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EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

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

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

Rodrigo Francisco Diehl *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Yvette Dominique Leroy *Deutsche Telekom AG - Member of the Management Board, Responsible for Europe*

Ferri Abolhassan *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

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

CONFERENCE CALL PARTICIPANTS

Carl Murdock-Smith *Citi Infrastructure Investments LLC - Analyst*

Polo Tang *UBS AG - Analyst*

Joshua Mills *Exane Bnp Paribas - Analyst*

Ottavio Adorisio *Sanford C Bernstein & Co LLC - Equity Analyst*

Andrew Lee *Goldman Sachs Group Inc - Analyst*

Paul Sidney *Joh Berenberg Gossler & Co KG - Equity Analyst*

James Ratzer *New Street Research LLP - Analyst*

PRESENTATION

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

Good afternoon, and welcome to Deutsche Telekom's full-year 2025 conference call. As you can see with me today is our CEO, Tim Hottges; and our CFO, Christian Illek, as usual, and they will be accompanied today by our Board member for Europe, Dominique Leroy, our Board member for Germany, Rodrigo Diehl and our Board member and CEO of T Systems, Ferri Abolhassan.

As usual, Tim will first go through some highlights. He will be followed by Rodrigo, who will dive deeper into the strategy and financials for Germany. After that, Dominique will dive deeper into the European segment before Ferri will update on the outlook for T-Systems. Christian will then complete the picture before some closing remarks from Tim, and then we have time for Q&A. Before I hand over to Tim, please pay attention to our usual disclaimer, which you will 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 Hoettges - *Deutsche Telekom AG - Chairman of the Management Board, Chief Executive Officer*

Yes. Thank you, Hannes, and welcome, everybody, to our call today. And you find us in great mood here today because we had a great fourth quarter, and we have a great 2025 results and a good outlook for '26, so it's going to be an optimistic call. 2025 was a successful year, and we concluded it with a strong quarter.

And we want to give you as a team jointly today, an insight into the operations, but even with regard to our Capital Markets Day targets because it's half term, and it's time to even assess how we are looking with regard to the Capital Markets Day forward. Srini, he is already giving you an update two weeks ago, and the team confirmed the Capital Markets Day's ambitions.

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They even raised some of the targets and I'm highly appreciating the reaction from the market on this one. Despite the competition and all this kind of poly crisises which are around us, we are delivering strong results as promised. We are on track for our CMD targets not only in the US but also in DT ex US and for the group as a whole.

In the last quarter, and I like to reiterate that our most important financial and commercial KPIs did not only grow year-on-year, but they even accelerated quarter-on-quarter. So in every regard, the fourth quarter, and I'm very happy and we're going to talk about that, Germany was accelerating as well. We had great developments in the fourth quarter. I like the momentum.

So going forward, I think the overview shows the highlights. We delivered 3.8% organic service revenue growth, 4.7% EBITDA AL growth, EUR19.5 billion free cash flow, and we grew our adjusted earnings to EUR2 per share. We had market-leading customer growth in all segments. Our networks remain leading, and we are investing to extend our lead. By the way, in some markets, we have achieved the highest service revenue market share ever and even in Germany, very close to 40%.

We are aggressively driving AI throughout the value chain. We launched Europe's first industrial AI cloud. We are the first DAX company and the first multinational telco to reach 0 CO2 emissions, and I'm very proud of that. We increased our stake in T-Mobile to now 52.8% and we returned EUR6.4 billion to shareholders last year. We announced a record dividend of EUR1 and another EUR2 billion share buyback.

And last but not least, I'm happy to say that the Supervisory Board yesterday decided to extend the contracts of our Board members, Birgit Bohler, HR, Ferri Abolhassan, T-Systems and Thorsten Langheim, Group Development and the US within the Board. I should say, I'm happy that they extended their commitment to our company and not the other way around because these are great fellows.

And now our team is complete. We have the young kids on the block, and we have experienced people around us. In this kind of instability of the world, the management of Deutsche Telekom is stable. As you can see on the next page, all our segments contributed to our '25 EBITDA growth.

After another strong quarter, T-System leads the 2025 league table, congratulation Ferri. It was Dominique last year. This time it is you, with a growth of 14.4% organic EBITDA AL growth. With another strong performance from our Europe segment, our ex US EBITDA AL grew by in 2025.

On Networks, we keep our market-leading position, which is our foundation of success. In the last 12 months, we passed 3.7 million additional European homes with FTTH. We now reach nearly 24 million homes, of which 12.6 million in Germany alone. And in Germany, and Rodrigo will talk about that, we had a record quarter for fiber homes passed and homes connected. And by the way, utilization went up as well.

In the US, we now have almost 1 million fiber customers. At their Capital Markets Day, T-Mobile outlined a target of 3 million to 4 million fiber customers by 2030. Our Mobile networks remain leading across the footprint and we will not stop. In Germany, we decisively won all network tests, and our European networks are also leading.

And I can tell you, our competition is very sensitive on that one, but this is very funny to see how they're trying to legally fight against us when we are claiming that we have the best networks. So there seems to be nervous about it. T-Mobile talked about this network leadership in the US as well two weeks ago, and we were particularly pleased that T-Mobile for the first time, topped the J.D. Power Wireless Network Quality survey with wins in five out of six regions. This is the Deutsche Telekom, always the best mobile network.

AI and digital. On Page 7, you can see our update on AI and digitization. And by the way, this chart is getting busy and busy every day. Today, we have 500 projects running the company. And to be honest, we cannot put that all on one slide. So we're going to have an AI Investors Day coming soon, where we give you the opportunity to really understand not only the projects, but all details and the impact this AI projects is going to have more to come.

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Two weeks ago, you already heard about the remarkable process -- progress at T-Mobile. Over 100 million downloads of their T Life app and already three-fourth of customer upgrades done digitally. We continue to make excellent progress on this side of the Atlantic as well. And what you can see on this page is really only the tip of the iceberg.

Overall, we feel very comfortable. And to be honest, I believe we have to increase the target on this one, but more to come. With regard to our CMD '24 cost savings target of EUR800 million from AI and digital for DT ex US by 2027. I will not go through this slide because Dominique, Rodrigo and Ferri will cover some of the topics later on as well.

Let me just say that we will be hosting on AI an event. And by the way, for me, the most important thing is that we decided that recently that all employees of Deutsche Telekom is going to be enabled to use OpenAI ChatGPT very soon. So there are no excuses anymore for our employees. Everybody is now involved into the AI endeavor within the company.

Customer growth. Our market-leading customer growth continued on both sides of the Atlantic. Our mobile customer growth remained very strong, with another record quarter in the US. And in broadband, the European segment delivered strong and steady growth. While full year broadband subs were negative in Germany, we were able to stabilize our customer base in the fourth quarter. And I know that most of you have not expected this for the fourth quarter.

Moving on to the capital allocation. We are delivering steady growth in shareholder returns, including a proposed dividend increase to a record of EUR1 for 2025 and the third consecutive EUR2 billion share buyback program. At the Capital Markets Day, we outlined EUR50 billion of expected surplus by 2010.

This surplus is fundamentally intact, but it has been partially allocated already. Christian, I will take the money. Is that okay? Good. Our 2026 surplus is effectively committed to the ongoing DT share buybacks and further TMUS share increases -- sorry, stake increases. After our decision not to sell TMUS shares alongside the ongoing buyback.

Next, let's review our '25 guidance achievement. Bottom line is that we delivered on our guidance for 2025 on both sides of the Atlantic. In fact, we are slightly outperforming our last guidance update that we provided at the Q3 stage.

Let me now move to 2026 and the new guidance. Another strong year ahead. As always, our group guidance is based on last year's average dollar exchange ratio. It's a dollar exchange. We have $1.13 in 2025 and is the sum of the guidance for DT ex US and for T-Mobile US, adjusted by the expected US GAAP IFRS bridge.

T-Mobile US provided its 2026 guidance on February 11. Outside of the US, we guide for an EBITDA AL of around EUR15.4 billion or about 2% to 3% growth and a free cash flow of around EUR3.7 billion or about 3% growth. For the group, we guide an EBITDA AL of around EUR47.4 billion or about 6% growth and acceleration compared to 2026.

Free cash flow of around EUR19.8 billion or about EUR3 billion foreign exchange adjusted growth and an adjusted EPS of around EUR2.20 or about 10% foreign exchange adjusted growth. As usual, we have a page in the appendix in which we compare our guidance with the consensus using a foreign exchange rate of $1.17.

On the next page, we provide a midterm assessment of where we stand against the key ambitions of 2023 through 2027 that we stated at the 2024 Capital Markets Day. Our guidance, as shown here, is organic. And as you can see, we are on good track for almost all targets. There are two targets where we are lagging.

DT ex US service revenues due to a slower growth in Germany, Rodrigo, and we are also currently behind on our KPI indirect cost as a percentage of service revenues. But this is largely due to the mentioned shortfall in service revenues. We are doubling down on efficiencies to mitigate this.

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Despite these shortfalls, we remain confident to deliver our Capital Markets Day '24 guidance for DT ex US adjusted EBITDA AL and the growth and the free cash flow, which we have laid out. So with this positive perspective into the future, let me now hand it over to Rodrigo for a deeper dive into our exciting Germany segment.

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Thank you, Tim, and I got the message. Welcome, everybody. I will start with an overview of how we have executed against our strategic targets before I go deeper into the financials and I will round up later with an overview of our strategic priorities for 2026. We made good progress along our strategic targets. 2025 was an important year for a fiber build.

We now reach 12.6 million from past in Germany and added twice as much, I repeat twice as much many fiber customers as in 2023. We achieved substantial efficiencies in our fiber build held by AI. And as I mentioned already at the end of last year, we reconfigured our fiber strategy more on this later.

When it comes to our digital and AI-driven transformation, we see very encouraging early results. You can see a few examples on this page. Our customer chatbot now fully LLM based, achieves a 55% solution rate, 3.4 million contacts were solved by chat or voice bots. We have reached 40% zero-touch automatic call identification.

This saves around 30 seconds per call for our agents, and we have rolled out AI-based automatic call documentation, which saves another 30 to 60 seconds at the end of the call for our agents. And all this goes to the bottom line with a 10% reduction in call volumes, each call has a cost that we achieved in 2025.

We also made progress with our differentiation and market leadership, a key element of our strategy. We won all, I want to repeat, all service center, shop and mobile network tests. We established Magenta moments in the market with 5 million active users. Magenta moment also goes to the bottom line because these users have 3.5x higher NPS and 20% less churn. Our first-time resolution rate reached 77%.

This too drives higher customer satisfaction. Complaints, a number I personally look at every day, were down by 50% in the last two years alone. And our brand recognition has reached the highest ever level. Moving now on this page to our financials. I'm pleased to say that after a weaker third quarter, our headline financials are back on track. Organic revenues were up a strong 2.8% in the fourth quarter. Two factors contributed to it in roughly equal parts. First, service revenue growth, both in fixed and in mobile.

Total service revenues grew by 1.5% year-on-year. And second, strong revenues with our fiber joint ventures, mainly due to different phasing in both years. These are near zero margin. Year-on-year growth in EBITDA at 2.5% was back at a normal run rate after an unusually weak third quarter.

As mentioned, both fixed and mobile service revenues improved sequentially this quarter. In fixed, this quarter, the improvement was mainly the result of easier comps after a third quarter with very challenging comps. Headlines last year were generally impacted by weaker-than-expected broadband and B2B fixed line revenues.

In mobile, the 2.5% year-on-year service growth is a continuation of our ongoing strong performance that we have seen consistently throughout the years. And here, we can go a little bit deeper into mobile. You can see consistent strength in our mobile subscriber growth. I'm particularly happy that the 282,000 net adds we achieved in Q4 2025 are higher than 261,000 that we had achieved a year earlier.

Our propositions continue to resonate well with our customers, both business and residential. Our network leadership remains undisputed and we are extending it with our ongoing network modernization program, our NEMO program, as we call it internally. We have successfully addressed growing data demand with well-designed unlimited propositions and investments and our unlimited propositions we have recently updated in a more-for-more move that we did in February 2026.

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Our customer segmentation is effective. We're growing in B2B. We're going in B2C with our main brand and also Congstar, it's contributing at a steady pace. We remain comfortable with our CMD guidance of 2% to 2.5% mobile service revenue growth in the 2023-'27 period, having delivered growth at the top end of this range in the first two years.

If we go now into fixed line, we are pleased that our broadband net adds stabilized last quarter. As Tim already mentioned, we are back to a slightly positive number there. The stabilization is a result of multiple measures taken during last year, including an improved market segmentation, a relentless focus on operations, both on acquisition and customer retention plus steady acceleration in fiber connections, and it was achieved despite a front book price increase that we did in October and the reduction of promotional months from six to three that we did earlier in the year in April.

Before I go into fiber, let's look at our good progress on TV. We added over 100,000 new triple-play TV customers in 2025. This comes after a little over 300,000 in 2024, the year when we had the rights for the European Championship. With that, we added almost 400,000 new triple play TV customers since 2023. In addition to this, we added around 200,000 new OTT TV customers in 2025, almost half of it, 80,000, in the fourth quarter.

With that, we added around 0.5 million OTT TV customers since 2023 on top of the 400,000 triple play TV customers I mentioned earlier. So this is nearly 1 million new TV customers in two years. Here, we are the attacker. We are already the fastest-growing pay-TV provider in the market and our TV attach rate to broadband shows that there's additional potential for growth.

If we move to the next page, and we talk about broadband, this quarter, we added 164,000 -- that's okay. This quarter, we added 164,000 fiber customers, our best ever quarter, I want to repeat it, our best ever quarter, and our fiber penetration reached 16.4%. So that's an increase of 11% on our fiber penetration.

I can assure you, this remains a key area of focus, maybe even our number one area of focus, as shown on the following page. For all of us, it is all hands on deck when it comes to scaling our fiber customers and monetizing the fiber network. In 2025, as mentioned, we increased the fiber footprint by 2.5 million. We had promised that.

We remain well on track for our stated 2027 target of around 17.5 million homes passed. But as I said, more important, our fiber customer numbers increased by almost 600,000 as we work towards the run rate of 1 million in 2027. As we announced with our third quarter results to support this goal, we will further step up our fiber investments funded by efficiencies, AI is helping us there, budget reallocations and the federal tax relief.

We are increasing our focus on single dwelling units, on SDUs. We are going more into less dense areas into rural areas. That's where the action is. That's where we're going. Within MDUs, we are increasing our focus on connections. And therefore, as the name of the game is, buildings prepared, but not only preparing the building, connecting the entire building.

We call it (inaudible) in German or full build-out in English, doing the Homes Connect and doing the homes activated homes activated paying broadband customers is the KPI in Germany. On top of these infra measures, we are also stepping up our fiber distribution in our channels, and we are seeing positive early results. Finally, on fixed line, let's look at our access revenues. While broadband net adds improved last quarter, access revenue trends remain impacted by last year volume losses.

Retail broadband revenue growth slowed to 1.6% last quarter. This was driven by volume losses, while ARPA momentum remained positive, especially in B2C. We see last quarter's growth rate as the low point. B2C ARPA was up 3.4% year-on-year, driven by speed upselling and disciplined pricing. We reduced, as I said before, the promotional period from six to three months in April.

In October, we raised our broadband front book prices by EUR1 a month. And now a few weeks ago, we started to raise the back book prices for some of our older cohorts in broadband for EUR2 a month. In my view, this price increases are long due as broadband was one of the few consumer categories in Germany to see prices stable or even go down over the past few years of very high inflation.

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More pricing discipline is needed to fund the massive investments required to build the German digital infrastructure of the future. While our price increases may impact volumes overall, we expect various measures to stabilize and improve broadband revenue trends again this year.

In sum, we remain committed to our CMD guidance growth of 3% to 4%. But of course, from today's perspective is this looks challenging. Wholesale revenues improved sequentially. Here, ARPA momentum continues to offset the ongoing volume losses. ARPA momentum will continue to benefit from speed up selling in our growing fiber footprint.

However, and please keep in mind that, from the second quarter 2026, the annual price increases for lower NDSL tariffs we agreed with our partners in 2021 will roll over. Overall, the 2023-2027 guidance period, we expect to deliver the stable wholesale access revenues that we promised at the 2024 CMD.

Before we get to the financial outlook, let's spend a little bit more time on our priorities for 2026. I already spoke about our industry-leading fiber build where we are stepping up further. Clearly, here, the priority is to keep accelerating our fiber customer growth towards the 1 million target in 2027, I am confident we will deliver this.

This will help us both, of course, on the volume and on the value side. Another key focus is to take our digital and AI transformation to the next level. When it comes to leveraging AI for transformation, I believe that there is more potential for efficiency gains than previously thought. I gave some examples, but 10% compounded call reduction per year has a massive efficiency impact, for example.

Especially in the current competitive German market, an environment, I see cost and efficiencies as an absolute must end as a hedge against top line headwinds. As a management team, we are committed to capture them. In 2026, we are working on the full implementation of the measures introduced last year while we have a strong pipeline of further use cases.

Finally, on the topic of differentiation and market leadership, which is the core of our strength in Germany. We are constantly extending our mobile network leadership through our market-leading network modernization program. We are translating this to our best network campaign into an even stronger brand leadership.

Another priority is to evolve our Magenta up into the central operating system for customer interactions along the lines of what you are seeing from T-Mobile US Here, we copy with pride from our colleagues in the US And as part of this, we aim for 70% of mobile prolongations and additional SIMs to be done through the app.

In B2B, we want to extend our differentiation with secure networks, market-leading cloud, IoT, cyber and AI propositions, the big five, as my friend Ferri calls them, and talking about Ferri, I'm deeply impressed about the resources and capabilities of the systems here in Germany. And I think there is significant potential to capture even more value from increasing our collaboration, and that is exactly what we will do with Ferri.

Now coming to the last page and our financial outlook. On the service revenue side, we are currently tracking below our ambitious CMD target while mobile is tracking in line, weaker fixed service revenues are awaiting, sorry. The weaker-than-expected fixed service revenues result from 2025 broadband customer losses, as I said, and a weaker-than-expected B2B performance.

In 2026, we are expecting overall similar total service revenue growth as in 2025. On the EBITDA side, we expect a better trend in 2026 and in 2025 and a return to a more normal year-on-year increase. This improvement will be supported by the rollover of elevated 2025 energy and wage cost headwinds and by the AI-enabled digitization and efficiencies that I mentioned earlier.

We continue to strive for our CMD 2024 EBITDA CAGR of 2.5% to 3%. But given the weaker growth in 2025, we now expect to be at the lower end of that range. With that, I hand over to someone with whom I have worked closely in Europe over the last couple of years, Dominique, to talk about the European segment.

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Yvette Dominique Leroy - *Deutsche Telekom AG - Member of the Management Board, Responsible for Europe*

Thank you. Thank you very much, Rodrigo. And moving to the -- to our European segment. I'm really happy to confirm that we continued our success story once again in 2025. So I will start with sharing a few highlights along our main strategic pillars: Growth, transformation and scale and what we call winder hearts.

On growth, we achieved strong service revenue growth of 3.9% in 2025, which was driven both by B2C and B2B. This success is based on our network leadership, further progress with fixed mobile convergence and strong B2B growth with mainly a lot of ICT services. We have added 1.1 million fiber homes in 2025, bringing our FTTH number to 11.3 million homes with an average utilization rate of 36%.

And in 5G, our 5G coverage has reached 92% by the end of 2025. Looking at transformation and scale, we are proud of our 73% app penetration and growing chat share. Our transformation towards a more digital sales and service is progressing well. We are also driving AI for network automation, energy savings and improved customer experience.

And we have made good progress with scaling platforms across all the countries, developing center of excellence in the B2B area and deploying a common network operating model. On the last category, Win The Hearts, we are operated in TRIM customer satisfaction in almost all our markets, both in B2C and B2B. We have 9 million of our customers who signed up to Magenta Moments and about 45% are actively using it every month.

And next to our customer focus, we are proud to have very high employee satisfaction across all our countries. So this success translates into a strong financial performance. In Q4, we delivered another excellent quarter, and this is 32 consecutive quarter of organic EBITDA growth. So eight years in a row where we have been growing every single quarter. I think we can be very proud of that.

So organic Q4 revenue growth was 3.5%. Service revenue growth was 4.6%, and this was helped by strong B2B IT service revenue, mainly strong growth in Greece. This brought full year service revenue growth to 3.9%. Our growth was strong in B2C and B2B, and it remains underpinned by continued strong growth in customer numbers.

On EBITDA, EBITDA growth slightly slowed in the last quarter but remained strong at 3.8% year-on-year, and we ended the year with a strong 5.4% EBITDA growth. The slight sequential slowdown reflects the phaseout of previous price increases and the phasing of various one-timers. Our European commercial performance remains consistently strong, and it accelerated in all relevant product categories last quarter. You can see here the last quarter on all the products in a very high Magenta bar.

All net calls are contributing, and I would like to single out Poland with doing particularly well in 2025. To continue our success story in 2026, there are several priorities that I would now like to quickly highlight. On growth, we will maintain our strong pace in building the best network. We will add more than 1 million fiber homes in 2026, while keeping utilization high. We will push to reach 95% 5G coverage.

To continue our growth in our core business, we will double down on delivering the best home experience to our customers and further enhance it with smart features around home control and security. At the same time, we will accelerate growth in new business area beyond core.

We will leverage Magenta Moments in B2C by launching new propositions like gifting, travel and dining. This will reinforce customer engagement towards the T brand and you can already see the gifting platform live in Czech since last month. We will double down in B2B on monetizing AI and also leveraging digital sovereignty.

On transformation and scale, we will push for even more transactions in our digital channels, aiming for more than 30% e-sales shares and up to 50% of all mobile prolongations and tariff changes on digital. We will step up the AI adoption in sales and services including in call center and shops through AI-assisted transactions.

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We will leverage AI to offer more hyper personalized and contextualized experience and products to our customers. And we will continue to further simplify and retire our legacy system for more efficiency gains. All of this will not only result in better experience for our customer, but also help us to further reduce our IDC to service revenue ratio.

Win the Hearts for us is Win The Heart of our customers and win the heart of our employees. Going forward, we will build towards a next-gen customer experience, which will be centered around the Magenta app. We will further drive customer engagement with Magenta Moments and aim to reach 10 million registered numbers already by year-end 2026.

And we will continuously double down on improving our customer experience across all domains. Next to our customer focus, we will keep investing into our employees. We will push towards becoming top five employers in telco and ICT as we want to attract the best talent in the market with a strong focus on future skills like AI. All of these actions will contribute to securing our number one position in TRIM.

When we now come to our last slide and how do we track towards CMD target, I think we can say that we are very well on track for our stated CMD targets. Our service revenue and EBITDA growth in the first two years were each well ahead of our CMD targets. In 2026, we expect further growth in service revenues and an increase in EBITDA to EUR4.8 billion.

We expect underlying EBITDA growth north of the 3% range, close to what we delivered in 2025 adjusted for the tailwind from the end of the Hungarian telco tax. So you see we are still very optimistic to continue on our strong growth trajectory for Europe in the years to come. I will now hand over to Ferri, who will take you through the story for T-Systems. Thank you.

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

Thank you, Dominique. Compliments to great results. T Systems are learning from you. Let's have a look. T Systems had another good year. Our order inflow was up 5%. Our customer satisfaction was on an all-time high of 99% TRIM. Our 3% organic revenue growth was broad-based and ahead of market. We delivered 14.4% EBITDA AL growth, Tim mentioned that, supported by revenue growth and ongoing efficiency gains.

As promised, we achieved a positive and growing cash contribution. In 2026, we expect healthy order flow and revenue growth to continue and the first two months confirmed that. On the EBITDA AL front, we expect more modest growth in '26, reflecting investment into future growth, including in sovereign cloud and artificial intelligence. I will come to that. That said, across the board, we remain very well on track for our stated CMD targets.

In 2026, we want to further build on our achievements. First, we want to accelerate our growth with AI. We already have moved -- have more than 1,500 AI experts and almost 1,500 AI and data projects are underway or completed. Our AI-related revenues are ahead of plan, and we now aim for EUR200 million in 2026 and together with our (inaudible) of TDG and of Europe, we are well on our plan for the EUR700 million-plus that we committed at CMD.

Second, we want to leverage our fully sovereign cloud. We are since 20 years in the cloud business with more than 7,000 enterprise customers. Analysts rate us as European number one provider of private cloud and sovereign cloud infrastructure service as well. Our sovereign cloud has functionality in pricing that is competitive with the hyperscalers.

In '26, we want to increase our T-Cloud public revenues by about 20% to over EUR200 million, having built on aligned go-to-market with Rodrigo's team in Germany in One T Cloud tribe. Another priority for 2026 is to step up the cross-sell of cloud into digital and vice versa, so into our base. Third point, we want to further strengthen our focus on verticals, especially public and health. And our newly established defense vertical, here, we aim for more than EUR100 million of revenues. Drone will be a major topic of that.

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Finally, we want to further strengthen our productivity throughout an AI first strategy and drive further productivity gains in cloud and digital. We also want to deepen our collaboration with the other B2B segments in the group and strengthen our position as their production machine and we did just sign this week in alignment with T-Mobile US.

Next page, please. One key enabler, which by the way, shows the power of T and the Power of One Team is our industry Icloud, Deutsche's first and largest. It singlehandedly increases Germany's current AI compute power by 15%. We built this cloud together with NVIDIA and other partners from idea to launch in less than six months.

With this factory, we can provide the complete AI stack for our customers from connectivity through data center and operations, cloud and compute security platform to AI apps, everything that an industrial or public customer needs. You can see some of the use cases on this page, and we are seeing strong initial demand from clients, and specifically, they use it for applications like digital twins, research, predictive manner for LLMs such as the European LLM Sofie, that we did together with the University (inaudible).

Additional demand from Signature clients is excellent and we will expand if we see the market request. This project is a good example how T can impact the digital market as One team, and we are proud to be part of that. With that, I hand over to Christian, who will complete today's presentation.

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

Thanks, Ferri, and last in line and short in time, so for the sake of completeness, let me go quickly to the T-Mobile US Q4 results, and you know there was a comprehensive report on their results on Feb 11. So for the first time, we had US seller in there for the full quarter that led to a service revenue growth of 10.5% and a postpaid revenue growth of almost 14%, and everything was driven by both volume and ARPA. The core EBITDA according to US GAAP grew by 6.8%.

If I'm going to the next page, you see, despite a very competitive environment, the fourth quarter growth was again very strong and was even higher than the previous year. The net additions on postpaid were EUR2.4 million and the best ever, which we had and post paid phone net adds were the best fourth quarter since the Sprint merger, despite the effect that we had an increased churn.

For the full year, T-Mobile delivered almost 8 million postpaid net adds, of which 3.3 million were postpaid phone net adds. That will conclude my operational review because everything has been said on Feb 11. Let's move over to the financials for the full year. So what you see is we have an impact on several dimensions. One is obviously the weaker US dollars, which is obviously hitting revenues, EBITDA, but also net profit. We have T-Mobile's M&A activities.

The largest one is obviously USC, but don't forget, there were four other transactions which happened in the last year, which was Bliss, (inaudible) and the two fiber joint ventures. And as always, we always have some phasing. So bottom line, what you see in '25, we delivered what we promised in the last guidance, and we slightly exceeded this.

And on a year-on-year development on this chart, I just want to highlight one thing on net profit. You see there is a negative development of 14%. This is very much driven by the impairment reversals, which we have faced in the year 2024, related to US spectrum, which was more than USD2.5 billion GD Towers and the German fiber JVs Glasses.

On the next page, you see the free cash flow development for the full year. All the quality results are part of the appendix. There's nothing surprising on the free cash flow bridge. You see there's obviously a contribution from cash flow from operations. We had an increase, which was planned on the CapEx by EUR900 million, of which roughly 70% can be attributed to the US

And obviously, the overall free cash flow development was impacted by a weaker dollar. On the -- on the net profit, you see that the EBITDA grew by EUR1.1 billion. If you adjust for the ForEx relative to the previous year, that number would have been higher by EUR1.4 billion. And we had a weaker financial result that was driven by two effects. One is obviously higher interest expenses, and the other one was losses related to the fiber joint ventures in the US.

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Let's go over to the net debt bridge. You see that we had a slight decrease in the net debt bridge despite the fact that we had M&A activities of close to EUR9.5 billion and a very juicy shareholder remuneration, which you see with comprising dividends, share buybacks in the US, but also share buyback on our side.

So bottom line, what you see is that on the leverage, I'm pretty happy with the developments since '23, so that we're moving down leverage on a consistent basis. Obviously, the dollar helped. So moving to a review how do we stand against our ESG targets and apologies for the busy chart, but you may remember what I said at the Sustainability Day in 2022.

We want to treat the ESG KPIs in the same manner as we're treating our financial KPIs, and therefore, you see a lot of numbers. So if I'm flashing out two things where we're basically tracking behind target. One is the green PPAs. Our target is 50% overall. And the other one is the share of female executives. Let me dwell on the PPAs.

So actually, we met the 50% target here in Germany beginning of January of this year. But in Europe, we are trailing behind this. And this is simply for the sake of we don't find any attractive green PPA which makes sense from a financial point of view. And I'm not chasing a target if it doesn't make sense from a financial point of view and from an ESG point of view. So that basically completes my review for the full year of '25 and hand it over to Tim.

QUESTIONS AND ANSWERS

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

Thank you, Christian. I think before we are going to this summary here slide, I would say, let's have the Q&A with Hannes first.

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

Okay, Tim. So then I'll start straight on with the Q&A. (Operator Instructions) I think the first question is from Carl at Citi. Carl?

Carl Murdock-Smith - *Citi Infrastructure Investments LLC - Analyst*

That's great. Thanks very much, Hannes. It's 1 question, but in kind of a few parts about German service revenue trends going forward. And Rodrigo, just picking up on your comment that I think you said in your slides that you expect similar total service revenue growth in 2026 to 2025. You've just done 1.5% in Q4 and 1.1% for the full year.

But that 1.1% is partially dragged down by Q3 due to the difficult comps that you had in that period. Looking forward, without IT business phasing drags going forward or that Q3 year-on-year comparative drag, why wouldn't we see a modest improvement? I think consensus is going for 1.3%? The only thing I can think of is the wholesale price increase annualization in Q2 and how material is that?

And then on the positive side, how much of the broadband price increases are you expecting to keep on a net basis? And are you seeing any evidence of the public sector revenues actually coming back in the IT business phase?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Sure. So let me go through each of the points. In terms of the service revenue for 2026, let's say, we see a similar level to what we saw for the year in 2025. On the broadband side, look, we just did the price increase and the communication to the base a couple of weeks ago. So I think it's too early to tell on what is the impact of these moves.

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I would say that the early results and what we're seeing is positive. It's better than what we had planned. But of course, I want to be cautious on this one and wait a little bit more to see the outcome. If it continues to play out like we have seen in the last couple of weeks, we might have a little bit of an upside there because this is ultimately a trade-off between volume and value. The value is guaranteed.

And on the volume, there's a little bit of a question mark on what would be the impact. But what we have seen so far in the last couple of weeks is encouraging. On Wholesale, as I mentioned, we are very confident to deliver on the stable guidance we gave for CMD time period. But please don't forget that the price increases that we negotiated with our wholesale partners back in 2021 will roll over from Q2.

So in that sense, we expect to be stable for the time period of the CMD commitment. But probably, it was, let's say, more pulled forward from the profile. I hope I answered your question with that one. I don't know if I left anything.

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

Yes, there was a question about the public sector.

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Yes. Yes. So thank you, yes. On public sector, well, finally, there is a budget approved that came in at the end of last year. We are now starting to see also increased momentum on order entry. But as you know, in public sector, there is a time lag between the order entry and when the revenues materialize.

For 2026 I'm increasingly confident on seeing the positive momentum on the order entry. I think for the -- that positive momentum to convert into revenues, we're probably thinking more of Q4 and then 2027.

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

So first of all, the thing that I can add is that, again, like in cloud, DDG and we are working closely together, we have 1 team. And that has shown good effect. So we see in the moment that in elements like the (inaudible) for digital and so on so forth, we are making good progress. So on the enterprise side in public, that's good, where we now step in, in the next step, Rodrigo and I is going also in the mid-market of the public sector. That's the next step to come.

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

Excellent. And with that, we move on to the next question from Polo at UBS. Polo?

Polo Tang - *UBS AG - Analyst*

I've just got two questions. The first question is for Rodrigo in terms of German fiber. So you've built a fiber footprint of 12.6 million homes and of that roughly 8 million covers MDUs but fiber take-up and MDU areas, seems to be less than 10%. So can you talk about why the take-up in MDU areas has been so low? And how do you expect this to evolve going forward?

And can you maybe comment on pending changes to legislation that could potentially make it easier for DT to access MDUs and deploy fiber. So how much of a game changer would that be? The second question is really just at the group level in terms of use of cash. Can you talk through why you're not participating in the buyback?

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And how did you weigh up buying back more stock at the DT level versus increasing your stake in T-MS? I'm just asking the question because group leverage, including or excluding leases, sorry, is 2.2x. So do you potentially think that this is on the low side?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Sure. I start with the fiber question. Indeed, you got your numbers right from the 12.6 million homes that we have. A big part of it is in covers MDUs. We announced at the end of last year a shift in our strategy, which has a couple of elements. On the one hand, we will start building more in rural and suburban areas. So our share of SDUs will increase.

In our SDU footprint, we are already above 30% penetration. This is a shift that we already started. We are well into implementation, and we're starting to see the results of that. And when it comes to MDUs, we are going for what we call full build-out or (inaudible) in Germany, which means in the past, when we used to get into a building, we would enter the building, and we would connect the customer that made an order.

And if a second or third order came later, we would come back and make those installations at a later point in time. What (inaudible) means is the first time we enter the building, we will connect the entire building. We are starting to scale up the capabilities to do this. And this gives us, of course, a significant way then to scale and to sell to that base because every customer can then connect to fiber in a couple of seconds.

So we expect to get momentum from that. On top of the (inaudible), we are scaling sales channels. Most of our shops are in urban areas, so we are building a sales force of out of the shops that will go into the street. By the end of the year, it will be roughly 250 employees that will go into the streets that know the neighborhood, they know the customers, and that will help us also ramp up the commercialization.

We already started in several of our shops with very encouraging results. We are also scaling channels, sales channels in our field services. Every day, we have 6,000 to 7,000 technicians who go to the homes of our customers. What we have started now is these technicians create a lead. The customer calls immediately a call center where we do a sale. And just to give you an order of magnitude, we are making 4,000 of these leads every week now.

It is scaling and the conversion rate is 50%, so you can do the math of what this means in terms of sales channel power. Finally, I think you were spot on. There is anyway a structural issue in Germany, which is to access the MDUs. It is not easy to access the MDUs. The cable operators try to protect in many cases that.

We saw last year coming from the Ministry, a proposal that I believe goes in the right direction in giving us increased rights to access the MDUs, but now we are waiting for it to -- let's turn into -- for it to turn into reality. It hasn't come out yet, the proposal. We're waiting for it but I believe it is very important that we get -- that we make it easier for fiber builders to get access to the buildings. In any case, and I want to emphasize this, we're seeing really nice take-up in our fiber momentum. Q4 '25 was our best quarter ever in terms of fiber connections.

We had a very good start into 2026. It's all about buildings prepared, (inaudible) homes connect and homes activated. We look at these KPIs daily. I can tell you, we see them scaling and so I'm confident that we will continue scaling and we will get to the 1 million ambition we put ourselves for 2027.

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

So on the usage of the surplus, Polo, I think I'm repeating myself a bit. Look, we've always looked -- we're always looking on two dimensions. One is, what is strengthening our strategic position? And the second one is, where do you have the higher financial accretion? And I think we have no doubt that buying back DT shares still has a higher accretion relative to the US, but it has come down, especially as the share price was at $185.

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Secondly, what we said is, on the surface, we felt $185 looks cheap to be honest. And this is why we also said, in case this stays the same, we will take the flexibility and then actually increase from our side because we believe the underlying value of T-Mobile US is higher than USD185, and you've seen that. The share price has developed quite nicely. And thirdly, increasing the US share gives you more flexibility than buying back DT shares because that money is out of the door.

In case we need some money, we can also kind of decrease the shareholding in the US. So from this perspective, I think we're -- I'm feeling completely fine with the direction of travel, which we're having right now. I think the share price has stabilized. We still have the flexibility to go along in the US and we want to go up with our shareholding because this is the best market we are operating in by far.

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

Josh, BNP Paribas.

Joshua Mills - *Exane Bnp Paribas - Analyst*

Thanks, guys. Two questions from my side. The first is going back to the slide, I think it's Slide 14 from Rodrigo around AI usage. A lot of the AI uses you're talking about here are about deflecting calls and solving negative customer service issues. So I wanted to understand whether you're also seeing any upside from targeted advertising, creating tariffs and upselling customers that way?

And I guess, the catalyst was asking the question is we saw this morning from Freenet that one of your M&A partners appears to be pulling back on third-party sales channels, which typically did that in the past. This is saving that party probably quite a bit of money. And I wondered if this that Deutsche Telekom is also looking at doing more in-house than through third parties as well going forward?

And then the second question is just around satellite technology and the way you see the risks and the opportunities. We've seen a lot of discussion about the Starlink risk in the US, perhaps a bit lesser in Europe. But when you're thinking about the potential impact of Starlink both from a fixed broadband and also a direct to mobile service, how do you think that will impact in some of your European markets? And specifically, how does it factor into your thinking around the rural fiber-to-the-home rollout, which you articulated during the call?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Sure. I can start. So I mean if you look at our cost base, we have the two biggest buckets in sales and service and in, let's say, what we call the technique, which is all the operations around building and operating the networks. And we are applying AI in both areas with a lot of success. I focus quite a lot on the sales and service area, but I could spend the same time explaining the use cases that we are applying with a lot of success on the technical side.

By the way, these are the savings and the efficiencies that are allowing us to increase our fiber investments into Germany. By the end of the year, we expect to reach almost 100% of, for example, site supervision of fiber builds, via AI and that is generating for us a lot of efficiencies. On the use of AI, Dominique will complement because this is something that, of course, we're driving in Germany, but that we are driving as a group. We call it consumer AI and how to monetize AI, including advertising. The one thing I can tell you is I'm personally getting more and more excited about the role we as telcos have to play in the AI space when it comes to consumers.

We started this journey a couple of years ago by bringing AI into our phones, into the T phone by bringing AI propositions to our customers. Recently, (inaudible) in the US announced how we are now bringing AI capabilities into the network. And why am I optimistic about this one is because we're bringing AI closer and closer to the core of what our business is, which is the network, not only AI, but also security. Dominique, do you want to complement because this is a group thing we're doing?

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Yvette Dominique Leroy - *Deutsche Telekom AG - Member of the Management Board, Responsible for Europe*

Yes. No, no, I'm happy to complement. We use AI a lot. I think on the network side, as Rodrigo said, it was a lot to make sure that we reduce the energy consumption that we have also a customer-driven network rollout. So this is probably the first place where we use AI in the network.

Next to that, we use it a lot in our sales and services. We have one bot, which is about answering customer. We go to more and more one voice element where we have also an AI voice answering calls of customers. But your question is also very valid. Every -- we have been working really hard over the last one to two years to bring more and more our customer data accessible to really use AI and to drive targeted and personalized not so much advertising but very much experiences, products, upsell, cross-sell activities to our customer base.

We have now more than 100 use cases that we have done in all countries, all the European countries and Germany. And we really see a much higher conversion rate when we use this personalized and targeted instrument to reach out to customers. We see lower churn. We see more customer value management. So I think this is also a very promising part where we use AI.

Next to that, we also try to use -- to democratize AI towards the customer. And that's more when we talk about this Magenta AI, where we did a deal with Perplexity and Magenta Moments, we have brought perplexity to all our customers. That was also for us a way not so much to use it for us to reduce our cost base or to improve customer service on seven days a week, 24 hours but also to bring it and to democratize it to customers so that we can be seen as a brand that is really innovative and further increase customer engagement.

On B2B, we use it a lot. We are trying to monetize AI. We have a lot of activities. Ferri can talk about it for Germany. We have very good examples in Hungary, in Czech, where we have already developed a very sophisticated AI tool for call center of banks for fraud detections for our customers. So I think there as well, we are on a good path to start to monetize AI in the B2B area. But perhaps, Ferri, you want to add anything on that one?

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

No, I think I picked it up first time in my presentation altogether on the B2B side, we aim towards the CMD target of almost 1 million. We are here ahead of plan that's good, everybody contributing. More or less, you can say we help customers automizing their business throughout AI. And you mentioned some of the use cases I could go on, on and on. But I think it's important to see we attack AI on the consumer and also on the B2B side concretely with customers.

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

And maybe just to finish with your question on MVNO partner. Indeed, if you look at the German market and the pricing we see in some of these online indirect channels, I've been, I think, vocal about it. It doesn't look rational behavior. However, it's always something that you need to manage careful because if other players are investing into these channels. you need to be careful on giving them space there.

However, and I want to emphasize this, if you look at our pricing in these indirect channels over the last 12 months, you will see very clearly that we are going in a similar direction. I think some of the pricings we had for broadband, for example, in indirect channels 12 months ago were not rational and that situation has been improving quite significantly. On the satellite question, I think we can answer that one together. For Germany, I think recently, the Bundesnet again to published the numbers. I think Starlink has slightly north of 100,000 customers in Germany.

That number, I think, was around 80,000 one year ago. So there seems to be a play, but it seems to be more of a niche play in the case of Germany because we have a very, very good mobile coverage of north of 99% for 5G. We have strong fixed networks. And so far, we see in Germany, the play for satellite rather as a niche, let's say, in the few white spots that we have here.

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Yvette Dominique Leroy - *Deutsche Telekom AG - Member of the Management Board, Responsible for Europe*

I can perhaps complement on satellite. I think satellite for us is complementary and very often niche, we use it. We have some satellite agreements, for instance, in the B2B area to do some backups which is for business continuity and emergency cases, I think a good way where we partner with them, and we use it.

I think also for IoT services, we have some good examples where we have been able to use satellites to promote IoT services across countries. I would say specifically, if we see more currently where we have some competition from satellite is typically for -- in country like Greece or Croatia, where there are quite a lot of islands.

But there, to be honest, we have upped our game with a lot more 5G development or rollout where we are now able to offer fixed wireless access in a lot of those places. And where we have developed fixed wireless access, people really prefer to the fixed wireless access service than the satellite survey.

So have answers where indeed, it takes some time to bring fiber to remote areas in all the islands. We cannot do that in one or two years. But we have there as well, a very strong mobile network, and we bring C-band and fixed wireless access, which so far has been revealed to be a very strong alternative to satellite growth in those areas.

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

To summarize the satellite service. The first one, in the fixed broadband side, StarLink is the only player who is really relevant in this play, and they are playing their game alone in these areas. We do not see big cannibalization. We have our own product, which we are using, which is high-speed Internet in the US which is our fixed mobile substitution services, which we offer here.

And that is working. This is an adjacent offer in the market, but we have a good kind of terrestial service here as well. The second one is D2D. So the direct device. I think it provides complementary coverage in underserved areas. That's a good adjacency. I always talked about network of networks.

I can imagine that we are including the service into our offerings going forward. This is a good kind of comparative service for Europe. It's a small market niche because the coverage of 5G is very high already. Germany, 99%, just to give you an impression here. But nevertheless, it might be something which we include in our service.

Third one, IoT service, definitely, yes. Look, there we have different providers. We will not put our basket into one offer. We will have different satellite service, which can provide us on the IT side. The third one is on the spectrum side in the US, I don't know where these guys are getting spectrum from.

They bought own spectrum here in Europe, it's a different case. So therefore, we'll see how they're doing this. I do not, let's say, see us in a role that we are offering MVNO are giving spectrum satellite operators. You know our policy in the past, and we have been very disciplined in this regard. Why should we do this?

In Europe, the situation is that the terrestrial spectrum is protected. So therefore, this spectrum is, by the way, being reauctioned or extended in 2027 when it comes to the satellite services. This is not in our decision. I would expect that the European Commission is extending this for another three to five years when it comes to spectrum. But to be honest, it is something which is a speculation. You have to ask the political bodies in this regard. And our therestical spectrum is protected. So this is only for therestical service. So we do not expect that satellite offers operators will enter into this space.

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

Ottavio, Bernstein.

Ottavio Adorisio - *Sanford C Bernstein & Co LLC - Equity Analyst*

Yeah, thanks very much. My first question would be on German mobile. You had a strong customer intake there. Could you talk a little bit about the intake ARPU? And the reason is that at least two market participants have talked about the lower front book pricing working through the base. What is the Deutsche Telekom perspective on this issue?

And if I may, the second question would be a bit more conceptual on AI use for the improvement of internal processes and lower cost. I'm not talking as much about revenue here. The question I have is AI is a technology that is available to all operators, it is not invented by DT. So how would see DT gain a competitive advantage from AI? And more generally, maybe will AI create winners and losers among European telcos? And if yes, by what mechanism would that happen?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Yes. So on the first question on mobile intake ARPU, we are very pleased and very comfortable with the ARPUs at which we are bringing our mobile customers. You can see that in our mobile service revenue growth. We not only had more net adds in Q4, '25 versus '24, but also our mobile service revenue growth was higher in Q4 '25 than it was in '24. Having said that, if I look now at the market as a whole, I do believe that indeed, the German market is quite aggressive at the moment.

We've seen a lot of pricing aggressiveness in the market in 2025. We have recently, a couple of weeks ago, increased the price in our additional SIM cards. So on the second additional SIM card from EUR10 to EUR15. We did that in a more for more logic. But nevertheless, it is quite value-accretive move.

And I do believe that the German market needs to become more rational on the mobile side. You said it, we are pretty much the only player in this market that is growing revenues and EBITDA. And as a market, I don't think that's a good place to be. I think we had some early positive signals over the last couple of weeks and months that start to go in the right direction. But I think we need to see a little bit more of that into 2026.

We -- our goal is to have a balanced, healthy strategy and growth of volume and value. What that means for us is that on the volume side, to me the red line is at least to get our fair share of net adds in the market. And on top of that, we need to grow our ARPUs because this is a market that doesn't have almost increasing growth at the moment. And in that sense, we understand our role as market leader as an incumbent. And let's see what happens in 2026, but I think at least some of the early signals go in the right direction.

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

Good. Let me I'll take the question on the AI, which is a bit broader. So first of all, I would like to differentiate between AI usage for consumer and AI usage for B2B. If you look to the consumer side, we at Deutsche Telekom have been one of the first that was, by the way, using AI long before the LLM models come up because we understood that using that towards the customer in chatbots we did more than 10 years ago.

If you take today a frac Magenta that was based even on very simple AI tools that we further elaborated. What does that mean? It means, at the end of the day, yes, there is software and there are foundation models that not necessarily come from Europe. But on the other hand side, VS telecom picked those up as a tool very quickly, and we elaborate that on the usage for our customers.

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So therefore, we have today on the chat bot level, I would say, a very advanced, educated system that, by the way, we can also export to others. Also, and Rodrigo mentioned that, we picked up the opportunity with AI to further drive automation. When we talk about AI in Technik, that's exactly that.

You could say, we could do it also with classical tools such as ServiceNow, et cetera. Yes, with AI you can do it better. So therefore, on the one hand side, AI first, AI and everything is important. That's our philosophy, but also we try to adapt it and we try to adapt it for our use and the customer. On the B2B side, it's another animal, I would say.

There, you need to combine it with the pain points of customers, how can -- where are they really using automation? And how can you pick AI tools up to make them being faster, more efficient in doing that? In that regard, we have the advantage that we are probably one of the providers that deals with the most Fortune customers from Shell to Volkswagen and so on and forth.

We work with customers on the automotive side, and we do learn what is their need on automation to build a modern fabric through digital twins. That said, brings us to, for instance, also our chemical pharma customers where we learned what are they doing for their new pipeline, for their research, et cetera.

And you can drive it on and on and on. So in total, we are using more than 25 foundation models across the group. We are using a lot of applications, and we brought it, by the way, also back to that stack I was mentioning in Munich, where we combined the complete stack with our connectivity, security, foundation models and applications. So it's on the one hand side, picking it up quickly, that we do. It's on the other hand side, adapting to customer needs that what we do internally and externally. Tim, you might complement.

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

Yes. Look, Ottavio, principally you're right, the technology is indeed available for all operators and for all telecom companies are same. By the way, the same is true when it comes to building a network, being it mobile or fixed and everybody can build the components. It's all the supplier based. In principle, the same true for car industries because it's an OEM model and you can buy all the components.

And everybody is differentiating in the way how he brings the stuff together. Now going into the specifics and how I see that as a differentiator going forward, I think the industry specific adaptation is the one which is creating a differentiator. Now think about, let's say, the telco-specific AI models, who has biggest data and then could use the biggest data in the best way.

I think companies with scale have an advantage out to small companies when it comes to using the tools and using their learnings, the leverage of AI within the company is bigger for us because we have a bigger cost base, we have a bigger industrial base. So the moment we have productivity insights, the benefit for us is by scale, by definition, bigger. So that's the third one.

The fourth one is the element of trust. The brand who has the biggest trust has the biggest legitimation to bring AI to the customers. That is what we are doing since years to build this T including the data and the AI as a kind of trustworthy brand so that people trust in us. And the success of Perplexity in Germany, by the way, the second biggest market of Perplexity in the world just gives you that our customer is confident in this regard. And therefore, I think if you have a great trust base, you can easily resell the AI models into your client base as well.

The next one is the partnership ecosystem. I can tell you when it comes to the big players of AI, they like to work with the big players because they can scale their products easier than going to all the small players. That is, by the way, even one of the challenges, which I see going forward that the big players have a big advantage out of AI, while the small companies in all industries will suffer from late adaptation of AI.

So I see a lot of differentiation possibilities coming from ethics regulation, coming from the partnership ecosystem, coming from the proprietary data leverage, coming from the telco specific knowledge and the AI models which we can use as a leader in this industry, and we will do everything knowing that the components might be available for all players at the same time. And to be honest, I see us compared to all the other players, and you know I'm very keen on this one. I see us leading in this category in the European landscape at least.

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

Andrew, Goldman.

Andrew Lee - *Goldman Sachs Group Inc - Analyst*

Thank you. Good afternoon, everyone. So I just wanted to push on two of the areas that have been discussed already at reasonable lengths. I'm very conscious of that. But just on satellite risk and also the AI cost savings side of things. So just on satellites, the answer was really helpful. I just wanted to look forward a bit more, given there's a lot of very grand ambitions in terms of pumping satellites into the sky.

And just ask what do you think would have to happen for satellites to shift from being a partner to becoming more of a threat to your business? Tim, you mentioned MVNO contracts. If they were let in the door, is that letting the wolf in the door if they get an MVNO contract and start to be able to control the customer spectrum allocation that was also mentioned?

Is that something that could change that would enable them to become bigger threats? What are the things that you worry about from this perspective, given that all of the satellite operators are talking about basically a tenfold increase in satellites in the sky over the next decade and that could lead to over 100-fold increasing capacity?

And just a follow-up on that one. You touched on it, but are we correct in thinking that the margin, the risk is higher to the US than Europe because as you said, the network geographic coverage is not strong there? And then just second, a much quicker question, just on AI. We've heard about AI cost savings for a number of years now.

Obviously, it's taken a bit of a step up, but in previous years, those AI cost savings that telco operators talked about didn't really drop through to the bottom line because they just got competed away. So what makes you confident that they don't get competed away this time? Tim, I think, again, you mentioned that companies with scale have an advantage and maybe that's the differentiation that means you keep hold of it. But what's really shifting? What are the key factors that make you confident that you can actually hold on to AI cost savings here?

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

Look, maybe I'm clear on -- I do not want to make that satellite topic so big here. And I think I was very precise on laying out the picture between Europe and the US with regard to the potential threat there. In this regard, to be honest, due to the coverage in Europe, I see the satellite business model more attractive for the US market than I see that for the European market going forward, including, by the way, spectrum availability.

Second, look, if StarLink would be a global service with X and having local MVNOs and he can play a terrestical game because he has to play a terrestical game, it will never be able to digest all the traffic via satellites, even if he pulls out millions of satellites there, he needs a terrestical service. Then he might have a different model, but then he is in our business model and then it's in our economics.

So therefore, I don't foresee that right now that this is going to happen, at least from a Deutsche Telekom perspective. And the spectrum availability is something where Europe and the US is different as well. So I do not want to repeat myself because the more we talk about that when we might be bigger make it.

And to be honest, we look at it, I see a potential for this satellite market. but I do not see that as a substitution for our industries just by physics and just by capacity. So that is, let's say, the way I'm looking at it. On the AI eye side, Andrew, you are spot on. I'm happy, by the way, with the EBITDA AL development in the group.

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I'm happy with, let's say, how the attempts are with regard to the AI projects, 500 projects in the organization. I see even the benefits on how quickly things get resolved in the company due to AI. But look, I'm a little bit tired about the laziness of my people to reduce their IDCs at specialty headcount. So therefore, you're spot on, we have to push more on that one.

I think the EUR800 million is committed, but I think there should be more, and I'm looking here to the right side of my colleagues because they are running the organizations, and they have to come up with something. And to be honest, we're working on this one intensively. But I do not want to go today. I promise you. in our AI day, and we will do this in an intense way. We will not only show you one showcase after the next.

We will show you how our organization is operating practically and not in the future, but today, and we will show you the productivity gains, which we make in each of the divisions. So which is the impact on the IDC today and going forward? And what is, let's say, the time to market and the other gains we have out of AI and challenge us on this one in this specific session.

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

And maybe just as an additional piece of information. Of course, you heard T-Mobile at the 11th of February, guiding for their digital AI-related savings, and they guided for $2.7 billion of incremental savings between 2025 and 2027 from such initiatives. So thanks, Andrew. And I think we move on with Mathieu, Mathieu from Barclays.

Unidentified Participant

Hello, can you hear me?

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

Yes, now we can hear you.

Unidentified Participant

Okay, thank you. Hi, everyone, and thank you for the presentation. Okay. I had two questions. The first one on TMS. So the guidance, the message for 2026 points to shift towards a more value focus rather than volume to previous years. It seems very sensible. But I wanted to understand what opportunities you have there in terms of the volume. For instance, does the back book versus the front book pricing enables for more back book price increases without a risk of spin down or churn?

And on the front book, are you still well positioned versus your peers and hence, have a bit of pricing power there? So that's the first question. The second was on the exciting topic of ROCE. So you're guiding ROCE down for 2026. That comes after a decline in 2025. I think last year, you were hoping for a rebound in '26. You now expect that rebound in '27.

Now I fully understand that there are nonrecurring elements impact the way you compute ROCE, as you explained in your annual report, but I was wondering, besides the one-off there are other elements that are driving ROCE down in any of the main geographies? And what makes you confident it can increase in 2027?

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

Thank you for the first question. And look, I'm very happy about the developments in the US. And for us, pricing power is usually associated with the best network and the best customer experience. And you have seen that five out of six categories we own in the US, and I do not foresee in the short term that we will lose them. In addition, we are always leading in value.

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So therefore, at the recent update, they highlighted that their back book is lower than Verizon's on ARPA and lower than AT&Ts on ARPU, so both by double digits. So yes, there is always potential for us to do something, and we have not ruled out further rate plan optimizations. I think Srini was very clear on this one. He said, we are driving the company by value. So therefore, I think he was very crystal clear.

To be honest, due to the fact that Srini has laid out a very detailed plan and a very committed plan, which was highly respected and appreciated from the. I would not add something on what he has said. This is now our commitment going forward. We have a great position on this one and everything we will do considering what is the best for our customers and the best for the company.

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

I would basically add one point which where Srini was very adamant about is that 60% of the customer intake premium plants, whereas the installed base is only on 30% on the premium plans. So that shows you, I think, a very distinct growth platform for ARPA growth in the US. So the second question, as good question. So I think we owe you the question on the reversal.

Look, first of all, in last year, we had quite a bit of one-off effects, which were the impairment reversals, which obviously hit NOPAT, where we came in with a very high ROE. We don't see this year. This year, we have some, I would say, negative impacts from the integration, which will also hit NOPAT in a negative way. These are the two things which are popping into my mind, but I think we can follow up on that question, Mathieu, give you a little bit more detailed feedback.

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

Yes. But I think you were spot on the main factor is the restructuring charges that T-Mobile incurred in relation with the US. Cellular integration and also the headcount and network optimization items that they have outlined. So for me, the most important thing is that Deutsche Telekom is in all businesses, earning their capital costs. So that is the most important thing.

We are creating added value in this company. And by the way, with an increasing momentum here. I was the inventor of the economic value added, and everybody laughed about me when I did that in was it 2004 or '05, so a very long time ago.

And we're still pursuing this logic within the company, and I'm very happy where we are today that we earn our capital cost that we pay out our dividend out of our earned money that we have this kind of sound financial system, and that is one of the principles, the narratives on how we are driving this business here.

Unidentified Participant

Thank you very much.

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

Paul Sidney, Berenberg.

Paul Sidney - *Joh Berenberg Gossler & Co KG - Equity Analyst*

Just building on a couple of questions we've already had. In the German market, I was wondering did the positive net add performance you saw over Q4 '25, give you the confidence to raise prices in Germany in Q1? Or was the decision to raise prices more for more a directed strategic move? Just really trying to get a feel for whether the price moves were independent of the performance or whether one is leading the other.

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And then secondly, just building on a previous question on capital allocation. And I know Christian, apologies, you get this question every quarter, but it'd be great to get an update on your capital allocation priorities? And maybe if you could give us a feel for how much unallocated capital there is to allocate over the next few years in terms of a sense of quantum?

And maybe is there a potential to accelerate the fiber build? And again, I know you've had those questions many times before, but it would be great to get an update on your thoughts.

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Sure. On the first question, I can say it now because now we did it, but we started working on this one more than nine months ago. And the movements that we were doing on the front book where for us a preparation for the back book move. To me, it was pretty obvious from the beginning that this market needs to get a healthier value development on the broadband side. As I said, we first took out promotions in April of last year.

We then did a front book increase of EUR1 in October, which allowed us to test price elasticity. And something that we did that probably didn't catch your attention is we did some pilots last year also on a back book to understand elasticities. So this has been prepared for a while. I want to emphasize that we didn't apply the increases to the entire base. We focused on a portion of the base, particularly on those with older tariffs.

So we are talking about tariffs that were paying prices before there was a war in Ukraine or before we had a global pandemic. And still those loyal customers who were on old tariffs are still paying below what are our front book prices. So this shows you on how we were very careful also on taking care of these old customers. We have now a couple of weeks of experience.

We're tracking, of course, the churn and the impact of these moves on a daily basis. And as I said before, -- what we're seeing so far in churn is well, well below what we had in the business case, and we keep tracking that very, very carefully. I hope I answered your question.

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

Okay.

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

So on the capital allocation. So in principle, what do we say at the Capital Markets Day, we said either share buyback on the DT side or increased shareholding or we may have some strategic flexibility for other purposes. And bear in mind, we just established '25, for example, the AI Giga factory, which wasn't planned, but we basically used the potential which we have on the balance sheet in order to fund this.

Look, on your question, why now T-Mobile US, I think I answered that question because on the services that looked cheap as we made that announcement. And for 2026, there's not a lot of wiggle room because we have the EUR2 billion on the DT side. We have 50% of the share buyback in the US, which is roughly USD5 billion.

We have -- we are tracking now towards 53%. And on the fiber build, whether we accelerate this, I think we announced it in Q3 that we accelerate the fiber investments by EUR200 million in Germany by reallocating budgets but also trying to get better efficiency. And the third one is by using the surplus, which we're getting from the tax relief here in Germany in order to refinance or and reinvest into the fiber build-out. So, so far, I think I'm fine.

And I want to see that the strategy is holding water. What Rodrigo just said, especially on the MDU space that we get a higher utilization if we go for a full build-out because we don't want to build out if there is no demand. And I think this needs to be proven, and then we continue with that going forward.

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

James, New Street.

James Ratzer - *New Street Research LLP - Analyst*

Yes, thank you everybody. So I have two questions, please. So the first one was about line losses for Rodrigo, but not your retail line losses but your wholesale line losses. Those have been around EUR400,000 a year for the last three years or so. How do you see that trend going forward? I mean on one hand, do you see that some of your wholesale players could move more lines to other alt nets or because old net build is slowing, actually, the rate of those losses might actually slow from here?

And then the second question, maybe one for Tim. But as the kind of part of the leading consortium on the AI Giga factories in Europe in the largest country in Europe, I presume you're kind of front runner to be successful in the bid for an AI Giga factory. So I think I asked about this three months ago, but given this is moving at speed. I was just wondering if you could give an update on any further developments on that particular size of maybe your equity contribution if you were to be successful and what new visibility you have, if any, on the revenue models that could underpin the AI Giga factories?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Hi, James. So I'm going to answer your question on the wholesale side. Still, I'm going to make a comment on retail, which is we see the -- I think, the last time we talked, I told you my estimation is that this market as a whole, the German market as a whole is making some 200,000 to 250,000 net adds per year and that the altnets are taking some 500. If I look into the future, I think those 200 will probably become rather 100.

And on the altnets, we see those 500 stable, maybe coming down, but not well below 400. So there you have your math. On the retail side, in the mid and long term, we feel confident to, as I said before, keep our fair share of retail net adds. On the wholesale, it's a little bit of a different story.

Now when you correctly say, we have been seeing a similar trend over the last couple of years. Nevertheless, you need to double-click on that one and the average because when you look into our wholesale losses, there is an increasing portion of that, which is related to our JVs.

So in our JVs, which are off-balance sheet vehicles, you see the retail net adds that we make on those JVs in our P&L and the numbers that we present, but you do not see the wholesale net adds that those JVs make on which we 50%, let's say, of the economics we keep because those wholesale net adds are in the -- are kept in the JVs. So -- and of course, as we are scaling our JVs and by the way, we are scaling them successfully, we are on track to our expectations on the JVs.

This weighs on our wholesale numbers. If you take this out, I would say that the trend that we see on wholesale broadband losses is stable and by stable, I mean along the lines of what we have seen in the last couple of years. The reason for that is because a lot of the overbuild we had and a lot of the exposure we have on the wholesale side is exactly in those rural areas.

And in that long tail where we have been overbuilt and we have not yet deployed fiber infrastructure. Now looking into the future, there is, of course, a path to, let's say, a rebound and increase our infrastructure share, including wholesale because we're seeing increasing signals of market consolidation coming up in the market.

We also have 50-plus cooperations and growing. And so I believe that over the coming years, we would be part of that consolidation that there's going to be in the market and that is going to help us regain the infrastructure share that we are, at the moment, losing on the wholesale side.

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

Yes. Look, James, I hope that once you get out of your home office whenever you see where your under your roof and there's no painting nothing, I hope you can still escape there. Anyway I was joking. Let me go for your question with regard to the AI Giga factory. And look, we remain actively involved into the consortium discussions, and we're doing a lot of preparatory work here.

However, the project is still subject to a lot of, let's say, alignment, funding clarity and industrial governance and structure, which is laying in front of us. Let me maybe frame the first thing. On the industry side, we are very close and aligned with the Schwartz IT Group. So you will not see a very competitive landscape fighting for, let's say, different RFQs here from the German angle. The big guys are aligned, and we are joining forces in this regard.

So the second thing is with regard to locations, we have alternative locations where we can build it under reasonable terms. That's a discussion which is ongoing. So that's not an obstacle and a problem. The problem starts first with the unknown conditions of this subsidization coming from Europe.

And by the way, this is affecting all European applications because it's very unclear what the GPU price per hour is going to be under which the European Union is willing to contribute volumes into these Giga factories. We have heard numbers which are under the price for the GPUs, to be honest, and it will never work because nobody would consider that. And then we heard as well that these guys might only commit for two years.

And I can tell you, nobody will get a financing for an investment like this if you only have a commitment for two years on the volumes which are coming from the governmental services. There has to be a 35% utilization at least, which was the original commitment from Europe and the member states. I do not see at that point in time how they're getting their act together with regard to the volumes.

And the last topic, which is a very specific German issue is the energy price. You're aware that the energy prices for Germany are not that favorable compared to France or to the northern countries. So therefore, even there is a discussion which has taken place here in Germany.

Now I can tell you, you know our principle here. We are not making bad deals. And to be honest, I don't need to build a Giga factory. We are willing to build a Giga factory if it makes commercially sense and we have a good utilization for that one. But I -- my statement in the press this morning was Deutsche Telekom doesn't need it. Germany needs it.

And if Germany wants to have a kind of sovereignty with regard to their data use and their data handling, they have to get their act together and we are the facilitator. We are the enabler for this factory here on the -- in the landscape of Germany. So that is, let's say, the status quo.

I do not know whether we will apply. I do not know the framework for this RFP at that point in time. And therefore, we cannot say what we're doing, but I can promise you one thing. We will only do that if we have a kind of a clear financing in place with the business case, which is paying off. Now with regards to the industry AI cloud, these are the 10,000 GPUs.

We made a step forward, independent from this giga factory and like to hand over to the mother of this factory, which is Ferri, and he will give you a very short insight about the utilization, about where we are and the promising outlook which we see here.

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

There are also a lot of fathers, including yourself. I think you put it very clear under which circumstances we would go for the Giga factory, but we did say we don't wait for that. There is a need for companies like Siemens and others and they have a demand, and that's why we created in Munich this first open, secure and Saven AI fabric. If you would ask me now what's at the moment demand, we can say we are ahead of the business plan. We see that almost utilization around 42 even more so is given.

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That shows there is demand and alongside this demand, we can grow alongside with our customers. So we have in Munich, the chance to double. We can even in another location, Munich treble, and that brings us to a capacity around 30, 35 of GPUs, which shows that's almost one-third of what the Giga factory by the EU definition is bringing to the table. But we do that alongside the demand that we have enhanced and that connects to what Tim says. We only do what makes commercially sense with us.

Also in Munich, we work with the disadvantage of the energy price and that's what we bring forward to the politicians. But we have other things in Munich that makes it a bit more favorable. We have a river close by that helps us cooling. We have a good deal with NVIDIA that allows us to use the new technology to a very attractive price that we can scale.

So therefore, Munich is, for us testing the water. Munich is for us something that makes commercially sense. Munich is for us also the chance to scale. And thereby, we see how far through Munich we can come to something that you would call Giga factory. And if the three conditions that Tim was making bringing across for the Giga factory are coming more clearer bring then commercially sense to us, yes, yes, we can scale Munich into something bigger like a Giga factory.

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

And guys, one last sentence on that one. we are running almost 300 megawatts of capacity of data centers already today. We have under DTCP, two entities, which we own, which is GreenScale and Maincubes. We have our big data center, which we own ourselves, which we are utilizing. We have a GPU factory now in Munich. I can tell you tell me one other telco, maybe the Chinese ones but tell me one other telco who has this kind of competence of T Systems in the back with this infrastructure competence, which is deploying AI and data centers at that point in time.

We are at a lucky position because our capacity is almost sold out. We are expanding this within the footprint today. And we are thinking about whether we should organize our data center capabilities in another way in this company going forward, but that is more fantasy than already a business case, but this is an opportunities others don't have.

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

Thanks, guys. I'm sure this was music to Emmet's heart. But next up, we got David from Bank of America then Emmet. But given that we still have four more people who want to ask questions. Can you maybe restrict yourself to one question, and we promise to be to answer swiftly. Okay. So next up, David.

Unidentified Participant

Yes. I hope you can hear me. And yes, guys, thank you for giving us a couple of hours of your time today. I'll get on with this. Now I did want to challenge this concept of German fiber. You are pivoting towards rural fiber -- but you're adding a couple of hundred million euros from the tax rebate.

That really isn't much, quite frankly, against the German CapEx budget of sort of EUR4.7 billion, EUR4.8 billion. And given the difference in cost between rural build, which is probably EUR1,500 or so versus urban build of EUR1,000, I don't see how that touches the sides. So what additional CapEx are you bringing from other projects? And is that not a bad thing?

And I guess my ultimate question is, you mentioned, Christian, the demand curve, but it's so much more than that. It's about leading. It's about being the incumbent accelerating copper switch-off. Why would you not want to accelerate fiber even more, given your current opportunity to really dominate the landscape before maybe some of your competitors get refinanced or get their game together?

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Would it really be so bad to take some of that additional capital you clearly have on the balance sheet and reallocate it here? I don't really see why you guys are still hesitating apart from, obviously, you have a 2027 guidance target, but is the network incumbency of the network, not the absolute priority?

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

So on the fiber question, first of all, the number on increased investment that we communicate is net but on top of that, we are reprioritizing within our CapEx envelope. So what in the end goes into fiber is quite more than what you see net. And this we are doing through a combination of efficiencies and reprioritization within our own envelope. At the moment, we are investing more into fiber than all of our competitors combined. And we are getting our fair share of infrastructure build.

Now having said that, it is up to me and the team in Germany to now also show and proof that we can fill these networks that we can drive up the utilization and monetize those networks. And I'm sure that if we do that, I will be able to go to Tim and Christian and ask for more money.

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

I like the answer. You change the strategy, and we'll figure out whether it's working out. I think, David, just to add two things. I think even if we would increase the envelope significantly more, they will not prevent municipalities from building out I think they will build out in any case. And what we're seeing right now, the build-out of private equity-backed altnets has come to a standstill, almost to a standstill.

So from this perspective, I think there are two sorts of competitors ones you can stop. The other ones, you can stop. And I think whenever we are spending more on a certain direction, I want to see the return. And I think we have had a very good discussion on the strategy shift towards SDUs and MDU's full build-out. But I think we also want to see where this yields results.

Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

And David, let me just say it very clearly, we are absolutely focused each and every one of our employees in Germany on filling this network, on scaling the sales channels, on getting the customers on the network. And hopefully, we will earn our right to build out even more or as I said, I see an opportunity to participate in the consolidation that I think inevitably, we will see in the German market.

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

Great Okay. So with that, we move on to Emmet and his question, Emmet?

Unidentified Participant

Yeah, hi, everybody, hope you're all doing well. Thank you for taking my question. I'm just going to follow up on James' question, please, unsurprisingly, on the AI Giga factory park in Munich. Tim, you've been very clear in the past that you have the data center exposure through capital partners. You've also said, obviously, rolling out the data centers is extremely capital intensive.

And we've seen the hyperscalers form kind of joint ventures to roll out some of these data centers. And if you look at the agreement you have in the park, it looks like kind of combination of the biggest German corporate heavyweight. It seems like the Mohamad Ali, the George Foreman and Jim Fraser of German corporates in there. And with this in mind, if the conditions are right, are JVs a way that you can roll out more of this capacity going forward and keep this CapEx off balance sheet?

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Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

I think that goes now hand-in-hand with you, Christian, when it comes to the CapEx, et cetera. But let me say so. In Munich, as I said, we did a good deal both on -- we don't own the data center. We rent it on good terms with a good hosting partner that we have. And we have a good deal also on the hardware side.

All the rest comes from us. So we can really drive that with a good margin, and we can ramp up the capacity, from that regard. I'm not seeing that we have to engage us into questions like is that more CapEx, is that more data center, et cetera. If we go along and Tim made the point, let's not forget that we own already a lot of data, some of which we also can use for instance, Munich is a good example. If we have the inference need, so we can put another data center, which is close by on top of that.

So therefore, we go along when we see there is demand. We go along when we see we do margin. We go along with either capacity in terms of data center that we have or through data center capacity that DTCP has and their partner or data centers where we get a good attractive price. And with this combination, we can scale and we can adapt alongside customer demand. Does that answer your point?

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

The answer is very clear, yes. And we are looking into the opportunities here. By the way, within DTCP, GreenScale and Maincubes is expanding. They are on the road to expand 4 new data centers. And by the way, tenants are there, so it's not that we are always competing against them.

They are working with us on the utilization as well. So therefore, there is a collaboration taking place as well for Europe and footprint, the demand is high. And yes, we are looking at the opportunity to see how and when we are doing that.

Unidentified Participant

Tim, if I can just follow up, just very, very quickly. Are you finding that German corporates are coming looking for sovereign solutions at the moment like pure European German hosting capabilities?

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

Look, I'm hesitating a bit because there is a kind of sovereignty wokeness here. Everybody is talking about sovereignty. But look beyond, let's say, stating it, I want to see the clear commitments. We see that in the defense area. There's no question about it. There's a lot of money going in. We are, by the way, with the systems and with the DTCP participating on that one as well.

But let's say, on the cloud side, before you break the learn paradigms of the big corporates in the way how they are collaborating with hyperscalers, I think it will need a little bit more time before they really shift their data. On the classified side, there's definitely a willingness. But look, most of the data doesn't sit in the clouds already. So that is another question how they migrate them prospectively into a sovereign cloud environment.

Ferri Abolhassan - *Deutsche Telekom AG - Member of the Board of Management of Deutsche Telekom AG for T-Systems and CEO of T-Systems International GmbH*

Yes, maybe on top of that, what we see like when I left the systems like 10 years ago, the direction was clearly we shift everything of our real-time data into hyperscalers, et cetera. Companies like Shell, Volkswagen, they all went that way. That has stopped and it's on a reverse term. Now Tim is right. This is not everywhere already on that reverse term, and it's not fully on that reverse term, but it's, at the moment, a hot topic on the market.

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And it goes, for instance, if health is one of our biggest sectors where we see that at the moment. The question's are data really leaving the European environment is now getting hot. And no hyperscaler can architectural signed it. And that brings us into the game. And that's at the moment for us, a good. But I'm with Tim, this train has not fully geared up, but it will.

Unidentified Participant

Thank you very much. Thank you.

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

Great. Okay. So two more. One from Robert Grindle on the mail. We didn't manage to connect him. So it is a question for Dominique. It's not on data centers and it's about you're running a portfolio of countries, Dominique, what do you think are the main cross-border synergies, if any?

Yvette Dominique Leroy - *Deutsche Telekom AG - Member of the Management Board, Responsible for Europe*

I think cross-border synergies, we see them more and more because the more you go to digital, the more you go to software-defined network, the more you can bring the network locally and run the software and the intelligence part of it in a central way. This is true for network. It's also true for TV platforms.

We have common TV platforms across all our country. We have been rolling out RDK for the routers. We have same routers. So we take all the routers, set-top box, what we call the CPEs in one go, and we have the same across all the countries. So that's providing us, of course, synergies and also synergy from procurement, but not only also synergies in configurations and in managing the home, as I highlighted, as one of the key future development for home experience.

So these are a few examples, the One app or the Magenta app has the same architecture across the different countries. So we are developing currently also one portal on the B2B side. So even in B2B, we see synergies. We have competent centers where we have center of excellences that are supplying product, experience, people to the different countries so that we do not need to duplicate talents in all the countries.

One portal is the same. We are rolling it out now across all the country where customer can lock on to our B2B portal, and it will be the same across the different countries. We also use sales force across the country. So a few examples, just to show you that there are many opportunities for synergy.

It is not always easy to implement them because we are still companies that have quite some legacy but when we go into new development, into new products, into new platforms, we really try to do it together in a common way. And currently, also from a cultural perspective, I think people see the advantage of it, trust each other, and it has become much easier to implement and to get the benefits of those cross-border synergies.

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

Thanks, Dominique. And then I have a question from Akhil at JPMorgan here. The question is now on German broadband again, and what he would like to know is where does the improvement come from? Are we taking share from Vodafone? Or are we doing also better against other players like the altnet in this quarter? And how is that going to develop going forward?

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Rodrigo Francisco Diehl - *Deutsche Telekom AG - Member of the Management Board, Managing Director of Telekom Deutschland GmbH*

Yes. I think the improvements are coming from really a 360 plan. So we have focused a lot on the nuts and bolts of operations throughout last year and this year. We -- as I mentioned, we are scaling new channels on the acquisition side. We are getting better on the acquisition side.

We're also getting better on the retention side. We are running proactive retention campaigns. We have established and upgraded our safeness cooperation. So we are starting to also see our churn come down. So it's really the one-on-one of how to pull all the levers of operations.

Where it's coming from? I think it's quite -- as I answered in the question to James, this market is probably making at the moment, 100,000, 200,000 net adds per year. You can see from the altnets 400 to 500 that they take per year. And then there is the rest. And I think you can do the math on how these volumes are moving.

In our case, I want to emphasize this, we have not done this through price aggressiveness. On the contrary, I mentioned all the moves we did on the front book, the moves we are doing on the back book. So this is based on hardcore operations. And that's what gives me confidence that the worst is behind us in 2025.

Of course, there is now an element of uncertainty, as I mentioned because of the back book move that we did. The early indicators are very positive. But of course, we prefer to be paranoid about this one and have all hands on deck on operations, and that was what we're doing every day.

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

Thanks Rodrigo. And now we have Tim for closing remarks.

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

Look, thanks, folks, for taking the time. It was a pleasure to have you for more than two hours here together and on the questions. And it was, for me, very relaxing because I had the colleagues who were answering the question, and I could play with AI. So this is, by the way, the picture of, let's say, which is prompted about your answers. So that is about that team.

So at least I use the time very productively. So guys summarize it up. Despite the competition, we are delivering the strong growth we had promised. We are overall on track of our capital market signs. I want to reiterate that not only in the US, but also in DT ex USand as a group as a whole.

So therefore, half term, great achievements, you can rely on us when it matters. This afternoon, you heard from my management colleagues about some of the achievements and strategic priorities going forward. A few weeks ago, you heard from T-Mobile, from Srini and his team, the same.

And building on that, I'd like to highlight the six super priorities, which are the ones which are relevant for this year. The first one is doubling down on connectivity as our core differentiator and extending our lead here. I think this is no question. Nobody else can afford it. We discussed CapEx and the CapEx envelope here. So that is our commitment to you guys. You heard Rodrigo, you heard Dominique on this one.

At the same time, we are keen to explore new high-value business opportunities in the data center space. Second, we want to strengthen our B2B portfolio. We haven't talked so much about B2B today. You guys, this is a EUR15 billion business, so therefore, it's worth looking at that one. And we want to do that through an integrated portfolio and pursuing the sovereign AI and cloud opportunities, Ferri, laid out.

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So Ferri and the German team and Dominique's B2B troops are aligned on this one to pursue on these opportunities. Thirdly, AI will redefine everything here. And this is something where we will consequently invest and we will act accordingly to our commitments here. And we will, by the way, lead the industry.

And we will show you where we stand in our especially AI deep dive workshop offering to you in due course. We are yet to unlock the full power of our transatlantic scale. And this is another priority and the collaboration on B2B with the US on the 6G development, on the AI development, on the digitization, on the procurement elements, all of this is something where we have a unique opportunity at Deutsche Telekom, and we are making good progress with our collaboration here.

And then we will maintain our successful capital allocation. I think the moves we made around the T-Mobile Capital Markets Day from both angles of the world were well appreciated. Another proof that we understand what the market is looking for. And hopefully, you appreciate that. This is a lot of work which is going into this one to continually drive superior value and sustainable shareholder return.

And yesterday, we even approved in our Board the EUR1, which is another way going forward to the EUR1.50 which we have clearly in sight with regard to the dividend payouts going forward. And the last thing is all of this is only power -- possible with the culture. We always under missed that, especially in the Capital Markets. You guys think everything is a spreadsheet. I can tell you, 50% is emotion and heart. And therefore, we are investing a lot into our brand.

By the way, the most valuable brand of Europe and still I'm not happy where we are, but as well into the best team. You have seen parts of our best team already today. There's a lot of stability in this team. So this is good going forward. And we have a structural and cultural transformation started here, not only the rejuvenation of our leaders here but as well in the way how we develop culture into three directions: collaboration, performance orientation and becoming uncorporate.

So less bureaucracy in the way how we're operating. More to come. If you are interested, I can make a specialty T style workshop because we call our cultural program and the culture in which we are T style. And with this kind of T style, I want to say goodbye. Thank you for this long session today. Thank you, my colleagues for supporting us today, and thank you all for your trust in to T. Bye-bye.

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

Yes. Ladies and gentlemen, Okay, bye-bye. The conference is about to end. We'd like to thank you for participating at this call. And of course, also thanks to the management for taking the time and your patience. And should you still have further questions, please address them to the Investor Relations department and speak to you all soon. Goodbye.

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