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PRESENTATION

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Welcome to Deutsche Telekom's fourth quarter 2024 conference call. As you can see with me today is our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will first go through his highlights of the year, followed by Christian, who will talk more 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. And with that, it's my pleasure to hand over to Tim.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Yeah. Thank you, Hannes, and welcome to the fourth quarter and full year 2024 results call. Look, we can deeply go into the numbers. But let me say, we are celebrating our 30th birthday at Deutsche Telekom. I know you're not very romantic, but for us, it's quite a journey of 30 years, Deutsche Telekom, and we had intense discussion this morning with the press around that one, and we're going to celebrate that throughout the year. And the good thing is that we are going to start, let's say, with a record year into this anniversary year. And in some, you have seen the numbers, it was a very good overall track record throughout the businesses.

It is the highest EBITDA, the highest free cash flow and the highest adjusted earnings in our company's history, which we are able to present today. We made great progress along the priorities we outlined at our October Capital Markets Day, be it on fiber, being it on the mobile technology leadership, being it on customer service. and customer experience and being it on artificial intelligence. But I can tell you one thing. These are just in its infancies, we are just beginning here, and I'm already pushing a lot so that we should accelerate on these topics.

Our financial performance also in the fourth quarter was on track for the targets we outlined at the Capital Markets Day. And on January 29, T-Mobile reported already their strong results and provided a very positive outlook for 2025. We are completing this picture today with our ex-US and our group results, and we provide you with our guidance of the group as a whole.

Again, in 2024, our group developed quite nicely, 3.7% organic service revenue growth. We had 6% organic EBITDA growth. 19% growth on free cash flow. And 19% growth in adjusted earnings per share. So I think this is remarkable. And I know that if you compare us with the European industry, it's anyhow leading. During the year, we announced more than EUR10 billion of M&A investments in the US, be it wireless and advertising or in fiber. It shows the attractiveness of the US market at that point in time, and even our willingness to grow beyond connectivity business this year, and we are very happy where we are here.

One month ago, our stake in T-Mobile US was back to 51.5%. Also good news for you. We took decisions to evolve our leadership team at the same time, and you have seen the notes while providing stability in our organization in this kind of uncertain times here. And I'm happy to tell you that I extended my contract until 2028. I hope you're happy about it. And Srini will now join T-Mobile US as the Chief Operating Officer. He will bring a lot of expertise in fiber, a lot of expertise in the relations between the motherhoods, and he will as well help us by realizing synergies within the group in an easier way.

And as his successor, we have nominated Rodrigo Diehl as the new Head of Germany. He's a quite international manager. He was born in Argentina. He grew up with McKinsey and with Millicom. He was Head of Panama. He was in our organization in the European organization heading the B2C marketing segment, and he was in Austria running the business over the last year. So quite experienced guy, who is now joining us here in the German environment.

Overall, our total shareholder return, and you know that was 38% last year, and our shares recently reached a new 24-year high, up EUR35 yesterday. So these are good news. I understand today, we had some drop backs on this one, and let's understand what the reasons for that were. But in principle, we are very optimistic with regard to 2025 and with regard to the guidance and with regard to our Capital Markets Day commitment. So I'm not looking on a day, I'm looking on the long-term trajectory and this trajectory on the share price is very, very good. So again, this was another good year for Deutsche Telekom and its shareholders. And there is much more to come, and I will talk about my priorities in a second.

As usual, let's take a closer look first on the organic figures on page 5. And what you can see here are the elements of the segments. And obvious to see all segments are growing. The organic group revenue grew by 3.7%, excluding the US, the growth would have been 2.9%. Our core EBITDA grew by 6.5%. And excluding the US, it's a remarkable growth of 6%, which we were able to show here as well. T-Mobile grew its adjusted core EBITDA by 8.3%. Europe grew by 8.1%, Germany by 2.6% and just our fastest-growing segment, and you know that for me, there's always a ranking of everything I'm doing, the best-in-class from a percentage perspective was T-Systems with a growth of 12.3% EBITDA growth.

Now we know that this is on a small basis, but nevertheless, it's another turnaround story within Deutsche Telekom, and I'm very happy what this team has achieved. So well done to T-Systems. T-Systems may not be so important from the value contribution. But for us, they are very relevant when it comes to being a differentiated telco in the B2B space because we are running cloud, which is getting more and more relevant in today and in the future, and we are running digital service or developing applications for our customers. Both are things other telcos don't have. So this is getting more and more relevant. And in both areas, we're applying a lot of AI, and we have a lot of AI expertise, which we can then as well use for the group. So the contribution of the system is getting more and more important over the next years.

Moving on to our networks. And you know this is my favorite topic. In the last 12 months, we've passed 3.3 million additional European homes with fiber to the home. And now we reach over 20 million homes in our European footprint here. In Germany, we have achieved our targets of the 10 million households, including the joint ventures and our corporations. And this, despite all the headwinds, this German fiber market was facing. So we keep on track.

Our mobile networks as well remains leading across the footprint. Existing German network modernization program is well underway. You saw that from Srini and up to the presentation about our leadership in the way how we are using spectrum, Project Nemo. In the US, our network leadership remains uncontested. And we are further extending our technology leadership here as well with the public beta launch of direct-to-cell satellite communications.

Now you would immediately ask, why don't you have a Starlink deal for Europe yet? Look, the answer is very simple because if you have a 98% coverage of 5G services in Germany, you don't have so much uncovered areas. We are going -- this area is more for FMS solutions. If needed, while using satellites, in the US, the 400,000 square kilometers uncovered areas as a whole, and therefore, the satellite connectivity makes a lot of sense as an adjacent technology. Network of networks, remember that was the term which I used a couple of years ago, is coming live.

Our customer growth continues, both in the US and both in our European entities, all of them. You can see in page 34, by the way, the consistency of our customer growth over many, many years. So there's no reason that we see a slowdown or whatever. You have always some seasonal effects or some competitive effect. But overall, our growth rate is quite intact. Our subscriber growth on postpaid are strong, 6 million postpaid net adds in the US and 2 million in Europe. So another 8 million postpaid customers gained in 2024. The fourth quarter saw year-on-year improvements in churn. That is remarkable that we are even further reducing our churn, both in Germany and in the US to, I think, an all-time low in this area.

In Germany, we consistently delivered near 300,000 new mobile net adds in the quarter, benefiting from our successful segmentation and our clear leadership. By the way, it's standing on three pillars. There's a B2B area. There is definitely our direct business which we have, and then we Congstar as well. So we have different segments here, which we are working on, and this is always good, you know that you have different legs.

In the US, we issued the highest initial postpaid net adds guidance ever for this year. We benefit from our leadership both in value and in quality. And we keep on running and continue this development. TV net adds were as well in '24 stronger than the year before. That was mainly driven by the German business and here that was the European Championship which helped us. But please be aware, in this 437,000 net adds, there are 300,000 not included this -- over-the-top services that 300,000 customers downloaded our app and using our app on the different TV screens, even this one is not included in the numbers which you see here.

Broadband net adds were lower than last year. And I think this is a little bit, let's say, the black spot on our white shirt, as we say in Germany, where I would say this could have been better. This is mainly driven by Germany. Fiber net adds not shown here, they accelerated. That's a good message. And by the way, almost doubled compared to the previous year. But the broadband net adds were slower, and we have to discuss that later on because this is definitely an area where we want to improve our delivery.

Moving on to ESG for a sec. Look, despite strong growth in data usage and the demand in our services increased, we were able to reduce our energy consumption for the group by 2%. So assume that we have 30% more data usage in our networks, and at the same time, we are able to reduce the consumption of energy by 2%. That shows the efficiency ambitions are the activities which we are driving here. We reduced our CO2 emissions by a similar percentage. This is good.

And if some of you know might question, what the heck is Tim talking about. Nobody cares about ESG anymore. I can tell you we won't stop on this topic here because for us, this is more than just a kind of hygiene factor for this is a commercial element because the moment where we can reduce our energy costs, the moment we are able to reduce -- increase the efficiency of our architecture here, the moment this has a hard commercial impact. And therefore, there are more elements than being altruistic, this is really a big commitment to the future and to our P&L at the same time.

Our community contribution, by the way, amounted to EUR1.1 billion last year, and there were 34 million beneficiaries, including 6.3 million students which we connected as part of T-Mobile's education initiative. Another great program. The brand has to be an inclusive brand, and this means we are covering from the super rich to the ones who cannot afford our service, everybody. We embrace people into our brand, but we can declare that that's nice. And maybe people are believing us, but we have to live it, and you have to be committed to this is that -- while these instruments are so important.

Coming to the guidance, our 2025 guidance. The bottom line is that we delivered our EBITDA guidance, and we outperformed our guidance for free cash flow and earnings per share in all categories for 2024. Note that our adjusted EPS of EUR1.90 included EUR0.07 of nonrecurring earnings. The largest single item here was a [EUR0.04] benefit from an improved tax outlook for our GD Tower joint venture. So this is included in the EUR1.90, but even the EUR1.83, by the way, friends, the EUR1.83 is highly above our original guidance for '24, which was EUR1.75. So outperforming on most of the KPIs which we guided last year.

So we had this fantastic Capital Markets Day in October last year and got great feedback from you guys. Thank you for that. It's a big commitment for me and for all of us going forward. And I just wanted to share what we are doing right now and what are we working on in 2025. What is most important. By the way, there are a lot of other activities we are driving around our flywheel here but just let me stress a few of them.

So starting with fiber. Look, our ambition is we will keep the pace of the fiber build-out in Germany and in Europe, 2.5 million alone in Germany. And we want to even include our fiber joint ventures in the US Hopefully, we're expecting that in the second quarter this year, we get the consolidation of our fiber investments after the approval of them. And then we have even commercial benefits from these activities as well. And then we will see what's happening here on the fiber and the convergence side.

But this is a big commitment going forward. And for us, it's very important that we are stepping up on monetization. And we made good progress on this one. You saw that in the fourth quarter. The fiber take-up is severe, and Christian will talk about that in a second, but more to come. In Germany, we want to go beyond 20% this year on the utilization of our infrastructure, the extended infrastructure. And in Europe, we are beyond 30%. By the way, 34%. So therefore, there's more to come that we monetize fiber.

Second topic on the mobile side. Our network is clearly leading on both sides of the Atlantic. But we will not -- won't rest on our loyalty here. We want to extend our lead. In the US, with our customer-driven coverage build, interesting proposition. I love that. And by the way, we will steal with pride all the ideas from the US into our entities here as well and develop them further. In Germany, we are improving our network leadership with our radical network modernization program, Nemo. So two really big initiatives, I'm not worried at all that we will not have another year where we will all -- by the way, all network tests.

We are expanding our technology leadership with 5G stand-alone in Germany and other markets, in satellite connectivity in the US and in open RAN technologies. So this is just three examples of what we are trying to do. And at the same time, we are driving everything that we gain more ARPA growth out of this infrastructure because if you have a market-leading infrastructure, you should be able to monetize that even beyond your competition.

Then another third element, which is very important for us and should discuss that is the momentum in our B2B area. We presented the different entities, Europe, Germany and T-Systems, and we have spoken about the ambitions here. We have laid the foundation on product side last year, and we see a positive momentum. By the way, mobile is super strong everywhere. On the fixed line, we are making progress. Cybersecurity demand is high, double-digit growth. So there are a lot of, let's say, good developments which we see, but we stay hungry here. So let's see where we make progress this year.

AI, very important for us. This is a centerpiece of our strategy, the centerpiece of my belief. To be honest, we had a much better start than most of the telcos. I know that because every -- a lot of telcos are visiting us, they want to understand how we are driving the 500 projects within our entity. I see unbelievable efficiency gains in the workflow optimization. I see them on the individual services. We see that already in the US with the digital use from our customer side and the way how we are serving them in a better way. I see them in the network autonomy. I see them as a cyber element.

So I -- there is so much which we can improve faster and more efficient with AI. This is just the beginning. I think we have to double down. I will push this organization this year much harder on AI and the implementation. And by the way, I'm flying out from here to Barcelona. Next week, we will talk about -- on the Mobile World Congress, we will mostly talk about, let's say, our AI initiatives and how we are improving and how we are using AI service, including our partners.

Scale advantages is another big thing. Our leading size and portfolio gives us a unique opportunity among other players in these industries. I always hear that from my competition here, Tim, the only reason why are you good is because you have the US, I said, okay, you could have done the same, but you don't have a US. But the US and our European entity gives us a super advantage to scale our businesses, and we have to prove that. And I want to show that to you how we can do that, cooperating models in IT, in NT, in sourcing. So the element of transatlantic collaboration should be -- do we want to -- we want to bring to the next level. And by the way, that Srini is going there, that will help a lot.

Next topic is the leadership team and the evolve -- how we evolve this team. And as I said, my contract extension hopefully provides stability in this world. It's good to have that in the new European Commission. It's good to have that with the new government in Germany coming in. I think it's even good to have that in the US because there are a lot of, let's say, uncertainties now in this environment. And it's as well, I think, good for the team here because the stable management is even stability in our strategy going forward with a clear focus.

With Rodrigo, we found an excellent successor for Srini for Germany. We will bring him to you when he has to say something. And Srini is brilliant, highly appreciated in the US team. They know what they get and this will help us as well. So this is just the beginning. To be honest, I'm working a lot of, let's say, ideas around our leadership team on the second level about how we can reinnovate, how we can upskill these people, how we can get even more international in this regard. So more to come throughout the year 2025.

Our guidance for '25, and I'm going to be quick, is based on last year's average foreign exchange, which is, by the way, [$1.08], that is our foreign exchange rate, which we take into consideration. And it is the same -- it's a sum of the guidance of DT ex-US and for T-Mobile US, adjusted by US GAAP IFRS bridge. And I heard that this morning was intensive discussion about this bridge, this IFRS bridge and this EUR1 billion, which is in between that.

T-Mobile issued its guidance on January 29, and we are using the midpoint, the midpoint of their guidance. This guidance is based on an IFRS bridge of EUR1 billion in 2025 and at a dollar exchange of $1.08. For the DT ex-US business, we are guiding for '25 an EBITDA of EUR15 billion. And we are guiding for '25 of free cash flow of EUR3.6 billion, by the way, slightly increasing over the years. For the group, we are guiding around EUR44.9 billion EBITDA and EUR19.9 billion free cash flow. And for the earnings per share, from EUR1.90 coming to around EUR2 for the adjusted earnings per share. So another increase of 9% for 2025.

Note please that we are no longer guiding the core adjusted EBITDA because the handset lease revenues in the US have become immaterial. So that makes our KPIs more easier to understand. And with this, I hand it over to Christian, who will give you even more details on the '24 numbers.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Thanks, Tim, and hello from my side. So as usual, as you know, we're going to start with T-Mobile US. We're staying on US GAAP. What you see is that the service revenue has increased year-over-year to 5.5% growth, and is very much driven by the postpaid service revenue growth, which you can see on the call out. That is obviously the foundation for a stunning 10.1% core EBITDA growth in the fourth quarter. So a very, very strong financial performance.

I'm taking a look at the commercial figures, you see that the postpaid net additions in the fourth quarter was 1.9 million. And if you add everything together over the course of the year '24, it was more than 6 million of net adds, of which 50% -- roughly 50% is phone net adds. And that momentum obviously led to a guidance of 5.5 million to 6 million postpaid net additions in '25, which is the highest ever guidance the US team has given to the market.

What you can also see is that we have a very steady performance on high-speed Internet with roughly 400,000 plus net additions. So we have now a base of 6.4 million customers, and I think we're tracking well against the 7 million to 8 million high-speed Internet customers by the end of 2025.

Moving to Germany. 33 quarters of consecutive EBITDA growth, despite the fact that we have seen the wage increase beginning of the quarter, the Q4 EBITDA was growing by roughly 2.8% and that gets us to a full year 2.6% growth. You remember, we had in Q1 only 1% EBITDA growth. Our guidance for '25 is EUR10.8 billion EBITDA, which is pretty much at the same growth rate as we have seen it in the fourth quarter. So we're pretty much in line with what we articulated in the October meeting here in Bonn at the CMD.

Moving to the -- what you see on the chart on revenues, obviously, that organic revenues slightly decreased over the quarter. This is very much driven by lower handset revenues. The service revenue was slightly positive as we can see on the next page, but it was still sequentially lower than we have seen this in the previous quarters.

And the reason being for this is that we actually had a higher expectation of IT revenues in the public sector in the fourth quarter, which didn't turn into business, which sequentially will move into -- largely into the upcoming quarters, especially in Q1.

Mobile service revenue, you see that we're growing pretty much at 2%, which is stable relative to the previous quarter. And despite the fact that the mobile market is quite aggressive, price aggressive for quite some time, I think our performance has been very steady, and we remain absolutely confident that we're going to meet our 2% to 2.5% growth expectation on the long run.

So let's move to the fixed line trends on the following pages. So what you can see on page number 17 is that both broadband and wholesale access revenues grew in line with the previous quarter. Despite the steady growth in broadband revenues, our retail fixed revenues was obviously smaller in this given quarter, and I explained this by the dip in the IT revenue, especially in the public sector.

So we expect a better performance in the upcoming quarter, and we expect that part of this business will eventually turn into business in this given quarter. So if we basically exclude the dip in the IT revenues, I think then the growth rate would have been comparable to the previous quarters. So again, expect an improvement in Q1.

Moving to the next page, you see some fixed line revenues. Our broadband and TV customer growth has slowed, especially broadband moved down to 16%. Let's be clear. We're below our fair share, which is above 40%. And you know that our clear ambition is always to trend above our fair share of 40%. The sequential decline is obviously due to two impacts, which you're seeing right now. The market growth is not at the same level as it used to be a year ago. And we see that the Vodafone performance has actually increased, and you've seen that in their numbers, which they have reported out to you a couple of weeks ago where the line losses reduced from negative 33% to negative 7%.

So overall, we will obviously work on this performance to improve it again and especially to be at least on fair share in the upcoming quarters. What we also see is that the net on TV have come down because the rental privilege impact is kind of fading out. But overall, and Tim said it before -- beforehand, we actually achieved 600,000 customers, roughly 50-50, one is excess bound, and the other one is obviously OTT led. So we will obviously try to maintain momentum here, but don't expect that '24 will replicate in '25.

So on the broadband market, let's again step on this one. As we've seen that the market is obviously performing -- is growing at a slower rate, the importance of having richer mixes in our base is obviously an important thing. I think what you see on the retail customers on the upper right-hand side is that we have increased our customer base which is enjoying access lines of at least 100 megabit per second by 700,000 over the course of the year. It's now representing half of the base in our broadband customer base.

So now moving to fiber. What you can see is we have a very strong performance on fiber. So first of all, we have achieved 2.5 million homes passed in '24. Secondly, what you see is that the customer growth is all up increased from 300,000 in '23 to 470,000 in '24, which is an increase of 50%. And in the last quarter, we achieved another 100 -- or we gained another 134,000 customers in the given quarter. And you know that obviously, fiber is ultimately important for us because the higher our fiber coverage is, the higher our fiber customer base will be, the better our broadband performance will be.

So let's move over to the mobile commercials. And what you see on the mobile commercials, we achieved 260,000 branded net adds and Tim basically explains coming from free sources, B2C, B2B and Congstar. This is slightly lower, obviously, relative to the previous quarter; comparable, slightly below the previous year. That slowdown is actually explainable by B2B.

But it's nice to see that despite the very promotional market in Germany, our churn has come down from 0.9% to 0.8% on a monthly basis here in Germany. So obviously, we're still benefiting from our strong brand, our network leadership, our effective segmentation, which we are applying and obviously very much based on our attractive family plans.

Moving over to Europe. I think another excellent quarter wrapping up an excellent year. Our organic revenue was plus 4.3%. Organic EBITDA in the fourth quarter was 7.3%, totally in the year, 8.1%, stunning figures. And these figures are obviously based on the next page, on a very solid customer growth across all the different categories, being it mobile, broadband, FMC and TV. And the good thing in Europe is it's based on a balance of volume growth and value growth.

T-Systems on the next page, very solid quarter. I think you see a positive momentum on the order entry with close to 11% growth. Revenues were only up by 1%, but we had a very good performance on EBITDA, which was 29%. But you see it's very cyclical, how the business develops. So I think the 12% growth rate, which Tim alluded to, is a better comparable to see that we are basically out of the negative territory in T-Systems and that we're moving in stable waters.

So that's pretty much with my operational review. Let's move to the group financials. And you see some good growth across the P&L, but also across the cash flow statement. Adjusted EPS is up 30% this quarter or 19% over the course of the year. And Tim explained in the adjusted EPS, there's EUR0.07 of tailwind; EUR0.04 are coming from a tax benefit, which we have in our Tower business, which is a one-off; EUR0.02 are coming from the pension fund gain due to interest rate changes and the last EUR0.01 is coming from derivatives.

The free cash flow is down over the quarter, but it's 19% up over the years. So what you see on a Q4 versus Q4 comparison that Q4 is not very representative for the year. Net debt increased on a yearly basis by EUR5 billion, of which EUR6.2 billion is purely driven by FX.

So next chart, are basically the bridges Q4 over Q4. As I mentioned on free cash flow, this is not representing the full year, is very much driven by a very low CapEx spend, which we had in the previous year in the US, and that drove down the higher spend on a year-on-year basis. Same was true on the net profit development that was very much supported by one-offs, whether it's been the civil servant health insurance or the tax benefit, which we achieved on our Tower business, which is not recurring. But overall, I think a very good growth of 19% over the course of the year.

Moving to Page 25. You see that our net debt has increased by EUR6.8 billion, of which EUR4.7 billion is driven by ForEx. The EUR0.08 increase on the dollar obviously hit us in the fourth quarter. The average dollar was only 108. So that is actually having a negative impact on the leverage all up. And you see that the leverage ex leases basically remained at the same level, which is 2.31. We have a slight improvement relative to '23 to 2.78, but let's be fair, we intend to be at a maximum of 2.75. So we have to work against this. I think that completes my review. And I hand it over to, I guess, Hannes, right, or Tim?

QUESTIONS AND ANSWERS

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

No, correct. Thank you. So thank you, Chris. We'll start with the Q&A part. (Event Instructions) And I, of course, will announce your name when it's your turn. And as per our good practice, could you please restrict yourself to two questions. (Event Instructions) We start with Andrew at the Goldmans, please.

Andrew Lee - *Goldman Sachs - Analyst*

I have two questions. The first one, I guess, fairly obviously is on German competition. You both said that the competitive environment in mobile is quite aggressive at the moment in Germany, and that's something that your competitors have highlighted, too.

So the question there is just is the competition in mobile or fixed meaningfully worse than you expected when you set your midterm guide? And if so, how? And then the second question is just on satellites. Thanks for your comments, Tim, around that.

I think you basically summarized that you don't see satellites as a massively important partner for Europe. Obviously, quite a lot of interest in the Super Bowl product launch in the US. So if not a partner, can satellite be a threat to your business in Europe? Any thoughts you could give us on how satellites fit into the telecom outlook in Europe would be great.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Let me start first on the competitiveness and the situation. Look, since the Vodafone decision to take the [Heinson] rolling contract from Telefonica, we've seen a step-up in the competitive intensity in our markets. I was from the beginning clear that this is a bad deal and stupid. But anyhow, that is what's happening as a consequence and it was clear that this happens. This prompted a number of responses here from Telefonica Deutschland, both in the retail and by the way, in the wholesale market.

Then Vodafone has stepped up in their promotions at the beginning of the year, and so Heinson launched this speed tiered unlimited at a so-called unlimited proposition by the way. Look into the detail, it's a fake tariff. Telefonica Deutsche has recently added another aggressive promotion against that. So these developments and are showing that -- there is a self triggered problem for this place.

Now our position is that we are not jumping into this battle here, that we are trying to stay out of it, remain focused on our leadership and our communications about the undisputed network leadership, it's about customer service orientation. So we are trying to do everything to get out and to keep out of this competitiveness today.

We have a segmented approach in our markets. We have Congstar to react on the one side. And by the way, we have even sitting on one-thirds of our base in the business area. And the business area is coming to us, and that is quality driven.

So therefore, look, I'm concerned a bit about what's happening there. I will not lose market share. That's for sure. We are very clear on this one, not acceptable for us. But we are not the ones who are triggering any kind of competitiveness here beyond what's happening there. Let's see whether it will come to benefits to one or the other. But we're trying to stay as much out of the situation as we can. On the fixed -- yeah, go ahead.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

No, go ahead.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

On fixed line, to be honest, if you look to the today's results, if you see there is one element which we really -- we are delivering on all the KPIs or beyond, there's not a single kind of things which you should be worried about. If you go through today's results, the only thing, which I think was worrying, is the slowdown of the broadband area in Germany. This is for me an area to focus on because I saw that talking about mixed results, okay, maybe it's a mixed result if only one parameter is not working. The rest is working. So I just want to draw your attention to this one. This is an area we have to look at.

Now what's happening in the German fixed line market. And I know that this is an area. We have seen a fair amount of promotional activities in recent quarters, but most of them front book prices, they did not change. So therefore, it is -- in November Vodafone returned to discounted one gig offers for its product. This is priced at EUR45. Initial on a 5-month promotion. This compares to the historical EUR40 price point.

In terms of broader market trends, we are seeing some improvements in competitive performance in what remains a slowly growing market because that is, I think, the most important market. The market was slower growing than we expected. And our slow performance in Q3 is explained by Vodafone's lower customer losses.

So Vodafone has done a better job on retaining their customers. So we have gained less from them in that quarter. And Vodafone is spending a lot of money to get there. So let's see how sustainable and how long they are able to fund this retention programs here. And then what we are trying to do is we are trying to approve from the volume side, especially on the fiber side. And on the fiber side, the share of fiber has grown significantly You have seen that.

So we are now monetizing our fiber much better. So this is, let's say, the number on the volume side we have to focus on. And at the same time, we are driving ARPA, so upgrading customers in higher speed tariffs. And by doing this, we will generate more ARPA. So you see it's a mix of picture.

So a slower market, combination with Vodafone's retention, compensated by higher fiber growth on our side, but -- and better ARPA, but this was not showing the volume, which we expected. And that is an area we will focus on, and I -- we'll do everything that throughout this year, we see already an improvement in the numbers because for me it's unacceptable that we are not having our 40%market share, which we have laid out as a guidance to all of you.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

So Andrew, to wrap it up. There is no need to change the guidance, both on mobile as well as some broadband. So we're staying at the 2% to 2.5% of mobile and the 3% to 4% on broadband. And as you know, there was already a decrease relative to the previous guidance, which was 4% on broadband.

Andrew Lee - *Goldman Sachs - Analyst*

And on satellites?

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

So sorry, satellites. So look, on the satellite side, I said it already. In the US, you have 500,000 square kilometers uncovered territory. So that there is a service where you can use your mobile phone for emergency calls or for messages makes totally sense. In Europe or in Germany, we do not have this. We have 98% coverage of 5G services. So the likelihood that we have here uncovered territory where we have to build a satellite communications is at least very limited.

Now you can argue that there are other markets, for instance, like Greece, where you have more uncovered territory on the islands, and this is true, and there are some offers from satellite office. But in these areas, we are going for terrestrial coverage. So we are going for 5G in these areas. And when it comes to fixed line to secondary houses -- and the second houses, we are going for FMS services.

So it is a commercial question here in the European side. How much we are looking -- the partners are looking for in the direct to device or the direct to cell connectivity. We do not need it because the amount of traffic we can generate by that one is very limited. So we cannot make big revenue commitments here to our Sky partners.

Nevertheless, we are launching in Europe service, which is in the end-to-end testing with Skylo, Qualcomm. This is a service on your mobile phone receiving text messages via a geo satellite. And this service was launched in a better version of November 26 last year. And we will see how the take-up rates are as an adjacency as a network of network service, this might be an opportunity to create a better image, but I do not see that as a big commercial topic.

Andrew Lee - *Goldman Sachs - Analyst*

Is that a threat, limited threat?

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

No. I think it's a very limited threat, very limited threat.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

So we had a review with one of the large consulting companies on satellite, especially on broadband substitution, and the best case indicated for a maximum market share in Europe, I'm just talking about Europe of, let's say, in the vicinity of 5%, but that was very optimistic. So we don't see this as a big substitution threat in the European segment.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

That's the more fixed line and additional. (inaudible)

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Yeah. So thanks, Andre. And with that, we move on to David at Bank of America, who is, I think, connected via audio. So David, can we have your questions, please?

David Wright - *Bank of America - Analyst*

Yeah. No video. I'm in the US and my call with Hannes at 1 AM today was delight. So thank you for that. Yeah, I guess a couple of questions. First of all, on the EPS guidance for the year. I just wanted to understand your assumptions underlying that, perhaps is there some incremental allocation of capital that maybe we don't have in our consensus forecast. What are the assumptions there? And then just secondly, Christian, if you could just give us the bridge assumptions for the IFRS EBITDA, just so that we can get that nice and clear in model.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

On the EPS guidance is coming from the EBITDA. So we are guiding at a currency rate of $1.08. I think the consensus is guiding at 106. That would account for roughly EUR0.5 billion. And the second one is coming from the US GAAP IFRS bridge. First, I think -- I'm not sure whether this is public or not, but the US has increased the number of employees, which will be enjoying share-based compensation. They have included the frontline people into this depending on their job grades.

So our expectation is that the US GAAP IFRS guidance will be in the vicinity of $1 billion. And that pretty much explains the difference because my understanding is in the consensus models and Hannes, you got a keep me honest on this one, I think you have a bridge of EUR500 million. But I think we have also guided in the appendix, you see the bridge, which is coming largely driven by management-based compensation, and derivatives. I think in the last quarter, it was [961], is that right? Sorry, for the year, it was 961, Yeah. So these are the two big differences.

David Wright - *Bank of America - Analyst*

Sorry, any assumptions on the unallocated capital at T-Mobile US or even Deutsche Tel Group, any of that being put to work this year?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Yeah, nothing has changed. I think, very consistent with what Peter said in the call, obviously, we accounted for the debt of the EUR10 billion acquisitions, but the EBITDA effect is not built into the model so far because we don't know when the deals will close. And we expect them to close by -- latest by middle of the year. And then obviously, we can give you a better guidance. But since we don't know when the deals are closing, the EBITDA impact, for example, is not being built in.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

And with that, we move on to Akhil at JPMorgan.

Akhil Dattani - *J.P. Morgan - Analyst*

I've got two questions as well, please. Firstly, Tim, you commented in your introduction around the extension of your contract, but also the other sort of management changes you're thinking about or have done. And I guess one of those is Srini moving to US. I guess this is the first time we've seen some from Europe going to the US. And I guess I'd love to understand how we should try and think about the rationale behind that? If we look at the press release, it talked about trying to work closely together. I don't know if thing within that, that we should be thinking through?

And more broadly, is it something to do with his experience in fixed line? Could that be valuable in T-Mobile. So just if you could maybe help us better understand the logic of him going to US and what you're seeing that adds for DT and for T-Mobile? That's the first question.

And then the second question, just around numbers -- is first a question, just on the EUR1 billion accounting bridge. Can you give any comments going forward? It's been nudging up slowly over time. So I wondered, should we assume that continues to be true. And at the same time, GHS had a quite big step-up in the loss there. So maybe you can comment on that, too.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Akhil, look, first, it's not the first one. Omar Tazi, who was our Chief Innovation Officer at Deutsche Telekom, he is the head behind the development of all the digital services in the US which we are discussing these days, and he is, by the way, even the mastermind behind the app. So he's already in the SLT in the US, and that was a very, I think, successful move for the T-Mobile US team. But you should ask even Mike and the team about that.

Now Srini is following in a very prominent role now. By the way, Srini is well known. And yesterday, we said goodbye to him. And wherever Srini was and when he left our big kick-off meeting this year, they have a minutes of standing ovations for him because he has found respect in every organization where he worked in Europe and the headquarters or in Germany. And by the way, even in the Board.

So this is a clear hire from Mike. Mike wanted Srini. And he said that clearly because that he has more time and capacity for the strategic job he has to do in the US, and Srini's taking over the operational role. So that it was his ask to have him. But nevertheless, where is the benefit of Srini. The benefit of Srini is his deep tech insight. So for the digitization, he will be a game changer. He is one of these telco leaders who have a technical IT insight and background. Second, he will definitely work as a bridge. He did that already when we moved from Europe from -- to Germany, we suddenly had a lot of, let's say, projects which fell into our hands. And that is something which I'm expecting is there now with the US. It's not easy to create synergies in a 10,000-kilometer operation away from Europe here. So that is something which we can facilitate easier.

And nevertheless, Srini is coming with all the fiber know-how. And this is something on converged like where he will have an impact, and will be a new partner in the US team. So this is strong kind of showing the -- how close T-Mobile US and Deutsche Telekom is and is going to be to realize synergies, to share thoughts, to develop the strategy going forward. This is more than just a people decision for me. It is even a strategic and symbolic partnership decision as well.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Okay. So on the -- on your question, Akhil, on the bridge. Look, if you take a look to the elements of the bridge, obviously, the leasing revenues have become a non-event given the fact that there are hardly any handset leases in the US anymore. Obviously, what I can plan or which we don't plan is what is going to happen to the derivatives in the US, especially to the energy derivatives. And I think on the management base compensation, we basically involve now almost everyone to benefit from this. So I don't think that we're going to see some negative surprises on this roughly EUR1 billion.

And on GHS, I think we had a couple of one-offs in the fourth quarter. One is very much related to the pension fund. We expect that we have to pay out higher pension. And I think we took a prudent decision on this one. And therefore, there were some more, let's say, smaller provisions which we have taken to not being surprised in the given year '25. So all up, I would say, I don't expect any negative surprise from DHS. I think our assumptions have been very prudent.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Great. Thanks, Christian. And so we move on to Ottavio at Bernstein, please.

Ottavio Adorisio - *Bernstein - Analyst*

A couple of questions from my side. The first is for Christian. It's actually the very last point you made on your presentations that you really want to go back to 2.75 gearing. Now it looks that the US dollar could remain strong. You also mentioned that you got the EUR10 billion plus of cash out for the acquisition to come throughout the years. It looks like the team is going to ramp up the buyback this year compared with last year. So these are all really headwinds towards your targets.

So what's the flexibility to go back other than just the growth in EBITDA? Do you have any lever considering that all of this will push your debt higher? And the second one is on the fixed -- effectively, you said that it's the weakness we had in the first -- in the last quarter was to do with phasing, and it's very likely that we see progressions in the first and second quarter.

My understanding is that the election could have played a role because the budget or the state spending has been a frozen app. And of course, now the government will take some times before informed. And so therefore, when you reckon the visibility when you say that these revenues will come back. How confident you are that will come back in Q1 or we have to wait until Q2 or H2 this year?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

I think when it comes to our leverage ratio, obviously, this is not around 2.75. So the ambition is to get to 2.75. On the other hand, Ottavio, if you just take the movement year-on-year on the net leverage, the currency impact relative vis-a-vis '23 versus '24 was EUR6 billion in additional net debt because of the increased dollar. If it would have been EUR0.02 below that, we would have been in that range of 2.75.

So this -- I'm not concerned about 2.78, but I don't want to lose this kind of ambition because if we're losing it, then you start having a discussion. Okay, it's 2.78. Why don't we have 2.8? Why don't we have 2.82? So this is why I'm staying pretty much stubborn on the 2.75. Obviously, what we could do is always to sell into a share buyback to reduce our net debt, which we don't do right now, as you know. So this is obviously the easiest lever. And then we're going to see how the deals are going to play out.

If one deal is not coming, just one deal, right, we don't consume EUR10 billion for M&A in the US and then you again in that corridor. So you see the moving parts in the net debt bridge. So I think the biggest one for me is obviously currency, which I can't predict. You know that in Q3, we were at 2.64, right? And then your expectation was going down. And then I was surprised by the movement of the dollar. We'll see how the dollar is moving. But I would give you a more, let's say, vague explaining, but I'm pretty stubborn under the 2.75 because our absolute debt is fairly high and therefore, should be taken into account as well.

So on the German fixed, look, we're playing back what we're hearing from the B2B segment, right? And the B2B segment is confident that at least part of the slip in Q4 will come back in Q1 and it's very much related to IT revenues. And if you compare what has happened to the public sector revenues relative to the private market, you see there's a difference in the momentum. So I'm relying on the feedback, which we have gotten, and therefore, we expect a better movement on the fixed service revenues in Q1.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

And Octavio, when Christian says, stubborn, this is a little bit of an understatement.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Okay. Yeah. So with that, we move on to our next audio participant, which is Robert, who is calling in from the United Kingdom. Robert?

Robert Grindle - *Deutsche Bank - Analyst*

So my questions are you're not participating in the buyback at present. So your stake is creeping up as highlighted by Tim, and that's good news, given the stock price. Is the idea that foreign control companies in the US might be disadvantaged from a tax perspective on your radar? Is that something you have contingency plans for or just not a thing to be worried about? And my second question is on the EUR0.04 gain in the EPS from GD Towers. What triggered that tax benefit, please? Is this a real cash tax saving in Germany or just accounting stuff? And is there any update on European towers carve out, please?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

On the first one, I think there is an easy mitigation. You know that the US administration is opposing Pillar 1 and Pillar 2 taxation. And for this year, in 2025, they have kind of a safe harbor. If we would extend the safe harbor, we wouldn't be threatened by having, for example, an increase of paying 30% taxes on dividend. So we have been very clear to the European Commission that we would clearly advocate for an extension of the safe harbor and then there shouldn't be a threat. At least this is the understanding of the tax community across the very large companies here in Germany because we discussed it last week.

On the EUR0.04, it's a tax optimization by moving the headquarter and the value add of the business into a different, let's say, city, and that gives you, on the business plan, a relief on latent taxes of (inaudible) -- in total EUR400 million. Obviously, our shares are only 50%. So it's EUR200 million on deferred taxes. Yeah, on deferred taxes. And that explains the one-off, which we gained in the evaluation, so it's accounting stuff in the evaluation of the GD Tower business plan.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

You can see that Jim hasn't lost his CFO competency either. And with that, we move on to --

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Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

You still there, Robert?

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

The question was answered. Hopefully, it was. Robert, let me know if not? But with that, we move on to Polo at UBS.

Polo Tang - *UBS - Analyst*

I have two questions. The first one is on use of cash. So you're not participating in the T-Mobile US buyback and your stake has risen to 51.5%. So can you talk through the rationale for not participating in the T-Mobile US buyback? At the CMD, you indicated you had EUR15 billion of balance sheet headroom that you could either use to increase your stake in T-Mobile US or buyback DT stock, but given where the T-Mobile US share price is relative to the DT share price, where is your current thinking on how you're looking to deploy this EUR15 billion of headroom medium term? And the second question is really just on the outcome of the German elections. Just given the outcome, what impact do you expect this to have on the German telecom sector and on DT?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Polo, on your first question, the use of cash, I think we said we have two major purposes on how to use the excess cash, one is obviously buying back shares. On the DT side, we have announced a share buyback program for 2025. Therefore, the EUR2 billion are standing, and we're executing against this. So I would say the remainder what's been left over is being spent into an increase of T-Mobile US shares because we don't have any kind of competing investment ideas currently at the table.

And as we said also at the Capital Markets Day, we will decide every other day, if I'm getting into troubles coming back to Ottavio's question earlier on, we may be forced to sell into the share buyback in order to relieve our debt position. But right now, we don't feel forced to do so. So it's basically EUR2 billion, and the remainder is running into T-Mobile US. That may change over time, but right now, this is the current thinking.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Polo, with regard to German elections, following the elections on the weekend intensively, there was a moment where I was quite concerned where the were not in and one of the left parties were in the parliament and no clear majority anymore for the so-called great coalition between the conservative party and the SPD.

Now we have a situation where we have a two-party government in Germany. To be honest, we know the situation with great coalitions. And I have quite some experience in my tenure here with this. I like it. I like it because it is good to have the two parties not in a kind of confrontational element, but in a kind of consensus situation. It is much better to talk about ideas, about investments, about needs for the build-out with one parties or with one government and representing the big parties here, then trying to do that with the opposition. So therefore, I like the combination.

Second, everything what who is becoming probably our next Chancellor here has said is pro economy. He is pro industry. He is pro debureaucratization. It is focusing on the unleashing of power of the companies for a better competition. So look, I take him by a word. I take him by his word, and this is definitely for our favor. So I'm optimistic about that. We have good understandings with all the people there. I think this is a good outcome for Deutsche Telekom.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Great. With that, we move on to Mathieu at Barclays also per audio, please?

Mathieu Robilliard - *Barclays - Analyst*

I had two questions. The first one was on Europe. So if you look at 2024, obviously, you had a very good performance in a number of markets. I realize that there's been some moves in taxes in different countries. I'm thinking about Hungary between '23 and '24. I was wondering if there was anything to flag for 2025 many of the major countries in terms of regulatory or tax changes, but also in terms of the competitive environment, if you could qualify some of the main markets?

And then I had a second question, I wanted to go back to the question around satellites. And I completely agree that B2C and B2D is not a threat, nor that is stalling others on residential broadband in Europe. But it seems to me that in the US, it could be a much bigger threat notably since T-Mobile is deploying FWA. And as you all know, Starlink just announced that its new gen 3 satellites will be 50 times more powerful than the previous one. So it seems that they could get a lot more than 5%. I don't know if you want to share any of your thoughts on that one.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Mathieu, thank you for the question on Europe, and I'm traveling the countries. I've been to Greece recently. And look, there are a lot of, let's say, smaller changes, but there's nothing which is to -- a bigger situation negatively impact our operations looking forward in this year. So therefore, I would say the biggest focus lies on Greece with regard to the fiber build-out and the framework for that one and the way -- how we are able to expand the marketplace there. There are some RFQs going on in this market. I cannot go into all the details here. So this is for us the expansion of our fiber build-out in the Greek environment.

But Czech is now very stable. The historical things are solved. So Hungary, you know that we had a very positive development there, mainly due to the withdrawal of the telco tax, which we have faced there. So no, I do not see any kind of big changes coming there, which will negatively impact our businesses. So we are quite optimistic that we can keep a high run rate in these markets going forward.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Let me add two things to this one. Obviously, we achieved the 1.8% EBITDA growth in '24, which we don't expect in '25. You know that our guidance is 4 to 5, and the price effects will moderate out, as Tim said. And the second one is there's still a benefit in Hungary in '25, which is the so-called telecommunication windfall tax, which is basically being applied to the revenues. And that will basically fade out over the course of the full year. And I think the impact is roughly 90 million, which we expect there.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

And again, on the satellite side, look, by the way, I'm following this very intensively. And to be honest, having fiber at my house and having 5G even stand-alone in my house, I have now installed Starlink to just make the user experience around that services and trying to understand it. The data throughput, which is, by the way, growing on average between 30% and 50% on a yearly basis. It is even with the new satellites, a physical limitation to substitute service in the capital, it's impossible.

Now is this an area where you can substitute in the country side low data throughput? Yeah, you can. And by the way, it's a good service. I have at my house, for instance, 70 megabit per second in a very stable way. So this is a good service. No question about that. And this is maybe even a competitive situation for the rural areas in Greece or in Croatia, and we know that. But in these areas, we are building 5G and we want to substitute with fixed wireless access than rather going into satellite.

On top of that, we are working as well with satellite partners, but look, I think it is a little bit overplayed that Starlink is becoming, let's say, a global telco service. He needs local terrestrial partners. If he wants to do this, he needs the capacity and then the same economies of scale or cost which we have here today. Interesting, it's getting better. It is -- there's definitely markets where no coverage is available, but this is -- is definitely a good alternative, but for our congested high-intense data markets, it's an adjacency.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Thanks, Jim. With that, we move on to Steve at Redburn, who is joining us in video.

Steve Malcolm - *Redburn Atlantic - Analyst*

Yeah, a couple of questions. First, I want to come back to sort of German broadband and fiber. I guess there's lots of ways to dice and slice it. You've given us the FTTH numbers and you've got 100 megabit numbers. But on your KPIs, you give a kind of collective VDSL and fiber number. And it looks like the trends are kind of weakening across the board there. Your retail fiber net ads slowed to 61,000 in the quarter versus 270,000 for last year. Your wholesale fiber adds were just 33,000 in the fourth quarter and we talked about the broadband. So is there a concern here? Are you kind of maxing out on the number of broadbands up you can get on to the collective VDSL of FTTH footprint in Germany now? Is that something we should be concerned about? Or is this just another part of a kind of abnormally competitive Q4 and you'd expect those numbers to rise back in '25 and beyond?

And then just coming back to Europe and on the previous question from Mathieu, wanted to dig a little bit deeper. It looks at there's kind of three markets that are pulling their weight on an outsized basis for -- you talked about Hungary. There's also Austria and Czech. I think in the fourth quarter, Czech EBITDA grew about 20% despite the fact that service revenues didn't grow. So maybe some sort of color on that and what we should expect for '25. But in Austria, it looks like you've been growing double digits. I think that's benefited from a wholesale reclassification on prepaid, but I'm not sure. Again, if you could sort of help us understand what's driving that and what we should look for in '25, that would be great. And maybe one quick final one for Christian. Could you help us on the cash tax outlook for '25. T-Mobile has obviously guided, but the cash tax ex T-Mobile would be great.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Steve, first answer. Look, when it comes to the broadband net adds in the fourth quarter, look, I was very clear already. We are not happy with that number. And -- so therefore, this is not what we're expecting. And we have to improve that number throughout the year. And I mentioned as well the market share which we are aiming for. There are reasons for the slowdown in last year. The overall market was quite mature. There was simply not much customer growth in the whole market.

Second, we have seen reduced losses from Vodafone, high spendings into their retention programs. And on top of that, we saw that the last quarter, the spend for some promotional expansion, and even the homes connected from out nets in the rural areas intensified. So this is something.

Nevertheless, what we're doing against it? First, we are building fiber. And by the way, nobody builds fiber more than us in this market. The infrastructure share of building out fiber is higher in '24 than it was the year before. And that means in the future, the potential to upsell and to gain customers, by the way, even in the upsell and gaining new customers is much more likely. So this is just a development which we have seen now in the fourth quarter.

But with our build out more positive with regards to the future and the take-up rates of fiber are very encouraging as well because they're almost doubled year-over-year. So look, I think we have now to watch out what's happening in the next quarters. We will not go into the crazy price moves here or whatever. That is not the way how we are doing it. It's more about going about bandwidth and going about the quality here. I don't believe that Vodafone is able to build the same amount of fiber as we can do today in their footprint. And therefore, I'm very optimistic that we see improved numbers will come throughout the year.

Does that answer your question?

Steve Malcolm - *Redburn Atlantic - Analyst*

Yeah. I was also noting that the wholesale fiber Internet was also quite weak in the quarter to 30,000. So I guess there's a sort of concern that the fiber adds are coming from VDSL more than ADSL customers. And if I look at the sort of collective fiber market, VDSL plus fiber, that's not really growing or growing very slowly. I take them on FTTH, but the numbers you present, which are VDSL plus fiber, there's not a lot of growth in retail or wholesale this quarter, which speaks to the more opportunity --

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Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Look, we see a kind of 200,000 to 300,000 houses growth -- 200,000 to 300,000 house growth in the German market on an annual basis. So this is coming on top of that. There are more single households here in Germany. Yeah, there was a slowdown for the whole market. I mentioned that, which includes then both retail and wholesale. But let's see how this is improving throughout the year, that is speculation. We see growth coming.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

Just to clarify, are you talking about cash taxes ex-US or US? What was the --

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Steve Malcolm - *Redburn Atlantic - Analyst*

Well, I mean, the US has obviously guided $600, so the group number, which --?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

So ex-US is roughly EUR1.4, not in dollars, right? So now to the more difficult question. So I talked about the tailwind in Hungary, right, on the revenue tax. I think in Austria, we're benefiting from the CPI link in the pricing. So this is all linked together. I think this is an automation on check. I have no clue. So we have to come back to be honest.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Czech is also influenced by one-offs. In general because I know you are particularly interested in the contribution from Hungary. I can assure you that in our plan, between '24 and '27, which is sort of the Capital Markets Day plan, but starting of -- by the end of last year, '24, we are expecting Hungary to contribute much less of the growth than it has contributed in the recent years, and it's going to be substantially more balanced. Obviously, in '25, you have the effect from the tax unwind, which is meaningful, but this is otherwise, I think, the growth rate of many pillars.

And with that, we move on to Josh, I guess, and thanks, Steve, at Exane by audio.

Joshua Mills - *BNP Paribas Exane - Analyst*

And hope you can hear me as well. So I have two questions on pricing strategy. I'll start with fixed and then go to mobile. On the German broadband pricing strategy, if I look at your website today, you're charging about EUR5 less a month for your entry-level fiber products than some of your DSL products. So my question is, what's the rationale behind that? Is there an advantage just to moving people to fiber now from a cost perspective? Or is the plan that you use this to then upsell them to faster speeds in the future?

And in the past, you've talked about higher investments in fiber, maybe justifying price increases, from what you've said today about this 40% fair share level, it doesn't sound like we should anticipate any price increases in fixed, but perhaps if you could give us an update on your thoughts around how you could monetize as fiber investments would be helpful.

And then the second question on mobile, going back to Tim's initial comments about keeping out of the fray and using Congstar as a tactical sub-brand. How should we spare that with the 20% online mobile discounts you're seeing in your online portal at the moment since -- is that a short-term thing? Is it a response to a particular promotion from competitors? Are you trying to test the market in a certain way, a bit more of an insight into why you're offering that 20% price promotion would be helpful.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Look, look, I'm not aware about, let's say, this 20% discount on the mobile side, which you are referring to, that is maybe some technical things or some things, but it's not a strategy. Hannes, you want to say something?

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Well, this is a promotion where the team wants to test it as sensitivity of the online channel, which otherwise they felt was actually disadvantage in terms of the overall promotional spend and incentives previously, so it was a bit of a rejig. I think it should not be seen as a strategic piece, it was a tactical experiment that we had planned. It's not a response to anything. So let's not overrate this as a move. And as I say, it's limited to a channel.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

And again, we are not concerned about the development in our mobile side, not from the pricing or from the volume side. This is not the area. I think with our superior network quality, we get a fair share in this market, and we are on a good track here.

With regard to fixed line, to be honest, the answer is yeah and yeah. What we're doing here is to upsell speed, which is, by the way, working nicely. Christian showed the numbers about upselling into higher bandwidth, which we have in our network to reduce churn and as well not being too vulnerable to maybe fiber rollouts, which are taking place in this field.

And the second area is about, yeah, to attract people into fiber. That is definitely our strategy, which we are focusing on. And by the way, the reason that fiber is now on the left up an -- illustration of our slide has a reason because I said that's the most important KPI, and I want to even stress that for out the future presentations here.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Thank you. And with that, we move to Adam at HSBC. Adam?

Adam Rumley - *HSBC Bank - Analyst*

The first one was actually a little bit of a follow-up on Josh's one. There's a lot of focus on the pricing environment in German mobile. Some of that's on discounts and promotions, but also there's the pricing of family plans where telecom's EUR10 is very competitive. As you said, the volumes remain strong, but are you confident that, that pricing structure is still creating value for DT in the market? Or is it creating some pricing risk? I guess it's a bit of a question whether there's a tension between ARPU and ARPA in the market? And then the second question is on company culture. At the Capital Markets Day, you said the radical transparency was the theme for '24. So how far did you get with your plans there? And is there a new theme for 2025 that you can share with us?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

So on a person basis on the mobile pricing, you're right, it's dilutive. But given the volume intake, which we're having, you see in our mobile service revenue increase. So it is an ARPA increase. It is on our per SIM card, it's dilutive, but all up, it basically supports our ambition of 2% to 2.5% and historically was higher.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

With regard to company culture, look, I can easily say, Yeah. To be honest, I'm thinking about a lot of things. We are just our kickoff. for the top leaders of the company, 1,000 people being here. And we were very transparent about what's going on. I'll give you an example. I believe that we have to work all harder. We have to be aware of that. Success is a big risk for us. We have to get out of the comfort zone. That means including the home office and other things. So I expect from the team, especially in Germany, that they work more and harder.

The second one is definitely the discussion around the global situation. It's not easier. It's very complex, and we need a moral compass and we reiterated our topics. Look, I said do not want to go into all the discussion, which you might have in mind with regard to DIE, and with regard to the discussion around our democratic values, which I addressed these days. I was very clear about our values and about how we position ourselves that we're living in democracies that we're always accepting policies but that we have a moral compass and we have a culture which we have to take as a kind of lighthouse and which we're not questioning with regard to ESG, with regard to our social things, with regard to our inclusion, with regard to the respect of people in the organization outside. That was a very important thing for my people in the organization to hear that from us as a leadership team.

We talked about the change in our business model. Radical transparency that it means that we will lose jobs in the classical work because the workflow automation will be changed by AI, and this will trigger a lot of changes within the organization. We had Masa Son in our session talking about, let's say, our partnership, but even beyond what he thinks leaders in the future should use for and should learn in the way how they're thinking and how they get educated.

So there are a lot of things happening these days. I'm working on the reinnovation of this team and trying to find new leaders I believe strongly in tech leaders these days everywhere. That is a change in our industry because so much changes are taking place. And today, having a very good, let's say, year-end result, even trying to keep honest to myself, something is not working, look into the mirror and if something is not working -- sorry, if something is not working, look into the mirror; and if something is working, look out of the window and not the other way around because managers tend to be looking in the mirror if things are working well, and saying how great was I and then rather questioning where the benefit is coming from.

And that is related with bashing the US for a lot of things these days. I'm against it. I think it's the weakness of Europe which we have to overcome. And it is as well about bashing the politics for everything which is not working, you always have to first start with your business. And then you can even ask for better improvement. So there are a lot of things going on here in our discussion with regard to transparency. It's not cozy. And to be honest, I believe, even we have to work much harder, and I was very clear on this one. But is it already a theme? Is it already a very kind of consistent you narrative? To be honest, I'm thinking about it, good impulse you said. Give me that question again in the next quarter.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Okay. With that, Adam's question for the next quarter is set. And now we move on to the inaugural question from Carl at Citi.

Carl Murdock-Smith - *Citi - Analyst*

I'm also a hopeless romantic so happy anniversary. I've got two questions, please. Firstly, on the nature of the IT business phasing in Germany, I suppose, is it temporary or is it permanent? So by that, I mean, if it were temporary, you expect it to come back, you'd expect the trends to kind of go back to above what they had been because you get that recovery before normalizing towards the norm again? Or is it a permanent shift, whereby you'd expect it to come back over time kind of towards where it has been rather than get it benefiting from that recovery as well?

And then secondly, I was wondering if you could comment a bit more on the civil servants health insurance and the extent to which that has boosted the net income? So what's the scale of this on your balance sheet? How often does it get reviewed? And kind of how much is it normally the accrual running through your EBITDA every year?

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Okay. So let me start with the first one. The answer is clearly temporary. And by the way, that has a lot to do in the fourth quarter. Think about the situation in the government. There were these big budget constraints. Remember, Germany had no budget for the upcoming year. Second, the coalition broke. There was no government in office and no decisions were taken at that point in time. So we saw a clear slowdown. I expect that there will be even some overproportionate uptake coming now soon. Now whether it's already in this first quarter or the second quarter, I'm not sure. But I know that there is a high, high, high demand for digital services on that front. So our internal expectations with regard to growth is definitely this was a one-timer, and we saw an improvement coming soon.

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

We're just looking at the second answer to your question. I'm sorry, but I think, Carl, I have to come back to you. I don't have it in front of me. I don't have the documentation in front of me. Hannes, if you have the number, just let me know.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Well, I mean, we have had a -- so in the GHS, we had an effect from the -- from increasing the expected future payments in the civil servant pension fund, which was actually a negative to adjusted net income in -- at the same time, we had an interest effect for valuation effect, which was favorable and was in the nonrecurring part of the financial result which Christian flagged when he went through the bridge.

And so we had two effects that are offsetting, but one we showed as a nonrecurring effect. So that's -- the net effect actually was positive but in the financial result. So we can give you the more precise numbers. Yeah, I mean then with numbers, we disclosed to some extent, but we have said the effect in the adjusted EBITDA was two thirds of the miss versus the consensus in the GHS. In terms of the impact on the financial results, I can -- we can look it up.

Okay. And then we move on to the last question for today, which is -- will be from James at New Street, please.

James Ratzer - *New Street Research - Analyst*

Yeah. So apologies to end with probably the umpteenth question on German mobile, but I think, Christian, in your opening comments, you were quite careful to say that the 2% to 2.5% growth is obviously your long-term target you set out in the CMD. You exit Q4 at 2.1%, so at the lower end of that range, do you feel confident you can hit 2% to 2.5% for 2025 growth? Or do we kind of dip below that range and you hope to come back into it in '26 and '27?

And then secondly, I think it's now 4 months or so since I last asked MDU question. So here goes with another one, which is I mean, obviously, your FTTH penetration remains low on a reported basis. So I think of issues around Level 4 wiring access. So could you give us an update on, if you can, on how many homes you've actually been able to get in and do the level 4 wiring on?

And specifically, there have recent stories in the press that Altice is looking to sell out of OXG. What are you seeing on the ground from OXG at the moment? How often do you come up against them in your kind of contract negotiations with landlords? Have you actually seen much real building going on from them so far?

Christian Illek - *Deutsche Telekom AG - Chief Financial Officer, Member of the Management Board, Responsible for Finance*

So James, let me start with the first question. Sorry, I gave him the wrong direction. So we have no indication that we're not within the guidance of 2% to 2.5% in 2025. So I have no indication that we're going to go below that, and then we have kind of a hockey stick effect towards the outer years.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Look, on the OXG side, I can tell you the answer, we have seen these guys. By the way, we have intensively discussed as well with them, and we were not interested to work with them. So that is the reason that we haven't seen the potential of that company going forward. So I'm not at all surprised that Altice is leaving. That was, I think, from the beginning, clear that they are not going to be able to build the capacities, that they had more an idea than a build force, yeah? So that's not a surprise.

We had the offer on the table, but we decided not to pursue with Patrick Drahi at that point in time. Now on top of that, we have seen that in negotiations with us as well with the landlords. Look, the complex situation with the MDUs and the landlords, it's not only the landlords, this is even the association of groups. I don't know what -- how the name of it is the --

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Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

The Owners Assembly Order.

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Complex processes there. To be honest, I do not have the numbers on the MDUs here with me. I would say the progress we are making here is limited. We are making slow progress, but it's not a breakthrough yet.

Carl Murdock-Smith - *Citi - Analyst*

Do you find that in areas where you're going up against where OXG sells its holding and they are a credible threat?

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Yeah, we do. And by the way, I've asked you -- in my office to give you the numbers here. So Christian can (inaudible)

So we have fiber permissions in Germany for 5.4 million households. That is what we have today. We have today connected 557,000 of them. So that is a tenth of this. But permissions, we have 5.4 million. We have wins in the different quarters of the year in the vicinity throughout last year and only '24, this is the vicinity of 120,000, 130,000, 180,000 last year. So around 200,000 wins in the MDU segment. The major areas have been Deutsche Multimedia Service GmbH. This is a company from Vonovia. Frankfurt Holdings, Antech and some others. So I can give you the names on this one. But this is the -- these are the precise numbers.

Guys, I think that's it for today.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

But we have got one question from Amit he was not able to ask via the audio. Also, he sent me an e-mail, maybe we can quickly look at that. So he says that big geopolitical changes in Europe since Trump was inaugurated. There's lots of talk about security and defense and data security falls into this. And you are in Europe and the US And the hyperscalers are very dominant European cloud. Do you think changes in geopolitics could see B2B and B2C customers look differently at non-European companies, and would that create an opportunity for Deutsche Telekom in the cloud?

Timotheus Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

By the way, I mean, I was expecting that question on data centers and the way going forward. Look, the -- and I should mention that I was following very closely in personal contact with Masa San on his target initiative and what he's doing there and the investments of up to 500 billion, which is considering here 100 billion from him. So that is definitely something which is a game changer. And I believe that data center infrastructure, plus, let's say, the stakes on it, they are one of the drivers of sovereignty of the future. So there's no doubt about that.

And I think that was even made clear at Macron Paris Summit for AI, how important data center infrastructure is going to be, and that we cannot hand it over to the hyperscalers or the US hyperscalers alone. The US will definitely build their bets on the US because where should they go? And by the way, they have very strong businesses there, and they get strong commitments here from Oracle, from foreign investors like Masa San, SoftBank, but even from the existing players. So they will benefit as well from governmental orders.

So that is the difference here. And I hope, and by the way, if you would look up at LinkedIn, you would find my recommendation for the new government, the 10 points how Germany should embrace the digital ecosystem in a better way, and what are the topics they should address. You will find as well that the government should be an anchor tenant for European infrastructure. So I think it's very important that they are moving forward and considering cloud service here in Europe.

I believe the cloud market will grow. It's growing by 30% on an annual basis anyhow. AI will definitely drive cloud infrastructure use as well. And on top of that, the automation of a lot of services will drive capacities here as well. No doubt about that one. I talked about you that with [Mein] Cloud and in other activities, we are driving some activity here. But it's just maybe a small portion of it. There will be definitely more cloud infrastructure being built in Europe to create sovereignty.

To be honest, I don't know what our role might be in this. That is not alone a question about, let's say, the demand. It's even a question about the possibility of energy prices or low energy prices, water treatment. It's as well even the utilization of this from the local tenants here. So let's see how this is evolving. Our focus on CapEx is today is very clear where we are investing the money. But I think there will be more sovereignty discussion driving local orders and local use of players just as a consequence out of this competitive situation between the different protagonists.

Hannes Wittig - *Deutsche Telekom AG - Head of Investor Relations Deutsche Telekom (Senior Vice President)*

Thanks, Tim, and I still owe you the answer related to the effect in financial income, related to the civil servant pension, health insurance -- civil servant health insurance, and that effect was just over EUR100 million for the full year. It was slightly negative in the first -- in the fourth quarter, so that contributed to the nonrecurring items in that magnitude.

So that's now covering both effects that we had related to that line item. With that, we come to the end of our conference call today. We thank you for participating. And if you have any further questions, we kindly ask you to contact the IR department. Looking forward to hear from you again soon and see you, hopefully, and with that, goodbye for today.
