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EDITED TRANSCRIPT

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Bruce Flatt

Marc C. Ganzi

PRESENTATION

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Okay. Good morning, everyone. I'm sorry for the slight delay just now we had a logistical problem. Tim will join us in a few minutes. And -- but we didn't want you to wait longer. So appreciate you all being here at the early hour, and it's a joint call for the media and for the analyst and investor community. I'm here with Thorsten Langheim, our Head of Group Development; and Christian Illek, our CFO. And as I said, Tim will join us very shortly.

We will -- we have prepared a few slides which have been distributed earlier. We'll go through those slides, then we have Q&A later. And in the meantime, I would ask you to observe the usual disclaimer.

And with that, I'm happy to pass over to Christian to share the first slides with us.

Christian P. Illek - *Deutsche Telekom AG - CFO & Member of Management Board*

So thanks, Hannes, and good morning, everyone, and sorry for the early hour, but we wanted to inform you as soon as possible what we're doing with our tower business.

Today, we conclude the strategic review of the GD Towers business as we announced it at the Capital Markets Day roughly a year ago. In the meantime, we have run through a thorough and diligent evaluation process, and we're truly happy with the outcome. We're pleased to announce

that our new partnership with DigitalBridge and Brookfield will include a sale of 51% of our GD Tower business. The transaction is valued at EUR 17.5 billion enterprise value, which is a multiple of 27.

We will realize on the DT side, roughly EUR 11 billion of cash proceeds, which we will use for material deleveraging going forward. At the same time, we will retain 49% to basically participate at the upside of the deconsolidated business. We have realized these financial benefits, and we still have an exposure to a very attractive asset class.

So that said, the transaction even improves our exposure because with that new company, we have a partnership with leading infra players. We will deconsolidate the business so there is no longer a restriction from the DT balance sheet. At the same time, we have safeguarded our operating business in Germany and Austria through a best-in-class MLA, strong governance rights and a consolidation call.

So let me step back and explain to you why we're doing this and why now? We're realizing a hidden value of some of our passive infrastructure. I'm talking concrete steel and the like. We're retaining all elements we need for our network leadership. The market is attaching a high value to these infrastructure assets, and we are able to orchestrate highly competitive bidding process. We're talking -- we're taking money off the table, but we remain invested in a better way, we consolidated with [great] partners.

I'm mentioning this because it has been a very thorough and competitive process. And I was absolutely impressed by the quality of the propositions presented to us. So it wasn't an easy decision on our side. At the end, we decided to partner with 2 companies that have significant assets and great expertise in the tower industry.

Let me take the opportunity and also thank all participants, especially not only infra funds but also the industry partners here in this call.

So this is the right deal for us right now, given the priorities in the European tower consolidation. And let me go through a few slides, which kept the main elements. And I will go through them line by line so that we have also a great detail and have time for some questions later on.

The transaction encompasses DT pioneering industry-leading tower portfolio in Germany and Austria. Today's transaction translates in our -- relates to our towers in Germany and Austria, not anything beyond that. It's an industry-leading portfolio. It has industry-leading build rate and third-party business, and it delivers best-in-class margins. We moved early and decisively to create a market leader. We carved out GD Towers already in 2002, so it's almost 20 years ago. 6 years ago, we took the company to the next level with the new setup, a new management team and a significant step-up in the pace of our developments.

On the next slide, you see the deal outlined. So we're selling 51% to DigitalBridge and Brookfield. And Page 5 summarizes the overall transaction. I will go deeper into this in the following charts.

On Page 6, you see that we have achieved a premium valuation. If you take a look at the multiples, which we have seen at the Capital Markets Day. In '18 it was 12x, in '21 it was 20x, now the transaction is valued at a multiple of 27x. I think this is a great outcome. We have a great management team, a great asset and great partners to further develop the business.

So if we move into the next page, you'll see how we're basically receiving EUR 11 billion on the DT side. So as I have mentioned already, the transaction is valued at EUR 17.5 billion. We will receive cash proceeds of EUR 4 billion free recapitalization of the tower business, the new deconsolidated tower business. On top, we received close to EUR 7 billion for selling the 51% stake of our tower business. And that basically adds up to close to EUR 11 billion.

So what's going to happen on our side. We take the cash receipts. Obviously, as we're deconsolidated the business, we have to bear an incremental new lease liability of roughly EUR 4 billion. And then that leaves us with a debt reduction of EUR 6.5 billion.

So if you basically translate this into our leverage ratios, that is an improvement of 0.2 turns if you just take a look at the financial debt or if we include the lease liabilities, it's an improvement of 0.1 turns. So predominantly, we will use the debt reduction, and we will use the proceeds in

order to reduce debt, but we also keep the opportunity open to potentially invest into our stake in the U.S. and how we're going to do this, we will basically let you know once it has happened.

So now I will hand over to the guy who's basically orchestrated the deal, which is Thorsten which gives you more insight into the transaction and how we got there and how the deal looks like.

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Thank you. This is my favorite slide. We have shown that many times before, unfortunately, some of the parts doesn't really work for Deutsche Telekom, but we want to reiterate it for the analyst community. I think -- everybody knows that we care a lot about shareholder value, and we are our own activists, and that's the reason why this transaction is addressing (inaudible) of the parts issue that we are currently seeing.

You see Deutsche Telekom's market cap is EUR 96 billion. If we deduct from it 605 million shares that we have in the U.S. there's roughly EUR 15 billion equity value left for the rest of Deutsche Telekom. And you see on the side, the value for our towers that we achieved in this transaction.

On the next slide, it's not only about value. It's also about making sure that Deutsche Telekom achieves its objective of being the network leader on both sides of the Atlantic. The MLA protects us. It's a long-term partnership agreement for 30 years. The NewCo is committed to our network build and the modernization program on which we will embark. We have agreed on SLAs with our most-favored-nation [clause] for Deutsche Telekom and around 10% of our sites are golden sites, protecting our past investments vis-a-vis our competition. Of course, it's also balanced enabling the TowerCo to generate a lot of growth. We have an agreed inflation escalator, but these are 85% of CPI and capped at 3%.

On the next slide, you see the governance set up. And to be honest, we are extremely happy and proud to team up with the gold standard in infrastructure investing with Brookfield and DigitalBridge. As you can see on this page, we have a shared governance. However, obviously, reflecting that our partners are now owning 51% of the company. The current management team, which has been very successful in the last 5 years, you've seen that our tower company has built out more towers than anyone else in Europe will stay in place with Bruno Jacobfeuerborn as the CEO; and Thomas Ried as the CFO and we will have a shareholders' committee, and we as Deutsche Telekom, have a right to appoint 2 members of these 5 members and board.

Initially, we will appoint the Chairman and the governance structure ensures that we will still actively involve in board decisions.

You also see that the opening leverage is 6x, which allows us for ample capacity to go after organic but also inorganic growth.

On Page 12, you see we are now together with 2 very reputable investors. On the one hand side, we have DigitalBridge and we like their CEO, Marc Ganzi and the team a lot because they bring not only expertise about entrepreneurship back to the table. And then on the other hand, we have the gold standard in infrastructure investing was about EUR 750 billion of assets under management and EUR 140 billion adjust in the infrastructure with a lot of investments currently in the European marketplace.

And I think our new partners are as excited as we are with this transaction. And I think we do have 2 quick video messages from Bruce Flatt, the CEO of Brookfield; and Marc Ganzi, the famous CEO of DigitalBridge.

Marc C. Ganzi

Hi, everyone. I'm Marc Ganzi, Chief Executive Officer of DigitalBridge. All of us at DigitalBridge are incredibly excited to partner with Deutsche Telekom and Brookfield Asset Management today.

I'd like to spend a few moments telling you why. First, this partnership brings together unparalleled capabilities to support the growth of GD Towers. Deutsche Telekom is the leading transatlantic telecommunications company and a technological and commercial powerhouse. Brookfield is the

world's largest real asset manager. And DigitalBridge, we're the infrastructure partner to the digital economy, bringing unparalleled expertise, building, owning and operating digital infrastructure, on a global basis.

Working together, we have an unrivaled ability to take GD Towers to the next level. Second, GD Towers is already one of Europe's premier tower platforms with more than 40,000 tower and communication sites across Germany and Austria. GD benefits from high-quality assets and a proven management team with decades of European tower company experience as well as a track record of delivering consistent growth and stable cash flows. In short, we have a strong foundation to build on as we move forward.

Lastly, we're excited about the significant opportunities ahead. Demand for wireless infrastructure continues to grow across Europe. We see strong organic growth driven by this growing demand for mobile data, connectivity and coverage, along with the ongoing 5G rollouts.

Moreover, across Europe and around the world, digital infrastructure companies and TowerCos are consolidating. In this evolving landscape, GD Towers through this partnership is sure to be a platform for future consolidation.

And finally, just to share a little bit more about DigitalBridge. We're a leading global digital infrastructure investment platform with over 28 years of operational experience, investing in an operating businesses across the digital ecosystem.

On a pro forma basis, we manage a portfolio of over \$60 billion of digital infrastructure assets that includes 27 portfolio companies focused on cell towers, data centers, fiber, small cells and edge infrastructure. Most importantly, we're business builders with a track record of scaling and accelerating the growth of the attractive digital businesses that we invest in.

We look forward to applying that experience supporting the growth of GD Towers as together, we will create the leading TowerCo in Europe.

Thank you for your time today.

Bruce Flatt

Good morning and (inaudible). We're delighted to be announcing our new partnership with Deutsche Telekom and DigitalBridge. This is a truly phenomenal partnership coming together at a time when the telecom sector is poised for significant growth in the coming years. Our partnership is well positioned to capitalize on the large build-out and consolidation opportunities ahead.

Over the course of the last few months, we have come to know that Deutsche Telekom and GD Towers management teams much, much better. We're impressed by the vision and quality of both teams. We believe that GD Tower is one of the finest tower companies in Europe, and it will serve as a great platform for us to grow in the extremely attractive European tower market.

We have deep experience in the digital infrastructure and tower sector through our investments in similar assets around the world. As the largest global real asset and infrastructure investor with over 200,000 telecom towers and rooftop sites under management globally, we plan to leverage our global reach, our access to large-scale capital and our operational expertise to assist with the growth of the GD Towers platform across Europe.

We're also delighted to be deepening our presence in Germany, a country in which we are fortunate to own numerous businesses and property platforms, including the famous Potsdamer Platz in Berlin and more recently, the take-private of Austria. We look forward to investing more in Germany through GD Towers and beyond in the coming years.

Thank you for giving us the opportunity to speak today. We appreciate it.

Thorsten Langheim - *Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA*

I think we can move on from here. You've seen our partners now live on the video screen. We have searched 5 years for the right partners to further develop the company. And (inaudible), we are very excited about this opportunity, and there are many opportunities ahead.

Here on this page, we have summarized for you a few -- of course, Deutsche Telekom will always strive for network leadership. So there is a lot of work to [show up] for GD Towers in Germany and Austria alone. We have a commitment -- 5,200 towers to be bid over the next few years and we have a commitment to upgrade our 18,000 rooftops with a new modernization program for the next 5 years.

We are now also being unleashed -- if I have now the hat of our share on my head. We are also now unleashed to do more stuff with other parties in the German marketplace because we are deconsolidated. And therefore, the CapEx limitations that we had in the past are no longer applicable.

And then if you see into the portfolio of Brookfield or in the experience of Mr. Ganzi from DigitalBridge, we also want to grow into adjacencies such as small cell, DAS and edge data centers. And then there is my former coach who always said to me after the soccer game is before the next soccer game, meaning after the deal is before the next deal.

We also, as you have heard from Marc, are highly interested in further consolidating the European marketplace, and it excites us, and that's the reason why we are also starting with [only] 6x leverage.

On Page 14, we have summarized for you the key numbers. The only kind of noteworthy thing to say is here we have always guided for about EUR 700 million of EBITDA. We'll give you a little bit more details here on that because we have to adjust for stand-alone costs of the company. And before the process, we adjusted the rental fees for TDG downwards in order for them to be competitive in the mobile market alone.

On Page 15, I'd like to hand over to Tim who just comes back from the notary of what we are sitting for just 48 hours going through the documents.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board*

Yes. Good morning, everybody, and thank you for joining us.

Look, I think this transaction we are presenting today is meeting all our objectives which we had in mind. We are achieving a top valuation. I think that is clear 27x EBITDA AL multiple. And -- just to give you another number because I mean even looking at a lot of growth businesses is 17x our revenue. So it's impressive what was possible during this very competitive option here.

We are meaningful deleveraging our group. I always say it's good to be (inaudible) because there are a lot of recession concerns in the market and Deutsche Telekom is able to deleverage by EUR 10.7 billion cash proceeds, our balance sheet by almost EUR 5.9 billion, rating debt, and this is helping us to be even more conservative in the way of how we are setting up the group.

We achieved our strategic options and going forward, and we protect our position. Here, we have a very balanced MLA, which we set out over the last months. We have a strategic and financial protection in this transaction and we have good governance rights that we can even reconsolidate the company in the case of an unforeseen development. And last but not least, Deutsche Telekom retains 49% exposure of the joint tower deal. And you have seen us with Tele2 in the Netherlands, with Scout, you have seen us with MetroPCS. We never want to sell -- we always want to participate in perspectives going forward. And we always want to create something entrepreneurial. And therefore, we are still in the race sitting with very strong partners at the table ready to generate more growth. So we are very happy with what we achieved from the valuation from the strategic objectives from the protection of Deutsche Telekom and the future prospects.

Now this is helping us as well to execute our Capital Markets' agenda. And I have to say, I'm very impressed about my team here around Thorsten and Christian, who were able to deliver the portfolio decisions already in one year, while we had 4 years in mind to realize all these things. So we were very active over the last 12 months.

Just to give you a picture here. We started in September with the U.S. swap shares with SoftBank. This was a share issuance at a premium for EUR 4.5 billion DT shares we had at the sale of Netherlands at a very attractive premium of almost 9x EBITDA. We accomplished the GlasfaserPlus fiber joint venture to build EUR 4 million additional rural fiber deployments in the rural areas. We had EUR 2.2 billion reinvest of T-Mobile Netherlands proceeds to increase our shareholding in the U.S. And now we are showing you the monetization and the strategic development for our tower asset at a valuation of EUR 17.5 billion.

So all of this shows you that we have been very active and the last slide, you know already, this is the slide which we presented at our Capital Markets Day last year. And you can see we are ticking the boxes operationally and in terms of our capital allocation.

I think we can say Deutsche Telekom in this, let's say, difficult and even sometimes great times delivers very well on its promises again and again. And I have to finalize my presentation by saying that this has been a very intensive and very competitive process. And I was impressed by the quality of the proposition presented to us.

So it was not an easy decision for us to select the right partner. In the end, we decided to partner with 2 companies that have significant assets and great expertise in the tower industry.

But let me take the opportunity to thank those who engaged with us during this process especially Nick Read at Vodafone and Tobias at Cellnex. You know me, I have always championed an industry solution. And I was always trying to go into a partnership with them. And we have now selected different priorities, but I have to say, I was very impressed about their assets, about the [professionalization] of their work in the process and as well about the opportunities, creating something bigger with them. Nevertheless, due to the decisions we took, we decided to proceed with DigitalBridge and Brookfield but I'd like to say thank you for their efforts and for their very professional work.

With this, I'd like to hand over back to Hannes and we are ready for your questions.

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. Thank you, Tim, and we can take questions from you if you are on the web link and once you've raised your hands, and we have a few that have done so already. And so we would like to take the first question from Simon -- Simon Coles at Barclays.

Okay. We can't hear you. Simon Coles? Okay, Simon Coles (inaudible)

Simon Alexander Arulraj Coles - Barclays Bank PLC, Research Division - Research Analyst

Hello. Can you hear me now?

Hannes Wittig - Deutsche Telekom AG - Head of IR

Yes, here we go.

Simon Alexander Arulraj Coles - Barclays Bank PLC, Research Division - Research Analyst

I couldn't unmute myself. I guess just to your last comments. Tim, I was just wondering if you could give maybe a little bit more color why you did end up going with these partners rather than the industrial partners? What they often (inaudible) from the outside?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Simon, that is -- it's a difficult question, but it has something to do with the length of a potential antitrust investigation with Capital Markets where you see that since the beginning of the year, multiples have come down significantly. I always said that I'm a big believer in private markets vis-a-vis public markets if it comes to infrastructure. And from that perspective, it wasn't the right time, but we don't discard this as an opportunity going forward. Now given the market environment with high inflation, interest rates raising and some fears of a recession, we thought that this is the better way to go.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Excellent. Thank you [Thorsten].

Simon Alexander Arulraj Coles - Barclays Bank PLC, Research Division - Research Analyst

Can I just have a quick follow-up? Just -- could you just guide us on what the free cash flow after lease impact is ex the U.S?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board

Yes. So the free cash flow impact -- or Christian, you want (inaudible) there's no problem.

Christian P. Illek - Deutsche Telekom AG - CFO & Member of Management Board

Yes. It's hardly not measurable. The reason is we're deconsolidating quite a bit of EBITDA, but we're also saving CapEx. We will use, obviously, some of the proceeds to further delever. So we will save interest costs and finally, we will receive a dividend from that deconsolidated business starting from 2023 onwards. So it's in the vicinity of EUR 100 million to EUR 200 million, not more than that.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Next up is Josh Mills at Exane. Josh, are you on?

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

Yes. Hopefully, I'm unmuted now. The first one is a follow-up on Simon's. So just be interesting to hear about, based on your comments now, how you're thinking about your other tower assets in Eastern Europe and potential to do more there going forward and whether that would also be something where you could do work with an industrial partner? And then secondly...

Unidentified Company Representative

[the cost].

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

Secondly, on the used proceeds, you've talked about deleveraging and accelerating the path to 50% ownership of [TMS]. And I think at the time of the SoftBank swap, you also discussed the potential to buy back DT owned shares as well. So would be interested to think or hear your thoughts about a DT buyback at group level as well and whether there's potential for that in the coming years.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board

Look, the first question, we are in the process of carving out the towers in our European assets. And as you can imagine, for us this is not only a kind of one time financial opportunities, for us it's a strategic discussion about the tower assets. So therefore, as Thorsten said, with all his football experience after the game is before the game.

Christian P. Illek - Deutsche Telekom AG - CFO & Member of Management Board

Look, with regard to how we want to use the proceeds, as we said early on, predominantly for deleveraging, so from day 1 on -- it's basically being used for deleveraging. And you know that we have 3 strategic targets which we regulated at the Capital Markets Day. One of it is getting to 50.1% in the U.S. and obviously, if there is a good timing, good opportunity, then we will basically take advantage out of these cash proceeds potentially in the future to secure that 50.1%.

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

And I think it's also fair to say that we still have significant options at different price levels with SoftBank. So if we desire to get more shares in the U.S., we could obviously utilize those. But first and foremost, we like that we now have strategic flexibility to utilize the proceeds whenever we think it is appropriate to use that.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Next question -- Josh, that's good for you?

Okay. Next is Andrew Lee at Goldman Sachs, please.

Andrew J. Lee - Goldman Sachs Group, Inc., Research Division - Equity Analyst

I had another follow-up on the financial versus strategic partners. So obviously, you were clear in your commentary that you'd like to expand into adjacent areas. I was just wondering about how you balance the cost of capital and required returns between public markets, private markets, as you mentioned, Thorsten. So we've heard a lot from private investors that they seek a 7% to 8% levered IRR on tower assets, whereas public markets and new Cellnex, for example, have talked about a greater than 10% levered IRR and that reflects cost of capital, amongst other things.

So how do you guidance your cost of capital and your required return when expanding this business versus a financial partner to me at different goals and cost of capital?

And then just second question, if I may, just on the reconsolidation call. What was the thinking behind that given deconsolidation allows gearing and is a key value accretive element? Why put the reconsolidation call into your -- into this contract?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Andrew, a good question. First of all, we have selected our partners because we have selected our partners because they are not passive infrastructure investors shooting for 6%, 7% [yields]. We are not shooting for 6%, 7% yields as GD Towers, and we wanted to have partners who have the same vision of generating better returns. That's the reason why we selected DigitalBridge and Brookfield. So much to question number one.

Question number two, the reconsolidation option is something, as Tim has said, for the unforeseen. After 5 years, we could if we think it's appropriate at a significant premium, acquire shares to get back to 50.1%. I don't think that this is ever going to happen, but it's a good insurance policy. If, for some reason, things go wrong, and we are not ensuring the network authority and leadership of TDG in Germany.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Next is as Georgios Ierodionou from Citi. Can we get George?

Georgios Ierodionou - Citigroup Inc., Research Division - Director

I have 2 questions around just strategic options. I think both Marc and Thorsten mentioned future opportunities to consolidate the tower industry in Europe. I just wanted perhaps to hear from you your thoughts about in market consolidation versus cross-border and how you're thinking about your priorities on that over time?

And then the second question I had is, you mentioned the ability -- I understand the strategic side, but operationally, that the business can grow better if you don't consolidate it. You're already very advanced in terms of build-to-suit. So what's the thing that was necessary for you to deconsolidate in order to fully utilize. Is it ground lease acquisitions, more aggressive ground lease acquisitions? Is it something else that you needed to deploy more capital?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Look, the first thing is we were looking for a strategic transaction, which were giving us the opportunity not only to generate a very good future tower growth asset, but as well creating some kind of synergies in the market. I think the European tower markets at the beginning of a consolidation phase. And for us, it was not being just somebody who is enabling consolidation, but being part of that consolidation and to participate in that growth.

Due to the discussion we had earlier by saying, "Okay, let's take the money off the table. Don't let now -- go 12 or 15 months down the road and then hopefully, the market is still in the same shape." We thought the better deal is first taking the money off the table, having a potent partner sitting on our side and then thinking about a consolidation phase. I think -- and that is -- I cannot only -- I can only speak for us. But with DigitalBridge and Brookfield, we have somebody sitting there who has a lot of appetite to be part of that consolidation process in the European industry.

Now there are different options. I very much like to be very clear here, how Vantage is working, how professional Vantage is set up and the benefits of a consolidation in the German markets are just thinking about the synergies and the like.

So look, I do not know whether this is possible or whether this is coming. Now we have to celebrate the first big step, which we did. But we are even stronger now to participate in the consolidation than we were before. And then there is one reason for that one. Deutsche Telekom has created a lot of, let's say, great business opportunities. Our big focus is and stays the leading network in 5G and fiber. But nevertheless, we see that a tower business is a quite attractive business.

That said, a build-to-suit model, and I was always clear on the road shows, a build-to-suit model, is coming with a different capital allocation as our classical telco business. Now if we are leveraging up a tower company in our portfolio, it will affect the rating of Deutsche Telekom. And by the way, I'm arguing with the rating agencies for ages on this one, but this is the reality.

If we really want to build a growing asset, which is able to consolidate you have to do that with a leverage, which is not fitting to Deutsche Telekom's leverage. And therefore, having a deconsolidated asset, where we are sitting in a kind of [co-control] at the table and thinking about opportunities going forward. This is feasible and that is doable, and that is exactly our attempt with this new combination.

Hannes Wittig - Deutsche Telekom AG - Head of IR

(inaudible)

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

George, to your question with respect to unleashing the balance sheet that was limited. Yes, there are many opportunities on the organic side, even even before we start higher risk, higher return M&A opportunities, there is tons of opportunities in the German marketplace. If it comes to BTS not only with us but also with other parties in the marketplace. You may have heard that Vantage, Vodafone wants to resell 1,200 sites out of the build program.

And then second, if you just look what Marc with DigitalBridge brings to the table in terms of their investments into DAS, small cells or on edge data centers, this is something he brings in addition to his 28 years of experience in the industry to the table.

So there is a wonderful organic opportunity in the German marketplace alone that makes this transaction for both sides very attractive.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. Next, we have a question from (inaudible) from Bloomberg. (inaudible), can you put the (inaudible)

Unidentified Analyst

I wanted to go back to the conversation around Vodafone and Cellnex. When you explained it earlier, you said that it has something to do with antitrust, why that wasn't able to go ahead? Would you be able to elaborate on that?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Look, if going into a merger with the Vantage business here in Germany, Vodafone and us, we are holding the 2 biggest assets with regard to the tower portfolio. And the question would have been, is there a kind of market dominance or a kind of combination at a size which is limiting competition in this market. We doubt that. By the way, we have a very optimistic view on the situation, looking on the (inaudible) situation in Italy and other markets how the decision we're taking there. But nevertheless, there is a procedure in Germany and in Europe with regard to this kind of combination.

This process would have taken at least 12 to 15 months with a Phase 2 investigation. And therefore, we said, look, we do not know how the world looks in 15 months down the road from now. We were very optimistic that this combination is possible. Why were we optimistic? Because today, everybody can access our towers already in the marketplace out there. We have an open access. It's not that we are limiting any kind of other network from the access to these towers. But nevertheless, you have to go through this phase. That was something where we hesitated at that point in time.

Unidentified Analyst

And so that's the case for Cellnex and Vodafone?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

No. With Cellnex we would not have a significant antitrust issues.

Unidentified Analyst

Okay.

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA
Because we have no overlap in the German market.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. Thank you, guys. So next question is from Steve Malcolm at Redburn. Steve? Yes, I can see you, but you might see...

Stephen Paul Malcolm - Redburn (Europe) Limited, Research Division - Research Analyst

I think I'm there. Well done guys on getting this deal done. A couple of questions. Just on the indexation point. Just can you tell me how long that lasts? Is that under the sort of MLA terms of that 7 or 8 years and subject to renegotiation at the end of the MLA on indexation?

And then just on the debt, have you agreed to the debt facility already? And can you give us sort of a rough idea of what the terms are? And I guess, through this process have you -- has your thinking on leverage changed at all? I mean, obviously, given the world's got quite a bit worse in the last few months. I mean, is 6x. Was that always the number? Is it still the number? Did you ever think that a lower leverage number was appropriate? Just curious to know your thoughts on that.

One final one, just on, so you have a right to reconsolidate. Are there any put options by DigitalBridge and Brookfield to put the stake back? I presume not (inaudible) consolidating, but I'd be curious to know whether they're able to put the stake back to you.

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

First of all, there is no put, there is a reconsolidation option after 5 years. Second one, in terms of debt financing, it's extremely competitive. Of course, we have seen other debt packages in the marketplace. But that's a question that our partners should answer.

What were the other ones, Hannes?

Hannes Wittig - Deutsche Telekom AG - Head of IR

Inflation -- how long the inflation...

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

During the duration of the MLA, so for 30 years, no renegotiation and...

Unidentified Company Representative

I think that was it. 30 years of inflation...

Unidentified Participant

And maybe just to add that we had a (inaudible) review and got positive signal that we are close to investment rate at the ...

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

Question about whether 6 is appropriate or not? 6 is for this type of business, is quite low if you compare it, for example, where Cellnex is today, but it gives us opportunities going forward. And that's the reason why we're focusing on starting with a lower leverage in this sector to give the company ability to grow.

Beyond that, there are CapEx facilities provided by the bank to the NewCo. So this company being set up has a lot of firepower for organic, but even for inorganic consolidation.

Stephen Paul Malcolm - Redburn (Europe) Limited, Research Division - Research Analyst

Okay. And the debt facility is in place already? Or is it still to be negotiated?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

No, it's in place at closing.

Hannes Wittig - Deutsche Telekom AG - Head of IR

And closing will be by the end of the year. Just to add that little fact. And then our expectation.

The next question we have is from David Wright at Bank of America, please.

David Antony Wright - BofA Securities, Research Division - Head of Developed EMEA European Telecoms Equity Research and Director

Okay. I'm hoping I'm unmuted guys and apologies for the -- Thank you so much, Hannes. And apologies for the lack of video, perhaps not, this time of the morning.

So 2 questions from me, please. You mentioned, Tim, the flexibility of the off-balance sheet debt. And Hannes you, I think mentioned you'd spoken to the agencies. They are indicating to us that on core assets like this, they could actually look through the off-balance sheet venture and take a proportionate approach to both EBITDA and net debt. So I just wanted to confirm whether that's the conversation you've had with them because that's obviously compromises the off-balance sheet structure to some extent?

And then my second question, I think you mentioned Deutsche, the sum of parts doesn't work for Deutsche Telekom in the presentation. And that's very interesting, but you have perhaps become one of the biggest victims of the sum of parts challenge given your ownership of T-Mobile U.S. that implies an undervalued German business. And the more you take assets off balance sheet, the more you introduce complexity, the more that seems to bring discounts into the sum of parts. So maybe this question is for Tim. But how do you consider this challenge, this sum of parts discount that Deutsche Telekom Group seems to carry and perhaps adding to that with these off-balance sheet transactions, how can you consider the challenge of really unlocking that value for shareholders? And I say this with great respect that Deutsche has been a long-term outperformer but nevertheless, that question, please?

Unidentified Company Representative

Let me start with that question. So what you've seen, the 6.5 is basically the rating [debt's] reduction if there's no adjustment. Obviously, if the rating agencies and we haven't discussed the deal with them yet, would adjust for the rating debt, which is roughly EUR 200 million of EBITDA, then the net effect would be 5.8.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board

Look, the first thing -- thank you for that question. And you can imagine that we are asking the question here internally every day. First, I have to say, -- the most important thing for us here is that our operations and our organic growth is intact. And that everything, every market, every business is contributing to this growth. And we are outperforming our competition on growth in revenues and as well on our profitability on net margin in all the markets where we operate in.

Now we are very optimistic with regard to our earnings per share growth beyond the 175 which we see, and this is our Horizon 3. We are aiming for a bigger goal, and that is, let's say, we're doing that step by step by step by step, executing along that line. This is an execution machine.

Second, on this way on the execution machine, portfolio decisions always try to unleash value in the Deutsche Telekom portfolio here. Give you an example. Since we started with 2016 with the U.S., we have created only our piece, an additional value of more than \$60 billion. Take the monetization of the Netherlands. We improved the asset before, we sold it by EUR 3.5 billion since 2016. Take the share swap, which we did in the U.S. We had an effective sales price, which was EUR 2 billion higher than what we finally paid or take now the towers where we showed you the sum of the parts and the consensus in 2018, which was at EUR 6.1 billion and which has increased by EUR 11.4 billion.

So only these four transactions stand for EUR 75 billion of accretion, which we have made visible to the market. So organic growth, a very clear ambition towards earnings per share plus portfolio decisions is the value that we are doing step-by-step creating transparency for our market.

Now I think Deutsche Telekom is undervalued. That's absolutely correct. But I'm totally convinced that we will see this in the market over the next years by just delivering. And if I compare Deutsche Telekom stock with the stocks of other European telco assets or even with the U.S. assets, you see that we have unleashed already a lot of value. And that is why I believe that we're doing the right things, and then you cannot prohibit success.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Sorry. You wanted to follow up, David? Or is that okay?

David Antony Wright - BofA Securities, Research Division - Head of Developed EMEA European Telecoms Equity Research and Director

Just to say thank you for the questions.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Great. Right. And I look forward to seeing you next time.

The quick point. We have a few more folks who want to ask questions, but obviously, we are approaching the hour. So maybe can we just have one question from remaining folks that I will call and start with Ulrich, Ulrich Rathe, Jefferies.

Ulrich Rathe - Jefferies LLC, Research Division - Senior European Telecommunications Analyst

I wanted to ask on this -- on the deal partner, the choice of the deal partner head, Tim, I think last year at the Capital Markets Day, you sort of highlighted, this is the kingmaker asset. Now with the deal that you're doing, you're essentially giving 50% of the kingmaker asset to someone who arguably doesn't really have an industrial synergy opportunity. So how do you view that? Have you realized the potential synergy upside in the valuation that you agreed on? Or is it simply the imminent value creation opportunities outside of in-market consolidation so imminent that it wouldn't have been possible with the asset still consolidating on the balance sheet.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board

Maybe first sentence, I think we have created an imminent valuation upside on our assets already today. If you compare the size of the deal and the multiple of the deal, I think this is a benchmark. And this is a time where since the beginning of the year, our interest rates went up by 140 basis points thinking about the developments around inflation, thinking about even comparing our asset with the multiples of traded tower TowerCos in the market, which are in the vicinity of 20x, you see that we were able to realize a super premium for a super large asset here. And so therefore, I'm very happy what we have realized commercially.

But I have to say the discussion we had with Marc Ganzi, for instance, with his experience and his entrepreneurial approach -- this was something which was very impressive and it treated ourselves. Why is that? Because if you give this asset into new hands, you want to have somebody sitting there who has experience, who brings knowledge and he's challenging the management to step up and to transform the business into the next phase. And we got the feeling that the combination of Brookfield with DigitalBridge is by far the best combination of giving us this inspiration.

And by the way, I disagree if you look to the Brookfield portfolio, with Telia towers, with Telenet towers, with TDF's assets, they have a lot of experience in this group [towards the] European assets. And if you look to what Marc Ganzi has done in the U.S. and by the way, we know this company from our relationship, which we have with [T-Mos]. Therefore, I think they're bringing a lot of, let's say, operational experience to the table, which will help us now to even accelerate the development, which we have created in the first phase.

So therefore, I think this combination gives us a lot of opportunities and topup that -- look, these guys have deep pockets for next steps. So I think that was the reason why we choose this combination, and we are very excited about this partnership.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Great. And thanks, Tim. Next is Jakob Bluestone at Credit Suisse. Jakob?

So sorry, I can't hear you. So maybe you...

Jakob Bluestone - Crédit Suisse AG, Research Division - Research Analyst

Can hear me now?

Hannes Wittig - Deutsche Telekom AG - Head of IR

Now we can hear you. Fantastic.

Jakob Bluestone - Crédit Suisse AG, Research Division - Research Analyst

Sorry.

Unidentified Participant

No, not much.

Jakob Bluestone - *Crédit Suisse AG, Research Division - Research Analyst*

I just had a question about the steps you're taking to protect your network position. Maybe if you can expand a little bit on how the golden sites contracts work? Is it just you pay a higher fee and no one else can access them? And also, I think you mentioned that you lowered the rental fees that you're charging, presumably that will make it easier to sign an agreement with one-on-one. So how do you sort of avoid enabling one-on-one as a new network and as a competitor (inaudible) the transaction?

Thorsten Langheim - *Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA*

All right. So let's start with the competition in this marketplace. We have been open for business as a TowerCo. We are not excluding any tenant to join our network before and after the deal. So nothing has changed.

Second, network differentiation is, first and foremost, driven by spectrum, by the network architecture and by the antennas that you put on our real estate. And we are now partnering around real estate. That's what we are doing. And what was the second question, Hannes? Please remind me.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

No, I think that -- how we have protected our network leadership?

Thorsten Langheim - *Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA*

All right. In terms of -- obvious this was a lengthy discussion that we had over 5 years. Obviously, we learned a lot vis-a-vis TDG with Srinu Gopalan. And there are many different lessons learned over the time.

First and foremost, we have a common goal, which is the TowerCo wants to earn fees. And TDG wants to have network leadership. That's the reason why we have prioritized the build-to-suit program of TDG. There's 5,200 tower build-to-suit commitment that TDG has given to the TowerCo and vice versa. There is a network modernization program for the antennas on the rooftops that we are prioritizing and we have a commitment vice versa.

So these are the things that are in place. We have renegotiated the SLRs. It was the most favorite (inaudible) to make sure that they get the best possible service. And then the most important thing is our new partners and owners of 51% have spent significant time with their key customer in order to ensure him, Mr. Gopalan, he will be a happy camper in the next few years and confirm their commitment to work on TDG's network leadership.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

Great. Thanks. We have a question from Akhil Dattani of JPMorgan. Akhil, can't hear you. Okay. So maybe I can see you, okay, but you are on mute.

Unidentified Company Representative

Looks like everyone is locked.

Hannes Wittig - Deutsche Telekom AG - Head of IR

All right. Maybe we try Adam Fox-Rumley at HSBC. Adam, can you try? Okay.

Adam M. Fox-Rumley - HSBC, Research Division - Analyst of Global Telecoms, Media and Technology Research

Yes. Hello, everyone. A very quick clarification, please. You've mentioned the reconsolidation option, but is the 49% ownership level a floor from your side?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

What you mean a floor from those?

Adam M. Fox-Rumley - HSBC, Research Division - Analyst of Global Telecoms, Media and Technology Research

Do you have any intention of selling your stake down further?

Thorsten Langheim - Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA

No, we don't. Actually, and I was listening to where they started question regarding kingmaker asset, which Tim answered. No, we are still believing that we have the kingmaker asset in European consolidation and therefore, we want to keep a very high stake in this company. So there's no intention to sell further shares in the company.

And as we said before, after the game is before the game. And in terms of the point that Illek was trying to convey that we don't have the kingmaker asset anymore. We have it and you have to see that the market has changed significantly since the beginning of the year, with (inaudible) compressing and a lot of people writing about the company that we consider the gold standard for European TowerCos and Cellnex that they shouldn't do an acquisition of our towers because they are only trading at 21 or 22x EBITDA.

So there will be better times after the recession, let's put it this way. And we are eagerly awaiting those. And on the other hand, we have now taken EUR 10.7 billion from the table that gives us a lot of optionality around deleveraging and other opportunities that we may have.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. Thanks, Adam. And last question from Emmet at -- Emmet Kelly at Morgan Stanley, please.

Emmet Bryan Kelly - Morgan Stanley, Research Division - Head of European Telecoms Research

Good morning everybody, and thank you for taking my question. Hope you guys can see me on the video.

Unidentified Participant

We could.

Emmet Bryan Kelly - *Morgan Stanley, Research Division - Head of European Telecoms Research*

Superb. Very good. So my question, please, is on the network itself and the grid, specifically on the network modernization of the 18,000 rooftops. Thorsten, can you maybe just say a few words that when you say modernize those rooftops, would you be able to convert those rooftops from single tenant up to multi-tenant rooftops? Is that feasible? Is that something that you can do?

And then can you maybe talk a little bit about the adjacent technologies, specifically on fiber. Just say maybe a few words about how many of the sites are connected with [FTTA]. Is there a scope to increase the device penetration on those sites?

And then lastly, on DAS. Obviously, this is a technology that's worked quite well for Cellnex in Italy. Is this something you see taking off in Germany over the medium term?

Thorsten Langheim - *Deutsche Telekom AG - Member of Management Board & Executive VP of Group Corporate Development and USA*

Emmet, you are asking a very sensitive question that I cannot answer and I don't want to answer on our network modernization. Of course, we will spend a lot of time on it. And DT is a smart company, especially the German part run by Srimi, So I need to protect that.

Of course, we have now our hands full on our 18,000 rooftops there may be only a few that you can co-locate in the future. That's quite clear. Keep in mind, EMF budgets and things like that but that doesn't preclude us to put another small tower on the other edge of the rooftop if we want to.

And so from that perspective, this is one of the things where we clearly protect Deutsche Telekom, but it's also a good revenue opportunity for the TowerCo so much through that.

In terms of DAS, if you see the investments that DigitalBridge has done in this space and what they are doing in the U.K. and in the U.S., this is certainly a good role model for us. You mentioned Cellnex who was focusing on that, especially in Italy after their acquisition in 2017 and I always say that how much we admire the Cellnex team around to be as Martin H. There's a lot of things that we can learn from them and Mark is bringing something to the table in that respect where we want to develop capabilities.

But I mean, let me stress one point. The lowest risk and highest return opportunity that we have in this company is our main customer in Germany in our core business, which is [BTS] and keep in mind that we are the ones who are building out 1,300 to 1,500 sites per annum and nobody can currently match that. So that is a great opportunity for us, given the network densification and the license obligations that all the MNOs have in Germany.

And then on top of it, network modernization, that is a great organic opportunity for us that we will focus on with 100%.

Hannes Wittig - *Deutsche Telekom AG - Head of IR*

And as [back haul] just to be clear, is a matter of what Telekom Deutschland, and it's about 3/4 of all sites that are [back hauled] with fiber.

So thanks very much to everyone. Thanks to Tim, Thorsten and Christian for participating in this call and everyone who has joined us in this call at this early hour. And wish you a good day all together and a good summer, and we'll hear you again, hopefully, when we present our second quarter results on the 11th of August. Okay.

Unidentified Company Representative

Thank you. Bye-bye you guys.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Thank you very much.

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