



3U Telekommunikation AG

Annual Report 2000

The Figures 2000

Result 3U Germany

		1999	2000
Sales revenue	(in Mio. DM)	63,06	112,72
Result before tax and depreciation	(in Mio. DM)	1,89	10,55
Result before tax	(in Mio. DM)	1,29	9,50
Net income	(in Mio. DM)	0,73	4,57
Result per share	(in DM)	0,08	0,50
Return on sales (before tax and depreciation)	(in %)	3,00	9,36
Capital resources ratio	(in %)	87,35	83,37

Result of 3U-Group

		1999	2000
Sales revenue	(in Mio. DM)	63,06	112,76
Result before tax and depreciation	(in Mio. DM)	1,89	8,15
Result before tax	(in Mio. DM)	1,29	6,97
Net income	(in Mio. DM)	0,73	2,04
Result per share	(in DM)	0,08	0,22
Return on sales (before tax and depreciation)	(in %)	3,00	7,23
Capital resources ratio	(in %)	87,35	82,62

3U-Markets:

1999	Germany		
2000	Germany, Switzerland, Austria		
Customers	(in 1'000.)	800	1.300

Letter to our Shareholders

Dear Shareholders,
Ladies and Gentlemen,

We have a turbulent year behind us. Despite heavy price-warfare and severely depressed margins, 3U Telekommunikation AG has managed to generate a profit; the Group's pre-tax profits in the financial year just ended came to DM 6.97 million, an increase of 440 percent over the preceding year.

Against the background of our expansion into other European countries, we are this year submitting consolidated accounts for the first time.

The dynamic force behind our entry into new markets demonstrates 3U's growth potential. During the year under review we established subsidiary companies in Switzerland, Austria, the Netherlands, France, and Italy, and those in Austria and Switzerland started operations before the year was out. The Netherlands have now followed, and the start in France and Italy is planned to take place in the first half of 2001.

3U has so far financed its expansion entirely from its cash flow. The proceeds from the share issue, which were originally envisaged for this purpose, are still completely intact and have been invested where they will bear interest. These financial resources are also available in full for cooperation agreements, take-overs, and other acquisitions. This will enable 3U to exploit strategic options.

Many of our former competitors have withdrawn completely from fixed-line business or at least set their priorities elsewhere. This was partly due to estimates that fixed-line telephony no longer has a future. In fact, however, the trends in the market show that this field is continuing to grow.

The development of many of our competitors' businesses, however, also shows that fixed-line telephony is no longer attractive to them. Their share prices have fallen accordingly. 3U's share price has unfortunately not been able to escape this trend completely, and its share price has also suffered considerable losses on the stock market.

We regret this very much, and will be doing everything possible to demonstrate to the financial world that 3U has potential. We would like to win your confidence, and invite you to keep the development of our business under close observation. We are sure that our key figures will convince you.

Eschborn, March 15th, 2001.

Udo Graul
Chairman

Wolfgang Lebrecht
Deputy Chairman

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Corporate philosophy

The following elements form the basis of the 3U corporate structure and determine the course of the company:

- **Customer orientation**
- **Flexibility**
- **Entrepreneurship**
- **Profit orientation**
- **Technical competence.**

Customer orientation is an obligation on us

3U provides telephone connections world-wide at low rates. Our products, *Call by Call* and *Preselection*, offer easily comprehensible price structures and the fairest possible charges based on second-by-second metering. This guarantees the highest possible quality and availability of our nation-wide telephone network.

3U dispenses with long periods of notice for altering or cancelling contracts, and with minimum sales targets. It is our aim to convince our customers, and to earn their loyalty, by means of our technical performance.

When our customers have questions or queries, we handle them unbureaucratically and without delay.

Our company structures are lean, flexible, and capable of learning

The principle of cost-leadership is a major element in the 3U business model, and the key to our success. It enables us to guarantee extremely low fixed costs, and high-quality automated processes in all areas affecting the profitability of our company. We are always striving for maximum efficiency, and constantly trying to optimise the business processes in the company. All our structures work flexibly, and are capable of learning. We are therefore able to react at once to market requirements, and to implement new measures quickly and efficiently.

We encourage our employees to think and act entrepreneurially

Our very high level of automation enables us to implement our business model with an extremely small number of employees. Our flexible and flat organisational structure enables our staff to bring their own personalities, technical competence, and creativity to bear. The area of responsibility of each of them calls for a great sense of personal responsibility, and makes considerable demands on their work. 3U utilises ultra-modern technology, to the advantage of its clients and in support of its employees.

Profit orientation is a component part of our basic philosophy

3U operates in a market characterised by tough competition and eroding prices. In an environment such as this, success can only be guaranteed so long as rising sales revenue leads to growing profits. Profit orientation is thus one of the crucial elements in our corporate policy, and represents the basis for entrepreneurial decisions.

We will not open up any fields of business in which we do not possess the relevant technical competence

Our business is fixed-line telephony. Although we are always open-minded towards new ideas, we will only initiate projects for which we possess the core competence and which fit us and our ideas. We will only move into new strategic fields of business if it is possible to integrate them sensibly into the corporate philosophy of 3U.

The Supervisory Board

Michael Leyener Chairman of the Supervisory Board, lawyer and notary, Marburg

Dr Michael Kussmann Deputy Chairman, auditor, Duisburg

Jürgen Bockholt Member of the management board of the Baden-Württembergische Bank, Stuttgart

Bodo Rimpler Member of the executive board of Commerzbank, Bremen

Jürgen Roth Graduate in business administration, Kirchhain

Manfred Schwarz Graduate in business administration, Marburg

Review

3U is developing into a European telephone company

3U Telekommunikation GmbH was founded in the middle of 1997 for the purpose of acting as a “connection network operator”.

3U started nation-wide operation on 1st April 1999.

The company has its own high-quality telephone network, and this achieves the highest possible level of availability. With the code 01078, 3U provides long-distance and international connections, and connections with the mobile telephone network, at very favourable prices. Here we offer two alternative means of access: the open call-by-call process, with no prior registration, and the preselection process, which does require registration.

We converted the company into an *Aktiengesellschaft* in September 1999, and floated it on the stock exchange shortly after. 3U Telekommunikation AG shares have been listed on the Frankfurt Neuer Markt since 25th November 1999 under the securities identification number (WKN) 516 790.

At the end of last year, 3U started transferring its successful business model to other European countries and setting up national networks there.

3U came on stream in Switzerland on 3rd November 2000, and a month later, on 1st December 2000, in Austria. We started operations in the Netherlands at the beginning of this year.

Strategic planning

Udo Gaul, Chairman of the Management Board

The fixed-line network – a market with a future

The main features of the telecommunications market are still tough competition and virulent price-warfare. Nevertheless, its dynamic growth continues unabated. The market share of the alternative telephony providers is now 22 percent, and they handle 40 percent of national long-distance calls, international calls, and calls through the mobile telephone network. Lower consumer prices can be demonstrated to be the cause of increasing demand in the fixed network.

The telephone companies have to learn how to live with constantly falling margins. For many of 3U's competitors, this means that they can no longer operate profitably in the fixed network. In recent months, a number of competitors have started to focus on the corporate-client business, and some have even withdrawn from the fixed network altogether.

Despite these difficult surrounding conditions, 3U has managed to hold its ground with its business model and has been generating profits from its first day of operation.

One result of 3U's relatively late entry into the market, in April 1999, was that it had to cope with low margins right from the start. It was already clear at that point in time that margins were going to sink even further. We tailor-made the 3U business model to fit this market situation right from the start, and our success on the German market – the toughest in Europe – has shown that we were right.

The obvious course of action, therefore, was to transfer the business model to other European countries as well and to make good use of the comparatively high margins which prevail there.

3U, the European telephone specialist in the call-by-call business

Our expansion into other European countries in 2000 began with the start-up of the telephone networks in Switzerland and Austria. The Netherlands followed in January, and France and Italy are due to start in the first half of 2001.

The principle of cost-leadership plays an important part in the achievement of our aims. We defend this position in the telecommunications business, and thus support the profitability of our company.

We thus keep the fixed costs in our network, technical facilities, and personnel extremely low, and this forms the basis for the great efficiency of all our corporate divisions. That is how 3U can offer low prices to all destinations – national, international, and the mobile network – and still operate at a profit.

The consistency with which we follow this approach can be seen from the fact that, contrary to original plans, we have been able to finance the investment for its European expansion exclusively from the cash flow. The entire proceeds from the floatation, which it had been planned to use for this purpose, are still completely intact and have been invested where they will bear interest.

3U also exploits the advantages of modern, inexpensive transmission and distribution technology when opening up the networks in other countries. The sturdiness of our equipment, and the high level of automation in its maintenance, minimise the cost of installation, servicing, and maintenance throughout the network.

The best possible combination of equipment and the exploitation of synergies keeps creating new optimisation opportunities, as the following example shows: even before the end of 2001, we will be joining the telephone networks together in the various countries and creating a pan-European 3U network. This will increase flexibility and create further cost-reduction potential. 3U's internal least-cost routing for international calls will guarantee that telephone connections always run along the cheapest route. We will in future be using this automated process not only in the international network but all over the rest of Europe as well.

3U is making its start in its neighbouring European countries with very low prices. We can achieve a high level of awareness, here as well, by coming off very well in tariff comparisons in the Internet and in print media. This will enable us to keep our marketing expenditure to a minimum. We will be making good use here of the experience we have already gained on the German telecommunications market. We are therefore not backing our market entries in Switzerland and Austria with advertising, but ensuring high awareness simply with our good prices. In these countries, 3U has been amongst the leaders in tariff comparisons right from the start.

3U is the first company to introduce “open call-by-call procedure with no prior registration” in other countries

Up to now, the popular “call-by-call” procedure has only been available in Germany. In other countries, prior registration was necessary before callers could use private telephone companies.

3U is the first company to have introduced the open call-by-call procedure with no prior registration into Switzerland and Austria, and from January 2001 in the Netherlands as well, thus creating a major competitive advantage for itself. We dispense with complicated registration and time-consuming switching of individual lines, and that makes it easier for our clients to use our network quickly and inexpensively.

3U itself thus almost completely eliminates the whole block of fixed costs that are incurred through registration, logging in, and the technical work involved in switching in individual lines.

Break-even in every country within 12 months

3U has set itself the target of crossing the break-even line within one year in every new market in its international expansion campaign. This ambitious aim shows how systematically we intend to implement the successful 3U business model in other European countries as well. We will be exploiting all possible synergies, and thus extending our lead in costs still further. We are firmly convinced that expansion will reduce our costs in relative terms still further.

Technology

Udo Graul, Chairman of the Management Board

Use of ultra-modern technology

3U succeeded from the start in operating the whole national network with extremely low costs. On the one hand we have only rented the network, but on the other hand we use our own transmission technology. This enables us to keep the provision costs low, and keeps us independent and flexible. It also gives us a clear competitive advantage over other companies, most of whom rent their transmission equipment. The equipment we use is modern, inexpensive, and robust. Our so-called mainstream technology is amongst the most innovative in the whole telecommunications industry, and its main advantages include its high level of automation; for instance, its maintenance is extremely simple and can even be carried out by remote control. 3U is also using this technology in Switzerland and Austria, and will base further expansion on it as well.

The lack of a firm base for planning is affecting the expansion of the national network

3U had originally planned to extend its national network to a total of 52 "POIs" ("points of interconnection") by the end of 2000, in order further to reduce the interconnection fees that have to be paid to Deutsche Telekom. However, we have now postponed this extension stage indefinitely because the original ruling which the government authorities on Element Base Charging, and against which Deutsche Telekom has lodged an objection, has not yet been put into effect. There will therefore be no firm base for reliable planning so long as no definitive ruling exists. As soon as one does come into existence, we will set to work immediately and at high pressure to expand the network as already agreed.

Price erosion is having its effects on the network strategy

It was 3U's original intent not to rent bandwidth any more after the end of 2000, but to go over to renting complete glass-fibre cables, so-called "dark fibre", so that 3U could operate its own "backbone" and save costs still further. During the course of the year, however, the fall in the rental cost of such cable networks accelerated, and as a result this system no longer offers any advantage in operating costs. On the contrary: renting bandwidth has now become the more efficient solution. 3U recognised this trend in the market early on, and opened negotiations with various network operators.

We are also planning to set up a pan-European network in 2001 in order to make use of all the advantages, both technical and commercial. 3U is already operating the necessary exchange equipment in Austria and Switzerland.

Human resources

Udo Graul, Chairman of the Management Board

Highest personnel efficiency in the telecommunications industry

Sales revenue per employee almost reached DM 10.0 million in the year just finished. This is an absolute record figure in the telecommunications industry, and demonstrates that 3U's business model differs fundamentally from those of its competitors.

3U Telekommunikation AG and its subsidiaries in Switzerland, Austria, France, the Netherlands, and Italy were operating the entire business at the end of 2000 with a total of 9.5 employees and two directors. Two of the employees and the Chairman of the Management Committee were amongst the founder-members of 3U, and are still amongst the major shareholders.

3U's employees are technically competent and flexible, and they can carry a huge workload and work very effectively. They are all highly motivated, and identify themselves with the corporate philosophy. Their ages range from 31 to 48 years, which shows that the necessary pioneering spirit is not only to be found amongst younger employees. In addition to their technical abilities, 3U requires them to have project experience and plenty of organisational talent.

Six employees are engaged on the planning, creation, and maintenance of exchange and transmission equipment, and also for the technical equipment and technical servicing of the 3U work-places. 3.5 employees cover the field of customer care.

New form of work-place encourages personal responsibility

All the employees except those in the Customer Care field work from home.

Their home offices are provided with ultra-modern business and communications equipment. This concept may at first seem highly unusual, but it has proved its worth. It increases motivation, and creates more understanding for the family. Moreover, the company saves the cost of providing offices.

However, this work-place model does require everybody to live up fully to the values of fairness, openness, and reliability in the ordinary working day, and that all cooperate in an atmosphere of mutual trust and confidence.

Marketing and sales

Wolfgang Lebrecht, Director

The strategic alignment of marketing and sales is characterised by the following features:

- customer growth
- systematic benchmarking
- aggressive pricing policies
- innovative marketing.

500,000 new customers

3U Telekommunikation AG has so far attained its level of awareness mainly by performing well in tariff comparisons and in various print media.

Since April 2000, new competitors have been forcing their way onto the market and have intensified the price battle with prices which in some cases lay below the inter-connection charges. As a reaction to this, 3U substantially lowered its prices for international connections in August last year, and thus regained its leading place in the tariff comparisons; it was then the cheapest provider of open call-by-call services with second-by-second charges for calls to 247 countries.

Despite growing competition and extremely tough price warfare, 3U gained 500,000 new customers in the call-by-call field in the year under review.

Marketing tests completed

3U tested a number of marketing activities throughout the financial year just finished. These included advertising spots on radio and television, poster advertising, ads in print media, and the use of professional staff to gain preselection customers. The knowledge gained from these tests is now being put to good use.

3U is orientating itself strictly to profit in its marketing activities as well. In specific terms, this means that all activities in this field must produce a positive return on investment within 6 to 8 months.

3U with new offerings in other countries

Strict profit orientation applies to marketing activities in other countries as well, which means that a positive return on investment is required within 6 to 8 months here, too. As in Germany, 3U intends to build up its level of awareness in the neighbouring European countries mainly by ensuring that the company with its low rates takes a leading place in price comparisons in the Internet and in print media. As well as offering low prices, 3U does not impose any minimum sales revenue or call-connection charges such as represent the norm in many telephone companies abroad. As in Germany, the company will be charging second by second from the first second of every connection onwards, and will not impose any period of notice on preselection

customers. The whole of the offering will make it clear that 3U is aiming to convince its customers and gain their loyalty solely on the strength of the service it offers.

One particular marketing activity is the introduction of “open call-by-call in foreign countries without prior registration”. This facility has so far only been available in Germany, and has the largest share of the market.

3U makes its service easier to use with its open call-by-call. Customers who decide to use the services of any of the competitors must first register and ask for their line to be switched in. All that a 3U customer needs to do is to dial the code for the connection-network operator in order to obtain the attractive 3U prices. The popularity of open call-by-call in Germany allows the conclusion to be drawn that this facility will ensure a substantial competitive advantage in other countries as well. Moreover, the company itself saves nearly all the costs incurred through registration and technical switching.

By expanding into other European countries, 3U is pushing its way into markets which have up to now been dominated by a “simple” competitive situation. This is mainly reflected in high price levels and the resultant profit opportunities. Although the company is assuming that the competition will become tougher in these markets as well, it believes that, with its extremely efficient cost structure, it is well equipped to face it.

Central Customer-Care Centre for Europe creates synergies and raises efficiency

3U raises customer satisfaction with its technical reliability, its high level of availability, and the high voice quality of its network. For instance, its average availability is close to 100 percent, the highest level in the business.

Every month, on average, 1.3 million people in Germany alone telephone via 3U. The number of complaints on an average day is 3. The figures speak for themselves.

As part of its expansion, 3U started up a central, multi-lingual Customer Care centre, where staff handle all questions from customers and process the preselection applications. They also look after the professional staff who work on a commission-only basis to gain preselection customers. Finally, they also prepare the commission accounts.

Bringing technical competence and experience together in one place guarantees the high level of customer service. This Customer Care centre also operates many times more profitably than decentralised organisational units in the various countries.

Finance and Investor Relations

Wolfgang Lebrecht, Director

Positive financial results for the year – which still fell short of expectations

3U did not reach its planned targets for volume (in minutes) and sales during the year under review. The main reason for this was the unexpectedly tough competition and the collapse in prices. Nevertheless, sales in the year just ended did rise by almost 80 percent, to over DM 112 million.

Despite price reductions in March and August 2000, 3U succeeded in maintaining its profitability, mainly by means of systematic cost management.

For the first time, 3U is presenting consolidated results for 2000. Profit before tax is over DM 6.97 million. It should be noted here that margins fell sharply in 2000, and that 3U financed its European expansion entirely from the on-going business. Against this background, the results can be described as promising and as emphasising the fact that 3U's cost-leadership approach has shown its worth even in hard times.

	1999	Group 2000	Germany 2000
	DM millions	DM millions	DM millions
Sales revenue	63.06	112.76	112.72
Profit before tax and amortisation	1.89	8.15	10.55
Profit before tax	1.29	6.97	9.50
Profit after tax	0.73	2.04	4.57
Profit per share (in DM)	0.08	0.22	0.50

Key figures demonstrate efficiency

Sales revenue per employee came to almost DM 10.0 million in the year just ended. The company thus broke all records for the telecommunications industry. Personnel costs came to just DM 2.72 million, or only 2.4 percent of turnover, likewise a very respectable figure. Return on sales (before tax and amortisation) came to 7.2 percent.

Solid financial basis

The net proceeds from the floatation came to about DM 105 million, and this sum is still completely intact and earning interest. In order to increase its scope for action and its flexibility, the company has converted its long-term financial resources (borrower's note loans) into short-term forms of investment. 3U can now use these resources at short notice in order to exploit strategic options.

3U's share price has fallen sharply

From its high in February 2000, the price of 3U's shares fell to € 6.5 in December.

The generally weak state of the stock market had a particularly dramatic impact on the Neuer Markt. The first cases of insolvency amongst companies listed there further robbed investors of confidence. As a result, good news in the second half of the year passed mostly or entirely unnoticed, or at least drew no positive response from investors.

Despite the satisfactory development of 3U's business, the company did not succeed in putting any real distance between its image and that of comparable companies in the telecommunications field.

More intensive Investor Relations work ensures a rising level of interest

In recent months, 3U has greatly increased the intensity of its Investor Relations work. The Management Board has explained and discussed its business idea in numerous discussions with investors and analysts and in interviews with representatives of the media. These activities always aroused positive interest, and although they have not yet led to any increase in the share price the volume in which the company's paper is traded has improved considerably – proof that attention to and interest in 3U shares has risen. The management will continue to communicate intensively with the financial world in order to draw attention to the company's potential and its dynamic growth.

Valuation of the financial resources close to 3U shares

A share price of € 7 represents a market capitalisation of DM 124.8 million, which is not even as much as the value of the company's financial resources. This valuation completely ignores the operational business and the fixed assets (such as technical equipment and licences). In the opinion of the management, the very satisfactory results of the business and the company's successful expansion into the rest of Europe are not reflected in the share price. 3U has fought its way forward in a tough, competitive market and has furnished proof that it can work profitably even under difficult conditions. Expansion into other European markets, where the margins are better, should have a beneficial effect on the company's profits.

The founder-members are holding on to their shares

The share structure has not changed since the floatation.

One founder-member is Udo Graul, who is the Chairman of the Management Board of 3U Telekommunikation AG and holds 19 percent of the shares. The two other founder-members, Michael Schmidt and Roland Thieme, work at the management level at 3U and hold 19 percent and 8 percent of the shares, respectively. Manfred Schwarz (who holds 19 percent of the shares) and Jürgen Roth (12 percent) are members of the Supervisory Board of 3U.

This demonstrates the confidence that the shareholders of long standing have in 3U's growth strategy.

**Consolidated Balance Sheet (HGB)
as of December 31, 2000
of**

3U Telekomunikation AG, Eschborn and its subsidiary companies

A S S E T S

	DM	31.12.00 DM	3U AG 31.12.99 DM
A. FIXED ASSETS			
<hr/>			
I. <u>Intangible assets</u>			
1. Concessionen, industrial and similar rights and assets, and licences in such rights and assets		4.109.235,95	3.050.542,00
		<hr/>	
II. <u>Tangible assets</u>			
1. Technical equipment and machines	4.401.222,01		3.482.782,00
2. Other equipment, factory and office equipment	270.445,00		100.698,00
		<hr/>	
		4.671.667,01	3.583.480,00
III. <u>Financial assets</u>			
1. Long term investments	37.349.621,69		0,00
2. Other loans	0,00	37.349.621,69	14.668.725,00
		<hr/>	
		46.130.524,65	21.302.747,00
 B. CURRENT ASSETS			
<hr/>			
I. <u>Receivables and other assets</u>			
1. Trade receivables	14.651.921,27		16.145.590,59
2. Other assets	<u>61.368.211,08</u>		<u>173.135,48</u>
		76.020.132,35	16.318.726,07
II. <u>Cash on hand, balance with banks</u>			
		<hr/>	
		33.368.789,10	107.424.351,47
		109.388.921,45	123.743.077,54
 C. PREPAID EXPENSES			
		<hr/>	
		795.332,28	662.530,00
		<hr/>	
		156.314.778,38	145.708.354,54

Consolidated Balance Sheet (HGB)
as of December 31, 2000
of
3U Telekomunikation AG, Eschborn and its subsidiary companies

EQUITY AND LIABILITIES

	DM	31.12.00 DM	3U AG 31.12.99 DM
A. EQUITY			
I. Subscribed capital	17.837.169,60		17.837.169,60
II. Shares held by third parties	126,06		0,00
III. Capital reserve	108.900.614,4 0		108.900.614,40
VI. Retained earnings minus consolidation difference	4.929.446,31 -2.525.920,28 2.403.526,03		539.388,59
		129.141.436,09	127.277.172,59
B. ACCRUALS			
1. Tax accruals	3.567.711,35		407.617,00
2. Other accruals	4.699.424,37		5.557.600,00
		8.267.135,72	5.965.217,00
C. LIABILITIES			
1. Liabilities to banks	3.651.788,20		0,00
2. Trade account payables	14.521.049,13		11.367.744,29
3. Other liabilities	733.369,24		1.098.220,66
		18.906.206,57	12.465.964,95
		156.314.778,38	145.708.354,54

Eschborn, March 2nd, 2001

Udo Gaul

Wolfgang Lebrecht

Consolidated Profit and Loss Account (HGB)
from January 1 to December 30, 2000
of
of 3U Telekomunikation AG, Eschborn and its subsidiary companies

	Konzern		3U AG
	1.1.2000-31.12.2000		1.1.1999-31.12.1999
	DM	DM	DM
1. Sales	112.761.715,70		63.057.521,57
2. Own work capitalized	367.750,07		299.033,16
3. Other operating income	168.293,91		11.654,31
		<u>113.297.759,68</u>	<u>63.368.209,04</u>
4. Cost of materials			
a) Cost of purchased merchandise	436.992,38		
b) Cost of purchased services	92.050.260,42	92.487.252,80	49.563.682,02
5. Personnel expenses			
a) Wages and salaries	2.506.028,87		365.027,25
b) Social security and pension expenses	216.568,99		36.899,84
		<u>2.722.597,86</u>	<u>401.927,09</u>
6. Depreciation and amortization on intangible fixed assets and tangible assets		1.178.407,22	602.234,53
7. Other operating expenses		14.701.199,72	11.943.486,21
		<u>111.089.457,60</u>	<u>62.511.329,85</u>
8. Income from other investments and long term loans	574.849,67		30.480,00
9. Other interest and similar income	4.212.236,65		451.728,36
10. Interest and similar expenses	20.841,86		46.989,52
		<u>4.766.244,46</u>	<u>435.218,84</u>
11. Results of ordinary activities		6.974.546,54	1.292.098,03
12. Tax on income		4.927.819,20	558.233,09
13. Other Taxes		4.218,20	0,00
14. Net income for the year		2.042.509,14	733.864,94
15. profit carried forward (previous year: loss carried forward)		<u>361.016,89</u>	<u>-194.476,35</u>
16. Retained earnings		<u>2.403.526,03</u>	<u>539.388,59</u>

Notes to the Group accounts as of 31st December 2000

1. General accounting principles

The Group accounts of 3U Telekommunikation AG, of Eschborn, as of 31st December 2000 have been drawn up in accordance with the "HGB" standard (the German *Handelsgesetzbuch* or Code of Commercial Law) and the *Aktiengesetz* (the German Companies Act for companies of this status), and also in compliance with the principles of proper book-keeping. The full-cost procedure was used for the Group profit-and-loss statement.

2. Scope and method of consolidation

The following companies were included in the consolidation in addition to 3U AG:

Location	Milan, Italy	Zurich, Switzerland	Paris, France
Name	3U TELECOM S.R.L.	3U TELECOM AG	3U TELECOM SARL
Equity capital	€ 100,000	CHF 500,000	€ 1,000,000
3U AG's holding	€ 99,000 (99%)	CHF 499,980 (99.9%)	€ 1,000,000 (100%)
Factor making consolidation mandatory	Subsidiary company under uniform management		

Location	Vienna, Austria	Hilversum, Netherlands	
Name	3U TELECOM GmbH	3U TELECOM B.V.	
Equity capital	€ 250,000	€ 100,000	
3U AG's holding	€ 249,930 (99.9%)	€ 100,000 (100%)	
Factor making consolidation mandatory	Subsidiary company under uniform management		

The capital consolidation of the companies included in the Group accounts followed the "new valuation" method (Article 301 paragraph 1 sentence 2 clause 2 of the HGB). The subsidiary companies' assets and liabilities are included at their present value. All the subsidiaries were established during 2000, so it can be assumed that the book value as of 31st December 2000 also represents their present value. In compliance with Article 301 paragraph 2 of the HGB, the point in time of the initial consolidation is not the point in time of acquisition but the closing date for these accounts.

The following differences arise out of the capital consolidation:

	DM
3U TELECOM GmbH, Vienna	143,650.02
3U TELECOM B.V., Hilversum	321,865.62
3U TELECOM SARL, Paris	1,614,019.33
3U TELECOM S.R.L., Milan	194,630.55
3U TELECOM AG, Zurich	251,754.76
	2,525,920.28

Differences on the asset side resulted from start-up losses at the subsidiary companies, which lowered the value of the equity capital below book value. These differences were therefore charged against Group reserves with no impact on profit, in compliance with Article 309 paragraph 1 sentence 3 of the HGB.

Intra-Group loans and other accounts receivable and payable, as well as sales revenue, expenses, and income were eliminated. Intermediate profits within the Group did not arise because goods and services delivered within the Group are charged at cost.

3. Data on the Group balance sheet and profit-and-loss statement

3.1 Presentation and valuation methods

The annual accounts of the consolidated companies are drawn up, or alternatively adapted during the course of consolidation, so as to comply with uniform presentation and valuation principles.

3.2 Currency conversion

The currency conversion on the accounts of the Swiss subsidiary company was based on exchange rates on the closing date for the accounts because it had not been in existence for very long and there had been little fluctuation in the exchange rates since then.

3.3 Fixed assets

Intangible and tangible assets have been valued at their historic cost minus scheduled depreciation, using the linear method. Low-value items (those costing less than DM 800) were fully written down in the year of acquisition and regarded as disposals. The cumulative acquisition costs of intangible assets were DM 4,175,000 and of tangible assets DM 6,368,000. (Unless otherwise stated, all figures have been rounded to the nearest multiple of DM 1,000.)

The German telecommunications licences that fall under Licence Classes 3 and 4 are not amortised because they have been granted for an indefinite period of time and are not subject to commercial depreciation. Telecommunications licences held by foreign companies are depreciated in proportion to time if their validity is subject to a fixed time limit, but those with no such time limit are not amortised.

Moveable assets are depreciated on the linear method, and use is made of the simplification option under which those acquired or produced in the first half of the financial year are written down by the full amount for the year and those acquired or produced in the second half of the year by half that amount.

The following lengths of service life are used as the basis for depreciation:

	Years
Operating equipment	4
Business machinery	4 to 10
Communications equipment	5
Transmission equipment	5

Financial assets are presented at their historic cost. There was no necessity for any write-down as of the closing date for these accounts. The securities forming part of the fixed assets include shares in JB Otto-Fonds, which is a special fund run by the Julius Baer capital investment company, and these are shown at their acquisition cost of DM 37,350,000 as this is lower. The price value as of the closing date was DM 37,760,000.

Changes in the Group assets can be seen from the table of assets in the appendices.

3.4 Current assets

Accounts receivable and other assets are valued at their nominal value, unless they have to be written down. The general bad-debt risk is covered by flat-rate provisions. The trade accounts receivable, totalling DM 14,652,000, consist mainly of accounts receivable by the German parent company from Deutsche Telekom AG (DM 14,602,000), and also of those receivable from the subsidiary companies in Switzerland (DM 17,000) and Austria (DM 33,000).

The other assets include a borrower's note loan to the Baden-Württembergische Bank AG (DM 58,646,000), which is valued at its lower of cost or market value, interest payments receivable (DM 1,615,000), German VAT reimbursements due (DM 483,000), VAT reimbursements from other countries (DM 330,000), and other accounts receivable (DM 294,000).

The accounts receivable and other assets have a residual term to maturity of up to one year.

3.5 Advanced payments and deferred income

The advanced payments mainly refer to provision fees for interconnection and rent for sections of the network. The sub-division into accounting periods is based on the minimum contract lifetime, which is usually either 1 or 2 years.

3.6 Provisions and accruals

Other provisions cover all recognisable risks and uncertain obligations to the necessary extent as far as a reasonable commercial judgement can ascertain. The trends can be seen in the following table:

DM	As of 1 st January 2000	Con- sumption	Additions	Liquidat- ion	As of 31 st December 2000
Connection services	5.171.200	5.171.200	3.719.300		3.719.300
Network rental	209.000	209.000	70.000		70.000
Provisions against holiday entitlement	0		170.000		170.000
Salaries including bonuses	92.600	92.600	401.000		401.000
Preparation and auditing of annual report	70.000	70.000	73.000		73.000
Supervisory Board	4.800	4.800	40.000		40.000
Book-keeping and other tax consultancy	0		20.700		20.700
Travel costs	0		56.000		56.000
Licence royalties	0		62.500		62.500
Advertising to customers	0		25.000		25.000
Rent	0		7.730		7.730
Miscellaneous / Other	10.000	10.000	54.194		54.194
Total	5.557.600	5557.600	4.699.424		4.699.424

3.7 Liabilities

Liabilities are valued as the sum due for repayment. They have the following residual terms to maturity:

	Total	Residual term to maturity:		
		Up to one year	1 to 5 years	Over 5 years
	DM	DM	DM	DM
Accounts payable to banks	3.651.783,20	3.651.783,20	0,00	0,00
Trade accounts payable	14.521.049,13	14.521.049,13	0,00	0,00
Other accounts payable	733.369,24	733.369,24	0,00	0,00
	18.906.206,57	18.906.206,57	0,00	0,00

3.8 Sales revenue

Sales revenue arises almost entirely within Germany, and consists mainly of connection charges for fixed-line telephony but also, to a lesser extent, of revenue from the supply of telecommunications equipment and accessories to subsidiary companies.

3.9 Costs of bought-in services

The costs of bought-in services relate to connecting lines, provision fees, and the rental of interconnection facilities and sections of network.

3.10 Other operating expenses

The "other operating expenses" line-item consists mainly of: rent (DM 115,000), motor vehicle costs (DM 336,000), subscriptions and contributions (DM 87,000), professional advice and consultancy (DM 365,000), postage and telephone (DM 152,000), the costs of the parent company's AGM (140,000), outside services (DM 110,000), Supervisory Board emoluments (DM 166,000), cost of invoicing and collecting accounts (DM 6,203,000), other advertising costs (DM 4,226,000), bad debts (DM 1,709,000), losses on disposal of financial assets (DM 217,000), amortisation of current assets (DM 28,000), license fees (DM 353,000), location rent (DM 116,000), configuration costs (DM 127,000), and other expenses (DM 251,000).

3.11 Income from other securities and loans of financial assets

This figure basically shows the interest from the step-up borrower's note loan to the Baden-Württembergische Bank.

3.12 Interest and other income

This includes, amongst other things, interest from current and deposit accounts and transferred interest income from the borrower's note loan to the Baden-Württembergische Bank which falls due on 9th February 2001.

3.13 Taxes on income and earnings

This line-item covers German Corporation Tax, including the Solidarity Surcharge, and Trade Tax payable by the parent company, and Austrian Corporation Tax.

There are no deferred taxes within the meaning of Article 306 of the HGB.

4 Statement of changes in financial position and segmentreporting

4.1 Statement of changes in financial position

	31.12.00
	TDM
Cash flows from operating activities	
Earnings of the period	2.042
Depreciation of fixed assets	1.178
Increase in long term accruals	0
Other nit paid expenses or income	0
Cash flow	3.220
Increase in short term accruals	2.302
Increase in accounts receivable and other assets	-59.833
Increase in accounts payable and other liabilities	6.440
	<u>-47.871</u>
Cash used in investing activities	
Payments for investments in tangible assets	-3.325
Cash received from the disposal of fixed assets	14.669
Capital expenditures in fixed assets	-37.350
	<u>-26.006</u>
Cash from financing activites	
Payments from capital increase	0
Distributions	-178
	<u>-178</u>
Cash and cash equivalents at the end of the period	
Changes in cash position	-74.055
Cash and cash equivalents at the beginning of the period	107.424
	<u>33.369</u>

Cash and cash equivalents of dec. 31st 1999 were partly transformed in long term investments (95,996,000 DM) in 2000.

Because this is the first 3U-consolidated balance, we don't compare the figures with such of the previous period.

4.2 Reports by segment

Of the total of DM 112,762,000 in sales revenue, DM 112,716,00 was achieved by the German parent company, DM 17,000 by the Swiss subsidiary, and DM 28,000 by the Austrian. Both the parent and the two subsidiary companies achieved their revenue by providing telecommunications services, exclusively in the field of fixed-line telephony.

5. Financial obligations as of 31st December 2000

DM'000	2001	2002-2005	2006 onwards
Rent for premises	194	617	153
Leasing of vehicles	250	272	0
Rented cables	8.416	204	195
Consultancy contracts	72	0	0
Insurance policies	23	0	0

6. Other data

6.1 Management of the parent company

The Management Board consists of the following members:

Udo Graul, of Marburg (Chairman), 1st January to 31st December 2000

Manfred Schwarz, of Marburg (Deputy Chairman), 1st January to 2nd June 2000

Wolfgang Lebrecht, St Peter-Ording (Deputy Chairman), 3rd June 2000 to 31st December 2000.

The total emoluments paid to the members of the Management Board during the financial year was DM 708,000. This included DM 18,000 for rent costs.

6.2 Parent company's Supervisory Board

The Annual General Meeting on 2nd June 2000 passed a resolution to amend the Articles of Association to the effect that the Supervisory Board should in future contain six members.

The Supervisory Board was made up as follows during the financial year:

Michael Leyener Lawyer, Marburg (Chairman)

Dr Michael Kussmann Lawyer, auditor, tax consultant, Duisburg (Deputy Chairman)

Bodo Rimpler Bank director, Kronberg

Manfred Schwarz Graduate in business administration, businessman, Marburg (from 2nd June 2000 onwards)

Jürgen Roth Graduate in business administration, director of Baro Lagerhaus GmbH and shareholder in Otto Roth KG, Kirchhain (from 2nd June 2000 onwards)

Dr Jürgen Bockholt Member of the management board of the Baden-Württembergische Bank, Stuttgart

The following members of the Supervisory board also sit on the following supervisory boards:

Michael Leyener	Chairman of the Supervisory Board of MSB Bau- und Grundstücksverwaltungs-GmbH (construction and property management), Marburg; Marburger Spar- und Bauverein eG (home-owners' savings bank), Marburg.
Jürgen Bockholt	Chairman of the Supervisory Board of BW-Immobilien GmbH (property), Stuttgart; Chairman of the Supervisory Board of BW-Vermögensanlage GmbH (investment), Stuttgart; Chairman of the Supervisory Board of Baden-Württembergische Kapitalanlagegesellschaft mbH (capital investment company), Stuttgart; President of the Administrative Board of BW Vermögens-Management AG (asset management), Zurich (Switzerland); and Deputy Chairman of the Administrative Board of the WKV Bank GmbH, Stuttgart.

The emoluments paid to the Supervisory Board in respect of the 2000 financial year totalled DM 165,000, some of which will not be paid out until 2001.

6.3 Employees

On average over the whole year, the company employed 11 people.

Eschborn, March 2nd, 2001

The Management Board

Udo Graul
Chairman

Wolfgang Lebrecht
Deputy Chairman

**Consolidated analysis of fixed assets Assets Movement Schedule
of
of 3U Telekomunikation AG, Eschborn and its subsidiary companies**

	<u>Acquisition and Production Cost</u>				
	Status 01.01.00	Additions	Disposals	Re- Bookings	Status 31.12.00
	DM	DM	DM	DM	DM
I. <u>Intangible Assets</u>					
1. Concessions, industrial and similar rights and assets, and licences in such rights and assets					
Software	53.307,10	124.962,37			178.269,47
Telecommunication licences	3.006.050,00	990.335,41			3.996.385,41
	3.059.357,10	1.115.297,78	0,00	0,00	4.174.654,88
II. <u>Tangible Assets</u>					
1. Technical equipment and machines					
Switching technology	2.678.050,53	845.316,51			3.523.367,04
Transmission technology	1.367.653,10	1.095.244,35		0,00	2.462.897,45
	4.045.703,63	1.940.560,86	0,00	0,00	5.986.264,49
2. Other equipment, factory and office equipment					
Plant equipment	37.360,09	94.113,39			131.473,48
Office equipment	95.898,17	154.359,85			250.258,02
Low value items	0,00	20.956,30	20.956,30		0,00
	133.258,26	269.429,54	20.956,30	0,00	381.731,50
Total Tangible Assets	4.178.961,89	2.209.990,40	20.956,30	0,00	6.367.995,99
III. <u>Financial Assets</u>					
1. Long term investments	0,00	37.349.621,69			37.349.621,69
2. Other loans	14.668.725,00	0,00	14.668.725,00		0,00
	14.668.725,00	37.349.621,69	14.668.725,00	0,00	37.349.621,69
Total Fixed Assets	21.907.043,99	40.674.909,87	14.689.681,30	0,00	47.892.272,56

**Consolidated analysis of fixed assets Assets Movement Schedule
of
of 3U Telekomunikation AG, Eschborn and its subsidiary companies**

	<u>Accumulated Depreciations</u>			<u>Book Values</u>	
	Status 01.01.00	Additions (= Depreciation for the period)	Disposals	Status 31.12.00	Status 31.12.00
	DM	DM	DM	DM	DM
I. <u>Intangible Assets</u>					
1. Concessions, industrial and similar rights and assets, and licences in such rights and assets					
Software	8.815,10	24.830,36		33.645,46	144.624,01
Telecommunication licences	0,00	31.773,47		31.773,47	3.964.611,94
	<u>8.815,10</u>	<u>56.603,83</u>	<u>0,00</u>	<u>65.418,93</u>	<u>4.109.235,95</u>
II. <u>Tangible Assets</u>					
1. Technical equipment and machines					
Switching technology	306.595,53	594.435,64		901.031,17	2.622.335,87
Transmission technology	256.326,10	427.685,21		684.011,31	1.778.886,14
	<u>562.921,63</u>	<u>1.022.120,85</u>	<u>0,00</u>	<u>1.585.042,48</u>	<u>4.401.222,01</u>
2. Other equipment, factory and office equipment					
Plant equipment	7.386,09	30.293,39		37.679,48	93.794,00
Office equipment	25.174,17	48.432,85		73.607,02	176.651,00
Low value items	0,00	20.956,30	20.956,30	0,00	0,00
	<u>32.560,26</u>	<u>99.682,54</u>	<u>20.956,30</u>	<u>111.286,50</u>	<u>270.445,00</u>
Total Tangible Assets	<u>595.481,89</u>	<u>1.121.803,39</u>	<u>20.956,30</u>	<u>1.696.328,98</u>	<u>4.671.667,01</u>
III. <u>Financial Assets</u>					
1. Long term investments	0,00			0,00	37.349.621,69
2. Other loans	0,00			0,00	0,00
	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>37.349.621,69</u>
Total Fixed Assets	<u>604.296,99</u>	<u>1.178.407,22</u>	<u>20.956,30</u>	<u>1.761.747,91</u>	<u>46.130.524,65</u>

Group management report as of 31st December 2000

1. Course of the business

1.1 Trends in the industry and the economy

The dominant features of the German telecommunications market are competition and dynamic growth. The share of the market held by the providers who now represent the alternative to the former monopolist, Deutsche Telekom AG, is rising constantly and has now reached 22 percent.

Even in the third year after the liberalisation of the telecommunications market, new providers are still pushing their way into the market and intensifying the price warfare.

Falling prices have on the one hand led to rising demand (the market situation shows that the fixed-line sector is growing), but on the other hand they also mean smaller and smaller margins, and this can depress the profitability of the providers. For many companies, fixed-line telephony has lost its attractiveness. Many providers have already re-orientated themselves because of these extremely tough competitive conditions, or else have withdrawn from the telecommunications market altogether.

In the neighbouring European countries, the competitive situation in the telecommunications market as a whole is not as extreme as in Germany. The hardest fighting is to be seen in the Netherlands, where 3U made its start in January 2001. The situation is more relaxed in Austria and Switzerland, where our operations started at the end of 2000. Although the number of competitors is higher in Austria than in Switzerland, the price structure is comparatively stable and profit margins, on international calls for instance, are relatively high.

1.2 3U's strategy

3U has set itself the goal of becoming the European specialist in the call-by-call business, and work is being done systematically to achieve it. The procedure is simple: the 3U business model, which has been so successful in the German telecommunications market, is being transferred to other European countries. The principles of cost-leadership and profit-orientation play an important part here.

3U has taken on the task of reaching break-even in all new markets within one year. This aim is to be attained by continuing the business model that has proved successful in Germany and is based on the principle of cost-leadership. The extremely low investments needed for setting up the network in other countries form the basis for this project.

3U believes in the fixed-line network, and is convinced that this business will grow. 3U's strategic aims are set in this field.

1.3 Organisational structure

3U's organisational structure is lean, flexible, and capable of learning. The high level of automation in all parts of the company results in 3U needing only an extremely small number of employees.

Even counting in the foreign subsidiaries, at the end of 2000 3U was running the whole of its business with precisely 9.5 employees plus two directors. These employees all work for 3U in Germany and also for its subsidiaries in other countries.

Udo Graul is Chairman of the Management Board and responsible for the areas of strategic planning, technology, human relations, and purchasing.

Wolfgang Lebrecht is the director responsible for the areas of marketing, sales, finance, and investor relations.

The Chairman and two salaried employees were founder-members of 3U and still represent three of its main shareholders.

Six employees are responsible for the planning, implementation and maintenance of the exchange and transmission equipment, but also for the technical equipment and servicing of 3U work areas.

3.5 employees cover the field of customer care in Germany, Switzerland, and Austria.

In December 2000, 3U started up a central Customer Care centre to provide comprehensive customer service. Its main task is to answer customer enquiries and process preselection applications.

1.4 Main events during the financial year

The following events were of particular importance to 3U during the financial year:

17 th February 2000	3U TELECOM SARL is established in France
2 nd June 2000	Manfred Schwarz leaves the Management Board of 3U Telekommunikation AG.
2 nd June 2000	The following members are appointed to the Supervisory Board: Mr Manfred Schwarz, Dr Jürgen Bockholt, and Mr Jürgen Roth.
3 rd June 2000	Mr Wolfgang Lebrecht joins the Management Board of 3U Telekommunikation AG and takes responsibility for marketing, sales, finance, and investor relations.
22 nd June 2000	3U TELECOM B.V. is established in the Netherlands.
18 th October 2000	3U TELECOM AG is established in Switzerland.
3 rd November 2000	Operations start in Switzerland.
21 st November 2000	3U TELECOM GmbH is established in Austria.
30 th November 2000	Operations start in Austria
21 st November 2000	3U TELECOM S.R.L. is established in Italy.

1.5 Course of the business

Since 3U started offering its preselection service in March 2000, the pre-code 01078 is pre-set on the customer's telephone number and all calls (except local calls) made from this number are automatically routed through 3U. The customer then no longer needs to dial 01078.

The total number of calls made during 2000 rose by almost 200 percent over the previous year's figure. The number of customers using the call-by-call option rose from 800,000 in 1999 to about 1.3 million in 2000.

3U has been operating in Switzerland and Austria since November 2000.

3U is the first provider to be offering open call-by-call facilities in countries outside Germany. Previously, it had only been available in Germany, where it had the largest market share.

Open call-by-call makes it easier for customers to make use of this service. Whichever of the competitors' services customers wish to use, they first have to register with the provider and arrange for their line to be switched in before they can telephone. If they wish to make use of 3U, they only need to dial this carrier code before the actual number they are calling in order to benefit from 3U's low prices. The popularity of the open call-by-call procedure in Germany permits the conclusion to be drawn that this facility will ensure a definite competitive advantage in other countries as well. The company itself, incidentally, also saves nearly all the costs involved in registration and technical connection.

In expanding into other European countries, 3U is pushing its way into markets previously dominated by a "simpler" competitive situation. This is reflected in a higher price level, which in turn means better profit opportunities. Although the company is assuming that competition will intensify in these countries as well, it believes that with its extremely attractive cost structure it is well equipped to face it.

2. Situation of the company

2.1 Asset and financial situation

Within the balance sheet total of DM 156,315,000, equity capital accounts for DM 129,141,000 or 82.6 percent. Assets committed for the medium and long term future totals DM 46,131,000, which is thus covered by equity capital to the level of 279.9 percent. Debt represents 17.38 percent of the company's total capital. Assets committed for the short term total DM 110,184,000, and consist of liquid resources of DM 33,369,000, prepaid expenses and advance payments of DM 795,000, and accounts receivable and other assets of DM 76,020,000.

The accounts receivable and other assets totalling DM 14,652,000 are almost entirely receivables from Deutsche Telekom AG, which amount to DM 14,602,000.

Other provisions and reserves total DM 4,699,000, of which DM 3,720,000 are accounted for by connection services which have not yet been charged and network rental. Trade accounts payable total DM 14,521,000 and consist mainly of initial services for connection services, and account collection and invoicing services. An analysis of the liquidity reveals the following picture:

1 st level liquidity	122.8 percent
2 nd level liquidity	412.56 percent

3rd level liquidity is identical with 2nd level, as no stocks have to be included.

2.2 Profit situation

3U has generated a very satisfactory profit in its 2000 financial year. The surplus for the year is DM 2,043,000, earnings from normal business operations are DM 6,975,000.

An analysis of profitability shows the following picture:

Return on equity	1.58 percent
Return on total capital	1.32 percent
Return on sales (net)	1.81 percent
Return on sales (gross)	1.83 percent.

The debt interest in the annual surplus is taken into account for the calculation of the gross return on sales, but ignored for the net return on sales.

3. Expected development of the company

3U's business is fixed-network telephony.

For most of the competitors, this part of the telecommunications market long ago lost its attractions because profit margins have fallen dramatically. 3U is still working profitably in this market, however, despite the tough competitive conditions and the severe price erosion, because it has been able to counter them by increasing its market share and raising its average sales.

Despite the costs incurred in the marketing tests carried out in 2000, 3U has been able to achieve profits at the operational earnings level.

During the course of the company's European expansion, it will exploit synergistic potential and further extend its position as cost-leader in the telecommunications market. This expansion will enable costs to be reduced still further in relative terms.

In 2001, 3U's area with the greatest expansion potential will be European countries outside Germany, where the company will start operations during the course of the year. The start-up is planned in Italy and France in the first half of the year, and the synergies created by this expansion will provide potential cost savings for all 3U companies.

For instance, linking the telephone networks in the individual countries together into one pan-European 3U network will deliver major cost advantages. 3U's internal least-cost routing system for international calls will guarantee that calls always take the cheapest route. This automated process, which is now integrated into the national networks, can be used throughout Europe. Another example is the creation of a central, multi-lingual Customer Care centre for the whole of Europe. This is more economical than setting up a decentralised organisational unit in each country in which 3U is represented. This makes it clear, once again, that costs can be kept down by exploiting the synergy potential inherent in expansion.

3U will further optimise its successful business model and make use of all the advantages of cost leadership, flexibility, and swiftness in order to face up effectively to the opportunities and risks in the market.

In particular, the change in Deutsche Telekom AG's billing and collection process which is expected to take effect in the middle of 2001 will have ramifications for 3U's business operations. Customer queries on their telephone bills will no longer be handled by Deutsche Telekom AG; customers will be able to put their questions to 3U directly.

Also Deutsche Telekom AG's invoicing procedure for interconnection charges will be changed over from a distance-based model to an element-based model. The date for this change-over has not yet been finalised, because rulings are awaited from an Administrative Court.

For 3U, it is expected that the interconnection costs of the new invoicing model will work in its favour because the 3U network already reflects this model in its basic structures.

4. Events of particular significance after the accounts were closed for the year

One event of particular significance that occurred after the accounts were closed was the start-up of operations in the Netherlands on 16th January 2001.

**Consolidated Balance Sheet
as of December 31, 2000
in accordance with US-GAAP
of**

3U Telekomunikation AG, Eschborn and its subsidiary companies

ASSETS

	Group 31.12.00 DM	3U AG 31.12.99 DM
A. Current assets		
<hr/>		
I. Cheques, cash on hand, deposits at the Bundesbank and Postbank, bank deposits	33.368.789,10	107.424.351,47
II. Trade receivables and other assets	76.020.132,35	16.318.726,07
	109.388.921,45	123.743.077,54
B. Medium-term and longterm assets		
<hr/>		
I. Intangible assets		
1. Telecommunication licences	3.822.691,34	2.943.250,10
2. Software	144.624,01	44.492,00
	3.967.315,35	2.987.742,10
II. Tangible Assets		
1. Technical equipment and machines	4.401.222,01	3.482.782,00
2. Operating plant equipment	270.445,00	100.698,00
	4.671.667,01	3.583.480,00
III. Financial assets	37.349.621,69	14.668.725,00
	45.988.604,05	21.239.947,10
C. Deferred taxes		
<hr/>		
I. Deferred taxes to depreciation differences	70.960,30	31.399,95
II. Deferred taxes from losses carried forward subsidiaries	896.740,00	0,00
	967.700,30	31.399,95
D. Prepaid expenses	795.332,28	662.530,00
<hr/>		
	157.140.558,08	145.676.954,59

**Consolidated Balance Sheet
as of December 31, 2000
in accordance with US-GAAP
of**

3U Telekomunikation AG, Eschborn and its subsidiary companies

LIABILITIES

	Group 31.12.00 DM	3U AG 31.12.99 DM
A. SHORT-TERM LIABILITIES		
I. Debts owed to financial institutions	3.651.788,20	0,00
II. Trade payables	14.521.049,13	11.367.744,29
III. Other liabilities	733.369,24	1.098.220,66
IV. Tax accruals	3.567.711,35	407.617,00
V. Other accruals	4.699.424,37	5.557.600,00
	27.173.342,29	18.431.181,95
B. EQUITY		
I. Subscribed capital	17.837.169,60	17.837.169,60
II. Capital reserves	108.900.614,40	108.900.614,40
III. Shares held by third parties	126,06	0,00
III. Retained earnings	3.229.305,73	507.988,64
	129.967.215,79	127.245.772,64
	157.140.558,08	145.676.954,59

Eschborn, March 2nd, 2001

Udo Graul

Wolfgang Lebrecht

Consolidated Profit and Loss Account
in accordance with US-GAAP
for the period from 1st January to 31st Decembrer 2000
of
3U Telekommunikation AG, Eschborn and its subsidiary companies

	Group 1.1.-31.12.2000 DM	3U AG 1.1.-31.12.1999 DM
1. Revenues	112.761.715,70	63.057.521,57
2. Production costs for services generating revenue	94.719.192,28	50.328.220,49
3. Gross profit	18.042.523,42	12.729.301,08
4. Distribution costs	10.257.672,33	3.232.445,28
5. General administrative expenses	2.560.799,35	7.865.030,85
6. Other operating income	326.537,76	11.654,31
7. Other operating expenses	3.419.738,27	849.267,99
8. Operating result	2.130.851,23	794.211,27
9. Income from other investments and long-term loans	574.849,67	30.480,00
10. Other Interest and similar income	4.206.348,59	451.728,36
11. Interest and similar expenses	20.841,86	46.989,52
12. Result before tax	6.891.207,63	1.229.430,11
13. Taxes on income	3.991.518,84	624.137,31
14. Net income for the year	2.899.688,79	605.292,80
15. Profit carried forward (last year: loss carried forward)	329.616,94	97.304,16
16. Retained earnings	3.229.305,73	507.988,64

**Consolidated Statement of changes in financial position
in accordance with US-GAAP
for the period from 1st January to 31st December 2000
for
for 3U Telekommunikation AG, Eschborn and its subsidiary companies**

	Group 31.12.00 DM	3U AG 31.12.99 DM
a) Cash flows from operating activities		
Net profit for the year	2.899.688,79	605.292,80
Depreciation of fixed assets	1.257.527,92	664.902,45
Cash flow	4.157.216,71	1.270.195,25
Increase in short term accruals	2.301.918,72	5.962.217,00
Increase in accounts receivable and other assets	-59.834.208,56	-15.611.382,87
Increase in deferred taxes	-936.300,35	65.904,22
Increase of trade liabilities and other liabilities	6.440.367,68	11.999.318,39
	-47.871.005,80	3.686.251,99
b) Cash used in investing activities		
Cash received from the disposal of fixed assets	14.668.725,00	0,00
Capital expenditures in fixed assets	-40.674.909,87	-21.447.946,53
	-26.006.184,87	-21.447.946,53
c) Cash from financing activities		
Payments from capital increase	0,00	125.387.784,00
Distributions to shareholders	-178.371,70	0,00
Increase of debt	0,00	2.500.000,00
Repayment of debt	0,00	-2.500.000,00
	-178.371,70	125.387.784,00
d) Cash and cash equivalents at the end of period		
Changes in cash position	-74.055.562,37	107.626.089,46
Cash and cash equivalents at the beginning of the period	107.424.351,47	-201.737,99
	33.368.789,10	107.424.351,47

Cash and cash equivalents of dec. 31st 1999 were partly transformed in long term investments (95,996,000 DM) in 2000.

Notes to the Group accounts as of 31st December 2000 in compliance with US-GAAP

1. General accounting principles

The Group accounts of 3U Telekommunikation AG, of Eschborn, as of 31st December 2000 have been drawn up in accordance with the American Generally Accepted Accounting Principles (US-GAAP). The sales-cost procedure was used for the Group profit-and-loss statement.

2. Scope and method of consolidation

The following companies were included in the consolidation in addition to 3U AG:

Location	Milan, Italy	Zurich, Switzerland	Paris, France
Name	3U TELECOM S.R.L.	3U TELECOM AG	3U TELECOM SARL
Equity capital	€ 100,000	CHF 500,000	€ 1,000,000
3U AG's holding	€ 99,000 (99%)	CHF 499,980 (99.9%)	€ 1,000,000 (100%)
Factor making consolidation mandatory	Subsidiary company under uniform management		

Location	Vienna, Austria	Hilversum, Netherlands	
Name	3U TELECOM Ges.mbH	3U TELECOM B.V.	
Equity capital	€ 250,000	€ 100,000	
3U AG's holding	€ 249,930 (99.9%)	€ 100,000 (100%)	
Factor making consolidation mandatory	Subsidiary company under uniform management		

The capital consolidation of the companies included in the Group accounts followed the "new valuation" method. The subsidiary companies' assets and liabilities are included at their present value. All the subsidiaries were established during 2000, so it can be assumed that the book value as of 31st December 2000 also represents their present value. For the sake of simplicity, the point in time of first consolidation has been taken not as the date of acquisition but the closing date for these accounts.

The following differences arise out of the capital consolidation:

	DM
3U TELECOM GmbH, Vienna	143,650.02
3U TELECOM B.V., Hilversum	321,865.62
3U TELECOM SARL, Paris	1,614,019.33
3U TELECOM S.R.L., Milan	194,630.55
3U TELECOM AG, Zurich	251,754.76
	2,525,920.28

Differences on the asset side resulted from start-up losses at the subsidiary companies, which lowered the value of the equity capital below book value as of the date chosen for first consolidation for reasons of simplicity. The losses incurred by the subsidiary companies had already arisen in the Group. These differences were therefore charged against Group reserves with no impact on profit.

Intra-Group loans and other accounts receivable and payable, as well as sales revenue, expenses, and income were eliminated. Intermediate profits within the Group did not arise because goods and services delivered within the Group are charged at cost.

3. Data on the Group balance sheet and profit-and-loss statement

3.1 Presentation and valuation methods

The annual accounts of the consolidated companies are drawn up, or alternatively adapted during the course of consolidation, so as to comply with uniform presentation and valuation principles.

3.2 Currency conversion

The currency conversion on the accounts of the Swiss subsidiary company was based on exchange rates on the closing date for the accounts because it had not been in existence for very long and there had been little fluctuation in the exchange rates since then.

3.3 Liquid resources

The liquid resources consist mainly of current and deposit accounts held at the Baden-Württembergische Bank and the Berenberg Bank.

These have been valued at their nominal value.

This line-item is made up as follows:

	December 31 st , 2000
	DM
Baden-Württembergische Bank AG	
Current account	124,505.12
Deposit account	20,000,000.00
Berenbank	
Current account	2,322.47
Deposit account	10,128,000.00
ABN Amro Bank, Netherlands	
Current account	7,292.91
Deposit account	40,914.27
Caisse d'Épargne, France	91,859.14
Bank Cial, France	
Current account	85,205.64
Deposit account	1,760,247.00
UBS Bank, Switzerland	644,501.10
Bank Austria	483,961.45
	33,368,789.10

The current accounts can be terminated at one day's notice. At the time of their acquisition, the deposit accounts had a residual term of about one month.

3.4 Current assets

Accounts receivable and other assets are valued at their nominal value, unless they have to be written down. The general bad-debt risk is covered by flat-rate provisions. The trade accounts receivable, totaling DM 14,652,000, consist mainly of accounts receivable by the German parent company from Deutsche Telekom AG (DM 14,602,000), and also of those receivable from the subsidiary companies in Switzerland (DM 17,000) and Austria (DM 33,000). (Unless otherwise stated, all figures have been rounded to the nearest multiple of DM 1,000.)

The other assets include a borrower's note loan to the Baden-Württembergische Bank AG (DM 58,646,000), which is valued at its lower of cost or market value, interest payments receivable (DM 1,615,000), German VAT reimbursements due (DM 483,000), VAT reimbursements from other countries (DM 330,000), and other accounts receivable (DM 294,000).

The accounts receivable and other assets have a residual term to maturity of up to one year.

3.5 Fixed assets

Intangible and tangible assets have been valued at their historic cost minus scheduled depreciation, using the linear method. Low-value asset items (those costing less than DM 800) were fully written down in the year of acquisition and regarded as dis-

posals. The cumulative acquisition costs of intangible assets were DM 4,175,000 and of tangible assets DM 6,368,000.

The German telecommunications licenses that were mainly acquired in 1999 and that fall under License Classes 3 and 4 were granted for an indefinite period of time and are intangible assets with an indefinite useful life, so they can be amortized over a maximum period of 40 years. In the year of acquisition, they are amortized in proportion to time.

The telecommunications licenses in Switzerland, Italy, the Netherlands, France, and Austria were acquired during the 2000 financial year. Their cumulative historic cost is DM 965,000. The license in Switzerland was granted for 10 years, and that for France for 15 years, and they are being amortized in proportion to time over the respective number of years. In compliance with APB (Accounting Principles Board Opinion) 17, the licenses for Italy, the Netherlands, and Austria are being amortized over 40 years because they are not subject to any time limit and are not subject to commercial amortization.

Moveable assets are depreciated on the linear method, and use is made of the simplification option under which those acquired or produced in the first half of the financial year are written down by the full amount for the year and those acquired or produced in the second half of the year by half that amount.

The following lengths of service life are basically used as the basis for depreciation:

	Years
Operating equipment	4
Business machinery	4 to 10
Communications equipment	5
Transmission equipment	5

Financial assets are presented at their historic cost. There was no necessity for any write-down as of the closing date for these accounts. The securities forming part of the fixed assets include shares in JB Otto-Fonds, which is a special fund run by the Julius Baer capital investment company, and these are shown at their acquisition cost of DM 37,350,000 as this is lower. The price value as of the closing date was DM 37,760,000. The unrealized gain was thus DM 410,000. These shares are transferable.

Changes in the Group assets can be seen from the table of assets in the appendices. This shows in particular the cumulative historic costs, cumulative amortization, and amortization during the financial year.

3.6 Advanced payments and deferred income

The advanced payments mainly refer to provision fees for interconnection and rent for sections of the network. The sub-division into accounting periods is based on the minimum contract lifetime, which is usually either 1 or 2 years.

3.7 Capitalized deferred taxes

The deferred taxes on the assets side were created by the difference in the additional amortization of telecommunications licenses. The tax rate was assumed to be 50 percent. The changes in deferred taxes can be seen from the transfer of annual profits and equity capital (see annex to the Notes, page 2).

Deferred taxes on the assets side are formed on the tax losses carried forward in the subsidiary companies, and valued at the rate of Corporation Tax applicable to each one.

3.8 Liabilities

Liabilities are valued as the sum due for repayment. They have the following residual terms to maturity:

	Total	Residual term to maturity:		
		Up to one year	1 to 5 years	Over 5 years
	DM	DM	DM	DM
Accounts payable to banks	3.651.788,20	3.651.788,20	0,00	0,00
Trade accounts payable	14.521.049,13	14.521.049,13	0,00	0,00
Other accounts payable	733.369,24	733.369,24	0,00	0,00
	18.906.206,57	18.906.206,57	0,00	0,00

3.9 Provisions and accruals

These cover all obligations which have a relatively high likelihood of occurring (i.e. they are "probable") and therefore have to be taken into account in the presentation of the figures. They are valued at the level of the expected claim.

Provisions against tax are made up of Trade Tax and Corporation Tax including the Solidarity Surcharge, and are calculated taking full account of the proposed appropriation of the parent company's profits made on March 1st, 2001.

The trends in these provisions can be seen in the following table:

DM	As of January 1 st , 2000	Consumption	Additions	Liquidation	As of December 31 st , 2000
Connection services	5.171.200	5.171.200	3.719.300		3.719.300
Network rental	209.000	209.000	70.000		70.000
Provisions against holiday entitlement	0		170.000		170.000
Salaries including bonuses	92.600	92.600	401.000		401.000
Preparation and auditing of annual report	70.000	70.000	73.000		73.000
Supervisory Board	4.800	4.800	40.000		40.000
Book-keeping and other tax consultancy	0		20.700		20.700
Travel costs	0		56.000		56.000

License royalties	0		62.500		62.500
Advertising to customers	0		25.000		25.000
Rent	0		7.730		7.730
Miscellaneous / Other	10.000	10.000	54.194		54.194,37
Total	5.557.600	5557.600	4.699.424		4.699.424

3.10 Equity capital account

DM '000	As of January 1 st , 2000	Acquisitions / disposals	As of December 31 st , 2001
Registered capital	17.837	0	17.837
Capital reserves	108.901	0	108.901
Profit reserves	0	0	0
Profit for the year	508	2.722	3.230
Total	127.246	2.722	129.968

The share capital of the parent company amounts to € 9,120,000, which is equivalent to DM 17,837,169.60, and is made up of 9,120,000 bearer unitary shares with no par value but with a theoretical value of € 1 each.

The capital reserve of DM 108,900,614.40 was created by the premium achieved during the stock exchange floatation, and resulted from the difference between the emission price of € 30 and the theoretical value of € 1 per share.

There was no transfer to statutory reserves during the 2000 financial year, as the reserves required by Article 150 of the *Aktiengesetz* (German Companies Act) have already been created.

3.11 Sales revenue

Sales revenue arises almost entirely within Germany, and consist mainly of connection charges for fixed-line telephony but also, to a lesser extent, of revenue from the supply of telecommunications equipment and accessories to subsidiary companies.

3.12 Historic cost of work performed in order to achieve the sales revenue

This basically covers the costs incurred for connection services, provision fees for interconnection points and renting cables, changes in goods inventories resulting from the sale of telecommunications equipment and accessories, proportional personnel costs, amortization of telecommunications licenses, depreciation of exchange and transmission equipment, computer and business equipment expedient to the sales process, amortization of other licenses, proportional automotive and travel expenses, location rental, telephone charges, and maintenance and miscellaneous expenses.

3.13 Income from other securities and loans of financial assets

This figure basically shows the interest from the step-up borrower's note loan to the Baden-Württembergische Bank.

3.14 Interest and other income

This includes, amongst other things, interest from current and deposit accounts and transferred interest income from the borrower's note loan to the Baden-Württembergische Bank which falls due on 9th February 2001.

3.15 Taxes on income and earnings

This line-item covers German Corporation Tax, including the Solidarity Surcharge, and Trade Tax payable by the parent company, and Austrian Corporation Tax.

This figure is reduced by the losses carried forward in the consolidated subsidiary companies.

4. Reports by segment

Of the total of DM 112,762,000 in sales revenue, DM 112,717,00 was achieved by the German parent company, DM 17,000 by the Swiss subsidiary, and DM 28,000 by the Austrian. Both the parent and the two subsidiary companies achieved their revenue by providing telecommunications services, exclusively in the field of fixed-line telephony.

5. Financial obligations as of 31st December 2000

DM '000	2001	2002-2005	2006 onwards
Rent for premises	194	617	153
Leasing of vehicles	250	272	0
Rented cables	8.416	204	195
Consultancy contracts	72	0	0
Insurance policies	23	0	0

6. Profit per share

The following table shows the profit per share:

Numerator: Group earnings	DM 2,899,688.79
Denominator: No. of shares	9,120,000
Earnings per share:	DM 0.32

7. Other information

7.1 Management of the parent company

The Management Board consists of the following members:

Udo Graul, of Marburg (Chairman), 1st January to 31st December 2000
 Manfred Schwarz, of Marburg (Deputy Chairman), 1st January to 2nd June 2000
 Wolfgang Lebrecht, St Peter-Ording (Deputy Chairman), 3rd June 2000 to 31st December 2000.

The total emoluments paid to the members of the Management Board during the financial year was DM 708,000. This included DM 18,000 for rent costs.

7.2 Parent company's Supervisory Board

The Annual General Meeting on 2nd June 2000 passed a resolution to amend the Articles of Association to the effect that the Supervisory Board should in future contain six members.

The Supervisory Board was made up as follows during the financial year:

Michael Leyener	Lawyer, Marburg (Chairman)
Dr Michael Kussmann	Lawyer, auditor, tax consultant, Duisburg (Deputy Chairman)
Bodo Rimpler	Bank director, Kronberg
Manfred Schwarz	Graduate in business administration, businessman, Marburg (from 2 nd June 2000 onwards)
Jürgen Roth	Graduate in business administration, director of Baro Lagerhaus GmbH and shareholder in Otto Roth KG, Kirchhain (from 2 nd June 2000 onwards)
Dr Jürgen Bockholt	Member of the management board of the Baden-Württembergische Bank, Stuttgart

The following members of the Supervisory boards also sit on the following supervisory boards:

Michael Leyener	Chairman of the Supervisory Board of MSB Bau- und Grundstücksverwaltungs-GmbH (construction and property management), Marburg; Marburger Spar- und Bauverein eG (home-owners' savings bank), Marburg.
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Jürgen Bockholt Chairman of the Supervisory Board of BW-Immobilien GmbH (property), Stuttgart; Chairman of the Supervisory Board of BW-Vermögensanlage GmbH (investment), Stuttgart; Chairman of the Supervisory Board of Baden-Württembergische Kapitalanlagegesellschaft mbH (capital investment company), Stuttgart; President of the Administrative Board of BW Vermögens-Management AG (asset management), Zurich (Switzerland); and Deputy Chairman of the Administrative Board of the WKV Bank GmbH, Stuttgart.

The emoluments paid to the Supervisory Board in respect of the 2000 financial year totaled DM 165,000, some of which will not be paid out until 2001.

7.3 Employees

On average over the whole year, the company employed 11 people.

Eschborn, March 2nd, 2001

The Management Board

Udo Graul
Chairman

Wolfgang Lebrecht
Deputy Chairman

**Consolidated analysis of fixed assets
of
3U Telekomunikation AG, Eschborn and its subsidiary companies
in accordance with US-GAAP**

	<u>Acquisition and Production Cost</u>				Status 31.12.00
	Satus 01.01.00	Additions	Disposals	Re- bookings	
	DM	DM	DM	DM	
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and assets and licences to such rights and assets					
Software	53.307,10	124.962,37			178.269,47
Telecommunication licences	3.006.050,00	990.335,41			3.996.385,41
	3.059.357,10	1.115.297,78	0,00	0,00	4.174.654,88
II. Tangible Assets					
1. Technical equipment and machines					
Switching technology	2.678.050,53	845.316,51			3.523.367,04
Transmission technology	1.367.653,10	1.095.244,35		0,00	2.462.897,45
	4.045.703,63	1.940.560,86	0,00	0,00	5.986.264,49
2. Plant and office equipment					
Plant equipment	37.360,09	94.113,39			131.473,48
Office equipment	95.898,17	154.359,85			250.258,02
Low value items	0,00	20.956,30	20.956,30		0,00
	133.258,26	269.429,54	20.956,30	0,00	381.731,50
Total Tangible Assets	4.178.961,89	2.209.990,40	20.956,30	0,00	6.367.995,99
III. Financial Assets					
1. Long term investments	0,00	37.349.621,69			37.349.621,69
2. Other loans	14.668.725,00	0,00	14.668.725,00		0,00
	14.668.725,00	37.349.621,69	14.668.725,00	0,00	37.349.621,69
Total Fixed Assets	21.907.043,99	40.674.909,87	14.689.681,30	0,00	47.892.272,56

**Consolidated analysis of fixed assets
of
3U Telekomunikation AG, Eschborn and its subsidiary companies
in accordance with US-GAAP**

	<u>Accumulated Depreciation</u>			<u>Status</u> 31.12.00	<u>Book Values</u> 31.12.00
	<u>Status</u> 01.01.00	<u>Additions</u> (= Depreciation for the period)	<u>Disposals</u>		
	DM	DM	DM	DM	DM
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and assets and licences to such rights and assets					
Software	8.815,10	24.830,36		33.645,46	144.624,01
Telecommunication licences	62.799,90	110.894,17		173.694,07	3.822.691,34
	71.615,00	135.724,53	0,00	207.339,53	3.967.315,35
II. Tangible Assets					
1. Technical equipment and machines					
Switching technology	306.595,53	594.435,64		901.031,17	2.622.335,87
Transmission technology	256.326,10	427.685,21		684.011,31	1.778.886,14
	562.921,63	1.022.120,85	0,00	1.585.042,48	4.401.222,01
2. Plant and office equipment					
Plant equipment	7.386,09	30.293,39		37.679,48	93.794,00
Office equipment	25.174,17	48.432,85		73.607,02	176.651,00
Low value items	0,00	20.956,30	20.956,30	0,00	0,00
	32.560,26	99.682,54	20.956,30	111.286,50	270.445,00
Total Tangible Assets	595.481,89	1.121.803,39	20.956,30	1.696.328,98	4.671.667,01
III. Financial Assets					
1. Long term investments	0,00			0,00	37.349.621,69
2. Other loans	0,00			0,00	0,00
	0,00	0,00	0,00	0,00	37.349.621,69
Total Fixed Assets	667.096,89	1.257.527,92	20.956,30	1.903.668,51	45.988.604,05

**Transition HGB accounting
to US-GAAP
as of December 31, 2000
of
3U Telekommunikation AG, Eschborn and its subsidiary companies**

	Group	3U AG
	1.1.-31.12.2000	1.1.-31.12.1999
	DM	DM
Net profit for the period according to HGB	2.042.509,14	733.864,94
Adjustments to US-GAAP		
Fixed Assets	-79.120,70	-62.667,92
Deferred taxes 50% to the adjustments in connection with fixed assets	39.560,35	31.333,96
Deferred taxes on loss carried forward/ loss of the consolidated subsidiaries	896.740,00	-97.238,18
Net profit for the period according to US-GAAP	2.899.688,79	605.292,80
accumulated	507.988,64	-97.304,16
Distribution	-178.371,70	
Accumulated after distribution	3.229.305,73	507.988,64
	31.12.2000	31.12.1999
	DM	DM
Equity according to HGB	129.141.436,09	127.277.172,59
Fixed Assets	-141.920,60	-62.799,90
Deferred taxes 50% to the adjustments in connection with fixed assets	70.960,30	31.399,95
Deferred taxes on loss carried forward	896.740,00	0,00
Equity according to US-GAAP	129.967.215,79	127.245.772,64

AUDITOR'S CERTIFICATE

I have audited the Group Report and Accounts of 3U Telekommunikation AG for the company financial year from 1st January to 31st December 2000. The preparation of the Group Report and Accounts in compliance with the provisions of German commercial law, supplemented by the provisions of the Statutes of the company, are the responsibility of those who legally represent it. My responsibility is to carry out the audit and, on that basis, to state my judgement on the Group Report and Accounts.

I conducted my audit of the Group accounts in accordance with Article 317 of the HGB (German Commercial Code) and in compliance with the principles of proper auditing laid down by the IDW (the German Institute of Auditors), which state that the audit has to be planned and carried out in such a way that discrepancies and violations which could have a major effect on the presentation of the picture of the company's asset, financial, and profit situation as shown in the Group Accounts and on the basis of the principles of proper book-keeping, and in the Group Report, would be identified with reasonable assurance. Knowledge of the company's business activities and its commercial and legal environment, and the evaluation of possible misstatements, have also been utilised. During the course of the audit, the effectiveness of the internal control system and substantiation of the data in the Group Report and Accounts was examined on a test basis. The audit included an assessment of the annual accounts of the companies included in the consolidated accounts, the demarcation of the consolidation, the presentation and consolidation principles, and the main estimates made by the persons who legally represent the company. I am of the opinion that my audit has created an adequately reliable basis for my assessment.

My audit has not led to any reservations.

In our opinion, the Group Accounts adhere to the principles of proper book-keeping and provide a true and fair view of the Group's asset, financial, and profit situation. On the whole, the Group Report provides an appropriate understanding of the Group's position and suitably represents the risks entailed in its future development.

Kirchhain, March 5th, 2001.

Beate Weber
Wirtschaftsprüferin

Report by the Supervisory Board of 3U Telekommunikation AG

1. The Management Board has kept the Supervisory Board continually informed of the development of the business and the situation of the company, and of the main business events, particularly at the Supervisory Board meeting on 17th November 2000.

The Supervisory Board has overseen the Management Board in the basis of this information, and reassured itself that the business was being properly managed. The work of the Supervisory Board was augmented and supported by the Financial Committee, which met three times during 2000, and the Technical and Market Committee, which met once.

2. A total of five meetings of the Supervisory Board took place during 2000: on 22nd March, 9th May, 2nd June, 31st August, and 17th November.
3. The Annual Accounts of 3U Telekommunikation AG as of 31st December 2000, the management report for 2000, the Group report as of 31st December 2000, and the Group management report for 2000 were examined by the auditor and tax consultant appointed as the company's auditor, Ms Beate Weber, of Kirchhain, who awarded her unqualified certificate. No objections have been raised against the findings of the audit.
4. The Supervisory Board examined the annual accounts and the Group accounts as of 31st December 2000, as well as the management report and the Group management report, and the proposal for the appropriation of the profit for the year, namely that DM 4,929,446.31 should be carried forward as profit into the new account, and took full account of the audit report by the auditor, Ms Weber. No objections were raised.

The Supervisory Board held a meeting on 9th March 2001 at which not only all its members took part but also the members of the Management Board and the auditor. The auditor presented the main results of her audit and provided supplementary information.

The Supervisory Board unanimously approved the annual accounts as of 31st December 2000 which the Management Board had drawn up. The accounts were thus adopted.

5. The Supervisory Board would like to thank the Management Board and the employees for their good work during the year under review.

Marburg, March 9th, 2001

The Supervisory Board

Michael Leyener, Chairman

GLOSSARY OF TELECOMMUNICATIONS TERMS

Backbone

The long-distance telecommunications network which links the connection points together.

Bandwidth

The transmission capacity of a wired network.

Call-by-call

“Real” or “open” call-by-call enables the customer to choose one out of a number of telephone companies, from one telephone conversation to the next. This is done by dialling a 5-digit or 6-digit code before dialling the area code and the number. In Germany, this additional network code always starts with 010.

In the case of “call-by-call with preregistration”, the customer must first be registered with the selected telephone company, but for “real” call-by-call no preregistration is necessary.

Element Base Charging

This is the basic accounting model used by Deutsche Telekom AG for passing on connections for other telephone companies on the basis of the network elements (connection points) actually used.

Switching in

When the customer has registered for “call-by-call with registration”, his or her telephone line is switched in so that the telephone company’s services can be used.

Call-connection charges (“start” charges)

Fixed amount payable for establishing each telephone connection, regardless of the length of the call.

Glass-fibre network

A glass-fibre network consists of cables containing thousands of tiny glass-fibre bundles (light-wave guides). These cables permit a far higher rate of transmission than conventional copper cable.

Interconnection fees

Fees charged by Deutsche Telekom for passing on connections for other telephone companies.

Least-cost routing (LCR)

Process by which a connection is initiated via whichever supplier is available and has the lowest cost at that moment. This varies by the time of day, etc.

Licences

The Regulatory Authority for Telecommunications and Post (RegTP) issues the necessary licences in Germany for the operation of transmission systems or providing speech telephony services. The various forms of authorisation are defined as Licence Classes 1 to 4.

Mainstream technology

Technology based on well known standard components in widespread use.

Preselection

Unlike call-by-call, preselection does not require a selection code to be dialled first. The choice of preferred provider is permanently programmed into the Deutsche Telekom exchange computer. In Germany, all connections other than local calls are then automatically routed via this other network. This requires preregistration, but it is still possible to use other providers on a call-by-call basis.

Point of Interconnection

This is the place where the connection is technically produced. The detailed conditions affecting the Point of Interconnection such as interfaces, protocols, network management, billing management, and so on are covered by an "Interconnection Agreement" between the network operators involved.

Transmission technology

Technical equipment for converting electrical into optical signals, e.g. from copper to glass fibre.

Connection network operator

Also known as "VNB" in German, or Long Distance Carrier. All telephone networks for voice telephony carried via the local network are described as long-distance. "Pure" long distance carriers therefore do not install any subscriber connections, but offer telecommunications services via the long distance network via their own or rented telecommunications infrastructures.

Long distance carrier identification number

This is the identification number, such as 01078, which the telephone customer can dial before dialling the area code and the number, in order to establish the connection via the required telephone company (call-by-call). The usual English term is "carrier code".

Exchange technology

Equipment for establishing the connection between telephone connections.

GLOSSARY OF FINANCIAL TERMS

Break-even

The point (in time, usually, or else in business volume or revenue) at which cumulative income meets cumulative expenditure.

Cash flow

Figure showing the financial or profit strength of a company. The cash flow is calculated from the inflow and outflow of payments (cash or equivalent) from on-going business activities.

Return on equity (RoE)

Basically: a figure showing the profitability of a company by relating the earnings (annual profit) to the amount of equity capital in use.

Market capitalisation

Current price of a company's shares multiplied by the total number of that company's shares.

Earnings per share (EPS)

The EPS is an important indicator of the profitability of a company, and shows how much of the company's total profit is attributable to each share.

Return on sales

Financial indicator – it shows the relationship between pre-tax earnings in a company / group and the total sales revenue.

Return on investment

The "cash flow return on investment" (CFROI) is a control figure for investment decisions. It takes into account both the acquisition value and the returns to be expected in the future from the acquisition.

US-GAAP

The "Generally Accepted Accounting Principles" in use in the USA.

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