

World Report in Turkey

An editorial by Sureyya Ciliv, CEO of Turkcell (March 2007)

In the world of telecommunications, there is no doubt that GSM is the fastest developing area. Total revenues for the global mobile communications market stand at US\$616 billion and global subscriber numbers stood at 2.6 billion at the end of 2006.*

In Turkey, where there are 53 million GSM subscribers, mobile subscriber penetration is roughly 70 per cent and we expect this ratio to exceed 80 per cent by the end of 2007.

Turkey has a young population that is open to innovation and we expect to see continued growth in the market given the proportion of young people out of the country's total population.

At Turkcell, we can point to some major achievements over the past decade. Our total number of subscribers reached 31.8 million as at the end of 2006 and our market share stands at 60 per cent. As well as making us Turkey's leading operator, these figures also make us the third largest GSM operator in Europe in terms of subscriber numbers. We're going to maintain our leading status in Turkey with respect to subscriber numbers with even greater growth anticipated in 2007. We acquired a net total of 3.9 million new subscribers in 2006.

Turkcell is the first and only Turkish company to be quoted on the New York Stock Exchange. The trading of Turkcell's shares on NYSE has elevated our company to international standards with respect to our corporate management principles. Turkcell has interests in international GSM operations in Azerbaijan, Georgia, Kazakhstan and Moldova via Fintur Holdings. Turkcell also operates directly in Northern Cyprus and Ukraine.

We now cover 97 per cent of Turkey's population as a result of the US\$ 6.1 billion of investments, excluding license fees, that we have made since the day Turkcell was founded. As we have the largest coverage area through our 12,000 base stations, we're also far ahead of our competitors in terms of voice quality. We provide a high level of service to enable our customers across Turkey to talk without interruption. We offer our customers the most widespread and fastest mobile data communication and Internet access in Turkey. We have roaming agreements with 540 different operators in 193 countries.

However, at Turkcell we don't just see growth in terms of numerical results. We're working to increase the value we can provide to our customers and to the ecosystem we have created and, on a more macro scale, our contribution to the sector and to Turkey. As well as coverage and voice quality, Turkcell is continually running campaigns and introducing services that cater to our customers' every need and bring them additional benefits in every aspect of their lives. No one cares more than we do about our customers getting value for money. We undisputedly offer tariffs that allow customers to talk to the greatest number of people at the most suitable rates. Increasing our customers' satisfaction and their loyalty to Turkcell is our primary objective. Acting with a sense of responsibility that befits our market leader status, Turkcell has always provided its customers with the best service in the manner that would most benefit them and we will continue to do so in the future. Working with my team and our business partners, I want to see Turkcell strengthen its position as a leading player not only in Turkey but also across this part of the world.

Turkcell has been bringing innovations to Turkey and offering its customers value-added products and services since the day it was founded. When we compare Turkcell with operators in other countries, it's clear that we operate to the highest international standards in terms of network quality, products and services. One of the largest operators in Europe, Turkcell will continue to strengthen its leader status in Turkey's GSM market with its combination of experience, know-how, investments, and the many advantages it provides to its subscribers.

Turkcell has been competing with itself for [the past] thirteen years, raising the bar ever higher and providing the most extensive benefits to our customers. We have always believed that competition spurs development and progress. We're always in favor of rational competition.

As the Turkcell family, we no longer consider ourselves to be merely a GSM operator. We aim to grow Turkcell by expanding across other areas of technology, with GSM as our origin. We now refer to our business as being "communication and technology" rather than GSM. We're going to develop our business further and increase the value of our company. At the same time, we'll be continuing with our international expansion programme by means of strategic, rational investments. The Middle East, Eastern European countries and the Balkans are all areas that are of interest to us, should they present investment opportunities. We can bring to these countries the know-how, experience, and technological superiority we have developed in Turkey and in the six other countries we operate in.

The innovations Turkcell introduces act as a driving force for the industry and open the door to new applications. We have new opportunities to focus on in 2007. The firms with which we cooperate on value-added services, an area we attach great importance to, are our indispensable business partners, sharing our research and development efforts. I believe that the international awards we have received for our products and services are a significant indication of our success in the field of innovation. Our planned investment in 2007 is US\$400 million, excluding the license fees for 3G. This investment will go towards research and development and the refinement of our infrastructure. Our R&D operations were brought together under one roof in 2007 with the objective of providing more advanced and higher quality services to our customers. 263 engineers evaluate, develop and refine ideas, projects and products (both domestic and international) at our R&D Center. As our R&D Center opens up new possibilities to Turkish engineers, so we continue to develop new products and services together with our business partners. One of the most successful results of these efforts in 2006, *turkcell-im*, brings together in a single point of communication and access more than 100 value-added services made available over the web/WAP and by SMS. Introduced in the second half of 2006, *turkcell-im* became a turning point in the field of value-added services in Turkey with its rich content and simplicity of use. Providing the infrastructure for *turkcell-im*, the Service Delivery Platform Architecture (SPDA) is one of the most advanced in the world. Putting its name to another first, Turkcell has recently introduced the electronic signature, specifically developed for cell phones and legally the equivalent to a written, "wet" signature. Turkcell has placed its new service, the *Turkcell Mobile Signature*, at the disposal of mobile phone users with extra SIM card security features. Turkcell is the first company in the world to offer this service.

Turning to our customer loyalty projects, *İşTcell* provides special advantages to our corporate customers and brings together new tariffs and advantages exclusive to companies, as well as products, projects and mobile business solutions designed to allow customers to conduct business more profitably and efficiently. The campaigns, advantages and offers *İşTcell* presents to companies are available to all postpaid and prepaid corporate customers.

Another resoundingly successful Turkcell project is *gnçtrkçll*. With more than 13 million subscribers, *gnçtrkçll* is Turkey's largest youth club. More than simply being a campaign that offers young people attractive tariffs, *gnçtrkçll* is an organization that helps young men and women in other areas of their lives as well.

Turkcell owes a lot of its success to its record of innovation, a key part of its corporate culture. Turkcell is looking to offer a unique opportunity for Turkey's creative brains with the Turkcell *MobileFuture* Competition (announced in the last quarter of 2006). The competition is intended to create public awareness of innovation, which is to play a key role in Turkey's development, guide young people toward innovative work, evaluate existing innovative efforts and give awards to the best ones, and thus encourage innovative young men and women.

Cell phones are becoming more and more advanced (to the point where they can perform many of the functions of computers) with the result that they are no longer a mere apparatus for voice communication but a versatile device that can do much more. We will therefore look to expand our business further into wider communications and technology. There's a host of new technologies coming up like 3G, Wi-Fi and Wi-Max. Turkcell will adopt a structure that will allow us to get engaged in all of them.

We're expecting some important steps to be taken in the GSM sector this year. Foremost among these is the issuance of the 3G licenses. 3G is going to ensure the continuation of the current process of broadband and data communication services. Our customers will get the chance to use advanced services and products faster thanks to the speed of 3G. 3G will pave the way for the introduction of applications that will have an impact on all of Turkey's production and service sectors, chief among them the e-government services, health and education. 3G technology will not only allow the Turkish people to access the services and applications they deserve but will also contribute to the Turkish economy in terms of local accumulation of knowledge, the use of technology, exports, the generation of employment, and the demand for qualified manpower. 3G will save us from investing in outdated technology and supply us with sufficient mobile bandwidth to enable us to provide a better and faster service.

The government decree for the implementation of the long-awaited Authorization Plan for 3G has now been published in the Official Gazette. We're now waiting for the Telecommunications Board to announce the tender for the next stage. Turkey is switching to 3G right on time. At Turkcell we have completed our preparations for making 3G operational as soon as possible after the licenses are issued. We're going to introduce 3G to the Turkish people in the not too distant future.

Turkcell has been investing in its social responsibility programme since the day it was founded. We have given scholarships to approximately 12,300 students under the "*Kardelenler*" (snowdrops) project which we have been conducting since 2000, whereby we allocate funds for the education of 5,000 girls every year. 770 more "snowdrops" got

the chance in 2006 to receive a four-year high school education thanks mainly to proceeds from the sale of "*Kardelenler*", a book by the famous author Ayşe Kulin, the album "*Kardelen*" by the famous Turkish pop singer Sezen Aksu, and tickets to Sezen Aksu's "*Kardelen*" concert.

In the field of sports, Turkcell is the main sponsor to the National Soccer A Team and the National Men's Basketball Team. Turkcell is sponsoring the Professional Soccer League of Turkey for five years - the "Turkcell Super League" was introduced in in the 2005-2006 season. We are also the main sponsor to twelve soccer clubs in Anatolia. Our social responsibility projects will continue at an increasing pace in 2007.

When we compare Turkcell with operators in other countries, it's clear that we have a world operation. One of the largest operators in Europe, Turkcell will continue to strengthen its leadership of Turkey's GSM market through its unrivalled experience, know-how, investments and customer service.

*Reference: IDATE Consulting&Research February 2007