



Remarks by Darren Entwistle | President and CEO, TELUS

TELUS 2012 Annual General Meeting

Wednesday, May 9, 2012

Good morning. 2011 was truly an exceptional year for the TELUS organisation and our investors. Indeed, your company is positioned for tremendous growth, achieving a number of leadership milestones throughout 2011, and again, we see the momentum carrying through into the first quarter of 2012.

Additionally, we are experiencing meaningful progress on our number one corporate priority, which is to be the most recommended company in the hearts and in the minds of our customers. Your company's remarkable accomplishments can be truly attributed to our team member's relentless focus on our winning growth strategy, that is truly propelling us to industry leading success.

Thanks to our team's skill and their passion, the passion that they have to win in the marketplace, to serve our clients and to grow our company, we are experiencing the best momentum in the 12 years that it's been my privilege to lead this organisation. Momentum, momentum which includes industry leading operational and financial results in 2011, that helped raise our share price by 26 per cent. A global best in class achievement for an established telco.

Impressively, TELUS is recognised worldwide for our leading economic performance, with 40,000 team members consistently delivering the best total shareholder returns amongst global telecoms. Since 2000, your company's total returns have outperformed each and every one of our global peers over the last 5 years, 6 years, 7 years, 8 years, 9 years, 11 years, 12 years and 12 years plus, delivering a 162 per cent total shareholder return. Wow.

And we didn't just win by nipping our peers at the post. Impressively, we surpassed our second-place peers by an average of 34 percentage points per annum. Furthermore, over



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the past 28 months, your company generated a 92 per cent shareholder return, once again leading our global counterparts. Indeed, by comparison, over the same period, your company's shareholder return outperformed the Toronto Stock Exchange by a remarkable 81 percentage points. And as well, outperformed our global peer group by 76 percentage points.

The momentum we are experiencing, in my estimation, is thanks to our team members, their skill, their dedication, their desire to win. Look at what we've achieved together. We've delivered ten increases in our company's dividend over the last nine years, paying out and returning \$4.8 billion of cash to our shareholders. When including share repurchases, TELUS has returned \$7.6 billion to our investors, or some \$23 per share. Moreover—go ahead.

Continuing in that vein, well, this February we announced a \$0.03 increase to the dividend, to \$0.61, payable this July. Importantly, this represents a 10.9 per cent increase from one year ago. This reflects our unique dividend growth model that I first announced at last year's AGM. At that time, we committed to our shareholders, that we would deliver two dividend increases per year, to the end of 2013, of circa 10 per cent per year.

This is consistent with my personal three-year goal of delivering double-digit growth in terms of net income and free cash flow expansion. Furthermore, our team's industry leading track record includes, meeting or exceeding 77 per cent of 52 consolidated financial targets that we have set publicly with the investment community since 2000. Your company's long-standing record of success in this regard, carried through into 2011, when we successfully met another three out of four targets that we set publicly with the investment community.

TELUS stands apart. We stand apart from our peer group, as a result of our strategic investments in advanced technology. Edmonton knows that well. And this has earned our company the distinction of being the world's fastest growing IP TV provider.

Let's have a look at the stats for the world's fastest growing IP TV provider. In 2011, we added 200,000 new TV customers, surpassing the half a million client milestone. In the first quarter of this year, despite competitive pressure, we added another 44,000 clients, increasing our customer base by 54 per cent from a year ago. Notably in 2011 and again in Q1 2012, we are the industry leader in TV customer additions, amongst all Canadian cable companies or telecommunications operators.

Optik TV, thanks to the hard work of our team members, is now available to 2.3 million homes across Alberta, British Columbia and Eastern Quebec. And our market share, well, it continues to grow admirably. It was here in Edmonton that a team of about 100 innovators, designed and built our ground breaking IP TV technology and service. Today, our Optik TV applications offer portability of content, from your living room to your smartphone to your tablet. And as well, we give you the ability to use your TV to network on Twitter or Facebook, while you're simultaneously watching your favourite TV show.



Additionally, Optik apps, including PVR Anywhere and Remote Record, are further enhancing the entertainment experience for our clients, and winning us more customers along the way. I'd like to take this opportunity to express my sincere gratitude to our dedicated team members across the entire TELUS organisation, and as well, for those here in Edmonton and in the room with us today.

On behalf of the TELUS board of directors and from the bottom of my heart, I want to thank you, our team members, for the exceptional efforts that you've delivered, to achieve the results that we've achieved and to have established the momentum that we have in the marketplace today, that has truly led us to be in an industry leading position.

In totality, the tremendous success of Optik and as well our large enterprise and public sector contracts, have resulted in industry leading, double digit, data revenue growth in 2011 and again in the first quarter of 2012, in our wireline business. This momentum can also be attributed to our industry leadership in high speed Internet growth in 2011, and through the first quarter of 2012. Over these past five quarters, we've added 91,000 high speed clients, representing an industry leading 8 per cent increase in our customer base.

Remarkably, in an age plagued by landline attrition, we were also the North American industry leader with the lowest rate of accessed line losses in 2011. Indeed, TELUS is one of the few established telcos globally, that realised positive total wireline growth in 2011 and again in the first quarter of 2012, recording revenues of \$1.25 billion. Our momentum also extends to our wireless performance. Including leading the Canadian industry with the most post-paid customer net additions in the first quarter of 2012, with 63,000 net client additions.

In 2011, we were the industry leader in revenue and the industry leader in operating earnings in terms of the growth that we delivered, compared to our wireless peers. We've continued our leadership position this quarter, with best in class growth that is up 6 per cent on the revenue front, and operations earnings growth that is up 13 per cent. This has been driven by industry leading wireless data growth, in 2011 and again industry leading wireless data revenue growth in the first quarter of 2012, at some 36 per cent.

Incredibly, since 2000, your company has expanded its wireless and data revenues from 28 per cent to 78 per cent of our total revenue base, with 60 per cent of our revenues emanating from Western Canada. This is indeed a representation, a strong testament to the efficacy of our winning strategy.

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TELUS' average revenue per client now stands at the highest in the nation. Additionally, thanks to the hard work of our team members, we realised the lowest churn rate in both 2011 and again in the first quarter of 2012. And as a result, not surprisingly, generated the highest lifetime revenue per customer for our company, compared to our peers.

Client retention, it's in the hearts and minds of our team members. And it's a leading indicator of our company's progress towards our goal of being number one in terms of the likelihood of clients recommending our services, compared to the other choices that they have in the marketplace. Clearly, clearly, our team members are making the difference. How? By putting customers first, in their hearts, in their minds, in their actions. Driving the right outcomes for our clients.

This past February, thanks again to the expertise and the determination of our team, TELUS launched our next generation wireless LTE network in 14 urban centres across Canada, including right here in Edmonton. As we speak, TELUS is expanding our LTE 4G wireless network across Canada, increasing the coverage, to reach even more Canadian citizens with our technology and its capabilities.

Indeed, in my estimation, it's the TELUS team that's playing a critical role in bridging the digital divide in our country. The digital divide between urban centres and smaller communities. Bridging the digital divide to do what? To improve access to education programs. To drive economic development. And critically, to spread the availability and transmission of critical healthcare information.

The continued strong execution of our broadband strategy, is reflected in our first quarter consolidated results, that TELUS has released today. Total revenue increased by 4 per cent year over year, to \$2.6 billion. Operating earnings, quite a milestone. Quite a milestone. Operating earnings exceeded, for the first time in TELUS' history, \$1 billion in the first quarter of this year.

That's not enough. Earnings per share increased by 6 per cent, to \$1.07, a first quarter record for your company. And impressively, we also increased free cash flow, a critical measure as to the value of our company and our future prospects. Well, we increased free cash flow on a year over year basis by 121 per cent in the first quarter of 2012 versus 2011. Wow. What an achievement. Based on these results, not surprisingly, we are reconfirming your company's financial guidance and the financial targets we have set for 2012 and the ones that we now intend to deliver on.

Let me now conclude. Based on our strategic investments, we have the opportunity to build upon the hard earned momentum realised by who? Our team members, that's who. To deliver excellent



operational results and as well, excellent financial performance in the coming years. And continue to be the industry leader on a global basis. The confidence that I have in our future success, is underpinned by our company's overall improvement in team member engagement, up 1300 basis points to 70 per cent.

This exceptional results positions us as the first company ever of our size and of our composition, to rank amongst the globe's best employers, building on our unequal track record as a global leader. Furthermore, I believe that through 2012 and indeed beyond, your company will remain at the forefront of our global peers. We like being in the lead. We like looking at our peers and our competitors in the rear view mirror.

How are we going to get that done? How? By every single member of the TELUS team putting customers first in our culture, customers first in our investment priorities and customers first in our operational decision making. On behalf of our board, the leadership team of this organisation, I pledge personally to continue creating long-term value for our investors, our customers and critically, in terms of the emotive bond that TELUS has, creating value for our communities. Let me now turn the session back to Brian. Thank you.

Conclusion

As was previously announced by Brian, it is indeed unfortunate that US hedge fund caused us to withdraw the resolution to convert our shares to a single class and all the benefits that we would derive from it. This is particularly disappointing, given this hedge fund's sole objective was to derive a short-term economic profit, regardless of the negative impact on TELUS' true long-term shareholders, many of whom are in the room today.

TELUS employees collectively own 8.2 million common shares, making them, our employees, the largest owner of common shares. Now listen carefully. The value of our team member's investment in TELUS, is approximately 20 times greater than Mason Capital's net economic interest in TELUS. Paradoxically, Mason, the US based hedge fund, has four times the voting power of our employees. It just doesn't seem right does it?

Sometimes in a world of complexities and regulation, or the lack thereof, you want to revert to first principles. Kind of what your parents told you about right and wrong. And I got to tell you, my father would think that this is just wrong. To have this magnitude of vote with a negligible economic interest and prejudice the interest of true shareholders. It's just wrong. Whether it's prevented by regulation or not, it's wrong.



To the team members here today and to those of you watching the webcast across the country, I want to express my deep gratitude for your overwhelming support of this proposal. You have once again demonstrated the tremendous spirited team work that's a hallmark of our organisation. That has elevated our company to its global leadership position. I would ask please, respectfully, that our team members here with us today, please stand to be recognised. Stand please, right now.

I want to recognise you for the passionate support that you afforded us on this proposal, through the votes that you cast and as well, the fact that you've earned a better outcome. Those are your shares, and the way you got those shares, was through your service and your dedication to our organisation. And you shouldn't be disadvantaged by an interloping US based hedge fund that's purely acting in a self-serving fashion.

It is disappointing, given the stringent oversight our company is subject to, that the US based hedge fund, Mason Capital, was able to action empty votes in order to manipulate the market for short-term financial gain. Empty voting is a troubling and disgraceful practice, that gives a hedge fund considerably more votes than its economic interests warrant. These hedge funds purchase shares to vote them, whilst simultaneously selling short a similar number of shares in the same company, to hedge their economic exposure.

Importantly, the Canadian Coalition of Good Governance has publicly condemned empty voting. Moreover, they fully support the one share, one vote principle, consistent with the approach that TELUS is taking. Mason Capital's strategy is particularly disconcerting, given that they accumulated their large ownership position only after our February 21st announcement. And they're certainly not here for the long haul, unlike our team members and our true committed long-term shareholders.

In fact, leading independent proxy advisor, Glass Lewis, stated publicly they were troubled by the brief period in which Mason has had an investment in our company. Indeed, Glass Lewis went on to state that the simplified share structure, the single class that I've alluded to, and the improvement in corporate governance that would engender, would have been in the best interests of both common and non-voting shareholders.

Importantly, our position was further validated by Institutional Shareholder Services, or ISS. Collectively, these leading independent proxy advisory firms, issued a total of four recommendations, supporting our share conversion proposal and rejecting Mason Capital's position in respect of this matter. Clearly there are improvement opportunities that need to be addressed, that must be

“A survey from Ipsos Reid revealed that 55 per cent of Canadians are tracking their medical history on paper, and one out of four people track their history by memory, or not at all.”

– Darren Entwistle





addressed if we are to protect the interests of long-term shareholders and the ability of companies to progress their strategies.

Our proposed structure intended to align your company with corporate governance best practice. It would have realised a number of benefits, including the enhanced liquidity and marketability of our shares, and as well, an improved share value through trading. Indeed, since the announcement, your common shares increased in value by 4 per cent. And the non-voting shares increased in value by 5.9 per cent. Conversely, over the same period, the Toronto Stock Exchange is down 7.3 per cent, and our peer group as measured through the Morgan Stanley Capital Index, is down almost 1 per cent.

I'll say that again. Since we made the announcement on the 21st of February, through to yesterday, our voting stock is up 4 per cent, non-voters up 5.9 in a down market, with a TSX down 7.3 per cent and our peer group down almost 1 per cent. To me, that's a validation. That's the market speaking in favour of what we're trying to do.

I think our true shareholders do recognise these benefits and that comment is buttressed by the empirical results we've seen in our share price. When excluding Mason Capital shares, our proposal would have been overwhelmingly improved by both classes of shares, with 92.4 per cent support. Back to my father's version of right and wrong. How can it be that 92.4 per cent of our investors vote in favour of a resolution, and they can't carry the day? Just seems to be wrong.

Hopefully my remarks earlier this morning which reflect our industry leading financial and operational results, are indicative of our company earning the loyal support of our shareholders. Because I do think we've earned the loyal support of our shareholders. How? By generating 162 per cent total shareholder return since 2000. By returning \$7.6 billion or \$23 per share, since the end of 2004 till today. By achieving a 74 per cent share price increase over the last 28 months, outperforming the Toronto Stock Exchange by 69 percentage points. By committing to, both professionally and personally, to two dividend increases per year, to the end of 2013 of circa 10 per cent per annum.

Although the motion to convert all shares to a single class was withdrawn, the board and I remain united in our intent to convert to a single class and realise a better governance structure for the future. Conversion will occur on a one for one basis, as it is the right model for all of our committed shareholders. Your company continues to be well positioned to take advantage of future



opportunities, as we pursue together, as a collective, our growth strategy. Putting customers first in our heart and our minds and reflecting it in our actions when we're in front of the client. Indeed, we as an organisation, thanks to our employees, are an award winning team, unprecedented in that regard.

TELUS has been honoured as having the number one brand in all of Canada. A brand that today is valued at \$3 billion. We've been recognised by Branham 300 as the number one Canadian healthcare technology company for 5 consecutive years. We've been named to the Dow Jones Sustainability World Index, which ranks the world's top economic, environmental and social leaders. And we've been there for nine consecutive years. Nine consecutive years. A feat unequalled by any cable company or telecommunications operator.

Indeed in this regard, we were also named as one of Canada's greenest employers in 2012. In respect to people practices. Our company and our team members have been recognised as one of Canada's top ten most admired corporate cultures, by Waterstone Human Capital for the past three years. Moreover, we received the Global Diversity Leadership Award from Diversity Journal. And we've been selected as one of Canada's best diversity employers for four consecutive years.

We are one of only six companies in the entire world, to receive six best awards for global leadership in learning and development, from the American Society for Training and Development. Finally, we have the best employee recognition program in the world, according to Recognition Professionals International. That's quite a list.

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Perhaps, Dr. Westbury, perhaps most meaningful of all for our team members, is the fact that TELUS is the first Canadian company to be named the most outstanding, philanthropic corporation on a global basis, by the Association of Fundraising Professionals.

Indeed, we continue to be worldwide leaders in philanthropy, building a remarkable legacy, a good chunk of which started right here in Edmonton. Working for the benefit of our communities, the communities where we live, work and serve. Recognising that in order to do well in business, we must do good as a collective within our communities. Since 2000, TELUS, our team members and retirees have donated \$260 million and volunteered, perhaps more importantly, 4.2 million hours of their time. Volunteered with their hearts and their hands, to make a difference in the lives of people less fortunate than ourselves.

Going out and with their efforts building more sustainable communities in our country. And before I go to this video, I would



be remiss, because I was here in 2005 with my very, very, very good friend Dr. Bob Westbury, who's chaired the TELUS Edmonton Community Board over many years and has done fantastic things. But perhaps most importantly of all, the TELUS Community Board, which was our first, built the model that we have rolled out, not just across Canada, but around the world.

And we as an organisation now have 14 community boards, 11 in Canada and 3 internationally, doing absolutely wonderful things to help education, help health, displace poverty, address issues that are sometimes uncomfortable, such as mental health. And we've done it in a way where the decisions are made on a local basis through our community boards. Because they understand how best to spend the money to get the social outcome that we're desirous of.

And the sense of equity that they feel when the giving is affected locally, is absolutely unsurpassed. And as a result, the social outcome that we so desperately want, is more likely to come to fruition. And last week Dr. Bob Westbury was recognised with something that is very, very, very rare, and that's the Alberta Order of Excellence. And I think—can think of no one Sir, that is more deserving than yourself. Will you please stand to be recognised Bob.

Very expensive being friends with Bob because he steals my tie all the time. I'd like to now close and share this video with you, which highlights the selfless efforts of our colleagues and our friends, in building healthy, strong and sustainable communities in Canada. And as beautiful as this video is, and it's great to listen to KD Lang and see what our team members and what our retirees have done. I'll tell you what, you can never capture on film, just how much the TELUS team members and our retirees and our partners and community leaders, like Dr. Westbury and Doug Goss, you can never fully capture on film, just how much they do and the difference that they make.

Thank you.



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