24
Depreciation and amortization	41,787.04	0.00	0.00	0.00
Amortization and impairment of goodwill	284,152.50	204,531.56	210,175.46	152,752.98
Net income per share (basic)	0.00	0.04	0.12	0.08
Weighted average shares outstanding (basic)	9,120,000.00	9,120,000.00	9,120,000.00	9,120,000.00



Cash Flow Statement (US-GAAP)

Cash flow statement	3U Group		3U TELECOM AG	
	1 Jan 2002– 31 March 2002 in T€	1 Jan 2001– 31 March 2001 in T€	1 Jan 2002– 31 March 2002 in T€	1 Jan 2001– 31 March 2001 in T€
Cash flows from operating activities				
Net profit/loss	20	384	1,095	692
Adjustments for:				
Depreciation and amortization	325	205	233	152
Increase/decrease in provisions and accruals	3,471	-693	3,552	-1,549
Change in net working capital	-221	17,755	-381	18,812
Net cash provided by/used in operating income	3,594	17,651	4,499	18,107
Cash flows from investing activities				
Purchase of property, plant and equipment	-3,125	-340	-4,332	-613
Net cash used in investing activities	-3,125	-340	-4,332	-613
Cash flows from financing activities	0	0	0	0
Net increase/decrease in cash and cash equivalents	470	17,311	167	17,494
Cash and cash equivalents at beginning of period	3,565	17,061	1,961	15,469
Cash and cash equivalents at end of period	4,035	34,372	2,128	32,963



Statement of Changes in Equity (US-GAAP) as of 31, March 2002

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14

Statement of changes in equity 3U Group	3U Group			3U Group		
	Per 1 Jan 2002 in T€	Addition/ Decrease in T€	Per 31 March 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 31 March 2001 in T€
Share capital	9,120	0	9,120	9,120	0	9,120
Additional paid-in capital	55,680	0	55,680	55,680	0	55,680
Earnings reserves	0	0	0	0	0	0
Retained earnings	2,153	20	2,173	1,652	384	2,036
Total	66,953	20	66,973	66,452	384	66,836

Statement of changes in equity 3U TELECOM AG	3U TELECOM AG			3U TELECOM AG		
	Per 1 Jan 2002 in T€	Addition/ Decrease in T€	Per 31 March 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 31 March 2001 in T€
Share capital	9,120	0	9,120	9,120	0	9,120
Additional paid-in capital	55,680	0	55,680	55,680	0	55,680
Earnings reserves	0	0	0	0	0	0
Retained earnings	4,121	1,095	5,216	2,484	692	3,176
Total	68,921	1,095	70,016	67,284	692	67,976





Certification based on an Examining Review

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We have undertaken an examining review ("prüferischen Durchsicht") of the interim financial statements and consolidated interim financial statements of 3U TELECOM AG for the period 1 January 2002 through 31 March 2002. The preparation of the interim financial statements in accordance with the US generally accepted accounting principles ("US-GAAP") is the responsibility of the company's statutory representatives. Our duty is to issue a certification of the interim financial statements and consolidated interim financial statements based on our examining review.

We have conducted our examining review of the interim financial statements in accordance with the German principles for carrying out examining reviews of financial statements as stipulated by the German Institute of Auditors (Institut der Wirtschaftsprüfer ("IDW")). According to these principles, the examining review must be planned and executed in a manner such that upon a critical appraisal, we may with a specific degree of certainty rule out that the interim financial statements were not prepared in material compliance with US accounting regulations or that such interim financial statements fail to present an accurate reflection of net worth and financial position in accordance with generally accepted accounting principles. An examining review is limited primarily to questioning company employees and to conducting analysis and therefore does not provide the degree of certainty that an audit would furnish. Since we have not been authorised to conduct an audit, we cannot provide an auditors' certification.

On the basis of our examining review, we have not identified any facts or circumstances that cause us to assume that the interim financial statements and the consolidated interim financial statements were not prepared in material compliance with US accounting regulations or do not present an accurate reflection of net worth and financial position in accordance with generally accepted accounting principles.

Kirchhain, 15 May 2002

B. Weber GmbH
Wirtschaftsprüfungsgesellschaft



Beate Weber
Wirtschaftsprüferin



Notes

Accounting principles and methods

3U TELECOM AG and all subsidiaries have been included in the Company's quarterly financial statements pursuant to the full consolidation method. The financial statements were prepared in Euro pursuant to US Generally Accepted Accounting Principles ("US-GAAP"). The interim financial statements show no changes in the accounting principles or methods used as compared to the annual financial statements or consolidated financial statements for fiscal year 2001.

Classification of results

The Company is of the opinion that it does business in only one sector, namely, fixed line telephony. Consequently, 3U TELECOM AG presents its revenues and earnings (losses) from ordinary business operations in a consolidated manner.



3U Group

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