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Deutsche Telekom AG (DTE.DE)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Good afternoon, and welcome to Deutsche Telekom's Second Quarter 2024 and First Half 2024 Conference Call.

With me today are our CEO, Tim Höttges; and our CFO, Christian Illek. As usual, Tim will first go through his year-to-date highlights, before Christian will go deeper into the quarterly performance and the group financials. After this, we have time for Q&A. And before I hand over to Tim, please pay attention to our usual disclaimer, which you find in the presentation, and please also note that the conference will be recorded and uploaded to the Internet.

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

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

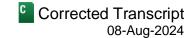
Yeah. Thank you, Hannes, and welcome to our second quarter and first half 2024 results call. We had another good quarter that puts us well on track for our stated targets. And I have to say, it makes a lot of fun to present a flawless quarter like this. Great, great performance from all operations. Beyond the operations, this quarter was quite eventful. We announced three exciting transactions in the United States, Lumos, Metronet, and UScellular. We closed the Ka'ena acquisition. In Germany, we finalized our wage agreement with the trade unions. We absorbed the German government stake sale, and we entered into a binding agreement with the German government on the utilization of Chinese equipment in the mobile network here in Germany.

Our strong operational momentum continues. In the first half, we delivered 4% organic service revenue growth, 6% organic EBITDA AL growth, 26% growth in operating free cash flow, and 23% growth in adjusted earnings per share. T-Mobile was able to raise its 2024 free cash flow guidance, and we are reflecting this in our group guidance today. We paid out €0.70 per dividend, and year-to-date we bought back 43 million DT shares. Our shares are trading near their 23 year highs, and we delivered almost 100% total shareholder return in the last five years alone.

As usual, let's take a closer look at our organic financials on page 5. All segments contributed to our growth. Organic group service revenues grew 4.1% in the first and in the second quarter. This is even better than last year's growth of 3.6%. Organic ex-US service revenues grew by 3.7% in the first half, again, marking an acceleration. And as mentioned, organic group EBITDA increased by 6.2% in first half. Excluding US handset leases, this would have been 7% growth. Ex-US EBITDA is up 4%. This puts us well on track for our guidance here as well.

The foundation of our growth remains our network leadership, but as well, our service proposition. But on the network, in the last 12 months, we passed 3.6 million additional European homes with fiber-to-the-home, and now reaches 18.3 million homes. In Germany, we now passed 8.8 million homes. In Europe, 9.5 million. In the US, as mentioned, we set up two fiber joint ventures with a combined target to pass 10 million homes by the end of the decade.

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Our mobile networks remain leading across the whole telecom footprint. Our strong customer growth was even accelerating, both in the US and in Europe. T-Mobile added nearly as many postpaid customers as last year and raised their subscriber guidance for the year. Postpaid phone net additions at 1.3 million were even a tough higher – a touch higher than in the first half of 2023.

Over in our European footprint, we managed an acceleration in mobile net adds. TV net adds also accelerated driven by Germany. Broadband net adds were a little bit slower than last year, but we continue to grow here as well.

Moving on to ESG. Despite strong growth in data usage, we were able to reduce our energy consumption for the group in absolute terms. We launched multiple initiatives to drive our societal and governance agenda, some mentioned here on the chart. At the Capital Markets Day, we will provide you with a more detailed update on where we stand with our sustainability ambitions.

With that, let's move to our guidance update. With their Q2 results, T-Mobile had increased its 2024 free cash flow guidance by €150 million at the midpoint. Today, we are reflecting this in our group guidance. We now target around €19 billion for the group in 2024. Outside of the US, we remain comfortable with our full year guidance for EBITDA and free cash flow despite our recent wage agreement.

And with that, I hand it over to Christian for a deeper dive into the quarter.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

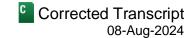
Thanks, Tim. And hello from my side. As usual, let me start with T-Mobile US, and you've seen that the service revenue growth has accelerated relative to the previous quarter to 4.4%. And the recent Ka'ena acquisition contributed about one-third to this acceleration. The core EBITDA, as Tim mentioned, has grown by 9.4%. And finally, we're getting to an end when it comes to handset leases. So that will result in less complexity in our financial reporting.

We're moving over to the commercials, you've seen that T-Mobile has shown another quarter of strong customer growth. The postpaid growth was slightly lower than last year, and this is due to some final deactivations of lower ARPU mobile, internet services in the educational sector. Nevertheless, T-Mobile has raised its customer net add guidance to 5.4 million to 5.7 million this year. So this is an increase of 150,000 at the midpoint. High Speed Internet customer growth continue to grow above 400,000. We have now a customer base of 5.6 million by the end of the last quarter.

Let's move over to the financials in Germany. And what you see is another quarter of consecutive EBITDA growth now at 31 quarters. The organic revenue growth has grown by 3.6%. EBITDA grew only at 1% and that was due to a one-off payment, which was coming out of our wage agreement with the social partners. And that is basically what we call the inflation premia. Without that one-off payment, the underlying EBITDA growth would have been around 3%, as we have reported it in the past quarters.

So we're feeling very confident to meet our EBITDA guidance of €10.5 billion by the end of the year. And as we have grown only 2% in the first half, that means that you should expect an acceleration in EBITDA growth beyond 3% in the second half of this year. But please note there will be phasing effects, and therefore, the Q3 will be lower in EBITDA growth relative to the Q4.

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Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Perfect.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

Let's move on to the service revenues. Again, the service revenues have accelerated again. On mobile, we've seen a growth of 3.7%, on average that the 3.5% in the first half. And this growth has been benefiting from some favorable comps in the first half of 2024. So, do me a favor and don't extrapolate the first half results into the second half. We will see a slower but still significant growth. Meanwhile, fixed service revenues have improved again, as we have indicated in the last quarter, and we expect a further acceleration in the second half of this year.

As you can see on page number 15, both retail and wholesale access revenues have contributed to this improvement. On the retail side, we see in a growth of 4% driven by ARPA increases, but also by volume increases. And you've seen the increase in wholesale to 1.8%. This is primarily driven by ARPU.

Let's move to the commercials and fixed. Our broadband customer performance has been pretty steady Q-over-Q, and this is very much also driven by the fact that we're focused on selling FTTH connections and you know that those FTTH connections have a longer lead time as the copper connections do have. But on the other hand, you see a significant increase in customer connections in FTTH. We have seen a growth of 113,000 year-over-year in Q2 and that's an increase relative to the previous year of more than 75%. So we are well on track with our ambition to reach around 450,000 new customers or new net adds on FTTH.

TV, also positive story. You see that the triple play has actually tripled relative to the previous years. So we're seeing an increase of more than 80,000 customers' year-over-year. We have now a base of 4.5 million customers. On top, we have added or we have attracted several hundred thousand customers on our OTT service. But we have to see how they – how sticky they are as the European Championships has come to an end.

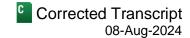
Moving over to the commercials and mobile, you see very strong performance in mobile almost on the same level like last year with 311,000 net adds. This is basically being driven by four factors, a strong brand, our network leadership, our effective segmentation and obviously, our next Magenta family plans. Churn remains pretty much on the same level as it was last year.

Moving over to the segment, Europe. An excellent quarter, second quarter. The highest EBITDA growth ever since we record this. Our organic revenue growth was up almost 7% year-over-year and that was very much driven by the service revenue side. We see a healthy performance between financial performance and commercial performance. Organic EBITDA grew by close to 9%, but there was a tailwind of close to 2% coming from energy costs. And we don't expect this to continue in the second half.

Moving over to the commercials on the next page, you see that we have a consistent performance on all categories. And I think what you see in the European segment, which holds true for the other segment as well, we have a very stable and balanced commercial and financial growth. And I think this is an important thing to be - to mention.

Coming to T-Systems, I would say, T-Systems, steady performance, organic revenue grew a little bit slower than last quarter at 2.1%. Our order book grew by 10% on a 12 months basis, but it's noteworthy to mention that in Q2,

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the year-over-year comparison is actually a growth of 28%. So there seems to be a little bit of an acceleration, at least in the first half. Organic EBITDA is down year-on-year slightly, but we are fully on track to meet our guidance.

So, that basically brings me to the end of the operational review, and let's take a look at the financials. So, you're seeing very good growth across almost every P&L and cash flow statement. Adjusted EBITDA is up 32% this quarter, on average, 23% in the first half. I think we have these non-recurring items, I will get to this later on. It was €0.03 in the second quarter, and the first half, it was €0.04. Free cash flow growth has accelerated significantly, 49% in the second quarter, on average, 26% in the first half. And on net debt, I think it's stable exleases, as you can see, and it's slightly decreasing, including leases.

Moving over to free cash flow and net income. It's the usual bridge, which we're always providing to you. On a year-on-year basis, our free cash flow was driven by two major factors. One is the operational performance by growing EBITDA, but also the reduction of CapEx very much driven by the US. And what you see is that on the overall picture, you see a decrease in CapEx. But if you take a look at the ex-US figures, and this is being displayed on page 29, you see that we have a bit of a front loading on CapEx in the first half, but we're also super confident to meet our guidance of €3.5 billion.

So the adjusted net profit was, as I said earlier on, 30% – 31% up year-over-year, very much driven by EBITDA. And we are benefited on the financial result from a pension rate – interest rate increase, which basically release some provisions for the civil servant pensions. And that was roughly about €240 million in that year-on-year comparison. And as I said already on, this is what we consider non-recurring.

On net debt, I think let's keep it brief. We're seeing moving parts in net debt especially when it comes to free cash flow, shareholder remuneration at T-Mobile but also on the DT level. Obviously, there is M&A. This is attributed to the Ka'ena transaction but also to exercising the fixed price options, and there's a bit of currency effects. Net-net, I think net debt ex-leases is stable year-over-year. The EBITDA is growing that obviously leads to a better leverage ratio for 2024 relative to the first half of 2023.

So that completes my review and I hand it over to Tim.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Yeah. Thank you, Christian. I think we had such a great quarter that even we are thinking of hiring a DJ for our next earnings call. And so I hope that you don't have so many questions. Our customer grows continues strongly in all markets driving consistent and reliable financial growth. Our network investments continue at high pace to protect and even expand our leadership. And this is our flywheel, which is working perfectly.

In Europe, a record quarter, we passed 3.6 million additional homes with fiber, which has a lot of potential for revenues going forward. In US, we have set a new market with fiber and have agreed to two ventures to tap into a new attractive fiber opportunity, which will drive growth in the future as well. And we have announced another kind of small Sprint acquisition with UScellular, which will help us to improve profitability.

In Germany, another strong quarter, and our brand is at the highest rate ever. Thanks to the sponsorship of the European Championship and great performance of Magenta [indiscernible] (00:16:45) doing this. And now, we are looking forward to our Capital Markets Day in October. But we hope to see you all then. So – and with this, I'm looking forward to your questions. Hannes?

QUESTION AND ANSWER SECTION

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Thanks, guys. And now, we start with the Q&A part. [Operator Instructions] Please note you must mute and unmute by yourself. And let's start, I think, with Akhil at JPMorgan.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Akhil. [indiscernible] (00:17:37)

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

Sorry, Akhil.

Akhil Dattani

Analyst, JPMorgan Securities Plc

No worries. Well, Tim, first of all, looking forward to having a DJ on the next call. So I think definitely a great idea. If I can start with my first question is on, I guess, a big picture strategic question ahead of the Capital Markets Day. You mentioned in your introduction, the fact your shares are up close to 100% in total return terms in last five years. So clearly, it's been a very impressive journey. When we look at the business, Europe has done extremely well, but the US has been the big value driver overall. And I guess I'm wondering how you think about the relative weight to importance of Europe and US, if we look at the next five years, obviously, without wanting to preempt too much around what you said at the CMD.

And I guess my thinking is, as you mentioned again in your introduction, you've done close to \$11 billion of M&A between UScellular and fiber acquisitions in the last three, four months, so clearly very active in the US. Just any sort of high level thoughts on how you think about Europe and how that fits into that picture too. And then the second one was a more operational question on Germany. On Germany, your KPIs there are very strong, but I'm trying to understand how would you think about your retail pricing strategy in Germany. In the last 6, 12 months, we've seen a lot of moves across the industry by operators trying to do more for more price increases or maybe trying to do CPI-linked price increases. But if we look at what you've done in the last few quarters, you've actually doubled data on mobile without a price hike, and you've cut price on fiber to try and drive penetration of fiber.

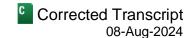
So clearly, your strategy is very different to your peers in terms of commercializing your business. So I'm just trying to understand how we should think about that. How do we think about your flywheel in terms of how you monetize your German retail business going forward? Thanks a lot.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

So, Akhil, first question, not easy to answer that. Look, at the end of the day, for all the markets – and by the way, in Europe, we are looking to all the 10 markets differently. We are looking for organic improvements, but as well for un-organic moves there. So then we evaluate the opportunity and let's say, look on the returns on whatever we have in mind. And then we select according to the financial capabilities the group has, which one we are prioritizing.





Looking to the US market on fiber, we thought with the moves we recently announced, this – from a forward looking perspective, these are the most attractive moves we can do within our group. There is not so much unorganic growth in Europe, especially under the current legislation regulation, which we see when it comes to intramarket consolidation. And even, the idea of expanding outside of the footprint, is coming with higher risks. And the returns in the classical core business are more exciting in this regard.

We are not saying, it's Europe or US. It's the business opportunity. And looking forward for the next five years, I think we have to make sure that both legs, where we are standing on are having opportunities to create additional values. Remember, we talked in one of the previous calls about the next €50 billion to €70 billion market cap for Deutsche Telekom and where it could come from. This is the question. And I can tell you one thing, people like – a lot of investors have underestimated the performance in Europe, which we've reached there with expanding our 5G and especially our fiber network there.

So I think, we are trying to balance it out. The size of the US will always be bigger than the size of our European entity. So overall, this business is bigger. It's 80% of the total already. So we are open for both markets, for ideas. And at the end of the day, it is a strategic financial decision. It's always about operational performance and portfolio on a long-term view. I hope that we can give you a little bit more understanding about what we are aiming for in the Capital Markets Day. But it's not that we are waiting one or the other market here.

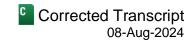
If Europe is changing its regulatory setup and we are encouraged by a lot of discussions, which are taking place in this early stage of building a new commission here. I think, I still believe and hope that Europe will see a change within the next five years going forward. With regard to our German operations, look, it's very consistent to what we have said in our strategy, what we're doing here. Our KPIs are strong. And yes, our customer growth has been has been very encouraging.

The foundation for that one is always this outstanding 5G network and the extension of that network for the rural areas. Our performance compared to our competition has gotten better and better. And by the way, we just got another award, 14th award, consecutive award in a row for the best network from, I think, it was CHIP magazine this time. So now what's the way forward on German mobile? The issue here is, we have said that it cannot be that the market is – it is split two pieces. There's this classical kind of branded market with the big players, and there's this 50% unbranded market, where a lot of, let's say, alternative players with MVNOs are playing. And we are now trying to bring into our customer base them all together.

So we are looking to get more branded SIM into our businesses, and that is why we are directing as well the lower end of the market. We want to have the children, we want to have the low users of mobile phones in the Deutsche Telekom footprint as well. We want to have the whole family and not only pieces of the family. We do not want to have only, let's say, the top end market. We want to be inclusive with our brand. And that is why we have extended our family cards, and that is why we extended as well. The one of the weak spot is in our tariff portfolio, which is the – which are the low tariffs, which is this €25 or 5 gig offer, which we recently announced.

On top of that, we introduced the MagentaEINS advantage. We call it the mobile happy hour. And you have to think of it as a kind of substitute like the previous stream on product, which was not allowed anymore. And with this, we want to deepen even the engagement, the digital engagement of our customers in mobile use here. So I think overall, we look to do things and to change things in a non-disruptive way by creating value for customers by a better network, by an attractive portfolio, by simplicity of family plans. And we do not want to dilute our service revenues.

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The opposite is the case. We want to increase our ARPU, and I see us, and if you look to our service revenues on a good way of that one. And by the way, we want to do things our competition cannot copy/paste easily. And I think with the family plan, for instance, we gained some advantage already.

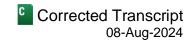
Hannes Christian Wittig	А
Senior Vice President & Head-Investor Relations, Deutsche Telekom AG Great. Thanks, Tim. Next, we move on to Ottavio at Bernstein, please.	, ,
Ottavio Adorisio Analyst, Bernstein-SG Group	Q
Hi.	
Hannes Christian Wittig Senior Vice President & Head-Investor Relations, Deutsche Telekom AG	A
Ottavio? Okay.	
Ottavio Adorisio Analyst, Bernstein-SG Group	Q
Could you hear me?	
Hannes Christian Wittig Senior Vice President & Head-Investor Relations, Deutsche Telekom AG	A
Yeah.	
Ottavio Adorisio	Q

Perfect. First of all, good afternoon, and thank you for taking, a couple of questions on my side. The first would be on the US fiber. We already had the con call from local management, and they roll out in a sizable deals of the same scale. So therefore, I'm not going to ask them that one. What am I going to ask is a bit the difference between the strategy you have in Germany and the one in the US. Now the first one is on the funding strategy. In Germany, you're allowed to do any more fiber rollout of balance sheet. But in the US, all the two big deals that have been done on balance sheet through these JVs. I was wondering why the difference?

And the second one is the ultimate ownership of the asset. In Germany, you clearly said that you are going to buyback the infrastructure, when it would be roll out at some stage, you'll make a commitment when, but that's could be the ultimate goal. Is it the same in the US? Will be TMUS is the ultimate owner of this infrastructure, or will be kept to balance sheet for probably forever?

The second question is on the German EBITDA, and it's basically following up from the intro. But you clearly say that you expect the EBITDA to accelerate the growth in the second part. That will not happen in third quarter due to phasing. Therefore, it's very likely would be the fourth quarter. But in the fourth quarter, you also face the 6% increase in salary as due to the union agreements you signed a few months ago. So, therefore, your cost basis potential will go higher. So, just wondering if you can give us a bit of granularity why you're confident in the fourth quarter to accelerate against these headwinds from the increase on head count cost? Thanks.

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Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Okay. So, Ottavio, on the fiber call – on the fiber issue here, the different levels of answers to that one. The first one is, in our European markets and especially in Germany, we have a full running infrastructure for fixed line. From a network planning to the deployment to the maintenance, we have a machine, which is producing fiber. In the US, we don't. So therefore, we need partners. We need an ecosystem where we can build this.

The second thing is, we have in Europe owners economics. We have a fixed line infrastructure. That is our vectoring infrastructure, which we are using. And therefore, we are now bringing the new engine to the existing base, plus trying to gain new customers. So if we do not want to lose revenues or margin in this one, at least we have to keep the same value-add. This is different to the US. In the US, we don't have any kind of this business. It's a great opportunity for us. By the way, it's not a must do. We are not forced to do it. It's an opportunity for us to create additional value. And we believe that having an asset light, a shared logic of deploying the infrastructure is the more encouraging way, the more profitable way. And we are having the right to market and to have the customer contact, the distribution with our brand towards the customer.

This might change over time. And we always have in mind that we might as well at a long horizon buy the infrastructure from our partners here. But that is not something, which we are planning today. Today, we are trying to share a little bit that there's heavy long-term investments on the infrastructure while taking the full advantage out of, let's say, the distribution and the retail activities at the same time. So this is a little bit the way how we are looking on it. And now to be very clear, we have now make two deals here in this regard. Now it's time now to learn to digest that a bit. Our appetite now for more is low. We have now to work into this one and then we will see how we move ahead.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

So on the EBITDA target [indiscernible] (00:31:24) actually mentioned we expect Q4 being the strongest quarter compared to Q3, but Q3, we expect will be higher than the first half on average. So look, we have kind of some moving parts, where we have visibility into in the second half and those moving parts will basically materialize itself. This is why we're giving you a guidance that you don't be surprised, if we're not coming up with an average EBITDA rate in Q3, which would be basically offsetting the 2 percentage points in the first half. But please respect, we don't want to be too granular what we are having there in our P&L. So this is take the guidance. Q3 will be slower than Q4, but Q3 will be higher than H1.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

And in the end, we'll deliver on our 3% guidance for the segment for the year, the €10.5 billion. That is not changed. So with that, we move on to Mathieu at Barclays, please.

Mathieu Robilliard

Analyst, Barclays Capital Securities Ltd.

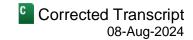
Yes. Good afternoon. Can you hear me? Hello? Hi. Good afternoon. Can you hear me?

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

We can hear you well.

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Mathieu Robilliard

Analyst, Barclays Capital Securities Ltd.

Thanks for the presentation. So I had a first question about Europe. So indeed, as you flagged, Tim, the performance has been very strong, and I'm talking excluding Germany with revenue and EBITDA growth. And I wanted to understand if that was, to some extent, the catch up, you pointed lower energy costs. You've also recently passed a number of price increases to catch up with inflation or if there was something more structural that you have developed over the past few years in these countries, which makes you confident that you can continue to deliver such growth. And I realize it's a lot of different markets, but if you can flag what you think has changed or not changed?

And then I had a question about FTTH in the US. You already said that your appetite was limited for now. But looking at the deals that you announced, I don't know if you can share at this stage some elements that would help us form a judgment, as in what is the areas where these two companies will be rolling out fiber? Is it overbuild by cable, by other fiber operators? Are you trying to go for regions where you can get a high penetration rate? Any sense of what is the CapEx that you can – that you need to deploy fiber? Anything that can help us judge the merits of these deals at this stage. Thank you.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

So Mathieu, let me start with the first question. The performance in Europe. I think it's a combination of at least four factors. One is obviously the price increases, which we have taken in many countries and not because we're operating in. The second one, this is associated with consistent volume growth. So that helps as well. As you said, we had in the first half too, I would say, non-operational effects, which helped us or at least one non-operational, and then the energy cost effect. The other one is the retirement of the utility tax in Hungary, which also helped to perform in the first half. So we expect that the second quarter will not be at the same level as you've seen it with the 8.9% in Q2, but still significantly above what you have seen historically. And what the new guidance will look like, we will tell you in October, but I can tell you it will be higher than in the past CMD.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Look, on the questions about Metronet and Lumos, these companies, and especially Metronet has already business 2 million fiber homes up and running. This company is coming after a very diligent a process of where they have selected market in the US. By the way, it is not an either or. It is a mix of very, very low bandwidth in cable areas and is coming as well to trying to in the rural areas, to substitute areas. It is really, let's say, where these people have developed a plan, where they can get the highest activation. And this is, let's say at that point in time, the logic we are following. It's not that we have now – already started now to select new markets. That's the process of what we will do from now on together with our partners, Lumos and with Metronet.

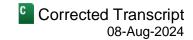
It will then fit to our distribution capabilities as well, because that's a win-win situation for both of them. It is hopefully and that is our expectation, not cannibalizing our High Speed Internet. And you have seen that we have the highest ratios of High Speed Internet in the last quarter. And so, that is an adjacent technology, which we can use to do business in the US. And I think when it comes to the respective market, this is a little bit too much for me here to define every single market in the US. That's something to discuss with the local team, especially even with Metronet, the people here.

The only thing what I can tell you when you look on the way, how the deals are structured and constructed. We have brought all our expertise from Germany into the negotiations and into the transactions because we have a





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lot of experience here from EWE TEL or from the IFM deal, which was considered as well in the negotiation with these partners.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

And talking about partners, we also have partnered with EQT and KKR, which are household names for fiber and they know what they're doing. And KKR has invested fresh money into Metronet. Let's not forget this. And they are clearly very experienced investors in this space as you all know. So thanks, Mathieu. And then we move on to Robert at Deutsche Bank, please.

Robert Grindle

Analyst, Deutsche Bank AG

Thank you. Congratulations on the multi-decade high in the share price. I don't get to say that very often, so I thought I would take the opportunity. My questions are back to Germany. The EC recently approved an extra €26 billion of government funding for, I think, less rural broadband than previously. There was already money available on that front. Does the new money change the dynamic for you or the altnets in rural or semi-rural areas? And my second question is, does the new draft law to accelerate network expansion help you out at all on the speed of rollout or costs or not much difference as proposed? Thanks.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Maybe I'll start with the first one and – just quickly because it's a bit confusing. So this is basically an umbrella authorization of German broadband funding that has been going on for some time and will continue for many years. And now, as in actual fact, Germany has actually slightly cut the rural broadband subsidy from €3 billion to €2 billion this year, may get cut further given the German budget constraints. It's okay for us because there can be something like too much subsidy and it ties your hands. And so, we are happy with the current rate or slightly reduced rate. So that works for us.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

To be honest, on an operational level, the opposite is sometimes true. The subsidies are not being released at the speed, where we expect it to be. So this is more the operational challenge we are having in Germany rather than that there's an excess of subsidies which has been flooding the market.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

On the new German draft law, if I can talk about that, because it's not a game changer. So I'm not sure, it has really got it to the attention of – yeah.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

No. But it got to my attention here.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Okay.

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Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Look, the new draft law is helping us, because the mobile network is stated as [indiscernible] (00:40:07) from the highest public interest. And with this classification, you do not have to consider all the local requirements. So, the approval process, by the way, time costs money. This is going to be accelerating the build out of mobile sites in the German market.

Now it is not considering fiber in this new draft law. But to be honest, the problem is not the authorities in this regard. It's more the landlords and the process how we deploy the last mile here in Germany, which is taking more time because you need the consent of every single landlord. And that is sometimes a very long and painful process. We are optimizing that by a special workforce, which we are building in-house to deploy that. But nevertheless, the draft law helps us, at least from the paperwork here, and we will not see how it is getting implemented and executed. So I'm more encouraged by at least having something in hand, which gives us legal certainty. Yeah.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Okay. Thanks, Tim. And with that, we move on to Josh at Exane, please.

Joshua Mills

Analyst, Exane BNP Paribas

Hi, guys. Hopefully, you can hear me and thank you for the questions. Two for me. One was on the broadband market more generally, I think last quarter, we had a discussion about the fact that there is lower volume growth in the market overall, but also you've seen some improvement relative to last year from your competitors. I think in the second quarter, we've seen Vodafone get a bit better, but it looks like [ph] Eins&Eins (00:42:00) are going backwards and your net adds are basically where they were in Q1. So my question is, is the market still slightly slower than it was a year ago, or do you expect that to be a reacceleration as your fiber rollout continues?

And then the second question, I would be just keen to get your thoughts on the ongoing discussions around the spectrum auction and the potential prolongation and whether any of the very well flagged now [ph] Eins&Eins (00:42:28) network issues have had any impact on discussions between the parties and the regulator? Thank you.

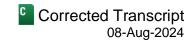
Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Yeah. Look, first, German broadband market has been quite steady this year so far. Vodafone has recently been more promotionally [ph] Eins&Eins (00:42:47) less so. We introduced a new fiber tariff portfolio through, which we want to motivate more customers to migrate to fiber and thus, onto a new upselling path. By the way, the Telefonica deal, which was, published recently, has the same logic. So, it's more attractive for them as well to go into fiber sales than the classical old copper world.

So we are also working to reduce our fiber lead times. We discussed that earlier. And our broadband performance so far has stabilized, as we have said. So based on that, we are a little bit more confident on the last developments here for the remainder of the year. If you now ask me personally – and I can tell you if you want to hear me inside the organization, I'm pushing, Srini and his team heavily to get into higher numbers here, because I want to see a better utilization. I want to see even a bigger uptick. What we have made over the last years in the 5G world is something, which should take place as well in the broadband worldwide.

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So therefore, we are on track with what we have promised, but my personal aspiration is higher. Why is that? Because we have a super attractive portfolio. We have more and more an advantage of the coverage of our fiber infrastructure. On top of that, we have a superior team in the field, which is supporting that. And on top of that there's a lot of – let's say, homes passed, implemented already, which are unused, which we can deploy over time. So my expectation for the upcoming future is that we grow this net add numbers to fill the pipes and to create a flywheel here as we did it on the 5G service as well.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

Look, on the question on spectrum auction, I think nothing has changed. We expect there's going to be a prolongation for about four or five years at minimum. I think it's unlikely it's going to become eight years. We always said there's [indiscernible] (00:45:08) 101 with regard to low band spectrum that we are out of this negotiation because we are not willing to give up a fully utilized spectrum band on our side. [ph] Eins&Eins (00:45:19) has communicated their numbers today. I think they said they have now 546 sites pretty much active according to the target of 1,000 by the end of 2022. I don't have any privileged insight in the discussion with BNetzA, but I assume it's not helpful because they're still trailing behind their end of 2022 target. But we expect again a prolongation of five years, and we're not willing to give in on low band spectrum.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Thanks, Christian. We'll move on to David at Bank of America, please.

David Wright

Analyst, Bank of America

Hope you can hear me okay. And a couple of questions. Thank you, Hannes. First of all, just on the US fiber strategy once more, I'm just wondering to what extent there is a plan to potentially migrate some of the FWA market onto fiber as it overlaps? I don't recall FWA a trojan horse, but I'm sort of thinking whether that's part of the strategy here to actually use FWA and then upsell people into fiber over time in the US?

And then my second question on the US is just around the new Apple iPhone and the Apple Intelligence functionality that is being brought in as perhaps a kind of generational shift in the product. Apple seems quite excited about the product. Clearly, the consumer will be excited given the whole fanfare around AI. That being said, it doesn't really feel like the operators are in any mood in the US to necessarily subsidize handsets and get into any kind of battle there. And certainly, it doesn't look to be in some of the forecasts and guidance that's out there. So I'm just wondering to what extent you think the US market could see maybe a return to more handset subsidies next year as operators maybe try and maintain or win the battle for this new revolution of handset? Those two questions. Thank you.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Okay. Let me try to answer the question by quoting Peter on the call. I think everyone's expecting a strong value proposition coming from Apple with its new launch. However, nobody is expecting a super cycle, at least not in the US team. So I think that's their perspective. If I'm not mistaken, the new Apple iPhone will not have the AI functionality in the European markets as it has in the US. So I think that would be even a stronger argument for the European market that we also don't expect any kind of super cycle. And we have seen a super cycle now – haven't seen a super cycle now for many, many years. So I recall that in 2020, as we close the deal with Sprint,

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everyone was expecting the super cycle, which hasn't happened. And ever since then, we haven't seen a super cycle yet.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

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By the way, I'm not sure that the AI functionality will only come from the phone. There will be a lot of, let's say, additional functionalities, I'm using Perplexity, for instance, on a daily basis, not using Google search at all anymore. And this is a functionality, which we can integrate into the phone. And therefore, my belief is that that this kind of additional specialized services for consumers have their right as well in the AI world. We have a deal with Perplexity, for instance, that for our customers here in Germany, the first year is for free. So it's powered by T. It's an exclusive deal, which we have here in the market, and we are creating added value for consumers on the phones ourselves. And as you know, we are working on the iPhone as well in our – the T Phone and more to come.

With regard to your first question, US fiber strategy and the question about fixed wireless access or High Speed Internet, as we call it. Look, we have recently announced that for 2025, we have 7 million to 8 million potential, which we see for the T-Mobile business. And I clearly see that it is an adjacency to the fiber world. Long-term, it might help that you have in areas, where heavily used mobile servers and high demand has given that in these areas we might deploy then fiber. But that's not in any kind of our business plans yet, not being considered. It's a separate way offering the services here and High Speed Internet marks that is right to exist on a standalone basis as well.

David Wright

Analyst, Bank of America

I guess if I can follow up, if I'm still on off mute at the moment.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Yeah.

David Wright

Analyst, Bank of America

I guess, Christian, to say you don't expect a super cycle, I mean that seems – I don't know – I hate to say naïve, but this is surely the one thing that's been probably the biggest super cycle of all has been the introduction and the rise of AI over the last couple of years. So AI into the handset, how could you not expect a super cycle? Is this more messaging as the operators want to avoid this kind of subsidy dropping back into the model? I find it hard to believe that this isn't a big step for the handset industry.

Christian P. Illek

A

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

Look, David, it's not a messaging communication here. It's simply our internal view, both in the US as well as here in the European business, that we don't expect this. So let's wait and see who's right and wrong.

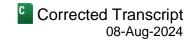
David Wright

Analyst, Bank of America

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Okay. Got you. Thanks.

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Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

And on your second question, just to be clear, we think of whatever we do in fiber, not at the expense of what we do in FWA, they're complementary or on top of each other. So they're not in lieu of each other. So next, we have Steve at Redburn, please.

Steve Malcolm

Analyst, Redburn Atlantic

Yeah. Thanks, Hannes. Thanks, all. Thanks for taking the questions. Yeah. A couple – one on Europe, and specifically Hungary, which I think delivered about half the EBITDA growth in the quarter. You did mention the fact that you had the sort of utility tax dropping out. I think ARPUs were also up 12%. You've identified before that telecoms analyst we tend to be a little bit half glass empty. We see numbers are like 40% EBITDA growth in the first half. We kind of think what can possibly go wrong? So it would be great if you could maybe unpack the Hungarian performance and how to think about the second half and maybe lay any concerns of that huge EBITDA growth we've seen this year could be given back in subsequent years?

And then secondly, just sort of boringly coming back to US fiber, I think the overall rational is fairly clear. You have loads of experience in Germany across your European operations, through DTCP in markets like Holland and the UK. The US has – T-Mobile has the credibility, but obviously, we're dealing with very sort of limited financial information at the moment. Maybe could you give us any kind of thoughts on what IRRs returns on capital you see in the US? I guess in Europe, we're sort of used to seeing business plans with kind of 10%, 11%, 12% IRR. Any thoughts on that high level would be very helpful just to sort of try and build our models and think about what your fiber infrastructure and returns on investment might be over the next five, six years. Great. I'll leave it there. Thanks.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

So on Hungary, look, let me give you a more high level question. Obviously, Hungary has seen the highest inflation across all European markets. And as a result, we have taken the highest and most drastic price increases. This is obviously not something, which will continue over several years. I think that will come to an end. But I would view the European segment as a portfolio. And we have taken different actions in different countries, and I think this is how the overall performance is getting together. Obviously, the retirement of the utility tax has helped. I think there's another price increase already happened or in the making of happening, but there will be a rollover effect also, especially when it comes to the Hungarian market – Hungarian market.

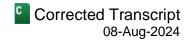
But there are other markets, where we haven't taken significant price increases, I think where we have some pricing power in order to do this. And I think this is how we're going to treat the portfolio that we basically have a balanced EBITDA growth in the future. But don't expect that these price increases will basically replicate itself in Hungary forever.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Look, with regard to US fiber, we are not disclosing, let's say, return on investments for separate business units here. And to be honest, this will come over time anyhow, because you will constantly ask for that, and we will then release more and more on that one. What I can say here at that point in time, we are expecting double-digit numbers here. Think about the partners we're sitting with, the KKRs here and alike, they would not do business at low performance. On top of that, we have the interesting favorable wholesale deals with these companies. So that

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we can make a good take advantage out of our existing distribution. So the incremental cost for the distributions are significant lower than building them on our own. So therefore, this business is, for us, very attractive from a further development. But to be honest, this is something which maybe we can address on the Capital Markets Day a bit deeper. But I don't feel myself really, let's say, in the position right now to go into the details here.

Steve Malcolm Analyst, Redburn Atlantic	C
Okay. Thanks a lot, Tim.	
Hannes Christian Wittig Senior Vice President & Head-Investor Relations, Deutsche Telekom AG	Д
Thanks, Steve. Thanks, Tim. And next, we move to Polo at UBS, please	9.
Polo Tang Analyst, UBS AG (London Branch)	Q

Hi, everybody. Thank for the presentation. I've got two questions. The first one is, just on German wholesale. How should we think about the growth in this revenue stream in the coming quarters? And can you remind us if there are annual price escalators in the contingent model contracts and are these linked to CPI?

My second question is really just a bigger picture question on artificial intelligence. So I think that when people have been looking at the broader ecosystem, there's been a lot of focus on the supply of chips and data centers. But what's your latest thoughts on whether AI can be a boost to telecom sector revenues? Are you seeing any specific B2B use cases or demand from the hyperscalers or other players for network capacity? Thanks.

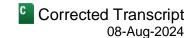
Timotheus Höttges Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Let me start with the impact of AI. And look, I said that in Barcelona, there was a super hype, and we know the hype cycle. It is coming down and then, we see a lot of consolidation and then we see the benefit of this technology. We have seen that for almost every technology in the past. And therefore, I'm not irritated by the discussion, which is currently taking place, that people don't see the benefit even I think what MIT professor said, there is no kind of productivity gain by AI, which can be proven, which is proved. So therefore, we — I have a strong — we have a strong belief in AI and its benefits.

It is improving the speed of our organization. It's improving the efficiency in a lot of routine areas. It's improving the quality of our networks. We have automated anomaly detection. We have the possibilities for faster down cycles here, which we are managing in the network. We are seeing benefits in our communication areas. I just got another report from my legal department and the benefits there. So it will help us to achieve our ambitious cost numbers, which we are laying out. It will help us to automate the organization, and it will help us as well to individualize customer contacts in a much faster way than we are able to do that today and just from the IT, the intelligence here, which we have.

So therefore, we are very excited about it. We have something like 400 projects up and running in the organization. There are a lot of them are small, but we have identified 15 big projects, which we are driving. There's this automation of customer service, and the bots – the support of our sales teams and the intelligence for our people in the organization being it the technology or in the HR community. There is this element for software development within the organization. And don't forget, we have a big team sitting T-Systems in the digital services, who are working on this kind of services. And then we see big benefits as well in the area for the

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network automation. And we will have a deep dive in the Capital Markets Day talking about this autonomous networks and how AI can help us on that journey.

So I can go into now already productivity gains like 37% of all contacts in 2060 will be automated or 20% of contacts in the dialogues of our talk Magenta will be answered addition in an automated way. This is helping us to reduce our internal costs, our IDCs. So therefore, yes, we are very, very excited about that. To be honest, I'm not sure whether we say this is the AI tasks. I think it makes more sense to say this is our cost task going forward. That is what we are working on for the Capital Markets Day to say, there are a lot of productivity gains coming from AI. But I'm very excited about that one. And we keep on running and pushing on this one. With a lot of, let's say, partners, and the selection of the partners is, I think, the most critical part of today. So, AI, yes, clearly committed.

With regard to the German wholesale and the – as we have guided something like, stable wholesale access revenues for 2020 to 2024. And in the second quarter of 2024, we have seen this growth of 1.8% after 0.8% in the first quarter. So you've see an improvement on our wholesale access revenues in fixed line. So there have been volume losses to other infrastructure platforms of something around 350,000Ks, and they were offset by ARPA growth by constantly upselling our infrastructure with higher speeds to our partners. And on top of that, this is the logic of the more for more wholesale pricing structure, which we have implemented into the wholesale logic as well, and that is helping us.

So we are focusing on retail first, and we are focusing on high speed in wholesale as well and not only any kind of volumes. So there will be some volatilities over the quarters, but our commitment stays intact for a flat wholesale access development over the upcoming quarters.

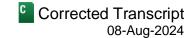
Christian P. Illek Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

A

Let me add something to this. So the price increases are set within the commitment model. We talked about this. And they're carrying through until 2025. There is no CPI linked to it. But they are basically simply said, every year, there's going to be a price increase, and that will carry the ARPA increase, it will support the ARPU increase over the course of the years. And secondly, there's constant upselling as you see it also in the retail space, also in the wholesale space, so that people are subscribing to richer packages and that helps us to basically drive the ARPU growth up and to compensate for the volume growth. But it's very much set in the commitment models.

Timotheus Höttges Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG	A
And it's not linked to the CPI in Germany.	
Polo Tang Analyst, UBS AG (London Branch)	Q
[indiscernible] (01:02:40) Thanks.	
Hannes Christian Wittig Senior Vice President & Head-Investor Relations, Deutsche Telekom AG	A
Good. Next, we move on to Siyi He, Citi, please. Siyi?	
Siyi He Analyst, Citigroup Global Markets Ltd.	Q

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Hello. Hi. Good afternoon. Thank you for taking my questions. And I have two please, both on Germany. First one is on TV. I wonder if you can give us some updates around the TV. Let's see the TV ads accelerate further this quarter. And maybe help us to think – how should we think about the stickiness of the new additions that you gained throughout the year? And whether there has been any changes in market dynamics post the regulation change? And also, how should we think about the momentum in this part of the business for the remaining year and into the next?

And my second question is really a follow up on your comments in German mobile. You're saying that you wanted to bring the low-end offering together with premium offering under the branded tariffs. It's via the family SIMs and attractive entry offers. But if I look at the distribution channel you use, it seems that you use third-party channels to help with the branded tariffs and no further offers is offered via your own online channels, which has little commission costs incurred. So just wondering if you can help us to understand how should we think about the balance of cost efficiency using own channels and the third-party commission spending in Germany given the change? Thank you.

Christian P. Illek

Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG So let me start, Siyi, with the TV question. So look, I think we had a perfect second quarter with regard to the

IPTV momentum. 116,000 net adds, because we had two things. Obviously, the retirement of the rental privilege plus the European Championship. I think that was a double whammy, which helped us to achieve those numbers. Still, we are positive and confident that we will over - on a year-on-year basis continue to have higher growth rates in the third and the fourth quarter when it comes to IPTV.

On the second part of your question, I simply cannot give you an answer. And this is why we don't display the gross sales, because we don't know how the stickiness will say, and what is the percentage of customers, who just subscribed for the sake of watching the European Championship to our OTT offer, and what are the percentage of customers, who basically like the offering in itself and says, okay, I'm taking the European Championship, but I plan to stay long-term. So I would defer that answer probably to the next quarter call, because then we have data out of how basically - how many customers we have retained out of the gross sales, which we have generated in Q2 but also in Q3.

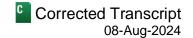
Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

And by the way, you asked for the momentum. There's huge momentum, huge momentum in this market after the abolition of the rental privilege at the end of June. And you see that with the Waipu development, you see that with our Magenta TV that momentum, you see what Christian said. There's another 300,000 customers on over the top subscription, which we haven't released to the market yet, which we see, and we don't know how the stickiness of these customers is. We had a record quarter in Magenta [indiscernible] (01:06:17) with subscriptions here.

So something is happening here big time. And I hope that we can retain as much customers as possible in this one. But I think the European Champion is came exactly at the right timing for us. So people are aware about this one. And for us, just a side comment here, the European Championship have been a big success with more than 70 million customers watching our signal and our MagentaTV over this period of time. The click rates, the internet of this service was unbelievable high. So now the awareness that there's an alternative and good price for money alternative is at least now in the mind of customers. Now we have to take benefit – advantage of it.

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Now with regard to your second questions, to be honest, look, first and most important channels, which we have is our own distribution, is our own shops and our service centers. This is, let's say, where, let's say, our distribution is sitting on. This is the backbone of it. On top of that, we are using intensively the online channels, take CHECK24 and others, depending on the subscription of that one. But what are we selling there?

We are mainly selling T-branded products, as we call it, [indiscernible] (01:07:51). So, this is, let's say, how we are doing. Yes, for sure. We have partners like freenet and we have extended the contract there. So this is – that is something you will even find some other brands, which are still existing. But if you look to the relevance of these channels, the T-branded channels have significant more relevance than they had a couple of years ago. We will not now in our omni-channel approach, give up entirely immediately. It's not like switching the light on and off. It is a – it's a granular process over the years. But the focus is on our T-branded products for all segments.

Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Thanks, Tim. So, next we move on to Adam at HSBC, please.

Adam Fox-Rumley

Analyst, HSBC Bank Plc

Thanks very much, Hannes. In the last call, we discussed the coverage obligations that the regulator was asking you for. There were some uncertainties around the protected land mass and the implications to your CapEx. And I wondered if you've received any clarifications there in your conversations with the regulator? And then my second question is a bit more of a conceptual one related to T-Systems. And I was wondering to what extent is a lack of scale there, a headwind to better performance? I guess, there may be an opportunity to partner in Europe at some stage in the future, and I wondered if that would end up being an attractive option. Thank you.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

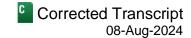
Good. Look, we are very happy with the development T-Systems is showing this year. We are happy about the order entry. We have seen in the second quarter. By the way, we were foreseeing that. We see as well that the digital services are quite attractive. And what we see internally is that the collaboration between T-Systems and our B2B services has intensified because the new Head is coming from the German entity. He knows everybody there.

So what – we have less silos and we made some work that -- well, we found out that most of our big customers are just using one product. So they are not using the multi offers, which Deutsche Telekom can do. So sometimes you only have connectivity and no IT services. Very often you have then no cloud. Some have only cloud, but no IT service, no telecommunication. And what we are trying to do more intensively is the cross-selling and the joint approaches within the group.

So second, a lot of the customers, who are buying connectivity, are sitting with me or with the others, and they're asking, okay, Tim, tell me what is the added value, which I can generate from my company by using big pipes. How can I improve the productivity of my services? What is the added value of IoT services for my specific operation? And how can you help me – how can you help me that this is added value for my organization? And that is what we are trying to do. And in this area is MMS that is the service, which we allocated to the German organization last year, plus T-Systems is coming and getting closer and getting more relevant.



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Now it is part of our discussion at the Capital Markets Day that we question, is T-Systems becoming an incremental part with its software capabilities for the needs of B2B customers. My hope or thoughts is yes, it is much closer than it was before, and it's a differentiator, because the other telcos don't have these capabilities. But let's talk about that in a little more detail. The current developments that our revenues digital are growing by 5%, cloud is growing. All of these services are growing in a nice way shows me that there is some truth in this hypothesis. But let's get challenged for this on even the profitability of this effort here.

Christian P. Illek

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Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

On the coverage obligations, we're still skeptical whether this can be reached. Obviously, this is still in negotiation. And I think if you want us to basically cover natural preserved areas, you have to let us go in there. Otherwise, it becomes an objective and possibility in order to get there. And I think this is what's currently in the making of the discussions. What is the consequence if you are basically asking for this kind of coverage demand? And what does that mean in terms where do mobile operators have to act and build towers in order to get closer – to get to this coverage?

But the second one, I think there's a history to it, right? If you take a look to the obligations, which we had in previous auctions, I think we were always the cleanest ones, who are fulfilled on those obligations. So I think it's going to be a discussion among the whole industry, whether this is possible. And as I said, it's still ongoing. I think we're sitting here in the same boat.

Hannes Christian Wittig



Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Thanks, Christian. And obviously the consultation phase is ongoing, and we have submitted our responses and so on, and then we'll see what comes out of it. But with that, we come to our last question today, and it's from Sofija at Goldman Sachs, please.

Sofija Rakicevic

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Analyst, Goldman Sachs International

Hi. Thank you very much for taking my question. I just have one. So how long will DT not participate in the TMUS buyback for? What are the key parameters for determining this? And would a 52.5%, 53% stake in TMUS be enough? Thank you.

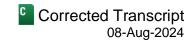
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Board Member-Finance & Chief Financial Officer, Deutsche Telekom AG

So first of all, we don't indicate what we're going to do in terms of whether we're selling or not selling into the share buyback. The rationale why we stopped selling to the share buyback is for obvious reasons. You have heard the US team that they haven't bought US shares in the months of June. And therefore, we basically decided to keep in line with our guidance, which is low 50s, to basically stop the share buyback for the time being. We are only at 50.4%. And 50.4% is at the lowest end of low 50s, which I would say, because we have to protect ourselves, whether it's going to get a dilution like you've seen that at Ka'ena, where part of the purchase price being sold with shares. There's management compensation where we have to protect ourselves. So I think, we'll take a quarter-to-quarter perspective on this one. But we don't give you kind of a forecast how much shares we're going to buy in a given quarter. And it also is interlinked with what's happening in the US.

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Hannes Christian Wittig

Senior Vice President & Head-Investor Relations, Deutsche Telekom AG

Thanks, Christian. And that brings us to the end of this call. I guess, the Capital Markets Day is on its way on the 10th and 11th of October in Bonn. We look forward to welcoming you there, ideally in-person. And otherwise, if you have questions in the meantime, please call us at the Investor Relations department. And thanks all for participating and have a good rest of the summer.

Timotheus Höttges

Chairman-Board of Management & Chief Executive Officer, Deutsche Telekom AG

Thanks. Bye.

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