

# Q2 2025 Earnings Call

## Company Participants

- Christian P. Illek, Chief Financial Office
- Hannes Wittig, Head of Investor Relations
- Timotheus Hottges, Chief Executive Officer

## Other Participants

- Akhil Dattani, Analyst, J.P. Morgan
- Carl Smith, Analyst, Citigroup
- David Wright, Analyst, Bank of America
- James Ratzer, Analyst, New Street Research
- Joshua Mills, Analyst, BNP Paribas Exane
- Ottavio Adorisio, Analyst, Bernstein
- Paul Sidney, Analyst, Berenberg
- Polo Tang, Analyst, UBS
- Robert Grindle, Analyst, Deutsche Bank
- Stephen Malcolm, Analyst, Redburn

## Presentation

### Hannes Wittig {[BIO](#) [4033762](#) <GO>}

Good afternoon, and welcome to Deutsche Telekom's Second Quarter 2025 Conference Call. (Operator Instructions) As you can see, with me today is our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will first go through his media highlights, followed by Christian, who will talk about the quarterly performance and our group financials. After this, we have time for Q&A.

Before I hand over to Tim, please pay attention to our usual disclaimer, which you will find in the presentation. And please also note that this conference will be recorded and uploaded to the Internet.

And now it's my pleasure to hand over to Tim.

### Timotheus Hottges

Thank you, Hannes, and welcome to our first half 2025 results call. We continue to deliver consistent, reliable growth amidst the competition and the global tariff turmoil. We remain on course and we even slightly raised our guidance for 2025. As usual, I will start with the year-to-date view for the group before Christian will dive into the details of our second quarter results. Our growth momentum has remained strong and steady. Our flywheel strategy keeps working. In the first six months of 2025, we delivered 3.7% organic service revenue growth, 5.2% organic EBITDA growth, 17.8% growth in free cash flow and 6.4% growth in adjusted earnings per share.

With these results, we are on track for the midterm targets of the last Capital Markets Day. And while there are some incremental headwinds, there are many incremental positives, including upside from M&A, T-Mobile spectrum disposals and from fiscal relief on both sides of the Atlantic. I'm especially happy with our progress on the M&A front. In Europe, we got clearance for the sale of our Romanian mobile business. This win-win transaction brings much-needed in market consolidation while improving the growth profile for our European segment. In the U.S., we closed

the Metronet and the U.S. Cellular transaction. This comes after the Lumos Fiber joint venture and the two out of home advertising companies Vista and Bliss.

We are now looking forward to the incremental growth that these transactions will bring. T-Mobile also sold part of their 3.45 gigahertz spectrum for 2 billion and agreed to sell our 800 MHz spectrum in exchange for cash and some valuable 600 megahertz spectrum.

As you can see on the next page, all our segments are contributing to our EBITDA growth. DT ex U.S. grew by 3.6% year-over-year. Moving to our networks, where we continue to extend our leadership. In the last 12 months, we passed 3.4 million additional European homes with FTTH. We now reach nearly 22 million homes of which 11 million here in Germany. In the U.S., we launched T-Fiber, enabled by our two new fiber joint ventures. Our mobile network remains leading across the footprint. Our German network has ranked top European large country network and Ookla confirmed T-Mobile's network as the best network in the U.S. Two weeks ago, T-Mobile also launched T-Satellite after a successful beta test. At last year's Capital Markets Day, we talked a lot about how AI is accelerating our digital transformation and last quarter I showed you various ongoing initiatives.

On Page 7, you can see the additional progress we have made as this remains a top priority. Let me pick out a few highlights. Our AI-based employee knowledge tool Ask T is already used by 30% of all German employees. The tool has now been rolled out in Greece and in other markets. In the network, our AI-based remote monitoring agent is now moving towards implementation. AI-created lines of code increased to 10% of the total. And FragMagenta, our chat and voice bot, is now reflecting 1.6 million calls already in the first half year. To make this tangible, 1.6 million deflected calls correspond to about 133,000 call agent hours.

At the Capital Markets Day for DT ex U.S., we estimated the financial benefits at around EUR800 million in cost savings by 2027 and we see ourselves well on track for that. Finally, on the product side, the active base in Magenta moments has grown to 4.8 million, so our rewards program is highly accepted. We are launching an AI phone across our European footprint. We have partnered with NVIDIA to build Europe's first industrial AI factory by the way, starting in the first quarter next year already.

Over in the U.S., T-Mobile is making very impressive progress with their ambitious digitization plans, too. As T-Mobile highlighted during their results call, the share of upgrades done digitally has increased to about two-thirds from about half last quarter and virtually zero one year ago. T-Mobile's market-leading T-Live app has more than 75 million installed already.

Our customer growth continues on both sides of the Atlantic. In the U.S., we had the strongest second quarter and first half for postpaid carbon -- customers net additions ever and we substantially raised the full year guidance. The second quarter was also a record quarter for postpaid phone customer net additions. And outside of the U.S., our intake remained strong, but we had fewer mobile net adds in Germany, caused by a low-margin enterprise contract loss. Growth in the German consumer market remain strong also this quarter. Mobile in Germany is good.

Moving on to fixed KPI, our DT ex U.S. broadband customer growth was positive, but slowed due to Germany. Our TV customer growth was also slower, mainly due to the rollover of the tailwind from the Euro24 Championship in the prior year. This is not a headache. Let me put these trends in perspective.

As you all know, the German broadband market has slowed and competitive intensity has stepped up in recent quarters. But as before, we remain committed to our strategy, to our

successful flywheel of differentiation. We have built the best networks and create a superior customer experience. In Germany, our mobile network is leading and we are leading the fiber build-out as well. We are not happy with our German broadband customer losses this quarter, but ARPA growth developed positively and we do understand fiber monetization is a long game and we will continue to play the long game here.

As you know, we deploy 2.5 million additional fiber homes passed per annum and we are committed increased to do the same number again this year. We are connecting increasing numbers of customers with fiber. As stated at the Capital Markets Day, we intend to double our annual run rate to 1 million by 2027. In this context, we welcome the recent proposal of the new Digital Ministry to accelerate fiber deployments, to remove bureaucratic hurdles and to facilitate in-house connections in the multi-dwelling units.

To stabilize our performance nearer term, we are stepping up as well. What are we doing? Regional and commercial segmentation, we are doing an MDU push. We are doing target retention activity, especially in overbuilt areas and last week we also announced a hybrid broadband access product that can deliver up to 500 bits per second -- megabits per second.

Moving on to ESG, we continue our efforts to contain our energy consumption and emissions in line with our stated targets. Despite rising data consumption, we were able to slightly lower our DT ex U.S. energy consumption in the first half. In Germany, we conducted various campaigns, including campaigns against hate speech and loneliness and to empower Gen Z in data protection.

Let's now move on to our guidance update on the next page. Our guidance remains based on the last year's average forecast for the foreign exchange of EUR1.08 and as always is the sum of the guidance for DT ex U.S. and for T-Mobile U.S. adjusted by the US GAAP IFRS bridge. T-Mobile raised its guidance for customers and financial growth on 23rd of July. T-Mobile raised both its 2025 EBITDA and free cash flow guidance by \$50 million at the midpoint. The new guidance includes the contribution from the recently completed acquisition of Metronet, but not that of U.S. Cellular yet.

We are passing this on in the group guidance today. As the result, we now project Group EBITDA of more than EUR45 billion and free cash flow of more than EUR20 billion for the whole of 2025. All other guidance remains unchanged. Our DT ex U.S. EBITDA guidance remains EUR15 billion. But this is now after an unexpected around EUR50 million one-off headwind in Germany that Christian will talk about in a moment.

So let me now hand it over to Christian for a deeper dive into the Q2.

**Christian P. Illek** {[BIO 19077446 <GO>](#)}

Yeah. Thanks, Tim, and welcome from my side. As you know, let me start with the quarterly segment review and then discuss selected group financials. And as usual, let's start with the U.S. we have reported excellent results on the 23rd of July. If we're taking a look at the T-Mobile U.S. performance in local currency according to U.S. GAAP, you see that the service revenue has increased and accelerated to 6.1% growth and that was largely driven by a very strong performance in postpaid service revenues, which accelerated to 9.1% on year-on-year basis. It was driven obviously by the strong customer intake, but also due to increases both in ARPA and ARPU. The core EBITDA has grown by 6.4%. And as Tim already mentioned, that was one of the drivers why T-Mobile U.S. has raised its guidance both on EBITDA as well as on free cash flow.

Moving to Page 13, you see the customer intake of T-Mobile in the second quarter. You see it was, as Tim already said, record-breaking. The postpaid net additions were about 1.7 billion. This is an increase of 400k relative to last year and the best ever quarter in Q2 they faced in their history. Same holds true for the postpaid phone net adds. They increased by 53k relative to the last year's performance to 830k. Again, the best ever quarter for T-Mobile U.S.

T-Mobile has added 318,000 new postpaid accounts. This is an increase of 6% and they've added 454 new broadband -- 5G broadband customers, an increase of 12%. So the churn was up by 10 basis point, as you can see relative to the previous year and that reflects the rate plan optimizations. But it was clearly overcompensated by the strong customer intake on gross additions.

Following these results, T-Mobile raised its customer growth guidance. So for 2025, they expect now in between 6.1 million to 6.4 million net additions relative to the old guidance of 5.5 million to 6 million. The guidance for phone net adds were close to 3 million to 3.1 million and they also predict a customer intake of roughly 100k on fiber net adds.

Let's move over to Germany. As you can see, the headline revenues declined in the quarter and there are two major drivers. The first one, the biggest one is one-off revenue, which we got from the sub-licensing of the European championship TV rights. And the second one is we have to according to a court ruling, we have to change the way how we account for handset revenues if we early prolong contracts and that is a headwind which impact both revenues and EBITDA.

The total amount of the impact is around EUR50 million in the first half. It's non-cash and it will reverse over the course of the next 24 months. The total service revenue grew at 1.1% and EBITDA grew at 2%. So let me dwell a little bit on the EBITDA performance. So on the positive side, in the second quarter, you see that we obviously -- last year we had to face the one-off wage payment on the what we called energy support. This obviously is a tailwind in second quarter of '25. On the flip side, we have to absorb the 6% wage increase, which we agreed upon last year, starting in October '24. And also we have to absorb the negative impact on the IFRS customer accounting.

So if I'm taking a look to the outlook of the EBITDA due to various phasing effects, but especially due to the wage increase which we have to embrace in the third quarter, which we didn't have in the third quarter of last year and an additional increase of EUR190 salary increase starting from August 1 onward, we expect that the EBITDA performance in the third quarter is below the current run rate.

On the flip side, we expect that the fourth quarter is actually above the current run rate and the reason is the wage impact will largely roll over the 6% wage increase on top. And we said, I think, in the first quarter as well. We're facing some meaningful energy cost headwinds due to some increased grid fees, but hedging effects from the year 2022. This will also roll over in the -- in next year's financials.

Moving over to service revenue, the total service revenue has slowed down to 1.1%, as I said earlier on. The slowdown in mobile service revenues comes after a stronger-than-usual quarter in Q1, and we mentioned this in the last call, should be not surprising to anybody. This quarter's growth is very similar to the second half of '24, but we remain absolutely comfortable with our guidance of 2% to 2.5% in the timeframe of '23 to '27.

The growth in fixed service revenues improved slightly sequentially, but is still subdued. Fixed service revenue trends remain impacted by lower IT service revenues, which decrease on a year-

on-year basis and lagging government demand for especially telco services. In addition, while positive broadband and wholesale revenues were sequentially weaker.

Looking at the outlook for the remainder of the year, what you see on the chart is, we had a very strong Q3 in last year's performance, and that was followed by weak performance in the fourth quarter. And that was the first quarter where we faced this IT revenue drag, which we are having over the course of the full year. So if you compare those comp effects, we expect that the fixed service revenues will be, from a gross perspective being sequentially lower in Q3, but again higher in Q4, same way as we described the EBITDA.

As you can see on Page 16, while overall service revenues remain subdued, broadband and wholesale access revenues remain in solid growth territory. We said that the main driver for the broadband growth -- revenue growth will be value growth, and you see that the ARPA of our retail customer base has increased on a year-on-year basis by 3.5%. And that's mainly driven by upselling into higher speeds. And that continues to be the key driver of broadband revenue growth.

Moving over to the fixed line KPIs. So our monetization remains positively, our customer growth remained in negative territory. In the second quarter, we didn't perceive any changes in the competitive environment compared to the first quarter. We're still facing very slow overall market growth. We have ongoing pressure from the altnets or the overbuilders and we saw a very promotional cable competitor in the second quarter.

We, on our side, had to reduce the promotional value beginning of the second quarter by cutting the discount period from six months to three months and we believe that explains the sequential slowdown in the broadband net adds.

As you heard from Tim earlier, we're playing the long game here, and we remain focused on upselling and on fiber. So we're on track with our homes pass strategy to add another 2.5 million of fiber homes passed onto the network this year. And we are trying -- we are increasingly connecting more and more fiber customers. Last quarter was 137,000, which is an increase of more than 20%. As you recall, we intend to double our run rate to 1 million by the end of '27.

Finally, on TV, what you see is still gross but relatively smaller given some tailwinds. Last year, we added 23,000 IPTV customers and 40,000 over the top customers.

Moving over to mobile and we're seeing some elevated competition for quite some time, but still our commercials remain strong. Our B2C customer intake has actually increased Q-over-Q between Q1 and Q2. But we lost a sizable, and Tim mentioned it, low-margin B2B contract. And that basically explains the sequential slowdown in the second quarter. You see that the data growth is still strong and we are seeing an unchanged churn rate of 0.8% per month.

Moving over to the European segment. The European segment delivered an excellent result in the second quarter. They're contributing now 30 quarters of consistent organic EBITDA growth. The organic revenue growth was 2.1%. The service revenue growth was actually higher at 2.6%. Very comparable between mobile and broadband. The EBITDA growth was strong at 6.3% and the slowdown is actually due to the rollover of inflation-driven price increases in some markets.

Moving over to the customer growth in the European operations, you see that strong performance. The mobile customer base has grown by 209,000 in the second quarter. We see a very strong performance across the footprint, but especially in Poland and in Croatia. We also saw strong commercials in all the other categories being it broadband, FMC or TV.

We made also further progress on the digitization in the European segment. So the app penetration is now at 72% and Magenta Moment members have reached 4.7 million. So we're well on track to meet our '27 targets of the CMD.

Moving over to T-Systems. T-Systems continues to be on a positive track. You see that the order book has increased by almost 12% on the last 12 months. This is driven by the same drivers as you have seen in the last quarters. It's cloud, it's digital solutions and road charging. We're also seeing increasing interest on digitalization projects and digital sovereignty offerings in the German market. And that leads to strong organic revenue growth of almost 4% in the second quarter. And the organic EBITDA growth is slightly above 8% in the second quarter. So T-Systems is absolutely on track with its full year guidance, but also with the CMD targets. So that's basically it for the operational review.

Now let's have a look at some selected financials. So overall what you see is obviously we had a negative impact relative to the last year when it comes to the dollar, and we've seen some phasing impacts which affect both free cash flow and earnings. So if you take a look at the Page 23, you see that the free cash flow bridge, the free cash flow has decreased by 6.7%. This is largely explainable due to two factors. One is the weaker dollar, and the other one is negative working capital effects. We also see an increase relative to Q2 of '24 on CapEx. This is not surprising because it was especially low in the first quarter, and if you combine the two quarters, we're still on 18% growth on free cash flow.

Taking a look at the net profit, it was impacted by a weaker dollar. That accounts roughly for EUR400 million coming from the U.S., and we had some positive impacts in the last year's second quarter results. There was a release of an accrual of the health insurance for public servants, and also we had a derivative impact, which both accounted for EURO.04. So if you take a look at the reported figures on EPS, they grew at 6.4% on a year-on-year basis. If you basically exclude what we call the non-occurring effects, the growth is close to 10%. It's at 9.8%. So finally, net debt. You see that the net debt has decreased relative to the previous quarter in Q1 by EUR2.7 billion. This is basically driven by three factors. One is the EUR4.9 million effect on free cash flow generation.

Then we have ForEx and derivatives effects, which account for more than EUR5 billion, and we have a net reduction on net debt because of the 3.45 sale of \$2 billion, which was offset partially by 600 megahertz and the one-off extension for the usage of spectrum fees in Germany. Obviously, that increasing the dividend payments both for DT and T-Mobile U.S. and the ongoing share buybacks on both sides of the Atlantic.

Gets me to my final statement here when it comes to the leverage ratio. The leverage ratio is extraordinarily good in the second quarter with 2.51, including leases, and 2.11, excluding leases. But bear in mind that will change in the third quarter, given that we have closed two deals, which we're happy with, Metronet and U.S. Cellular. And obviously we see an increase in net debt happening in the third quarter.

That completes my half-year review, and I hand it over to Tim.

## **Timotheus Hottges**

Thank you, Christian. On the final page, a quick reminder of our key messages this quarter and our Capital Markets Day targets of around EUR2.5 adjusted earnings per share in 2027. Now, in this quarter, not everybody might be satisfied about the net adds in broadband Germany and the intense price competition in this market. Most of our competitors are showing shrinking revenues in EBITDA. We show growth, but I'm not happy that these companies are shrinking. This is not good. But despite this observation, we are delivering as a Group a very consistent, reliable

growth, despite some headwinds here in Germany. We are on track for the full-year guidance 2025 and confirm that, including our confirmation for the midterm Capital Markets Day targets.

We are extending our network leadership on both sides of the Atlantic, and we have announced, for instance, the gigabit mobile network for Germany, which is now up and running. We delivered a record customer growth and a guidance upgrade for our U.S. operations. We have created exciting new growth opportunities throughout our successful M&A transactions, which we have completed. We are making strong progress with AI-powered digitization, and we are on track for the resulting efficiency targets. Our leverage is well within the comfort zone, and we are not directly affected by the tariff changes and we are a beneficiary of fiscal measures to stimulate investments on both sides of the Atlantic. So overall, good outlook for the future.

And with this, I hand it over to Hannes.

## Questions And Answers

### A - Hannes Wittig {BIO 4033762 <GO>}

Okay. Thank you, Tim, and thank you, Christian. Next, we have the Q&A part. (Operator Instructions) And as usual, we would be grateful if you could restrict yourself to two questions and keep in mind you must mute and unmute yourself. So let's start. The first question I think is from is it James Ratzer?

### Q - James Ratzer {BIO 2442169 <GO>}

Yes, thank you. Can you hear me?

### A - Hannes Wittig {BIO 4033762 <GO>}

Yes, we can.

### Q - James Ratzer {BIO 2442169 <GO>}

Great. Thank you. Yes. So I had two questions, please. So firstly, I think obviously a lot of folks on the German broadband net adds trend. So I'd be keen to drill in a bit more on the comments you mentioned around an MDU push and a retention focus in the overbuilt areas. If I think about your H2 trends, should we read from this that you're planning to be a bit more price competitive and that broadband net adds can recover? Or do you still expect kind of losses to continue in the second half?

And then the second question I had was, I just love to learn a little bit more about the deal you signed with NVIDIA and in particular, some of the kind of financial impacts around that. Is this going to be an off-balance sheet deal? I mean, how much will Deutsche Telekom be investing in this project? And can you help us to think about how to quantify the revenue upside from this deal over the longer term?

### A - Christian P. Illek {BIO 19077446 <GO>}

James, let me start with the broadband expectation for the second half of the year. You heard Tim saying that we are focusing on an MDU push that we have selective retention measures because churn has come up and that we're also trying to go for regional pricing aspect. Since we are basically calibrating around the zero line from negative 7% in the first quarter and negative 20% in the third quarter, I think we're still in the value game. And we are trying to stabilize the



business and doing our best to actually push for ARPA growth. You've seen that we have some promising results in the retail space on ARPA growth.

Whether it's going to be positive, whether it's going to be slightly negative, I think it's hard to predict. So I would say stabilization is the right word for the second half.

## A - Timotheus Hottges

There's another discussion, which I'd like to add, Christian, which is the initiatives from the Minister of Digitization that they will ease in with a new policy the access to the Netzebene 4, so the in-house cabling. And our strong position is on this one, the one who's building it is giving access to this network to all players. So once you build it, everybody can access it. And the one who is first is the one who is owning it than rather having overbuilt in the last mile here. So there is a political consultation going on now with the Bundesnetzagentur. And our position is very clear. This would definitely help that we haven't kind of unprotected access for our services in every MDU as well. So this is the regulatory framework, which is helping us, hopefully, to get more lines into the MDUs.

Your second question, look, Deutsche Telekom is already invested through our venture capital arm DTCP in data centers. And by the way, we own them. It's not that we have only minority shareholdings here, Mine Cubes and Green Scales are two data center providers who have infrastructure. On top of that, Deutsche Telekom and its system is running data centers on its own. We are now thinking about how we can bundle these activities going forward. And we see an unbelievable high pull from governmental and from industrial services for sovereign cloud architecture here.

So how is the investment now looking? Our part is going to be to invest into the infrastructure -- data center infrastructure. And we have opportunities to double down on them where we have allowances already in a very short time window. On top of that, we have NVIDIA with their GPU commitment, 10,000 graphic cards, which they are providing to our partnership here. This is an investment coming from their angle. Interesting wise, the so-called AI gigafactory, which is the big European initiative, this is something where an Europe-wide RFQ is in place. But we don't want to wait until this is provided or accomplished.

We're going to start in the first quarter next year by deploying the NVIDIA chips already in data center infrastructure so that the first customers can use and test these capabilities so that we are before the wave in this regard. And this is a participation then from NVIDIA and us in existing infrastructure, which is already available and fitting to the GPU requirements. The most likely scenario, by the way, for the AI gigafactory is an off-balance sheet investment.

## A - Hannes Wittig {[BIO 4033762](#) <GO>}

Okay. Thanks, Tim. Thanks, Christian. And with that, we move on to Robert at Deutsche Bank, please.

## Q - Robert Grindle {[BIO 1840555](#) <GO>}

Yeah, thank you for the questions. I wonder if you don't mind taking yourselves back a couple of months, the whole Section U.S. 899 tax thing, but then a major cash tax positive from bonus depreciation. M&A approvals have been received, but at the expense of at least headline DERA objectives. Tim, you've always been a great fan of the U.S. Has your view changed at all from any of this?



And secondly, I heard Christian on leverage moving up in Q3 versus the low levels of Q2. But note the U.S., M&A, and more within the balance sheet guidance. One year almost since the CMD. Are you getting closer to deploying any of that more than EUR15 billion of balance sheet firepower? We're still a bit early to be thinking about that. Thank you.

## A - Timotheus Hottges

First of all, Robert, let me comment on both sides of the Atlantic. First of all, we highly appreciate what's happened in the U.S., especially the bonus depreciation, which gives us a lot of cash tax relief. And you heard Peter talking about the EUR1.5 billion, which they're going to expect in 2026.

Internally, we have been always skeptical that the retaliation tax, as we call it, the U.S. 899 would actually come into effect because we don't see a lot of support for the digital service tax year in the European environment. So we're seeing benefits on this one. But I think we should also bear in mind that we have cash benefits in the German environment because we have the accelerated depreciation of 30% in the German environment. And we have the corporate income tax reduction starting from '28 onwards by 1 percentage every year.

Let me dwell on the accelerated depreciation. There's a second factor to this. So the total effect, which we expect in between '26 and '28 is roughly EUR500 million. And the reason being is that you can only deduct or depreciate 3 times of the linear depreciation value. So if you have infrastructure, which is depreciated over 20 or 30 years, obviously, you cannot depreciate 30% in a given year. It's only 15% or 10%. But still, the benefit is over the course of '26 to '28, roughly EUR28 billion.

On leverage, look, my expectation is that we will end the year very close to the target, which given ourselves. Obviously, there's a lot of wiggle room, especially the dollar, which was a great support when it comes to leverage in the second quarter. And that does include the, let's say, the two acquisitions of Metronet and USC, but how we basically will deal with the EUR15 billion too early to tell because we have to take a look what's needed in order to support the business midterm. So if we have something which we can call out, we will do it, but I don't want to speculate on this one.

## A - Hannes Wittig {BIO 4033762 <GO>}

Okay, so with that, thanks, Robert. We move on to Akhil at J.P. Morgan, please.

## Q - Akhil Dattani {BIO 7190509 <GO>}

Hi, good afternoon. Thanks for taking my questions as well. I've got two. Firstly, if I could go back to the comments around the German broadband market. And maybe if I can ask this a little bit differently. If we look at the top four operators across the markets, yourselves, Vodafone, Telefonica and 1&1 aggregated, you lost about 100,000 customers in broadband this quarter, which is quite a step change in the prior quarter. So it feels like something has changed amongst the market. So obviously, yes, competition, but even aggregated, you've lost a much higher number of customers than before.

So given the work you're doing, looking at segmentation, can you maybe help us understand what you think that is? Is that purely all net? Or is it something else? And if it's all net, is there some color you can give us on exactly what's going in the mix so we can better understand that and better gauge how we should think about it going forward?

And then the second one is a much bigger pitch up question on the U.S. Tim, you mentioned the Lumos and Metronet deal that have now closed, which is obviously nice to see. Over the interim period, we've obviously seen your U.S. peers also scale up their ambitions in the U.S. fiber market. So in that context, I'd love to understand how you think about the opportunity for growth there. Do you think there is an opportunity to go bigger? And if there is, can you really do that organically? Or do you still think -- or do you think there could be an opportunity for M&A? Thanks.

## A - Timotheus Hottges

Look -- Akhil, thank you for the question. Look, the broadband market in Germany is largely saturated and the overall growth is very slow. In this environment, we are seeing the impact of overbuilders, which is no longer overcompensated from our sides by wins, which gain from Vodafone Churn. Vodafone is very aggressive on pricing to keep their customers in their loop. I even don't understand how they can afford this subsidization, which they're doing on Check24, for instance, have a look on this one. But they're trying to do everything to keep that churn low.

Now therefore, the market is so slow that we are not able to overcompensate the churn, which we are seeing on the altnets. The altnets, themselves are not focusing on homes passed anymore. They are very much focusing on homes connected in this environment. So their build-out rate has slowed down, but their efforts to make promotional offers for homes connected has gone up.

In this environment, we were trying to focus on value, and we have reduced our promos at the beginning of the year. For instance, we went from six months to three months on the discounts and this is one of the reasons why -- how we can explain the sequential slowdown, which we had in this quarter. So we are staying and we said that, again, we want to focus on the value of this industry because it doesn't make sense on the one side, to build very costly and expensive fiber infrastructure. And you are aware that our fiber infrastructure in Germany is much more expensive than it is in other markets. And we want to keep the ARPA on a level which is amortizing this infrastructure.

Nevertheless, we see that some players are focused on contribution to margin in this environment. Now, do I like it? No. Do I hope that even the other players do the economics well? Yes, I hope, but I don't -- can't speak from them. But what we want to do is, we stay on our focus on building the infrastructure, 2.5 million annually. We are focusing on, let's say, bringing the customers into the fiber infrastructure by EUR1 million in 2027 and 0.5 million last year. And then what we're going to do is to try and to focus as well to grow the ARPA in this environment, which is a little bit, let's say, possible, I would say.

So, it's a long-term value play, which we are trying to find. But what you can see is, this is not at least supporting the volume growth at that point in time. So we have to make a watch out. We see where the market is going. But you see the consequence of our value strategy, at least in this quarter, and we will observe the situation going forward. I can do the U.S. market. Sorry, we were -- look, as we said before, we don't look at fixed wireless convergence as an end in itself, but as one of our numbers of ways to increase customer attachment.

Let's say we like the broadband space, which is a combination of fixed wireless access, which continues to be a fellow capacity business, as well as investing in fiber, where we like the economics and where we are just getting started. And, by the way, the economics of the fiber market in the U.S. is much more attractive than in most of the European markets. And with Lumos and Metronet approvals, we have now a much stronger basis to prove the success here.

We are already a scale player in broadband, looking at our more than 7 million existing fixed wireless access customers and our 12 million target by 2030. And we have even fellow capacity, which is helping us to extend it to more homes, about half of the U.S. homes where we're going to deploy fixed wireless access or high-speed Internet, as we call it. Plus, we extend to get to 12 million to 15 million homes passed with our Lumos and Metronet activities.

So I would say we have a good hand. We are very clean in the way how we're doing. We are an altnet in a kind of way in the U.S. market. And we remain open for clean incremental fiber opportunities in the U.S. market. But they have to be right. And they have to fit from an economic perspective. They have to fit into our footprint. And they have to come at the right price. So we are not somewhat under super pressure here. We keep on going in this direction. And we have built the foundation.

## A - Hannes Wittig {BIO 4033762 <GO>}

Great. With that, we move on to Joshua Mills at BNP Paribas Exane, please.

## Q - Joshua Mills {BIO 17873641 <GO>}

Hi, guys, and thanks for taking the question. Hopefully you can hear me. Two for me and one of them would be on the Broadband trends in Germany again. I'd just like to pick up on Tim's comment there about the German broadband market being saturated. And I'd be interested to know whether you're seeing any increase in overall Broadband demand or penetration in the areas that you're rolling out fiber to the home too, i.e., could this be a tool to grow the size of the overall market perhaps offer release valve for some of the competitive intensity in the market we're seeing today if everybody can grow? Or do you see that in areas where you roll out fiber, there isn't really much of an impact on overall broadband demand?

And then secondly, on the AI investments that you flagged earlier in the presentation, you are one of the few, if not the only European telcos with the scale and the free cash flow today to seriously participate in these kind of AI investments. I'd be interested to hear whether you're already in conversations with other European telcos and how you can partner with them, offer them your services or perhaps you sell them some of your services directly? And if there's that option in the future as well?

## A - Timotheus Hottges

Good questions. By the way, to the first one, look, we are differentiating between broadband and fiber to the home. And I can tell you one thing. I'm happy with the take-up rates on FTTH, guys. We had 137,000 net adds on the FTTH site in the German markets, and people like the product, like the service, could be better. But we see a constant higher demand for fiber. So therefore, you know, where we deploy it, we find ways even to sell it to our customer base.

Is this already satisfying? No. We want to do more, and we want to utilize our factory in a better way. But we are on a good track in this regard. The numbers not being able to overcompensate the classical line losses, and they are mainly driven by altnets. These are areas where we haven't built out where the altnets are building their fiber infrastructure. So answer, FTTH is the answer going forward.

Second question, AI investments. And I can tell you, for me, for the Company, AI is going to be the game changer for the whole company. And I'm thinking about how is this Company looking in 10 years, driven by AI, by agent, and even by superintelligence at one point in time. And the agent models are already being used in our companies. I talked about one example earlier, which

is in the network. The cyber and the anomaly detection in our network is handed by AI, and the agent is already taking actions to fix things in a much faster way than humans can do. We still have a human interface in between because we do not want to hand over these activities already to a machine.

But prospectively, we're going to, let's say, change entirely the setup for the network architecture and the network handling going forward. One example. I see huge benefits on the customer service and the sales organization. To be honest, it's not only about efficiency. It is as well about, let's say, the personalization of services. To be honest, I'm very happy what these guys are doing. And the cost savings, which we're seeing, are in the 30s. I see super big impact coming with regard to contextual marketing. Bundling the data of our Company with data from the outside and the social medias and other sources, which gives us more opportunities for better-tailored offers.

And I can go on and on. We recently saw the first models where we are using AI agents for internal service like internal audit, where the agents are already trying to find anomalies with regard to compliance, supervision, and other things. So, there are a lot of good examples. It will change every process in this Company. Every product, every process has to apply AI. And that is, let's say, the discussion we're having.

Now, we have to cross the river by filling the stones. This is definitely the way going forward. But there will be audacious targets, which we should define for our organization, that they understand where we are aiming for. And that is the discussion which I have with my fellow board colleagues here right now. And to be honest, I believe there's much more opportunity in the organization with regard to efficiency and other targets than what we have laid out yet. But to be honest, I don't want to commit to something I don't know yet. And we are very excited about the opportunity here.

#### **A - Christian P. Illek {BIO 19077446 <GO>}**

Can I chime in on the broadband just quickly, Josh? I would say the growth is coming one-third from volume. So, if you assume there's 200k to 250k volume growth in the German market, and two-thirds have to come from ARPA, given the size of broadband customers which we have, that is kind of the rule of thumb, how I would envision the growth in the broadband market.

#### **A - Hannes Wittig {BIO 4033762 <GO>}**

Great. Okay. Next, we have Polo at UBS, please.

#### **Q - Polo Tang {BIO 3059030 <GO>}**

Hi. Thanks for taking the questions. I have two. The first one is just about the EUR500 billion German infrastructure fund. So, what do you think the impact will be in terms of the German market? And could Deutsche Telekom be a beneficiary? Second question is really just a follow-up in terms of the EU AI gigafactory opportunity. You mentioned how it could be an off-balance sheet venture. But could you clarify what role Deutsche Telekom would have? And what is the business model for Deutsche Telekom? Thanks.

#### **A - Timotheus Hottges**

Look, the 500 billion German infrastructure fund is a big opportunity for Deutsche Telekom. And, by the way, you see that already. If you look to T-Systems and their double-digit growth on the digitization efforts, you see that there is an increased demand from public spendings into this

direction. Germany has to digitize, and money is going into this direction. And we have multiple opportunities which we consider in this regard.

On top of that, infrastructure is always -- I don't see that there is additional funding going into subsidization for fiber. At least the market is already hot. The construction capabilities are limited. So if you put a lot of money on top of that, you would only increase the prices, but you will not increase the output of it. So therefore, this is a tricky undertaking. So we are not lobbying for getting significantly higher subsidization for the fiber build-out. We are looking more for infrastructure support on the data center side and on the gigabit side in this regard.

Now I was with the Chancellor and others. There has been this huge EUR630 billion investment commitment from German industries into the -- into Germany for the future. Yes, a lot of that is already existing or committed CapEx, but there is additional CapEx as well on this one. And for every infrastructure, which has been built you need connectivity, you need our data centers. You need software. And therefore, we see from the political side and from the business side, we see upside on the German market on the software and the digitization perspective.

And then we have these areas of health and on defense, where we see additional money going into as well. I just had a discussion with the -- an hour ago with the CEO of Rheinmetall, who is -- and we discussed as well about opportunities here. So to me, without being now in the position to say, okay, there's EUR50 million going in this one and this one, there must be something in for the German telecommunication providers, for the companies who are providing software.

And on top of that, I can tell you after all this tariff discussions, you know there is a shock in Europe with regard to sovereignty; a huge pull on the sovereignty discussion. All data centers are all fully deployed. You know that from other companies you're covering, there is no capacity in the market there. And that is what we are using these days, expanding our capacity on the data center side, which brings me to your second question.

And you should always differentiate. We have a two-step approach. The first step approach is now the approach of filling data center with GPUs that the companies can already test it and governmental services. So we are not waiting until the so-called gigafactory opportunity is decided. To be honest, I don't like the word gigafactory too much because it will not be that somebody is building a gigabit factory. It will come with the utilization. It will come on demand. So it might grow into a gigafactory, but it will not be that all the investments will be put into the countryside and then we're waiting for customers. It will grow into this gigafactory over time. And we have applied for that.

Our concept today is that we have a partnership with the state of North Rhine-Westphalia. That is where we are -- where our headquarters are sitting. We are trying to partner as well with RWE, not final decided on sites, former coal sites or nuclear power plant sites, where we have water and power supply and access to -- where approvals have been given in the past, where we can implement the data center infrastructure.

And on top of that, without saying too much here, we have a partnership with Brookfields, a very successful one, as you know, which is our tower company. And these guys are very, very committed and interested to build this gigafactory with us so that we have a very strong partner on the co-investment side. So we have a strong -- a very strong group of people together. There is competition, no question about it, but at least we have a way forward. And we have already a nucleus with Mine Cubes and Green Scale and with experience in the Group, which we can use now for the planning and the deployment of it.

**A - Hannes Wittig {BIO 4033762 <GO>}**



Okay, great. So now we move on to Carl at Citi, please.

**Q - Carl Smith {BIO 22125603 <GO>}**

That's great. Thanks very much, Hannes. Two questions from me, please. Firstly, slightly just following up on Polo's, but from a more short-term basis, I suppose, you're talking about the large scale kind of public sector opportunities. But for the last few quarters, we've obviously seen IT business phasing kind of drag. So any forward visibility on timing of return of government spend, but more kind of in the next few quarters rather than the longer term opportunity.

And secondly, just on the customer contracts, IFRS 15 adjustments, I wanted to ask, when was the court ruling made in relation to the customer contract to counting one-off? And when did you understand the extent of the impact it would have on revenue and EBITDA? I guess I'm trying to understand why the bulk of the impact is in this quarter and whether it might have been possible to signpost the issue ahead of today. Thank you.

**A - Timotheus Hottges**

Let me start on the IT situation. So first of all, we're seeing a stronger demand for IT project relative to telco projects. And that naturally supports T-Systems more than it does support the German segment. Second one is, I think this, to a large degree, the budget for this year wasn't been signed. And therefore, I would say the projects were hold back. What we're seeing right now is the fastest demand is coming from federal. And it has to trickle down into the federal state budgets, and that will take some time.

So this is why T-Systems is, since they're focusing on the very large customers, is more in favor of grabbing that opportunity at least sooner than the German business is doing. And this is why we see this different, let's say, speeds between T-Systems and the German business when it comes to the IT space.

The second question on IFRS accounting, do you have the number?

**A - Hannes Wittig {BIO 4033762 <GO>}**

Yeah, well, this was a ruling that was actually a court ruling against a competitor of ours, Vodafone. We had to evaluate this decision and also take a view on when we would adjust our contracts, because that's something that takes time. Now, I would also say, while it is a headline hit to EBITDA this quarter, as we have clearly communicated, it's non-cash. It will come back. So therefore, we did not feel it was, let's say, big enough to create this, let's say, potentially unusual levels of disclosure.

Okay, with that, we go on to Ottavio at Bernstein.

**Q - Ottavio Adorisio {BIO 2134369 <GO>}**

Hi, good afternoon, and thank you for taking a couple of questions. The first one is going back on the German broadband. During the call, almost used alternates and overbuilders as synonymous, but my question is, how big is the -- really the overbuild between you and the alternates in Germany? In the UK, it's relatively low, around 10%. So I was wondering, what's the rate in Germany?

And also, you mentioned that expect the run rate on connection to reach 1 million all around 2027. So the question is there, it's all due to the fact that you're running point-to-multipoint, and that's difficult for you to build a drop into the MDUs, or there is also an issue with demand.

The second one is for -- it's pretty straightforward, it's for Christian, and it's on the guidance provided for the progression on EBITDA growth for the rest of the year. You mentioned about the third quarter, that will be impacted by a number of issues, but then you guided for fourth quarter to go back to the run rate. So my question is, what's the run rate? Is the one we've seen in H1? The roving around 2%, with the run rate is what you guided for the midterms between 2.5% and 3%? Thank you.

## A - Timotheus Hottges

Yeah. Look, the first thing is, you're totally right. We have to differentiate between alternates and overbuilders. And to give you a quick answer, the amount of overbuild is very, very small. It is a single-digit number. That is, let's say, where we are in Germany. And by the way, it's not my number. It's the public stated number from the Bundesnetzagentur, which was recently published. And the Bundesnetzagentur stated as well that there is no problem with overbuilding in Germany, so that they have to interfere or regulate something. This is now public.

And by the way, I think this is totally correct and it's reflecting as well how we are looking on the markets. Now, there are, due to the size of this country, areas where Deutsche is not building. We always have customers in every kind of village of this country, but there are areas where we are not building. This is a market where the alternets are mainly gaining their customer growth today. Due to the fact that they are going away from homes passed to very much homes connected, they are now very much pushing to migrate our customers onto their fiber infrastructures.

On top of that, the estimation of BUGLAS and some other ABRECO and other institutes were that the growth of the whole market is slowing down as well, including the fiber build-out. I said -- I told you about the numbers in my speech. We are trying to partner in all the regions with all, let's say, regional players where these altnets are being built, being it Itel, being it Wilhelmtel, being it MNET, being it NETCologne, being it all these players to partner with these alternative networks that our customers can use the telecom services based on a dark fiber access which we gain from this -- get from this local players.

So, this is working nicely. We have more than 43 partnerships already today. Some of them don't want dark fiber, but in this areas, we might then consider to overbuild. But that is only a fraction of where we are seeing. So, we are trying to optimize the CapEx spend in our footprint and concentrating on the areas where nobody is building today. So, this is a little bit. The problem which we have for the broadband, and I want to reiterate that, is the migration from copper or cable -- by the way, cable is copper as well -- into fiber should increase. It has to be higher. The run rate is still too slow. We have to fill the fiber pipes and then over time, we will grow our net adds as well again.

## A - Christian P. Illek {BIO 19077446 <GO>}

Okay. So Otavio, to your second question, if I'm talking about run rate, I'm talking about the 2%, which you have seen in the first half. And therefore, it's -- since there's a structural benefit since the wage agreement is rolling over, there's a structural benefit in Q4, and this is why we're saying above. Don't nail me to the table, whether it's going to be 2.5%, 2.2% or 2.7% because I think this is -- I'm clearly not in the position to predict this, but we expect something which is above 2% for the fourth quarter.

## A - Hannes Wittig {BIO 4033762 <GO>}

Okay. Thanks, Chris and thanks, Tim. With that, we move on to Steve at Redburn, please.



## Q - Stephen Malcolm {[BIO 18418112 <GO>](#)}

Yeah, thanks, Hannes. Thanks for taking the questions. Just a couple, please. Just first on tax. And apologies, Christian, I didn't follow all the very useful information that you gave on tax about half an hour ago. Just -- TIMUS has obviously given a fairly clear steer what the impact of bonus depreciation will be on them. Can you just clarify, back at the Capital Markets Day, I think you said there'd be a half a billion euro drag on the ex-TIMUS cash flows between '23 and '27 in your guidance. Is that still the case or has that improved given the changes we've seen in the German tax legislation?

And then just on your T-Mobile stake, Tim, I think you gave a fairly clear steer as well. At the CMD last year, you wanted to get your stake up into kind of mid-high 50s. We've seen SoftBank selling overnight another 3 million -- another 3%, sorry, or so -- sorry, 13 million shares. Get my maths right. Maybe just update us on your sort of thoughts on the trajectory of your stake in TIMUS and maybe why you weren't interested in buying that stake and how we think about the moving parts of the TIMUS shareholding going forward. That'd be very helpful. Thanks.

## A - Christian P. Illek {[BIO 19077446 <GO>](#)}

So let me repeat on the tax equation. So we have basically two tax benefits which affect the free cash flow. The one is the accelerated depreciation, which is you can depreciate up to 30% in the first year. If it's -- and it's limited to 3 times the linear depreciation in Germany. So that effect and then you have corporate income tax benefits, which are starting in '28. So you only see the first effect of corporate income tax in the -- at the end of '28, which is a little one. If you add them all up, it's roughly EUR500 million, close to EUR500 million free cash flow benefit. But we haven't discussed how we're going to use that benefit. So that is a structural improvement relative to what we discussed at CMD.

## A - Hannes Wittig {[BIO 4033762 <GO>](#)}

Okay. On the T-Mobile stake?

## A - Timotheus Hottges

On the T-Mobile stake, look, from our shareholding, we are on the right trajectory. You saw the 52% where we are today. To be honest, nothing new with regards to the SoftBank sale here. We were very transparent on that one, that we know that they are going to reduce their shareholding within the company, because Mazarsan [ph] and SoftBank Group is now aiming for this big investment in the gigafactories in the U.S. on Stargate and the like, and their investments probably as well in OpenAI.

So, therefore, we were aware of that then. Most of their shares were anyhow delta-hedged. So, therefore, we knew that they would not have created a huge overhang. I see a positive impact from that, guys, because the free float is going up, and that is something which is -- sorry?

## A - Christian P. Illek {[BIO 19077446 <GO>](#)}

It's DT.

## A - Timotheus Hottges

Yeah. So, therefore, we see a benefit coming from that SoftBank is selling their shares in DT and as well in their U.S. foretold here. So, on that one, to be honest, I was a little bit unhappy that, we got this announcement on Bloomberg this morning, because this has created some uncertainty

around it. But for us, this was nothing new. I have to excuse for this coincidence on the announcement here. But for us, the development is nothing new. It's nothing where we see a downside. I even see for the DT shares an upside due to the higher free float, which we're going to see on our stock here.

## A - Hannes Wittig {[BIO 4033762 <GO>](#)}

And Steve, to your question, why did we not pick up shares from SoftBank. We are -- as you know, we are currently acting as a seller in the market, and therefore, being a seller and the buyer at the same time would be inappropriate, let's say, that way. So because we have the ongoing program.

So with that, we move on to Paul Sidney at Berenberg, please.

## Q - Paul Sidney {[BIO 3818285 <GO>](#)}

Yeah, good afternoon, everyone. Thank you very much for taking the questions. I just had two on the German market. If we take a step back and look at -- your German business as a whole. There are so many subscriber KPIs that we obsess about every quarter. You obviously disclosed very detailed granular revenue, service revenue growth trends, profitability metrics and ultimately, free cash flow on a quarterly basis. But I just wondered, internally, how will you judge and monitor the success of the German business, both in the short term and the long term?

And then just secondly, a very general question about the potential for consolidation in the German market. I fully appreciate that mega consolidation among the listed operators may be difficult. But there's obviously a lot of private companies out there, infrastructure, et cetera. I just wondered if you see any prospects for any future consolidation to improve the value creation potential of the German market?

## A - Christian P. Illek {[BIO 19077446 <GO>](#)}

Okay. So on the -- on your question, short and long term, I think the crucial metric on the broadband side is how many fiber net adds do you have? How many new customers are you adding to your network because that shows the momentum. And this is why we have given ourselves an ambitious target to have 1 million by the year '27. And on Mobile, I think it's clearly whether we're gaining market share, which we are continuously doing. And we're doing this over the volume strategy. You see that our performance has been consistently 250,000 to 300,000 despite the last quarter because of this large corporate account. But we expect this to work out fine.

What I said earlier on, especially in the retail consumer market, we've seen a pickup of the net adds in the second quarter relative to the first quarter. This is due to Next Magenta 4.0. So this is a product which has picked up very nicely in the market. So that would be my two KPIs. But I hand it over to Tim. He's probably more creative than I am in adding some additional ones.

## A - Timotheus Hottges

No, no, you are very creative. So, therefore, the first one, by the way. For me, the most important on the German business is that our customer base is very happy and we have the highest Net Promoter Score. And you know that we have a stable base. And we develop our customers into the next generation with new services and the like. Mobile, fixed line convergence, TV and other services that they are staying with us forever. It's a relation for life. And that is something what we want. We have a great customer base, and that is where even our value sits.

The second thing is, as Christian said, is the fiber deployment and, let's say, the monetization of these investments. And I can tell you one thing, if this market is only looking on contribution to margin, nobody will be able to afford the investments, which are needed to build the fiber infrastructure. And I can tell you, we are not sleeping on our tree. We do our math. We have our business case, we have our net present value. We have a clear understanding about, let's say, the cost and the cost for the deployment. And I would expect that investors in the altnets or investors at Vodafone into the densification of the network, they do the same math.

So it is our duty, it is our duty for all players that we are bringing up the value of this market. Otherwise we would all end with headaches and that is what we are trying to do by increasing the ARPA by increasing prices, that is by doing our homeworks on trying massively to reduce the deployment cost for the homes passed infrastructure. This is why we made the recommendation that we only built the last mile once than rather building it multifold, which is only creating cost.

I'm trying to optimize the value of this infrastructure, which is heavily challenged in this advice. And on top of that, we are lobbying intensively and we have great support from the Minister of Digital Services here in Germany, with regard to reducing bureaucracy, reducing the approval cost and the like that the whole ecosystem is coming into a fruitful development. I'm not happy to be very clear. I'm not happy to see the numbers of shrinking EBITDA and shrinking service revenues of Vodafone, Telefonica, 1&1 today. This is not healthy for no one.

So, therefore, we all have the duty on this one, and I see even duty on my side. And therefore, let's focus on differentiation, let's focus on quality. Let's focus on the service proposition and our brand. This is, let's say, our value play, which we are trying to play here. But I can tell you, in this environment is not an easy one at that point in time. And I understand the headaches, which some of the investors had today, I have the same one. But nevertheless, this is the duty which we have as investors.

## **A - Hannes Wittig {BIO 4033762 <GO>}**

Okay. Yeah, there was the question whether there's scope for consolidation to improve the market. And I guess probably you were not referring to mobile market consolidation here, referring to potential fixed line market consolidation. Now German fixed-line market is very fragmented. There's many small players out there that, in principle, are probably unsustainable.

But at the same time, that doesn't make consolidation or relevant consolidation easy to do. And there are some, of course, early steps towards consolidation in the industry. We are happy to explore certain forms of collaboration, mainly with focus on passive infrastructure. And we are open-minded. The German antitrust regime, however, is quite restrictive. So we would need to be creative and have some openings there. And of course, it's not our obligation or job to bail out failing over builders.

## **A - Timotheus Hottges**

But again, good question. Look, I like to add, if there is an opportunity at reasonable prices, Christian myself, we are willing to test the water in this regard to see whether the political environment is reflecting the situation of too many players in one punter and whether this is helping the economics of the whole industry. So, we are willing to test it, but there is no opportunity at that point in time.

## **A - Hannes Wittig {BIO 4033762 <GO>}**

Good. And I think my understanding. Last question for this call is from David at Bank of America. David?

**Q - David Wright {BIO 4713293 <GO>}**

Thank you so much, guys. A couple of questions, Christian. I hope you don't mind, I'm going to push you a little bit more on -- I believe it was Robert's question on the balance sheet. You have had unexpected fiscal benefits this year from the bonus tax depreciation in the U.S. and also some optimism, I think, in Germany. You have now switched to full participation in the U.S. buyback. You've committed EUR2 billion of buyback until this year-end, but nothing thereafter. And we are expecting you to probably update on your dividend alongside the Q3's. Why would you not, why would you not extend the buyback? And I also refer to a share price at EUR30 right now, which I'm sure isn't the level you guys would like to go on holiday with?

And then if you don't mind, a second question. And I'm sorry about this, German broadband and very hesitant to say this, given your recent comment, same about BT as an investment, but it does sound an awful lot like BT. We have a lot of altnets. We have increasing line loss. The altnets is focusing on connectivity instead of build and it's starting to impact the market. Now one of the remedies that DT took was to accelerate their fiber build. Now a lot of these pressures have manifested since you set your fiber target at the CMD of 2.5 million lines. What is the potential that you guys have to raise that target, build faster and slow the line loss? So the two questions. Thank you, gentlemen.

**A - Christian P. Illek {BIO 19077446 <GO>}**

Okay. So first of all, on the balance sheet. Look, we have been very transparent around the EUR500 million over the course of the three years and the peak is actually in '27. And to be honest, the answer to that is we haven't discussed it, how we're going to use the proceeds. But as I said to James, it's a structural benefit relative to our October communication. In the U.S., I can only basically repeat what Peter was indicating as a potential that they were going for faster integration of U.S. Cellular, which obviously brings in faster run rate synergies.

So they have something that had at least they can discuss, but I'm not sure whether they've taken that final discussion. On the share buyback on the prolongation, David, I think it's premature to discuss it right now. You know we have kind of a rhythm and the rhythm is Q3, where we usually talk about the dividend expectation for next year and/or let me communicate it in a very vague form a potential additional share buyback, which we haven't decided yet. But I think I would wait until we have the November call. And then you should expect an answer from us how we want to proceed with the DT share buyback going forward and the dividend.

**A - Timotheus Hottges**

I'd like (Technical Difficulty) comparison with BT. So that is hopefully waking up everybody here in my organization. So therefore -- so -- with this comment, I leave it. So I can only lose by commenting something on this one. But to be honest, look, we are thinking all parts. And we have all hands on deck on the question about how can we generate the value play here on this side.

Now there's one observation. I believe that the altnets, they are in a late blossom at that point in time because it's not about only homes connected and utilizing the infrastructure they have, they even have to grab new land, and they have to even build more. What we see and what we hear, this is not taking place because investors are not willing to invest even or double down in this business model with these guys, because they see that independent from the net adds, the economics of this market is not working.

So therefore, I'm not so afraid about the future and the way forward. I have to tackle now with my short-term challenges here and with the homes connected. But I do not see that the altnets or others are doubling down and suddenly making more. It is more than net adds. It is the economics of the whole business case, which is very challenged in this environment if the ARPUs are not going up.

The second thing is, in this environment, we won't stop. So we go for the 2.5 million. And to be honest, we do not want to increase construction costs and all of this at that point in time. It's already very complex to build 2.5 million households at that point in time. So we do not have now plans, not capacity to double down. So this is just the reality. Maybe that might be relaxed over time, but at that point, it's not possible.

The third one is, we are intensively discussing new partnerships in Germany. And I can promise you, this quarter, you will see big partnership coming. I cannot talk about that one today, but we have already handshaked on something here. So that we are not trying, let's say, to build the capacity always with our own, but to find new partners who are offering their capacities to us so that our telecom signal, as we always call it, this is, let's say, going to a bigger footprint as well. So this is helping the market as well. The utilization of the existing infrastructure. So partnerships is another model going forward. And I can tell you, I do not want to heat up the market with my customers.

So we will do everything that you know the altnets are not eating my cake. And that is why we launched the unbreaking proposition with 500 megabit per second. It might be an interim technology, but I can tell you it will be a convincing one. Most of the customers are meeting in these areas. They're telling me one thing. I'm with Telekom forever. We like Telekom very much, great service. I don't want to go away from you guys. If you have an alternative, we would always stay with you guys.

So I have to build a bridge for these customers. And the new proposition with (inaudible) is definitely an answer on this one. And that is a much more reasonable one than now in this difficult economic environment double down on the investments.

## A - Hannes Wittig {BIO 4033762 <GO>}

Okay. As I mentioned, David, I think your questions were the last one. Thank you very much. Ending on a high. Okay, so -- and that brings our conference call to an end. And we'd like to thank you as always for participating and your good questions. And should you still have further questions, we kindly ask you to contact the Investor Relations department and look forward to talk to you again soon. Goodbye.

## A - Timotheus Hottges

Thank you.

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