

3u.net

3U TELECOM AG

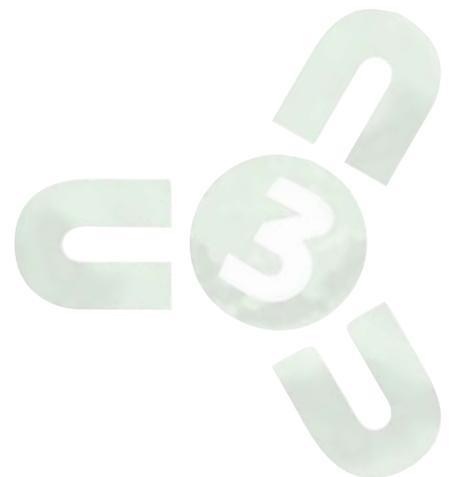
Quarterly Report 3/2003



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Summary of Group Results

Result — 3U Group (US-GAAP)		Nine-month comparison	
		1 Jan – 30 Sep 2003	1 Jan – 30 Sep 2002
Revenues	(€ in millions)	44.9	50.4
EBITDA (earnings/losses before interest, taxes, depreciation and amortisation)	(€ in millions)	5.3	5.4
EBIT (earnings/losses before interest and taxes)	(€ in millions)	2.7	2.4
EBT (earnings/losses before taxes)	(€ in millions)	3.3	3.2
Net income/loss for the period	(€ in millions)	2.7	0.7
Earnings per share	(in €)	0.30	0.07
Net margin	(in %)	6.1	1.3
Equity ratio	(in %)	82.9	79.6

Result — 3U Group (US-GAAP)		Quarterly comparison	
		Q3 2003	Q3 2002
Revenues	(€ in millions)	19.2	18.5
EBITDA (earnings/losses before interest, taxes, depreciation and amortisation)	(€ in millions)	0.8	2.2
EBIT (earnings/losses before interest and taxes)	(€ in millions)	-0.5	0.2
EBT (earnings/losses before taxes)	(€ in millions)	-0.3	0.5
Net income/loss for the period	(€ in millions)	0.5	-0.3
Earnings per share	(in €)	0.05	-0.03
Net margin	(in %)	2.5	-1.5
Equity ratio	(in %)	82.9	79.6

The Third Quarter

■ **Sales increased to more than € 19 million, as expected.**

■ **€ 0.5 million post-tax earnings.**
The tax advantages largely compensate for the charges on EBT resulting from the acquisition costs of OneTel and goodwill depreciation.

■ **€ 9.6 million in the quarter. Never has 3U invested so much:**

- Takeover of the OneTel Telecommunication GmbH
- Purchase of an IN platform
- Widespread extension of the network in Germany



Business Development in the Group

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■ Takeover of OneTel

In mid-July 2003, 3U took over all shares in the Neu-Isenburg-based OneTel Telecommunication GmbH with effect from 1 July 2003. As 3U, the company operates in the call-by-call and preselection areas and excellently positioned, with attractive prices, especially in the call-by-call area. OneTel has a large customer base in the call-by-call area. Sales of more than € 40 million are expected for OneTel in 2004. The purchase price for OneTel was in the middle single-digit millions in euro. Apart from the pure purchase price, 3U implemented a capital increase of € 3 million at OneTel.

The objective in acquiring OneTel is to achieve additional positive earnings growth as early as 2004 and strengthen 3U's market position. This is to improve the strategic position of 3U for further external and internal growth (economies of scale should be utilized). The takeover of OneTel allows the group to service different customer groups by various price offers in open call-by-call. This will significantly increase the number of potential users. In addition, synergies are to be exploited, for example in the network and technology areas.

3U has had an ISO certified management system since mid-2003. Processes have largely been optimized. Through the transfer of processes to the companies to be integrated into the group, efficiency will increase significantly and risks are minimized. The measures scheduled in connection with the takeover of OneTel should be largely completed by the end of 2003.

■ Sales development in the group

Against Q2 2003, group sales was increased by 61% to € 19.2 million in Q3 2003.

Compared to Q3 2002, sales increased by 4%.

Nine-month sales are 10.8% under the comparable period of the previous year.

This is largely due to the adjustment of the customer portfolio undertaken in 2003. For example, a reduction was executed in the Wholesale customer area (calling-card providers etc.). Experience figures show there is a relatively high level of default risk with these customers. The software used by 3U has been unable to monitor these risks automatically. The risk could only be monitored with considerable manual effort. Due to the high level of processing in combination with the default risk, this business has been rigorously reduced.

With the newly developed billing system, 3U will be able to further push its wholesale business, which should lead to a positive development of sales.



■ Nine-month result

In the first nine months of 2003, post-tax net earnings increased by more than 300 % to € 2.7 million (€ 0.7 million)*. The result per share improved correspondingly from € 0.07 in the first nine months of 2002 to € 0.30 in the first nine months of 2003. The net margin increased more than four-fold with an increase from 1.3 % to 6.1 % in 2003.

EBIT rose by 12.1 % to € 2.7 million (€ 2.4 million)*, or € 0.30 per share (€ 0.27)* in the first nine months of 2003.

EBT was also up. In the first nine months of 2003, the group achieved an EBT of € 3.3 million (€ 3.2 million)* or € 0.37 (€ 0.35)* per share. This corresponds to an increase of 5.5 %.

EBITDA remained virtually unchanged at € 5.3 million (€ 5.4 million)*.

■ Quarterly result – first quarter after OneTel takeover

Q3 2003 is the first quarter after the takeover of OneTel. The 3U Group also achieved a positive result in Q3 2003. Net earnings for the period from July to September 2003 amounted to € 0.5 million, which corresponds to earnings per share of € 0.05. In the comparable period of 2002, net earnings totaled € – 0.3 million or € – 0.03 per share. Compared to the second quarter 2003, the result is lower, as expected. This is due to the OneTel acquisition in Q3 2003. In Q2 2003, net earnings were € 0.9 million or € 0.10 per share.

■ To positive growth with two-pillar strategy

In the future, 3U intends not only to search for acquisition opportunities in Germany and abroad, but also promote organic growth through targeted measures (two-pillar strategy).

Overall, the market currently offers quite good opportunities for acquisition. At present, talks or negotiations are being held with different companies in Germany and abroad. In so doing, 3U investigates each strategic option very accurately with regard to potential and risks.

The goal is always the sustained increase of enterprise value, not the striving for short-term stock market success.

To promote organic growth, measures have been introduced in the areas:

- Product development
- Sales (acquisition of new customers)
- Pricing (OneTel, 3U).

An important basis for this is the newly created software development department for new products and services. Since November 2003, several staff members, expressly recruited for the purpose, have been developing customized, innovative products for 3U customers.

The newly purchased IN platform (intelligent network) provides the required flexibility and secures timely realization of the innovations scheduled.

Thus, the group will not only be able to offer a range of new products for end consumers, but also expects to be able to offer special services for resellers as early as the end of 2003. These services for resellers, in particular, are to accelerate growth abroad.

Different pricing models at 3U and OneTel should open additional customer potential.

* Comparative period 2002



These measures are to extend the market position of the group and further improve the earnings situation.

■ Development abroad on schedule

The foreign subsidiaries developed positively in the course of 2003. The Austrian and the French subsidiaries even achieved the breakeven.

In the course of 2004, the group is expected to reach breakeven in Switzerland, the Netherlands, Italy and the USA. The same applies to Belgium where operations commenced in Q2 2003.

Luxembourg and Great Britain are to commence operations in 2003. 3U will then be represented in nine European countries and in the USA.

■ The quarter of investments

In the first nine months of 2003, 3U invested a total of € 10 million, € 9.6 million of which were made in the third quarter alone.

Apart from investments in connection with the OneTel takeover, the focus was on the areas of technology and the extension of the network in Germany and the purchase of an IN platform from Infitel. The IN platform extends the functionality of transmission technology and forms the basis for new services for end consumers and resellers.

■ Assets and financial situation

3U's financial statements are very solid. As at 30 September 2003, the balance sheet total of the 3U Group amounted to € 86.2 million.

Against Q3 2002, the equity ratio increased from 79.6% to 82.9% in Q3 2003.

The liquidity situation of 3U is very good, even after the takeover of OneTel. Total liquid funds and short-term securities totals more than € 48 million. Overall, the IPO inflows are still largely available, despite the investments made.

■ Personnel

As at 30 September 2003, the 3U Group employed 84 staff (full-time equivalents) (30 September 2002: 37) of which OneTel employed 35.



Events of Particular Importance after the End of the Reporting Period

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■ Designated sponsor DZ-Bank

As of 1 November 2003, the DZ-Bank has assumed the function of designated sponsor of 3U. As designated sponsor, DZ-Bank handles Xetra trading and serves as a link between the company and the capital market. Landesbank Baden-Württemberg no longer acts as a sponsor.

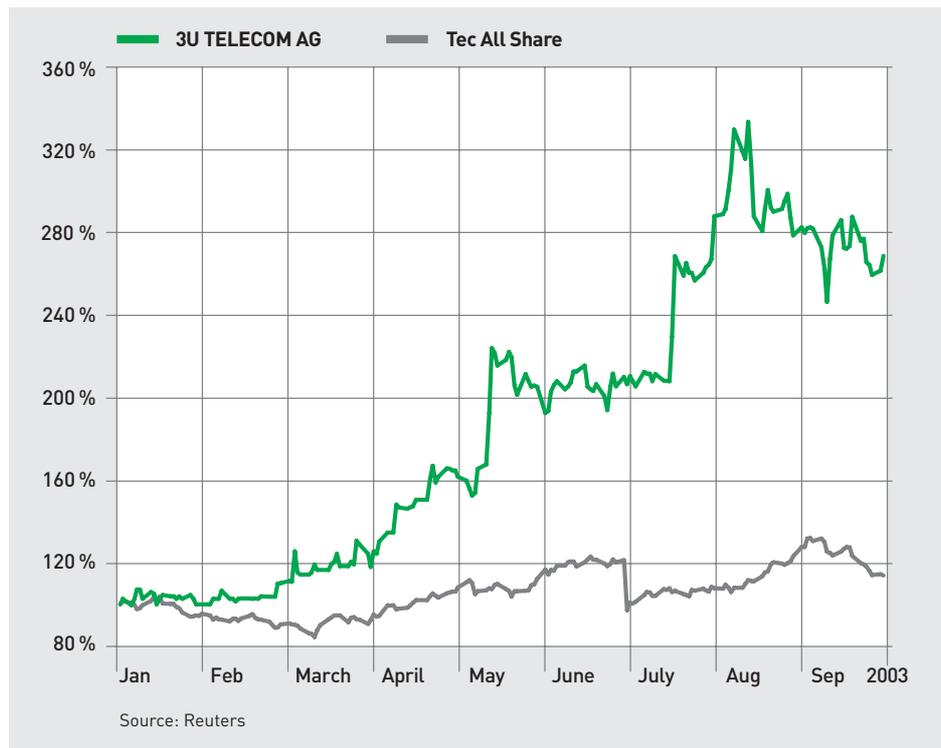


The 3U Share

Summary of 3U shares		
International Securities Identification Number (ISIN)		DE0005167902
Stock exchange symbol		uuu
Trading segment		Prime Standard and NEMAX 50
Industry key		Telecommunication
Designated Sponsor		Landesbank Baden-Württemberg
Initial listing		26 November 1999
Registered share capital	(in €)	9,120,000.00
Stock exchange price on 30 September 2003*	(in €)	10.47
Highest price in the first nine months of 2003*	(in €)	12.99 (13 August 2003)
Lowest price in the first nine months of 2003*	(in €)	3.88 (6 January 2003)
Number of shares		9,120,000
Market capitalisation on 30 September 2003	(in €)	95,486,400.00
Earnings per share (basic)	(in €)	0.30

* Daily closing price Xetra

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



■ Performance and valuation

The pleasing business development is also reflected in the performance of the 3U share.

Since January 2003, the price of the 3U share had more than tripled and was slightly above € 10 on 30 September 2003. The share thus regularly decoupled itself from the trend of the Tec All Share index.

The positive development of the 3U share since the beginning of the year and the inclusion in the old technology index NEMAX 50 at the end of September 2003 documents an increase in interest in the company. In the medium-term, inclusion in the TecDAX should be possible, if the 3U share continues to develop positively.

Financial analysts and media see the development of 3U positively. This is reflected in a range of buy recommendations and positive reports.

■ Directors' Holdings

Shares with full dividend and profit entitlement held by current member of the Company's corporate bodies as of 30 September 2003:

Management Board

Udo Gaul (Chairman)	1,750,740 shares
Michael Schmidt	1,758,000 shares
Roland Thieme	700,000 shares

Supervisory Board

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



■ **Stock option plan**

On the basis of the resolution passed by the Annual General Meeting on 15 May 2003, a total of 173,250 stock options were issued to Board members, executives and staff of the company and its subsidiaries. Every stock option is an entitlement to the purchase of one 3U share. The following table provides an overview of the development of stock options held from the 2003 stock option plan.

Stock option plan 2003	
Stock options outstanding on 1 January 2003	0
Stock options granted	173,250
Stock options exercised	0
Stock options lapsed	0
Stock options outstanding on 30 September 2003	173,250



Outlook

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■ 3U wants continuation of positive growth

3U has created a good starting point for sales growth and a rise in earnings with its ongoing improvement of profitability, for example, with further savings in infrastructure costs and the investments made.

Economies of scale that positively impact the earnings situation are to be utilized for further growth. The rise of costs is slower than the growth of the customer base, i. e. on average, every new customer generates lower costs.

Thus, at 3U, cost development has been unlinked from customer growth. The reason for this is the high level of automation of our business processes in connection with the use of state-of-the-art technology. This secures efficiency and profitability.



Balance Sheet (US-GAAP) as of 30 September 2003

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Assets — 3U Group (in T€)	30 Sep 2003	31 Dec 2002
Current assets		
Cash and cash equivalents	7,528	16,279
Short-term investments/marketable securities	21,554	21,543
Trade accounts receivable	12,754	9,203
Accounts receivable due from related parties	0	0
Inventories	62	23
Prepaid expenses and other current assets	8,112	5,854
Total current assets	50,011	52,902
Non current assets		
Property, plant and equipment	3,773	3,267
Intangible assets	3,048	3,253
Investments	19,671	19,666
Goodwill	8,135	28
Deferred taxes	1,606	142
Total non current assets	36,234	26,356
Total assets	86,244	79,258



Balance Sheet (US-GAAP) as of 30 September 2003

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Liabilities and shareholders' equity — 3U Group (in T€)	30 Sep 2003	31 Dec 2002
Current liabilities		
Trade accounts payable	9,415	5,914
Accrued expenses	4,872	4,327
Other current liabilities	578	320
Total current liabilities	14,865	10,560
Minority interest	-86	-36
Shareholders' equity		
Share capital	9,120	9,120
Additional paid-in capital	55,680	55,680
Retained earnings/accumulated deficit	6,665	3,934
Total shareholders' equity	71,465	68,734
Total liabilities and shareholders' equity	86,244	79,258



Income Statement (US-GAAP)

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Income statement — 3U Group (in T€)	Quarterly report		Nine-month report	
	1 July 2003 – 30 Sep 2003	1 July 2002 – 30 Sep 2002	1 Jan 2003 – 30 Sep 2003	1 Jan 2002 – 30 Sep 2002
Revenues	19,217	18,472	44,935	50,372
Cost of revenues	-14,714	-12,625	-33,219	-37,087
Gross profit/loss	4,503	5,846	11,716	13,286
Selling and marketing expenses	-657	-188	-1,129	-565
General and administrative expenses	-4,153	-1,551	-7,856	-4,719
Other operating income	48	302	223	315
Other operating expenses	-260	-3,754	-306	-5,486
Operating income/loss	-519	655	2,648	2,831
Interest income and expenses	159	266	620	739
Other income/expense	1	-437	16	-444
Result before income taxes (and minority interests)	-360	484	3,284	3,125
Income tax	823	-787	-603	-2,497
Result before minority interest	464	-303	2,681	629
Minority interest	-22	-26	-49	-34
Net income/loss	486	-277	2,730	662
Depreciation and amortisation	1,260	1,998	2,637	2,944
Net income per share (basic) (in €)	0.05	-0.03	0.30	0.07
Weighted average shares outstanding (basic) (per item)	9,120,000	9,120,000	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 – 30 Sep 2003	1 Jan 2002 – 30 Sep 2002
Cash flows from operating activities		
Net profit/loss	2,730	662
Adjustments for:		
Minority interest	- 49	- 33
Depreciation and amortisation	2,636	2,944
Increase/decrease in provisions and accruals	545	4,040
Other	- 5	14
Change in net working capital	- 3,564	5,958
Net cash provided by/used in operating income	2,293	13,585
Cash flows from investing activities		
Purchase of property, plant and equipment	- 11,044	- 4,597
Net cash used in investing activities	- 11,044	- 4,597
Cash flows from financing activities	0	0
Net increase/decrease in cash and cash equivalents	- 8,751	8,988
Cash and cash equivalents at beginning of period	16,279	3,565
Cash and cash equivalents at end of period	7,528	12,553



Statement of Changes in Equity (US-GAAP) as of 30 September 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 30 Sep 2003	As per 1 Jan 2002	Additions/ disposals	As per 30 Sep 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	2,730	6,664	2,153	662	2,815
Total	68,734	2,730	71,464	66,953	662	67,615



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 30 September 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, 15 November 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

3U Germany

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LineCall

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