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PRESENTATION

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

Good afternoon, and welcome to Deutsche Telekom's Q1 2024 Conference Call. As you can see with me today are our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will go through a few highlights followed by Christian, who will talk through the quarter in more detail. After this, we have time for Q&A. Before I hand over to Tim, please pay attention to our usual disclaimer, which you'll find in the presentation. And please also note that this conference call will be recorded and uploaded to the Internet.

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

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board & CEO*

Yes. Thank you, Hannes, and welcome, everybody, to the first quarter 2024. And if you have seen it, it was a very good start into the year, very predictable and reliable numbers from all the businesses we're having. We are very happy on the track of our stated targets. Our first quarter financial results are very consistent with the multiyear trends that we showed. And that was well at the 4% service revenue growth, a 7% organic EBITDA AL growth and a 15% growth in adjusted earnings per share. So I really like that.

T-Mobile was able to raise its full year guidance, and we are reflecting this in our group guidance today. T-Mobile announced the creation of a fiber joint venture with EQT, which targets 3.5 million households in the U.S. by 2028 and T-Mobile receives the necessary approvals for the Mint transaction and finally received the 2.5 gigahertz spectrum from the Auction 108. The German regulator made a proposal on the spectrum extension, which is now being consulted upon. So I think everything is working in direction which we were foreseen, and we are coming along very happily with these topics.

Let's take a closer look at our financials on Page 5. First all segments are contributing to our growth. Second, organic growth, service revenues grew up by 4.1% in the first quarter, which is even a bit faster than last year's growth of 3.6%. Organic ex-U.S. service revenues grew by 3.6% in Q1, again, marking acceleration. And as mentioned, organic group growth EBITDA AL increased by 6.9% in Q1, which is the same as it was 1 year ago. The foundation of our growth is our network leadership. In the last quarter, we passed another 500 million additional European homes with FTTH and now reached 17.5 million. This is up 3.6 million year-over-year. And in Germany, we now pass 8.2 million homes with fiber and Europe 9.3 million.

In the U.S., our 5G leadership is confirmed by all tests. And in Europe, our 5G coverage stands at 68%. And in German mobile, our network leadership remains beyond any doubt. Our strong customer growth continues, both in the U.S. and in Europe. T-Mobile added nearly as many postpaid customers as last year. Over in Europe, we managed an acceleration in mobile net adds and TV net adds also accelerated, but the broadband net adds were slower than last year. Christian will talk about that one later on in a bit more detail.

Moving on to ESG. Despite strong growth in data usage, we further reduced our energy consumption for the group. We recently became the first telco in the world to use large-scale battery storage systems for renewable energies. And our latest campaigns against hate speech received further acclaim. At the Capital Markets Day, we will provide you with a more detailed update on our sustainability ambitions.

With this, let me move to our guidance update. With the Q1 results, T-Mobile has narrowed its guidance range, accounting a midpoint EUR 50 million increase for EBITDA AL and free cash flow. Today, we are reflecting this in our group guidance. We remain comfortable with our ex U.S. guidance for EBITDA AL and free cash flow, which remains unchanged. Our overall group guidance for '24 also remains unchanged.

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

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

Thanks, Tim, and hello from my side. As usual, I'm going to start with T-Mobile U.S. and let me start with service revenues, which were growing at 3.5%, which is very similar to the last 2 quarters. The core EBITDA growth remained very strong at 8%. But actually, now forced ranking came in second after our European segment, which grew at 8.1%, which you're going to see later on. Total revenues are still impacted by lower equipment revenues. So this is going to be a pattern which we also expect for the future.

T-Mobile's customer growth is super strong. The postpaid phone growth was basically on the level of last year and is absolutely industry-leading. The high-speed Internet customers came down by more than 100,000, but that was guided because we have ended our promotional activities on HSI. With its Q1 results, T-Mobile also raised its customer guidance by EUR 150,000 to EUR 5.2 million to EUR 5.6 million.

Moving on to Germany. Organic revenue growth was plus 2.6%. Organic EBITDA growth was at a stable 3%, very consistent with the previous quarters. So we are all well on track in the German segment with regard to what we want to achieve for the full year guidance this year. Total serving revenues were consistent with last year's performance and the mix, mobile was very strong at 3.4% year-over-year, and that was driven by customer growth as well as by upselling. The fixed service revenue grew by 1.2% year-over-year, which was at the lower end of the range and it's very much due to phasing in public sector projects. So we expect a stronger performance for the remainder of the year.

As you can see on Page #15, broadband revenue growth remained strong at 4.2%, and that is driven by both ARPA growth as well as volume growth. Wholesale access revenues growth is slightly weaker sequentially and but remained in a positive territory. We also expect positive wholesale access revenue growth for the remainder of the year.

Page 16. Our broadband customer performance was slower this quarter. To be honest, nobody is happy about this. It is not surprising because so we said it also in the last quarter there was a very weak competitive performance, and we're seeing that competitors are moving in a better territory. You've seen that with 1&1. You also see it with Vodafone. And if you basically add all numbers up, we're still above the long-term target of 40%, but it's below what we have achieved in the previous quarters, and we're working to reverse that trend.

We're also seeing an impact on the increased focus on FTTH because you know that there is a lagging effect between signing to a contract and getting the access line on FTTH. As mentioned, on FTTH, we have an increase of 93,000 customers, and we expect this acceleration to continue. So if you compare '23 versus '24 and '23, we had 300,000 FTTH customers signing up to that service. We expect in the vicinity of 450,000 in '24.

Also on the TV net adds, we improved. We have 73,000 new IPTV customers. And on top of that, we have 53 over-the-top TV customers. So in total, it's 126. We have now 4.4 million IPTV customers and 350 on top, 350 OTT customers on TV. We're also pleased to announce a partnership with the Association of German real estate managers, which help us to support our services in promoting their services, and that is a very nice complement to the partnership, which we grafted last year with the housing association organization, JDW. Our mobile commercials remain strong. As you can see, we had 280,000 net adds. This is very much consistent with last year. And I think if you add all the numbers up, it's more than 50% of the total market net adds in the first quarter.

With that, I move to our European segment, which is actually the star in Q1. The organic revenue growth reached 5.7% on a year-on-year basis, and it was very much supported by service revenue growth. In Greece, we had a benefit from a contract which was related to the European recovery program. The organic EBITDA growth was 8.1%, as I said early on, slightly higher than the U.S. But note that the EBITDA growth is very much driven by net margin growth, but also we had a tailwind from lower energy costs, which actually led to that results.

And I wouldn't extrapolate this into the outer quarters because we're not sure whether this basically maintains on this level. And you know that in '23, the performance of the European segments when it comes to EBITDA growth was continuously growing, as you can see on the chart. Our customer growth in the European segment remains strong, very strong 80% growth in mobile, solid numbers on broadband, TV net adds were about the same. And we had a reduction on the converged customers, but it's very much related to a change in Slovakia and how to count those customers and they are now being treated as mobile-only customers, and therefore, we had to deduct our installed base for 100,000.

Moving over to T-Systems. What you see here, we had a pretty good start in the year. We're growing revenues on a reported level by almost 5%. You see there's a slight increase in order entry. But to be clear, order entry is going to be the main challenge also for the remainder of the year. And we have an okay EBITDA growth on a year-on-year basis, on an organic basis 1.5%. So that basically concludes my operational review, and let's look at the group financials.

What I said earlier on, our reported financials were impacted by, obviously, the Tower transaction, which we conducted and by FX. The headline revenue growth was negatively impacted by handset revenues, which came in lower relative to last year and was very much driven by the U.S. On the organic service revenue, actually, our growth is higher than what's been reported. It's 4.1% versus 2.9%. And the reported net profit was growing by around 15%. This is a rounding issue. The precise number is following on the next page.

Turning a look at the free cash flow. On the next page, you see that the free cash flow was growing by a good EUR 100 million or 3.6% year-over-year. That was driven by an increase in cash flow from operations, a reduction of CapEx, very much driven by the U.S. The U.S. came down year-over-year by EUR 400 million, whereas the ex U.S. is predominantly Germany, was higher relatively to '23 by EUR 300 million, but this will basically face adequately into our guidance over the course of the year. Our adjusted net profit was up by 14% on an annual basis on year-on-year basis. And the good thing is it was very much driven by adjusted EBITDA. So everything is pretty much coming from the operational business.

Moving to our leverage. Despite some headwinds, which you can see on that chart, that's the net debt ex lease chart of USD 2 billion coming from the U.S. dollar. You see only an increase of USD 0.7 billion on a quarterly basis end of Q4 up until end of Q1 and that leads very much to a very stable leverage of 2.3, ex leases or 2.81, including leases. So therefore, I'm going to complete my review and hand it over to Tim.

QUESTIONS AND ANSWERS

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board & CEO*

Thank you. Let's go to the Q&A. Okay. So with that, we'll start the Q&A. And if you'd like to ask . (Operator Instructions) And I think the first question we have is from Adam Fox-Rumley at HSBC. Adam.

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

I'd like to ask you, please, for your thoughts on BNetzA's recent consultation document on spectrum. Can you explain what you think is required of you when it comes to making an offer, if at all [timed lines]? And can you also put your mobile network coverage plans into context of what the regulator is asking for by 2030?

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board & CEO*

Okay. Thank you. First, we welcome the proposal for the spectrum extension, even if it's only 4 or 5 years at this stage. However, the inclusion of an area coverage of 99.5% with 50 megabit per second appears misguided. This is, I think, we don't know which kind of numbers the (inaudible) is referring to. The initial aim should be to achieve as much coverage as possible for German consumers. And you know that 30% of Germany is forest and 6.5% natural reserves and it's already very hard for us to get access or to get sites in this. And we do not have an understanding at how this should be implemented. Independent from the additional money which is required. It is as well very difficult to get approval for these areas. So I think with regard to spectrum handed over to Eins&Eins at all, I do not see why this is happening. I do not see that he needs that spectrum.

The company has so far only connected 227 sites instead of 1,000 sites that were required by end of 2022. There is no reason to reward this misconduct at the expense of others that have invested in coverage and have invested to the benefit of our consumers here in Germany. So therefore, we will do everything here on our side to defend our position on this low-band spectrum. It's very clear because our customers are using it and our leadership, both on capacity and speed is as well based on this low-band spectrum, which is part of the whole story, which we are named.

So I would say, in some. First, positive note, extension is coming. Second, I think the area coverage is something we have now to use the next weeks where we have this consultation phase to understand better what they mean and how this can be achieved because the (inaudible) made that statement that we're already almost there. I don't get that.

For us, we see ourselves at 91% area coverage and not 99.5% and that is additional money needed if we would have to fulfill this target. But let's going to this consultation phase, which is 6 weeks from now. I think again, as a metric benefit to Eins&Eins, I do not see any kind of reason, nor I understand the background of this. So let's see where that is coming from, and we will do everything to defend our position.

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

And next, we have a question from George Ierodionou at Citi please.

Georgios Ierodionou - *Citigroup Inc., Research Division - Director*

So my first question is around the KPIs in Germany. And for broadband, I think Christian, you made a comment that you're not happy with the performance, and that's going to improve in the coming quarters. Is it an operational issue? Is there a fiber backlog or something that you are fixing or is it a commercial issue like you need to be a bit more active in the market. And on the commercial side, if you can also update us around the TV side, I guess the next 6 to 8 weeks, could be quite critical on the KPIs there?

And then my second question is, again, on the next 6 to 8 weeks, hopefully, and it's around the union negotiation. As you know, it's been a major issue since the start of the year. We read a lot of different things from our side, and it will be great to get your perspective as to whether you think you're closing in on an agreement with the unions?

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

Let me start with the commercial performance. I think it's a mixture of 3 things: First, competitors are performing better. And we said in Q4, it was a particularly weak quarter, especially from Vodafone. And you see that there are losses have been reduced and also 1&1 has improved its game

coming from negative net adds to basically zero net adds. So we're seeing some competitive also the Allnets are grabbing some of those broadband customers. The second one is we're seeing that the market is maturing to a certain degree. And we have to figure out whether there is a sustainable slower market growth in the market. We don't have the final answer right now, but we're seeing that the market is maturing. And the third one is there are some operational issues, which we did in Q1, which we have to basically -- which we figured and which we will reverse in Q2. So I'm hopeful that whether it's going to be Q2 or the near-term future after Q2 that we're going to reverse those trends. But bear in mind, our net add market share is still around 50%.

On TV, look, first of all, we're happy with the 126,000 TV customers if you combine IPTV and OTT, but if you add up all those numbers also, if you add up the Freenet numbers, obviously, that doesn't explain the TV losses, which you've seen on the cable operator side. So what we're not clear about yet how is cable cord cutting is happening in the German market. This is the one piece which is unknown to us. And the second piece is to what degree Vodafone is actually converting TV-only customers into triple-play customers so that they basically combine this in their broadband numbers. I think these are the 2 unknowns for us, but at least strong hypothesis that both of those effects happen and impact the market.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board & CEO*

So with regard to the negotiations with the unions, look, we have now 3 rounds. We are in the fourth round with our partners here in Germany. This is a tough environment. We had some agreements in other industries, which were very high. We always have to reflect our industry. We always have to reflect the current structure of our salaries already. And we have to consider as well the competitiveness of our market. The negotiations started in March. We had until now 9 days of strike within the company. It had an impact less on the service side more on the delivery side when it comes to FTTH connectivity and outdoor services, so in principle under control. We made an offer and which was a EUR 2,000 one-off payment and an average increase in the base salary of 7.1% through mid '27.

This consists of a 4.2% increase from January '25, plus an additional EUR 150 from October '25. So it's quite a complex offer, which we made, and it's over 27 months. Now we now increase this a little bit from 4.2% to 5.2% in principle. The unions, again, rejected this offer and the negotiations will continue. So that's where we currently stand. While we are sitting here, the parties are discussing it. Look, we remain comfortable that we find a solution with them in a fair basis. To my expectation, it should be soon because every argument was now exchanged from the 2 sides. And we remain comfortable as well that the final agreement will fit into the financial guidance, which we reiterated today.

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

With that, we are moving to Josh Mills at Exane Paribas, please.

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

Two questions from my side. The first which is going to be on the mobile trends in Germany. And if I look at your numbers, it doesn't look like you've seen any real pressure from the family plan push by telephone connection in Vodafone, but keen to hear your thoughts on how you think that may be impacting the markets and whether you are considering a tariff refresh or any moves on your side to further strengthen your position?

And then the second question was just on the broader European business, ex Germany. Maybe a simplicity way of looking at this, but when I bring up Charts 18 and 19, net adds are slightly lighter, but we're still seeing an acceleration in organic revenue and EBITDA growth. So are you putting through price increases in some of these markets? And maybe if you could give a bit of color around how those alliancing, how you're actually communicating its customers would be helpful.

Timotheus Hottges - *Deutsche Telekom AG - Chairman of Management Board & CEO*

I'll start with the first one. Look, German market has been intensively promotional in the recent months. And I think this was catalyzed by some really aggressive moves from Telefonica Deutschland since mid-January. You know the campaign which they do 1 for 2 or whatever the name of

the campaign is. Telefonica Deutschland essentially reversed its early '22 price increases on a promotional basis and they have extended this promotion until the beginning of July. And there have been some promotional responses in the market as well.

That said, as you can see again in our Q1 results, our commercial and financial problems remains consistently strong, both in absolute and in relative terms, and you mentioned that. And look, why is that? The answer is, first, the market is quite segmented, and these conflicts are taking place outside of, let's say, our sweet spot of the market. Second, this undisputed network leadership, which we have achieved here in the German environment is the best protection against churn. And on top of that, the family plans are highly appreciated from the customer base so this is supporting our growth as well.

So to be honest, I think if we would only differentiate by price, it would be more difficult. But with our brand, with our positioning on the network side, and with the innovative offer which we currently have in the market, it looks quite encouraging how we are succeeding in this market. I still think that there is a lot of upselling opportunity in this market. There is a big market for no frills, which our offer is looking for. There's a lot of, let's say, prepaid mark which we want to bring into the Magenta brand, and therefore, are not so irritated by the battle which is between Eins&Eins, Vodafone and Telefonica going on these days. They should do their (expletive).

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

So let me answer the question on the European segment. Let me flesh out the 3 most important items. First is still solid volume growth despite the fact that broadband has come down, we saw a significant impact and growth in mobile. The second one, obviously, price increases, which have been conducted in many markets in the European segment are coming through and obviously leading to an increased net margin. And the third one is we have slightly better energy costs relative to last year and that helps us that's accounting for about 2 points of the EBITDA growth. Obviously, it's hard to predict how it's playing out.

But again, as I said early on, don't replicate this or continue this in the next 3 quarters. There is a baseline effect coming from '23, and we don't know to what extent this will carry through, but it will be a very good result on EBITDA, what we're seeing right now internally.

Hannes Wittig - Deutsche Telekom AG - Head of IR

And it's also a portfolio performance. So it's many countries contributing. It's quite spread. One country is pacing a little bit faster. Others are maybe pacing a bit slower at any given point in time but broadly, if you add it all up, it's a very solid performance. We very much expect it to continue very strongly as well.

So with that, we move on to the next question from -- and that's from Polo Tang at UBS.

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

I have 2. So the first one is just a follow-up on competitive dynamics in Germany. So have you seen any changes in terms of how Vodafone is behaving post the change of management of Vodafone Germany? My second question is just on your German fiber rollout. How easy is it for Deutsche Telekom to access MDUs and housing associations in order to upgrade your existing network to FTTH.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Polo, I think I answered the first question on the competitive dynamics in Germany with regard to the mobile space. I think Telefonica was quite aggressive or is quite aggressive with the promotions these days very visible on this one. Vodafone, to be honest, that the normal reactions. But.

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

No, I think Polo, what you highlighted in your research which is increased upfront discount, I would consider this a normal promotional measure. And also, I think -- I know that is a common practice in price comparisons to focus on the first 24 months, but I think that is a bit misleading because you have to look at the rate plan overall. And most broadband customers don't leave after 2 years, right? So these are promotional structures that change and vary, but we don't see a fundamental directional change from anyone the German broadband market. And in mobile, I think it's not Vodafone that is driving it right now.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

We have seen from Vodafone 200 gigabyte on top of the GigaMobil, M&L. We have seen family cards with a discount. We have seen 200 gig for additional young segment, and we have seen the unlimited for all, which is to family cards, unlimited data on all cards of the whole duration of the contract, which was there, but they were limited to a period of time to attract the market was not something which was new. So that is what we say it's promotional. But from a Vodafone angle, I would say they are positioning themselves with the new management now and Telefonica, I read the way that they are doing everything to take customers away from Eins&Eins to keep them in their grid.

So that is how we read it here. But as you can see, both on the service revenue side, we were growing by more than 3.4% and as well from the customer net add number, we were quite strong. And industrial-wise, Congstar was very strong as well. So it is not that -- it looks like this whole movement were taking place in another market. But we are well positioned.

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

On the fiber rollout question, Polo, 2 answers. Let me start with the privately owned MDUs. Obviously, that's the process bottleneck to get the onerous approval to actually connect to the house. And that is an industry challenge. That's not a telecom challenge, everyone facing the same challenge. On the housing association, I think what we have now basically done is we have entered agreements with 4.6 million German homes. And the retirement of the rental privilege will also allow us to get access to the in-house cabling in whatever direction, whether it's being built by the owner or whether that's been built by us.

So therefore, I think it's super important that we agreed on this GDW frame contract because it helps especially the more smaller housing associations to craft a contract with us because they're not as well equipped as Vonovia or something like this. So this is -- you know that we're basically addressing all market segments. So the GDW contract will help us the retirement of the rental privilege will help us. And again, we are covering already 4.6 million German homes with agreements to get access for fiber.

Hannes Wittig - Deutsche Telekom AG - Head of IR

So we are working on it. And as mentioned before, connecting fiber takes longer, has longer lead times, and that also impacts to some extent, the broadband performance on the margin. So Robert Grindle is next at Deutsche Bank. Thanks, Polo. Robert, can we have your question. I think you are on the audio link.

Robert, can you hear us? Have you unmuted yourself?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

The bad coverage from BT on the Golf course.

Hannes Wittig - Deutsche Telekom AG - Head of IR

It's more the basement. Robert. So maybe we take Andrei Dragolici at Kepler instead also on audio.

Andrei Dragolici - Kepler Cheuvreux, Research Division - Equity Research Analyst

On Germany in CapEx, you had a higher CapEx in Q1. I was wondering is it purely phasing? Or is it more expensive to build? Do you see some headwinds from pricing there. You mentioned a slight increase in CapEx in 2024. How should we estimate the following quarters during the year? And also in the U.S., since you're moving a bit into fiber, do you see the market going more towards convergence in the midterm? And are you trying to position yourself on that segment?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

I'm starting with the U.S. and with the convergence question here. And look, if you look to Europe, if you look to the world, every market is different when it comes to catching up on the convergence game here. And therefore, the quote for the U.S. market for this big market is out. So it's too early to say either or. We believe there is an upside for us, a revenue upside for us, and the profitability upside for us because we have seen that with our distribution, with our brand, we can attract the customer segments in the broadband market.

And we're doing this already in the high-speed Internet, and we do that already with some of the partners here. And therefore, we are now testing whether we can do this as well with fiber from Lumos over the next years. And looking to the business case, market build-out costs are almost the same like in Germany, but the ARPA is significantly higher. And therefore, the profitability of this whole thing looks quite attractive using our infrastructure and using, let's say, the distribution network and other things which we have already.

Now is this now getting a full fledged fixed mobile converged market, I don't know. To be honest, let's see, let's test it out, where we are going. Lumos is aiming for 3.5 million houses prospectively. Yes. Your next question might be, is that the first of a few transactions? If the business and the deal is good, yes, I would be open to consider, but it's too early to say when and who might be the next target. There are a lot of opportunities in this environment, which we are looking into this one.

So therefore, this is a growth optionality for us. And I said earlier already, it is not must-have that we own the infrastructure because we have no infrastructure yet, and we're looking to a partner who is co-investing with us in the infrastructure. And we are then the preferred or partially exclusive distribution network for this product. It helps us to keep our growth engine running.

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

So on the question on CapEx, let me -- first of all, and you see it on Page 29, where you have the comparison on ex U.S. free cash flow where we have an increase of CapEx by EUR 200 million. This is very much due to front-loading and phasing, and it will wash out over the course of the year. By the way, same holds true for the working capital figure. So we're sticking to our EUR 3.5 billion guidance.

But I think what we have to acknowledge is there is inflation impact. And I think the biggest impact will come in the future on contracts which we have concluded on at the peak of the inflation and where the build-out is happening in the future. So I think there's something which we have to do on our side to increase the efficiency, to basically increase the shallow digging share, to have a process improvement within our build-out, to create competition among the different build-out areas to counter fight this inflation effect. But the outlook for the following quarter is that at the peak of the inflation impact hasn't hit us yet, it's yet to come.

Hannes Wittig - Deutsche Telekom AG - Head of IR

That said, our guidance for the German CapEx and the guidance for the German CapEx is a slight increase this year, and that is unchanged. So the first quarter number should surely not be multiplied by 4. It is a phasing effect relative to the full year expectation.

So the next question is from Steve Malcolm at Redburn. Steve?

Stephen Paul Malcolm - Redburn (Europe) Limited, Research Division - Partner of Communications Research

And Tim, I enjoyed your views on what Vodafone and Telefonica Deutschland should do. A couple of questions on Germany. I want to come back to Adam's question on the sort of the [BNA] proposals. Would you rather have an auction then comply with the proposals that BNA has come out with so far and kind of force 1&1 to put its hand in its pocket and invest in spectrum and go against you.

And then secondly, just coming back to the comments that Christian made on sort of broadband net adds. I'm a little bit confused. I mean you're doing 50% share of net adds. Do you think you can do better than that? And what are the moving parts to taking that number up? Because I presume that the competitors are going to remain maybe operating better than they were last year, what are the operational improvements you can make? And if growth is just lower, why do you think growth is going to improve from this point? We've seen BT talking about a shrinking broadband market today in the U.K. So just sort of extra color on where you can kind of get back to from the number you printed in Q1 would be great?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Okay. Let me start with the broadband question. First of all, historically, we had a higher net add share than 50%. And we said it very clearly also in the Q4 figures, and we are trying to basically improve our performance and I'm not saying we're getting to the same levels as in the previous quarters, but I think we want to improve our net add share. What we can influence since what I mentioned is, obviously, the natural growth in the broadband market.

And I think we have to figure out whether we see a kind of a slower growth in the overall market, which will also impact our net adds on an absolute basis. But there were also some operational issues, which I will not basically be transparent about in Q1, which we can revert and therefore, we're hopeful that we are basically improving our performance on broadband.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Just maybe to add just before you start, Tim, we said 50% share of net adds. So at 39,000, we think the market is about 80,000 this quarter is not very different from the run rate last year, right? So we're just saying the market is fairly mature. We are not talking about a declining broadband market or anything like that in Germany.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

I think the one who is building the network will gain the customers as well and defining the share of net adds. So we are building quite consistently and moving on. So I see opportunities for us here. Now going to your second part of the question. Look, the discussion about going into an auction at that point in time, I think it is now less of the way forward. I think it is more the way forward now to make a proper consultation of that paper and find a pragmatic approach towards the aim of the political leadership behind this plan.

I would expect that they amend some of the targets. I expect that we find a solution in this discussion about how the 2.5 megahertz of low-band spectrum is going to be handled. And I expect the build-out of the area coverage is something which should be realistically adjusted here and then not expecting an auction. That is my expectation or my forecast going forward.

That said, we always have to look whether the price we are paying for the extension is still appropriate compared to an auction. And as I mentioned, it looks like quite expensive now. Rights, which we have to pay over this time, plus the build-out obligations, plus somebody has to give up spectrum, plus-plus that doesn't look that far at that point in time, but it's too early to call it a deal. Let's negotiate that within the next weeks until I think end of June and mid of July, and then we can give you a clearer perspective.

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

Look, on the area coverage, the 99.5%, which we are clearly saying that number is insane. Look, we have 35,000 towers. Vodafone has 25,000 towers. So how can they comply with this? So I would encourage you to ask the same question also to Telefonica and Vodafone and put in some, I would say, realism into that ask. And hopefully, we will be successful until the end of the consultation.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

And by the way, I was very outspoken this morning as well in the press call because somebody has built 227 towers. By the way, we even don't know how many of them are active. Somebody who had to invest up to 1,000 towers by end of '22 and now staying at 227. Somebody who has not been proven at all that he's interested to build out a network, who is deeply sitting on a national roaming deal with 1 or 2 parties. Why should he get on top of this not existing network, low-band spectrum.

I don't get it. My customers are using the spectrum every minute while we are sitting here. And I can tell you, it is our duty to defend, let's say, the quality, and it's our duty to defend, let's say, the service obligation, which we have towards our customers. And that is, let's say, going to be a very tough discussion which is coming over the next week.

Hannes Wittig - Deutsche Telekom AG - Head of IR

We move on to David Wright at Bank of America on audio.

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

A couple of questions. The first is on U.S. fiber, and Tim, you gave a lot of granularity that was appreciated. But just maybe a little more on just how these deals are basically come around, as in how are you identifying the areas where you might want to build fiber? How are you identifying partners? Are you literally opening to tender and infrastructure investors are invited. I'm just interested in the process here and how we can think about that. Actually, it may be for yourself as well, Christian.

And then I guess my second question is just on the back to the wage negotiations. What is your bargaining power in this. For instance, if the unions want higher wage, it seems like you might be going back with higher offers, higher offers. But I'm wondering what can you offer the unions beyond pure financial gain that they could settle upon?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Good questions. By the way, David, I start with the wage negotiations. To be honest, look, that is our operational role, which we have to solve. Unfortunately, I'm not sharing how we're going to settle that. The only thing is, so far, we have been good partners with the other side. And let's give us a little more days on trying to find a solution here, which makes sense from both angles. If everybody knows that to keep our competitiveness in the market, we cannot digest significantly higher costs here. So if we would have to make a deal here, which is unfavorable from our competitive positioning, we have to go into the costs. And that is, let's say, then the mitigation plan, which we have to do. Therefore, we are working on different plans here. Give us a few more days, and then you will get the clarity on this one.

With regard to U.S. fiber and how we are coming around with the deals, look, this is an exercise which we are doing already for, I would say, 1.5 or 2 years. So it's nothing where we are just jumping into cold water here. We have an in-depth discussion. We have looked onto a lot of, let's say, players in this market. What we like is a market where the eligibility for high speed is very high due to the poor fixed line infrastructure.

Second, what we like our companies which are not coming with high legacy or with, let's say, big old legacy systems. So clean entrepreneurial business, which are fitting to and carry our DNA. So third one is it's better to pay a little bit more for a business which has really outstanding

performance and a clear plan than going to companies where you have to do in addition to the new market restructuring. So therefore, we were very much focusing on this kind of smaller business in the U.S.

And then we focus always about, let's say, the market potential in the light of how strong is T-Mobile. Is there as well a kind of combination with our mobile services and as well with the high-speed Internet possible. So it is coming a little bit, let's say, as well from an approach of good substitution here, and Lumos is very much fitting to this focus here. And we have other companies already identified. Please always keep in mind, we are not making bad deals. So we are not in a hurry. We don't end in a strategic threat or whatsoever. This is a nice growing business. I think it's a great opportunity for us, but it is not that we are committing suicide because of a strategic fit or something like this.

Hannes Wittig - Deutsche Telekom AG - Head of IR

I think with that, we move on to James Ratzler New Street, please.

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

So 2 questions please both on capital allocation. So the first one, Tim, I think at the last conference call, you talked about setting up a EUR 2 billion venture capital fund within Deutsche Telekom. So if possible, would be great just to get an update on further developments there? Have you made any investments so far? What type of investments are you now more focused on looking at?

And then the second question is regarding SoftBank, as I think the kind of next time you speak to the market, we will have gone through 30th of June when all those options expire. So I'd just like to get your thoughts if you can share them on any intentions there. The fact you haven't issued or exercised the floating option yet, does that mean you plan really to increase your stake in T-Mobile through lower than pro rata participation in the buyback or should we expect to see you exercise those options over the next 6 weeks?

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

Okay. Let me start with it, we're just chitchatting who's starting. So let me go on SoftBank first. We have EUR 7 million fixed price options, which we will, for sure, exercise. I think there's \$65 intrinsic value in that option. And we have another EUR 28 million floating options which I would say we haven't taken a decision, it's unlikely that we're going to execute them because we don't need it, right? We are above 50%.

Obviously, if we are adding another EUR 7 million fixed price option to this, we are well above the 54% and I think the easier way would be selling into the share buyback rather than to float the market with T-Mobile shares and then basically let the market absorb that because we have executed on the EUR 28 million floating shares. I haven't taken a decision on the Board, but I think that's the indication how we're thinking about this right now.

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

Can I ask a follow-up on that, Christian? Do you then expect SoftBank to sell those shares into the market if you don't exercise the option?

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

Look, I don't -- I will not comment on anything which is SoftBank is doing. We've never done that. We didn't do this also after the true-up. So therefore, I can't give you an answer on that one.

Hannes Wittig - Deutsche Telekom AG - Head of IR

But I think it's fair to say that James, SoftBank has not sold T-Mobile shares that they have received, right? So -- and they could have sold some of those shares. So of course, we can't comment on their behavior, but that's to be kept in mind. Also maybe as just to make clear, the background to Christian's answer is that we are likely to want to have a bit more of T-Mobile and just over 50% by the end of this year. So just we are clear, we will not participate fully in the T-Mobile share buyback until the end of the year this year, right? We want to be more above 50% than we currently are.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

I think they have a great partnership with SoftBank and their guys and we find the best solution for all of us. So with regard to your question on the EUR 2 billion venture capital fund and it's not that we are not that quick that we can already call the internal rate of return, but we have made good progress of setting it up. The idea of this growth fund is we want to have first significant influence on the participants and the participation. And in even in some cases, we might even consider to acquire the majority and consolidate the assets which we are acquiring. But that depends on the business itself. It depends on how much independency does the business need to develop? I want to keep it as entrepreneurial as possible but benefit in our core business as much as possible.

So this is the art. And I have seen so many corporates killing new ideas, venture businesses by putting them into the core and then you suddenly never see something all. It's like a black hole, the business disappear. And therefore, we want to keep them aside. We need a kind of a mentor from the operational business who is bringing their services into the core. But we want to let this business independent as well.

It should be really tailored to our businesses and really tailored to a more entrepreneurial culture. The areas we want to invest into is network security, IoT, GenAI and some opportunities for beyond growth activities in the core business. The business fund will be managed by group development, which is in Board membership Thorsten Langheim, he is a fantastic leader. He's supporting Andre Almeida. He was former consumer head in Germany and he will run it.

And operationally, we will be managed by the DT Capital Partners team. You know that is an independent team, which has a big track record we have with these guys up to EUR 5 billion under fire already in this areas. Great talent in this organization, and they will do the operational selection of the partners. The growth fund currently is set up, but we haven't made investment at this stage, but it will happen soon.

Hannes Wittig - Deutsche Telekom AG - Head of IR

And with that, we have another attempt with Robert, I think he had some technical issue with unmuting before. So apologies for that on our side. And Robert, can we have your question, please.

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

I do a fiber to the basement, by the way, I could hear what you are saying. And my question is, at the full year results stage, you were cautious around commercial real estate within GHS and that was reflected in the guidance, and I think it was due to the economy. So my question is, are you seeing any further worsening of any parts of your German business due to the late cycle impact of the economy on either B2B or B2C? Or conversely, are you seeing an economic pickup in any form?

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

Okay. So first of all, on the real estate side, Robert, we don't see any kind of change of what we indicated in the past quarterly call. It's a difficult market right now to get a fair value, and we don't sell on the price when it's coming to selling real estate. The second one is on B2B and on B2C, we don't see large changes right now. We see a very slight increase on bad debt, but not to a degree that I would say it's concerning.

So therefore, we're seeing a pretty robust demand. And you can also see it in the T-Systems numbers that their order entry has come up again. So I would say I expect that this continues also for the remainder of the year. I don't see kind of an increase. I don't see a decrease. I think I see a continuation of what we're seeing today.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

I would use the word robust.

Hannes Wittig - Deutsche Telekom AG - Head of IR

It's also true for the European business, by the way, Robert, is that a good. So then we move on to Usman Ghazi at Berenberg, please.

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

I just had a question with regards to the collaboration with SoftBank that you had hoped for when I remember when SoftBank kind of acquired some of these DT shares in that swap, there was a hope that Deutsche Telekom would collaborate a bit more with the SoftBank kind of owned companies to kind of develop a differentiation on the services side. Not much seems to have happened.

Now obviously, SoftBank is devoting a lot of capital to AI and things. And I was just wondering if there's a way to refresh that partnership or position DT to take advantage of some of these investments that SoftBank is making through your collaboration?

And then kind of somewhat in the same line of question was that I mean if you look out now beyond this year, obviously, capital allocation becomes the biggest decision for U.S. management given the amount of cash flow that's going to be coming out. So I mean how are you thinking potentially about maybe increasing the size of DT Capital Partners given, obviously, there's so much opportunity here in terms of data center investments or AI or what have you. So any views on that would be interesting.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Okay. So look Usman, collaboration with SoftBank are very honest. We have some partnerships with these guys on our Magenta moments. I remember that we have even then small investments in some of the growth funds of DT Capital Partners from their side. I have a personal strong exchange with Masa Son and his team about technologies and what they're aiming for on AI and other things. Have we monetized that? Have we really made some big strategic moves in this regard? The answer is no.

And that is a little bit less than I was expecting. Now it's not hurting us commercially, but nevertheless, I would say it could have been more going forward. We have a strong partnership, but we haven't really found the right angle where we can collaborate and how to work together. I think on the venture capital side, we sent Vento and his team, they are in deep exchange on these kind of things.

And therefore, that is more fitting to the business need. SoftBank has a little bit, let's say, changed their shape and their focus out of the telco sector. And there are much other topics now on chipsets with ARM and other things. So I would always say we are preferred, and I have immediate access, but it's not yet changing the way how our business is developing.

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

Look, on the capital allocation, especially when it comes to a stronger engagement of DT Capital Partners, I think partly those questions will be answered with the tech fund. This is the one piece. And the second piece, I think we are well advised if we're staying close to our core business because if you just take a look how many announcements we have seen over the past weeks on data center build-outs like Microsoft more than [EUR 3 billion] in Germany and France. Amazon invest multibillion here in Germany on data centers. I think they will out invest us on this category.

And I think we need the money for our infrastructure because we want to have undisputed leadership both in mobile as well as on broadband. But can it be a financial investment in the tech fund absolutely yes.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

It is. I know that they have already 6 data centers, and they're considering even extending that. And there was as well a discussion, but that is just maybe food for thought that they are considering a fund which is specializing on sovereign cloud infrastructure and data center infrastructure in Europe, but it's more a kind of planning.

Hannes Wittig - Deutsche Telekom AG - Head of IR

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

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

I just wanted to come back to the Lumos questions that you've already answered. Can you just come back to one of your answers, which was that you don't think it's a must-have that you own infrastructure in the U.S. Is that not a key returns generator in terms of the fiber opportunity. And could you just talk as a follow up on from David's question. Why are you happy for TMUS to have financing partners for fiber apart from the ability to do off balance sheets.

So not that the companies you're buying themselves, just the Spanish partners. Is it because they bring local engineering expertise or anything strategic like that any kind of more color when you're thinking that will be really helpful. And then just quick last question on Germany. There's been lots of questions already on this call around German competitive dynamics. But just at a high level, you will see in German broadband benefited from having a donor in terms of volumes over the last year or so. Do you now see a bit of a rebalance in terms of how you grow German fixed line from volume to more pricing efforts?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Look, let me share from a CEO perspective, the view on the fixed mobile and on the fiber market in the U.S. and where we are standing. In Europe, we have in all the markets in almost every market, we have a very strong copper infrastructure, coming with customers, coming with revenues and coming with EBITDA. Now this infrastructure gets substituted by a fiber infrastructure prospectively. Now if we are not investing into fiber and by the way, into the full value chain of fiber, we would lose revenues, we would lose, let's say, the profitability out of the old profit pool.

That is why we always say the amount which we invest or which we own in the copper infrastructure is the amount of what we need in the fiber infrastructure as well to protect our revenue and our profitability going forward. That's a little bit, let's say, the thumb rule, which we have. So if you have 50% copper infrastructure, it's good to have 50%. You can always have more, but at least this is protecting you that you don't have a shrinking business for a long period of time, both on revenues and even profitability.

Now in the U.S., the situation is different. We don't have any kind of fixed line infrastructure of copper-based or whatsoever. So everything what we do is an opportunity to grow our business in this environment. So first thing, it should be profitable. The second thing is no proof of concept that this market is going full convergence at one point in time. So going now all in on the fiber investments for this market, this is quite a risk and quite an exposure for our company. So let's learn how we do that.

The third one is we have to build capabilities and skill to run a fixed line company. So doing this with professional guys and I can tell you, I'm convinced that having professional infrastructure partners or PE companies who built that company the processes, the mindset of this organization is very business-oriented. So doing this with them is a guarantee that we are not wasting time and wasting money in developing an own business model. Can we own -- is there prospectively a possibility to own infrastructure? Yes, for sure.

It's not that I'm excluding this but to have this symbiosis now in this early phase, where we are growing up our skills in this enters with a partner is good. And on top of that, if you look to the deals, to be honest, the returns which we get on selling and distributing the fiber services, it's more attractive from a commercial perspective, than owning the whole thing and having a classical, I call it, let's say, infrastructure economics. So that is why we're doing it. And I think we should move on like this, scale it, learn it. And then at one point in time, after this Phase 1, we then make another attempt to this market and say, okay, now we might go all in or bigger into this equation, but this is for us, all of us too early to do it right now.

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

Andrew, on the broadband market, I would say we're sticking to our beyond 4% growth ambition. And you've seen also quarters where we had a 4% broadband growth with having significant higher net adds on an absolute basis. I think what we're doing here for many years is always a combination of more for more and a volume growth. And I think we're adding roughly EUR 1 ARPA every year to the broadband customer base because of our ARPA focused strategy. And therefore, I think we're still in line with our assumptions, which we have given despite the fact that we had a weaker quarter than expected, but it will be a combination of volume growth and ARPA growth. And you see the ARPA growth happening on Page 16 with an increase of customers beyond 100 megabit. So it's almost a straight line, which you see in there, the 800,000 increase.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Great. With that, we come to the last question today. And it's from Ottavio Adorisio at Bernstein, I guess, right?

Ottavio Adorisio - Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst

And I have one follow-up on a couple of questions relatively broad. And the follow-up is basically on the coverage. You effectively said that the 99% is insane. If I catch the right number you have around 91%, 92% in your plans. Could you just tell us what in terms of CapEx would be required to go from your current plans to the 99% to get a bit of a flavor of how much the regulator is asking from you. Then I'll go to the broad questions.

You talked a lot about FTTH in the U.S., and it's relatively rational. They say, look, (inaudible) is an option, not a must. And we invest in Lumos because we want to know a bit of the economics. The product fiber is that it's a 5, 6 years buyback. It's pretty unlikely you will know about the profitability and the economics probably 1 or 3 years or more down the line.

Now you got a CMD coming up in the next 6 months, whereby potentially you're going to give us a bit more flavor about how the allocation of capital within the group. So therefore, my question is, in the past, it was pretty clear the pick in order, you always saw that the best returns was to invest in TMUS and you want to keep control then the gearing was another key important priority.

And the rest of course, keeping the fiber in Germany and then making the shareholders happy by dividends and so on and so forth. Now how this changed? I don't think that's FTTH. My question is this will be FTTH part in the U.S. part of the questions? Or you reckon the next 3 years, you will still be just assessing if you want to tip the toe a bit deeper or not?

And what about all the other, let's say, potential use of your capital. We're talking about mobile networks in Germany, FTTH in Germany, more share in DT, more share in TMUS because effectively, the next 6 months will be quite important for us to hear what next on will be on Deutsche. And I guess aside from FTTH in Germany, you know pretty well the economics of all of the other projects.

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

Ottavio, we try to be fast, but we're not as fast as you're asking us to be. So I think objective #1 is to get rid of this 99.5% because I think this is an industry challenge, which we don't see how this can ever happen, especially also you don't have coverage if you don't get approvals, if there's no

technology you will not get to 99%, you're talking about area coverage. And we have kind of areas which are protected, which is 6% of the German space here where you hardly get into.

So I'm not sure whether this is actually theoretically achievable. So therefore, I think the teams will work on the consultation feedback up until July 8 and explain where this number is simply too high. Let's work on that one first before we're talking about the CapEx implications. And the second one, I think you basically described the portfolio of questions which you're going to answer in October, but not today.

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

But Christian, let me -- I think -- look, the question is how are we allocating money in the group. And there is no simple yes or no or black and white U.S. or Europe or Germany. We are looking on it. By the way, we're not making bad deals. It sounds clear, but we're looking very much on the profitability of every kind of things. In Europe, we come to the conclusion that investment into fiber is one of the most important things which we have to do with regard to the long-term NPV development of our group, and that is why we are committed to this. Are we considering at that point in time, M&A or whatever consolidation or whatever, no, we don't have big M&A or any kind of M&A happening in Europe.

In the U.S. We have now made the Lumos transaction. I can tell you the deal flow is quite active in the U.S. There is the discussion about 800 megahertz spectrum. There is a discussion about other things. We have seen Mint getting approved at May 1. So we are doing kind of intra-market consolidation in some areas. So the portfolio allocation is happening between all this. This is our job to sit there and to consider how we best allocate the money. And this is all in a framework that our leverage, that our financial framework is operating in a proper way. And what we are doing, and you have seen us deleveraging the business on and on and staying to the capital markets targets which we have.

Now your question should be better answered in a few months from now. We are working on a clear perspective and a fair point, how much fiber do we want to have in the U.S. how big should that business get? How much money is requested? Is this an opportunity? Is that it -- but this is our, let's say, duty to find an answer on that one. We are working on this one and the Capital Markets Day of T-Mobile and our Capital Markets Day as well should give answers exactly on this capital allocations for the upcoming 4 years.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Thank you, Tim. I mean I'm sure given our track record and also the pieces of the parcel you've already seen, there's a lot to go with. And I think that now brings us to the end of our Q&A, Thank you, Ottavio. But I think, Tim, you wanted to wrap it up?

Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board & CEO

Look, thank you for all the questions. Look, I think we are leaving the call in this quarter very optimistic in all markets where we are operating, including, by the way, T-Systems, which have shown a very good order entry double digit and as well some good growth. I think, very good commercial momentum in all of the markets. Our best business was, by the way, Europe this time and based on a lot of countries who are performing very well. We have a lot of investments going on in the group. So we continue at high pace here to protect and expand our leadership in all the markets.

And in the U.S., I think we have set up a vehicle to tap into a new growth environment with the fiber opportunity. We are now preparing Capital Markets Day for October. And this will be preceded by a TM US Analyst Day soon before that. The main topic will how we deliver on a long-term sustainable growth. I think that's one what is the customer growth, how is the revenue growth. And one of our thesis might be around B2B and the way how we are improving the growth rate there.

It's positive, but I think we can do more. It's about growth in return on capital employed and growth in adjusted earnings which is the precondition for a sustainable long-term dividend growth, what we are aiming for. And then the question about allocation of capital, we discussed that already, should be a core focus of what we're doing. Best network, best customer experience and as well the best brand. This is definitely a prerequisite

and it will not change in our perspective going forward. That's part of our DNA. But we have invested into a balance sheet with more than EUR 300 billion of deployed assets and the monetization of this infrastructure is definitely at our focus.

And on top of that, the discussion is going to be very much about, okay, what's the benefit of serving 300 million customers in the European footprint. So the question about the transatlantic scale, and the synergies within this group, this should be another topic of focus. So a good agenda to work on, a very intensive discussion already taking place over the weekend with the Board here. Looking forward to that one, and I'm looking forward to exchange all of this with you. I hope during the European Championships the Deutsche makes it as well. At least we are the main sponsor and you can watch all our games at UHD quality at Magenta TV, please join us or the best and goodbye.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. Ladies and gentlemen, dear analysts and investors, conference is about to end. We'd like to thank you for participating. And should you have further questions, please contact the Investor Relations department at Deutsche Telekom and speak soon. Goodbye.

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