

# Türk Telekom: Unleashing the Convergence Giant



Türk Telekom group provides integrated telecommunication services from PSTN, GSM to wide band internet in Turkey. Through innovation, value added services and constant customer care, Türk Telekom became one of the leading telecommunication and technology companies in Turkey and in the region. In our cover story for this month, Dr. Paul Doany, Chief Executive Officer of Türk Telekom and Oger Telecom Ltd., talks about competition, success, convergence and the Turkish telecommunication sector.

Dr. Paul Doany, Chief Executive Officer of Türk Telekom and Oger Telecom Ltd.



## First can you give us a corporate background on Türk Telekom operation and services in Turkey?

Türk Telekom Group offers services from home to office phones to GSM/EDGE/3G, and from internet to call centre, education, content and entertainment. With our customer oriented products and services, we focus on creating value for our customers. In an era where global telecom sector has tendency to deliver voice, data and video services over a single platform, Türk Telekom, as one of the pioneering telecom and convergence technologies group, supports its convergence vision with investments in technology and infrastructure.

## How do you evaluate the growth of Türk Telekom since Oger Telecom acquired the largest share?

Türk Telekom being a fixed line operator at that time now became a Group including 8 companies operating in mobile, broadband, IT and customer care areas. We now focus on convergence and Group synergy. Türk Telekom is now a listed company. Türk Telekom IPO was one of the biggest IPO's in 2008 in Turkey and was selected by EMEA Finance magazine as the best IPO of the year. We believe in the potential in this market and in Türk Telekom as a company.

## How do you review so far 2009, in terms of growth and revenue?

We continued to show revenue growth with strong EBITDA margin in the first nine months of 2009; the Company's consolidated revenues have exceeded TL 7.8 billion with an increase of 3 percent compared to the same period of 2008. The Company's consolidated EBITDA(\*) is TL 3.3 billion with a margin of 42%. The main drivers

of revenue growth were the Mobile Business (+16%, from TL 1,589 mn to TL 1,850 mn) and ADSL business (+28%, from TL 1,223 mn to TL 1,565 mn).

## To what extent did the economical crisis affect your operation?

We're determined to continue realizing our plans for investments, research-development and employment despite the difficult period in global financial markets. In 2008 we were able to recruit a record of 2,640 employees including over two thousand young engineers and technicians from all around Turkey. We also continued investments with primary focus on improvement in the quality and geographical coverage of mobile services and in the quality of ADSL services.

## Tell us about your vision on Convergence since you are working on several convergence products. What can you tell us about these products and packages?

Türk Telekom Group offers value added services by focusing on convergence technologies. Customer satisfaction is our core value, focusing on quality and value-for-money, and Türk Telekom Group is working on big projects to improve our service quality and lower our costs. In addition, we focus on tailor made solutions for communication and IT needs of corporate customers and SMEs.

Videofon is a good example of a new service launched, to be given over home or office phone. We believe that this product which opens the door for future value added services has started a new era in communications. Videofon users together with 3G will have a chance to make video calls with wider population.

## How Turk Telekom is Transforming Itself Into the Operator of the Future, and a Global Leader in Convergence

In order to increase internet penetration and to offer access to everywhere in Turkey, we increased the internet speed to 32 MB over normal telephone lines with vDSL2. With this new investment, Turkey has become one of the rare countries using VDSL2 technology.

With WiRO you can use your home phone in many other countries in the world. With WiFi phones or a laptop you can make a call from your home or office line anywhere with an internet connection.

Another very important technology is Wirofon. We are aiming to ease our customers' lives and offer added value to their lives. If you are in a Wifi coverage area, your mobile phone turns into a home phone. It means all fixed line calls you have made over your mobile phone are charged to your home phone bill with Wiro technology. With this service, you can make calls from airports, cafes, restaurants with your home phone number.

We look which devices are used by the customers. Today all technologies converge. Our technology company Argela has developed a technology called convergence gateway. Thanks to this technology all devices like video phones, computers, mobile phones, televisions, etc. can communicate with each other, in voice, message and video. Whichever device you use you enjoy the same experience. For example, you can discuss goal positions with a friend over the television

while you are watching a football game when you are in different locations. Moreover, this is a standard service, not a sophisticated one. If your friend is watching the game from the radio and calls you from mobile phone you will see on the TV screen that he is calling you and accept the call with remote control device.

Türk Telekom group also continues its preparations to establish IPTV infrastructure in Turkey, which we believe that will open a new era in communications all over the world. IPTV combines television, computer, DVD/VOD and telephone in a single platform and we expect that it will change TV watching habits in Turkey. IPTV platform will allow our customers to watch whatever they like, whenever they like, wherever they like. This will be further enhanced by WebTV as well for customers to follow their favorite contents with 'catch up' features from any location (using a computer). This has been enriched with personalization software, which assists the user, and can also be a tool for targeted advertising, which enriches value to the audience as well as to the advertising sector.

As we are keen to 'control' our technology, and thus be able to adapt it to the needs of our customers, we have focused on the development of the technology, especially where it enables us to provide converged solutions across various networks and various devices. As there aren't many such products available, we are

also able to target the export market as well.

**What can you tell us about your corporate services?**

As the leading communication and convergence technology company in Turkey for our corporate customers, we deliver everything from infrastructure to outsourcing projects including: leased lines, extranet offers, connectivity, network products, business continuity, disaster recovery, security services, content delivery, Multicast VPN service, and data center services.

**How are Türk Telekom Group's plans in the region for the Group's technology companies?**

We support our IT subsidiaries to grow in the countries in the region. We believe that the first examples are indicators of the fact that all these efforts will lead to a very successful point. Our targets relating to innovation and R&D have turned into reality upon the fact that our four IT companies have started to export technologies developed in Turkey to developed countries and also to emerging markets.

We have taken important steps in terms of exporting the technologies developed by our group companies. Examples include Sebit's education software Vitamin, which has been translated into four languages (including English, Spanish and Arabic), exported to three regions and become an international product. Argela and Innova have focused on Europe / Middle East / Arica and Asia, but Argela operates also in the US market offering IPTV infrastructure in this market together with SeaChange Company, in addition to

sponsored call products. On the other hand, Argela and Innova have jointly established IVEA in Dubai in order to increase the efficiency of the Group in the region. Argela has signed two major contracts with the biggest mobile operators in India, with over 150 million customers who will benefit from new value added services developed here in Turkey, in addition to South Africa and Saudi Arabia. In addition, Innova exported products in Albania, Kazakhstan, Qatar and Saudi markets. Sobee, who has lastly joined the Türk Telekom family, will also extend to international markets, and has signed its first contract in Saudi Arabia.

We also develop products for health sectors. We are working on a system which will allow savings on both patient and doctor side. This will be in both the public health sector and the private health sector, beyond simply providing 'connectivity'.

All these products and technologies have been developed by IT companies in Türk Telekom Group. They are all very exciting and all these products developed by Türk Telekom Group, in other words in Turkey, are now being exported to the various countries of the world. I am very excited about exporting Türk Telekom Group developed products abroad.

**Your vision is to be the preferred communication operator. Are you there yet?**

We were proud when we saw the list of the most valuable brands in Capital magazine, as prepared by Brand Finance. We position Türk Telekom as one of the leading telecommunication and technology company



in Turkey and in the region. And our principle is to create value for people, economy, development, growth and future.

**What is your strategy to face competition? What differentiates Türk Telekom from other operators?**

We are focusing on competition in quality of services, product variety and customer satisfaction. We believe our belief and investments on convergence are the main differentiators. We can also count quality of services and strong technological infrastructure, focus on innovation and R&D and strong workforce.

**To what extent is Türk Telekom involved in social responsibility?**

We continue with our social responsibility projects in order to minimize digital divide and to protect the

environment, in addition to promoting education and innovation, which is the future of the country.

We focus on creating value for customers, employees, business partners and shareholders in three main fields: education, health, and public safety and security. With Vitamin we offer education content which is in compliance with the Ministry's curriculum to 10 million students all over the country. We will that this will help minimize the digital divide. We are proud that this product has been crowned by awards domestically and internationally. And we are also proud that we are exporting this content, and also the business model for commercializing it.

On the health level, we are working on projects which will allow doctors to serve a large number of patients. Finally on the public security and

safety level, we continue with establishing urban security management systems all over the country, starting with public safety cameras, and traffic control systems.

Starting from education and entertainment, with all the efforts mentioned above, we aim to reach 15 to 20 million users worldwide. Of course, all these initiatives build a high value brand and Türk Telekom brand is a result of harmonized team work and loyalty of 36 thousand Türk Telekom Group employees.

**What can you tell us about your Rural Transformation Project that was recently completed?**

Türk Telekom's Rural Transformation Project, which began in March 2007, consisted of replacing 2.9 million lines and 9,750 nodes with next-generation network-based multiservice access nodes.

The project has been successfully implemented within a 21 month timeframe and it has helped Türk Telekom to provide schools in rural areas with internet access, and to offer broadband services with a homogeneous quality of service throughout the country.

**How do you evaluate the broadband penetration in Turkey? How is Türk Telekom working on increasing broadband penetration? What can you tell us about the service "Kids on the NeTT"?**

The number of ADSL subscribers has gone over 6 million as of September 2009 from 1.5 million at the end of 2005. This means the penetration rate according to households is close to 40%

now. We are supporting total growth in the market as we believe there is still further growth potential in the market. This support includes infrastructure investments and customer oriented tailored broadband products, tariffs and campaigns targeting to increase PC ownership. Online and internet based education material is another important factor that can increase broadband penetration.

We are in a very good position in that regard with our Vitamin product, which is an online education program on Math and Science and is developed inside Turk Telekom Group.

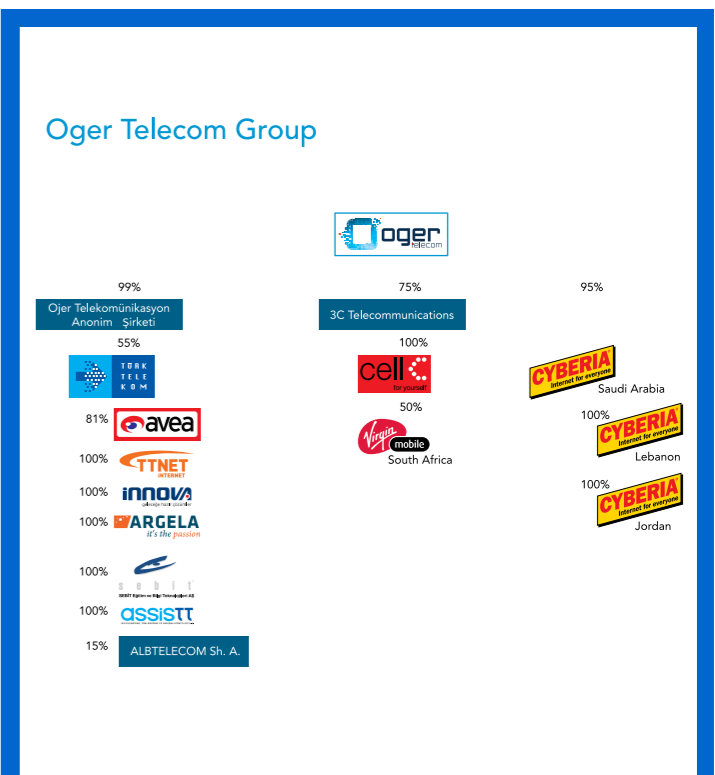
Our focus also on value added products in the ADSL business continues with our new product providing safe internet for kids. It provides school safe internet in the houses.

We see it not only as a value added service contributing to the successful revenue performance in ADSL but also as a strong supporter in the growth of the total broadband market. Broadband growth is also intended to be supported with social tariffs for lower income individuals.

We started offering mobile internet through our mobile subsidiary Avea and also through our broadband subsidiary TTNET, as a complementing product over high capacity, quality fixed internet and extensive Wifi hotspots across the country.

**What are your next plans and goals for Türk Telekom?**

We will continue offering Türk Telekom Group innovation to the world. We will continue supporting them to expand into the US, Central/South America, Europe Middle East, Africa and Middle Asia.



**About Oger Telecom Ltd.**

With over 40 million lines under management, Oger Telecom is a leading provider of telecommunications services in Turkey and South Africa, operating fixed-line, mobile communications and Internet access businesses. Oger Telecom controls the leading fixed-line operator and provider of broadband services in Turkey through its

55% indirect shareholding in Türk Telekom. Through Türk Telekom's 81.1% shareholding in Avea and indirect 75% shareholding in Cell C, Oger Telecom also provides mobile communications services in both Turkey and South Africa. Oger Telecom also owns a major regional ISP (Cyberia) which operates in Kingdom of Saudi Arabia, Lebanon and Jordan. For more information [www.ogertelecom.com](http://www.ogertelecom.com)