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Deutsche Telekom AG (DTE.DE)

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MANAGEMENT DISCUSSION SECTION

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

BUSINESS HIGHLIGHTS

Opening Remarks

- And as you have seen already the numbers, we are off to a solid start into the year, both strategically and financially
- Overall, we are on track for our 2025 target and for the mid-term targets as well as we have presented them on our Capital Markets Day in 2024
- We are confirming our guidance for DT ex-US business and passed on T-Mobile's first quarter upgrade to an overall upgrade for our year-end targets

Organic Service Revenue Growth and FCF

- Let me kick off with my group perspective and then Christian will go into the details
- Look, the growth momentum is very well intact and remained strong
- We have 3.5% organic service revenue growth, we have 5.3% organic EBITDA growth, we have 50% growth in FCF and we have 11% growth in adjusted EPS, so all KPIs are on a positive note with regard to the financials
- Our business outside of the US posted a 2.5% growth in service revenues and a 3.8% EBITDA growth
- During the quarter, we completed three transactions: Lumos, our fiber joint venture with EQT; Vistar and Blis, both activities in the out-of-home media advertising area

T-Mobile US

- In mid-April, our stake in T-Mobile US was back to 51.8%
- As usual, let's take a closer look to our financials and the organic developments here
- All segments contributed to growth
- T-Mobile grew its adjusted core EBITDA by 8.4%, which translates into organic IFRS growth of 6.1%, Europe grew by a stunning 7.2%, Germany by 2.2% and T-Systems by 1.3%

Networks

- Moving to the networks
- In the last 12 months, we passed 3.2mm (sic) [3.3 million] (00:03:07) additional European homes with fiber-to-the-home
- We now reached nearly 21mm households
 - We continue to deliver a near two-thirds of the whole German fiber buildout here in our home market
- We have now reached agreements with the MDUs covering almost 6mm households to provide their inhouse wiring

Mobile Network

- Our mobile network remains leading across the footprint
- In Germany, our market-leading network modernization program is well underway
 - This provides the foundation for our new unlimited tariff portfolio
- And by the way, we will extend our bandwidth on 500 megabit per second to 1 gig in the mobile network very soon with the NeMo projects
- Our US network was recently named the world's best in the large land category
- And one month ago, T-Mobile announced the nationwide launch of 5G Advanced
 - This further strengthens our network leadership in the United States

T Satellite Project

- And during the quarter, we also announced the beta launch of the T satellite project where we are seeing strong customer interest
- At last year's Capital Markets Day, we talked a lot about AI and digitization and we leveraged AI to accelerate our digital transformation
- And what I lead and see globally, we are one of the leading companies with regard to the AI implementation already
 - We outlined a comprehensive approach across the full value chain at Capital Markets Day and to drive better customer experience, but as well to drive tangible efficiencies within the organization where we estimate the financial benefit of around €800mm in cost savings by 2027
- By the way, in the future, we will provide you because of it's relevant always with an overview about the AI and the digital transformation of our company
- So it's good to see that we make a strong progress in this area here
- And you can see on page 7, the relevant areas

Europe

- Let me pick up a few highlights
- Across Europe, we have implemented Ask T.
- Ask T is an AI-based employee knowledge tool, which for instance helps field service employees to access all relevant information much more efficiently
 - There are many AI-related initiatives in the network
- For instance, the AI supports the efficiency of our fiber rollout in multiple ways like 75% of all routers are remotely managed
- On the mobile side, we achieved increased network autonomy through AI based RAN monitoring and remediation
- And when it comes to IT, we are seeing significant speed and efficiency gains with our coding assistant
 - There are also multiple initiative in sales and service where we are already seeing tangible benefits

AI-Based chatbot

- For instance, our AI-based chatbot can solve 50% of customer issues without human interventions and there are plenty of other use cases in implementation as well
- And finally, on the product side, almost 12mm European customers have already signed up for our Magenta Moments rewards program

- We are productizing AI for both our B2C and our B2B customers in multiple ways, some mentioned on this page
 - This chart shows our progress in Europe

T-Mobile

- Over in the US, T-Mobile is making as well progress with the ambition with regard to the digitization
- And as T-Mobile highlighted during their results, call, the share of upgrades done digitally has doubled this quarter vs. last
- It has already reached over 50% of all upgrades in this quarter
- I find this very impressive
- Our customer growth continues both in the US and in Europe

U.S

- Starting with mobile in the US, we had the strongest first quarter for postpaid customer net adds ever and we reiterated our full-year guidance
- Outside of the US, we had a slower quarter in some of our European operations
- Our German mobile net adds were steady y-over-y
- On the fixed line, the KPIs look different
- Our broadband customer growth slowed driven by Germany and our TV customer growth was also slower
 - That said, nearly half of the year-on-year slowdown was due to the planned decommissioning of our satellite TV platform in Hungary

Leveraging Digital and AI

- Let me pause here for some reflection
- It is no secret that the competition in our largest markets has stepped up in recent months and it remains elevated
- This shows in some of our numbers but not all
 - How do we look at these developments? What is our strategy here? The answer is that we keep playing to our strength
- We remain focused on our flywheel
- We will always build the best networks and create a superior customer experience and we want to increase in leveraging digital and AI and automation to reduce our costs

5G Network

- In the US, we work to extend our 5G network lead while we leverage our differentiated growth opportunities
- As mentioned earlier, we are making strong progress on the digital side
- Amidst elevated promotions, T-Mobile's postpaid phone churn has increased but we also had record gross adds in all the segments
- In German mobile, competition has progressively stepped up since the Vodafone [indiscernible] (00:09:30) decision two years ago in B2C and in B2B.
- Here again, we want to play to our strength
- Our industry-leading network modernization gives us the capability to drive unlimited without sacrifice in the customer experience

- This is what we are doing with our new tariff portfolio

German Broadband Market

- The German broadband market is quite mature
- Here, we are seeing ongoing churn towards overbuilders plus now a Vodafone that is commercially very aggressive
- Here again, our answer is to build and monetize superior networks
- Fiber is the endgame for the German broadband
- Our fiber footprint is growing by 2.5mm households per year and we are ramping up fiber connections
- And finally, in all our markets, we supplement our core portfolio with targeted proposition for the more value-oriented segments in the US through our extended prepaid portfolio and in Germany through our [indiscernible] (00:10:41) flanker brand, congstar, which is now actively even upselling fixed line services

ESG

- Moving on to ESG
- We continue our efforts to contain our energy consumption and emissions in line with our stated targets
 - We conducted campaigns against hate speech and for increased awareness of climate change

T-Mobile

- Let's now move to our guidance update on the next page
- Our guidance remains based on last year's average exchange ratio of 1.08 and it is the sum of the guidance for DT ex-US and for T-Mobile US adjusted by the US GAAP IFRS bridge
- T-Mobile has updated its guidance on 24th of April
- T-Mobile raised both its 2025 EBITDA and FCF guidance by €100mm at the midpoint
- The new guidance includes the contribution from recently completed acquisition of Vistar, Blis and Lumos. We are passing this on in the group guidance today
- As a consequence, we now project group EBITDA of around €45B and FCF of around €20B for the whole of 2025
- All other guidance remain unchanged

Christian P. Illek

Chief Financial Officer & Member-Management Board

FINANCIAL HIGHLIGHTS

Performance

- So, as usual, I'm going to provide you with a quarterly segment overview and then move to selected financials and also I will stick with the sequence
- So we're going to start with the T-Mobile US business and all numbers will reflect US GAAP
- So the service revenue growth remained very strong in the US with 5.2% growth
- And that was very much driven by the postpaid service revenue growth, which accounted for a 7.6% growth

T-Mobile US

- With those results, T-Mobile US raised its guidance on ARPA growth to at least an increase of 3.5% in 2025
- So the basis for the strong EBITDA growth, which accounted for 8.4% is obviously the service revenue growth
- FCF was up in the US by 31% and the EPS was up by 29%
- T-Mobile's customer growth is very solid despite some what they call target rate optimizations
- And that obviously is a reflection of an increase in churn
 - We expect the churn, also driven by some price adjustments, to be temporary and it will moderate out over the course of the year

Net Additions

- I think it is important to mention and Tim said it already, gross adds were up on all major categories
- Postpaid phone nets were slightly below last year's numbers, while high speed Internet net adds were a bit higher
- So, overall, the 1.3mm net additions were the highest number they ever achieved in Q1 in any given year
- T-Mobile reiterated its full-year guidance on net adds of 5.5mm to 6mm postpaid net adds and they remain confident to actually deliver those guidance numbers by the end of the year

Germany

- So, let's move over to Germany
- So, Germany showed, now, 34 quarters of consecutive EBITDA growth
- But let's go through the P&L and start with the top line number, which is revenue
- So, headline revenues were down this quarter and this is due to two effects
- One is it's driven by lower handset revenues and, secondly, it's driven by lower revenues from the fiber constructions for our JVs
 - They are both not included in service revenues and they're both very low margin

EBITDA GROWTH

- At the same time, service revenue accelerated from prior quarter to 1.4%
- The 2.2% EBITDA growth, which we see in this quarter, is obviously impacted by the higher personnel costs, which are coming from last year's wage agreement, but also from higher energy costs and this is very much related to increases in the energy grid
- So, while Q1 was a little slower, we're committed to basically deliver the full-year guidance and the midterm guidance for the German business

Service Revenue

- So, let's move over to page 15 to take a look at the service revenues
- As I said earlier on, service revenues overall grew by 1.4%
- We had a very strong growth in mobile service revenue with 3.1% y-over-y
 - That, obviously, is a reflection of a strong subscriber growth
- We had no termination rate cuts and we had some favorable phasing in Q1

- So, don't expect this to continue over the course of the year, but we remain committed to the 2% to 2.5% guidance number which we have given you
- The fixed line service revenue is still negatively impacted by the federal spending
- You know that our new government has just taken over the office and we expect that, going forward, we will see some increased spendings on infrastructure, but also on sovereignty

Public Sector

- And I think we should be well-positioned here given our strong position in the public sector
- But it will take several quarters in order to see the reality basically being reflected in the P&L
- So, all considered, if I'm taking a look at Q1, I would say mobile service revenue was a bit higher than what we expect for the remainder of the year, whereas fixed line service revenues were a bit lower

Fixed Revenue

- So, going to page 16 and taking a look to the overall fixed revenues, which you can see here, they were obviously a little bit negatively impacted
- But you also see that the broadband growth still is in the corridor of around 3% to 4% guidance and also access revenues are growing by 2.1%
- The key driver and we said this earlier on for the growth – broadband growth is upselling into higher speeds and we have seen an ARPA increase of 3% on an annual basis and we continue to focus on the upselling of higher speeds as we are trying to achieve – as we will achieve our guidance numbers

Fixed Line KPIs

- Moving to the fixed line KPIs, you see that we had a monetization which is actually pretty positive on selling higher speeds
- You also see that we had a pretty good increase on the FTTH net adds, which grew by 36%
 - But on broadband net adds, we have to report that for many, many quarters, we see the first reduction of 7,000
- Obviously, we're not standing still here
- Tim mentioned this
- We have a program running, which is focusing on monetizing MDUs on a faster basis, obviously addressing the churn management and also we included congstar to basically become a go-to-market channel for broadband services
- So, these are the main activities how we want to respond to that negative subscriber growth
 - We are on track with the 2.5mm homes passed for this year

TV

- As I mentioned earlier on, we're pretty satisfied with the continuation of the FTTH net adds, which grew by 36% in the given quarter
- On TV, you see that our growth had moderated relative to Q1 in 2024 to a solid 37,000 triple-play customers
- And on top, we also had 50,000 over-the-top customers
- But bear in mind, last year we had an extra, I would say, tailwind from the retirement of the rental privilege

Mobile

- Moving to mobile and you see strong commercials
- So, on a year-on-year basis, I think we're on the same kind of a level with 270,000 net adds
- You also see that the churn rate is actually pretty stable despite elevated competition and we're actually pretty happy with the result
 - But bear in mind, don't take the 3.1% and expect this for the upcoming quarters

European Segment

- Let's move over to the European segment
- Another good quarter
- Let me repeat again, organic revenue growth 3.7%, EBITDA grew organically by 7.2%, remained very strong
- But also keep in mind the inflationary effects, both on pricing but also on costs, will moderate as we progress into the year

CUSTOMER GROWTH

- Moving to the customer growth in the European segment
- The mobile growth was a bit weaker
 - This is basically due to very aggressive promotional environments in Austria and Croatia and we entered a campaign in Q1 in Poland, which impacted the net add numbers
- Broadband was fairly stable and the dip in the TV net adds can be explained by the decommissioning, a planned decommissioning, of the legacy satellite platform, which basically accounted for 28,000 customers

T-Systems

- Let's move over to T-Systems
- T-Systems is continuously on a positive track
- It's now nine consecutive quarters with EBITDA growth
- We're particularly pleased with the order entry, which grew 70% on a quarterly basis, but on a 12 months basis, 12.5%
 - This is really good news
- We're seeing that some sectors, especially the automotive sector is under pressure
- But we were able to mitigate this especially through growth in the health segment and the Road Charging segment and the defense segment
- So, digital sovereignty is becoming increasingly important here in the German market, so is national security
 - We hope this is going to be a growth driver in the future

EPS

- So, let's take a look at the group financials on page 22 and it's the usual ones which we are addressing
- So, the EPS was up on a recurring basis by 11%
- If you take the non-recurring items out of this, it's actually a 13% growth which we're seeing here
- FCF was up by 52% and we're going to see the bridge later on

CapEx

- Let me point out three things
- A low basis on Q1 2024
- We had kind of a lower spending CapEx, which will obviously reverse over the course of the year
- And you know that we're spending more than last year and we had some positive working capital effects in Q1, which led to this very strong growth number of 52%

FCF

- So, on page 23, you see the bridge on FCF
- As I mentioned, very much driven the growth from cash flow from operations
- But there is this tailwind of CapEx and also working capital which led to this very strong growth figure
- On the other hand, you see also the net profit bridge, driven by the adjusted EBITDA and we had some negative effects on depreciation, also driven by the dollar, financial results, which is higher refinancing and stronger dollar and obviously a higher distribution to minorities given the strong results in the US.

Quarterly Basis

- Let's move to the next chart
- Here, you see basically our leverage
- The leverage has declined by €4B or almost €4B on a quarterly basis from Q4 2024 to Q1 2025
 - This is obviously driven by two major drivers
- One is the FCF which we generated
- The second one is we had some favorable effects from the dollar
- The dollar was, end of Q4, by \$1.04
- Sorry
 - It was end of Q1 by \$1.08
- That obviously helped us in bringing the leverage down

Leverage Ratio

- And you see that the leverage ratios are pretty well in the comfort zone
- So, we are now at 2.63, including leases and 2.18 excluding leases
- So, we're happy with those results
- So let me complete the review on the main takeaways
- Obviously, what you see on the right-hand side, we're completely committed to deliver the €2.5 adjusted EPS by the end of the cycle of the current CMD.
 - We had a solid start in the year

SUMMARY

- You heard about Tim talking about intense competition in several countries we're operating in
- We're not standing still here
- We have counter-plans especially in Germany, in the execution in those competitive markets
- We will use networks and AI to drive down costs significantly
 - We're committed to deliver the 2025 numbers but also the mid-term commitments

- And as you heard, we're progressively increasing our stake in T-Mobile US.
- Now, we're close to 52%
- The buyback is ongoing

QUESTION AND ANSWER SECTION

Mathieu Robilliard

Barclays Capital Securities Ltd.

Q

Look, I had two questions. The first one is around the US and second one on Germany. In the US, you just closed the Lumos acquisition. And I don't know if you can add additional detail, color about how you project the business there, marketing strategy and et cetera. And linked to that, if we look at your kind of fixed strategy, you have a bit of fiber. You will have more. You have FW on the other hand. Are there other technologies that could interest you? I mean cable could be a way to expand your coverage quickly. Satellite also redistributing products from other operators could be another way to increase your footprint on the fixed business. So really wanted to understand how you thought about the different technologies there?

And then I had a question about Germany and specifically on broadband. No surprise. So clearly as you flagged net adds, I'm not going the same direction than before but you have good ARPU growth. But if we project ourselves a bit, at this stage you still have a growing customer base because of previous net adds. If we continue on that trend, then you're going to lose 1% of growth there. And on the other hand, you have quite a lot of price competition. So I wonder how much can you continue to increase ARPA if your volumes decline. How does that play out in terms of the revenue growth of that? So hopefully that's clear. Thanks.

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

So let me start with the German question first. Look, we said at the beginning of this year that obviously we're shifting from volume growth to ARPA growth and you see this reflected in the execution. Obviously, we're not happy with the negative 7,000. This is why we have an operational kind of bounce back plan, let me put it this way, where we're trying to address obviously, short-term, the churn. We're seeing elevated churn. We have pretty good gross adds in the German market but we're seeing elevated churn. And then obviously we're trying to basically complement the first brand with congstar on the broadband execution. And the third one, which is obviously a more I would say mid-term oriented is execution and acceleration and use. And we had that discussion in numerous calls. How do you address the MDUs? How do you basically monetize the MDUs that has become a strong focus? So what we expect for the year is a stable base in broadband customers, so we don't expect a significant increase. So for this year we have to focus on the operating increase. We're happy that it's working, right, but we also have to fix the volume challenge which we have seen in Q1. But this is not a short-term measure. That will take some time.

Hopefully – did that answer your question?

Mathieu Robilliard

Barclays Capital Securities Ltd.

Q

It does. And you believe you can still continue to increase ARPU, not necessarily price increases but you would have enough?

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

Yes. It's the more-for-more strategy which we're applying. And you see this with the number of customers who are basically subscribing to access us, which are beyond 100 megabits per second. You saw in that chart which we have there. This is how we basically want to monetize the ARPA increase.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

With regard to the US question, look, we are excited about commercial launch of T-Fiber later this quarter after more than two years of piloting it and Lumos passed 475,000 homes at close. Going forward, I think you know the customer experience and retail business is fully owned by us and we also share in 50% of the joint venture economics. So therefore this looks like a very promising IRR as well. And we are expecting Lumos to be accretive to service revenues but neutral to EBITDA in this year. So this is, let's say, our current look at it. When we close Metronet, we will provide more color on both transactions. But our targeted footprint is 12mm to 15mm US homes by 2030. And so far this is the status of the situation.

With regard to your technology question, look, in terms of technology, we remain very open but selective. That is the current view on it. Fiber remains our core due to its long-term scalability. Fixed wireless is another very important component and we have extended the footprint for our fixed wireless service as well. These are the two technologies which we are especially driving in rural areas, while technologies like cable or satellites are currently not on our focus. So, therefore this is not something which we have in mind so this is based on a high-speed Internet and based on a T-Fiber proposition going forward.

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

A

Thanks, Tim. So with that, we move on. I think next is Josh at Exane BNP Paribas. Josh, can we have your question, please?

Joshua Mills*BNP Paribas Exane*

Q

Hi, guys. Thanks for the questions and I hope you can hear me as well. The first is just a follow-up on the broadband side. And if I think about the pricing structure, you've talked a lot about this upsell ambition. Do you think the current pricing structure at Deutsche Telekom and the competitor brands are in the right place to support that? And I'm thinking in particular that in the past, some of the entry-level fiber prices at DT have been cheaper than on the DSL side. That always made sense to try and encourage this technology shift on the customer base. But I'd like your view on if there's an argument now that we should see front-book and maybe even back-book price increases to monetize the very significant fiber investments you're making into the German markets?

And then secondly, if I move to the mobile side, we saw your new family plan tariffs come out in March, a big focus on unlimited data and discounts for multiple SIM cards. How should we think about that strategy, which you're adding multiple lines seems to be more of a volume game than a value game and relate that back to the value over volume message which you gave for broadbands. Thanks very much.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

Look, let me start with the first question. By the way look, I was very clear in my statement that there is a lot of, let's say, dynamic in this mobile market these days in Germany but you cannot say it is affecting, everything is the

same. There are different segments in this market and there's a B2B, there's a B2C session here and we have to look to the different marketing. Our churn rate is very low and we have a very loyal customer base despite, let's say, some promotional offers and new ideas which are taking place in this. And the basis for that one is that customers and the Net Promoter Score is in the 40s, that customers are very happy with their customer experience and very happy with the network. So, therefore they are not so easily, let's say, to be moved out of the ecosystem. That is why we are staying and sticking to our focus on quality. This is for us – and that is why we are focusing on the NeMo project and doubling our speed. We have capacity and we have quality and that is something which is a driver of a good reputation. And there is a big segment in this market which is very much focusing on this topic in FirstNet.

Now, it is totally correct that especially our [indiscernible] (00:32:51), I do not understand their strategy. I think they are much more going to volume and they will witness, over time, that they have then the problem with EBITDA and then they will have a problem with their CapEx envelope and then they will fall back again on their network proposition. And I can tell you this is the moment where we will gain and win again market share. So therefore, I will not follow or whatever, run after some promotionals offer they are doing. There is a battle going on between Telefónica, 1&1 and Vodafone on these customers moving from A to B. You know my opinion about this kind wholesale deal and this is now the price which we are paying. I mentioned that the moment after it took place two years ago and now we see the results out of it. But that is not affecting us at that point in time. There's a lot of things going on between that. And if some of the players are saying the mobile market is not growing, our mobile market is growing by 3.1% this quarter. So therefore we are sticking to this quality area.

There's another area which is changing in the mobile German market, which is the MVNO market. I think this old traditional MVNO environment is somewhat saturated. Talking about, let's say, the resellers of retail organizations. And I can tell you in this market, there are new players coming who are going over the over-the-top players or Internet providers with new MVNO offers. Now, definitely there is a dynamic here but even this as a segment, it's not the whole market. So, therefore we have to look at it and to try and to understand what is going on in this MVNO environment, how this world is changing. But even the MVNO market is attracting a specific segment and not all customers.

And even here I think we have a role to play and we will consider what's going on there but we will not do arbitrage, support crazy deals. We have been very disciplined in the past and we stay to this discipline. It has not changed and it will not change. Why should it? We were right in our approach, focusing on value, ARPU which gives us financial means to reinvest it into a superior quality. And this is let's say what we want to stick to, but nevertheless we have to watch carefully the dynamics in this market. And if you ask me what is our measures to react on this one, I think before we react on the price level, we have new tariffs in the market with our unlimited and with our family offers. I don't see a big problem on the back-book, which you mentioned. Maybe we have to look onto the handset prices in this market. Whether we are competitive enough in this environment but this again – these are technical elements, which we will have to look out throughout the year. This is the situation as it is today.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

So look, on the broadband pricing, so far it works. So we don't see a need to now react on it. And always bear in mind, the retail pricing is obviously also driven by wholesale pricing, so therefore it's not only having an impact on the retail side but also on the big wholesale business. So, so far, I think we're happy with the upselling. And as Tim said we are not getting hectical – or hectic. We're basically sticking to our value and quality-oriented strategy rather than to take the volume fight. And we'll see how long it's going to last with the other guys to continue with this yes or no.

So, the short answer on your first answer (sic) [question] (00:36:37) is yes.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

And maybe just to add there. Vodafone was promoting the 1 gigabit or offering the 1 gigabit at €45 until the end of March. So, specifically on this one, they have moved back to the list price, which is €20 higher, still promoted aggressively for the first initial months. But as far as the rate plan is concerned, it's a reversal to a relevant and good price. And of course the fiber wholesale prices are substantially higher than the VDSL wholesale prices. So there's a lot of runway in terms of upselling in the market. So with that, let's...

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Maybe more of a sense, to be very clear. Because we are aware of what's going on in the market and we are watching that carefully. And – but we are not nervous at all on this subject because our prerequisites are very well intact. We will double down on the capacity, on the bandwidth and our network in mobile. We have new unlimited tariffs in the market, which are the first results are very encouraging and we are competitive.

Our congstar brand is super successful and is attracting the low-end market. We are not in a dependence of some kingmaker who is a wholesale partner who will destroy our business model going forward and our ARPAs. We have under – the former regime of Srini, we have solved almost the entire back-books problem.

So, therefore, we do not have, let's say, kind of deterioration to fear in our back-book. We have financial means in our group. So, let's see how long Vodafone's breadth is working on this attempt here. And, therefore, on the customer perception, we have a Net Promoter Score of 40BPS.

So, therefore, I think we are well-intact. We keep a rigor hunt in the way how we are dealing with this.

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

Or as Hannes is always saying, keep calm and carry on.

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Yeah.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Well, okay. After that, we move on to I think I think next is Adam, exactly, at HSBC. Please, Adam, can we have your questions?

Adam Fox-Rumley

HSBC Bank Plc

Q

Thank you. At the risk of risking that keeping calm and carry on, I'm going to stay in the same area. I do appreciate your comments on value over volume that you're making. But last quarter, you said you needed your fair share of net adds and that was only two months ago. And now, you're saying that net adds will – the base –

well, the broadband base will be flat through the full year. So it does feel like something has changed. Maybe I'm wrong, but I'd like to hear a little bit more on why you've changed that approach?

And then, just a slightly related question. I was wondering if you could talk a little bit more about what you're seeing in the fixed line market with respect to the overbuilders, because you called that out in your prepared comments as well. I wonder if that's stepped up a little bit since the beginning of the year? Thank you.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

Look, Adam, let me just comment on the fair share, which is 40%. And I think let me refresh also the memory of every one of us. We had quarters where we had our fair share of – where we have actually a net add share of beyond 100%, right? And we never withdrew from that 40% fair share.

So, if we're overachieving, where we basically said, okay, this is kind of what we're trying to aspire and currently, unfortunately, we are underachieving it. It remains the same. And since 2017 or 2018, we have actually increased our broadband market share given the strong performance which we had.

So, obviously, we must have over-performed relative to the 40%. So, I think there is volatility around this 40%. I think the 40% is a good ambition, but we will not hear it always. And if we over-exceed, we don't change it. That would be my answer on the fair share question.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

Look, but the 40% commitment and my 40% target is unchanged and I'm very, very focused on this.

Now, that said, let's go to the next question. Building two-third of the market with fiber these days, you can imagine that there is no big change in the over-builder development in our markets, because we have a very strong position here. It has not significantly changed in these areas over the recent quarters.

So, therefore, I would not see any kind of changes to previous quarters here. Currently, we see a steady growth of the network, overbuilders. We accelerated our buildout and now account for, as I said, two-third of the markets and, therefore, I don't see any kind of issues coming here from that angle.

But if you want to add something here with the multi-dwelling units or whatever?

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

A

No. But it is, yes, there is churn towards the overbuilders obviously, right?

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

But there was...

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

A

But there is no...

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

[indiscernible] (00:42:12) as it was before.

A

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

Yeah. So okay, which is what your question was. So therefore, let's move on to Akhil at JPMorgan now, please.

A

Akhil Dattani*JPMorgan Securities Plc*

The first I'll stick with Germany if that's okay. And, Tim, I just wanted to follow up on your comments again on this whole value vs. volume. And a comment that you may have heard yourselves from your competitors on the whole topic of value vs. volume is that it doesn't necessarily look like externally that it is always value and it is more volume when the multi-SIM is €10 on the marginal SIM. And when you've gone to unlimited data on your S plan, which you now give unlimited data to in a convergent bundle, you can now also get a limited data for €40.

Q

So, I guess what I'm really trying to understand is when I think about the marginal pricing you're offering the market, do you think it's fair to say maybe that is a bit overly aggressive and maybe it's not fully considered the value vs. volume or do we think we are misinterpreting that and you'd look at it somewhat differently. So, that's the first question.

And then, the second one is a bit of a difficult big picture one, but would love to get your comments on it. We've seen an increasing rhetoric from various different bodies around this whole pan-European initiative, whether that was the Draghi Report last year, whether it's from the [ph] Competition Commission (00:43:44) or even more recently post the Trump tariffs, this whole agenda about Europe needing to have champions that are more relevant globally.

And the reason I mention it is because we've had a CEO change at Telefónica and he's running a strategy review and he's been quite explicit in saying that's one of his big drives is to be increasingly pan-European and trying to push for a bigger footprint across Europe.

So, I guess I'd love to get your take on how you think about this theme. Do you think it's relevant? Do you think there are changes here that mean that this is also some – it could be something you'd focus on? And I guess in answering it, I'd love to understand not just on telcos but is it relevant? Christian mentioned the data sovereignty. Is it relevant from a sort of adjacency standpoint as well? So just, in general, how relevant is this for you? Thanks.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

Okay. So, Akhil, let me start with the value vs. volume. Obviously, there's two sides to the story. The one is, which accounts for two-thirds of our business is the broadband business and the fixed line business and clearly we don't want to destroy the pricing structure in the broadband business. And, therefore, we are focusing on the upselling as I mentioned earlier on.

A

I think on the mobile side, it's slightly different. You're right. The family plans are ARPU dilutive, that's very clear, but they are ARPA accretive. And this is how we basically look at this and this is why we're saying we're still happy with the volume gain which we're gaining here and which obviously led to a mobile service revenue.

But on a SIM card basis, there is, obviously, sympathy for your argument that we're fairly aggressive in the second and third card, but so far it's working, right? Take a look at the numbers of Telefónica. Take a look at the numbers of the other guys in Düsseldorf. So, we are growing our mobile service revenue and, therefore, we don't see a need to change the strategy despite the fact that it's ARPU dilutive. But again, if you combine the volume and the volume impact, it's accretive to the mobile service revenue growth.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

Akhil, we are certainly following this debate very closely. And the idea of stronger pan-European players is definitely gaining traction, no question, especially with the push for digital sovereignty and resilience in our environment here. However, the regulatory fragmentation remains a significant challenge for the implementation or...

Moving into this direction, I think there are no plans because the supportive policy framework is not existing yet. And therefore I haven't seen even how to create real value for our shareholders out of that. So, therefore, we have to understand what they mean by this political statements at that point in time.

Look, we are always looking and focusing on what's going on there in this market. Do we have concrete projects or any kind of activities with regard to the classical connectivity business at that point in time? No. If there's intra-market consolidation possible and there was this Spanish attempt from three to two and this would be supportive. Intra-market consolidation is always a gain for our customers and a gain for our shareholders, so this is definitely something which we would like to see more of it. So therefore we are focusing to remain our strong national presence, which we have in the markets and that is, let's say, the position at that point in time. I haven't seen, let's say, a European-wide approach on this one but you totally observed it correctly. Political leaders are trying to create something more European, a digital European single market. And that might then change even the dynamics on the portfolio side. But it's too early to talk about that.

Polo Tang*UBS AG (London Branch)*

Q

I have two. The first question is just about the new German coalition government. They've outlined fiscal stimulus in terms of potentially cutting the corporate tax rate to 25% from 30%, as well as an allowance for an accelerated depreciation. Separate to that, there's also the €500B German infrastructure fund. So how should we think about the benefits with Deutsche Telekom. And in terms of timing, if some of these benefits impact numbers in 2025?

My second question is just specifically on German MDUs. Because in your remarks, you flagged that you had passed 5.7mm MDUs with fiber. But can I clarify if you will be the exclusive fiber infrastructure in these MDUs? Or will there be two fiber networks with Deutsche Telekom on one side and cable on the other? Thanks.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

Polo, on the financial impact of the plan of the coalition, first, it has to pass the Parliament, which it hasn't so far. I think the short-term benefit will be obviously on the digressive depreciation of the 30%, which they have in their plan. And we don't expect a big impact in this year because, again, as I said, it has to pass the Parliament. And the corporate income tax is supposed to be lowered on a percent basis starting from 2028 onwards. So it's outside the CMD package. So we don't expect anything from the corporate income tax side. But on the digressive depreciation, obviously that is a tailwind to FCF. And then we have to think about whenever this has passed the Parliament and the 30% stake because there's also a debate it is quite costly. Whether we may lower this, yes or

no, you don't know what's going to happen with the federal states. Then, we have obviously some tailwinds which we either generate to further invest or to put it to the FCF.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

But, overall, we are looking very positively into what's happening here from the German stimulus and from the sovereignty discussion. Big opportunities. Now, it's on us to make something out of this. We see already developments on the defense. We see already developments on the cloud. We see already developments on the security side. We see where we're growing very nicely. We are seeing already benefits on the digitization of the governmental services. So, therefore all-hands on deck. We have changed the governance in our organization. We have a new team here. We are trying to support the new government and the new leaders here. So, therefore, there is this – a triple-plus positive on the developments. And I hope that we gain something out of that for our US shareholders as well.

Now, with regard to the second question, by the way in Germany, there are some MDUs who don't have inhouse cabling. So then then you build a new one. If there is an MDU which has cable, you know everybody has access to the cable infrastructure there. So that is let's say, regulatory-wise. So you will not see there that somewhat can limit it or can protect this infrastructure access today. We have now deals with 5.7mm households where we have the access to the last-mile here and to the apartments. So this is regulated and organized in a good way. So, therefore where infrastructure is available, we will use it. If there's no infrastructure, we will build it. And if there are multiple infrastructure, they will be shared.

Carl Murdock-Smith*Citigroup Global Markets Ltd.*

Q

Two questions, please. Firstly, just in terms of the IT business phasing, I was just wondering in terms of the forward outlook and visibility there of the government spending coming back and basically the speed of order book conversion that you expect?

And then secondly, following up on what you were saying in terms of MVNOs in Germany, I thought I'd just flip and ask this kind of a similar question in the US in terms of your level of appetite for hosting some of the larger cable MVNOs in the US when they come up for renewal? Thank you.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

Great question. The – look, by the way, it's interesting these MVNOs in Germany, and by the way I'm surprised that nobody has asked the Revolut question yet and their offers on an unlimited flat rate here. I would ask the question who was so stupid to enable that deal? Because to have €50 but you have the answer already. So, therefore this is something which we have to look at and it will destroy something in the market. I hope that we will not be affected with our proposition here. So far, we were on the top of the market, always less vulnerable on this kind of things. But do I applaud to this kind of new developments? No.

Now, we are very disciplined on MVNOs. You know that. And please give us some credit over the last 12 years or 15 years. I cannot recall when we made a stupid MVNO deal. If it is an arbitrage to our core business, we will not go for that one. If it's a segment which where we are weak, if there is a segment where we do not have access to and we take some ethical groups or think about, let's say, some business segments or anybody, anything like this where we do not get with our brand and with our sales organization into a proportionate growth. In these areas, we can consider MVNOs because they will help us to get the fair share in this. But, overall, big MVNO is for the

US. And with a big arbitrage that is equal to our retail business, I think we have a policy and a discipline in that group and the likelihood is low.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

Let me try to answer the IT phasing question. And, look, what we're expecting for the remainder of the year is that the overall fixed line service revenue will improve relative to what you've seen right now. But to be honest, to answer the question, it's a bit of speculation and this is why we said several quarters because, first, the government is still in formation. Secondly, we have a new ministry, the digital ministry, which is also responsible of kind of de-bureaucratizing the whole the whole public sector. So this is still in formation. Third one is it has to pass some of the federal state budgets as well in order to become a big project. And if you're talking to kind of the sales organizations who are dealing with this public sector constituents, they are talking about several quarters, whatever this several quarters means. But we're optimistic that we're seeing at least some of this positively in the second-half of this year. So we expect that the fixed line service revenue will improve over time over the course of the year. When the big projects are coming, I can't tell you right now but we will let you know immediately once we've won one.

Andrew Lee*Goldman Sachs International*

Q

I had a question on the US and then a question on capital allocation. So obviously a lot of people got quite nervous on the US growth outlook and there's some share price volatility around TMUS' first quarter results. It'd be great just to get your reflection on or big picture views on whether the growth outlook of the market has changed in the US or whether TMUS' growth outlook within the market has meaningfully changed. Any comments around that would be really helpful. And maybe specifically what's your early take on the success of the targeted rate changes, as you put it, that you're making or the transition a bit more towards value over volume in the US?

And then on the capital allocation side of things, it's been a period of share price volatility, as I mentioned earlier for both DT and TMUS. Just wondered how your preference has shifted between the TMUS stake build vs. DT buyback vs. where you were a month ago, erring towards I think a DT buyback at this time. Thank you.

Timotheus Höttges*Chief Executive Officer & Chairman-Management Board*

A

Okay. Let me start with the US market and you know where we see. The postpaid phone market slowed in Q1 2025, but it's too early to draw strong conclusions for the overall market development. We continue to think that we are less exposed to the overall market growth due to our differentiated growth vectors. And, in fact, like we grew gross adds across all postpaid categories in Q1 and we had the highest postpaid ARPA growth in eight years. We saw a temporary uptick in churn, impacted by the mentioned price increases on the legacy plans. And by the way, we even expect to continue this temporarily into Q2 as the rate plan optimization hits the build cycles. So, therefore this is normal. And by the way this was a calculation we had in mind when we triggered that. And by the way we discussed it as well with you guys. This churn impact is completely in line with the expectation and it was contemplated in our highest ever Q1 net adds guidance for the year. So, therefore, look, we are not that nervous about the development on the growth in the US. The opposite is the case. Our team is bullish and committed.

Christian P. Illek*Chief Financial Officer & Member-Management Board*

A

Okay. On the capital allocation question, Andrew. Look, obviously you know that we have filed selling into the share buyback back in April and or was it March? Sorry. It was March and that this is going to start earliest on June 14. And that obviously was based on a simulation on our shareholding in the US and it was around 52%. Obviously, the share price was very strong over the past month, so we had a little more shareholding in there. But still 52% is a solid majority which we're owning there.

So – and the second one was it was under the impression that we were out of the comfort zone. When it comes to the leverage, obviously, this has – that pressure has come down given the weakness of the dollar. And you've seen that in Q1 numbers. And if you run a simulation and you take the M&A out for a second because we don't know whether it's going to close in Q2 or in Q3, if it's not closing in Q2 then I'm also confident based on our simulations there, we still stick into the corridor.

So if we're selling into the share buyback, I wouldn't expect that we're going to increase the share buyback on the DT level in this year. We're happy with that one. But obviously it creates optionality for the future. And this is how we would look into this, right? So don't expect any decision short-term but obviously we have some, let's say, dry powder, which we then can decide on as we usually do in Q3 numbers on how to basically utilize those. That would be my answer on your question.

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

A

Okay. So next is David. But I understand, David, are you still – do you still want to ask your question?

David Wright*BofA Securities*

Q

Hi. I'm here. Actually, Andrew just asked it. So in the spirit of collaborating with my colleagues, I shall gift my space up. Thank you so much.

Hannes Christian Wittig*Senior Vice President & Head-Investor Relations*

A

That's much appreciated and very generous. And you get an extra one next time. And I guess with that, we move on to Ottavio at Bernstein, please.

Ottavio Adorisio*Bernstein Autonomous LLP*

Q

Hi. Good afternoon. A couple of questions from me. I will be quick on EBITDA. You've been growing below the mid-term guidance. Of course, there is a volatility during the year but you attribute some pressure to the high personnel costs. Now, if I remember well, the union agreements had a 6% salary increase in fourth quarter last year and that will cumulate with a 3% increase over the summer this year. So, if nothing else, probably personnel cost pressure would increase. So, what is the room you have considering that the revenues from the [ph] PA (01:01:39) will probably take several quarter to crystallize. How are you going to offset that pressure to go back into the – around the mid-term guidance?

And the second one is very quick on the – there's been a positive on the wholesale access revenues. You're actually trending above the mid-term guidance. You got around 2% vs. stable. So there is a debate about volume vs. price on the B2C, but what's going on there? It's just that they're basically migrating customers towards a higher speed or actually they're taking more wholesale lines?

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

Okay. So you want it, whoever? Okay. On the EBITDA question, on the personnel costs, Ottavio, it's fairly simple. First, we want to utilize the AI initiatives to basically free up capacity and in the personnel, total number of personnel which we need. And this is especially true in the service department but also in the technology department. And obviously depending also on what's going to happen with the next wage agreement, obviously we don't expect the same kind of degree of wage increase. We have to be very focused on reducing OpEx, automating and using AI in our systems so that we can free up personnel in our German operation. That's the way how we are working against this. And I can rest assure you that the German team is on a plan which is actually calling for acceleration along those direction.

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Look, on the wholesale access revenues, it's a good observation and I think the growth is a mix of both. We're seeing, on the one side, healthy migration towards higher speed tiers. That is definitely something including the fiber topic which lifts the ARPU in the wholesale contracts. And there has been also a moderate price increase. Remember, we had already talked about that one, which is now paying into this strong quarter. So, this is another effect.

Now, this price increase will not continue for a long period of time. So, therefore, this is now – we are now benefiting from it. But it shows again our focus on value. Interesting-wise, if you go talk to the whole fiber market or the fixed line market, two-third of the whole growth is coming from value and only one-third coming from volume. So, we are not driving volume to an excess. We are very much focused on the value on this service here. And the same is true for our wholesale business.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Great. Okay. So, with that, we move on to James who surely has a question on MDUs. No. Only joking. But go ahead.

James Ratzer

New Street Research LLP

Q

It's a fair challenge. I'll save that for my second question. So, yes, I had two questions, please. So, the first one, I'm just interested in the kind of concept of just overall market growth in Germany across all of the players, because it looks on the kind of broadband side, obviously penetration is maturing. It's harder for all of the players to get KPI growth.

But when I look at the mobile contract market, all of the players in Germany continue to report very solid contract net add growth and that's obviously a key driver of your mobile service revenues. But it looks to me as if the kind of human penetration of contract SIMs in Germany is now close to 100%. So, when you think about the whole market, how do you think about what the total addressable market is? How much more growth is there out there for all of the players in Germany on the contract postpaid side?

And then, secondly, perhaps I didn't want to let you down. So, on the MDU side specifically, I think Christian in your remarks you were mentioning that on the broadband KPI side, you were going to start taking more specific actions in MDUs to improve growth. Could you be a bit more concrete, please, on actually what some of those actions are?

And then, Tim, did I hear you correctly in your response earlier that if another operator builds fiber in the MDU, you would then be willing to hold/buy off that network? Thank you.

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Look, by the way, on the mobile side, look, your observation is totally right, you know, that we have already a penetration around 100%. But, first, many consumers hold multi-SIM products. They have a tablet, they have wearables, they have a car, they are expanding their footprint to multi-SIMs here. Then, we have a migration on pre-to-post. So, there are customers coming who were on the prepaid side now coming into the post area, which is helping us to drive ARPU growth.

So, the premium plans are more attractive and you know that we are even – not attacking Vodafone or Telefónica, our attempt is much more that we want to reduce the amount of MVNO and second cards in this market to bring them under the telecom umbrella here. So, this is driving growth into our areas as well.

And then, on top of that, we have seen even in at least over the last quarters, even attempts from everybody to increase their value for money or the price – sorry, the more-for-more logic to gain higher prices out of the segments by bundling it in an intelligent way. So, therefore, the penetration is now going into more into the services which we are selling than rather into additional SIM cards and therefore nobody is counting SIM cards at that point in time.

And then, your statistics might even belong that some of the carriers are including their IoT cards into the numbers as well. Yeah. So, look, we still see an increasing demand on both side, volume and on value. And we see and we want to drive more penetration into our premium plans into the Magenta envelope, which is another topic. And then, the MVNO market is, let's say, the area where we want to fund ourselves.

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

So, on the MDU question, I don't want to make the competition smart about what we're doing, but let me kind of flesh out what we're doing. First of all, out of this 7mm [ph] MDA (01:08:37) footprint, we have quite a chunk of MDUs which are already connected where we basically have to monetize. And the way how we want to do this is, obviously, giving kind of, let's say, a platform incentive, especially if more than one household is subscribing to that fiber. So, that's going to be the first point.

Wherever we can commercialize and monetize this, that we're going to push some extra into effort on this one. And the second one is, obviously, going into these owner associations with more people. And we have a lot of people in the German organization to actually persuade them that fiber is the end game. This is kind of what you shoot for. We have an incentive structure which incentivizes fiber over copper. I would flesh out these two things. What we want to do on MDUs and obviously it is a capacity game which we're playing here and we're trying to use our size in order to get more traction on the MDU game.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

And to your question, yes, we are willing to hold/buy as we are actually not – our main priority is that somebody builds the fiber in the building and so we can monetize the fiber that passes the building. In order to expedite this, as Tim has previously mentioned, we have contracts with housing association that cover 5.7mm German homes

and that's steadily growing by more than 1mm per annum. And that's a very significant part, as you know, of the German Housing Association market. So, we are definitely front footed in this. But if somebody else wants to buy it, we don't rule out hold/buy in principle.

Okay. So with that, let's move on to Steve at Redburn, please.

Steve Malcolm

Redburn Atlantic

Q

[indiscernible] (01:10:34). Yeah. A couple. Just going back to wholesale, if I can, and Christian thanks for the kind of color on pricing. One of the things I understood, the wholesale volume [Technical Difficulty] (01:10:45) those in bundled lines. It looks like the migration from ULLs slowed quite a lot and you only added about 20,000 fiber lines. So can you just help us on that kind of P times Q through 2025 and when that pricing uplift?

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Steve, you broke up, but I think we can answer the question. I mean the wholesale trends are very steady, frankly. So the volume trends are very steady, the upsell trends are very steady and the pricing is an overlay and that will come to an end by the end of this year because that's part of – it was part of the commitment contracts that we negotiated in 2021. Do you have another question? You were really hard to understand. Sorry, the line was bad and maybe you send me the second question, if you have a second question, by email and we can cover it like that.

In the meantime, I did actually get two questions by email. One is from Emmet at Morgan Stanley. He says head count in Germany is down 4% year-on-year to 57,000. Can you talk about how we should expect that number to evolve in future quarters and years given age profile, restructuring, fiber rollout, need to attract more employees in AI, digitization. No question on data centers. I'm surprised, but...

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

Tim is working on it.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Tim is working on it. But, anyway, I don't know if – who wants to take this question?

Christian P. Illek

Chief Financial Officer & Member-Management Board

A

Look, without giving any details, Emmet, a slight acceleration relative to the 4%. That's the plan.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Okay. That's a short answer but it's very consistent, of course, with the trends that we have seen. And it's a long-term, let's say, run rate that we are not expecting to materially change, frankly. And, if anything, maybe a slight acceleration.

And then Robert Grindle at Deutsche Bank also submitted a question by email. And his question is that Hungary also appears to have moved to monetize its towers or at least announced a carve-out. And are we still keen to monetize European towers overall or it will be a country-by-country approach be followed?

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Look, the answer is ready to go. Today, no need to do anything at that point in time. We are evaluating opportunities here on the towers. And as you know, we have carved out our tower business in Hungary, in Greece. That is – and then we have in Croatia, Czech, Slovakia carved out in 2023 already. So therefore this is something where we haven't taken a decision yet but we have the opportunity to do so. It's our cookie jar.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations

A

Okay. And then I have a bit of feedback from Emmet. He says, short answer, but alles klar. So I think that's a really good way of ending this call.

Timotheus Höttges

Chief Executive Officer & Chairman-Management Board

A

Alles klar.

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