Good afternoon, and welcome to Deutsche Telekom's First Quarter 2023 Conference Call. As you can see, with me today are our CEO, Tim Hottges; and our CFO, Christian Illek. Tim will first go through a few highlights, followed by Christian, who will talk about the segments and our group financials. After this, we have time for Q&A.

Before I hand over to Tim, as usual, please pay attention to our disclaimer, which you find in the presentation. And please also note that the conference will be recorded and uploaded to the Internet.

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

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Germany has now delivered 26 consecutive quarters of organic EBITDA growth. The European segment, 21 quarters. I've asked for the U.S., but Hannes couldn't deliver it because I think it's something the synergy of 40 quarters. So you see all areas on growth and as well T-Systems are growing.

Total organic revenue were down year-on-year, and that is something we're going to explain later. The main driver of it is explained by 20% lower U.S. equipment revenues which we don't have after the Sprint merger has been accomplished.

The decline mainly reflects 2 temporary effects. First, our planned unwind of handset leases. This constitutes a headwind of more than 1%. And the second is the anniversary of particularly strong handset sales in last year when we seeded the Sprint base with handsets that functioned on our network. Both of them are not recurring in the future and, therefore, we see the decline in our group revenues.

Moving to the networks. The foundation of our growth remains our network leadership and all the investments we have taken here. We now pass almost 14 million European homes with FTTH, up by 3.1 million households year-on-year. We passed 5.7 million German homes with FTTH now, and our ultra capacity 5G network reaches 275 million U.S. POPs. We are way ahead of our competition, and we will reach 300 million POPs by end of the year.

In Germany, we cover 95% of the population with 5G and 92% was the number last year, so another increase of 3% points.

In the European segment, we stand at 51%, up 20 percentage points in the last 12 months.

Our strong customer growth continued. In fact, in most categories, it even accelerated. In Germany, we benefited from our new mobile tariff plans and from the end of last year's headwind from the telecom law.

Moving on to ESG. At our AGM in April, we sharpened our climate ambitions. We now want to reduce more than half of Scope 1, 2, 3 emissions already by 2030. And we keep our climate neutrality goal for 2040. And in addition, we now strive to reduce our Scope 1 to 3 emissions by at least 90% under [2040.] You should know the remainder of the 10% under [2024] is going to be carbon capture.

Despite strong growth in data usage, we managed to reduce our energy consumption once more despite the fact that our data consumption cloud build-out is increasing, but we were able to reduce it by another more than 7% in the first quarter and this on both sides of the Atlantic.

Now let’s move to our guidance quickly. As expected, a couple of weeks ago, T-Mobile U.S. raised its guidance for customers’ EBITDA AL and free cash flow. And today, we reflect this by raising our group EBITDA AL guidance by EUR 100 million, as you can see on Chart 9. We expect 7% core adjusted EBITDA AL growth in 2023 and more than 40% growth in free cash flow. Note that our guidance remains based on a U.S. dollar exchange rate of $1.05 and continues to exclude any contributions from GD Towers. Please refer to the appendix for a like-for-like comparison of our guidance with the latest consensus.

With it, very quick, after 5 minutes, I hand it over for a deeper dive to Christian for further details.

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

Thanks, Tim, and welcome, everyone, and I'm going to slow down.

Well, let me start with the revenues were down year-on-year, and I think it has been mentioned by Tim already, this is due to lower equipment revenues. You know that we have a planned reduction in the handset leases, but also we had an unusual high amount of revenues coming from handsets in the last quarter and the first quarter 2022. And since the customer migration has come to an end, obviously, that number is coming down.

Service revenues were up by 2.8%, and that is driven by 2 different factors. We kind of have a reduction in our wholesale revenues in the vicinity of EUR 200 million on a year-on-year basis, whereas our retail postpaid revenues remained strong with a growth rate of more than 6%.
Core EBITDA based on U.S. GAAP was up 9%, obviously driven by the top line growth by increased synergies but also by the increase of the contract asset.

As you know, we have given you a breakdown between core EBITDA into IFRS adjusted EBITDA. This is being reported on Page 29. And what you see there, first, from core EBITDA, we have obviously a planned reduction in handset leases which is the roughly EUR 115 million less revenues coming from almost EUR 500 million last year. And the second one is from the bridge from U.S. GAAP into IFRS, we had a fairly regular, I would say, quarter in '23 when it comes to the 200 million. But we had a very, very favorable quarter in last year, which was giving us a hard comp on a year-on-year basis.

Look, T-Mobile continues to deliver strong customer growth numbers, 540,000 postpaid phone adds, more than 0.5 million high-speed net adds. We have now a total of more than 3.1 million customers into our installed base, which gives us a good direction towards the EUR 7 million to EUR 8 million by end of 2025. And this is the reason why T-Mobile has increased its customer guidance by EUR 0.25 million. We’re now expecting a range from 5.3% to 5.7% net adds. And obviously, about 50% of that is going to be phone net adds. That would be my report out on the U.S.

Let’s move over to Germany. So already mentioned 26 consecutive quarters of EBITDA growth. Organic revenue growth was 2.3%. Organic EBITDA growth was 3.1%. And as you can see on Page 14, service revenues grew at a total of 1.6% in the given quarter on a year-on-year basis.

Mobile was coming in at 1.7%, and we expect a similar growth coming up in the upcoming quarter. I think in the last quarter, in Q3, we flagged that we had some, I would say, tailwind coming from roaming and from visitor revenues. And also the Lebara loss was offset by some one-timers. So if you include everything in, so if you include Lebara and if you include the termination cuts, we would be in the vicinity of a 3% growth rate.

Fixed service revenue strengthens to 1.6%. And as you can see, it’s very much driven by strong broadband revenue growth of almost 5%, combined with strong IT revenues. And again, recall back what we said last year in Q1 2022, we had some supply bottlenecks. And obviously, now on a comp basis, we’re benefiting from this in the year ’23.

The wholesale revenues on the lower right-hand side were actually a bit weaker this quarter, and there’s a big one-off being built in there. But let me rest assure you, we expect a strong development and a rebound, and we expect stable to slightly growing wholesale access revenues for the full year of 2023.

So coming to our customer numbers, you see the 74 broadband net adds, 50,000 TV net adds, strong result relative to what we’ve seen in previous years. I think we’re making a very good progress in upselling customers. What you can see here now in between Q1 ‘22 to Q1 ‘23, we increased our customers with at least 100 megabits bandwidth by more than 1 million. And we have now a representation of 42% of our complete broadband installed base having those tariffs.

A new chart which we have added to our presentation is the disclosure on FTTH customers. So we have an increase Q-over-Q of 65,000 FTTH customers. However, we’re building and we’re coming from a fairly low utilization.

And let me give you a handful of arguments why the utilization is actually that low. First and foremost, it’s the exceptional strength and quality of our vectoring network. And customers don’t see a necessity to upgrade to FTTH so far, but the demand will come. And if the demand is coming, we are ready. But I think vectoring is one of the biggest reasons.

Second, as we’re accelerating our build, obviously, that impacts the denominator on the utilization in a negative way.

The third one is there is a meaningful time lag between homes passed and homes connected. And you see this on the Chart 16 with the 550,000 customers. These are customers who have signed a contract but haven’t been connected yet. And that time gap, obviously, is part of our operational review on how to shorten this.
The fourth one is the build-out mix, and we have a more focused area on urban areas relative to the overbuilders. And obviously, competition in urban areas is higher than in suburban or rural areas. And finally, we do not require precommitments from customers as some of our competitors do. We’re building out if we believe the business case is in our favor.

So what you should expect when it comes to FTTH monetization, expect a continuously rising tight as we’re moving into the future.

On mobile, very strong customer numbers on mobile, 274,000 net adds. It’s basically distributed between MagentaEins Mobile on consumer, more than 100,000, strong B2B results, was close to 100,000, and Congstar is still contributing roughly 80,000 into that mix. That is a very good sign because that means the new tariff scheme does not cannibalize against Congstar. It cannibals and it’s taking share from competitors.

So also, what you see is that the churn rate has significantly come down. Obviously, this is driven by a phasing out of the TKG effect.

Moving over to Europe. And again, Europe growth, on a reported basis, 3.8%; on an organic basis, 4.9%. I think it was the slot and the foreign which was hitting us in this quarter. And despite meaningful headwinds, as you can see on the lower right-hand side, we’re still able to deliver growth despite the fact that we have the Hungarian special tax and higher energy cost compared to what we’ve seen in the last year in the first quarter.

Systems, order entry was down, but this is an effect due to a very strong order intake in Q1 ‘22. Revenues were up by 4.5%. EBITDA was growing by 4.6%. So I think we’re well on track when it comes to systems to meet our annual targets.

So that would be the end of operational review, and let’s focus on some financials. So what you see is on the revenue, obviously, we’re growing, but we’re not growing at the same pace as we have grown in the past. And that is obviously because of the lower equipment sales, which I just mentioned, there are some phasing in there. And don’t forget, there’s a deconsolidation element of GD Towers because GD Towers is not -- is only being reflective for 1 month in our Q1 numbers.

As I mentioned, GD Towers, GD Towers is obviously the biggest impact on the net profit number, which came in at EUR 50.4 billion because the deconsolidation result was EUR 12.9 billion on day 1 for GD Towers which drove up that number. And you can later on see it in the decline of our net debt.

Okay. It brings me to the next chart, free cash flow. So free cash flow is slightly below the previous year basically driven by 2 effects. One is we had higher lease payments. And you know that the U.S. has basically did a $1 billion prepayment in ‘21, which obviously helped in ‘22, but it’s not repeating in ‘23, we have the higher lease payments. And we have some front-loading of the CapEx. But again, we’re keeping our CapEx guidance and don’t expect that there’s something popping up in the upcoming months.

So -- and again, Tim said it before, we’re expecting a greater than 40% free cash flow increase for this year.

On adjusted net profit, roughly EUR 2 billion. What you see here is there were some positive effects, especially in Q1 2022. This came down to the option value that came down to the appreciation of the value of the forward that came down to the release and provisions for some pensions. And that effect was, in that EUR 2.2 billion number, roughly EUR 700 million. In this given quarter, the one-off effect is only EUR 100 million. So if you basically take it out, you see an underlying growth of 19% EPS growth on an annual basis.

Last chart is the deleveraging chart. What you see is, obviously, we have delevered by -- without leases by close to EUR 11 billion. You see the impacts by the free cash flow, but also from the tower transaction where we received the EUR 10.7 billion cash in. And we had some favorable ForEx movements which helped us as well. That brings us now to a ratio, a net leverage ratio without leases, to 2.31x coming from 2.58x. And also, we’re meaningfully below 3x when it comes to the leverage ratio including leases. I like this chart so much. You can’t believe it.

And with that, I hand it over to Tim.
Timotheus Hottges - Deutsche Telekom AG - Chairman of Management Board, CEO & Member of the Data Privacy Advisory Board

Yes. Thank you, Christian. Let me wrap up this call by reiterating some takeaways from my side here.

I think we had a good start to the year despite the fact that we have ongoing high inflation, we have ongoing high interest rates, we have a more intense infrastructure competition here in Germany. And on top of that, we see as well that the geopolitical situation is not relaxing. So the stability anchor, what we want to be, at least we are able to confirm first quarter, and we are very optimistic with regard to the remainder of the year.

Our commercial performance was outstanding strong. I’d like to even appreciate what Germany achieved on their customer growth sides, both on fixed line and on mobile. And we have continuously growing EBITDA AL, 26 quarters in Germany, 21 success quarters of organic EBITDA AL growth in Europe. In the U.S., you know the results, this is very solid. And I’d like to even appreciate T-Systems first quarter here.

We are on track ex-U.S. guidance, and we raised the guidance for our TM US and the group guidance. And this is good in times where uncertainty is high.

We now own more than 50% of T-Mobile U.S.. I think it was 50.4%, which brings us closer to our stable ownership here. And we are happy that the leverage has stepped down significantly. And you see now the benefit and the relevance and as well the brilliance of this tower deal and its valuation. EUR 10.7 billion reduction of our debt, 2.3x ex leases by the end of March.

And then we remain well on track with regards to our capital markets targets. I think they are almost all green on their way going forward. Growth is the area I’m focusing on in every area. I think it’s encouraging to see customer growth everywhere. But I can tell you, I want to see more of this in the upcoming quarters. And that is what we are working on.

And with this, we’re looking forward to your question. Thank you.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Thank you, Tim. Now the answer to the T-Mobile question is 33 quarters, okay? So 33 quarters of consecutive EBITDA growth on a like-for-like basis in the U.S. So ahead of Germany, but not as far ahead as you would think.

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

The answer comes a little bit late, but it’s okay, Hannes, I accept that.

Hannes Wittig - Deutsche Telekom AG - Head of IR

It’s good to have a good answer even if it’s late. Good news can wait. Thank you very much, Tim, by the way, for those remarks, and Christian. And now we can start with the Q&A part. And I think I can already see, Josh.

QUESTIONS AND ANSWERS

Hannes Wittig - Deutsche Telekom AG - Head of IR

(Operator Instructions) Now with that, Josh, it’s your turn, please.
Unidentified Analyst

Hannes, hoping you can hear me. So two questions for me. First one on pricing and the second one on Huawei. Strong pricing. In the last few months, we've seen discounts being removed, some front-book price rises, including from yourself, and also the first back book price rise in Vodafone. So the question is, firstly, how your price rises have landed in April on the broadband side. And secondly, whether you’re starting to see better customer inflows given the price rise of your competitors.

And then on the second question around Huawei, which I know can be sometimes a contentious topic. But in recent months, we've seen a lot more press attention about the potential for a ban. There's now an ongoing government review into the role which Huawei will play for the networks. So question is could you use this format to maybe lay out your position regarding the role of Huawei, both in the core and the rand network and how you're approaching this topic with the government?

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

Okay. So let me start with the first one. I think on the pricing, we had different elements on the mobile pricing in the first part of the year. We saw some aggressive moves from O2 in the first quarters. We have seen a little bit, let’s say, taking dynamic out of the pricing from Vodafone. And by the way, we are not participating on the mobile side in any kind of price competition here.

We have launched a total new portfolio of mobile pricing, which is the next Magenta, which is the family offers, which we have in the market, and that is what we are focusing on. And that is not about, let’s say, pricing here and there. It’s about, let’s say, bring the families together and the communities into one thing. I think there is no tendency of a decline here on prices. It’s more a stability of the price environment here, if you ask me from how I look on the situation.

On the broadband side, we have seen that the entire competition has relaxed a bit, that everybody is trying to pass through the higher costs, we did the same, for our tariffs, in the entrance tariffs here, we have this price increases, and as well we have taken out some promotions here from months for free. So I would say everybody is trying to reimburse his higher costs which they’re facing from the build-out cost. So that is -- I think everybody is in the same camp in this regard, trying to pass through some of the inflation.

When it comes to Huawei, look, this is a speculative territory. And what Deutsche Telekom and what the other carriers are doing is we are just following the law, and we are just following the political guidance on this area. There is no ban all here of Huawei, and I even don’t see a ban coming.

For Deutsche Telekom speaking, the last components in the core nets were moved out where Chinese equipment were used. We are now mainly using antennas of Huawei which is the access node side. There is a report to the security authorities about which kind of Chinese equipment we’re using and which kind of part of the infrastructure. And there were no reclamations or criticisms from the security authorities towards the pieces we are using.

We have always a process inside of the company about a plan B, about when something might change radically, how we are then proceeding and what that would mean. We are anyhow more working on a derisking than on a decoupling scenario going forward. So the volume of Huawei, which is our only provider, got reduced already in the past, and Open RAN will help us as well in this regard. So I would say it's more a little bit, let’s say, a degrading here and a focus on derisking than working towards a total ban of Huawei RAN.

Hannes Wittig - Deutsche Telekom AG - Head of IR

And Josh, just to add to the first question, you asked about current trading impact. So we are not commenting on current trading at this stage, but I think you should normally expect a normal quarter in the second quarter of this year.

Okay. So with that, moving on over to George at Citi, please. George, you can hear us?
Georgios Ierodiaconou - Citigroup Inc., Research Division - Director

Yes. I have two questions. The first one is also on regulation, and there's been obviously some discussions about the 800 megahertz spectrum, as usual, and also some demands from what your competitors for potentially some 5G roaming arrangements to be mandated. I'd be interested to hear your thoughts on whether you think there is any, let's say, support for some of these proposals from the authorities that you discussed with.

And my second question is on towers. And it's almost 9 months now -- 10 months now since the time of the announcement of the deal. At the time, you used the expression after the game is before the game. And now one of your competitors also played their gaming hand. So I was wondering whether the conditions are right for you to look at the next stage of your tower monetization crystallization journey, whether you still want to play a bigger role in consolidation in Europe or not? And any indications on the timing of these kind of considerations will be great.

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

Look, it's funny, very funny, entertaining funny that now after 30 years of telecommunication and mobile competition, we are now starting to discuss -- start a discussion about national roaming in the market, even as global -- a single market where national roaming is part of the regulation. But it seems to be a German disease that we like to discuss everything.

So I think there is no substantial or legal justification for such a request. And the statements I heard from Vodafone and as well from O2 are the same than mine here. I haven't talked to these guys, but we are all sitting then -- it's a little bit absurd.

Mr. Dommermuth, he has a national roaming. By the way, he negotiated with all operators on this kind of stuff. And he decided to sign a national roaming with Telefonica Deutschland. So he has one with O2 here in Germany. So therefore, that is now asking for a regulation on this one, that is a little bit, let's say, surprising for me.

And on top of that, I think the super roaming, as we call it, getting access to every network at the same time, this is something, think about that one. Why should somebody invest to an infrastructure if we can always aggregate the best of all? So I think this is contra productive for investments. It's contra productive, it's totally unfair compared to the other telcos and the network operator.

So therefore, I'm relaxed on this attempt here. I think it might deviate from other discussions here, but I do not want to go into this here at that point in time. So let's keep a focus on it. At least marketing-wise, it has created some astonishing moments here.

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

Okay. So let me comment on your spectrum question, and not surprisingly, George, similar answer which you have received in the past. So obviously, we are in favor of prolongation. But the agreement on a prolongation requires consent from everybody. If this is not being achieved, obviously, we're ready for the auction. And we always said this, so we can go also for the auction. There's preferred scenario, which is obviously the prolongation, but we are not scared of entering an auction if there is no deal to be made.

And the second one on towers. Look, we just closed on February 1, right? And I know that there's a lot of flux in the tower market, whether it's being Vantage, with the ownership change, or whether it's going to be Cellnex, with this new strategic orientation as we're seeing it. But look, we're continuously carving out towers in our portfolio, and if there's a good opportunity, we will look into this. That's for sure. But there is no plan for another big deal at the horizon.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Thanks, guys. And with that, we move on to James at New Street.
James Edmund Ratzer - New Street Research LLP - Europe Team Head of Communications Services & Analyst

Yes. Good afternoon. Can you hear me okay? Great. Yes, so thank you. Two questions. So the first one, please, was regarding the upcoming changes with bulk housing association contracts. I mean I think there’s obviously a big change coming up next summer on that, but some of these bulk contracts have already started to change in the market.

And I think Tele Columbus said there was one in the fourth quarter where they only managed to keep about just over 50% of their TV customers as a result of that. So what I’m really interested in hearing from you, if possible, is on some of these contracts that are already being renegotiated now, what early indications are you seeing on TV customers you’re picking up from those (inaudible) more importantly, broadband customers? Are you actually starting to pick up some broadband share in those contracts?

And then the second question I had, please, was just regarding the TM U.S. share buyback. I mean I think you said you’re not planning to participate in that up until the end of September. That is starting to approach now. So I was just wondering if you could give us any updated thinking on what your attitude towards participating in that buyback could be beyond the end of September.

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

James. As you know, the evolution of the rental privilege in December ’21 still only affects newly built in-home networks. And for existing networks, the majority of the homes in Germany, the abolishing of the rental privilege will come into force in July 2024. So we see the end of this rental privilege as a big beneficial element for the competition here.

It will provide for us a better level playing field for our own TV product and getting access to the large housing associations. And we cannot be withheld access to in-house fiber infrastructure, which is super critical for our monetization of the build-out which we are driving today.

And as for the TV opportunity, customers no longer have to pay double if they choose our TV product. So this gives us an advantage as well. So we estimate this impacts about 12 million households here by 2025 or roughly 1/4 after the German homes here.

And as of the fiber opportunity, we are focused on in-house fiber agreements with housing associations. And in ’22, we ended already in such agreements for an additional of 2 million homes, and we are continuing this at this pace. So this is, let’s say, a little bit.

To be honest, I know about very encouraging negotiations which we have. I cannot call them signed yet or announceable yet, but there is a shift in the mindset of housing associations to get the latest and most modern fiber technology in the buildings. And this is where we are coming into play because we are, by far, the biggest builder fiber here in Germany these days, and this is opening up new opportunities.

On top of that, we have the TV opportunity next year, which is starting by the way end of the year with the European championship. And you know that we have the exclusive rights on them, and we will use this as well to sell more TV into this volume switch (inaudible) therefore.

So I’m very optimistic, more optimistic than I ever was on this subject. And let’s see how the numbers are developing then throughout the year.

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

Okay. So on the share buyback question, you know that we have agreed upon the share buyback of up to 14 billion until end of September. As you see from the daily run rates, it’s actually tracking well, and it doesn’t look like right now that we need until this time. But in any case, the authorization will end at this 14 billion. So it’s a subject to a Board decision, whether we continue this year or whether we continue next year and to what degree.

The second factor is that we always have to watch the true-up development because that our overarching target is obviously to secure a safe majority in the U.S.. And this one has to be watched as well. And therefore, I think we need to see how this plays out. And this is why we’re giving you guidance always that we’re saying we want to have a share ownership in the low 50s because we need that bigger room depending on external factors, which may or may not kick in.
Okay. Okay. James, you have a further question?

Well just to push on that a little bit. I mean, Christian, does that mean you're thinking about participating in the buyback or the flip side is you could exercise the SoftBank options instead to increase your stake?

That will be a discussion which we have to have internally. First of all, beyond the authorized -- there is no authorization beyond the 11 in this year or 14 in total. So this is going to be a separate Board discussion, which has to be held. And the second one is obviously we have more, and we said this, we have more levers than we need. That was one of the reasons why in Q1 we basically closed the forward because we didn't need that insurance anymore. So obviously, we will take advantage of the fixed price options because we're getting the shares at $101, that's for sure. So that's going to be executed in any case. But to what extent we are then selling in a potential new share buyback needs to be discussed, and it's too early to comment on this one yet.

Okay. Next question is from Polo at UBS, please.

I have two. The first one is just about EC regulation. So the EC had proposed a package of reforms, including the Gigabit Infrastructure Act, the gigabit recommendation and there's also discussions about a fair share contribution by the largest traffic generators. In your view, what do you think the impact will be on both Deutsche Telekom and the sector? And how soon could we see changes?

Second question is bigger picture in terms of artificial intelligence. So this has been a big discussion topic for investors in recent weeks across the whole market. But what is your view on how it impacts both Deutsche Telekom and also the sector, if at all?

I'll start with the second one and with the AI. And I said it this morning in the press call here, there was never in the last 20 years since I recall that technology which had so much impact on thinking in management but as well in the organization as AI had and the announcement of ChatGPT and Open AI. This is really a game changer in the way how we look at it. And the curiosity and the adaptation rate within the company is super high.

We have a program which consists out of 3 elements. The first element is we have built a so-called AI team, which is working together with Open AI and working on implementing LLM and ChatGPT, including fine-tuning and all the elements of it, our foundation in the customer service arena. So this is, let's say, a big game changer. We used it already in the past, but we will now trying to exponentially develop the area of chatbots, the center -- the call center support in the network optimization, other areas where big data is affected.

The second thing where we are using AI now more intensively with the new tools in the market is the area of software development led by T-Systems people. So there's a big central initiative. Because we have a shortage of people and you know how critical software development is these days, so what can we do to optimize the costs and the time to market here?
The third element is more a kind of big central support function which we call artificial competence center, so AICC. The AICC is offering not only the tools, they are the Q&A and the teaching unit for the rest of the organization. Every unit function or segment has to come up with ideas, what are the top ideas, the 5 to 10 ideas? And what is the impact of implementing AI within these specific areas? This is something we have triggered, but I haven’t seen the results out of that. Might be network optimization, reduced energy consumption, predictive maintenance areas, time to market, optimizing productivity, preventive marketing -- preventive maintenance, all these kind of things, and I’m expecting now feedback from my organization, which will help us to improve our cost situation.

Because with all, let’s say, excitement about Deutsche Telekom’s results, and where we are, I think the element of higher cost and IDCs and as well interest here in the company and the build-out cost, we have to work on the productivity and cost efficiency here. So this will probably help us. So 3 elements just in a nutshell how we drive AI within Deutsche Telekom and more to come.

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

Okay. So let me unusually take the fair share question, you test me on the quality. Okay. So look, you know that the top 6 tech guys generate about 50% of our total traffic in our networks. We have 2 independent studies were clearly indicating that we, as an industry in Europe, have to invest about EUR 15 billion to just keep up with that traffic volume on an annual basis. So this is why we actually welcome the consultation within the European Commission, where the OTT shall contribute yes or no.

It seems to us, on a positive note, it’s more a question on how, not a question on if, at least this is how we’re reading this. But there’s obviously a lot of pushback, especially from the OTTs against this. But I think the basis why we’re asking for this is very clear. It’s the invest which is being triggered by the OTTs. And therefore, we are hopeful that we’re getting to a conclusion which actually helps us as an industry to increase our returns.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Maybe just also on the gigabit recommendation and the Gigabit Infrastructure Act, we’re not expecting massive impact on the regulatory landscape in Germany because we have a fairly new regulatory framework that we are comfortable with. You know we also have commercial agreed prices, wholesale prices that we have agreed with our main partners for a duration of 10 years plus extension, and it’s unlikely that the regulator will want to interfere with that on the basis of the EU recommendation. So I think directionally helpful, but it’s unlikely that they would impact, let’s say, the main wholesale prices in Germany as it stands. Okay?

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

By the way, let me add one sentence here. The first is, guys, we have to work. It is totally stupid that none of these few companies in the valley are incentivized to optimize the traffic in our infrastructure. They can push every traffic into the network without any cost to it. And think about the environmental and the ESG element of this one.

Because we are building capacity for nothing just to provide the advertising models and all this kind of, a lot of waste in the network is distributed. And therefore, we have to find anyhow mechanisms from an environmental perspective that we are creating this kind of traffic which is needed than rather accepting any kind of digital waste. And that is one of the elements.

The second element which I like is we do not know where the money, whatever compensation is being negotiated, where the money is flowing. Is it going into an [EU] fund? Or is it going into, let’s say, directly into the telco model and as a kind of per use and per capacity? So this is a negotiation which we are having these days in the consultation phase.

And the last one is what is the traffic-driven contribution? Is it based on the whole infrastructure or only based on the backhauling? If you are focusing on the backhauling only, we are talking maybe about EUR 2 billion or whatever, EUR 3 billion. If you talk about including the last mile, the contribution must be beyond EUR 4 billion to EUR 5 billion.
So therefore, there is -- this is the spot we are looking at. It's at least a big business to discuss.

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

Thanks, guys. And now we move on to David at Bank of America, please.

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

Okay. I hope you can hear me. Yes, the fair share argument is interesting. I did notice both of you talked about the OTTs pushing data, which, of course, they don't. It's your consumers that pull it. So it always feels to me that, that's where the argument is a little compromised.

But I wanted to go a little bit more on to AI, if possible, because I know there are already benefits and some very impressive benefits being enjoyed by Deutsche with the use of AI and some of the best examples were the network provisioning, which I think has supported some of your ambitions to raise the fiber-to-the-home build targets in the past, sort of 12 months or so.

So I guess, we have the CMD 2024 targets out there. To what extent do you feel like they're influenced at all by this technology? Or do you think this is really something that could be additive across the board, whether it be driving better margins, driving reduced CapEx, et cetera? And have you even started to look at any kind of more extreme iterations of this, for instance, closing down retail infrastructure, et cetera?

You gave a great introduction, Tim, but as ever, it feels like you guys are ahead of the game on this. So any more thoughts would be really appreciated.

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

So David, if I might, I'd like to disagree on this first one. Customers are not pulling for it. It is pushed. Most of the advertising which I'm getting, I'm not asking for it. I just get it. It's on my screen. It's coming with my search. It is all over the place. And I'm not asking for that one.

So -- and by the way, there's a lot of even copies in the network not being needed. So I think we have to work on the efficiency of the Internet than rather satisfying every kind of demand without knowing what it's for.

Coming back to your AI question, I think very relevant question, David. But -- and I do not know where other telcos are. We have some exchange with our partner, SK, on this one. And for me, one of the question is there is another platform created which is AI. Because at the end of the day, the computational power can only be paid by a few players.

And so therefore, we see already a bifurcation of this market because only a few companies in this world can afford these technologies and the infrastructure which is required, which is definitely Google with Bard, which is definitely Microsoft supporting now the open AI model. I'm not sure whether LAMA on Facebook is already the right size and where the Apple is going to be in the position to develop an own model.

So for us, we are in the renting logic. So we are using software from others and the infrastructure of others and fine-tuning it with our data. Now is this the right approach? To be honest, we don't have an alternative because we don't have the capacity and the financial resources to do that on our own. We are simply too small for that. But nevertheless, an alignment of telcos in this regard as something like this would maybe make us more independent from big platforms which are already, let's say, get it created while we are sitting here.

There will be definitely a game changer of AI to whatever you know you mentioned, the network optimization, CapEx efficiency, the predictive services, maintenance, the build-out and planning, the churn predictions, the financial tools, the legal requirements, I can tell you on and on. I'm totally convinced even on the ESG side it will help us big time to improve the way how we're operating.
It's too early now to communicate that. I want to understand that in depth. The only guarantee I can give you, David, is that we are taking very serious. Christian and myself, working on a project on this regard. And we will give you more details step-by-step then in the upcoming calls. But it’s a little bit too early for us to judge.

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

But Tim, I would say the approach which we’re choosing is that we don’t run a central process but that we let functions and the responsible executors try something to figure out what’s the return is the right way. Because we’re in a testing and experimentation phase right now and obviously, then we will lean in on the big return areas, whether that’s being called an everything which you basically mentioned.

But it’s very early in the process. And I think, David, you have written a very nice report on AI where you’re basically indicating what are the key application areas. This is where everyone is looking into this. So for me, AI is kind of -- it’s part of the whole digitization effort which we’re doing in our company, and it gives you more capabilities and we will test and try what’s actually beneficial to us.

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

We have thousand partners in our partner ecosystem. We have a partner management which have identified 1,000 companies supporting AI and mainly the LLM models. And the AI competence center is now bringing the operations, the segment and the functions together with specific knowledge of these companies which we don’t have.

So this is what we do outside, but a lot of things are happening, exciting to see, and it will have an impact to our business model, yes.

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

Okay. Thank you. And now we move on to Robert at Deutsche Bank, please.

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

Assuming you can hear me okay. I see Deutsche Telekom is bidding with Orange to run the EC’s LEO satellite constellation. Is it possible to, order of magnitude, scope the extent of any contribution to the private funding of this big project, please? Are there synergies within your existing business? Or is it more a stand-alone opportunity?

And the second is clearly strong KPIs in Germany and Europe this quarter. Is there any change in momentum either B2C or B2B in Q2 so far given ongoing tough economic conditions across the footprint?

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

First, we are bidding very much on the support and the development of software for this satellite company than rather considering our own participation or ownership in the satellite constellation. I think that is more a software support here than really, let’s say, a commitment towards becoming a satellite operator. So I think the press might have overstated that a bit.

Second, yes, totally right, we have a very strong momentum on customers. Europe, we had it already for some time, but I’m very happy about the results in Germany, I mentioned that. And by the way, you can look wherever you want, the next Magenta tariff scheme is starting very nicely, the family program, which we have played out. Because for me, it’s more important to look, are we making progress with our own brand postpaid? So as we call it, let’s say, the Magenta product and the momentum on the postpaid side is mainly or entirely coming from the -- from this Magenta.
And on the B2B side, you are seeing that. The fiber build-out and our great network on the vectoring side is supporting growth here as well. Apart from the 75,000 new net adds, which is nice, I think it can be more. What I found encouraging is the more than almost 5% growth which we have on the service revenue in this regard. So this is encouraging because it’s helping us to get the funds for the build-out of the broadband infrastructure.

So both sides, Srini and his team doing a great job, and I hope that they can continue throughout the year.

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

And Robert, from the macro side, we don’t see -- yes, we don’t see a lot of changes. Obviously, I think inflation is a little bit more resilient than we hoped it to be. I think that’s one of the effects. But whether it’s coming to bad debt or any insolvencies or something like this, we don’t see anything accelerating. So macro appears to be fairly stable.

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

Next up, we have Ottavio at Societe Gen, please?

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

I have a couple of questions, probably go towards Christian. The first one is on leases. It’s a significant component of your debt. Now when you announced GD Towers, the guidance was for capitalizing these leases to impact on a net. So therefore, after the ground leases by around EUR 4 billion to EUR 4.5 billion.

But when I look at the flow chart of your net debt before leases are moved this quarter, I only see around EUR 3 billion increase coming from the transaction. So that is a pretty significant difference of EUR 1.5 billion. So I was wondering, did you change an assumption on the line how you do the capitalization? Or are there any other reasons or the different impact?

The second one, it’s a comment you made earlier. It’s basically related to a number of positive developments in the domestic business. The only exception was the wholesale. But you say that on the wholesale to expect improvements going into the future quarters. So if you can elaborate a bit where these improvements will come from and would expect towards year-end, we go back to growth or just stabilization?

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

Okay. So good catch, Ottavio. The reason is that the discount rate or the interest rate has been increased for the leases. Originally, in the signing case, I think we had something in the vicinity of 7%. Now it’s been discounted at 8%. That leaves you with lower lease liabilities. And the impact is, if I’m not mistaken, roughly EUR 1.5 billion, which we have as less lease liabilities.

And the second piece is, look, the Q1 result in wholesale was dragged by a one-timer. And this one-timer will disappear. So we don’t expect any kind of changes in the momentum of the business, I think it will carry on. But we’re going to see price increase over the course of the year and the one-timer is obviously dragging on the current results. But there is no, I would say, change in how we run the business and what we expect from the business.

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

Thanks, Christian. Next up is Andrew at Goldman.
Andrew J. Lee - Goldman Sachs Group, Inc., Research Division - Equity Analyst

I had a question just around your fiber rollout. So could you give us an update, first of all, on the cost per home of rolling out fiber to the home and where -- if that’s gone up as suspected it has and will be over the next year or so, where are you saving the money to stay within your CapEx envelope? Is that rollout space or in other areas?

And then the second question is just given the changing economics of fiber build, which you referred to very clearly in your comments on the last results call, is it changing your strategic approach to covering Germany of fiber? For example, is it changing your attitude to maybe buying in JVs or buying in structurally challenged overbuilders? Just any comments you could give around how the big change in economics for fiber builders in general is shifting your strategy.

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

On the fiber build, Andrew, we’re obviously seeing cost inflation, especially in the construction cost. And this is something which we have to fight against by other, I would say, efficiency levers. We can always switch the mix towards more urban, where the CapEx per home’s pass is lower. Still targeting at the EUR 1,000 per home passed on average. We’re working on the cost reduction on the other cost components aside from construction costs. And I think this is something which we will see over the course of the year.

But as I said early on, we will not change the CapEx umbrella. We will basically then have other levers on how we get there. But the cost inflation is something which is hitting us, but it’s hitting everyone.

Does that answer your question? I’m seeing you on the video, but I’m not sure whether you’re persuaded.

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

No, that was helpful. So I mean, at one point, you think you could get down to EUR 950 billion, EUR 900 billion, I suppose that’s off the table for now. But obviously, as you mentioned at the end of your answer, that’s affecting lots of people, lots and lots of fiber builds. Wondering on your -- how your strategy in terms of covering Germany of fiber may have changed in terms of bringing on board, buying in JVs that you have and the timing on that and bringing on (inaudible).

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

Yes. On the latter part, look, we owning economics. And we’re absolutely committed and we will deliver the 10 million homes passed target by ’24 based on home build-out and some of the JVs. I think we’ve just founded last year Glasfaserausbau. I think we have to scale this business up and get to the run rates which we’re anticipating to be.

And then we’ll see, if there’s something popping up, obviously, we are open minded to look into this. But there is no plan that we are now basically offsetting CapEx by founding additional JVs in order to offset the cost inflation.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Also, there is not a -- at this stage, not a massive change in the overbuild, let’s say, development relative to our plans. So the over -- yes, you’ve seen some people exiting the market, but there’s still quite a few players out there. So I think in terms of the competitive scenario, it’s pretty much what we expected. And therefore, our plans are what they are. We have this one big JV and then we have lots of collaborations, especially in metropolitan areas where we work with the utilities. But that’s sort of the same setup. There’s no discussion to change that at this point in time. Okay?

So next, we move to Mathieu at Barclays, please.
Mathieu Robilliard - Barclays Bank PLC, Research Division - Research Analyst

Can you hear me well? Hello?

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

Yes, we can hear you well.

Mathieu Robilliard - Barclays Bank PLC, Research Division - Research Analyst

Two simple questions for me. With regards to FTTH, thank you for disclosing the take-up. I was wondering how aggressively are you pushing these products to your customers? You did mention that your vectoring solution was already very good. I was wondering if it was more a -- what was the strategy in terms of pushing it in store, considering also that, obviously, the CapEx related to connecting your home is -- can be quite high.

And the second one was on wage negotiations. Now I understand that 2023 had already negotiated that some time ago. I was wondering when you would start the negotiations for 2024 and beyond.

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

Mathieu, on your first question, look, this is actually beneficial to us. What I said is what's dragging down the utilization and fiber, it's the strength of the vectoring network. And we're not pushing customers into something they don't need. And you see that we have a gradual increase of customers who have at least 100 megabit bandwidth per second.

And this is, I think, a beautiful path to more for more upselling, and we will use fibers in the same direction. So this is the one thing. As long as vectoring is that strong, we're not pushing a customer in that direction or the other. That may change if we have a dense fiber network in conjunction with the vectoring network that we then say, okay, we're only selling fiber products anymore to basically have an earlier switchover. But this is the one piece.

The second one is the time gap, as I mentioned it earlier on, by the way, this is an industry problem of team homes passed and homes connect. These are the 550,000 customers which are basically staying in our backlog and waiting to be finally connected. So that all drags down a bit the utilization.

But on the other hand, you can view it in a positive manner and said we have a very, very long runway in order to upsell customers from the current 100 to 250 to 500 to 1 gig, which basically confirms our upselling story in the German broadband market.

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

Me trying to answer your question on the wage negotiations. And we had wage increases by between 2.7% and 3.1% as of August 2022. And there will be another further increase by 2.1% by first of June 2023. So overall, it's something in the vicinity of 4% to 5% which we have seen. And comparing this with all other industries, I think we can say that it was a reasonable outcome out of this negotiation. And we are now in a period until mid of 2024 where nothing is going to change.

We have paid an (inaudible) as well, which is a one-off energy cost supported payment of EUR 1,000 to our employees with an annual income below EUR 75,000. And by the way, this amount is totally digested in the first quarter. So maybe that's a good message for you to know because we were able to digest this one-timer entirely in the first quarter.
Now until mid of 2024, we are now in this appeasement time where nothing is going to happen between the partners here. Then we will have another round. To be honest, I do not speculate at that point in time about what the outcome of that is going to be because we have to see where is the inflation at that point in time.

What is, let's say, the market environment doing until then? So therefore, we have very reasonable social partners here to negotiate these things. They're always reflecting realities. And we have to even keep our capacity for the investments always in mind because the infrastructure of fiber and 5G is the future of the company and we always have to be in the position to build that.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Thanks. And with that, we move on to Steve at Redburn, please.

Stephen Paul Malcolm - Redburn (Europe) Limited, Research Division - Research Analyst

I'm going to carry on the fiber thing, if that's okay. First, thanks for the disclosure. It's really useful to see the numbers. And obviously, we know the homes passed. And it seems like, to a degree, you're a victim of your own success here in the vectoring understandable.

But I guess as we sort of think further out about your future fiber investments, I mean, clearly, you don't want to build a network that doesn't get used properly or fully. You're about 13%, 14% penetration at the moment. I mean what is a good penetration number when you hit your 10 million homes in 2024?

And also on the fiber front, and then help us think about future investments, where you're targeting and what penetration numbers you should be thinking of. Maybe that gets helped by the end of rental privilege, that would be also useful to know.

And then on the fiber, when you're selling those lines, can you give us an idea of the sort of relative premium in terms of ARPU [and the prices]?

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

Steve, to be honest, the question is very difficult. We are now talking about an investment here what is -- with amortization between 15 and 20 years. And we are building these 10 million households. We are trying to increase the productivity of the buildout.

We are trying to gain and kind of keep the market share which we have today knowing that we have all the builders in some areas and knowing that some of the overbuilders are making their calculation based on our market shares as well.

Now what I would say is the current situation of 13%, 14% is not sufficient. We have to drive it up. My understanding is that the current share is already beyond 20%, at least to know that was the last discussion, I had with Srin on the penetration of the new FTTH homes. And keep in mind that we have more than 500,000 customers waiting. So where we are now in construction here on the ground to enable these customers, they want to have it, they would immediately take it, but it's an element of the construction.

We have to -- we have to go into the high 30s that would be saying where I would be satisfied in 2024 with regard to the utilization. But this comes now up from my stomach or my -- maybe my memories here, but this is the area where we're going. In the area of the 40s, I would be very happy with my German team, knowing that we are in a specific situation with the vectoring and super vectoring market share which we're having.

Prospectively, we have to find a way that we can shut down our copper network. We are working on this with the regulator. And the moment where we can migrate all our customers into the FTTH network, that would definitely help us from the utilization amortization big time as well from the energy costs and other things. This would be the game changer for us. But it's too early to speculate when that is taking place. But we are discussing and ran some pilots here in Germany how this migration can take place.
What is the question about the ARPU and the prices? We are trying to get the money back which we are investing. And you see that we are driving the ARPU up, it's not decreasing. It's not easy to say, it's a $5 or $10 on top of that. Christian has the...

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

The tariff tracker in front of me, because I don’t have it out of my mind, but everyone is pricing a gigabyte at a very high premium. So our price is [87%]. The red guys from Düsseldorf at [82%], O2 is at [84%]. So right now, everyone is trying to protect the price premium for a gigabit line and don’t discount it down. I think that’s a rational behavior.

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

You’re on mute.

Hannes Wittig - Deutsche Telekom AG - Head of IR

Okay. And next, we move on to Emmet at Morgan Stanley, please.

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

I have two questions, please, on your German business. The first question is relating to – just a follow-on to James’ question on your TV business. So today, your TV business, it’s a very, very high ARPU business. I think the ARPUs are roughly EUR 55 million, including the IT. And you’ve got roughly 4 million subs. I guess as Srin is preparing his slides for the next Capital Markets Day, how should we think about that business, I would say, 5 years from now? It’s just likely to be a much larger at a scaled business in terms of the amount of subscribers and maybe a lower ARPU business?

And then my second question, please, is on wholesale. Maybe just one more for you, Christian. Obviously, the wholesale revenues in Germany are trending at minus 3%. Can you maybe just give us a little bit of an idea of what’s going on beneath the hood because you’ve kind of given guidance for the revenues to be flat this year. So what’s driving the improvement for the remainder of the year? And how should we think about wholesale revenue growth in 2024, which is the last year of your CMD guidance? And what’s driving that obviously significantly higher?

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

So Emmet, let me start with the TV question. I think there is a good run rate which we have seen in recent years, which is around 200,000 net adds in a given year. I think that is the aspiration if you go on for a going concern case. The way how we manage TV is, obviously, we’re also managing on margin. So it’s actually a very profitable business.

What is the big unknown is the retirement of the rental privilege and whether we’re getting a much bigger traction in the housing association with our product, either through retail or by having a contract with the housing association. I think that’s too early to tell.

But if you basically apply a going concern in the vicinity of 200,000 every year, that is obviously something which we have achieved in the past and what we’re intending to achieve in the future. The wholesale question, Hannes, can you help me on that one?

Hannes Wittig - Deutsche Telekom AG - Head of IR

Yes. So we have – I mean we have kind of answered it because we have said that in the later various periods of the year, we expect stable to growing revenues, and we will have stable to growing revenues for the year as a whole. We have also provided the CMD guidance, which is for stable
wholesale access revenues between 2020 and '24. And that remains our guidance. So there's no change. As we said, there is nothing fundamental in this number in the first quarter, this is purely a one-off that we have incurred.

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

Let me add something because we should be here honest. The Capital Markets Day guidance is that we are going towards stable wholesale. So far, so far, we were negative. There is the change of the contingent model into the commitment model, which is an issue. And we were facing as well that there was expected volume losses because Vodafone and others using their own infrastructure. This was driving the negative development forward.

Now what we are expecting, and that is, by the way, a very good question, Emmet. And we all have to look on this one. In '24, this is the year where we are seeing, let's say, this turnaround, significant turnaround, we will offset these losses by ARPU accretion from the upselling and from the price increases which we have on the infrastructure which we sell to the partners, mainly higher bandwidth and fiber. This is our strategy. But you're totally right, so far, we were not able to deliver on this target here. So to be very open on that one.

And the second thing on the TV stuff. Look, we have to go up from 4 million customers significantly up. I would say, being at 50% or whatever on the customer base is our expectation. Always depending on the planning cycle which you are looking at. For us, next year is a big game changer because we bought the European Championship rights for 2024 for Germany exclusively.

All games will be distributed over our TV. And from this angle, we expect as well more TV customers on the spot on the Magenta sports side. So this will hopefully help us. We are working on the proposition which is starting by the end of this year, which will help us then to make another step functions in the German TV market.

Plus next year, and I said that earlier, mid of 2024, the privilege is falling so that we then -- that the customer who lives in the (inaudible) in the housing association can switch from cable to us without paying for the cable rental anymore. That's another important change in the regulatory environment which will hopefully help us to increase the volumes on the TV side.

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

Very good. And just on a boring point, just to be absolutely clear that the ARPU that you cited is not the TV ARPU, it's the triple play ARPU, okay? So it's a triple play ARPU and the TV component is the very -- is much smaller part of it.

So with this, I think we are at the end of the conference. Thank you, everybody. Thank you, everybody, who have participated. Thank you, Tim and Christian. And should you still have further questions, please kindly contact the Investor Relations department. And we're looking forward to hearing from you again soon. Goodbye.

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

Thank you, and goodbye.

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

Thank you, guys.