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3U TELECOM AG

Quarterly Report 2/2003



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Summary of Group Results

Result — 3U Group (US-GAAP)		Half-year comparison	
		HY1 2003	HY1 2002
Revenues	(€ in millions)	25.72	31.90
Earnings/losses before taxes and appreciation/amortisation	(€ in millions)	5.05	3.59
Earnings/losses before taxes	(€ in millions)	3.67	2.64
Net income/loss for the period	(€ in millions)	2.24	0.94
Earnings per share	(in €)	0.25	0.10
Earnings yield (earnings/losses before taxes and appreciation/amortisation)	(in %)	19.63	11.25
Equity ratio	(in %)	90.25	80.90

Result — 3U Group (US-GAAP)		Quarterly comparison	
		Q2 2003	Q2 2002
Revenues	(€ in millions)	11.93	17.25
Earnings/losses before taxes and appreciation/amortisation	(€ in millions)	2.43	2.29
Earnings/losses before taxes	(€ in millions)	1.59	1.67
Net income/loss for the period	(€ in millions)	0.90	0.92
Earnings per share	(in €)	0.10	0.10
Earnings yield (earnings/losses before taxes and appreciation/amortisation)	(in %)	20.39	13.28
Equity ratio	(in %)	90.25	80.90

3U-Markets HY1 2003	3U-Markets HY1 2002
Germany	Germany
Switzerland	Switzerland
Austria	Austria
Netherlands	Netherlands
Italy	Italy
France	France
USA	



Business Development

■ 3U improves earnings by 139.1% in HY1 2003

In comparison to the first six months of the previous year, 3U again considerably improved the Group result in the first half of 2003.

The Group HY1 2003 result was € 2.24 million according to US GAAP, thus moving up by 139.1% against the comparable figure of the previous year (€ 0.94 million)*.

Earnings per share increased by 150%, from € 0.10 in HY1 2002 to € 0.25 in HY1 2003.

In the first six months of 2003, earnings before taxes and depreciation increased by 40.4% to € 5.05 million (€ 3.59 million)*.

In the first six months of 2003, sales of € 25.72 million were generated (€ 31.90 million)*. The sales margin moved up steadily from 13.28% in Q2 2002 to 20.39% in Q2 2003. With its focus on increasing profitability, 3U has created a good basis for the planned expansion of sales in the framework of an acquisition strategy. The expected increase in sales as a result of the acquisition of OneTel (in July 2003) should thus positively impact future results. This should also result in high economies of scale which will be evident in the expected increase of revenues.

■ Targeted measures to produce positive sales growth

The high level of company profitability indicates the positive nature of the 3U business model. However, the advantages of the 3U business model will only impact to their full extent when sales increase and economies of scale are generated. For this reason, 3U will make every effort to extend sales.

We will maintain our principles, largely foregoing advertising. Our experience has shown that organic growth by means of advertising can be achieved only

at disproportionately high expense and then only maintained at the level achieved for a short period.

We are planning to promote organic growth by means of targeted measures. For example, a special 3U service for resellers is being developed.

At the same time, we will continue our acquisition strategy in Germany and on an international basis. From a technical and organisational standpoint, 3U is aligned for growth. 3U has a good starting position with the sound financial situation and the approval of a contingent capital increase at the 2002 Annual General Meeting.

In international competition, it is common practice to grant company shares as a counter performance in the context of fusions or when acquiring companies or company stakes. With the authorisation to buy back shares at this year's Annual General Meeting on 15 May 2003, the company created the additional and necessary flexibility which it requires in the framework of planned acquisitions.

Currently, opportunities for finding suitable acquisitions candidates on the market are very good.

The object of 3U is to achieve positive sales growth, and thus a sustained increase of the enterprise value.

* Comparative period 2002



■ Foreign subsidiaries to be profitable

The foreign subsidiaries are developing in a positive fashion. As scheduled, they are reducing their losses. Not only the Austrian subsidiary, but for the first time the French subsidiary also made positive contributions in HY1 2003. Over the course of the year, 3U TELECOM expects that further subsidiaries will move into profitability.

■ Competition for local calls

Since the end of April, it has also been possible to make local calls with 3U. 3U offers this service in approx. 1,800 locations.

■ Investments

In HY1 2003, the total sum of investments was € 0.26 million. The focus was transmission technology (approx. T€ 100) and EDP (approx. T€ 76).

■ Financial position

The business development at the 3U Group is underpinned by the positive financial position. With a balance sheet total of € 78.65 million, 3U has an equity ratio of 90.25 %.

3U is without debts. Across the Group there are no amounts due to banks. The liquidity situation is also good. The total of liquid funds and short-term securities exceeds € 57 million. Liquid funds have risen from € 5.16 million in HY1 2002 to € 16.28 million in HY1 2003. Thus the IPO inflows to the company remain fully available, despite the investments and the acquisitions made. These were largely financed by income generated from normal business operations.

■ Personnel

In HY1 2003, 3U TELECOM AG (including subsidiaries) employed an average of 31 full-time and 36 part-time staff and 3 Management Board members (as of 30 June 2002 21 full-time and 48 part-time staff members, 3 Management Board members). Converting the part time staff into full-time staff results in a total of 44 full-time equivalents as of 30 June 2003 (including Management Board members).

We want our employees to participate more strongly in the success of our company. This is to be done by means of the share option plan approved at this year's Annual General Meeting. By means of the share option plan, 3U can offer additional incentives and further reinforce the loyalty of employees to the company.

■ 3U moves company headquarters to Marburg

In line with the resolution of the Annual General Meeting on 15 May 2003, 3U TELECOM AG company headquarters were transferred from Eschborn to Marburg.



Events of Particular Importance after the End of the Reporting Period

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■ 3U acquires competitor OneTel and commences operations in Belgium

In the middle of July 2003, 3U TELECOM AG acquired all shares in Neu-Isenburg based OneTel Telecommunication GmbH, with economic effect from 1 July 2003. The company also operates in the call-by-call and preselection areas and is excellently positioned with attractive rates, especially in the call-by-call area. The purchase price paid was in line with normal market conditions and was in mid single-digit millions in euro.

In July 2003, 3U commenced operations in Belgium. With favourable prices and invoicing by the second, combined with waiving the normal start-up fee, 3U obtained top rankings in Belgium rate comparisons from the very start.

3U is now represented in seven European countries and in the USA.



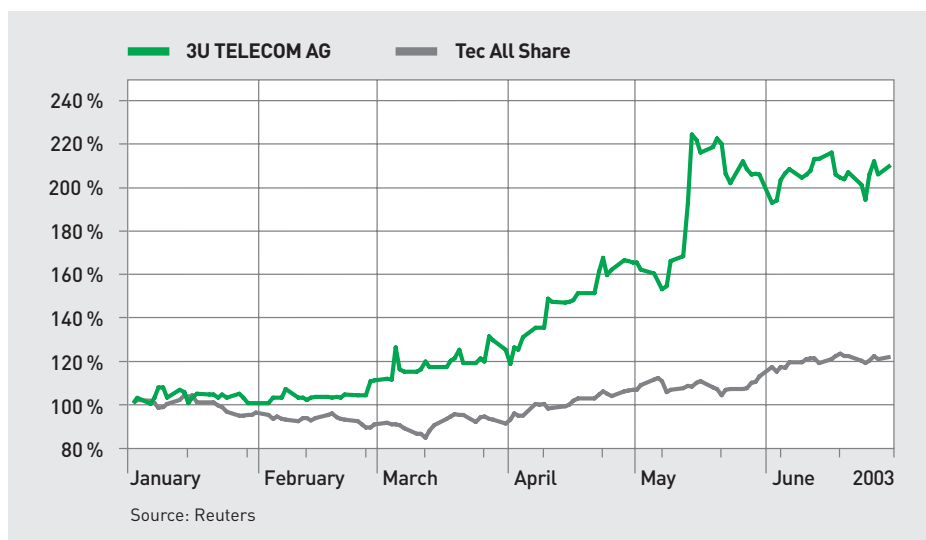


The 3U Share

Summary of 3U shares		
International Securities Identification Number (ISIN)		DE0005167902
Stock exchange symbol		uuu
Trading segment		Prime Standard
Industry key		Telecommunication
Designated Sponsor		Landesbank Baden-Württemberg
Initial listing		26 November 1999
Registered share capital	(in €)	9,120,000.00
Stock exchange price on 30 June 2003*	(in €)	8.18
Highest price in HY1 2003*	(in €)	8.73 (14 May 2003)
Lowest price in HY1 2003*	(in €)	3.88 (6 January 2003)
Number of shares		9,120,000
Market capitalisation on 30 June 2003	(€ in millions)	74.60
Earnings per share (basic)	(in €)	0.25

*Daily closing price Xetra

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



The 3U Share

3U is listed in the Prime Standard of the Deutsche Börse and is targeting inclusion in the TecDax.

■ Performance and valuation

In Q2 2003, the 3U share has moved steadily upward, regularly considerably outperforming the TecDax. In comparison to the beginning of the year, the price of the 3U share has almost doubled to the end of the second quarter. At the same time, trading volume has increased considerably.

This development shows that the 3U share is now attracting more attention, and is recognised by some as a "genuine growth pearl".

Inclusion in the NEMAX-50 or TecDax would also be positive for the valuation. This would result in more media reports and bank research. On the basis of the June Deutsche Börse statistics, inclusion in the NEMAX-50 should be considered assured. In the medium term, if the positive performance continues, there is potential for the 3U share to be included in the TecDax.

■ Directors' Holdings

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

Management Board

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

Supervisory Board

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



Outlook

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■ 3U looks positively into the future

As a result of the acquisition of OneTel, the 3U Group expects a significant upturn in sales and earnings, even in the current financial year. In the 2004 financial year, the Group anticipates sales exceeding € 100 million and after-tax profits of more than € 10 million. This is equivalent to earnings per share of over € 1.

The acquisition has improved the strategic position at 3U. Today, the 3U Group is already one of the strongest alternative suppliers in the fixed telephone network in terms of sales and earnings. With the improvement of the market position in Germany, 3U has rigorously implemented its growth strategy, thus optimising the conditions for further internal and external growth. The company's existing acquisition strategy in Germany and in other countries is to be pursued further.





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

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Assets — 3U Group (in T€)	30 June 2003	31 Dec 2002
Current assets		
Cash and cash equivalents	16,277	16,279
Short-term investments/marketable securities	21,554	21,543
Trade accounts receivable	7,115	9,203
Accounts receivable due from related parties	0	0
Inventories	62	23
Prepaid expenses and other current assets	8,152	5,854
Total current assets	53,160	52,902
Non current assets		
Property, plant and equipment	2,973	3,267
Intangible assets	2,567	3,253
Investments	19,671	19,666
Goodwill	0	28
Deferred taxes	279	142
Total non current assets	25,490	26,356
Total assets	78,650	79,258



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

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Liabilities and shareholders' equity — 3U Group (in T€)	30 June 2003	31 Dec 2002
Current liabilities		
Trade accounts payable	2,962	5,914
Accrued expenses	4,412	4,327
Other current liabilities	361	319
Total current liabilities	7,735	10,560
Minority interest	-64	-36
Shareholders' equity		
Share capital	9,120	9,120
Additional paid-in capital	55,680	55,680
Retained earnings/accumulated deficit	6,179	3,934
Total shareholders' equity	70,979	68,734
Total liabilities and shareholders' equity	78,650	79,258



Income Statement (US-GAAP)

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Income statement — 3U Group (in T€)	3-month report		6-month report	
	1 April 2003 – 30 June 2003	1 April 2002 – 30 June 2002	1 Jan 2003 – 30 June 2003	1 Jan 2002 – 30 June 2002
Revenues	11,934	17,247	25,717	31,901
Cost of revenues	-8,736	-12,605	-18,504	-24,461
Gross profit/loss	3,198	4,642	7,213	7,439
Selling and marketing expenses	-252	-271	-472	-377
General and administrative expenses	-1,969	-1,670	-3,703	-3,168
Other operating income	119	11	175	13
Other operating expenses	244	-1,275	-45	-1,731
Operating income/loss	1,340	1,437	3,168	2,176
Interest income and expenses	212	235	461	473
Other income/expense	21	-6	15	-7
Result before income taxes (and minority interests)	1,573	1,667	3,644	2,642
Income tax	-683	-752	-1,426	-1,710
Result before minority interest	890	915	2,218	931
Minority interest	-14	-4	-27	-7
Net income/loss	904	919	2,244	939
Depreciation and amortisation	847	620	1,376	945
Net income per share (basic) (in €)	0.10	0.10	0.25	0.10
Weighted average shares outstanding (basic) (per item)	9,120,000	9,120,000	9,120,000	9,120,000



Cash Flow Statement (US-GAAP)

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Cash flow statement — 3U Group (in T€)	1 Jan 2003 – 30 June 2003	1 Jan 2002 – 30 June 2002
Cash flows from operating activities		
Net profit/loss	2,216	939
Adjustments for:		
Depreciation and amortisation	1,376	945
Increase/decrease in provisions and accruals	85	3,894
Other	-4	0
Change in net working capital	-3,307	108
Net cash provided by/used in operating income	366	5,886
Cash flows from investing activities		
Purchase of property, plant and equipment	-368	-4,288
Net cash used in investing activities	-368	-4,288
Cash flows from financing activities	0	0
Net increase/decrease in cash and cash equivalents	-2	1,598
Cash and cash equivalents at beginning of period	16,279	3,565
Cash and cash equivalents at end of period	16,277	5,163



Statement of Changes in Equity (US-GAAP) as of 30 June 2003

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Statement of changes in equity 3U Group (in T€)	Reporting period 2003			Reporting period 2002		
	As per 1 Jan 2003	Additions/ disposals	As per 30 June 2003	As per 1 Jan 2002	Additions/ disposals	As per 30 June 2002
Share capital	9,120	0	9,120	9,120	0	9,120
Additional paid-in capital	55,680	0	55,680	55,680	0	55,680
Earnings reserves	0	0	0	0	0	0
Retained earnings	3,934	2,244	6,178	2,153	939	3,092
Total	68,734	2,244	70,978	66,953	939	67,892



Certificate based on Audit Review

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We undertook an audit review of the interim financial statements of 3U TELECOM AG for the period 1 January 2003 to 30 June 2003. The preparation of the interim financial statements in accordance with US generally accepted accounting principles (US-GAAP) is the responsibility of the company's statutory representatives. Our responsibility, based on our audit review, is to issue a certificate of the consolidated interim financial statements.

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

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

Kirchhain, 14 August 2003

B. Weber GmbH
Wirtschaftsprüfungsgesellschaft

Weber
Wirtschaftsprüferin



Notes

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Accounting principles and methods

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

Classification of results

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



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