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3U TELECOM AG

Quarterly Report 2/2002





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3U at a Glance

Result (US-GAAP) Quarterly comparison		3U TELECOM AG		3U Group	
		2/2002	2/2001	2/2002	2/2001
Revenues	(€ in millions)	14.75	15.87	17.25	16.65
Earnings/losses before taxes and appreciation/amortization	(€ in millions)	2.09	1.38	2.29	0.16
Earnings/losses before taxes	(€ in millions)	1.87	1.21	1.67	-0.14
Earnings for the period	(€ in millions)	1.31	0.76	0.92	-0.14
Earnings per share	(in €)	0.14	0.08	0.10	-0.02
Earnings yield (earnings/losses before taxes and appreciation/amortization)	(in %)	14.17	8.70	13.28	0.96
Equity ratio	(in %)	84.39	83.69	80.90	81.46
Return on equity (earnings/losses before taxes)	(in %)	2.62	1.76	2.46	-0.21

Result (US-GAAP) Half-year comparison		3U TELECOM AG		3U Group	
		1/2002	1/2001	1/2002	1/2001
Revenues	(€ in millions)	27.92	28.93	31.90	31.44
Earnings/losses before taxes and appreciation/amortization	(€ in millions)	4.11	2.66	3.59	1.03
Earnings/losses before taxes	(€ in millions)	3.67	2.35	2.64	0.52
Earnings for the period	(€ in millions)	2.40	1.45	0.94	0.24
Earnings per share	(in €)	0.26	0.16	0.10	0.03
Earnings yield (earnings/losses before taxes and appreciation/amortization)	(in %)	14.72	9.19	11.25	3.28
Equity ratio	(in %)	84.39	83.69	80.90	81.46
Return on equity (earnings/losses before taxes)	(in %)	5.15	3.41	3.90	0.78

3U-Markets 2/2002	3U-Markets 2/2001
Germany Switzerland Austria Netherlands Italy France	Germany Switzerland Austria 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

The 3U Group quadruples profits in the first half of 2002

Compared to the first six months of the previous year, 3U has significantly increased the Group's earnings in the first half of 2002.

The 3U Group's earnings under US GAAP were € 0.94 million for the first half of 2002 and thereby rose almost four-fold over the same period in 2001 (€ 0.24 million)*.

Compared to the equivalent period of the previous year, Group revenues increased by 1.5% in the first half of 2002. Revenues in the first half of this year were € 31.9 million, compared to € 31.44 million in the first half of 2001.

In the first six months of 2002, the Group's earnings before taxes and depreciation/amortization rose by 245.6% to € 3.56 million (€ 1.03 million)*.

Earnings before taxes for the Group were € 2.64 million (€ 0.52 million)* for the same period. This represents an increase of 407.7%.

The earnings per share in the first six months of 2002 were € 0.10 for the Group. This represents an increase of 233.3% compared to the earnings reported in the first half of 2001 (€ 0.03)*.

Compared to the same period of the previous year, the 3U Group improved its quarterly results from a € 0.14 million loss to a € 0.92 million profit

In the second quarter of 2002, Group earnings were € 0.92 million (€ -0.14 million)*. This represents an increase of € 1.06 million compared to the second quarter of 2001.

With revenues of € 17.25 million (€ 16.65 million)*, the Group increased its earnings before taxes and depreciation/amortization from € 0.16 million to € 2.29 million. The return on sales was 13.28% (0.96%)*.

Earnings before taxes improved by € 1.81 million from € -0.14 million to € 1.67 million.

3U Austria begins making profits in the second quarter of 2002

The Austrian subsidiary, 3U TELECOM GmbH, has since December 2000 been doing business and has established itself in the Austrian telecommunications market. With its acquisition of TelePassport customers in the second quarter of 2001, 3U Austria has profited from the first market withdrawals and has accelerated growth. One year later – in the second quarter of 2002 – 3U Austria has become profitable.

3U Germany improves its half-year earnings by 65.5%

Also in Germany, the first-half earnings for 2002 have improved considerably from the first half of 2001.

3U TELECOM AG's first-half earnings for 2002 were € 2.4 million, which is the equivalent to a 65.5% improvement over the first half of 2001 (€ 1.45 million)*.

With revenues of € 27.92 million (€ 28.93 million)*, the company was able to generate earnings before taxes and depreciation (under US GAAP) of € 4.11 million (€ 2.66 million)* in Germany alone. This represents a return on sales of 14.72% (9.19%)*.

3U TELECOM AG's earnings before taxes were € 3.67 million (€ 2.35 million)* for the first six months of 2002. This represents an increase of 56.2%.

The earnings per share on 3U TELECOM AG stock for the first six-months of 2002 were € 0.26; a figure that translates into 62.5% increase over the earnings for the first six months of 2001 (€ 0.16)*.

* Comparative period 2001



3U Germany's quarterly earnings increased by 72.4% over the same period of the previous year

3U TELECOM AG's earnings in the second quarter of 2002 were € 1.31 million (0.76 million)*. This represents a 72.4% increase over the second quarter of 2001. With revenues of € 14.75 million (€ 15.87 million)*, 3U TELECOM AG generated earnings before taxes and depreciation/amortization in the amount of € 2.09 million (€ 1.38 million)*. The return on sales was 14.17% (8.7%)*.

The expected increases in revenues as a result of the "transfer" of the Talkline-Preselection customers to the 3U subsidiary, LineTalk Telecom GmbH, took hold in the second quarter of 2002. As early as the second quarter, LineTalk Telecom GmbH produced revenues of € 2.87 million. However, this favourable outcome was reflected in the Group's results and not in 3U TELECOM AG's results.

3U TELECOM AG's earnings before taxes improved by 54.5% from € 1.21 million to € 1.87 million.

3U's earnings indicate favourable trends for the future

The 3U results show above-average profitability for the Company and suggest favourable trends for the future.

The results prove the success of the 3U business model and its corporate strategy and portend favourable growth potential for the Company. The strict profit orientation and committed expansion of the Company's position as cost leader have thereby proven to be key success factors.

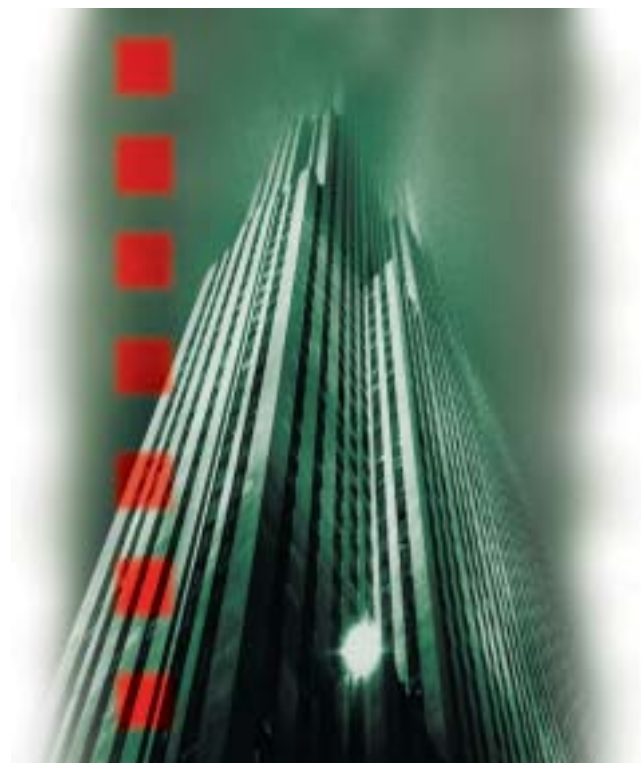
3U will continue to vigorously pursue this path and is therefore quite optimistic about the future.

Investments

The total volume of Group investments for the period April through June 2002 was € 1.16 million. The investments focused on the purchase of Talkline customer base and on the development of software for transmission technology and billing systems.

Asset and financial position

The Company's positive business development is supported by a very favourable asset and financial position. 3U's assets and financial position are a solid basis and offer flexibility for continued external growth. The shareholder resolution of 17 May 2002 approving the creation of € 4.56 million in authorised share capital affords new opportunities for implementing strategic options.



* Comparative period 2001



Personnel

As of 30 June 2002, 3U (including subsidiaries) employed a total of 21 full-time and 48 part-time staff members as well as 3 Management Board members (as per 30 June 2001: 14 full-time and 7 part-time employees, 2 Management Board members). If one were to recalculate and convert the number of part-time staff members into full-time positions, the result would yield a total of 37 full-time employees (including the Management Board) as of 30 June 2002.

Shareholders' Meeting

On 17 May 2002, the third Annual Shareholders' Meeting of 3U TELECOM AG was convened in the "Saalbau Gutleut" located in Frankfurt.

The shareholders approved, among other things, the proposed decrease in the number of Supervisory Board members from six to three and elected a new Supervisory Board. In view of the planned reduction in the number of Supervisory Board members from six to three and the concomitant re-composition of the Supervisory Board, the previous Supervisory Board of 3U TELECOM AG resigned on 8 April 2002. The

resignations went into effect upon the expiration of the date on which the Shareholders' Meeting was held.

On 17 May 2002, the shareholders elected the following persons to 3U TELECOM AG's Supervisory Board:

- Mr Hubertus Kestler,
- Mr Ralf Thoenes,
- Mr Gerd Simon.

In addition, the shareholders approved the creation of authorised share capital in the amount of € 4,560,000 and consented to the corresponding amendment to the Company's Articles and Memorandum of Association.

Material events occurring after the end of the second quarter of 2002

In July 2002, 3U acquired a 15% strategic interest in the network provider, carrier24 GmbH. Carrier24 acquired from Energis the German network, which 3U TELECOM AG also uses itself.



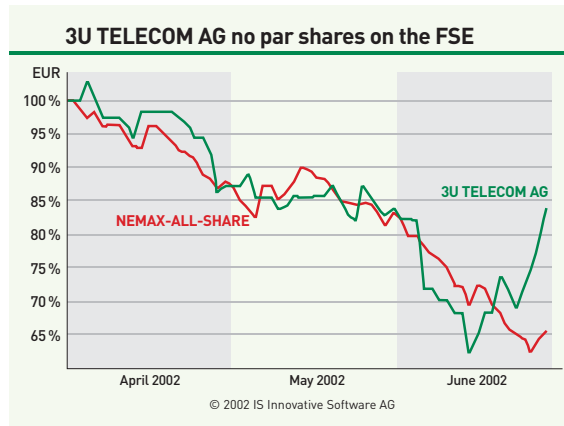
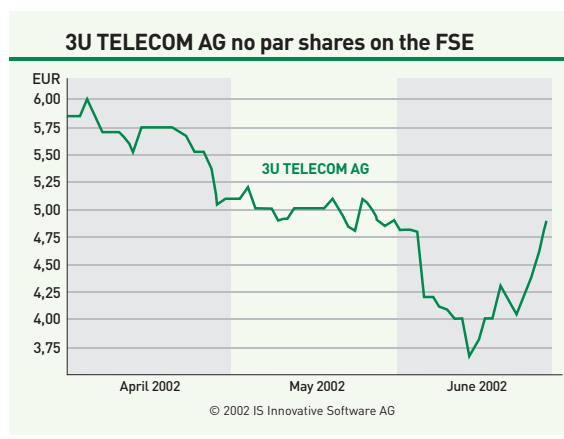
3U Share

Share price development

The continuing gloomy situation on the stock exchanges as a whole and the poor image with which the telecommunications industry must currently battle have also had an impact on the price of 3U stock. In April and May, the 3U share prices – echoing the NEMAX-ALL-SHARE Index – showed a declining trend. After the share price dropped below € 3.60 in mid-June, it began to show a turnaround. By the end of the first quarter, the share price had rebounded to € 4.90. Over the past year, the share price measured against the reference index NEMAX-ALL-SHARE improved significantly: in the 12 months preceding the close of the first quarter of 2002, the stock underwent price changes that were better than 76 % of all shares on the Frankfurt Stock Exchange segment, the Neuer Markt (Source: *Financial Times Deutschland* dated 28 June 2002).

Valuation

The stock price of € 4.90 as of 28 June 2002 reflects a market capitalisation of € 44.68 million. Thus, even for the second quarter of 2002, the market capitalisation only slightly exceeded the total existing cash and substantially liquid investments in securities. 3U's existing potential and growth dynamic are not reflected in this price.



Shareholder structure

The shares held by current members of the Company's corporate bodies as of 30 June 2002:

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

Hubertus Kestler (Supervisory Board Chairman)	0 shares
Ralf Thoenes (Deputy Chairman of the Supervisory Board)	0 shares
Gerd Simon	0 shares

The shares carry full voting and dividend rights.



Outlook

3U sees a good opportunity for continued favourable growth

For most telecommunication companies, the fixed-line network business has become unattractive. As a result of failing profitability, many of 3U's competitors have since either dropped out of the market or re-oriented their business.

This continuing market adjustment in the telecommunications sector provides 3U with excellent future opportunities.

In the first quarter of 2002, 3U – armed with its agreement concerning the transfer of Talkline-Preselection customers to the 3U subsidiary, Linetalk Telecom GmbH – exploited the opportunity in Germany and created the basis for sustained growth.

Also in the future, 3U will exploit its strategic options only if and when it is foreseeable that the growth potential can be converted into favourable growth within a reasonable period of time. 3U does business with a focus on earnings and profits and does not seek to promote revenue growth at any cost.

3U is well-equipped for the future

Opportunities for continued external growth both domestically and abroad are continually reviewed. To this end, opportunities and risks are carefully weighed. The excellent asset and financial position of the Company also offers a solid basis for the future and affords sufficient flexibility in doing business. At 3U, the technical and organisational structures have been conceptualised such that even very large customer bases may be acquired on short notice. 3U is therefore well-equipped for the future.

Expansion abroad – Start-up in Belgium, United Kingdom and United States in 2002

In fiscal year 2002, the European expansion has continued, including the planned operational start-up in Belgium and Great Britain. In addition, the preliminary work for the planned business start-up in the United States has begun. 3U's start-up in the United States is still scheduled for fiscal year 2002.



3U in Europe



Balance Sheet (US-GAAP) as of June 30, 2002

Assets	3U Group		3U TELECOM AG	
	30 Jun 2002 in €	31 Dec 2001 in €	30 Jun 2002 in €	31 Dec 2001 in €
Current assets				
Cash and cash equivalents	5,163	3,565	1,992	1,961
Short-term investments/marketable securities	24,269	25,513	23,522	25,513
Trade accounts receivable	13,290	10,203	7,387	7,942
Accounts receivable due from related parties	0	0	3,952	1,967
Inventories	23	23	23	23
Prepaid expenses and other current assets	11,170	10,247	8,169	8,917
Total current assets	53,915	49,552	45,046	46,325
Non current assets				
Property, plant and equipment	3,699	3,894	2,926	3,054
Intangible assets	2,184	2,051	1,478	1,577
Investments	19,597	19,097	34,067	26,209
Goodwill	3,104	195	0	0
Deferred taxes	1,420	1,492	995	780
Total non current assets	30,004	26,729	39,466	31,620
Total assets	83,919	76,281	84,512	77,945



Balance Sheet (US-GAAP) as of June 30, 2002

Liabilities and shareholders' equity	3U Group		3U TELECOM AG	
	30 Jun 2002 in €	31 Dec 2001 in €	30 Jun 2002 in €	31 Dec 2001 in €
Current liabilities				
Trade accounts payable	9,273	6,948	7,492	7,533
Accrued expenses	5,880	1,986	5,009	1,130
Other current liabilities	874	398	690	361
Total current liabilities	16,026	9,331	13,191	9,024
Minority interest	1	-4		
Shareholders' equity				
Share capital	9,120	9,120	9,120	9,120
Additional paid-in capital	55,680	55,680	55,680	55,680
Retained earnings/accumulated deficit	3,092	2,154	6,521	4,121
Total shareholders' equity	67,892	66,954	71,321	68,921
Total liabilities and shareholders' equity	83,919	76,281	84,512	77,945



Income Statement (US-GAAP)

Income statement	3U Group				3U TELECOM AG			
	2. quarter report		6-month report		2. quarter report		6-month report	
	1 Apr 2002– 30 Jun 2002 in T€	1 Apr 2001– 30 Jun 2001 in T€	1 Jan 2002– 30 Jun 2002 in T€	1 Jan 2001– 30 Jun 2001 in T€	1 Apr 2002– 30 Jun 2002 in T€	1 Apr 2001– 30 Jun 2001 in T€	1 Jan 2002– 30 Jun 2002 in T€	1 Jan 2001– 30 Jun 2001 in T€
Revenues	17,247	16,654	31,901	31,442	14,753	15,867	27,915	28,933
Cost of revenues	-12,605	-14,786	-24,461	-27,872	-10,953	-13,343	-20,450	-24,718
Gross profit/loss	4,642	1,868	7,439	3,570	3,801	2,524	7,464	4,215
Selling and marketing expenses	-271	-163	-377	-256	-226	-109	-323	-183
General and administrative expenses	-1,670	-1,274	-3,168	-2,537	-1,342	-1,249	-2,688	-2,270
Other operating income	11	34	13	122	632	138	1,044	405
Other operating expenses	-1,275	-1,095	-1,731	-1,328	-775	-646	-1,171	-869
Operating income/loss	1,437	-631	2,176	-429	2,089	657	4,327	1,298
Interest income and expenses	235	479	473	937	449	541	845	1,032
Other income/expense	-6	14	-7	14	-672	14	-1,500	14
Result before income taxes (and minority interests)	1,667	-138	2,642	523	1,867	1,212	3,672	2,345
Income tax	-752	-2	-1,710	-278	-562	-450	-1,272	-890
Result before minority interest	915	-140	931	244	1,305	763	2,400	1,454
Minority interest	-4	0	-7	0				
Earnings for the period	919	-140	939	244	1,305	763	2,400	1,454
Amortization and impairment of goodwill	620	298	945	502	227	165	438	318
Net income per share (in €) (basic)	0.10	-0.02	0.10	0.03	0.14	0.08	0.26	0.16
Weighted average shares outstanding (basic)	9,120	9,120	9,120	9,120	9,120	9,120	9,120	9,120



Cash Flow Statement (US-GAAP)

Cash flow statement	3U Group		3U TELECOM AG	
	1 Jan 2002– 30 Jun 2002 in T€	1 Jan 2001– 30 Jun 2001 in T€	1 Jan 2002– 30 Jun 2002 in T€	1 Jan 2001– 30 Jun 2001 in T€
Cash flows from operating activities				
Net profit/loss	939	244	2,400	1,455
Adjustments for:				
Depreciation and amortization	945	501	438	318
Increase/decrease in provisions and accruals	3,894	-162	3,879	-685
Other	0	0	237	0
Change in net working capital	108	16,186	1,386	17,476
Net cash provided by/used in operating income	5,886	16,770	8,340	18,563
Cash flows from investing activities				
Purchase of property, plant and equipment	-4,288	-1,105	-8,309	-2,841
Proceeds from sale of equipment	0	39	0	33
Net cash used in investing activities	-4,288	-1,066	-8,309	-2,809
Cash flows from financing activities	0	0	0	0
Net increase/decrease in cash and cash equivalents	1,598	15,705	31	15,754
Cash and cash equivalents at beginning of period	3,565	17,061	1,961	15,469
Cash and cash equivalents at end of period	5,163	32,766	1,992	31,223



Statement of Changes in Equity (US-GAAP) as of 30, June 2002

Statement of changes in equity 3U Group	3U Group			3U Group		
	Per 1 Jan 2002 in T€	Addition/ Decrease in T€	Per 30 Jun 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 30 Jun 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	939	3,092	1,652	244	1,896
Total	66,953	939	67,892	66,452	244	66,696

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 30 Jun 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 30 Jun 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	2,400	6,521	2,484	1,454	3,938
Total	68,921	2,400	71,321	67,284	1,454	68,738



Certification based on an Examining Review

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 30 June 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 August 2002

B. Weber GmbH
Wirtschaftsprüfungsgesellschaft



Beate 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 for CityDial GmbH, which is consolidated on a pro-rata basis). 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

3U Germany

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

LineTalk

LineTalk Telecom GmbH
Mergenthalerallee 79-81
D-65760 Eschborn

3U France

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

3U Italy

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

3U Netherlands

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

3U Austria

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

3U Switzerland

3U TELECOM AG
Dreikönigstrasse 31a
CH-8002 Zürich

Imprint

3U TELECOM AG
Mergenthalerallee 79-81
D-65760 Eschborn
Tel.: +49 (0)69 750 06-0
Fax: +49 (0)69 750 06-111
info@3u.net
www.3u.net





3U TELECOM AG
Mergenthalerallee 79-81, D-65760 Eschborn
Tel.: +49 (0) 69 750 06-0, Fax: +49 (0) 69 750 06-111
info@3u.net
www.3u.net