



Remarks by Darren Entwistle | President and CEO, TELUS

TELUS 2011 Annual General Meeting
Thursday, May 5, 2011

Thank you, Brian and good morning everyone. What a fantastic video that was.

Reflecting back a decade ago, TELUS was completely alone in our conviction that a western company could be successful here in central Canada.

Few of us could have foreseen that our brand would be as well known in Ontario and Quebec as it is in Alberta and BC.

Indeed, the TELUS brand has grown in value from a few hundred million dollars to \$2 billion in value, and it's been recognised as the number one brand in Canada – thanks to our employees.

In my remarks today, I will explain how TELUS' winning strategy, coupled with our courage to innovate and disciplined focus on investing in our core business as a pure plate telecom company has:

- Positioned your company at the forefront of technology leadership in broadband IP networks, enabling cool solutions from 4G wireless devices, to Optik TV, to innovative healthcare applications that are going to help us answer the greatest social challenge of our lifetimes.
- It's also positioned your company at the forefront of all of our global peers with respect to the ongoing creation and the leadership that we've achieved in shareholder value.
- And importantly, it's also positioned your company at the forefront in helping build healthier communities, resulting in TELUS being recognised as the most outstanding philanthropic corporation in the world, the first Canadian company in history to be so honoured.

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Today, it's my privilege to report on TELUS' first quarter results. I'll also talk about our dividend growth model and set out our 2011 corporate priorities.

TELUS' progress can be attributed to our team's relentless focus on the six strategic imperatives that have guided the journey of this organisation since it first took shape back in 2000.

Our execution of this strategy has resulted in a remarkable transformation of our company over the past decade.

TELUS has expanded its wireless and data revenues from 28 per cent back in 2000 to 75 per cent today, with a full one third of our revenues emanating from Ontario and the province of Quebec.

Importantly, over the same period, our total revenue has grown by 65 per cent.

These accomplishments, in my view, clearly demonstrate the TELUS team's success in driving our national growth strategy and the ambitions that we bring in the hearts and minds of our clients.

The chart before you is pretty interesting. It shows TELUS' performance in respect of total shareholder return compared to our incumbent peers all around the world and it's an exhaustive list.

Using the year 2000 as our starting point, this chart illustrates how TELUS' returns, which include share price appreciation and dividends, have outperformed all of our global peers over the last five to 11 years.

To date, TELUS has generated a 113 per cent total return for our shareholders.

Notably, as well, your company has a longstanding track record of achieving its publicly stated targets that are demanding, but also very realistic.

In 2010, TELUS was successful in meeting three out of the four public financial targets that we set with the investment community.

Since 2001, your company has met or exceeded 77 per cent of the 48 targets that we've set publicly with investors.

TELUS also stands apart from our global peer group as a result of the strategic investments that we make in world leading technology, in respect of our leading wireless and wireline broadband networks.

Just two years ago — just two years ago — we took the risk to make a company-defining investment in new technology at a time when our global peers were scaling back in the face of the economic recession.

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TELUS did the opposite of the conventional.

We knew, having already invested \$82 billion in Canada over the last decade, including \$20 billion right here in Ontario, that our purchasing power would stretch further during a recessionary environment.

Leveraging this enabled your company to secure new technology at favourable costs while the competition was standing still.

TELUS built Canada's fastest, HSPA+ coast-to-coast network, covering more than 95 per cent of the Canadian population.

To put the scale of this 2009 investment into context, TELUS was one of only 17 companies — out of 600 on a worldwide basis — operating a 4G wireless network.

Today, our network remains one of the most advanced wireless networks in the world. This means Canadians can enjoy the fastest speeds, superior coverage and innovative services on the latest 4G wireless devices.

Without the power of this network, your iPhone or your BlackBerry would be merely a paperweight.

In contrast, let's take a look around the world. Let's take a look at the comparison with what we built here in Canada. The map before you shows the current 4G coverage in the United States, and it's clearly unremarkable.

Furthermore, there is no European comparison to TELUS' extensive coverage that TELUS enjoys right here in Canada.

On this slide, you can see the current sparse 4G coverage in Spain, Germany and Italy.

As well, interestingly, you can also see the non-existent 4G wireless coverage in France and the United Kingdom.

In fact, as shown on the screen, you could fit the entirety of Europe's 4G network coverage into just Western Canada in terms of its footprint.

Our 4G wireless network gives our customers the best choice of industry leading smartphones and tablets, including Apple, BlackBerry and Android wireless devices.

Despite the advanced state of our wireless networks, TELUS as an organisation and as a team is not standing still. We are permanently and as a collective, dissatisfied with the status quo.



TELUS is recognised as an industry leader in deploying IP technology, including Optik — our revolutionary suite of entertainment services delivered on our fibre optic network.

The increasing popularity of these application rich wireless devices is positively impacting your company's wireless data revenue growth and you can see it right there in our financial results.

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Your company has recently announced that a next generation, Long Term Evolution network is to be constructed later this year and it will be launched in early 2012.

This urban network build continues our strategy of technology leadership on a global basis, providing Canadians with the fastest and the most expansive mobile broadband services to be found anywhere on the planet.

TELUS and our team members are committed to playing a leading role in bridging the digital divide between urban and rural Canada so that all Canadians can benefit from broadband LTE technology and the applications that it supports for both consumers and businesses.

Realistically, the magnitude of this rural build can only come to fruition with a wireless provider of TELUS' operational capabilities, of TELUS' geographic reach, and, as well, TELUS' exemplary track record of delivering successive technology platforms across the Canadian landscape.

To support these plans, it is absolutely critical that the Federal Government to enable an equitable opportunity for TELUS to acquire 700 Megahertz spectrum in the auction that's set for late 2012.

TELUS also continues to prudently invest in wireline technology. We have two growth tenets at our organisation, looking to provide our wireline clients with increased coverage and ever faster broadband speeds for their at-home applications.

Through these investments, we are delivering unique customer solutions that are fuelling new revenue growth for our company that is better positioning TELUS against cable TV with a superior entertainment experience that we can deliver and also accelerating the roll out of exciting IP-based applications in today's world, infused with constant social networking.

TELUS is recognised as an industry leader in deploying IP technology, including Optik — our revolutionary suite of entertainment services delivered on our fibre optic network.



The 2010 launch of Optik TV with the advanced functionality of PVR Anywhere, has forever changed home entertainment. Clearly, this has distinguished TELUS positively from cable TV competition.

Notably, Optik TV clients were the first globally to be able to use the XBOX 360 as a digital set top box for TV.

Moreover, TELUS is also providing customers with the flexibility to manage their PVR by using Remote Recording on their smartphones when our clients are out and about on the move.

Furthermore, we recently introduced Facebook on Optik TV, enabling our clients to stay connected with their friends while they watch their favourite programs on their television.

Optik is certainly receiving excellent reviews from technology experts and customers alike, resulting in extremely strong adoption. This quarter TELUS TV surpassed 350,000 customers, up a notable 80 per cent from this time last year.

We now reach 2.1 million homes in British Columbia, Alberta and Eastern Quebec and our market share is growing at a pace.

Let's now turn to our first quarter 2011 results that are without a doubt distinctly positive. They reflect the efficacy of the strategic investments that this organisation has made over the past couple of years.

Let me start with our wireline results in Q1.

Wireline revenue was up two per cent to \$1.2 billion.

Although we continue to be challenged by maturing voice and long distance revenues, we are extremely pleased that Optik TV gains are now offsetting declines in legacy services.

Notably, growth in TELUS TV and High Speed Internet this quarter continues to outpace access line declines by a factor of two to one.

Encouragingly, access line losses slowed, down almost 50 per cent on a year over year basis.

Your company's continued success with Optik broadband does impact expenses however, due to increased cost of acquisition, installation, programming, and support systems for a rapidly growing client base that has expanded by 80 per cent.

Accordingly, wireline operating earnings of \$435 million dollars were lower by three per cent this quarter.

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As I highlighted in my annual report letter to investors, this was expected and is typical of the successful ramping up phase of a fast growing business.

Obviously, we owe it to our shareholders to continue our relentless focus on operating efficiencies, made necessary due to reduced margins in our legacy products and as well the investments that are required to grow our wireless and data business.

Your company has a proven historical track record in driving operating efficiencies successfully.

Since 2000, we have undertaken many difficult decisions, including reducing some 12,000 staff positions that contributed \$1.4 billion in cumulative savings.

During the recent recession, TELUS moved proactively to augment our efficiency efforts, introducing innovative cost reduction programmes that were very necessary.

For example, your company believes in moving information and ideas instead of people, vehicles and paper.

To this end, TELUS has introduced TelePresence – a super High Definition, video conferencing technology, that mimics an in-person, ‘face to face’ meeting.

We have deployed TelePresence systems at 14 TELUS locations across Canada.

In doing so, we believe that we’ve enhanced teambuilding and as well, helped reduce annual travel costs by \$31 million dollars or some 46 per cent.

A second example of cost efficiencies is realising cost savings through real estate densification programmes.

Your company believes in moving information and ideas instead of people, vehicles and paper.

This is made possible by our Work Styles programme. Work Styles is a corporate initiative designed to enhance productivity, reduce our environmental footprint and increase team member engagement.

Going forward, our goal is to have 30 per cent of our TELUS employees resident in our TELUS buildings.

We also have a goal to have 40 per cent of our TELUS employees working on a mobile basis; and finally, we expect 30 per cent of our team members working from home.

We owe it to our shareholders to continue our relentless focus on operating efficiencies.



A third example of our efficiency programme is implementing new policies and process efficiencies in TELUS' procurement and supply chain function.

By leveraging best practices in vendor management, we've saved an impressive \$222 million in operating and capital expenditures in 2010 alone.

Continually improving our operating efficiency is without a doubt a necessary way of life for the TELUS organisation. It enables our company to compete effectively in a competitive market that is extremely intense and challenging.

It also allows us to fund future growth and return cash to securities holders in terms of our responsibility to make sure that our shareholders and our debt holders participate in the fruits of harvesting our successful strategies.

Turning now to our wireless business, revenue and operating earnings were both up 11 per cent. They were up 11 per cent to \$1.3 billion in terms of our revenues and \$551 million in respect of our operating earnings.

This robust growth from our wireline business can be attributed to three factors:

- Firstly, continued customer growth with your company surpassing the milestone of 7 million wireless customers.

Despite unprecedented competition in our market and the reduction of 16,000 wireless customers from a federal government contract, TELUS delivered solid postpaid net additions of 52,000 clients this quarter.

- The second factor is the acceleration of smartphone adoption. Smartphones now represent 38 per cent of TELUS' postpaid base and growing.
- Finally, the third factor is data revenue growing at 44 per cent on a year over year basis, stimulating significant increases in ARPU. For the second consecutive quarter, ARPU was up on a year over year basis. In this case, in respect of Q1, up 3.7 per cent on a year over year basis.

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Moving now to the consolidated level for the TELUS organisation, revenue increased by 6.5 per cent on a year over year basis and as well, we've experienced \$2.5 billion of growth, emanating from the double digit wireless and data growth performance which more than offset secular declines in voice revenues in respect of the legacy parts of our business.



Furthermore, operating earnings increased by 4.6 per cent to \$986 million with underlying Earnings Per Share increasing by a healthy 14 per cent to 97 cents this quarter. Both of those results exceed the expectations of the investment community.

Let's now turn to 2011 and our corporate priorities including our financial targets ... with some good news for our shareholders.

As illustrated on this slide and as set out in our annual report, TELUS' priorities are designed to advance the company's national growth strategy.

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Based on our positive first quarter performance, we are reconfirming all of our financial targets for the full year of 2011.

A major step towards achieving these priorities is the tentative collective agreement that TELUS and the Telecommunications Workers Union achieved in early April.

This agreement was made possible through a professional negotiating process that has set the stage for a constructive relationship into the future between TELUS and our union.

We believe this collective agreement is a progressive contract that reflects our competitive marketplace and balances the needs of our team members, our customers and our shareholders.

The Telecommunications Workers Union is recommending ratification to their members and we expect the vote will be complete with a positive outcome in early June.

Let's move now to the topic of shareholder returns.

As a result of generating strong cash flow in the last decade, TELUS has accomplished two goals that at many companies are actually mutually exclusive.

We have consistently invested capital prudently in future growth opportunities whilst simultaneously returning significant amounts of capital to our investors.

Over the last eight years, by way of example, TELUS has delivered eight increases in your dividend and paid out \$4 billion, consistent with our dividend growth model.

Furthermore, from 2004 to 2008, TELUS repurchased nearly 60 million shares for some \$2.8 billion.

Overall, for the eight years ending 2011, TELUS will have returned \$6.8 billion to shareholders, or some \$21 per share.



In this vein, we are announcing today a 4.8 per cent increase in our dividend.

Today's dividend increase is the third dividend increase in a 12 month period.

Moreover, after conferring with our Board, I am also pleased to be able to provide shareholders with additional clarity on our intentions regarding your company's dividend growth model.

Specifically, TELUS intends to continue with two dividend increases per year from 2011 through 2013, we expect to declare — announce if you will — these increases each May, consistent with our AGM and November, consistent with Q3 results.

In keeping with my personal goals and the three-year targets that I've set for the organisation to achieve in respect of earnings per share and free cash flow growth, TELUS is targeting annual dividend increases of circa 10 per cent from 2011 through to 2013 time period.

This is consistent with our dividend payout guideline of 55 to 65 per cent of sustainable earnings from the TELUS organisation.

Of course, actual dividend declaration decisions will be taken each quarter by the Board and they'll be subject to the financial conditions as judged by the Board at that time.

TELUS' track record exemplifies our consideration of the interests of not just shareholders, but also debt holders.

This includes maintaining a strong balance sheet, prudent leverage targets and honouring our long-term financial obligations.

Your company enjoys strong investment grade credit ratings, ensuring that even during the worst of the recent recession, TELUS enjoyed continuous access to the capital markets.

The last year and a half was certainly notable in this regard, as we refinanced early, \$2 billion of debt that was to mature in June of 2011.

The fact that we refinanced this debt at a rate of just over 5 per cent, means that we will generate more than \$65 million of annual interest savings in the years ahead.

Let me conclude and draw inference from what our strategic investments and wireless and wireline, what our operational performance and financial guidelines means for our investors.

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Based on our long-term investments and, most importantly, the strength of the TELUS team, I am personally convinced that TELUS has the opportunity to deliver excellent financial performance in the coming years.

I am confident that your company has the potential to generate low double digit increased growth in terms of annualised earnings per share and do even better than that in respect of free cash flow. This would, of course, exclude any one time items such as spectrum purchases.

Achieving this opportunity in my view, should serve investors well and support the dividend growth model that I just postulated.

In closing, I would like to thank our securities holders, our customers, from the heart, I would like to thank all of our team members, and, as well, our retirees for the generous support and commitment that they've afforded this organisation.

Thank you so much.

I will now turn the session back to Brian.

Closing the AGM

Thanks Brian.

TELUS' winning national strategy, with a focus on the growth tenets of data and wireless, continues to position your company favourably.

This was clearly evident in the strong first quarter results that I shared with you today.

We remain committed to innovation for creating long-term value for our customers, our investors, our team and our communities.

I will now turn the meeting back to Brian.



Conclusion

Thank you, Brian.

Karen, maybe you could bring up the slide while I'm talking in terms of TELUS' ranking in the world over the 2000 and 2011 period and how we've done over the last five to 11 years.

I guess one of the things that I would like to leave you with as we conclude this particular meeting is that TELUS is an organisation with huge momentum. This is a fantastic time for our organisation. If you think about what we are achieving in terms of our share price appreciation, our stock is up 50% since January 1, 2010 and we are significantly outpacing the TSX and our competition in this regard. Our first quarter results are extremely strong and we have a lot to be proud of as an organisation in terms of both our financial and our operational results and when you achieve results like that you can distil the root cause down to two things that I would like to recognise here today. Number one, you only lead the world in areas like financial returns, or technology leadership, or our brand, or giving back to our communities, if that's the will of the people. At the end of the day, you only deliver the best results, whether it's to the investment community or implementing new technologies, or giving a helping hand to a citizen, if you actually have the best people and I believe in my head and in my heart that the TELUS team is the very best organisation that you're going to find in global telecommunications and I believe these empirical results prove unequivocally, that supposition.

We have a responsibility as an organisation, as a collective and as human beings to give back and make those communities a better place to live.

The second thing at the end of the day is you can only achieve results like that if you're supported by your customers and for me, expressing appreciation to our clients and what they do for us is extremely important and I want to say thank you for their support.

The message that I'd like to conclude with is to say the same way our customers support us, I believe that TELUS has a symbiotic relationship with our communities. We have a responsibility as an organisation, as a collective and as human beings to give back and make those communities a better place to live, particularly for those people who are less fortunate than ourselves and we've done that in spades.

To be recognised as the most philanthropic organisation in the world by a US-based organisation and to be the only Canadian company in history to be honoured with that distinction is one heck of an achievement for the team members of this organisation.



Yes, numbers are important and yes, we've given nearly a quarter of a billion dollars as an organisation back to our communities to help with education and to help with healthcare, to help with sports, art and culture, but the far more important statistic is the four million hours of volunteer time that our employees have given. There's not an organisation on the planet that can match the amount of volunteering that this organisation does.

Perhaps at the end of the day, it's much more profound to give with your heart, your hands and your soul than it is with your cheque book. I am so proud what we've been able to achieve as an organisation in that regard.

So because of you, I believe fervently and I am supremely confident that the future is friendly. This is the greatest momentum that we've ever enjoyed in eleven years. It seems these days that we keep moving from strength to strength to strength and that's a wonderful thing for the company to enjoy and at the end of the day, you should enjoy it, because I can tell you, you damn well earned it.

If along the way, we can remember to *give where we live*, I think it makes it all a really beautiful thing.

Thank you very much.

