



3U TELECOM AG

Quarterly Report 1/2004



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Summary of Group Results

3U Group (US-GAAP)		Quarter-on-quarter comparison	
		Q1 2004	Q1 2003
Revenues	(€ in millions)	17.36	13.78
EBITDA (earnings/losses before interest, taxes, depreciation and amortisation)	(€ in millions)	0.53	2.36
EBIT (earnings/losses before interest and taxes)	(€ in millions)	-0.67	1.84
EBT (earnings/losses before taxes)	(€ in millions)	-0.57	2.08
Net income/loss for the period	(€ in millions)	-1.09	1.34
Earnings per share	(in €)	-0.12	0.15
Net sales return	(in %)	-6.28	9.73
Equity ratio	(in %)	81.12	88.44

3U Group (US-GAAP)		Quarter-on-quarter comparison	
		Q1 2004	Q4 2003
Revenues	(€ in millions)	17.36	19.74
EBITDA (earnings/losses before interest, taxes, depreciation and amortisation)	(€ in millions)	0.53	0.41
EBIT (earnings/losses before interest and taxes)	(€ in millions)	-0.67	-1.16
EBT (earnings/losses before taxes)	(€ in millions)	-0.57	-1.03
Net income/loss for the period	(€ in millions)	-1.09	-1.00
Earnings per share	(in €)	-0.12	-0.11
Net sales return	(in %)	-6.28	-5.04
Equity ratio	(in %)	81.12	80.65

The planned annual target of € 100 million in sales and earnings per share of € 1 for the fixed-line network business for 2004 is likely to be achieved despite the weak first quarter:

- Start of product campaign in June
- Growth momentum due to cooperation with Quelle
- Entry into the internet telephony market
- Integration of OneTel concluded



| Letter to Our Shareholders

Dear Shareholder,

The first few months of 2004 have been extremely busy at 3U.

In April 2004, 3U took over 90 % of the shares in LambdaNet, thereby ensuring entry into the IP business. 3U is now well positioned in a future market.

LambdaNet is a well-known IP infrastructure provider and has one of the most modern IP-based networks in Germany and Europe, with links to the USA. LambdaNet provides its customers with the infrastructure for IP services and is therefore itself part of the internet. With this investment, 3U opened up a new strategic business area and generated a second important mainstay of sales and earnings. The area of IP infrastructure is a future market with extremely good growth prospects.

In the fixed-line network business, we anticipate strong growth momentum in the current year.

On 13 May 2004, 3U concluded a cooperation with Quelle, Europe's largest mail order company. From the middle of the year, with the delivery of the new catalogue, Quelle will offer a unique telephone rental rate "powered by 3U". Behind the attractive pre-selection offer for Quelle customers is 3U, i. e. 3U is responsible for handling the entire process. As of the second half of 2004, 3U anticipates a considerable increase in sales and earnings as a result of this project.

With the acquisition of LambdaNet, 3U will soon be able to offer additional new products at attractive rates by combining telephony and the internet.

The first quarter of 2004 has shown weaker development than expected but we are confident of counterbalancing the delay in sales and earnings growth during the course of the year. The annual target for 2004 of € 100 million in sales and earnings per share of € 1 for the fixed-line network segment remains unchanged.

3U is very well equipped for the future in the telecommunications and IP market and has every reason to be optimistic about 2004.

Marburg, May 2004



Udo Graul
Chairman of the Management Board



Udo Graul, Chairman
of the Management Board

Photo: © Gabriele Kircher, Marburg

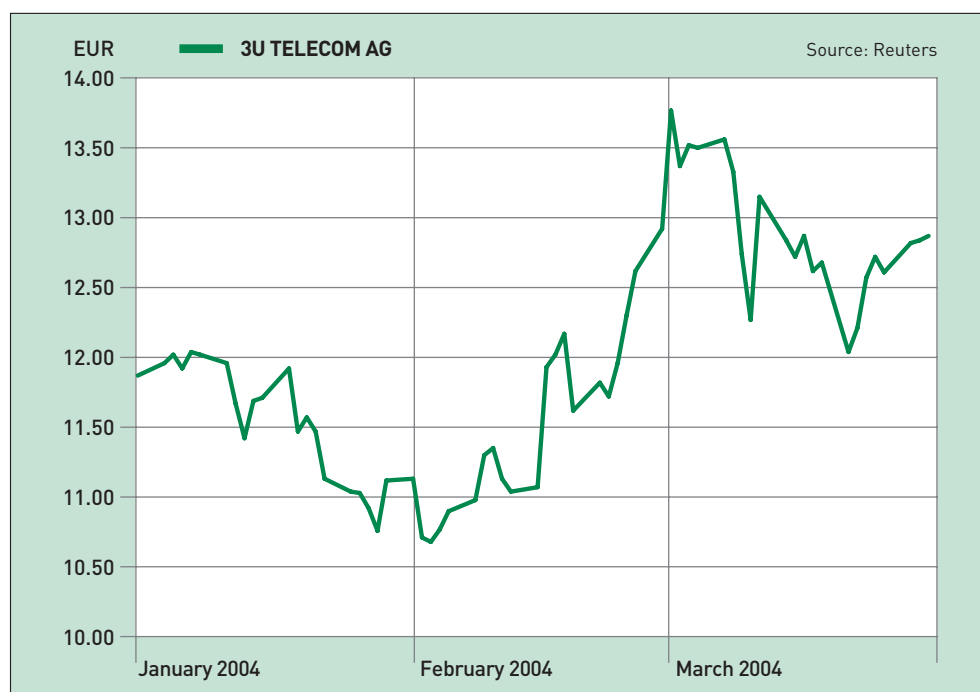


The 3U Share

Summary of the 3U share

International Securities Identification Number (ISIN)	DE0005167902
Stock exchange symbol	uuu
Trading segment	Prime Standard, NEMAX 50
Industry key	Telecommunication
Designated Sponsor	DZ BANK AG and Helaba Landesbank Hessen-Thüringen
Initial listing	26 November 1999
Registered share capital (in €)	9,368,448.00
Stock exchange price on 31 March 2004*	(in €) 12.85
High in the first three months of 2004*	(in €) 13.75 (2 March 2004)
Low in the first three months of 2004*	(in €) 10.66 (4 February 2004)
Number of shares	9,368,448
Market capitalisation on 31 March 2004 (€ in millions)	120
Earnings per share (basic) (in €)	-0.12

Share price trend for 3U TELECOM AG from January 2004 to March 2004



* Daily closing price Xetra



Price trend and valuation

The low* in the first quarter 2004 was € 10.66 in February 2004 and the high* was € 13.75 at the start of March. Financial analysts and the media assess the development of 3U positively and are reinforcing their buy recommendation for the share.

Investor structure

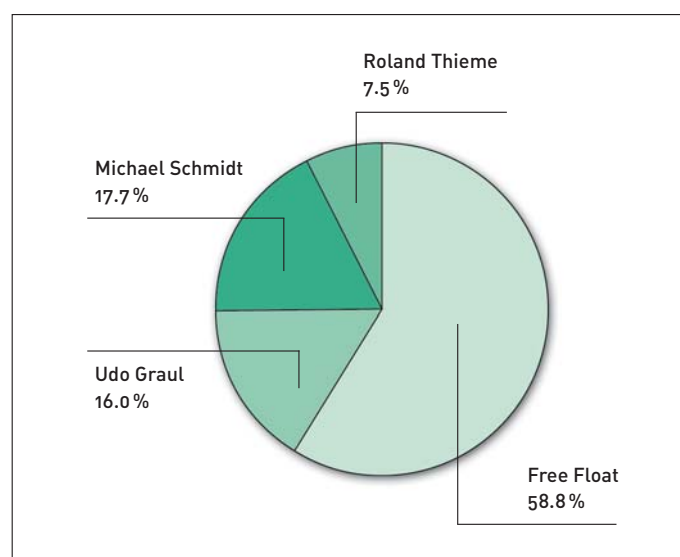
As of 31 March 2004, current members of the governing bodies held the following shares with full voting and dividend rights:

Management Board

Udo Graul (Chairman)	1,500,740 shares
Michael Schmidt	1,658,000 shares
Roland Thieme	700,000 shares

Supervisory Board

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



*Daily closing price Xetra



The First Quarter of 2004

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| Development of Business

Sales and earnings

Compared with the first quarter of 2003, sales in the first quarter of 2004 increased by 25.9% to € 17.4 million.

In Q4 2003, the 3U Group generated sales of € 19.7 million, approximately 12% more than in the first quarter of 2004.

Lower sales in the first three months of 2004 were attributable to two factors: the use of new products and services was delayed due to technical problems at the system technology supplier and the planned measures for promoting organic growth could not yet be started.

At OneTel, an adjustment of the customer portfolio was also carried out to create an optimum basis for the planned product and price models.

These two factors together resulted in a fall in sales in the first quarter compared with Q4 2003.

OneTel again had a negative impact on earnings in the first three months of 2004.

In accordance with US-GAAP, the quarterly result for the Group was € -1.1 million (€ 1.3 million)*.

The integration of OneTel took longer because additional unforeseeable restructuring measures were necessary in the organisation. The first quarter of 2004 has therefore been more negatively impacted than scheduled in this respect.

EBITDA totalled € 0.53 million (€ 2.36 million)* in Q1 and € 0.41 million in Q4 2003.

Overall, the start to the year was not as originally expected. However, we are optimistic about the future and anticipate a successful 2004 for 3U.

The planned annual target of € 100 million in sales and earnings per share of € 1 for the fixed-line network business for 2004 is likely to be achieved despite the weak first quarter:

- Start of product campaign in June
- Growth momentum due to cooperation with Quelle
- Entry into the internet telephony market
- Integration of OneTel concluded

Investments

The investment total primarily for software and transmission technology was € 0.27 million (€ 0.09 million)* throughout the Group in the period from January to March 2004.

* Comparative figure for 2003



Financial and assets position

3U has a sound capital structure.

The balance sheet total of the 3U Group for the past quarter totalled € 87.99 million (€ 79.24 million)*.

Equity decreased slightly from € 72.47 million in the 2003 financial year to € 71.38 million at the end of the first quarter 2004. In Q1 2004, the equity ratio was 81.12 % and was therefore still at a very high level.

Amounts due to banks totalled € 5 million.

The liquidity situation of 3U is extremely good. The sum of all available liquid funds and short-term investment securities was approximately € 44 million (approximately € 55 million)*, whereby liquid funds increased from approximately € 15 million in Q1 2003 to approximately € 25 million Q1 2004.

As a result of its regular net income and its stringent investment and acquisition policy, the company still largely has at its disposal the net proceeds generated from the initial public offering.

Personnel

As at 31 March 2004, the 3U Group had a total of 85 employees (on the basis of full-time equivalents) compared with 46 employees as at 31 March of the previous year. The number of employees has almost doubled year on year, primarily due to the acquisition of OneTel.

Start of operations in the UK

In February 2004, 3U successfully continued its expansion into other European countries with the start of operations in the UK, thereby further extending its basis for internal and external growth. 3U is now represented by subsidiaries in nine European countries and in the USA.

*Comparative figure for 2003



Transactions of Particular Importance at the End of the Reporting Period

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3U is positioning itself in the IP market

In April 2004, 3U TELECOM acquired 90% of the shares in the IP infrastructure provider, LambdaNet, thereby ensuring entry into the IP business.

LambdaNet has one of the most modern IP-based networks in Germany and Europe, with links to the USA, and provides its customers with the infrastructure for IP services, making the company itself part of the internet. The area of IP infrastructure is a future market with extremely good growth prospects. The demand for IP capacity will continue to increase rapidly, since the use of modern internet-based applications is becoming essential in almost every field.

LambdaNet generated sales of € 54.2 million in 2003. However, it is foreseeable that sales for 2004 at LambdaNet may be lower than last year. This is due to the fact that customers showed an uncertainty at the start of the year with regard to the future development of the company. These are the usual consequences of preliminary insolvency proceedings. It is not possible at the current time to estimate how great an impact this will have on sales and earnings in 2004. Following the acquisition by 3U, LambdaNet has regained a sense of stability, which is extremely important with regard to customers' confidence in the company.

Non-disclosure of the purchase price was agreed. However, even after the LambdaNet acquisition, 3U still has more than sufficient funds for additional acquisitions. The acquisition took place on 6 April 2004. LambdaNet is to be consolidated in the 3U Group as of Q2 2004.

LambdaNet takeover increases enterprise value of 3U

The enterprise value of 3U has been substantially increased as a result of the LambdaNet takeover.

The added value for 3U results initially from the establishment of another attractive field of business in a future market, thereby creating a second important mainstay of sales and earnings.

In addition, the potential of 3U will be greatly increased through this investment, as the combination of telephony and the internet provides an optimum strategic basis. 3U will soon boast a wide range of innovative products and services at very attractive prices.

The acquisition of LambdaNet also provides significant new growth opportunities for 3U.



Cooperation with Quelle, Europe's largest mail order company

On 13 May 2004, a cooperation was concluded between 3U and Quelle, Europe's largest mail order company. From the middle of the year, with the delivery of the new catalogue, Quelle will offer a unique telephone rental rate "powered by 3U". Behind the attractive pre-selection offer for Quelle customers is 3U, i.e. 3U is responsible for handling the entire process.

As of the second half of 2004, 3U anticipates a considerable increase in sales and earnings as a result of this project.

Resolutions of the shareholders' meeting

On 13 May 2004, the shareholders' meeting resolved to increase the share capital from the company's own resources by € 37,424,792.00 from € 9,368,448.00 to € 46,842,240.00 by writing back an amount of € 37,473,792.00 from the capital reserves.

The capital increase is to be carried out by issuing 37,473,792 new bearer shares with a calculated share of € 1.00, which are issued to the shareholders of the company in the ratio 4:1.

The company was also authorised to buy up to 4,684,224 company shares (share buy-back).

Furthermore, new authorised capital amounting to € 23,421,120.00 was approved (issue of new shares).



| Outlook

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Good growth prospects in IP business with LambdaNet

With the acquisition of LambdaNet, we are not simply following a trend. We are convinced that we are investing in a future market with this initiative. We have also intentionally focussed on an IP infrastructure company because we believe that the greatest growth rates can be expected in precisely this segment.

3U expects growth surge in the fixed-line network business

3U is targeting sales of €100 million and earnings per share of €1 for 2004 in the fixed-line network business.

The company is also expecting a considerable growth surge from the cooperation with Quelle. In addition, the use of other new products and services is an important initiative to increase organic growth.

The cooperation with Quelle demonstrates that 3U has significant potential to generate further growth and it serves to strengthen 3U's strategic position for other interesting cooperations.



The Consolidated Financial Statements

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Balance Sheet (US GAAP) as of 31 March 2004

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Assets - 3U Group (in T€)	31 March 2004	31 Dec 2003
Current assets		
Cash and cash equivalents	24,981	35,827
Short-term investments/marketable securities	0	0
Trade accounts receivable	7,929	9,322
Accounts receivable due from related parties	0	0
Inventories	509	509
Prepaid expenses and other current assets	20,723	9,013
Total current assets	54,142	54,671
Non current assets		
Property, plant and equipment	3,277	3,396
Intangible assets	9,576	10,400
Investments	19,172	19,677
Goodwill	0	0
Deferred taxes	1,820	1,716
Total non current assets	33,845	35,189
Total assets	87,987	89,860



Liabilities and shareholders' equity - 3U Group (in T€)	31 March 2004	31 Dec 2003
Current liabilities		
Trade accounts payable	6,168	6,723
Accrued expenses	5,080	4,653
Other current liabilities	483	1,115
Total current liabilities	11,731	12,491
Long-term debt, less current portion	5,000	5,000
Minority interest	- 123	- 100
Shareholder's equity		
Share capital	9,368	9,368
Additional paid-in capital	57,432	57,432
Retained earnings/accumulated deficit	4,579	5,669
Total shareholder's equity	71,379	72,469
Total liabilities and shareholder's equity	87,987	89,860



Income Statement (US GAAP)

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3U Group (in T€)	3-month report	
	1 Jan 2004 – 31 March 2004	1 Jan 2003 – 31 March 2003
Revenues	17,359	13,783
Cost of revenues	- 13,898	- 9,768
Gross profit/loss	3,461	4,015
Selling and marketing expenses	- 733	- 220
General and administrative expenses	- 3,344	- 1,734
Other operating income	52	56
Other operating expenses	- 102	- 289
Operating income/loss	- 667	1,828
Interest income and expenses	99	249
Other income/expense	- 18	- 6
Result before income taxes (and minority interests)	- 585	2,071
Income tax	- 520	- 743
Result before minority interest	- 1,105	1,328
Minority interest	- 14	- 13
Net income/loss	- 1,090	1,341
Depreciation and amortisation	1,196	530
Net income per share (basic)	(in €) - 0.12	0.15
Weighted average shares outstanding (basic)	(per item) 9,368,448	9,120,000



Cash Flow Statement (US GAAP)

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3U Group (in T€)	1 Jan 2004 – 31 March 2004	1 Jan 2003 – 31 March 2003
Cash flows from operating activities		
Net profit/loss	-1,090	1,341
Adjustments for:		
Minority interest	-14	-13
Depreciation and amortisation	1,196	530
Increase/decrease in provisions and accruals	426	365
Other	-9	-1
Change in net working capital	-11,607	-3,520
Net cash provided by/used in operating income	-11,098	-1,298
Cash flows from investing activities		
Purchase of property, plant and equipment	-267	-91
Proceeds from sale of equipment	519	0
Net cash used in investing activities	252	-91
Cash flows from financing activities		
Proceeds from issuance of share capital	0	0
Proceeds from short or long-term borrowings	0	0
Net cash provided by/used in financing activities	0	0
Net increase/decrease in cash and cash equivalents	-10,846	-1,389
Cash and cash equivalents at beginning of period	35,827	16,279
Cash and cash equivalents at end of period	24,981	14,890



Statement of Changes in Equity (US GAAP) as of 31 March 2004

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3U Group (in T€)	Reporting period 2004			Reporting period 2003		
	As per 1 Jan 2004	Additions/ disposals	As per 31 March 2004	As per 1 Jan 2003	Additions/ disposals	As per 31 March 2003
Share capital	9,368	0	9,368	9,120	0	9,120
Additional paid-in capital/ capital reserves	57,432	0	57,432	55,680	0	55,680
Earnings reserves	0	0	0	0	0	0
Retained earnings	5,669	- 1,090	4,579	3,934	1,341	5,275
Total	72,469	- 1,090	71,379	68,734	1,341	70,075



| Explanations

Accounting principles and methods

The consolidated interim statements as at 31 March 2004 were prepared in euros in line with US Generally Accepted Accounting Principles (US-GAAP). Compared with the 2003 consolidated financial statements, the consolidated interim statements do not include any changes to the accounting principles or methods.

Explanations on the consolidated income statement

Cost of sales method

3U TELECOM AG structures the consolidated income statement using the standard international cost of sales method.

Breakdown of earnings

The Group was only operating in one segment, fixed-line network telephony, up to 31 March 2004. 3U therefore reports consolidated sales and earnings from ordinary business activities.



Scope of consolidation, method of consolidation

The consolidated financial statements include 3U TELECOM AG and the following companies as subsidiaries:

Registered Office	Country	Company	Subscribed Share Capital	Share held by 3U TELECOM AG	Facts supporting consolidation
Bolzano	Italy	3U TELECOM S.R.L.	EUR 1,000,000	99 %	Controlling influence
Zurich	Switzerland	3U TELECOM AG	CHF 500,000	99.996 %	Controlling influence
Paris	France	3U TELECOM SARL	EUR 1,000,000	100 %	Controlling influence
Vienna	Austria	3U TELECOM GmbH	EUR 250,000	99.97 %	Controlling influence
Hilversum	Netherlands	3U TELECOM B.V.	EUR 100,000	100 %	Controlling influence
Brussels	Belgium	3U TELECOM S.P.R.L.	EUR 150,000	99.9 %	Controlling influence
Henderson (Nevada)	USA	3U TELECOM INC.	USD 0	70 %	Controlling influence
Luxemburg	Luxemburg	3U TELECOM SARL	EUR 15,000	100 %	Controlling influence
London	UK	3U TELECOM Ltd.	GBP 150,000	100 %	Controlling influence
Neu-Isenburg	Germany	OneTel Telecommunication GmbH	EUR 3,025,000	100 %	Controlling influence
Marburg	Germany	fon4U Telecom GmbH	EUR 25,000	100 %	Controlling influence
Marburg	Germany	LineCall Telecom GmbH	EUR 50,000	100 %	Controlling influence
Meckenheim	Germany	CityDial GmbH	EUR 150,000	50 %	Significant influence

With the exception of CityDial GmbH, which was assessed according to the "equity method", as in the 2003 consolidated financial statements, all subsidiaries were included as fully consolidated companies.



Stock options

On the basis of the resolution of the shareholders' meeting on 15 May 2003, a total of 173,250 stock options were issued to members of the Management Board, executives and employees of the company and its subsidiaries in August 2003 as part of the 2003 stock option plan. Each stock option entitles the owner to purchase one 3U share. The following table gives an overview of the development of ownership of stock options within the 2003 stock option plan.

2003 stock option plan

Outstanding stock options on 1 January 2004	0
Issued stock options	173,250
Exercised stock options	0
Lapsed stock options	0
Outstanding stock options on 31 March 2004	173,250

The specific structure of the 3U stock option plan is published on the homepage of 3U (www.uuu.de) under the path "Börse und Finanzen/Corporate Governance" ("*Stock Exchange and Finances/Corporate Governance*").



| Certificate Based on Audit Review

We undertook an audit review of the interim financial statements of 3U TELECOM AG for the period 1 January 2004 to 31 March 2004. 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, 11 May 2004

B. Weber GmbH
Wirtschaftsprüfungsgesellschaft



Weber
Wirtschaftsprüferin



Further Information

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This quarterly report contains statements relating to the future which are subject to risks and uncertainties. They are assessments of the Management Board of 3U TELECOM AG and reflect its current opinions with regard to future events.

Such predictive statements can be recognised by the use of terms such as "expect", "estimate", "intend", "can", "will" and similar expressions in relation to the company.

The following are – by no means exhaustive – examples of factors that may trigger or affect a deviation:

the development of demand for our services, competitive factors – including price pressure –, technological changes, regulatory measures, risks in the integration of newly acquired companies. If any of these or other risks and uncertain factors occur, or if the assumptions on which the statements are based prove to be incorrect, the actual results of 3U TELECOM may differ materially from those outlined or implied in these statements.

The company does not undertake to update predictive statements of this nature.



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