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3U TELECOM AG

Quarterly Report 1/2003



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Summary of Group Results

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Result — 3U Group (US-GAAP)		Quarterly comparison	
		1st quarter 2003	1st quarter 2002
Revenues	(€ in millions)	13.78	14.65
Earnings/losses before taxes and appreciation/amortisation	(€ in millions)	2.61	1.30
Earnings/losses before taxes	(€ in millions)	2.08	0.97
Net income/loss for the period	(€ in millions)	1.34	0.02
Earnings per share	(in €)	0.15	0.00
Earnings yield (earnings/losses before taxes and appreciation/amortisation)	(in %)	18.96	8.87
Equity ratio	(in %)	88.44	85.27

3U-Markets 1/2003	3U-Markets 1/2002
Germany	Germany
Switzerland	Switzerland
Austria	Austria
Netherlands	Netherlands
Italy	Italy
France	France
USA	



Business Development

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■ 3U improves quarterly result tremendously

At € 1.34 million in Q1 2003, the group improved the quarterly result tremendously compared to Q1 2002 (€ 0.02 million).

At € 2.61 million in Q1 2003 earnings before taxes and depreciation was double the figure of Q1 2002 (€ 1.30 million).

EBT was also double the Q1 2002 (€ 0.97 million) figure, at € 2.08 million in Q1 2003.

In the first quarter 2003, revenues dropped by 5.9%, from € 14.65 million in Q1 2002 to € 13.78 million. As the tremendous increase of result demonstrates, the costs side in the Group has developed very positively overall. We further extended our cost leadership.

In Q1, earnings per share at € 0.15 were up considerably against Q1 2002 (€ 0.00).

■ Investments

The total sum of investments for the entire Group for the period January to March 2003 was € 0.09 million.

■ Financial position

Just as pleasing as the earnings position is the financial position at the 3U Group. Thus 3U has an equity ratio of 88.44 % on a balance sheet total of € 79.24 million.

Across the Group there are no amounts due to banks. 3U is without debt. This liquidity situation is also very good. The total of cash, cash equivalents and short-term securities is approx. € 56 million. Thus, the proceeds resulting from the initial public offering of the company remain fully available, despite the investments and acquisitions made, which were largely

financed by surpluses from ordinary business operations.

■ Personnel

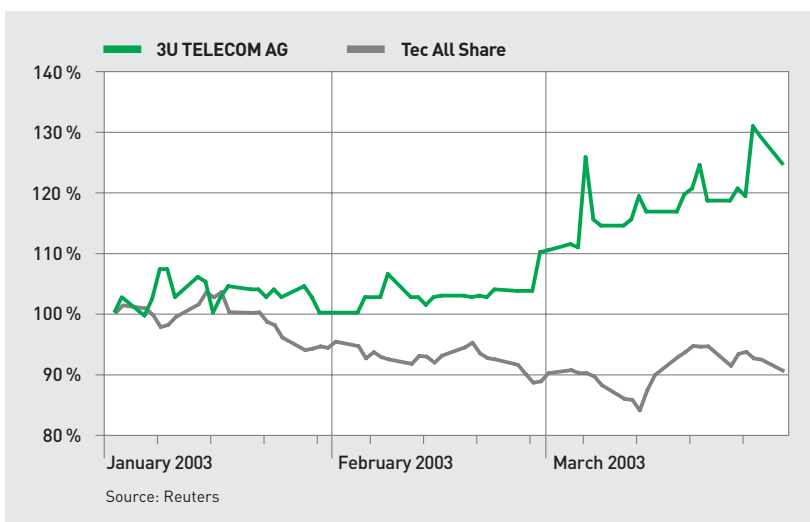
As of 31 March 2003, 3U and its subsidiaries employed 29 full-time and 35 part-time staff members and 3 Management Board members (as of 31 March 2002 22 full-time and 12 part-time staff members, 3 Management Board members). Converting the part time staff into full-time equivalents produces a figure of 46 full-time staff (including Management Board) as of 31 March 2003.



The 3U Share

Summary of 3U shares		
International Securities Identification Number (ISIN)		DE0005167902
Stock exchange symbol		uuu
Trading segment		Prime Standard
Industry key		Telecommunication
Designated Sponsor		Landesbank Baden-Württemberg
Initial listing		26 November 1999
Registered share capital	(in €)	9,120,000.00
Stock exchange price at quarter end*	(in €)	4.85 (31 March 2003)
Highest price in Q1*	(in €)	5.10 (27 March 2003)
Lowest price in Q1*	(in €)	3.85 (1 January 2003)
Number of shares		9,120,000
Market capitalisation at quarter end	(in Mio. €)	44.23
Earnings per share (basic)	(in €)	0.15

*Daily closing price Xetra



Share price trend for 3U TELECOM AG from January 2003 to March 2003 in comparison to the Tec All Share-Index



The 3U Share

With the resegmentation of the stock market, 3U TELECOM AG was included in the Prime Standard.

■ Performance

Since the beginning of the year the 3U share has moved sideways, but performed quite positively against the Tec All Share. From March 2003, a considerable upward trend has been evident. Trading volume has also increased. Without doubt, the increase of the free float has contributed to the increased attraction of the 3U share.

■ Valuation

The Management Board is of the opinion that the current share price does not reflect the potential of the company.

The total of all cash, cash equivalents and highly liquid investments in securities is approx. € 56 million and is thus considerably higher than the market capitalization of € 44.23 million as of 31 March 2003, with a share price of € 4.85*.

■ Directors' Holdings

Shares with full dividend and profit entitlement held by current member of the Company's corporate bodies as of 31 March 2003:

Management Board

Udo Graul (Chairman)	1,750,740 shares
Michael Schmidt	1,759,925 shares
Roland Thieme	700,000 shares

Supervisory Board

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



Outlook

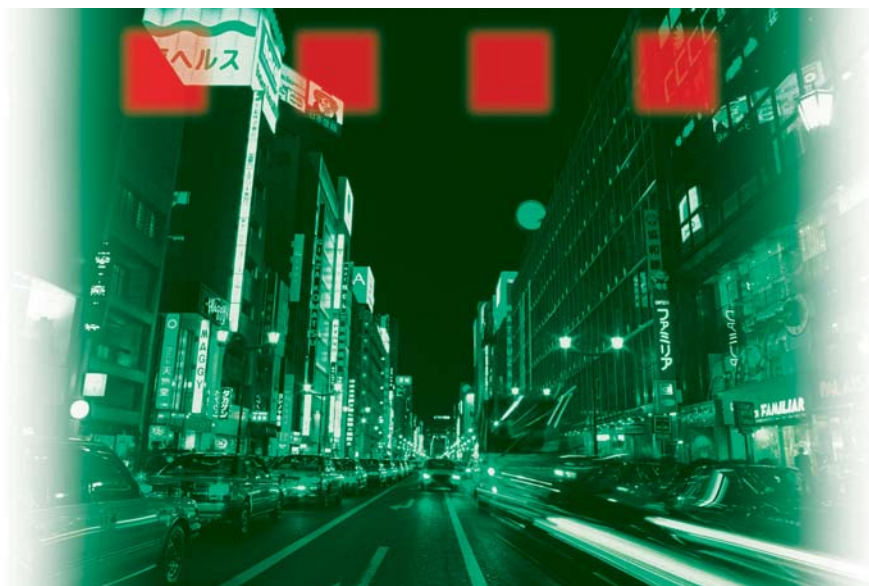
■ 3U looking for acquisition opportunities in Germany and internationally

Within the telecommunications industry 3U operates in a difficult market segment. Last year, the fixed line sector posted a decline in traffic volumes for the first time since deregulation. For the future, experts do not anticipate growth of fixed line telephony, but are forecasting a stagnating market volume. Nevertheless, it can be assumed that the fixed line sector will continue to enjoy high prominence within voice telephony. With this development, organic growth can be generated only with very great difficulty. It can be expected that suppliers with an unfavorable cost structure will increasingly exit the fixed network market.

This offers excellent opportunities for further acquisitions at 3U. 3U is targeting external growth and is looking for acquisition opportunities in Germany and internationally.

3U is prepared for external growth in all areas: With the planned starts in Great Britain, Luxemburg and Belgium we will extend our existing platform for strategic options.

Within the context of the takeover of Talkline customers, we have prepared the company for further growth in terms of both technology and organization. With its comfortable financial situation, the capital increase in 2002 and the share buyback program resolved in the Annual General Meeting on 15 May 2003 3U has a very sound financial position.



Balance Sheet (US-GAAP) as of 31 March 2003

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Assets — 3U Group (in T€)	31 Mar 2003	31 Dec 2002
Current assets		
Cash and cash equivalents	14,890	16,279
Short-term investments/marketable securities	21,547	21,543
Trade accounts receivable	8,300	9,203
Accounts receivable due from related parties	0	0
Inventories	23	23
Prepaid expenses and other current assets	8,451	5,854
Total current assets	53,211	52,902
Non current assets		
Property, plant and equipment	3,058	3,267
Intangible assets	3,048	3,253
Investments	19,668	19,666
Goodwill	0	28
Deferred taxes	254	142
Total non current assets	26,028	26,356
Total assets	79,239	79,258



Balance Sheet (US-GAAP) as of 31 March 2003

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Liabilities and shareholders' equity — 3U Group (in T€)	31 Mar 2003	31 Dec 2002
Current liabilities		
Trade accounts payable	4,237	5,914
Accrued expenses	4,692	4,327
Other current liabilities	284	319
Total current liabilities	9,213	10,560
Minority interest	-49	-36
Shareholders' equity		
Share capital	9,120	9,120
Additional paid-in capital	55,680	55,680
Retained earnings/accumulated deficit	5,275	3,934
Total shareholders' equity	70,075	68,734
Total liabilities and shareholders' equity	79,239	79,258



Income Statement (US-GAAP)

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Income statement — 3U Group (in T€)	3-month report	
	1 Jan 2003 – 31 Mar 2003	1 Jan 2002 – 31 Mar 2002
Revenues	13,783	14,653
Cost of revenues	-9,768	-11,856
Gross profit/loss	4,015	2,797
Selling and marketing expenses	-220	-106
General and administrative expenses	-1,734	-1,498
Other operating income	56	3
Other operating expenses	-289	-457
Operating income/loss	1,828	739
Interest income and expenses	249	237
Other income/expense	-6	-2
Result before income taxes (and minority interests)	2,071	974
Income tax	-743	-958
Result before minority interest	1,328	16
Minority interest	-13	-3
Net income/loss	1,341	19
Depreciation and amortisation	530	326
Net income per share (basic) (in €)	0.15	0.00
Weighted average shares outstanding (basic) (per item)	9,120,000	9,120,000



Cash Flow Statement (US-GAAP)

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Cash flow statement — 3U Group (in T€)	1 Jan 2003 – 31 Mar 2003	1 Jan 2002 – 31 Mar 2002
Cash flows from operating activities		
Net profit/loss	1,328	20
Adjustments for:		
Depreciation and amortisation	530	325
Increase/decrease in provisions and accruals	365	3,471
Other	-1	0
Change in net working capital	-3,520	-221
Net cash provided by/used in operating income	-1,298	3,595
Cash flows from investing activities		
Purchase of property, plant and equipment	-91	-3,125
Net cash used in investing activities	-91	-3,125
Cash flows from financing activities	0	0
Net increase/decrease in cash and cash equivalents	-1,389	470
Cash and cash equivalents at beginning of period	16,279	3,565
Cash and cash equivalents at end of period	14,890	4,035



Statement of Changes in Equity (US-GAAP) as of 31 March 2003

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Statement of changes in equity 3U Group (in T€)	Reporting period 2003			Reporting period 2002		
	As per 1 Jan 2003	Additions/ disposals	As per 31 Mar 2003	As per 1 Jan 2002	Additions/ disposals	As per 31 Mar 2002
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	3,934	1,341	5,275	2,153	20	2,173
Total	68,734	1,341	70,075	66,953	20	66,973



Certificate based on Audit Review

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We undertook an audit review of the interim financial statements of 3U TELECOM AG for the period 1 January 2003 to 31 March 2003. The preparation of the interim financial statements in accordance with US generally accepted accounting principles (US-GAAP) is the responsibility of the company's statutory representatives. Our responsibility, based on our audit review, is to issue a certificate of the consolidated interim financial statements.

We conducted the audit review of the consolidated interim financial statements in accordance with the German principles for implementing reviews established by the German Institute of Auditors (*Institut der Wirtschaftsprüfer – IDW*). These principles require that we plan and perform the audit review to obtain a critical appraisal allowing us to state with reasonable assurance that the consolidated interim financial statements were prepared in material compliance with US generally accepted accounting principles and that such interim financial statements present a true and fair view of the net worth and financial position with due regard to generally accepted accounting principles. An audit review is restricted primarily to questioning company employees and to conducting analyses and therefore does not provide the degree of assurance that an audit would furnish. Since we have not been mandated to conduct an audit, we cannot provide an audit opinion.

On the basis of our audit review, we did not identify any facts or circumstances that cause us to assume that the consolidated interim financial statements were not prepared in material compliance with US accounting regulations or do not present a true and fair view of the net worth and financial position with due regard to generally accepted accounting principles.

Kirchhain, 18 May 2003

B. Weber GmbH
Wirtschaftsprüfungsgesellschaft

Weber
Wirtschaftsprüferin



Notes

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Accounting principles and methods

3U TELECOM AG and all subsidiaries are consolidated in the Company's quarterly financial statements in accordance with the full consolidation method (except CityDial GmbH, which was valued according to the equity method). The financial statements were prepared in euro in line with US Generally Accepted Accounting Principles (US-GAAP). There are no changes in the accounting principles and methods as compared to the consolidated financial statements for fiscal year 2002.

Classification of results

The company does business in only one segment – fixed line voice communication. 3U thus reports its revenues and results from ordinary business operations in a consolidated manner.



3U Group

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3U Germany

3U TELECOM AG
Mergenthalerallee 79-81
D-65760 Eschborn

LineCall

LineCall Telecom GmbH
Mergenthalerallee 79-81
D-65760 Eschborn

3U France

3U TELECOM SARL
12, Avenue de l'Arche
F-92419 Courbevoie cedex

3U Austria

3U TELECOM GmbH
Mariahilfer Straße 123/3
A-1060 Wien

3U Italy

3U TELECOM S.R.L.
Largo Richini, 6
I-20122 Milano (MI)

3U Switzerland

3U TELECOM AG
Dreikönigstrasse 31a
CH-8002 Zürich

3U Netherlands

3U TELECOM B.V.
Arena Business Park
Olympia 1A/1B
NL-1213 NS Hilversum

3U USA

3U TELECOM INC.
2654 W. Horizon Ridge Parkway
Suite B5-143
Henderson, NV 89052

Imprint

3U TELECOM AG
Mergenthalerallee 79-81
D-65760 Eschborn
Tel.: +49 (0)69 75006-0
Fax: +49 (0)69 75006-111
info@3u.net
www.3u.net





3U TELECOM AG
Mergenthalerallee 79-81, D-65760 Eschborn
Tel.: +49 (0)69 75006-0, Fax: +49 (0)69 75006-111
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