

DTEGY Earnings Call Transcript

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Quarter: 3

Hannes Wittig: Good afternoon, and welcome to Deutsche Telekom's Third Quarter 2025 Conference Call. With me today are our CEO, Tim Hottges; and our CFO, Christian Illek. As usual, Tim will first go through his highlights for the year-to-date, followed by Christian, who will talk about the quarterly performance and our group financials in more detail, and then 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 will be recorded and uploaded to the Internet. And now it's my pleasure to hand over to Tim.

Timotheus Höttges: Thank you, Hannes, and welcome to our results call for the first 9 months. Amidst various headwinds, we continue to deliver consistent, reliable growth. As usual, I will start with the year-to-date view for the group before Christian will dive into the details of the quarter. In the first 9 months of 2025, we delivered 3.7% of organic service revenue growth, 4.4% organic EBITDA and 6.8% growth in free cash flow and 9.5% growth in adjusted earnings per share. With these results, we remain on track for the midterm targets of last year's Capital Market Day. Also today, we raised our guidance to reflect T-Mobile's guidance increase. Despite a weaker than usual quarter in Germany, we talked about that last time, we keep our full year DT ex U.S. guidance unchanged, thanks to the good developments in other areas. We made progress with our strategic agenda in the U.S. with our successful acquisitions in Germany with a record fiber build, new collaborations and Europe's first industrial AI cloud across the Atlantic with significant progress in AI-driven digitization and our disciplined financial execution was recognized by Moody's with a credit rating upgrade to A3. Last not least, the Board of Management is proposing a dividend increase of 11% to EUR 1 per share for 2025. In addition, we plan to buy back EUR 2 billion worth of our own shares in 2026 together amounting to a shareholder return of nearly EUR 7 billion. As you can see on the next page, all our segments are contributing to our EBITDA growth. T-Systems leads the table with 11.7% year-to-date EBITDA growth. DT ex U.S. grew by 2.9% in the first 9 months. Moving on to our networks, where we continue to extend our leadership. In the last 12 months, we passed 3.6 million additional European homes with FTTH. We now nearly reached 23 million homes, of which nearly 12 million is coming from Germany. In the U.S., our joint ventures are delivering as expected, and we now have 934,000 fiber customers. Our mobile networks are leading across the footprint, and we are confident to maintain this leadership in all our markets. Let me now dive a bit deeper into a German fiber plan. We made some encouraging progress this year. And I know this is a big question mark for you what we are doing here and how are we reacting on the developments. First, we passed a record numbers of homes year-to-date, plus 17%. We connected more homes than ever before, plus 9%. And we achieved this with lower total CapEx, resulting from fiber CapEx savings, minus 9%. We achieved the savings through a variety of measures, AI-powered digitization, I talked about that, process industrialization, more shallow digging and better purchasing. This slide here is to illustrate that our fiber build has become much more efficient. This is a very important building stone for our strategy going forward. Another important building stone going forward is the tax benefited grant, which the German government developed over their accelerated depreciation model. We plan to reinvest this benefit into higher CapEx and thereby step up our fiber build-out without any changes in our DT ex U.S. free cash flow outlook as stated at last year's Capital Markets Day. So what do I mean by stepping up? First, we maintain our 2.5 million homes passed run rate. That's very

important. We will increase the share of rural homes and the SDUs in the mix. And further, we will accelerate at homes connected with regard to the MDUs. So we are changing the way how we are building out fiber in our German footprint according to the current developments which we are seeing and the adoption rates of these fibers. With our new fiber strategy, we plan to strengthen our German broadband performance in the medium to longer term, both in terms of value and in connected volumes. Based on the efficiency improvements, we have already seen and the tax relief granted us that we can deliver a more effective fiber build, increase our fiber CapEx in the coming years, while -- and this is very important, confirming our stated free cash flow outlook of EUR 3.6 billion in 2025 and EUR 3.7 billion to EUR 3.9 billion in '27. At last year's Capital Markets Day, we talked a lot about how AI is accelerating our digital transformation. Throughout the year, we have shown a lot of examples of our AI initiatives. On Page 8, you can see that we have made further progress on all initiatives this quarter. We are seeing multiple strong use cases delivering tangible results. And this across the whole value chain of our companies in all our markets. I'm just coming back from a 5-day trip to Israel, where I have worked with our partners, with our ecosystem down there, how we can integrate their initiatives into our further digitization efforts. And I can tell you the agent model is offering us big time new opportunities, which we haven't considered yet. At the Capital Markets Day for DT ex U.S., we estimated the financial benefits of around EUR 800 million in cost savings by 2027. Based on the progress already made, we are very confident in delivering this target and even see more potential, more upside here. Last week, we launched Europe's first industrial AI cloud together with NVIDIA with a combined investment of EUR 1 billion. This is Europe's largest AI factory to date, by the way, opening up in the first quarter next year already. We also remain in the running for one of Europe's planned AI gigafactories, and we should talk about that later in the Q&A.; Our customer growth continues on both sides of the Atlantic. Our mobile customer growth remained very strong with another record quarter in the U.S. And in broadband, we had a steady performance in Europe, while we suffered another small customer loss in Germany. Moving on to ESG. Despite rising data usage, outside of the U.S., we were able to slightly lower our energy consumptions in the first 9 months. Our ESG commitment has been rewarded with various awards such as the NetFed Sustainability Award and the award for Corporate Engagement for our initiative against online hate. Let's now move on to our guidance update on the next page. Our guidance remains based on last year's average of a foreign exchange ratio of \$1.08. And as always, in the sum of the guidance for DT ex U.S. and for T-Mobile US adjusted by the U.S. GAAP IFRS bridge. T-Mobile once more raised its guidance for customer and financial growth, and we are passing this on in the group guidance today. T-Mobile raised its '25 EBITDA guidance by \$300 million at the midpoint and its free cash flow guidance by \$100 million at the midpoint. T-Mobile's new guidance now also includes the expected contribution from the recently completed acquisition of Metronet and UScellular. Our 2025 DT ex U.S. EBITDA guidance remains unchanged at \$15 billion EBITDA and \$3.6 billion free cash flow. With that, let me now hand it over to Christian for a deeper dive into the third quarter.

Christian Illek: Thanks, Tim, and hello, everyone. So as usual, I'm going to provide you with an overview on the segment performance in the third quarter and then present some selected group financials. And as usual, let's start with the U.S. who have reported their numbers already on October 23. And you know that those numbers include a 2-month contribution from UScellular. Still the numbers, I think, are really impressive. You've seen according to U.S. GAAP, a service revenue growth of 9.1%. If we're taking a look at the postpaid service revenues, they even grow at close to 12%, and this is coming from volume as well as ARPA growth and the core EBITDA grew at 5.6%. Where is this all coming from? Take a look at the growth numbers on customers, and I think they are record-breaking. The postpaid net additions were 2.3 million, which was significantly higher than the consensus, which was 1.6 million. The postpaid account growth was almost 400,000, which is the highest number ever. The postpaid phone net adds were 1 million, which was also 150,000 higher than consensus and the best quarter since 10 years. And finally, the broadband net adds, which also include fiber, grew at 560,000. So I think what you've seen is a stunning customer result in the third quarter. The churn rate actually grew slightly vis-a-vis the previous years. But bear in mind, it was the lowest one among the 3 MNOs, which we have in the U.S. And the ARPA is now expected to grow at 2% vis-a-vis 1.5% in the previous quarter. So based on these very strong results, T-Mobile once again raised its net add customer guidance. They now intend to get to 7.2 million to 7.4 million postpaid net

adds, which is up more than 1 million at the midpoint relative to the last guidance. And the phone net add guidance has been increased to 3.3 million, which is also up by roughly 300,000 at the midpoint. So a very, very strong third quarter. And now we're getting to Germany, a segment where we have to report some different figures, I would say. So if you take a look at the Q3 financials, you see there were impacted by prior year comps, but also by our cost phasing. And I indicated this already in the Q2 call that we have the double whammy coming from the wage increase, which obviously hit the EBITDA growth. So if you take a look at the headline growth in Germany, it's actually declined by 1.8%. And there are 2 factors which are responsible for this. In '24, you had the one-off revenues from the European Championships TV rights. And secondly, we have another, I would say, lower revenue contribution from third-party equipment sales, which are all low margin. We're taking a look at the EBITDA growth, which is slightly above 0. You can say it's stable and it's the lowest since many, many years. This is coming from a very low contribution from service revenue where we're getting into and the double whammy from the wage cost headwinds. You know that we increased the first wage increase in October '24. And then we had the EUR 190 one-off payment starting from August, and they both collapsed together in the third quarter, impacting the EBITDA quite significantly. Both of those quarters, the service revenues, especially the comp factor, but also the wage increases will roll over in the fourth quarter. So for the fourth quarter, we expect an EBITDA growth of above 2%, of at least 2%, above 2%, 2% to 2.5% of -- it's definitely above 2% to reiterate this for this community. Also, if we basically fast forward into 2026, bear in mind that we're not only facing headwinds from the wage cost increases, which are rolling over. We're also facing headwinds from the higher energy costs in '25. Both of them will obviously roll over in the next year and will help to support a better EBITDA result than the '25 EBITDA result. On top, we have launched an additional cost savings program, which is targeting only non-personnel costs, which will also support the EBITDA growth in Germany in the year '26. Let's move over to service revenues. And you see it on the right-hand side, the service revenue growth in the third quarter '25 was really low at 0.4%. It was all driven or largely driven by the negative contribution from the fixed line business. And there are 2 major explanations for this. One is the comp from Q3 '24, which was largely driven by B2B business. You see that we have a very strong growth in the third quarter of the previous years. That obviously has an impact on the year-on-year growth for this year. And the second one is we have to actually acknowledge that the German economy is weak right now. And we're seeing this in the number of insolvencies in the German market. So I think this is also something which is impacting us in a negative way. Secondly, the service revenue is impacted by the lower volume trends, which we're seeing in broadband, but also in wholesale. And this basically collapses to that negative growth in fixed line of negative 0.3% in this previous quarter in Q3. For Q4, we have a pretty high confidence that we're going to have a meaningful trend improvement. And for mobile service revenues, we absolutely remain consistent with the guidance which we have given, which is 2% to 2.5%. Let's move over to the broadband revenues. And you see that the retail broadband revenues obviously have come down. Also, the wholesale revenues have come down, and this is pretty much driven by negative volume impacts. What you see is that the ARPA-up strategy, so the more-for-more strategy is working. The ARPA growth in the consumer space grew by 3.6% in the previous quarter. So upselling is working and has to contribute a large part of the broadband growth. Despite the volume pressure, you see us discipline on pricing. We maintain our promotional period at 3 months. You know that we have taken this down since April. It was coming from 6 months. We have increased front book prices for single play between EUR 2.5 to EUR 3 a month. We also, in October, have increased the broadband front book prices by EUR 1. So we are playing the value game. We're playing the long game. We're not fighting for every incremental volume, and we hope that the market will stabilize in that sense. On wholesale revenues, what you can see is there's a significant step down relative to the previous quarters. We are basically flat as we guided it to be at the Capital Markets Day, but we do not expect any significant deterioration in the upcoming quarter. Let's move over to the fixed line KPIs. And you see that the monetization works upper right-hand side, 54% of our customer base on our customers with at least 100 megabits per second. And you see this continuous trend happening since quite a bit. And what you also see is that we're still not mitigating the negative broadband net adds. We're remaining at that 20% to 25% trend. And to be honest, we don't expect a significant improvement short term despite the fact that we're working on quite a significant amount of measures,

which is digital retention management, extension of our distribution and more localized pricing. But what is important is obviously, since the market is slowing down and since we are facing ongoing pressures from the overbuilder that we have readjusted our build-out strategy on fiber. We're not only spending more on fiber. We're shifting the mix towards more rural areas and SDUs because we know that the connection rate is coming in much faster than it is with the MDUs. And we're stepping up the initial connections of MDUs. Even if we don't have a customer, at least a home is prepared and we have a connection there so that we can actually act on customer demand fast. So -- and you see that -- and I think that is kind of for me the bright spot in the quarterly numbers on the customer numbers that the fiber strategy is working off. We added another 155,000 fiber customers. This is the best quarter which we ever had. That remains the key focus area, and you know that we have given a commitment for '27 to add 1 million fiber customers over the course of the full year. Let's move over to the mobile commercials. And you see we're back as we indicated in the last call, we know that we have elevated competition quite a bit, but our commercials actually remain strong. You know that in the second quarter, we lost a very large customers. We said we will return back to the, let's say, usual run rate, which is somewhere in between EUR 250 million to EUR 330 million. And you see us now coming in at EUR 314 million. And this is also driven by a lower churn rate, which has been reduced from 0.9% to 0.8%. So that is pretty much it on Germany. So not a very good result on Q3, but a much better outlook for the fourth quarter. Let's move over to Europe. Europe has provided another excellent quarter, 31 quarters with consistent EBITDA growth. If we just take a look on an organic perspective, which is the lower part of the chart, you see that overall revenues grew by 2.2%, service revenues by 3.3%, and EBITDA has grown by 4.6%. You see that there is a sequential slowdown in the EBITDA growth, and this is obviously coming from the progressive rollover of inflation-driven price increases in some of the European markets. Moving over to the commercials in Europe. I think what you see is overall very good results across all categories. I think one has to highlight that the mobile net add is actually being impacted by negative cleanup ahead of the Romanian disposal of 60,000. If you would basically exclude this, there would be close to 190,000 of customer growth in the mobile space. And you see also steady and strong performance in broadband and TV and in fixed mobile convergence. Moving over to T-Systems. And T-Systems continues to be on a positive track. I'm really happy with the performance of T-Systems. Last 12 months order book is up close to 4%. The organic revenue is up by 3%. It's the middle column. If you take a look where it's coming from, T-Systems is actually benefiting from the AI-driven digital solutions, and we're talking quite a bit about AI, but also from the sovereign cloud services, which we're providing that supported this growth. And they had a very stunning organic revenue growth of close to 23% in the previous quarter in Q3, gets us to a year-to-date EBITDA growth of close to 12%. And this is coming not only from top line growth, but also from cost efficiencies. But bear in mind, this is a project-driven business. So there's quite a bit of volatility in there. But I'm completely confident that they're going to make and beat their commitments they have given at the Capital Markets Day. So that basically concludes my operational review, and we are moving over to the reported financials. I think, first and foremost, I think we have to acknowledge that we're negatively impacted by a weaker dollar. Last year, the dollar was at \$1.10. This year, it's at \$1.17. So it's a depreciation of \$0.07. That impacts the reported figures. It's partly mitigated by the contribution from T-Mobile's M&A; activities. And you see also that there is some phasing. But bottom line, I don't want to go through all the details here. I would say we're broadly on track with all of the targets. and you're going to see us confirming the CMD targets later on as well. Moving over to the usual Q-over-Q annual comparison of free cash flow and net profit, and I'll keep it short. You see there's a reduction of 9% in the free cash flow. This is very much driven by 2 factors. One is the weaker dollar, which impacts us with negative EUR 500 million and a stronger CapEx volume. And you know that we, in the previous quarters, have reported kind of CapEx, which was below the average what you would expect in a given quarter, and there is a catch-up, which you can see here. And if you take a look at the year-to-date numbers, they grew at close to 7%. So this is very much in line with the increased free cash flow guidance Tim was talking about earlier on. Same holds true for the adjusted net profit. It grew by 14%, but very much driven by the financial result and despite a headwind from a weaker dollar. Moving to the next page, which is leverage. So the overall, the leverage has increased by EUR 5 billion. Everything was driven and more than driven by M&A; activities, which was obviously UScellular and Metronet. And

you see the impact of EUR 8 billion. Nothing of the other contributions to the net debt are a surprise. You see us moving within the corridor, which we indicated, we're below 2.75, including leases. Excluding leases, we are 2.23, sorry for that. And I think that also led to the decision of Moody's to basically give us an upgrade in our rating. So I can only encourage the other rating agencies to take a closer look at our balance sheet and our financial discipline. So finally, on the last page, the key takeaways, we're confirming our midterm adjusted EPS target, which is around EUR 2.5 by the end of '27. Tim was talking about the consistent reliable growth despite some headwinds which we are seeing in Germany. But other than that, I think all the other segments are performing well. We have confirmed our targets which we have given ourselves in the ex U.S. business, and we have increased the guidance in the U.S. business, and we confirm our midterm CMD guidance. The flywheel works. We're working on our -- expanding our network leadership on both sides of the Atlantic. That drives customer growth as we've talked about this. And we have a massive initiative running on AI in order to not only drive efficiency but also top line growth. So I think this is something where you basically should remind us on every quarterly call, this is kind of what we call a drumbeat when it comes to AI. We are reinvesting, and we weren't clear about this in the last quarterly call, we are reinvesting the German tax relief into CapEx and into adjusted fiber rollout strategies. We remain comfortable with our comfort zone in the leverage. And obviously, I think we have proposed an attractive shareholder remuneration package with an 11% dividend increase to EUR 1 and an up to EUR 2 billion share buyback program for the upcoming year. With that, I hand it over to Hannes.

Hannes Wittig: Okay. And now we can start with the Q&A; part. [Operator Instructions] I think we start with Andrew Lee at Goldman Sachs.

Andrew Lee: I had 2 questions. Two questions, one on capital allocation and one on the U.S. Just in terms of the capital allocation, you're obviously giving an 11% dividend growth guide for 2026. So I don't want to mean that and reloading on the EUR 2 billion buyback. But if we look at what that leaves -- where that leaves you in terms of your net debt to EBITDA for next year, even if we take out the positive effects on -- or the reductive effects of FX on net debt, you seem to be leaving yourself with more balance sheet flexibility into 2026 than you did a year ago. Could you just take us through why is that? What is the strategic flexibility that you need into 2026 that's maybe a greater pull on your balance sheet than last year and where that's coming from? And then just secondly, on the U.S., clearly, that's been, along with Germany, a kind of major source of concern in terms of the sustainability of growth from investors. And that seems to have narrowed down into a major concern around your Verizon competitive intensity. The question is just pretty broad and straightforward. What's your take on the degree of change that we've seen in terms of imminent competitive threat in the U.S. market and risk to your to derailing the TMUS growth story?

Christian Illek: So let me start with the capital allocation question. Andrew, we actually have a slightly different view. If the weaker dollar is rolling over, so to give you the calculation right now on the leverage ratio, the EBITDA is calculated at 1.13 and the debt is calculated at 1.17. If you basically adjust both of them for the same rate, which will happen over time, we are 2.72. This is one. Second is, look, there's always projects coming up, which you don't know. And so for example, take a look at the Gigafactory, which we didn't have on the radar screen. And therefore, I want to have some flexibility. Thirdly, I think if you take a look at the shareholder remuneration program, which we have articulated yesterday, it's an 11% dividend increase. It's the highest dividend ever in the history of this company. And the EUR 2 billion share buybacks, if you assume that the EPS is around over the next 24 months at [EUR 2.25], [EUR 2.30], gets you an 8% yield on that share buyback program. But we feel comfortable with the volume, and we don't want to, let's say, be super volatile on this one. We want to be consistent. So it's a combination of, first of all, we're not as optimistic on the leverage ratio as your calculation is. Second one, it's prudent. And thirdly, I think it's still an attractive program. Look, we are basically distributing EUR 6.8 billion next year, which is quite a significant number, at least from our point of view.

Andrew Lee: Just a quick follow-up on that, Christian. So the TMUS buyback is done, decisions are made on a seemingly quarterly basis. The DT buyback decision is currently on an annual basis. Can you see a time where that's made more flexibly, i.e., on a half yearly basis or quarterly? Or do you still expect to announce buybacks on an annual basis?

Christian Illek: Both are being decided on an annual basis, but the programs are more flexible in the U.S. So we can course correct on the program. So for example, you know that we stopped the share buyback in the U.S. for quite a bit because we had a leadership change. And therefore, we have adjusted the share buyback program now for the remainder of the year. So the U.S. has more flexibility because we always have this freeze period or this grace period of 90 days. So we have to file 90 days before we actually can execute. So we have less flexibility on the ex U.S. side. but both programs are being decided on an annual basis.

Timotheus Höttges: Andrew, I do not want to tell you a fairy tale in investor call, but it's a little bit, let's say, the second question like the hedgehog and the rabbit. And if you look back, the U.S. market has always been very competitive. It is recently very much focusing on device promotions, and that is, let's say, where it's going. And we were a share taker in this environment over the next. Now what we seen this quarter, it was that we were attracting more customers to us, and we had lower churn than before, which is resulting in a much better performance. We did that at the same time with a significant increase on our EBITDA growth with 6%, so which is giving us the opportunity to invest into the infrastructure and our network leadership has improved as well. Now it is not only about, let's say, subsidization or the money which you put into the market. It has a lot to do about, let's say, how good you are perceived from a brand, how good your network is improving compared to the others. It is about, let's say, how you enter into the smaller markets or the rural areas, how you're attracting business customers or even the broadband customer numbers is quite encouraging. We will probably see 1 million next quarter already. So this is all, let's say, growth, which is not coming only from price competition, but as well from quality and investments which we have taken before. Now coming back to the hedgehog, I think we have heard about, let's say, the new announcement from Dan Schulman, which I know for years about what he is doing. And he has laid out his plans about that Verizon's ambition is to win back shares and moving away reasons to churn and focusing on customer centricity to grow his cash flow and his leadership over the next years. Now this sounds very reasonable to me. But the hedgehog is on a path already. So he is already running in another direction. So I think they are all well at this point. But I think what Srin and what the team is doing is this way of finding a new digital customer experience the way of serving customers in a new kind of Un-carrier way. This way of surprising customers with new propositions, this is what we are about. It's not about, let's say, that this is wrong what these guys are announcing. But customers are looking on other things as well and what is new with their brands. And I can tell you, I'm very encouraged about -- for instance, the efforts with regard to digitization. It's an outstanding achievement that 80% of the upgrades are done digitally within 1 year. So it shows to me even that the skills are within this company to reinvent the way how they're performing. They have cost potentials which they can reinvest. We have a super network leadership, which we have strengthened these days. All of this is coming together. So we are used to competitive environments. I don't think it's only about money. It has a lot to do with propositions which we have played out very well in the last years. And we stay -- remain focused on a thoughtful balance of commercial and financial growth in the U.S. market.

Hannes Wittig: Okay. Thanks, Andrew. Thanks, Tim, and Christian. And move on to Ottavio at Bernstein, please.

Ottavio Adorisio: Two questions. The first is on the domestic business. You highlighted the good performance on the ARPA. The 3.7% is welcome because that's compensated for your negative net adds. Today, you're somewhat guiding for a continuation of negative net adds, and therefore, the ARPU increase will be very crucial going forward. During the call, you attributed the main drivers to the upselling, not just the price increases. So your upselling will be very key for your growth. So my question is, how fast you can increase that upselling because it's still running significantly lower than you project for 2027 for around 1 million. You go into rural. So the question is there, how much the increase because you said that rural would be a better take-up rates. So someone would expect that the overall take-up of fiber vis-a-vis the overall base will increase. So that should be good for ARPA. And also you can update on the plans by the German Digital Ministry to weaken the landlord ability to stop in-house fiber rollout. Last quarter, you were very vocal. And I don't know if it's still a discussion or any decisions been made because that I think will be crucial for you to improve the upselling and

therefore, of course, to improve the ARPA trends going forward. The second question, it's going back to the capital allocation strategy. But this time, I would like to do a bit more with numbers. You -- in the CMD, you're talking about a precise number, the EUR 15 billion surplus. I follow the logic. And at that time, you basically were thinking of unchanged gearing. And Christian, you've been very clear on the fact that 2.64 is misleading because you have to put the debt and the EBITDA on the same currency. That's fine. So if you do, you ended up effectively around the same gearing that you expect to go, 2.75. So therefore, last year, you allocated around EUR 4 billion for additional shares into TMUS and the EUR 2 billion buyback of last year was already included. So the additional EUR 2 billion that you announced today will be against the surplus. So effectively, you used up around EUR 6 billion roughly or EUR 6.5 billion of the surplus. So my question is, there is still around EUR 8 billion left there. Now is the intention to see TMUS share price relatively low for you to go for more shares in TMUS rather than the buyback considering for last year? Or it's still undecided what are you going to do next?

Christian Illek: Ottavio, complex questions, to be honest. So first of all, on the ARPA increase, I think if you basically go back into the previous quarterly reviews, you basically see a linear increase of customers adding faster lines. So obviously, we're working on better monetization, especially when it comes to fiber because as we're moving into SDUs, obviously, we can monetize that fiber much faster also if we connect on the MDUs, that should give a contribution. The second one is obviously related to the price increases, which have recently been introduced, right? So you don't see any impacts on them right now. And obviously, we expect a net-net positive effect, which will drive also the revenue. And on the volume trends, look, I'm a finance guy. I'm a little bit conservative, let me put it this way. As long as I don't have line of sight, I don't want to promise you anything other than what you've seen in the previous quarters. And therefore, we don't predict anything as long as we have good evidence that the volume trend is actually moving in the right direction. And it's not too far away, to be honest, right? Just -- let's assume it's 15,000 more, then you're getting closer to the 3%. Right now, I think the 3% to 4% broadband growth is not being achieved right now. But I think on a CAGR basis, we have no indication or at least we believe this is still an achievable target. So this is the combination on how things are evolving. I don't know whether our signals to the markets like on single play on broadband will be received by others in -- let me put it this way, in the right manner. So that could help to basically go for a little bit of market repair. We will see whether it's going to happen. But that is kind of the basis we're working on. And the biggest lever for us is churn management, right? If we get the churn management on our broadband base, just a notch down, that will immediately turn quite a bit on the volume. So this is kind of the equation. I can't give you a mathematical equation, but this is the equation on the levers we're working on.

Timotheus Höttges: Look, let me add update on the plans with German Digital Ministry. Yes, it is -- and I was, by the way, not vocal last week. I was vocal this morning already again in the press. It cannot be that we are paying the bill of building a fiber network, not only on the Level 4, but even -- sorry, Level 3, but even Level 4 in the houses. That we pay tons of money for connecting the country into the next-generation infrastructure and that then the landlords are sitting there and asking for a revenue share or asking for an installation fee for the apartments. If Germany really wants to get digitized, they have to support the environment. And by the way, the German Digital Ministry is already on our side. He had put a paper [indiscernible] into the discussion, which is clearly enabling and accelerating the build-out in the multi-dwelling units, which is the main part of it. So to be honest, I cannot tell you when they're coming to decision. I have the feeling that the German government is under a lot of pressure and taking a lot of decisions every single day. Next week, on Tuesday, there is the digitization Summit with Chancellor Scholz and with Macron and a lot of, let's say, other players. I promise you, I will address this topic there again. And I have the feeling that there is a big understanding. The problem here is that Vodafone is trying to defend their position in the houses with their coax, which is nothing else than copper, and this is not fiber. But I think more and more people tend to understand that, that they are not investing into the next-generation fiber, that they're just trying to defend their position here. And I make sure that we will, by the way, with the other fiber investors in Germany fight for this initiatives. Let me make a general comment at the end because Christian laid it out. Guys, since the last quarter, 3 months, we have worked intensively, intensively on reshaping the way what we are doing with the fiber rollout. And we have laid it out in the presentation today that the CapEx per connection

has gone down. We expect further reductions being possible. Second, that we are now changing the rollout areas. Thirdly, that we are building more fiber, multi-dwelling units, homes connected and more homes connected with regards to the SDUs, so in the rural areas and single households because we see here a higher acceptance rates. Thirdly, to stop that the altnets are eating our cake. Fourthly, we have a total new go-to-market with regard to additionally to the ranges, we have now enabled our sales organization, our retail organization to meet people at their homes. Fourthly, we have allocated additional people to this one. On top of that, we have a new churn program, as Christian laid it out, and so on and so on. So we were very unhappy and we are unhappy with negative net adds. This is not acceptable. And therefore, I can promise you that there is a big program up and running within the financial commitments which we have given to improve the situation here in Germany.

Christian Illek: So on the capital allocation, let me try to answer that question, at least partly. So first of all, we want to keep the flexibility. So if you take a look what I said earlier on, the share buyback program, which we decided or which we consulted with the Supervisory Board and obviously then decided on later, as a Board, will give us an 8% return, which is obviously a pretty good return relative to other means. Secondly, what we have not decided yet, we want to keep that flexibility for good reasons on whether we should basically continue with the share buyback program beyond the EUR 2 billion we have just announced or basically put everything into the T-Mobile US shareholding. Look, none of us in the summertime would have estimated that the share is going down to \$203, right? None of us. So I think this flexibility is prudent to have and obviously, it has to be taken into account for. And the third one is, if you take a look at the current run rate, we indicated 4% to 6% EBITDA growth, we're around [4.4%]. So we're not at the midpoint. So that -- obviously, that surplus is also coming down. And therefore, we take it -- let me put it this way, 1 year for another and explain why we're doing what we're doing instead of giving you a midterm outlook, what we're planning to do with the surplus.

Hannes Wittig: Thanks, Christian. Thanks, Tim. And next, we move, I think, to Robert Grindle at Deutsche Bank.

Robert Grindle: Sorry, no video, it's usual WebEx versus the issue here. Two questions on the increased attention to fiber in rural areas and stopping the altnets, eating your cake as you say, Tim. Are you thinking more greenfield sites here or looking to defend in areas already under threat from the competitor build? And secondly, you acquired a call option over 10 million TMUS shares owned by SoftBank last month. Is there an ongoing cost to that? Have you thought about buying out the residual stake?

Hannes Wittig: It's both, is the answer. There is greenfield. I mean, basically, we're looking at areas which are most likely to be overbuilt and then we build there. That's kind of a big part of this change in mix. And if it involves overbuild of an existing plant where we feel that we have an attractive interest business case, then it will involve overbuild.

Timotheus Höttges: With regards to the SoftBank question, at the beginning of October, SoftBank granted DT 10 million call options in TMUS that can be exercised at market price until -- and now listen April 2029. This is a very, very long-term option. And you know that we have a very good partnership with these guys, which has worked even without buying them out. So there is no read across to our target TMUS stake. What I can tell you, this is more a sign of the partnership, which we have built for a much longer-lasting relationship. So that said, as stated at the Capital Markets Day, TMUS stake increased remain one of the preferred uses of any surplus capital alongside M&A; and DT level share buybacks. And therefore, there's nothing to say. The only thing is I think there's no need to make any kind of short-term speculation on activities here.

Operator: Great. And with that, I think we move to Paul Sidney at Berenberg.

Paul Sidney: I had 2. Firstly, we've seen more and more European telcos announcing their AI initiatives, talking about data centers, et cetera, yourselves, you're partnering with NVIDIA going live in Q1 next year. So I was just wondering, is it possible to put some numbers around this opportunity? I'm not looking for specifics, but just in terms of what the opportunity could be for Deutsche and perhaps the industry? And then secondly, you're one of the last European telcos to report. And on our calculation, European service revenue growth has worsened versus Q2. I was just wondering, what do you think yourselves and your peers need to do in Germany and the rest of Europe to maintain healthy service revenue growth and keep it in positive territory. We talk about value over volume playing a

value game, prices are going up. But a lot of this stuff just doesn't really seem to stick. And I just wonder, it would be great to get your views on what you think the industry needs to do or change.

Christian Illek: Okay. So I think, first of all, there is no single answer for each country. I think you have to take each country, country by country. And let me start with the largest one. Look, the indication, Paul, which we have given to the market is we would appreciate market repair in broadband, right? And we're doing this both on single play, where obviously, we don't have a lot of competition, to be honest. But also in broadband, and we have to see whether actually the other guys are following this direction, yes or no. We don't know. We cannot influence this. But I think in a slow growth market like the broadband market in Germany, that is the only way that you either upsell or that you have market repair on the overall market. And I think as the market growth rates, especially in broadband are coming down, it's not true for every Eastern European market, by the way. I think I would clearly favor value over volume. In mobile, it's a different answer. You've seen the net adds from our 2 competitors, negative 1 and plus [157]. Our segmentation is working, the conjunction of B2B vis-a-vis B2C and the separation between, let's say, single households, which are predominantly addressed by Congstar and family plans, which are predominantly addressed by the first brand, it's working out just fine. And this is why we're growing where the others are not growing. So therefore, I think we don't see any necessity right now to basically change that proven model, especially given the fact that we have our network optimization program, Nemo, which gives us the capacity to actually fuel those future demands. So I think you have to answer this country by country. And to be honest, I wouldn't be in the position to give you an answer in every European country. But overall, I think it's only working if the market, let's say, environment is also reacting in a rational manner. Because what you're seeing in many markets is that GDP growth is much faster than, for example, mobile service revenue growth. And I think that shouldn't be -- given the importance of that service, which we're providing, that shouldn't be the case. So we have to work on and especially market leaders have to work on repairing the market and actually getting the right value from the service. And then it's all about value-added services, especially in the B2B space, right? It's, for example, adding security on top. Security is a massive issue across the Board, especially for smaller companies because they don't have the capabilities to basically have an own staff, which is dealing with that security by adding IoT services on top, where we're seeing quite a significant volume impact here. So these are the things where I would say in our core business, I was just talking about mobile and fixed, how you basically put additional and adjacent services on top. Tim?

Timotheus Höttges: I'd like to address your AI question. Look, by the way, the first one is you mentioned that telcos are going into AI on Giga in AI initiatives. Yes, that's true. But then you mentioned NVIDIA as an example, which is data center capabilities. In this case, I would say no, because Deutsche Telekom is the trailblazer here in this industry. I don't know whether others are following, but we are the early mover in this environment. There's not a single other telco who had made a commitment or partnership with NVIDIA committing 10,000 GPUs being available from first quarter 2026 for the industries here in Europe already. So let me talk about the AI Gigafactory for the first step. I think this is where we are unique. Maybe Telecom Italia is a little bit comparable here because they have this governmental commitment that all the data is moving into their inference centers, data center infrastructure. But no GPUs so far as I know it. We have now the partnership with NVIDIA, where we started with 10,000 GPUs. And I think Jensen and NVIDIA selected it very wisely because they are going to the industrial core of Europe, which sits in Germany. They're going to us and with us with the biggest market access to business customers. We can offer a sovereign solution, network infrastructures, the [indiscernible] 400 giga -- connectivity coming from us. The data center infrastructure is something which we know already because we are running 186 data centers across the globe. I'll go into that in a second again. The sovereign cloud, which we are offering already is now almost a decade in the market. So well known to a lot of, let's say, classified services. Our partnership with SAP on the BTP side is enabling the customers with their applications to go into this ecosystem. And NVIDIA is providing their latest Maxwell chips into this industrial environment in Germany. So I think this is a great opportunity now for us to see how the Industry 4.0 is becoming real in automation and digitization here. For us, this is a kind of good learning case. for the next step, which is the AI Gigafactory. Together with our partner, Brookfield, we have submitted a consortium bid for this Europe's planned AI Gigafactories. The size of the location is expected to be around 100,000 GPUs.

We expect any investments here together with them off balance. But nevertheless, the distribution and the go-to-market will be facilitated by our T-Systems arm. So therefore, this is a big opportunity for us even to participate in this new high compute and digital ecosystem. We call it physical AI or we call it, let's say, participating in this environment of robots and the Industry 2.0, however you want to call it. Look, we do that step by step. We do that with strong partners. So it's not that we are going alone here and in a big risk. And this is a big opportunity. Now you can judge what you get for 10,000 GPUs on the market price today for revenues that would give you an indication about how much money we earn with that. We have a deal with NVIDIA that almost 50% is getting invested from them, 50% from us, and we have a revenue share model established so that we are cautious with regard to all the upfront investments here. But I think this is a unique proposition, which gives us as well credibility for the second step, which is the Gigafactory. On top of that, by the way, Maincubes, and sometimes we always forget that, Maincubes is with over 200 megawatts of capacity in operations or in development in Frankfurt, in Berlin. And GreenScale, it's another subsidiary of Deutsche Telekom and is with 170-megawatt project in Ireland and a 300-megawatt project in Norway on its way. So it's -- this is something where I think Deutsche Telekom is building on their infrastructure experience, something new where we have a lot of, let's say, competencies already scaling it up. And we only scale with commitments from customers. That's the good thing in this industry. It's not that we have to build a mobile network first, and then we will see whether we get customers. So we will learn on the run. So I think, yes, that's an opportunity for T-Systems business. Yes, we want to do that as cash cautious and CapEx cautious as well for our business frontline. And -- but nevertheless, we want to -- under the frame of building sovereignty for Germany, we want to scale that here in our industrial environment.

Hannes Wittig: Thanks, Tim. To be clear, Maincubes and GreenScale are held through DTCP, right? And thanks for the questions. And we move on with James at New Street, please.

James Ratzler: So actually, the first question I'd like to ask is to follow on precisely, Tim, from what you're actually just talking about that. I'm excited to learn more about the kind of NVIDIA project because the financial analyst would like to just go a bit further on the numbers from what you said just now. So I think the initial project with NVIDIA, you said it's about EUR 1 billion, of which maybe now Deutsche Telekom is going to be putting in 50% of that. But you said you could scale up with Brookfield now to 100,000 GPUs. Could we take that as saying that if that's successful, that becomes a EUR 5 billion investment we see from Deutsche Telekom? I would therefore love to just also understand a little bit more about some of the specifics about how you see the return on capital on that project. And then the second question I had, maybe one for Christian. But Christian, in one of your answers earlier, you seem to link the EUR 15 billion of surplus capital that could be used to the EBITDA growth of 4% to 6% range. So I suppose the question is, if actually EBITDA ends up being at the lower end of that range of 4% growth, what does that imply for the EUR 15 billion of surplus capital? And is there actually a commitment that all that money would be spent somehow by the end of 2027?

Christian Illek: Do you want to start?

Timotheus Höttges: Look -- by the way, I'd like to start with the first question. Again, these are 2 separate projects. The first project is 10,000 GPUs. It's going to be a data center being based in Munich. It is using an existing facility, which we have renovated. It's 3, 4 floors under the city. It is using 100% renewable energy and cooling from water, which is available. This 10,000 GPUs is something which we have in our planning, in our financial envelope, which we have laid out. No additional funding or concerns which you should have with regard to the envelope which we have laid out. The -- this project is now the first step. And that is, by the way, 100% on balance because this is a project which we run out of the system. The project #2 is the planning and the preparation for the AI Gigafactory, which is a European RFQ for 6 data centers across Europe, where the EU is committing to a certain utilization of their public domain data on this -- in this environment. In this case, we are planning an off-balance solution. In this case, we are not planning automatically, let's say, a high ownership on the infrastructure investments because we have said that we are going to take Brookfield as a partner into this ecosystem who is taking, let's say, a significant portion of the investments. We might even consider other partners who are building this infrastructure. It is too early to give you now the financial construction about how that is taking place, but the infrastructure will be built off balance. And it will be supported with public sector money or utilization, which is helping that. We are now in the selection of

the real estate. We are in selection of where we are building it. We are in the selection about how this consortia would look like. There's an application, which is taking place in January. Then there is the decision from the European Commission who is taking the offer. And then we will see whether we are successful or not. Until then, we will decide on -- the financials is something which we then have to release at a later stage, but not -- it's too early now. Let's focus on the Munich side first then.

Christian Illek: So James, without declaring the detailed numbers, what is our planning assumption. Obviously, you can assume that we haven't built on the low end nor on the upper end on the EBITDA corridor. But there are several factors which are basically impacting the surplus. The second one is obviously our adjusted EPS because that impacts our dividends and the adjusted EPS is very much driven and impacted by the U.S. dollar. At the time where we have given the Capital Markets Day, we said we don't see any auction in the U.S. in the foreseeable future after the One beautiful Bill Act. Obviously, there will be spectrum made available in the U.S. You see there's quite a bit of activity also on the satellite side from SpaceX. So these were things which can also be used for that surplus. So -- and in that given chart, which I presented, I said it's predominantly meant to be used for either share increases or buybacks on the DT side -- share increase on the U.S. side or buybacks on the DT side, but we also want to have strategic flexibility in terms of assumptions are changing. And especially when it comes to U.S. spectrum, I think I would say we don't see a spectrum auction up until end of '27, I would be less optimistic that this is going to happen given what we know right now. So therefore, this is how we want to use the surplus, and this is why we are wake in how we want to use the proceeds.

Hannes Wittig: Thanks, Christian. And with that, we move on to Polo at UBS, please.

Polo Tang: I've got 2 questions. The first question is Rodrigo Diehl has taken over as CEO of Germany. But can you comment on how the strategy for the German unit is evolving? And what are Rodrigo's priorities? You've obviously already flagged a change in terms of the German fiber strategy, but what else is changing in the German unit? Second question is actually just on Starlink. So investors have had a number of questions on how Starlink will impact both broadband and the mobile markets in both Europe and the U.S. So I'm just interested in your perspective. Do you see Starlink as complementary? Or do you expect Starlink to take share?

Timotheus Höttges: Look, I'd like to start with Rodrigo. And I told you that we're going to see a reinnovation of our team within Deutsche Telekom over the next years, and that is taking up here. And I have to say I'm very, very happy how the first weeks with the new team is. Being at Srinu now in the U.S. with all his experience and his track record in Europe and Germany, plus his insights into fiber, being at Rodrigo now in Germany, taking over the lead. He's, by the way, hiring a new B2C head, who is there, the former Congstar manager, which we have seen. And then we have Abdu, who is the new CTO in the group, another young man with a lot of experience running or being in charge for the infrastructure and the network before. And we have a new CIO in the group, KD, who is coming from India with all his experience about using AI for software development and accelerating this business. There are a lot of people who are now trying to build their own legacy, and that is definitely something which is very encouraging. What we have talked or discussed today about the new direction with regard to fiber is definitely Rodrigo's work. He has intensively spent the first weeks on looking what is working, what's not working, how can we improve the homes connected, how can we improve the take-up rates on the numbers. I do not want to repeat all the initiatives which we are driving here these days. So that was, I think, a tough start for him. He's as well focusing on B2B and the capabilities of stepping up in new services beyond connectivity because traditionally, this market is somewhat competitive on the pricing side on the connectivity. And the third thing is he's very much focusing on culture in the organization. So the way of becoming more uncorporate, this element about becoming more collaborative across the teams. And the third one, digitizing the efforts, digitizing the organization, using AI, modernizing the way of how we're doing things, learning from the U.S., by the way, in this regard. This is something which he's driving actively at that point in time. So I think these are already 4 big initiatives, which is on. So we will bring him up into one of the investors call next year to get to know him, but I gave him some relief to work first on the operations and on his team before he's coming here and committing. But what you see, what we are announcing today is already his work. With regard to Starlink, to be honest, we can now highly speculate about what's going on there and what is Starlink doing and where is he going to. The first thing what I want to say is that Starlink -- and for us, very much

relevant is the direct-to-sell connectivity. And this is definitely a very attractive complement to our wireless service. Because in the U.S., in large parts of the country, there are no mobile infrastructure, there are no emergency calls possible. And for this service, Starlink entirely makes sense. That is why we made that deal and why we're collaborating with them on the Gen 1. They are using our spectrum in this regard. So that is then possible that you have an immediate connectivity in these areas. I think that's very important to know that this has to play on the same bands as the bands which you're having in the phone. Otherwise, you have a very complicated switch and a complete registration service. The second is Starlink has now stepped up by buying Dish EchoStar spectrum. So for Gen 2, my understanding is this will not be deployed before '28, '29 with new satellites. With this, they might have a different position to play because they have more spectrum. But we should not forget that satellite providers are fighting with some technical issues as well. The first one is that there are limitations with regard to the capacity. Look, we have today 350 megahertz of spectrum, while these guys are coming with 40, 50 megahertz of spectrum. Second, they have latency issues. Thirdly, they have disruption caused by weather or line of sight issues compared to the networks. And in the cities where you have this dense traffic, it's very hard to substitute our services. So I see that as a very logical adjacency for telecommunication operators. We are very interested to further collaborate with Starlink as we did in the past. In Europe, the situation is -- and by the way, whatever we are talking about is very much U.S. because the spectrum which he has now is very much American spectrum. It's less of really globally used spectrum. The one which globally is available from EchoStar is for renewal in 2027, at least for a lot of European markets. So there are regulatory discussions coming up. With regard to the rest, European, I think the homes in Europe are much better served by terrestrial services than in the U.S. So the substitution risks to a fiber line from satellite, I don't see that. It is only for houses which are really, let's say, rural, unconnected. In this case, a Starlink might make sense. But if you have a fiber or a 5G coverage at your house, I don't see a big risk on this one. On top of that, spectrum for Europe is limited in this regard as well. So it's not that they can have unlimited spectrum for satellite. So I would say the market potential in the U.S. is in this very uncovered areas. It is an adjacency to communication, mobile communication services. And in Europe, I really see that as a niche play.

Hannes Wittig: Okay. Thanks, Tim. And now we move on to Josh at BNP -- Exane BNP Paribas.

Joshua Mills: The first was just on the updated fiber strategy and the second on fiber CapEx. So on the fiber strategy, it looks like you're playing a mixture of offense in the MDU areas and defending more in the rural areas. Is that a fair characterization of how this new strategy has evolved? And perhaps to help us think about the impact of this. Could you maybe give us a bit of a steer on what your market share in MDU areas is, what your market share in some of the rural areas you're now targeting is and how that compares to your nationwide broadband market share would be very helpful. And then secondly, on the fiber CapEx, I know you haven't quantified this explicitly, but I think you were due to receive a tax benefit of about EUR 0.5 billion over the next 3 years from these fiscal rule changes. Is that the right proxy for how we should think about the increased fiber CapEx? Would you go above that tax saving envelope as it were to do more fiber if you needed to? And beyond 2027, should we now be thinking of EUR 100 million, EUR 200 million higher German CapEx as a fair run rate? Or is this really just a pull forward of more expensive homes that you would have gotten to later in the decade anyway?

Christian Illek: I start with the second question. And I will never call this a pull forward if the build-out is not ready by 2030. So what kind of pull forward are we looking for then? So I would say an indication of around EUR 200 million a year is, I think, a good indication. So I would use this as a proxy. We haven't finalized our planning session yet completely nor have we discussed it internally. But I think that is -- so the EUR 500 million, maybe EUR 550 million, something around EUR 200 million is the right indication for an annual, let's say, increase of the envelope. But it's not going to be a pull forward because that program is running for so long that I wouldn't call this a pull forward.

Hannes Wittig: On the other hand, tax benefit from the accelerated depreciation comes to an end in 2028, the -- from 2028, the corporation tax rate in Germany will come down progressively by 5 percentage points, which is also then resulting in a tax relief -- in progressive tax relief. So if you -- therefore, there is a longer time line for this equation that we have outlined today, although we have basically been specific on the next 3 years.

Christian Illek: Since we're playing ping pong here, I think we're hopeful that this accelerated

depreciation will be extended, especially if you see that the money which you basically get is being reinvested into Germany, and we can prove that. And I think that's a good argument to basically make this like the immediate expensing in the U.S. a more permanent vehicle or tool.

Timotheus Höttges: Look, the answer to your first question is, you're right. In the rural areas, we have to defend our position. If you look that they are very stable and gaining market share from us where we are not covering. In these areas, we have traditionally high market shares, and we want to stop that bleeding by building out in these rural areas. And in the MDUs, we have a lot of MDUs where we have homes passed, but we have no homes connected. If you ask me about, let's say, the market share in MDU areas, it's traditionally very low because this is Vodafone area and the cable area. So therefore, we have their opportunity to grow market share. And if you ask me about, let's say, where can we invest in this area, I would call the mix would be with this additional money 50-50 in MDUs connected and in rural areas as well. So it's not -- I've just looked up the numbers here, so it's around 50-50, if that helps you. So I think that is the new allocation of the additional money. What we urgently need is definitely this kind of getting access to the apartments and to the houses. That's definitely something which -- where we need the political support. Otherwise, these investments are very difficult to monetize. But anyhow, we should give you an update about all the details when implemented. I do not want to release all details here because that from a competitive angle is as well something relevant for us that we have a little bit surprise factor as well.

Hannes Wittig: Okay. With that, we move on to -- thanks, Josh. We move on to Carl at Citi, please.

Carl Murdock-Smith: Two questions, please. Firstly, in Germany, on the wholesale access revenues, what drove the slowdown in Q3 or recognizing that your CMD guidance was stable? Maybe the better question is why was the wholesale access revenue growing faster than anticipated in the first half? And then secondly, I was wondering if you can talk a bit about T-Systems, both the growing disparity between public sector and corporate revenue growth rates and also EBITDA growth. I'm used to talking about margin dilution in enterprise telecoms divisions. So can you talk a bit to the margin growth you're seeing there? Year-to-date, margins have improved by 100 basis points. Is that just phasing? Or are we seeing a structural shift in T-Systems margins going forward?

Timotheus Höttges: Look, on the wholesale side, our capital markets guidance was for stable wholesale access revenues for the period of 2023 to '27. That is what we always have said. So far, we have outperformed the guidance. But now we're seeing volume losses overcompensating ARPA growth in these areas. And that is mainly coming from the weakness of our competitors in the broadband area. So it's a little bit, let's say, the indirect impact of the development of the retail broadband situation here in Germany. In the third quarter '25, our wholesale access revenues were essentially stable. So we are expecting somewhat a similar picture for the next quarter. And here, we are focusing on monetizing our fiber footprint with our partners as well. So what we are doing for us should be, let's say, accessible and available for our wholesale partners as well. So Telefonica or Hansenet or alike. And we are discussing now how they can improve their fiber utilization as well. But so far, I think -- I know that we are in line with our expectations here.

Christian Illek: So Carl, let me try to give you an answer. I'm not sure whether I'm satisfying or whether you're going to be satisfied with the answer. Look, first of all, we have a mix of different businesses within T-Systems. So you have infrastructure-like business like the cloud services business or the road charging business, which is obviously very much depending on the capacity utilization of a given infrastructure. The second one is digital solutions, which is predominantly driven by utilization and rate card performance, right? How good is your pricing lever you're providing to your customers, completely different businesses. The third one is the team around Ferri is laser-focused on efficiencies. So he's probably one of the hardest guys when it comes to cost reduction because he knows that his margins are razor sharp and thin. So therefore, he has to prepare also for quarters where things are not happening the way how he wants to see it. And the fourth topic is the nature of projects. Look, first of all, it's the mix I was talking about, whether it's infrastructure-led or more digital solutions led. Obviously, digital solutions coming in with lower margins relative to the infrastructure. The second one is, do you have a lot of A-deals, which are very large deals? Or do you have a contribution from smaller deals who usually have a better profitability. This is why I was causing (sic) [cautioning] you don't read too much into that 23% EBITDA increase because there's volatility coming from different angles, and

you don't know how the business mix is going to look like in the upcoming quarters. And therefore, it's much, much harder to predict relative to the infrastructure business, which we're running outside T-Systems. But what I'm seeing is, look, we're coming from negative cash contribution from T-Systems, and we are now in positive territory. The operating free cash flow is actually growing. And I think this is where I'm saying as a finance guy, I don't expect you to give me 10% of the overall pie on EBITDA, right? But I want to see a continuous trend improvement so that we don't have to discuss T-Systems as a financial, let's say, challenge. And they are helping us in kind of pull-through by selling other businesses because they're solving complex issues, especially with the public sector. For example, remember the COVID app, which was basically being built between T-Systems and SAP that helps you in those sectors. So this is kind of a pull-through effect, I would say, you're going to have from the infrastructure business. So this is why I'm happy, but I can't give you kind of an equation whether it's accretive or dilutive because it depends on the mix of the business, which is coming in every quarter and that changes.

Hannes Wittig: Okay. Thank you, and thanks, everyone, for the Q&A, which is now coming to an end. I think Tim would like to make a few closing remarks, and then I take back from you.

Timotheus Höttges: Thank you for the questions. Look, my summary of this quarter and even looking for the end of the year is, this is -- everything is well on track with regards to the overall capital markets targets. We had this concern about the German broadband market. We have a great plan now worked out, which is in execution. We have a good team, which is now pushing for that one, young fresh leaders here. On top of that, we are able to increase our dividend to EUR 1, which is another commitment. It is the highest dividend ever paid in the history of Deutsche Telekom. And on top of that, we are committing to the share buyback, which was highly and well received from the market environment. All the acquisitions are well on track. No kind of negative surprise. The opposite is the case. For instance, with UScellular, we have a very good development as lighting out one issue. And we have cleaned up the portfolio again because after a long, long painful period, Romania is out of the portfolio, which is now -- which has now resolved as well. And then the Deutsche Telekom is quickly taking the opportunity of the sovereignty discussion here in Europe, where we see big opportunities. There is definitely the AI factory, which I want to mention here. We were able to develop this whole concept to implementation, ready to use within 6 months, 10,000 GPUs. That is the biggest GPU in Europe at one single place. And on top of that, it's increasing the capacity of GPUs in Germany by 50% in one single step. And I can tell you, this is giving us huge credibility, not only in the public environment, but as well for business use. And we are going in the defense sector, both on the T-Systems side and as well on the DT Capital Partners side, which is helping. And the last thing which I want to mention is expect more from us with regard to AI and the AI implementation. Great ideas in the organization, agent models enabling new opportunities here for us, which we are evaluating a strong momentum here in our company, good use cases and success cases as well from the U.S. now swapping over here to Germany and other markets. So next year, it's going to be an AI year. And that is something which is helping us to not only increase our customer retention, but as well our efficiencies here, which is well on track. So I'm overall very happy with the situation here. We will do everything to improve the financials, not doing the stupid and ridiculous things here, and we like to thank you for your trust. And have a nice day, guys.

Christian Illek: Thank you, guys.

Hannes Wittig: Thank you. And now just if you would like to ask further questions, please contact the IR department. And we look forward to hearing from you again and see you soon. Thank you very much. Bye-bye.