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PRESENTATION

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

Good afternoon, and welcome to Deutsche Telekom's Second Quarter 2023 Conference Call. As you can see, with me today are our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will first go through a few highlights of the year-to-date, followed by Christian, who will talk about the quarterly performance and the 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 find in the presentation. And please also note that this conference will be recorded and uploaded to the Internet.

With that, it's my pleasure to hand over to Tim.

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

Welcome, everybody. Thank you, Hannes, and welcome to our second quarter 2023 call.

Maybe my highlights of today, it's strong customer growth, a solid year, and don't worry too much about the circumstance in our industries. Our flywheel remains quite successful. We continue to deliver constant, consistent growth as we have promised, and let me highlight that here on that slide.

We saw in the U.S. the highest second quarter postpaid phone net adds in 8 years, and we were able to raise our outlook again. In Germany, we had record customer growth. We added 600,000 branded postpaid phone customers in the first half alone that shows the strong reception of our new tariffs. And we have undisputed network leadership on both sides of the Atlantic, which is very encouraging, as well from our external sources. We are now passing 15 million European homes with fiber, of which 6.2 million are in Germany, and we keep the pace on building infrastructure. We agreed on important blueprint for deploying fiber with our partner, GdW, the umbrella organization for most German housing associations, and now we have a new entry to this field as well. And our adjusted core EBITDA AL grew 6% organically, while our service revenues grew 3%. So far, this year's everything ahead of our capital market guidance targets, which we have laid out.

We understand investors' concerns about the recent developments in the German mobile wholesale market, and we will probably discuss that later on. But please remember the German market has had various ups and downs in recent years, and we are just posting the 27th quarter of EBITDA AL growth in this market. Based on our good year-to-date results, we are raising our guidance slightly once and more, and this time, on both sides of the Atlantic. I will go through the details later on.

Our TMUS stake now exceeds 51%, and we were well on track also for our capital allocation targets. Our net debt is down by EUR 9 billion in the last 12 months, and after the rating upgrade from Standard & Poor's, our credit rating from all 3 major agency is now in the middle of our comfort zone.

As usual, I will go through some year-to-date highlights before Christian will dive into the quarter in greater detail.

On Page 5, you see that our growth continued in the second quarter. All segments, all segments contributed to this growth. Organic group service revenue grew by 2.9%. Ex U.S., we grew by 2.4%. Organic core EBITDA AL ex handsets leases is increasing as well, with 5.8% in the first half. This represents a sequential acceleration from 4.4% in the first quarter to 7.1% in the second quarter. Ex U.S. EBITDA AL grew at 1.1%. This was impacted by different cost phasing in GHS compared to last year. This will largely reverse in the second half year when we expect an acceleration.

Germany has now delivered 27 consecutive quarters of organic EBITDA AL growth. The European segment, 22 quarters. The foundation of our growth remains our network leadership. We now pass almost 15 million European homes with FTTH, 3.4 million households more than 1 year ago. We passed 6.2 million German homes with FTTH. Our ultra capacity 5G network now reaches 285 million U.S. POPs. This remains a long way ahead of the others and within striking distance of our 300 million target for the year-end. Very proud we are about customer growth. Our customer growth continues. As you can see on the following page, all markets are going full steam, and we won't stop.

Moving on to ESG. At our AGM in April, we had sharpened our climate ambitions. And I'm happy to say, despite the strong growth in data usage, we reduced our energy consumption on both sides of the Atlantic so far this year by minus 8%.

Next, let's move to our guidance for 2023. A couple of weeks ago, T-Mobile U.S. edged up its guidance for customers and EBITDA AL. Today, we also increased our ex U.S. EBITDA AL guidance by EUR 100 million to EUR 14 billion. We continue to expect 7% core adjusted EBITDA AL growth and over 40% in free cash flow growth at group level. Note that our guidance remain based on a U.S. dollar exchange rate of EUR 0.015 and continues to exclude any contribution from GD Towers.

Please refer to the appendix for a like-for-like comparison of our guidance with the latest consensus. And with it, I already hand over to Christian for a deeper dive into the quarter.

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

Thank you, Tim, and hello also from my side.

And let me start with T-Mobile U.S., our largest operation. According to U.S. GAAP, the core EBITDA has grown by almost 11% on a year-on-year basis. And what you can see in the numbers is that the drag from the planned reduction of handset leases really come into an end, and that we also had a bigger U.S. GAAP IFRS bridge in the second quarter that accounted for EUR 260 million. But we're persuaded and confident that the full year impact will be around EUR 800 million to EUR 850 million.

The revenues on our top line declined due to the lower equipment revenues. I think this is, A, due to handset revenues, but also the replacement cycles in the U.S. are becoming longer and longer, and that impacts the revenue equipment business. But the more important KPIs, obviously service revenue, which came in 2.8% higher than the year before. And if you break it down into the categories, the Postpaid Service revenues, they grew by 5.5%, Prepaid was flat and Wholesale was declining by roughly EUR 200 million. Also, if you adjust for the exit of the wireline business during this quarter, the service revenue would have been 3.3%.

What's really supporting our growth is that our differentiated growth factors, the 3 which I will mention, continue to perform really strongly. So the small markets, rural areas, we are having now a market share of about 16.5% and see a continuously share gain. The share of switchers is in the upper range of the 30% range, so this is really a performing business. And you heard Mike who said that we would stop at 20%; I continue to believe that we will increase our share beyond the 20%.

Same was true for B2B. B2B, obviously, is a continuous growth business. And we also saw in high-speed Internet, a very strong net add addition of another 0.5 million customers. So in total, our base is now 3.7 million subs or an increase of 2.1 million on a year-on-year basis.

What you also have seen in the second quarter is the 760,000 postpaid phone net adds, which is the best second quarter in 8 years. And that led, obviously, to the customer guidance upgrade in the U.S. once more by 250,000. So T-Mobile expects now 5.6 million to 5.9 million postpaid net adds, of which roughly half is coming from phones.

Moving over to Germany. Tim said it already, 27 quarters of consecutive EBITDA growth, so it's another quarter to go that we basically get to 7 years in a row. The organic EBITDA was again up by 3%. The organic revenue growth was only 1.1%. This is also an impact coming from lower equipment revenues. The overall service revenue increased by 1.6% this quarter, and Mobile was performing slightly better and accelerate to 2.1%. By the way, we expect this for the upcoming quarters, and if you reflect on the Q2 numbers, you see there was a drag coming from Lebara and MTR cuts. But on the other hand, we had visitor revenues and roaming as a tailwind. So if you adjust for all these 4 factors, the underlying growth is close to 3%.

Fixed revenues came in a bit slower, and I will explain this to you in a minute. So obviously, our fixed revenue growth is driven by very strong retail revenues and thus, in turn, by broadband revenues. But if you compare the growth of the Q2 number relative to the previous quarters, you see that there was a decline from 4.7% to 4.0%. And this sequential slowdown has nothing to do with the broadband customer growth nor with our speed monetization, which I will get into later on. It is driven basically by the adoption of principal agent reporting starting in Q2 2022, and that has a negative impact compared to the Q2 number. And if you compare Q2 this year versus Q2 last year where we didn't have that agent reporting, but still principal and that drags down your broadband revenues.

I think what you've seen also is that the one-off, which we have seen in the first quarter in Wholesale, is now gone. And you see a slight increase of revenues, and we're confident that we're going to provide you with a stable revenue figure by the end of the year.

Our Broadband retail customer base is performing really strong. You see the 67,000 net adds in the German market as well, 6,000 TV net adds. We assume that our net adds share is well above the intended 40% target, which we're having. What you also see is the constant and almost linear growth in upselling higher bandwidth. Now, 43% of all our broadband customers have speeds of at least 100 megabits. And also, we increased our FTTH customer number by 64,000 to 833,000, and we have also basically in the backlog 650,000 premarketed customers, where we don't have the technique solution ready yet. So that leads us to the assumption that the FTTH growth will accelerate in the upcoming quarters.

On Mobile, you see the customer intake is really strong with almost 320,000. The churn has come down significantly. This is a normalization post the TKG effect. And also, you see a significant increase of data consumption, which is obviously also driven by our rollout of the 5G network.

Gets us to the next segment, which is Europe. And to be honest, Europe is performing better than we anticipated it to be in the beginning of the year. The reported revenue was growing by 6% and the organic revenue by 5%. Interestingly enough, the local currencies like zloty and forint and Czech koruna performed stronger relative to the euro, and that actually explains the difference.

Despite that we had to manage meaningful inflationary headwinds and you know them, it's salary cost, it's also energy cost, the segment was able to deliver a 2.6% growth on a year-on-year basis. And that is very much also driven by the very solid customer numbers, which you can see on Page #19.

Moving to T-Systems. So the organic revenue of T-Systems grew by 4.8% and the EBITDA by 2%, so we're well on track meeting our full year guidance. And the organic number is important because we have moved MMS from T-Systems into Germany. Therefore, you see that the reported and the organic number are different from another. What we're also seeing is a decline on the order entry, and this is mainly to be explained by phasing or slipped deals.

So that gets me to my overview on the financials, on the group financials on Page 21. So you see that the overall P&L is obviously impacted by the Tower transaction, which we have closed in February 1. You see that the headline revenue growth is being impacted by the lower equipment revenues from handsets, and that's very much driven by the U.S. The headline EBITDA is obviously impacted by the unwind of the handset leases, but this will come to an end by the end of this year. And our CapEx, to be honest, is a bit front loaded in the first half. So despite the fact that CapEx has come down, it's still relatively -- we consumed relatively more CapEx than we anticipated it to be in the beginning of the year, but this will phase out in the second half of the year. And the trial transaction, I think that's worth mentioning, obviously, has a massive impact on the net impact -- net profit, which now is at EUR 17 billion and also helps us a lot on deleveraging.

It gets me to the free cash flow. The free cash flow grew at 28% this quarter, but we expect that on a year-on-year basis by the end of the year, it will be north of 40% growth. So I expect acceleration in the second half. Obviously, the cash flow is supported by cash from operations. You see the decline in CapEx, and we had a benefit in '22 on leasing payments due to the prepayment of ATC in the U.S., which obviously has a negative impact in this year's numbers.

The adjusted income has declined by almost 23%, or let me put it this way, EUR 560 million, and that can be completely explained by the financial result. The financial result is down by close to EUR 1 billion, and there are 3 drivers behind this.

First driver is, obviously, in this interest environment, we have to pay higher interest rates that account for roughly EUR 200 million. Then we had to increase the provisions for pensions by EUR 0.5 billion that's Postbeamtenkrankenkasse. And the value movement of the options and the forward was negative by EUR 300 million. So these are all what we call nonrecurring items. As you know, except for the interest cost and if you adjust for the nonrecurring items, our EPS would have grown by EUR 0.06 per share.

Moving over to leverage. Leverage is at 2.4x leases and 2.94x including leases. By the way, the 2.94x including leases compares to a 3.28x in the previous first half in '22. We indicated this in the Q1 call that we expect that the leverage ratio is increasing again, and the main reason for this is the dividend payment here on the DT AG side as well as the share buyback program in the U.S.

Tim has mentioned that we received an upgrade from Standard & Poor's, so we are now with all 3 rating agency in the middle of the quarter of our comfort zone. We always have on -- for all of them, a stable outlook, so I'm confident that we're tracking well against our CMD targets also when it comes to leverage.

And with that, I hand it over to you, Tim.

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

So let me wrap up this call by reiterating some high-level takeaways.

First, our commercial performance continues strongly in all markets. T-Mobile delivered the best second quarter postpaid phone growth in 8 years. Germany has now grown EBITDA AL for 27%, the EU segment for 22 consecutive quarters. We have raised our full year guidance on both sides of the Atlantic, and as of mid-July, we own 51.4% of T-Mobile U.S. Our net debt has come down by EUR 9 billion year-on-year, and we remain well on track for our capital markets targets.

So as you can see, we continue to deliver reliable and consistent growth. There is a lot of noise in the market about a lot of things, but I think we give our answers very clearly on the pitch. And with this, we are ready to answer your questions. Thank you very much.

QUESTIONS AND ANSWERS

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

Excellent. Thank you very much, Tim and Christian. Now we can start with the Q&A part. (Operator Instructions)

And so let's start with Polo from UBS, please.

Polo Tang - *UBS Investment Bank, Research Division - MD & Head of Telecom Research*

I have 2 questions.

The first question is really just about 1&1 and Vodafone. So what is your view on how the national roaming agreement between the 2 parties will impact the German market? Are you worried that competition in Germany will intensify? And how should we think about the impact on Deutsche Telekom specifically?

My second question is really just about cash upstreaming from T-Mobile U.S. So thus far, Deutsche Telekom has not participated in the T-Mobile U.S. buyback. However, can you comment on whether you intend to participate in the T-Mobile U.S. buyback going forward? This is likely to be a 2023 event or a 2024 event?

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

So Polo, first, we are not party of this transaction and therefore, we are not directly affected by what's going on there. 1&1 has decided to change its roaming partner and entered into the long-term agreement with Vodafone. I'm surprised that Vodafone is doing this. I do not know how desperate they are, but I think there was no reason. And it's always tricky if you have 2 kingmakers, or 1 can make and 2 kind of components there who are fighting on this pricing. I do not understand how this pricing works but nevertheless, for me, the winner on this situation is clearly Eins&Eins.

Based on the statements from Eins&Eins beyond the extended longevity and access to 5G, it's not clear whether this has any material change to the nearer-term German market environment. That is, for us, unclear. In the call, Eins&Eins said that for the next 5 years, at least pricing in the new agreement is similar to what they got from Telefonica Deutschland. Clearly, the Vodafone-Eins&Eins agreement changed the parameters that Bundesnetzagentur must take into account on their ongoing deliberations regarding the auctions.

We have always said that a prolongation makes a lot of sense, but it depends on the conditions. And if the conditions are not right, we are even prepared for going into an auction. So the situation has changed a bit for us due to this transaction. I don't understand why the industry is not calling the bluff here and trying to find out whether there is somebody is really able to build a network. Now, they enable Eins&Eins for a longer period to have access to an infrastructure.

Look, apart from the conditions, I don't know. Probably Deutsche Telekom would not have ended in a transaction like that, but that is something you have to ask Vodafone.

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

Okay.

Polo, on the cash upstreaming question, let me reflect first on what's ongoing, which is the current tranche, right? You know that the total volume was 14 billion up until end of September. I'm very, very confident that we will completely use the total volume, and you see basically the reports from the U.S. on the share buyback.

You also know that we have basically a wording out there that we're saying we intend to own in the low 50s to have a little bit of wiggle room, but also insurance, for example, for the true-up. But we haven't decided on any new program yet, okay? So it's very hard to ask parts of your -- answer part of your question.

So first of all, I would say yes, it is likely that we're going to participate if there's a second tranche. Second 1 is that doesn't mean that we're completely selling everything into the market, so the relationship will be decided on later on. And it's obviously depending on the volume, but also on the profile of the share buyback tranche if we decide to continue.

And on timing, I can't give you an answer because we haven't decided on the second tranche. So I don't know whether we're continuing in Q4 or whether we're starting in '24, but the participation is 100% in '24. This likelihood is very clear if we continue with the share buyback.

Sorry for the technical answer, but I think we have to have a decision upfront before we communicate about it.

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

And Christian, isn't it right that we have said in the Capital Markets Days that we have targets as well on our leverage ratio in the group? And therefore, we do not want to deviate from our leverage targets going forward.

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

I appreciate that statement.

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

Yes, yes. My financial prudence is famous.

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

Okay. Yes. it's good to see you in this great cordial agreement. And with that, we move on to Robert at Deutsche Bank.

Robert James Grindle - *Deutsche Bank AG, Research Division - Research Analyst*

Thank you for being on the pitch.

There has been more noise, not least in Germany, about high-risk lenders. But clearly, time frame is key. Do you have any visibility on outcome? Is OpenRAN still feasible on the time lines being discussed?

And my second question is, GDP is a bit soft in Germany and Europe. Are you seeing any macro impact on the B2B side in either region? There seems to be no evidence in the KPIs, but anything on talks about new ICT projects slowing or any color?

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

Robert, let me be quick.

On the second part of your question, we don't see any kind of GDP impact nor on B2B nor on the B2C side. What we see is there is a big swing into ICT projects into digitization projects. Both sides at our German operations where the digital business unit is in the security and the [Zazi] product, and in the ICT area is growing beyond our expectations. And as well in the digital service at T-Systems, where we see nice growth as well. So it looks like that a lot of companies are using the digitization, automation and the efficiency elements of the digitization right now, and we are benefiting from that one, and we don't have a slowdown here.

With regard to the high-risk vendors, look, the German government has released their China strategy, and I think it is a very clear statement that there is no decoupling intention from the German government. Nevertheless, there is an argument about sovereignty, which the company should care about. And therefore, I do not see that there is any kind of aspiration for banning any new vendors here. There is a security element which we always have to consider, and Deutsche Telekom is fulfilling that.

On the core infrastructure of our mobile network, we are using Ericsson and Mavenir. In the IP aggregation network, we don't have any kind of China vendor. And in the excess nodes in the RAN infrastructure, there is 1 component where maybe the security authorities will -- might have a change, which is the configuration management, and we are on the way of becoming independent here as well. So we don't see an immediate impact on our business from a political agenda.

With regard to the RAN, the Open RAN development, we are making good progress here. You know that we have this big pilot RAN up and running in close to Berlin, and our expectation is that we are scaling up Open RAN next year in a significant magnitude to just show the mass market qualification for that product. Our partner here is Nokia and we're making good progress, and so therefore, it's an execution element which we have. We see that Open RAN is really gaining tractions. 300 telcos vendors, academics are member of our consortium here, and the technical things are on a good way to get solved. So it looks encouraging.

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

Okay. I also had a similar question Huawei related question from HSBC, and Adam Fox-Rumley here asked whether the potential magnitude of a Huawei removal would change the capital allocation priorities of the group? But I think you've answered it, that we would not expect an impact of that magnitude and significance.

With that, we move on to Andrew Lee at Goldman Sachs, please.

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

Yes. I have 2 questions.

The first is actually a follow-up from Polo's on upstreaming cash from TMUS. Quite a lot of people got quite excited by the change in wording that TMUS gave around how it plans to distribute cash, and whether that was meaningful or not. So my question would just be, do you have a preference? Or if you could lay out the pros and cons to Deutsche Telekom of receiving cash from TMUS by buyback or via dividends? Tax implications, anything like that, that we should consider?

Second question was just on Towers. So obviously, you sold a stake in Towers and you cashed in a nice multiple, but it's still a key part of your business. And we're now seeing potentially large telco looking to sell some assets. Could you just talk about how you think about the potential to acquire Towers via your JV, whether this is the right time in terms of the JV itself and whether you think it's a good time in terms of tower multiples?

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

Andrew, on the upstreaming of cash from the U.S., everyone has almost read that new wording, and I think that is meant to be to have flexibility whether this is a purely share buyback program or a combination of something different.

Look, from a financial point of view, I prefer share buybacks over dividend because we have to pay an extra tax on dividends of 5%. On the other hand, you don't have -- you have no flow back into the market. So from this perspective, I think this will be part of the discussion which we're going to have at the U.S. Board. What is the volume? What's the timing? And if there is a mix change, what is the mix change when it comes to a new shareholder remuneration? I have really problems spelling of that word.

Unidentified Company Representative

Remuneration.

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

No, remuneration. Yes.

So stay tuned. I think we will take a decision in not too long time period, and then we will explain why we decided what we decided, which hasn't been decided yet.

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

With regard to the tower question, first, we have carved out our Czech towers on January 1, 2023. Slovak towers are currently in the process of being carved out, and we are analyzing potential options in other countries of Deutsche Telekom and their footprint. So we have still potential to sell towers to the market or into our partnership here at a later stage. We're talking about something like 4,700 towers in Czech or 2,500 towers in Slovakia. So therefore, there is still a lot of potential within the group how we can monetize assets on this one, but no decision taken on that one.

The question around what kind of role we are considering playing in the further European tower consolidation, I think GD Towers will play an active role, but we have to consider such options from a value-accretion perspective. Today, we have nothing to report on this one. I will not speculate on this one. And I haven't heard from our partners, DigitalBridge and Magenta something with regard to consolidation attempts here. So I think your question comes a little bit too early. We have to look into each case. The Brookfield guys as well. So let's see how this is evolving, and then we come at the moment we see and we have better sight on it.

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

Thank you.

Then we move on to Ottavio at SocGen, please.

Ottavio Adorisio - *Societe Generale Cross Asset Research - Equity Analyst*

A couple of questions on my side, and I think they are both for Christian.

The first 1 is on the ongoing decision DISH has to make about exercising the option to buy spectrum from TMUS. The deal is relatively sizable, it's around EUR 3.5 billion, and it was announced quite a while ago. So I want to just check, how much of this is your -- embedded in your degearing targets? I'm sure that DISH will not bite, but TMUS will get good use of that. But in the meantime, you will not get EUR 3.5 billion of cash proceeds. So if you can tell us if you guide if that -- your degearing really depends on that or not?

The second is on the -- just a follow-up on the buyback, but I take a different angle. You basically prefer not to tender your share at the moment because you want to have a majority cushion on your stake into TMUS, particularly because of the option that the SoftBank still has. But in the meantime, you still have a loan around EUR 1.5 billion to TMUS. I'm mindful that will only mature in 2028, but I was wondering, I would be -- probably consider the option of swapping that loan into equity that give you higher holdings. I don't know why you want to have exposure through the debt rather than through the equity side. And if that is possible, if you consider that there is a possibility of doing so?

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

On the first question, Ottavio, the minimum price is USD 3.6 billion for the 800 megahertz spectrum. In case that DISH is not buying that spectrum there, they have to pay us a fine of $70 million. In case the spectrum is not being bought by DISH, then we have to auction it and the minimum floor price is $3.6 billion.

Since there is so much uncertainty around it, I think we have been prudent in our assumptions whether this is part of the operational plan or not. But we haven't been clear about this, so this is why I put it a little bit vague. But I wouldn't expect a negative impact if there is no transaction being conducted short term. So this is the 1 thing.

The second 1 is on the remaining financing from DT, we never entertain such a discussion so I can't answer your question. We're always basically putting it on ['28] because obviously, team is allowed to pay it back earlier, but we never had a discussion to turn this into equity. So I can't give you an answer, but I take it on as an action item.

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

Okay. Bring on the good ideas, and I'm sure Akhil has a few. So Akhil's next at JPMorgan.

Akhil Dattani - *JPMorgan Chase & Co, Research Division - MD & European Telecoms Analyst*

Great.

Tim, you mentioned at the beginning that there's a lot of debate in the industry right now. And obviously, we've discussed 1 of them, which is German mobile. But I guess, similarly, we've had debates around the U.S. mobile market, firstly, with obviously Amazon potentially entering. But I guess more generally, the concern is competition is intensifying in the U.S. And you've talked about your growth levers like fixed wireless access and enterprise. But most investors, when they strip those items out, feel that the U.S. business for T-Mobile is growing at very low levels now. So if you could just maybe comment on those competitive threats and how you think about the longevity or growth outlook in the U.S? That's the first one.

And then the second 1 is, I guess, a bigger picture question around the strategy at Deutsche Telekom. I mean, you had Capital Markets Day in 2021 where you laid out some pretty transformational objectives and plans around towers, sprint integration and fiber CapEx, and also you're sort of coming to the end of that guidance period at this point. I appreciate sort of [wanting to] wait until you come out with your CMD, but presumably, you're now sitting down and thinking about it. Can you maybe share some high-level thoughts around what you think are the right ways to think about the story for Deutsche for the next few years? Is it more operational given you've done on the heavy lifting? Or would you think there are some big strategic topics still to attack for that CMD?

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

Let me focus on the U.S. first.

So first of all, we don't share the view that there is limited growth in the U.S. market and the core business because what I said earlier on, the postpaid growth on service revenue was 5.5%, and I think we have to bear in mind this company has become a significant larger company. So to expect a similar growth rate like to the old John letter times, I think would be a little bit unfair.

The second 1 is I think Mike was very assuring, especially on these mirror opportunity and the B2B opportunity in his call, that he said, don't expect us to stop at 20%. By the way, we have to go another 3.5%, right? And he is committed to the HSI, EUR 7 million to EUR 8 million, which gives us another runway of 2 years but not 10 years. That's a fair comment.

So on the third one, I would basically see is -- look, the U.S. has increased now their customer numbers twice, right? So obviously, the operational momentum is still ongoing, the ARPA is increasing, so there may be a lot of competitive dynamics there. But so far, we haven't been impacted, and I think the team is completely confident also to deliver the upcoming quarters.

So there is question on high-speed Internet. What is the runway of this business? And when do you have to basically reduce the growth? Okay, that question has to be answered. On the other end, on B2B and on SMRA, but also in the large markets where we're having a significant share, I think there's a lot of land grab to be done.

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

Look, first, I'm very happy about how the teams everywhere executed our Capital Markets Day from '21. We are exceeding or are achieving all targets. We are well on track despite all the changes happening on this journey. Think about, let's say, all the inflation challenges which we have in the business, both on CapEx, both of IDC side and how the organization is reacting on them, and delivering strong customer growth and strong EBITDA AL growth beyond that target so far.

So this is very encouraging, and you're right. We have ticked a lot of boxes on the portfolio side as well. Majority in the U.S., we have solved, let's say, the market consolidation almost in every market where we are in. So a lot of boxes ticked now.

We have now to question ourselves how are we creating the next EUR 50 billion up to EUR 70 billion market cap in our business, and that is exactly what we're working on, by the way. So I give you a floor about how we are thinking what's coming next.

There is definitely an element which we call -- which is driven by AI and by the sulfurization of our businesses, and this is bringing us big benefits on the IDC and the cost side. So we have announced this morning an additional cost program for the headquarter functions and for the shared services. That's just the beginning of efficiency gains, which we're going to drive by digitization automation. We have now 60% of our businesses on the IT in the cloud and something like 30% on the network side. We're going to bring that almost to 90% soon, which has big benefits for us because we can scale the software across countries. So the synergy element of what we are doing jointly with the Americans has significantly increased.

If you look to the high-speed router in the U.S. and the technology behind that, it's a European one. If you look to the app which we are developing, it's a global one. When you look to the REVVL phone and the T phone, it's international -- driven from the America. When you look to software developments, we are working very collaborative. So scaling synergies in a software world is much easier than in local telcos. So this is a benefit which we are proving now, and we see already the benefits out of that.

The next chapter on what I see going forward is the area of the portfolio where we still can work on. We have this BT issue where we are strolling around, but it is an asset which we can surely play at 1 point in time. We have, definitely on the Tower sides, more potential to come. We have the situation in Europe that I believe, over the next years, there will be a consolidation coming because there are 67 mobile operators in Europe, of which 35 are operating with less than 500 customers -- 500,000 customers. So this is highly unprofitable. They're not earning their capital costs, so they will fall into someone arms. And I hope that the European policy is changing, so something is going to happen here as well.

And the fourth element is definitely the area of B2B. I see huge potential in what we have changed last year, where we said we are not only talking about TC services. We're not talking about security adjacencies here and ICT products. We will help our customers, and there's a huge demand in the (inaudible) segment to drive our growth by helping these guys to go into the digital environment. They need the productivity gains, they need the services here. And telecommunication is an enabler, and we have -- the people up running. And by the way, we are very lucky that we have elements like T-Systems in the group which are helping us on the software development and the software applications, which we are providing here in the industries.

So this is just 4 areas. There are 2 other -- 3 other areas. We will work on this one. I can tell you 1 thing. This whole debate in Europe, do we have a slow growth or no growth society here in Europe? And is it good for sustainability targets and the like? Deutsche Telekom will stay a growth company. I'm strongly believing that the only way of safeguarding the wealth of our company and as well as society is that we are driving growth with our infrastructures, 5G and fiber. We have laid super high foundations for additional growth in the future. This is anyhow a no-brainer, but there are additional services which we are deploying these days, and we are working on a detailed plan for the next EUR 50 million to EUR 70 billion market cap, which we then are going to show you in our next Capital Markets Day with all details.

That just kind of glance or abate for Deutsche Telekom. That was too much, Hannes has a heart attack, so Hannes cannot...

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

No, I was a bit worried about the attendance at our next Capital Markets Day, but I'm sure now we will have good attendance and expectations are well managed. So thank you.

I think that's a good bridge to the next question from George.

Georgios Ierodiaconou - *Citigroup Inc. Exchange Research - Research Analyst*

The first 1 is actually for [Lebara] the comments that Tim just made around the benefits of scale and also if returns were to improve in Europe, whether it makes sense to look at consolidating other European market when we speak to investors, and the recent example in Germany raises more questions on that. Apart from regulation, there's also concern about culture and behavior of the different players in Europe. So I'm just curious, from your perspective, the regulation were to change, do you think it's sufficient for there to be better returns and for you to pass commit more capital in Europe? Or do you need to wait and see changes in the mindset of some of your competitors?

And my second question is on German broadband. You have very good numbers again this quarter and stability over the last year. What we are seeing when we look at the market growth of the main players, every quarter looks a bit worse than the previous one. So I'm just curious if you can maybe outline the reasons behind this? Is it overbuilders, is it post-COVID hangover, maybe fixed wireless? Just what's driving this? And any views as to whether it's a temporary effect that could reverse or whether it's something we have to adjust for in the coming years?

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

I think you're spot on.

Looking to Europe and European M&A, Europe was and is by far too fragmented. And the average return on investments in the European market compared to the U.S., for instance, are shrinking or they were shrinking. The impact of change in regulation hasn't been fundamental to improve this overall industry now for almost a decade.

So look, there will be a process of learning here in Europe, and sometimes, it needs a Catalysis like in Greece. Look, Greece is a good example. In 2008, we all said this country is done. And if you look now, even with these unpopular decisions which the conservative government has taken, people are reasonable. They elected this party, and now, you see the positive impact for the society and for the GDP in this country. So there is a way to change things.

There is a big debate in Germany and Europe that things have to change and have to change quicker. And Europe has to, for instance, react on the inflation act of the U.S. on the high energy prices, on the overregulation and so forth. So I think the pressure is heating up here. And therefore, I'm -- I think we, as entrepreneurs or company leaders here like Christian, myself, we are very unemotional. We are looking to the numbers and the facts, and we have already once had this decision. And what we did is, despite that everybody wanted me to sell the U.S., we doubled down in the U.S. And in the hindsight, it was the wisest decision we have ever taken, and you see now after the successful completion of the T-Mobile merger, where we are. And so therefore, we have always the alternative to allocate our money either or, and we will do this from a very rational perspective going forward.

Now I hope that Europe is working up and changing certain things and not overregulating these markets going forward. You know that we're all pitching that the regulators should not only look on consumer prices but as well on capital returns to have a mixture for investments in the future. We have certain payouts ratios in the company, which we will fulfill, and we will align our allocation of money towards the targets which we are having. On top of that, we have this big advantage of the U.S., and we can decide which kind of opportunities we are taking with the cash flow either in the U.S. or in Europe, if there is a possibility given. So this is the good thing of our great portfolio, which we are having, to always compare these 2 sides of the Atlantic.

So going forward, I think there is a lot of concern around the European market. There's always something good in this because people hopefully will change their minds. And there are a lot of, let's say, proof points, being it in Spain with regard to the merger there, being it in Germany with regard to the auction, which is coming. So let's look on their decisions, and then we draw our conclusions out of that, yes? So this is the way how you're investing into us, and that's the way how we are investing into the businesses.

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

On your second question, George. Clearly, the German broadband market is maturing to a certain extent. Obviously, the penetration has increased over the past years. We don't have the special economy like COVID, but if you take a look at our track record and just go back up until 2020 and take a look at our net adds, we have constantly generated somewhere in between 50,000 to 70,000 net adds every quarter. So we're clearly a share gainer in that market.

The second point is we're building a network which allows us to upsell for quite some time, right, which is the fiber network. And you see that the customer monetization by selling higher speeds is working. You see it on that chart with 43%, and we continue to believe that this is happening in Germany, the more for more strategy in broadband, which gives us quite some runway.

So our perspective is we don't care what the others are doing. We want to basically be always above our internal target, and we want to be share gainers in the broadband market despite the fact that the market is coming down. But I don't expect any kind of significant change in the broadband net adds in the upcoming quarters, and we'll see how it develops.

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

Let me add 1 thing.

What always irritates me, or say differently, what motivates me, is always a situation if in other industries, in the food industry, 1 player is suffering, that doesn't mean that the market leader is suffering as well from a stock performance because they look on each of the business. If in the movie industries, take an example, Time Warner, has a flop, it might affect their share price but it's not automatically affecting Disney and others.

So the question is, why is this in our industry different? Why is a bad message which is triggered between Eins&Eins, Vodafone and O2 affecting Deutsche Telekom. We are not affected at all from this business. And on a short term, anyhow not. And there's even an opportunity for us because Eins&Eins has to move 12 million customers from 1 network to another with all the change in experience. It's a big opportunity for us as well.

But we are still affected, and you saw the decline on our stock. The reason for that 1 is it looks like that our selling story of that we are different, that we are differentiating, is not strong enough. Look, I can always argue saying our brand is superior compared to all the other brands in my home market. Superior. We just released the brand [buzzer]. The second thing is we can say our network is superior to Vodafone or 02 networks or Eins&Eins attempt here. That is clear as well. We can always ask our service, and our Net Promoter Score is the highest in the industry. But it looks that we are not able so far that investors would look at us and say, by the way, there is something happened in this market. We don't care. Deutsche Telekom is a stable anchor in this environment because they are differentiating in their landscape, which we are doing.

Look, we had a quarter, a record quarter in Germany. You guys, we had more than 800,000 customers on the first half year in the mobile market. We are absolutely outperforming both in our fixed line and in our mobile market despite the fact that we have the highest prices. So we are differentiating, and that is my attempt of going forward with these things. Put your blinkers on and differentiate in the market. That at 1 point in time, we are not affected by some stupid moves because you will always have some stupid moves in this environment, which a strategic investor doesn't understand. And by the way, either some leaders in this industry. So therefore, this is, I think, the motivation which I get out of the current situation, that we are -- that we are not any more affected by some ridiculous moves. And the same is true, by the way, as well for the U.S., with regard to the DISH rumors here. But I think, unfortunately, we're still perceived being in the same camp.

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

Okay. Thank you, guys.

And with that, we move on to Emmet at Morgan Stanley, please.

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

Yes. Good afternoon, everybody. I've got 2 questions, please.

My first question is on data centers. Tim, you talked a little bit earlier about stimulating growth and very limited growth in the European macro backdrop. You talked a little bit about data sovereignty, you talked about hyperscalers. One area of the market that continues to see very, very strong growth is the data center market. And you may have seen that your towers partner, Brookfield, has made a very big investment in French data centers. As DT looks for areas to deploy capital in, would data centers be an area that you would look to perhaps invest more in the future?

And then my second question, just a little bit more of a vanilla question, is on the European business. Clearly, [Dominic] doing a great job at Europe. We've seen accelerating EBITDA growth trends. Can you just talk a little bit about the outlook for that business over the coming quarters, in particular, as we lap the higher energy costs that we saw at the end of last year?

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

Look, Emmet, the answer is yes, we have looked into data centers. We are operating data centers. And by the way, in Germany, we are running the biggest data center in Magdeburg and Biere. And with T-Systems, we have a lot of data centers our own and with ITENOS, we have even an own operator here in our portfolio developing data centers.

And have we invested into data centers? Not directly at the DT level, but we have done a lot of things in DT Capital Partners. And by the way, this business is exploding. You're totally right. There is a lot of, let's say, push. I just had a discussion with our as CEO of DT Capital Partners, Vicente Vento, who is doing a terrific job. He has invested big time into German data centers. And with a sovereign cloud development, which is rising, there is a super demand for data centers in these constituencies here. And on top of that, you know there's a shortage of data centers due to AI applications and the LLM models which require, let's say, storage. So therefore, this is a market where DT Capital Partner is investing actively while we are sitting here. And we have customers, I just got the story, who are waiting even 2 or 3 years now to get the capacities which have to newly being built just to get their data centers here in the environment of Germany or in European constituency. So yes.

The only question, and I want to be a little bit, say, turn down your expectations. Look, we have invested almost EUR 9.2 billion in the first half year at Deutsche Telekom. We are focusing very much on 3 areas. You know the first 2 immediately. The first 1 is fiber, the second 1 is 5G. So the third 1 is our IT and the automation of our company because even from a productivity perspective, we get more bang for the buck. And on top of that, the legacy systems both sides of the Atlantic, we have to retire and we have to modernize them to gain cost efficiencies as well. Our percentage of cost of IT in the group is too high and we want to reduce it, but we cannot get that for free. We have to do something for that. So our additional, let's say, money which we can now spend for building data centers is something I'm hesitating to extend that.

So first things first, DT Capital Partners, with their internal and external funds, have the opportunity to do this. And with T-Systems, we are developing this data center market. As you know, Google Cloud is 1 of the drivers in the sovereign environment for T-Systems. One of the reasons that the order entry hasn't been that strong in the first half year is that this deployment is a little bit delayed, so we cannot go full steam in the acquisition here yet. But I just had discussions with [Zonda] and with T-Systems teams, we will deliver on this service soon.

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

Emmet, on the Europe question. Let me start with, first, price increases work, right? In Austria, we have CPI-linked pricing. It works. In Hungary, we have taken significant steps in terms of increasing prices to offset the extra tax, which we have to -- had to absorb. So this is something which has not come to an end yet. So this is what I would expect also for the upcoming quarters.

Second one is the monetization of fiber in Europe really works well. If you take a look, we're building out roughly 1 million lines every year. Still, our utilization of the total footprint is increasing. So from this perspective, this is also a trend which will carry on for many years.

Thirdly is, obviously, energy costs created a headwind relative to last year, and it continues to be the case in the second half. But we had scenarios in autumn last year where we expected significantly higher energy prices than we're actually seeing. So -- and what is the prediction, especially when it comes to the forward pricing, is that the market price will come down not to the previous levels. It's probably at the vicinity of 2x to 3x the pre-crisis levels, but it will come down relative to what we're seeing right now. So hopefully, this turns out to be true for the upcoming years.

And the fourth 1 is Europe, as well as the German segment, has to work on its transformation. And that means that we have to reduce the indirect cost structure significantly that we basically, I would say -- it's the wrong word, exchange people by technology, but I think essentially, this is what we're doing. This is why we're engaging in AI. So that will be something which Europe will also engage in, and historically, they have performed well. And I believe that they are outperforming competition in -- on those dimensions as well.

So I'm confident with regard to the market, but energy is a headwind. Salary increases are a headwind, that's clear.

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

But the nice thing is also that the price increases did not end the customer momentum in the markets. As you can see, it's very consistent. So we always try to have a good balance of customer growth and financial growth and, of course, continued investment.

And thank you, Emmet. And now we move on to Josh at Exane, please.

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

Two questions from my side, both on fiber.

So the first 1 is just regarding the [governance]. There's been a number of articles recently, which have highlighted examples of Deutsche Telekom rolling out fiber in areas where PureNet also announced plans, and in some cases, that looks to have resulted in PureNet withdrawing from the market. And I believe this is something the regulator is looking at more closely. So the first question is, could you maybe just give an idea of how you view the situation and perhaps an indication of how big the overlap between your fiber and (inaudible) fiber is today?

And then the second question, perhaps if you could give a bit more detail around the GpW agreement? What the pipeline looks like for building fiber to housing association? And whether you will be present in lots of these ahead of the (inaudible) privilege changes coming in next year?

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

Look, the discussion about overbuilding and overbuilders, I can tell you this is a myth, an entire myth, and we let the facts talk here in this regard. I think it is an excuse for underperformance and for misjudging the own business cases. The take-up rates were wrong, the pricing assumption for that market very wrong. Probably even they were hit by interest rates, which they haven't foreseen. And on top of that, the inflation is hitting their build-out costs. And now, they're trying to gain more of the market and then they're complaining that Deutsche Telekom is overbuilding them. It's a myth. And by the way, you can just -- it took the facts.

We have looked into the facts, now on a detailed basis. And what we found out is, look, I'm not talking about that these guys are overbuilding 100% of what we have, which is our [copper] network. Take that outside, just look for fiber overbuild. We have more fiber overbuilds from Altnets than we are overbuilding them. We identified 600,000 of our fiber which was overbuilt by -- or is going to be overbuilt by the competition, while we have a significantly lower portion. We believe it's a vicinity of 2% in the areas, and by the way, this is just based on the announcement of areas. It's not about the real areas where they have built the fiber already.

We have clearly stated that our plan is to be the undisputed German fiber leader. We have clearly stated that we have the ambition to build in the rural and in the city areas. So therefore, I think this is a marginal debate. It is maybe 2% of the whole build out which we see. It is in the vicinity maybe of 400,000, 500,000 FTTH houses, which are announced. And I don't see that there is a will nor there is really a need for any kind of regulation or impact from political actions here.

So if you look to countries like France or Spain or Portugal where we have seen overbuilds of 70%, or in France and U.K. of 20% overbuild, Germany is by far beyond that. And it stays, and I'm very clear on this one, we are interested in partnering where it makes sense for us. We are interested in collaborating. If the conditions on a fair basis here, then we allocate our money somewhere else. We have 30 partners and collaboration agreements from municipalities with local build-out companies, and we are willing to do so, but we are not willing to let our customers hang out only with an alternative of a competitor. We will then try to offer them a service as well if we don't find a collaboration here.

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

Look, the -- I would answer -- like to answer the question on GdW in a greater perspective on the evolution of the rental privilege. And you know it's on us to win and for many others to lose. And you've heard some of our competitors saying that they're expecting in a best case to retain 60% of their TV customers. We don't know exactly how many of those customers will actually be cord cutters and how many will basically get into our IPTV offering, but for us, it's important to accelerate the opportunity in the broadband business in the housing associations.

And GdW is an association which represents 7 million homes, so it's fairly large. And it's a frame agreement, which lays out how we're building out in the house on, what is that, network level 4? And what are the terms and conditions? Every housing association can decide on its own whether they're following that frame agreement, yes or no. But I think it's a massive simplification in order to address those housing associations because you have a frame agreement, which is supported and agreed upon by the biggest association for the midsized, I would say, housing associations.

So for us, for me, it's very much a simplification how we address market opportunities. To what extent they will basically come depends obviously on the contract duration of the existing agreement. But we have celebrated this quite a bit because we don't have to go housing association by housing association, we have a frame agreement endorsed by the biggest association for the housings. The biggest -- how do you call this? Yes. Association for the housing association. Okay.

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

Lots of associations here. It's -- yes, we always -- good to have so many associations.

Anyway, Usman at Berenberg.

Usman Ghazi - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I got 2 questions, please.

The first 1 was -- and this question, but it might be a quarter earlier, but just on the dividend to be kind of announced and paid in '24. I mean if I look at consensus, EPS of around [EUR 1.62], which is in line with your guidance for north of [EUR 1.6] then take a 40% to 60% payout ratio. Of that, you get to EUR 0.65 to EUR 0.65 to EUR 0.96. It's quite a wide range. If I look at the dip swap market, that's pricing in a dividend of roughly EUR 0.74.

And now given that -- you've got some visibility from the rating agencies and some good news there, how are you thinking about where you land up on the payout ratio, particularly given what the share price is doing and what you can announce to shore up investor confidence around your prospects? Just some idea of how you're thinking there would be of interest.

The second question was going to a comment made by 1 of your competitors with regards to the operators potentially looking to do national roaming on 900 megahertz spectrum. The idea here being that if you do this, you potentially release some capacity that can be leased out to 1&1 and avoid an auction altogether next year. So do you think this is a good idea? If not, could you indicate why you might not think this is a good idea?

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

On the dividend, I think if I summarize to what you have said is I heard a lot of growth right? But we will not talk about the dividend to be paid out in '24. And you know our cadence, usually it's Q3 where we are discussing this, so we have to consult with the -- with the Supervisory Board on what is the right level for an upcoming dividend. But we're growing EPS, adjusted EPS, and that should basically give you a positive sentiment on what's happening on the dividend. But I cannot qualify the range, which, by the way, is also far, right, EUR 0.64 to EUR 0.96, I cannot make clearer statements like what I said earlier on.

Wait a little bit. It's not too far away that we're going to have our Q3 call.

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

Look, we have not something tangible lying on the table with regard to the 900 megahertz spectrum. And therefore, let me answer that question more from my gut feeling than from my brain.

I have to say that I'm observing some stupid moves from competitors in this environment, and I do not want to lay in the same bed. And the destiny of my network on my infrastructure is defined by people who make mistakes, strategic mistakes in their markets. So therefore, I have to say that I'm hesitating a little bit to collaborate my network with other networks, not knowing what's happening with my network then later on. So therefore, I'm more distanced to this idea right now.

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

Thanks, Tim.

And with that, we next move on to James at New Street. James?

James Edmund Ratzer - *New Street Research LLP - Europe Team Head of Communications Services & Analyst*

Yes, thank you very much indeed for taking the questions.

So the first question I had follows up from a response you gave earlier, Christian, you said pricing works, when asked about some of your Eastern European markets. I was wondering if we could just pivot that question then to Germany, please? We've heard a lot of your growth drivers from getting customers to increase speeds from your net adds growth, but would just be interested to hear a bit more about how you see pricing as a lever for driving growth going forward in Germany.

And the second question I had, please, was on British Telecom. I mean I think a couple of years ago, you said you'd be the kingmaker in that asset. Then earlier this year, Tim, you gave, I think, quite a strongly-worded interview to The Financial Times on your views on British Telecom. You've still got your 12% stake, and I'd love to hear your thoughts on do you think a year from now, you'll still have your 12% stake? Or do you think there's an opportunity to change that your stake either up or down?

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

So on pricing, look. First of all, I love to be a share gainer in the markets and working and whether it's being mobile or whether it's been broadband. And we have been share gainers for quite some time in broadband. We talked about this. I think we're calling for a premium and broadband already, and I want to stick with my customers long term. And you have seen the financial performance in Germany, I think they are trailing at this 3% organic EBITDA growth since I don't know how many quarters, but probably more than 2 years.

So from this perspective, as long as I can differentially grow faster than my competition with my pricing, why should I disappoint customers, especially in my base, with a price increase if it's not necessary? Because they have a long-term memory. Same holds true for Next Magenta. We have 320,000 net adds in Next Magenta, and that gives us a 2% mobile service market revenue growth. So despite the drags and the tailwinds and all this stuff, the underlying is actually higher.

So I think a price increase, if you can avoid it, I think, drives up loyalty. And right now, we can avoid it, so we're not forced to do price increase in Germany. That is different in the European segment because the cost impact, being at indirect costs or being at energy cost in Europe, has been massively larger than it has been in Germany. So for me, it's more a loyalty question. Do I achieve my earnings growth ambitions? And how do I keep my customers long term with me in good as well as in bad times?

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

I can't believe that I should have been so arrogant in saying that I'm the kingmaker, but probably true. That anyhow.

That said, look, BT is a tricky thing. Are we happy with where the company stands? No. Is it -- are there a lot of, let's say, green lights in the business? Yes. If you see what this company has ticked over the last quarters, it's quite impressive, with Equinox 1 and 2 was, let's say, the developments on the fiber build-out. So therefore, I -- even the interest rates is helping them on their pension side.

So look, there is a lot of things which -- a lot of, let's say, the concerns investors said are -- have disappeared, but nevertheless, the share price hasn't reacted on this property. There's still a way to go without going into the detail of that business because I'm an outsider, I'm looking from the outside on that business. One of my colleagues sits in the board. I think this company is very well positioned for convergence, and it's -- I'm a strong believer that this company is going to be successful on the midterm and long-term perspective.

Now today, it is not showing it, so therefore, we have to find the right ways of approaching it. I'm open for every idea, which is accelerating the value-enhancing story here. I always said that. And therefore, we have to see now with the new CEO and all these kind of things, how this is evolving, but -- I cannot release what kind of scenarios we have. But it's clearly something which -- where I want to see an improvement over the next 12 months because we are waiting already for quite some time. And having this BT asset in our pension fund doesn't mean that it is not actively managed.

I'm sorry for not being maybe very precise on this one, but this is due to the capital market concerns not possible. Let's see how we drive it forward.

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

Okay. And I think we were trying to get a question in from David at Bank of America, but somehow technically doesn't seem to work. So my apologies for that.

And with that, we also come to the end of today's Q&A session. We'd like to thank you for participating. And of course, if you have further questions, please contact the Investor Relations department, and we look forward to see you on the conference circuit or otherwise, and have a good rest of the day and a nice summer from here.

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

Thanks. Bye.

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

Bye-bye.
