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3U TELECOM AG

Quarterly Report 3/2002





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3U at a Glance

Result (US-GAAP) Quarterly comparison		3U TELECOM AG 3/2002 3/2001		3U Group 3/2002 3/2001	
Revenues	(€ in millions)	16.16	14.51	18.47	16.15
Earnings/losses before taxes and appreciation/amortization	(€ in millions)	3.01	1.64	3.10	0.57
Earnings/losses before taxes	(€ in millions)	1.37*	1.46	0.48*	0.28
Earnings for the period	(€ in millions)	0.67*	0.89	- 0.28*	0.11
Earnings per share	(in €)	0.07*	0.10	- 0.03*	0.01
Earnings yield (earnings/losses before taxes and appreciation/amortization)	(in %)	18.65	11.31	16.79	3.50
Equity ratio	(in %)	86.18	86.64	79.62	84.04
Return on equity (earnings/losses before taxes)	(in %)	1.90	2.10	0.72	0.41

*Special write-off for voice communication licence in the amount of circa € 1.5 million.

Result (US-GAAP) 9-month comparison		3U TELECOM AG 1 Jan 2002– 30 Sep 2002 1 Jan 2001 30 Sep 2001		3U Group 1 Jan 2002– 30 Sep 2002 1 Jan 2001 30 Sep 2001	
Revenues	(€ in millions)	44.08	43.45	50.37	47.59
Earnings/losses before taxes and appreciation/amortization	(€ in millions)	7.12	4.30	6.10	1.59
Earnings/losses before taxes	(€ in millions)	5.04*	3.81	3.16*	0.80
Earnings for the period	(€ in millions)	3.07*	2.34	0.66*	0.35
Earnings per share	(in €)	0.34*	0.26	0.07*	0.04
Earnings yield (earnings/losses before taxes and appreciation/amortization)	(in %)	16.16	9.91	12.12	3.34
Equity ratio	(in %)	86.18	86.64	79.62	84.04
Return on equity (earnings/losses before taxes)	(in %)	7.01	5.46	4.67	1.20

*Special write-off for voice communication licence in the amount of circa € 1.5 million.

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



Business Development

3U achieves good results also in the third quarter of 2002

For the most recently completed quarter, 3U is once again reporting favourable results in terms of both facts and figures. The 3U business model – which seeks to retain and expand the company's cost leadership and which pursues a corporate strategy committed to strong growth – has again proven successful.

With Group revenues of € 18.47 million (€ 16.15 million)*, earnings before taxes and depreciation climbed to € 3.10 million in the third quarter of 2002, representing a 444 % increase over the same period of the previous year. These figures also represent a 35 % increase over the second quarter 2002. Based on a nine-month comparison, the Group's earnings for this period in 2002 increased by 88.6 % to € 0.66 million (€ 0.35 million)*.

Group results for the period were € –0.28 million (€ 0.11 million)*. These results were affected by a special write-off of circa € 1.5 million for a national voice communication licence.

The Regulatory Authority for Telecommunications and Post reduced the price for a nation-wide Class IV licence from € 1.53 million to € 4,000, effective 9 September 2002. In 1999, 3U had purchased such a licence for € 1.53 million. Since the value of this licence is now only € 4,000, the difference of circa € 1.5 million had to be written off in the third quarter of 2002. In addition, the Group's results are subject to very high tax exposure since losses cannot be transferred between foreign companies of a group, resulting in the application of a higher tax rate.

The 9-month earnings per share reached € 0.07, an improvement of 75 % over the same period of the previous year.



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

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3U acquires an interest in carrier24

In July 2002, 3U acquired a 15 % strategic interest in the network carrier, carrier24 GmbH (www.carrier24.de). Carrier24 had taken over the German network of Energis, which 3U also uses.

CityDial also switches local calls

In August 2002, the newly formed CityDial GmbH (www.citydial.de) commenced nationwide operations. CityDial GmbH is a subsidiary owned jointly by 3U TELECOM AG (50 %) and Gerdes AG (50 %), a company with its registered office in Meckenheim near the city of Bonn. CityDial GmbH allows all customers, who are fully connected to Deutsche Telekom AG through the use of a router, to deploy the so-called "Telescout", which seeks out the most inexpensive telephone calls in the fixed line network. Customers are billed by the second. This package also applies for local calls.



3U TELECOM is planning to acquire Mobilcom's fixed line network business

In mid-September 2002, 3U made Mobilcom an offer to acquire its fixed line network business. Such an acquisition would provide 3U with a good opportunity to expand its business operations and promote fast growth. Given the current crisis surrounding Mobilcom, however, negotiations have stalled. Thus, no results are expected anytime soon.

3U begins operations in the United States

On 29 September 2002, 3U commenced operations simultaneously in all states of the US. 3U is offering inexpensive rates and per-second billing in the United States as well, a package with which it can distinguish itself from its competitors. It is standard practice in the United States to bill customers in 1-minute or 10-minute intervals. The market launch involved relatively small investments so that we expect a break-even as early as next year.

Investments

The total sum of investments for the entire Group during the period July through September 2002 was € 0.3 million.

Financial condition

As of 30 September 2002, the 3U Group holds € 12.55 million in cash or cash equivalents. This sum reflects the € 5 million guarantee repayment under the carrier agreement. As of 30 September 2002, short-term securities were € 21.55 million and financial investments € 19.67 million.

3U's solid financial condition provides sufficient flexibility to rigorously pursue corporate objectives, specifically with respect to its strategic acquisition plans.

Personnel

As of 30 September 2002, 3U and its subsidiaries employed 23 full-time and 37 part-time staff members, and 3 Management Board members (as of 30 September 2001, 17 full-time and 8 part-time staff members, 2 Management Board members). If one were to convert the part-time staff members to full-time staff members, the Group would have a total of 37 full-time staff members (including Management Board) as of 30 September 2002.

Events of special significance occurring after the close of the third quarter 2002

Based on information provided by Deutsche Börse AG, as part of the re-segmentation of the stock market, only one designated sponsor will be required beginning in 2003. 3U has appointed the Landesbank Baden-Württemberg to serve in this role.



3U Share

Stock performance

Since the beginning of the year, the benchmark index NEMAX-ALL-SHARE has shown a declining trend. Starting in mid-June, 3U's share price has deviated from this trend, signalling a significant out-performance. 3U is the only telephone company on the Neue Markt in which analysts still have faith (*Source: Handelsblatt, 18 October 2002, Analysis from Thomson Financial Datastream*).

Valuation

The sum of all available cash and cash-equivalents and highly liquid investments in securities greatly exceeds € 50 million and is therefore considerably higher than the company's market capitalisation of € 37.85 million (reflecting a price per share of € 4.15) on 30 September 2002. Management believes that 3U's existing potential and growth dynamics are currently not reflected in the stock price.

Shareholder structure

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

Management Board

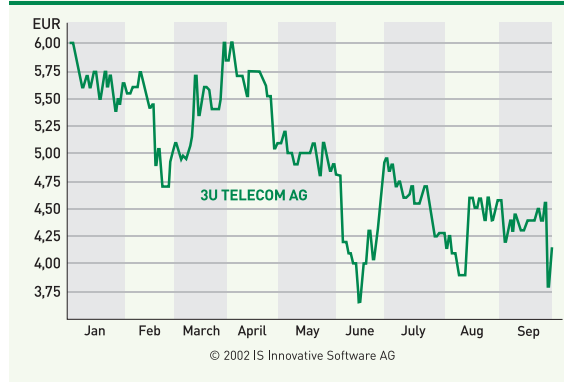
Udo Graul (Management Board Chairman)	1,750,740 shares
Michael Schmidt (Deputy Chairman of the Management Board) ...	1,750,000 shares
Roland Thieme (Management Board member)	700,000 shares

Supervisory Board

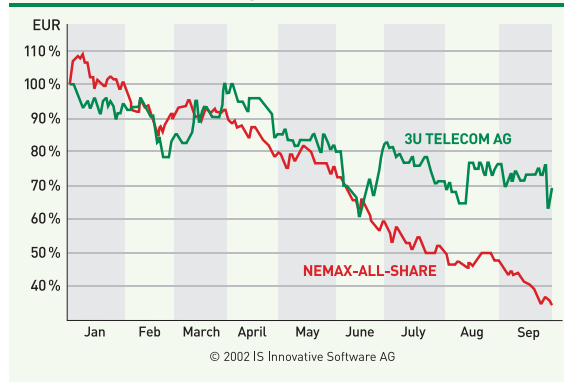
Hubertus Kestler (Supervisory Board Chairman)	0 shares
Ralf Thoenes (Deputy Chairman of the Supervisory Board)	0 shares
Gerd Simon	0 shares

The shares carry full voting and dividend rights.

3U TELECOM AG no par shares on the FSE – 2002



3U TELECOM AG no par shares on the FSE – 2002



Outlook

3U focuses on external growth

In general, no real organic growth is currently expected in the fixed line segment. 3U is not considering any expensive promotional campaigns as a means to stimulate revenue growth. Instead, 3U will attempt to exploit its opportunities for external growth.

Many telecommunications companies are modifying their strategic goals away from what is often a loss-generating fixed line business. 3U is prepared to continue generating profits on small margins. Most other companies built up their fixed line business during better times. By investing in costly and personnel-intensive technology, other companies have saddled themselves with long term high costs and thus today face financial difficulties. Restructuring campaigns

are likely to have only limited success since often the huge fixed cost items – for example, the costs relating to technology and networks in existing infrastructures – are hardly capable of being reduced. This reality represents an opportunity for 3U.

3U is planning to acquire the fixed line businesses of other competitors. In addition to the previously mentioned offer to acquire Mobilcom's fixed line division, 3U is also examining other acquisition prospects.



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

Assets	3U Group		3U TELECOM AG	
	30 Sep 2002 in €	31 Dec 2001 in €	30 Sep 2002 in €	31 Dec 2001 in €
Current assets				
Cash and cash equivalents	12,553	3,565	9,074	1,961
Short-term investments/marketable securities	21,554	25,513	21,554	25,513
Trade accounts receivable	13,465	10,203	6,835	7,942
Accounts receivable due from related parties	0	0	4,186	1,967
Inventories	23	23	23	23
Prepaid expenses and other current assets	9,064	10,247	4,013	8,917
Total current assets	56,660	49,552	45,685	46,325
Non current assets				
Property, plant and equipment	3,507	3,894	2,789	3,054
Intangible assets	3,642	2,051	101	1,577
Investments	19,671	19,097	34,056	26,209
Goodwill	70	195	0	0
Deferred taxes	1,373	1,492	909	780
Total non current assets	28,262	26,729	37,854	31,620
Total assets	84,922	76,281	83,539	77,945



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

Liabilities and shareholders' equity	3U Group		3U TELECOM AG	
	30 Sep 2002 in €	31 Dec 2001 in €	30 Sep 2002 in €	31 Dec 2001 in €
Current liabilities				
Trade accounts payable	9,461	6,948	5,728	7,533
Accrued expenses	6,026	1,986	5,073	1,130
Other current liabilities	1,844	398	748	361
Total current liabilities	17,331	9,331	11,548	9,024
Minority interest	-25	-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	2,816	2,154	7,191	4,121
Total shareholders' equity	67,616	66,954	71,991	68,921
Total liabilities and shareholders' equity	84,922	76,281	83,539	77,945



Income Statement (US-GAAP)

Income statement	3U Group				3U TELECOM AG			
	3. quarter report		9-month report		3. quarter report		9-month report	
	1 Jul 2002– 30 Sep 2002 in T€	1 Jul 2001– 30 Sep 2001 in T€	1 Jan 2002– 30 Sep 2002 in T€	1 Jan 2001– 30 Sep 2001 in T€	1 Jul 2002– 30 Sep 2002 in T€	1 Jul 2001– 30 Sep 2001 in T€	1 Jan 2002– 30 Sep 2002 in T€	1 Jan 2001– 30 Sep 2001 in T€
Revenues	18,472	16,147	50,372	47,589	16,161	14,512	44,076	43,445
Cost of revenues	-12,625	-13,446	-37,087	-41,319	-10,601	-11,545	-31,052	-36,263
Gross profit/loss	5,846	2,701	13,286	6,271	5,560	2,966	13,024	7,181
Selling and marketing expenses	-188	-123	-565	-380	-237	-90	-560	-273
General and administrative expenses	-1,551	-1,675	-4,719	-4,212	-1,560	-1,483	-4,248	-3,754
Other operating income	302	138	315	261	933	531	1,977	936
Other operating expenses	-3,754	-1,064	-5,486	-2,392	-3,191	-894	-4,362	-1,763
Operating income/loss	655	-24	2,831	-453	1,505	1,029	5,832	2,327
Interest income and expenses	266	428	739	1,365	446	517	1,291	1,550
Other income/expense	-437	-130	-444	-116	-580	-86	-2,080	-72
Result before income taxes (and minority interests)	484	273	3,125	796	1,371	1,460	5,043	3,805
Income tax	-787	-169	-2,497	-448	-701	-575	-1,973	-1,465
Result before minority interest	-303	104	629	348	670	885	3,070	2,340
Minority interest	-26	-3	-34	-3				
Earnings for the period	-277	107	662	351	670	885	3,070	2,340
Amortization and impairment of goodwill	2,618	289	2,944	792	1,643	181	2,081	499
Net income per share (in €) (basic)	-0.03	0.01	0.07	0.04	0.07	0.10	0.34	0.26
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 Sep 2002 in T€	1 Jan 2001– 30 Sep 2001 in T€	1 Jan 2002– 30 Sep 2002 in T€	1 Jan 2001– 30 Sep 2001 in T€
Cash flows from operating activities				
Net profit/loss	662	351	3,070	2,340
Adjustments for:				
Minority interests	-33	-3		
Depreciation and amortization	2,944	792	2,080	499
Increase/decrease in provisions and accruals	4,040	1,608	3,943	1,083
Other	14	0	436	-3
Change in net working capital	5,958	-3,412	6,204	-2,725
Net cash provided by/used in operating income	13,585	-664	15,733	1,193
Cash flows from investing activities				
Purchase of property, plant and equipment	-4,597	-1,309	-8,620	-3,582
Net cash used in investing activities	-4,597	-1,309	-8,620	-3,582
Cash flows from financing activities	0	0	0	0
Net increase/decrease in cash and cash equivalents	8,988	-1,974	7,113	-2,388
Cash and cash equivalents at beginning of period	3,565	17,061	1,961	15,469
Cash and cash equivalents at end of period	12,553	15,087	9,074	13,081



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

Statement of changes in equity 3U Group	3U Group			3U Group		
	Per 1 Jan 2002 in T€	Addition/ Decrease in T€	Per 30 Sep 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 30 Sep 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	662	2,815	1,652	351	2,003
Total	66,953	662	67,615	66,452	351	66,803

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 Sep 2002 in T€	Per 1 Jan 2001 in T€	Addition/ Decrease in T€	Per 30 Sep 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	3,070	7,191	2,484	2,340	4,824
Total	68,921	3,070	71,991	67,284	2,340	69,624



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 September 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 November 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 was valued according to the "Equity 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 earnings (losses)

The company does business in only one segment, fixed line voice communication. Thus, 3U reports its revenues and earnings (losses) from ordinary business operations in a consolidated manner.



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